



MALTA
STOCK EXCHANGE

Annual Report 2017





Annual Report 2017

Malta Stock Exchange plc
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Malta Stock Exchange

as at 31 December 2017

Board of Directors

Chairman
Deputy Chairman
Directors

Mr Joseph Portelli
Professor Joseph Falzon
Dr Abdalla Kablan
Professor Tanya Sammut-Bonnici
Mr Steven Tedesco
Ms Marie Cordina

Company Secretary

Audit Committee

Chairman
Members

Mr Steven Tedesco
Mr Joseph Portelli
Professor Tanya Sammut-Bonnici
Mr Mark Caruana
Ms Claire Mula

Secretary

Risk Management Committee

Chairman
Members

Professor Joseph Falzon
Mr Joseph Portelli
Dr Abdalla Kablan
Mr Simon Zammit
Mr Alfred Sammut
Ms Marie Cordina
Ms Claire Mula

Secretary

Executive Committee

Chairman
Members

Mr Simon Zammit
Mr Alfred Sammut
Mr Alex Pace
Dr Robert Vella Baldacchino
Ms Marie Cordina

Secretary

Technical Committee

Chairman
Members

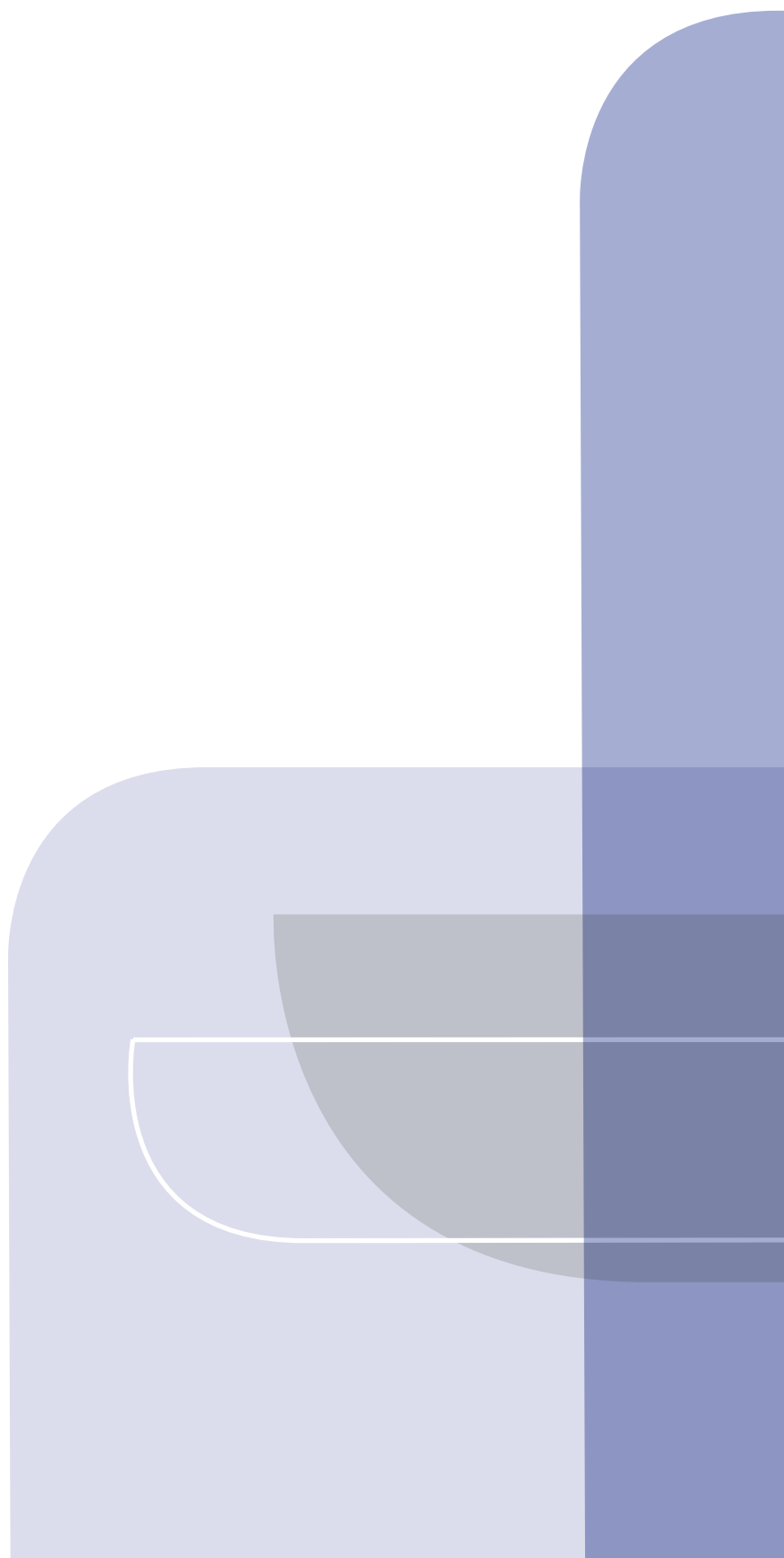
Mr Simon Zammit
Dr Elizabeth A Calleja Mousu'
Ms Marie Cordina
Ms Stephanie Galea
Mr Alex Pace
Dr Robert Vella Baldacchino

External Advisory Board

Chairman
Members

Mr Joseph Portelli
Mr Nick Calamatta, Calamatta Cuschieri Investment Services Ltd
Dr Nicholas Curmi, Ganado Advocates
Dr Karl Strobl, Ashima Fexserv
Mr Chris Vassallo, Proventus Recruitment
Ms Marie Cordina

Secretary



Letter of Transmittal

as at 31 December 2017

The Chairman
Malta Stock Exchange plc
Garrison Chapel
Castille Place
Valletta VLT 1063

28 May 2018

The Chairman
Malta Financial Services Authority
Notabile Road
Attard BKR 3000

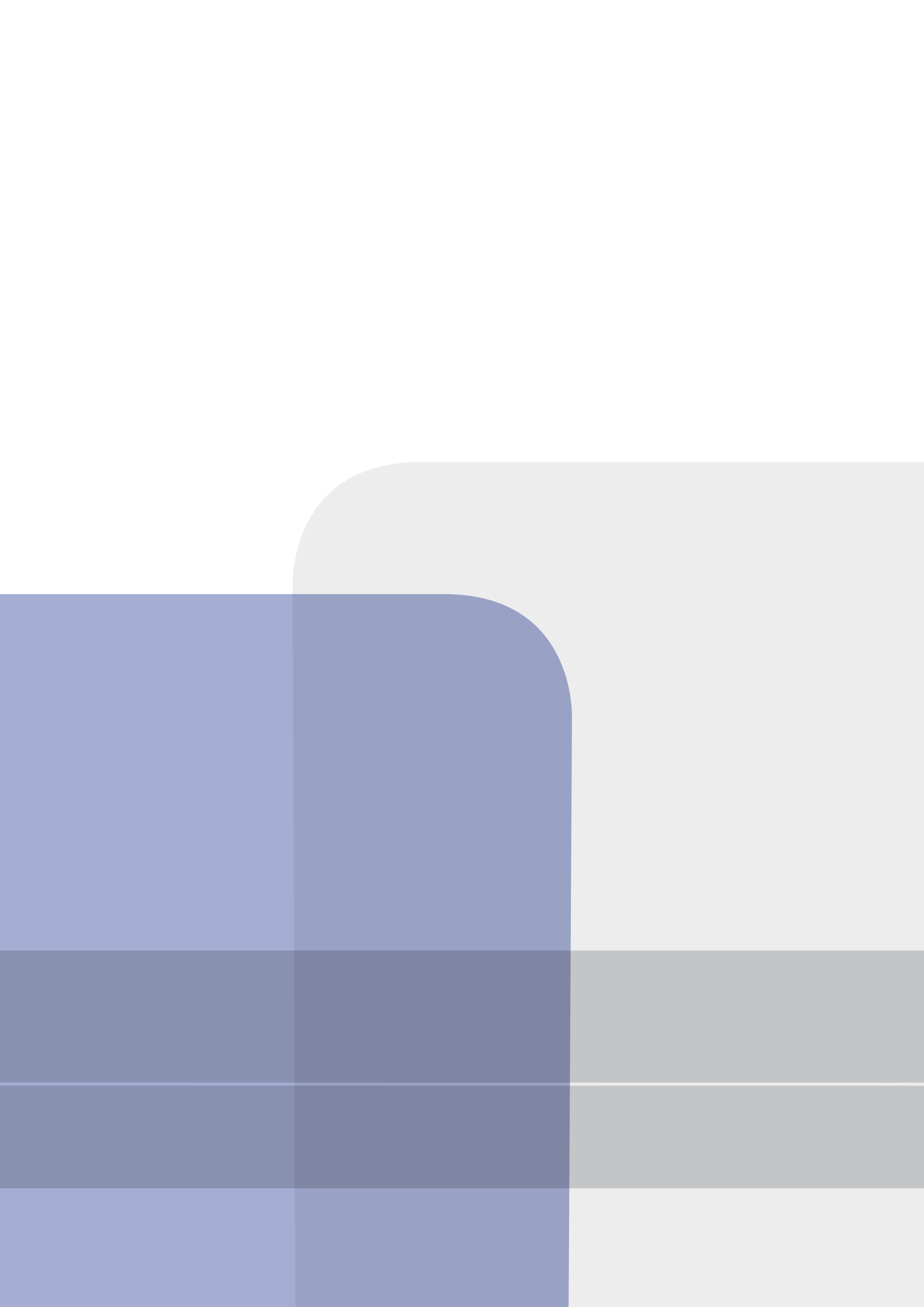
Dear Sir,

In accordance with the financial market rules stipulating financial requirements and financial reporting requirements applicable to regulated markets and central securities depositories, I have the honour to transmit the audited financial statements and the report about the Malta Stock Exchange activities for the year ended 31 December 2017.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Joseph Portelli', is positioned above the printed name and title.

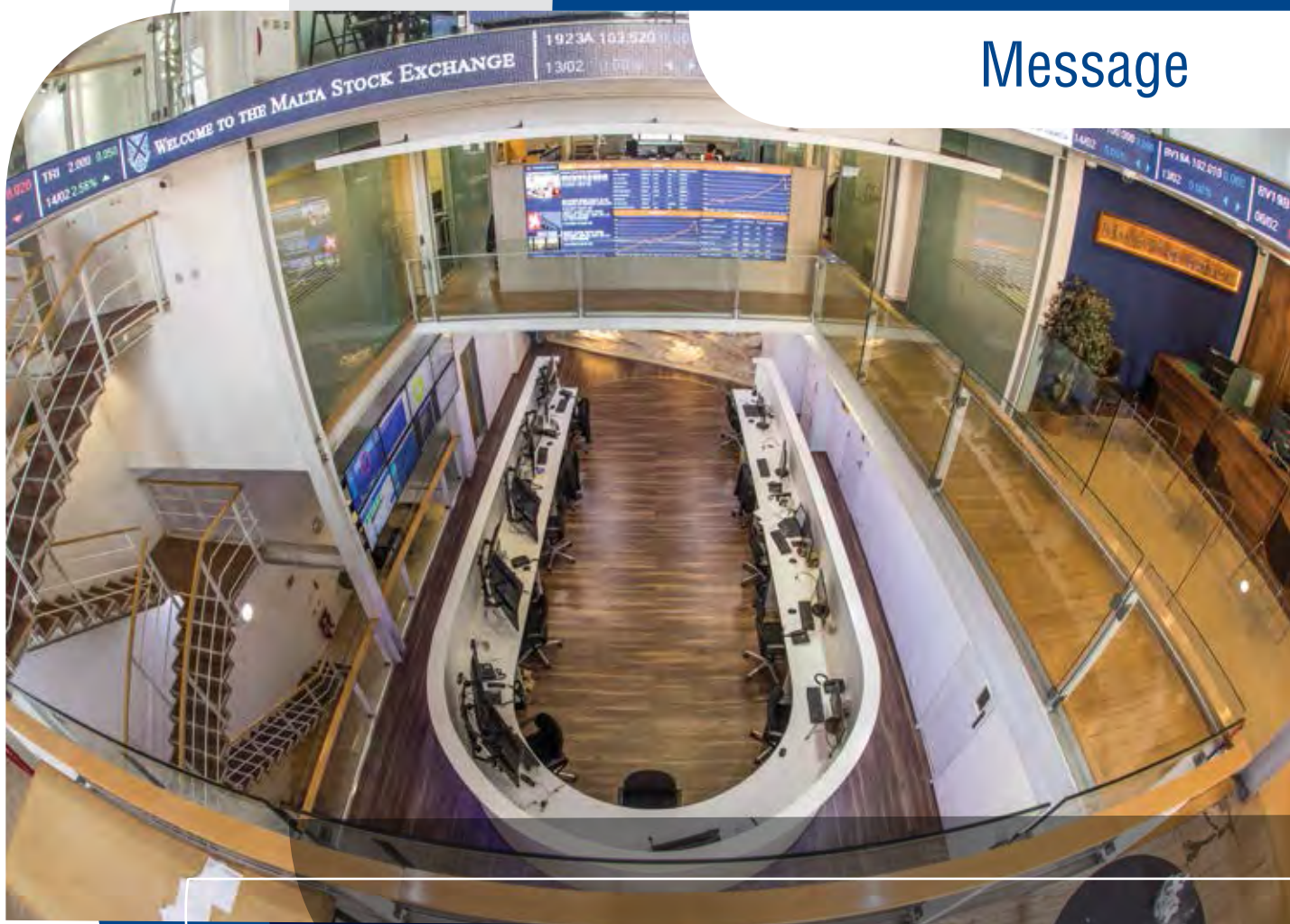
Joseph Portelli
Chairman



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Chairman's Message





Chairman's Message



I am very pleased to report that 2017 was another record year for the Malta Stock Exchange (MSE). We were very busy on several fronts and are many steps closer to finalising execution of the National Capital Markets Strategic Plan, a roadmap put in place in 2016 designed to modernise and grow our capital markets and the Exchange.

On the financial front, we posted a 4.3% increase in revenues and cut operating expenses by 2.4%, the second straight yearly drop which helped to contribute a 10.9% jump in operating profit. Despite a 41% plunge in turnover fees, due mainly to the European Central Bank's curtailment of its quantitative easing program, our after-tax net income rose by 3.2% on the back of increases in 14 out of 21 revenue streams and a continued disciplined approach to spending. Labour costs, the Exchange's largest expense, was flat for the year owing to some staff attrition.

Regrettably, trade volumes continue to come under pressure despite the MSE doubling its trading hours to a more respectful six hours trading session. We will continue to endeavour to increase trading activity and improve liquidity. We will also be revamping market making rules in the hope of attracting market makers to the Exchange. We also saw one new member firm added to the ranks of Exchange brokers, which now total 17. With regards to listing activity, 2017 was a record year with a total of 14 new equity and corporate bond listings coming to market. The Prospects MTF, the Exchange's new marketplace

focusing on listing small and medium sized companies (SMEs), saw seven new companies come to market, including the Exchange's second international listing. We also saw the Exchange approve seven new corporate advisors, totalling to 18. We believe that the Prospects MTF has good potential to grow further, particularly with an eye towards expanding international listings. However, we remain ever vigilant and are in the process of reassessing and strengthening current admittance criteria.

Last year we inaugurated two new business lines including the Institutional Financial Securities Market (IFSM), a regulated wholesale market geared towards the listings of securitised products consisting of asset-backed securities, convertible bonds, and insurance linked notes. For the first time in our history, the MSE is able to cater to the needs of institutional investors. With the addition of IFSM, for the first time the MSE can consider itself a full-service stock exchange catering to the needs of both retail and institutional investors.

On the training front we opened the Malta Stock Exchange Institute, a learning centre geared towards providing investors and professionals with continuing education. With over 600 students attending some 32 courses we look forward to the prospect of the Malta Stock Exchange Institute becoming Malta's leading provider of sound and affordable investment education.

In 2016, we created e-portfolio, the Exchange's first electronic portal allowing account holders secure online access to their accounts. Last year we added functionality such as allowing individuals to make personal data changes, update tax options as well as access to corporate action payment information. This service has been very popular allowing for client convenience while saving the Exchange thousands in paper and postage costs.

Last year, the MSE embarked on the second stage of its three-year refurbishment programme. Having occupied Garrison Chapel for some 18 years, the facility was in dire need of a major upgrade. The executive floor reception area was redesigned with specially designed film added to glass panelling and the boardroom was fully refurbished and given a more modern look. Moreover, another six large monitors sponsored by Thomson Reuters were assembled on the upper ground floor and three screens were added to the main board. The training facility was completely upgraded and rebranded as the Malta Stock Exchange Thomson Reuters Centre of Excellence, with 10 computer training stations added. The IT and operations facility were completely refurbished with a more modern look and brand-new state of the art technology added.

The refurbishment of the MSE's secondary site in Mosta was another project that the Exchange embarked upon. The site was transformed to form part of the Malta Stock Exchange Institute. The rooms were given a major face-lift and transformed into lecture rooms. The facility also serves as an emergency business continuity site in the event our main Valletta facility is in any way impaired.

On the business development, marketing, and PR front, the Exchange continued its strategy of promoting its brand locally and overseas. Many events were hosted at the Exchange during 2017 including numerous bell ringing ceremonies; iGaming, MiFID II and securitisation fora; events done in conjunction with 100 Woman in Finance and the Malta Association of Small Shareholders; and an art exhibition amongst other events.

We also introduced the Malta Stock Exchange Equity Total Return Index, the Exchange's first index reflecting reinvested dividends. We expect to release more indices in the coming year.

Malta is fast becoming one of the world's Fintech and digital asset centres of excellence bringing with it both opportunities and challenges. We will continue to actively explore opportunities within blockchain and study these opportunities.

Indeed, much of the Exchange's positive results and accomplishments in 2017 would not have been possible without the ongoing dedication of Mr Simon Zammit and Mr Alfred Sammut, our CEO and GM respectively. I would also like to thank our managers and staff together with my fellow board members for their continued support and encouragement. Thank you also to the Hon Minister for Finance Prof Edward Scicluna and his team for their continued wise counsel.



Joseph Portelli

Chief Executive's Report





Chief Executive's Report



For 2017, the Malta Stock Exchange (MSE) posted a record operating profit of just over €3.6 million, which is up by nearly 11% over the 2016 figures. Our profit before tax registered just over €3.9 million, showing an increase of 5.6% over 2016. The increase in profitability for 2017 was driven by improvements in existing operations and the ongoing strategy of varying the Exchange's revenue streams as well as by the continued drive to increase operational efficiency and drive down costs.

The MSE's performance for 2017 reflects the progress in strengthening different revenue streams that supplement the traditional main market trading and listing revenues. Building on our core competences and expertise in servicing the capital market, the Exchange has strengthened various areas that diversify these service offerings. A new section within the Exchange's structure has been created by primarily focusing on providing dematerialisation services for unlisted securities. These services have continued to grow and have generated record revenue in 2017. Throughout the year, the Exchange acted as registrar for several companies, issuing new financial instruments; thus, advancing the Exchange's market leadership for registrar services. Revenue from issuances of International Security Identification Numbers (ISIN) also continued to increase. In the latter part of the year, the Exchange signed an Agency Agreement with a leading operating unit to support the local financial services sector in procuring Legal Entity Identifier (LEI) codes. In 2017, the Exchange provided operational support to the Treasury Department of the Government of Malta during the issue period of the highly successful "62+ Malta Government Savings Bond".

In its first year of full operation following the launch in 2016, the Prospects MTF market has continued to grow; by the end of the year, a total of seven financial instruments had been admitted and 17 corporate advisors had been approved. The revenue generated from this market is encouraging and the projections for 2018 are also promising; thus, reinforcing our resolve to strengthen and grow this market in the future.

During 2017, the Malta Stock Exchange Institute also covered the first full year of operations and welcomed over 600 attendees to the varied courses being offered. The response about the high quality of the instructors as well as to the organisation and facilities provided has been encouraging. Our objective to make the Institute a successful and profitable learning centre is being achieved.

2017 ushered in a major milestone in our history with the extension of trading hours from closing at 12:30 and extending this to 15:30; thus effectively doubling the number of trading hours. Despite this development, the negative trend of decreased market trading volumes continued from 2016 throughout 2017 resulting in a decrease in turnover and stockbroker fees of €226,000, equivalent to a 39.6% decrease from 2016 revenue figures. Once again this was mostly attributable to a reduced interest in the Malta Government Stocks segment and the Central Bank's reduced intervention in this segment under the Eurosystem's Public Sector Purchase Programme. An increase in equity and corporate bond trading partially compensated for this decrease. Total market turnover for 2017 stood at €568.3 million, a decrease of 17.3% over the 2016 figures.

Market capitalisation at the end of the year stood at €12.2 billion, a slight decrease of 0.8% from the €12.3 billion value at the end of 2016. This change was largely attributed to the decrease in market capitalisation of €274.46 million in Government Bonds and a further decrease in Treasury Bills of €77.1 million as government revenue outpaced government expenditure during 2017; resulting in a lower issuance of government debt instruments. The total decrease was offset by an increase in the equities market capitalisation of €104.45 million and also an increase in market capitalisation of €156.33 million in corporate bonds.

Throughout 2017 the Exchange sustained its initiative launched in 2016 as part of the National Capital Markets Strategic Plan to increase listings through a listing fee discount incentive. Income from listing fees as well as registration fees has maintained the steady increase shown over the past few years with a combined increase this year of just over 6%. Indications for new listings in 2018 are also very promising and we expect to retain the same levels of revenue with numerous companies that are

expected to bring both equity and bond listings to the market. Combined with the existing pipeline of financial instruments preparing to list on the existing markets, we also expect to have several wholesale financial instruments being listed on the new Institutional Financial Securities Market (IFSM) launched in October 2017. Various local and international initiatives are planned for 2018 to further promote IFSM.

The past year has certainly been a busy period from a regulatory compliance perspective. In the Exchange's role as the National Numbering Agency, a major project was undertaken during the first part of the year to meet the 1 July deadline of adopting the new Classification of Financial Instruments standard (CFI – ISO 10962) and the Financial Instrument Short Name standard (FISN – ISO 18774). Another major project undertaken during 2017 was aimed at the fulfilment of the requirements of the EU Central Securities Depository Regulation (CSDR). The MSE finalised and submitted the necessary questionnaire responses and documentation in preparation for the application for reauthorisation of its CSD. Based on these, the regulatory assessment has commenced and will continue in 2018; and it is expected that the decision from the Central Bank and Malta Financial Services Authority (MFSA) on the reauthorisation of the CSD under the CSDR will be issued in 2018.

The whole year of 2017 was of course significantly influenced by the preparations for the new EU MiFID II directive and the MiFIR regulation which came into force on the 3 January 2018. In early November, the necessary changes to our IT systems were implemented in time for traders to perform the changeover and familiarise themselves with the new MiFID II compliant trading system of Xetra. Our technology and market operations teams were kept busy throughout the year while preparing and developing a completely new trade reporting system that meets the MiFID II pre- and post-trade reporting requirements. In full cooperation and with the continuous support of the MFSA Securities and Markets Supervision Unit, the new systems were successfully rolled over during the new year period to meet the 3 January 2018 deadline.

Despite the impact on costs brought about by these regulatory changes as well as the implementation of the various projects and events throughout the year which I invite you to read about within this report, we have managed to improve our gross profit margin. The organisational restructuring carried out throughout the year together with various other operational improvements and the continuous control of administrative costs have contributed to an operating profit margin of 50.8% compared to 47.8% in 2016.

I would like to sincerely thank the Chairman and Board of Directors for their continued support and dynamic and strategic vision for the Exchange. I wish to thank the management team and all my colleagues at the Exchange for their commitment and hard work towards achieving this strategic vision and for their support in the development of our Exchange.



Simon Zammit
Chief Executive

Administration Report





Administration Report



Governance

The Board

The Board of the Malta Stock Exchange (MSE) was reappointed for a period of two years on 22 April 2017. The Board is composed of Mr Joseph Portelli, Chairman; Professor Joseph Falzon, Deputy Chairman; Dr Abdalla Kablan, Director; Professor Tanya Sammut-Bonnici, Director; and Mr Steven Tedesco, Director. Ms Marie Cordina is the Secretary to the Board and Company Secretary.

The same individuals were also re-appointed as Chairman and Directors of the other two companies within the group, namely the MSE (Holdings) Ltd and CSD (Malta) plc.

Later in the year, Mr Joseph Portelli was appointed as Chairman of the newly incorporated Malta Stock Exchange Institute Ltd, a subsidiary of MSE (Holdings) Ltd whilst Professor Joseph Falzon and Mr Simon Zammit were appointed as Directors.

General Meetings

The Exchange's Annual General Meeting was convened on 28 April 2017. During this meeting, the shareholders unanimously approved the minutes of the Annual General Meeting held on 20 April 2016, the minutes of the Extraordinary General Meeting held on 10 August 2016, the appointment of the Directors, the

appointment of the Exchange's Auditors, the Directors' report, the Auditors' report and the audited financial statements for the year ended 31 December 2016. Furthermore, the shareholders approved an extraordinary net dividend of €2,000,000.

An Extraordinary General Meeting was convened on 31 October 2017 during which the shareholders unanimously approved an interim net dividend of €500,000 for 2017. During an Extraordinary General Meeting held on 27 December 2017, a final net dividend of €500,000 was approved.

Board Meetings

During the year, 10 regular meetings of the Board of Directors were convened, and a further ad-hoc Board Meeting was held to consider the group's financial statements for the previous financial year.

The Exchange's short-term and long-term growth strategy, domestic and international business development, and marketing and public relations were continually discussed during Board meetings.

Furthermore, discussions related to health and safety, human resources, operational and regulatory matters were ongoing throughout the year. During 2017, several promotions were approved together with a number of redeployments to address operational exigencies. Changes to the MSE's organisational

structure were also made to achieve a more horizontal structure whereby each head of office would report directly to the Chief Executive Officer or the General Manager.

The Board also monitored the implementation of several initiatives included in the National Capital Markets Strategic Plan (NCMSP) such as the extension of trading hours in April 2017 and the launch of the Institutional Financial Securities Market in October 2017.

Moreover, the Board approved the refurbishment programmes to the MSE premises in Valletta as well as those to the secondary site in Mosta.

Board Committees

The constitutions of both the Audit Committee and the Risk Management Committee were revamped to reflect changes to the company's organisation structure, recruitment, and redeployment. Throughout the year, these Committees provided very valid support to the Board in line with their respective Terms of Reference.

Audit Committee

The Audit Committee convened six times during 2017. This was in line with the decision taken by the Board during 2016 that the Audit Committee would start meeting on a quarterly basis with at least an additional two ad hoc meetings held throughout the year. In fact, the first ad-hoc meeting was held on 10 April to meet with the external auditors in relation to the financial statements audit carried out and the second was held on 20 December to consider the budget projections for 2018.

The main areas of focus of the Audit Committee were the review and analysis of the MSE's monthly and quarterly management statements, the monitoring of the MSE's investment portfolio together with making appropriate investment recommendations to the Risk Management Committee, the monitoring of trade debtors, and the analysis of the budget for 2018. The activity of the Internal Audit Working Committee together with any recommendations put forward were also considered and any necessary action was taken accordingly.

Risk Management Committee

The Risk Management Committee met three times during 2017. During these meetings, the committee discussed the management of the MSE's investment portfolio and the updating of the terms of reference related to the investment portfolio, and considered the recommendations received in relation to investments.

The Risk Management Committee reviewed and recommended the approval of the Risk Management Internal Capital Adequacy Assessment Process Report for 2016. The Committee also regularly reviewed the MSE's higher risk areas and monitored the

implementation of mitigating factors in relation to these risks.

Additionally, it was decided that the Risk Management Committee meetings would be held at least six times a year. The Board endorsed this recommendation during its 113th meeting held on 28 August 2017 and the bye-laws were amended accordingly.

External Advisory Board

During the External Advisory Board meetings, participants continued to discuss the NCMSP, especially the feedback received from stakeholders. The Chairman gave updates regarding the implementation of various initiatives included in the NCMSP particularly the creation of an institutional wholesale securities market, the Malta Stock Exchange Institute, new products, changes to operations such as the extension of trading times, and the possibility of using blockchain technology for trading, clearing, and settlement. The Advisory Board also discussed the Exchange's international business development strategy. In addition, the members of the External Advisory Board forwarded a number of recommendations regarding new areas of business and operational matters.

National Capital Markets Strategic Plan

Following the launch of the NCMSP in October 2016 and the subsequent consultation period, an updated version of the NCMSP was presented in January 2017.

This version of the plan included projected completion dates in respect of 23 initiatives, spanning a period of two years from January 2016 up to December 2018. Throughout 2017, the Exchange tried to implement and complete the projects earmarked to be concluded by year end.

The tax and fiscal incentives announced in the October budget speech were brought into force early in the year. These incentives allow companies admitted to the markets operated by the Exchange to benefit from a total or partial exemption from capital gains tax. Investors in such companies also benefit from tax refunds on dividends as well as tax credits under the Risk Incentive Scheme.

Additionally, in line with the NCMSP time frames, the Exchange focused on another two diverse areas, international business development and the Malta Stock Exchange Institute. Regarding international business development, the Exchange held a number of meetings with practitioners in Italy and North Africa while the Malta Stock Exchange Institute prospectus was launched in January 2017.

Another initiative listed in the NCMSP materialised on 18 April 2017 when the Exchange extended its trading hours. The MSE also launched the Institutional Financial Securities Market targeted for offers with minimum denominations of 100,000 euros nominal value.

A Blockchain Committee was set up to help the Exchange in its endeavours to explore the possibility of taking advantage of Distributed Ledger Technology.

Moreover, the associated fees were reduced to entice the admission of new equity and bonds. Undoubtedly, this is a factor

that will continue to attract new issuers to the market as the benefit will also apply for 2018.

It is expected that further projects will come to fruition in 2018, including the trading of ETFs and REITs, and the dividend reinvestment incentive scheme.

Extension of Trading Hours



Throughout the year, the Exchange strived to implement several broad-ranging initiatives as part of its effort to develop a more liquid market and promote greater efficiency for all stakeholders operating within the market.

One such development has resulted in a three hour extension to the MSE's trading schedule as of 18 April 2017. The new trading schedule from 09:30 to 15:30 has brought the MSE in line with the practice applied by other international markets.

The event was commemorated by a short ceremony during which both the Hon Prof Edward Scicluna, Minister for Finance, and Mr Joseph Portelli, MSE Chairman, addressed those present for the event. Among the guests were members of the Exchange as well as members of the Malta Association of Small Shareholders and the College of Stockbrokers.



Launch of the Institutional Financial Securities Market

On 18 October 2017, the MSE's third market, the Institutional Financial Securities Market (IFSM), was launched by a half-day conference held at the Exchange that was very well attended by the industry. The Chairman said that the availability of IFSM placed the MSE and the Maltese Financial Services sector on an equal footing with other international players with regards to competing for international business.

This new market is aimed at issuers seeking to issue securities that fall under the Wholesale Securities Market rules, the purchase of which will be eligible only to institutional investors. The minimum denomination requirement is that of €100,000. The securities admissible to listing and trading on the IFSM include asset-backed securities, debt securities, insurance linked notes, convertible debt securities, and derivatives.

ranging between introductory, intermediate, and advanced levels about various subjects, with most of the courses focusing on the financial services sector, risk, compliance, and management. These courses were run by professional and experienced lecturers, most of whom were longstanding practitioners. Overall, the Institute attracted over 600 attendees.

In addition, the Institute offered an Award in Securities Analysis and Portfolio Management accredited by the National Commission for Further and Higher Education (NCFHE) through the Malta International Training Centre (MITC). The Malta Stock Exchange Institute has applied for recognition as an Educational Institution through the NCFHE and will continue to develop its curriculum for 2018 through the launch of existing courses together with new short courses and more specialised qualifications.



Launch of the Malta Stock Exchange Equity Total Return Index

On 28 July 2017, the MSE launched the Malta Stock Exchange Equity Total Return Index (MSETRX). This new index covers the performance of the shares listed on the Regulated Main Market by factoring both changes of shares' prices as well as their income generated through dividends or bonus shares. Therefore, the MSETRX is a more comprehensive and accurate measure of the performance and works on the assumption that all income derived through the equity is reinvested back into the index. This principle, based on compounding, accelerates the growth in value of one's investment. In fact, the index value which started at 1000 in 1995 showed a value of 8799 at the end of 2016, which constitutes an increase of 78% over the 21-year period or an annual growth rate of 11%.

Malta Stock Exchange Institute

The Malta Stock Exchange Institute prospectus was launched in January 2017. During the year, it presented over 32 courses

E-portfolio

Following on the initiative taken in 2016 with the introduction of e-portfolio, the online facility for investors at the CSD, new services previously only handled via traditional mail were ported into this facility. These new services include changes to personal details, direct credit mandates on income (interest/dividends), updates to tax options for future interest payments, minor releases, and transfers between own accounts. Further services will be introduced in 2018.

Refurbishment

As part of a three-year refurbishment programme initiated in 2016, the Exchange embarked on the second stage of this project during the middle of 2017. This phase of the refurbishment programme included a long overdue refurbishment of the board room and the creation of a new meeting room next to the reception area. Towards the end of the year, six large news and data feed monitors financed by Thomson Reuters were assembled on the ground floor level while refurbishment works were initiated on the lower ground floor level which houses the Data Operations and IT offices. Work on this phase will continue into 2018 to complement and complete the total overhaul of the reception area initiated in 2016.

The refurbishment of the MSE's secondary site in Mosta was another project completed during 2017. This refurbishment project included new light fittings, internal re-modelling, joinery, doors, and partitions to ensure that the secondary site can continue to function not only as a secondary operational site for the Exchange but also to be able to cater for the Malta Stock Exchange Institute lecture rooms with fully equipped desks for course attendees.



Human Resources

Staff Complement

The year under review saw a number of changes to the human resources structure. As part of an organisational restructuring exercise aimed at gaining more operational and reporting efficiencies and to adhere to the Board's strategy to ensure succession planning, several promotions and internal redeployments were effected during 2017. Three Senior Managers were promoted to Assistant General Managers, two Supervisors were promoted to Manager I and one clerk was promoted to a Supervisor during the first quarter of the year. Towards the end of the year, a further set of promotions were effected when two employees were promoted from Manager I to Manager II and two clerks were promoted to Supervisors. Three new employees were engaged, one as a full-time Financial Controller and the other two within the part-time junior rank.

At the end of the year, the Exchange's staff complement had stood at 54, split on a gender basis between 35 females and 19 males. The complement included 23 staff in the managerial grades split on a gender basis of 14 females and nine males which largely reflects the gender split throughout all the grades. All the staff within the Exchange, except for three junior members, are employed on a full-time basis. Apart from the permanent staff complement, during the Summer months the Exchange engaged eight students who were deployed in various offices within the Exchange. There were a total of six resignations throughout the year from within various grades.

Family-Friendly Measures

Throughout the year under review, a number of staff continued to avail of family-friendly concessions. Twelve staff members benefitted from teleworking, 15 worked on flexi-hours while a further two also enjoyed the benefits afforded by measures related to reduced hours.

Staff Policies

During 2017, the Board approved a new Teleworking Policy. The purpose of this policy is to set up a formal framework for the administration of teleworking within the MSE. This policy facilitates the implementation of teleworking as a flexible working arrangement.

During the year, the Exchange also extended its Friday Dress Down Day policy to all year round, as opposed to just the Summer months.

Social Events Committee

As in previous years, the Social Events Committee had another very busy year organising several events for staff and their families, including Dress Down Days, a day by the pool, a boat party, a weekend trip to Sicily, and a five-day tour to Vienna. The Committee has once again organised two activities for children from the Ursuline Creche in Tarxien. The first activity was a day by the pool at a farmhouse in Siggiewi and later during the year, these children joined the Exchange's Children's Christmas Party. Through the organisation of these events, the Exchange raised a considerable amount of money which was donated to a well-known philanthropic organisation.



Bye-laws

Throughout the year several amendments were made to Chapters 1–7 of the Bye-laws of the Exchange. Appendix 3.7, Appendix 4.1, Appendix 5.1, and Appendix 6.1 were also amended. These amendments mainly reflected changes to a number of operational procedures; the composition of the Board Committees and the frequency of Risk Management Committee meetings; the extension of the Exchange's trading hours; and the implementation of IFSM.

Fees and Other Charges

During July 2017, the Exchange published an updated, 'Exchange Notice 1 – Fees and Other Charges'. The changes effected were related to membership fees and the reporting and maintenance fee in terms of the European Market Infrastructure Regulation (EMIR).

Risk Management and Internal Capital Adequacy Assessment

During May, a Risk Management Workshop for the Management of the Exchange was carried out to launch the risk management process for the year. During the workshop, the methodologies used in the identification, evaluation, and quantification of risk were explained and the Key Business Risk Form to be used during the risk assessment process was introduced.

In January 2017, the Board, in terms of the financial market rules stipulating financial resources and financial reporting requirements confirmed to the Malta Financial Services Authority (MFSA) that the Exchange had a Risk Management and Internal Capital Adequacy Assessment Process (RMICAAP) in place which was comprehensive and proportionate to the nature, scale, and complexity of its activities and functions. The RMICAAP Report was also submitted to the Competent Authority.

Compliance

In accordance with the Financial Market Rules applicable to Regulated Markets, the Exchange submitted the Certificate of Compliance to the Competent Authority at the beginning of February 2017 covering the period from August 2016 till January 2017 and at the beginning of August 2017 covering the period February to July 2017. In both instances, the Board confirmed the Exchange's compliance with applicable legislation, rules, and regulations.

Audit

During the Annual General Meeting held on 28 April 2017, the shareholders unanimously approved the Audited Financial Statements for the year ended on 31 December 2016. The Audited Financial Statements and the Annual Report regarding the activities of the Exchange during 2016 were submitted to the Competent Authority and published in accordance with the financial market rules stipulating financial requirements and financial reporting requirements applicable to regulated markets.

Assessments

An on-site compliance visit was performed on 17 May 2017 by officials of the MFSA in relation to the Prospects MTF. During the compliance visit, a meeting was held with officials of the Exchange to explain the listing and admission process applied for the Prospects MTF market.

During the year, the Exchange participated in several self-assessment questionnaires and presented a number of reports to the relevant authorities and assessment bodies as specified hereunder:

- the Advisory Group on Market Infrastructures for Securities and Collateral regarding Corporate Action Standards Gap Analysis and T2S harmonisation activities;
- the European Market Implementation Group (E-MIG) regarding market standards for Corporate Action Processing Progress Reports; and
- SWIFT regarding the Security Attestation that will be completed by the end of 2018.

During 2017, the Exchange also carried out a Eurosystem Cyber Resilience review for relevant Financial Market Infrastructures (FMI). Following a review of the responses, the Central Bank of Malta together with the Eurosystem have assessed the existing cyber resilience measures and will make recommendations based on the cyber resilience report that will be produced.

In connection with MiFID II, the Exchange responded to several European Securities and Markets Authority (ESMA) assessments to determine transparency calculations and price tick volume bands. Through the MFSA, the Exchange also provided ESMA with the relevant trading functionality assessments to determine pre- and post-trade transparency waiver requirements.

In relation to the EU CSDR regulation, the Exchange completed the Level 1 and Level 2 self-assessment questionnaires in preparation for the CSD re-authorisation application. All the necessary submissions for the CSD authorisation process were submitted during the year and the final authorisation is expected to be given during 2018.

Corporate Social Responsibility

As in previous years, during 2017 the Exchange continued to support cultural, educational, and philanthropic causes. Several events for staff members were organised by the Social Events Committee and the funds raised during these events were donated to charity.

During the year, the Exchange also extended financial support to Heritage Malta, Din l-Art Helwa, the University of Malta for a Banking and Finance Chair, together with its annual donation to the Community Chest Fund.

International Affiliations

ANNA	Association of National Numbering Agencies
ECSDA	European Central Securities Depositories Association
FESE	Federation of European Securities Exchanges
WFE	World Federation of Exchanges

Events

iGaming meets the Maltese Capital Markets

A half-day seminar organised by the MSE in collaboration with the Malta Gaming Authority was held at the Exchange on 27 April 2017. The seminar was inaugurated by the Hon Prof Edward Scicluna, Minister for Finance, and introductory speeches were given by the Chairmen of both institutions. During the seminar, ways on how the Maltese capital markets can help fuel the iGaming industry's further growth to meet its financing needs were explored. iGaming and capital markets opportunities were outlined by Dr James Scicluna from WH Partners, while Mr Bonavent Gauci of PwC gave a presentation about the tax and financial ramifications of raising capital in Malta. The regulatory aspects of raising capital in Malta were outlined in a presentation by Dr Michael Psaila from MAMO TCV, and the roles of listing agents and sponsors were explained by Mr Karl Micallef from Curmi & Partners.





Annual Awards Dinner

On 14 November 2017, the Exchange organised and hosted its Annual Awards Dinner at the Casino Maltese in Valletta to bring together the many stakeholders of the Maltese capital market and recognise individuals and organisations that merit an award for their achievements.

During his address, the Chairman of the Exchange, Mr Joseph Portelli, outlined the Exchange's strategy and plans for future growth and emphasised the Exchange's commitment to further develop the Maltese capital market for the benefit of many Maltese investors, stakeholders, and of course, the Maltese economy. The event was also addressed by the Hon Prof Edward Scicluna, Minister for Finance, and Mr Joseph Cuschieri, Executive Chairman of the Malta Gaming Authority.

Additionally, the dinner saw the presentations of four awards, making this event more than just a social event but one that also facilitated the recognition of various deserving people and organisations.

The Lifetime Achievement Award was given to Mr Joseph Zammit Tabona for his extensive and successful 40-year career as an accountant and entrepreneur, while the Business Reporting Award was given to Ms Vanessa Macdonald for her success in developing an investigative and professional career in journalism and business reporting.

The 2017 Company of the Year Award was given to Mr Ian De Cesare on behalf of the Eden Leisure Group. The Group was chosen as a result of a selection process that showed that 2016 was an exceptional year for this company. Revenue for the year stood

at €31.3 million, an increase of 11% from the previous year; earnings before interest and tax and depreciation (EBITDA) grew by 31% and the 2016 net income before tax grew by an impressive 90%.

The Employee of the Year Award was given to Ms Stephanie Abela who was selected by her colleagues at the Exchange through a voting system. Ms Abela has worked at the MSE for over eight years and supervises the Customer Care section. Her professionalism, attention to detail, and positive attitude while giving a comprehensively good service singled her out for this well-deserved award.

Association of National Numbering Agencies General Meeting

As full member of the ANNA, the MSE hosted the Annual General Meeting and Workshop between 22 and 24 May 2017.

The primary function of ANNA is to promote international codification standards within the financial services industry. It is committed to implement and maintain these standards to facilitate the uniform transmission of information related to financial instruments globally.

The Annual General Meeting and Workshop were spread over three days and among the topics discussed were the implementation of the new Classification of Financial Instruments (CFI - ISO 10962) and the Financial Instrument Short Name (FISN - ISO 18774) standards which would become mandatory for all reporting upon the implementation of the revised MiFID II and MiFIR regulation in January 2018.

Delegates from all over the globe attended the General Meeting and Workshop. Following the meetings, delegates were invited to participate in social events organised by the Exchange including a reception at the MSE premises in Valletta and a gala dinner at The Westin Dragonara.



Art Exhibition

For the second year running, as part of its Corporate Social Responsibility (CSR) obligations, the Exchange held an art exhibition within its premises in Valletta. The exhibition with the theme “Connectivity” was officially opened by the Hon Prof Edward Scicluna, Minister for Finance, on 10 March 2017. The event was also addressed by the Chairman of the Exchange, Mr Joseph Portelli, and by the Artist Curator, Mr Adrian Scicluna.

Exchange Participation at Industry Events

Managing Partners Group, London

On 28 June 2017, Ms Stephanie Galea, Head of Business Development at the Exchange, participated at a seminar organised by Managing Partners Group at the Westbury Hotel in Mayfair, London.

The seminar titled, ‘The Malta Solution – Ahead of the Curve’ was aimed at promoting Malta as a growing financial services hub. During the seminar, Ms Galea delivered a presentation titled, ‘The Malta Stock Exchange – A Window of Opportunity’ wherein she outlined the services currently being offered by the Exchange while giving a glimpse of what is to be expected in the near future in line with the NCMSP launched in November 2016.

Main Street Anchovy Sofa Session

On 19 October 2017, Ms Stephanie Galea, Head of Business Development, and Mr Cliff Pace, Head of Marketing and Corporate Communications, together with Mr Benji Borg, Anchovy Studios plc director, participated in a live Facebook Sofa Session about the subject, ‘Alternative Financing Channels’. The session was moderated by Dr Chris Mallia from Main Street Capital. The session focused mainly on the importance of adequate financing options available for SMEs, particularly the benefits derived from raising capital through a Prospects MTF admission.

Competitiveness and Growth Working Party Meeting

As part of Malta’s EU Presidency events, on 12 January 2017 the MSE hosted the Competitiveness and Growth Working Party meeting at the Exchange’s premises in Valletta. The main topic discussed during the event was promoting the successful growth of companies through the capital market.

The delegates were welcomed by the Chief Executive Officer, Mr Simon Zammit, who gave an overview of the development of the Maltese capital market, while Corinthia Group Company Secretary and Director Mr Alfred Fabri gave a synopsis of the Group’s growth achieved through the Maltese capital market.



Visitors at the Exchange

On 2 February 2017, the Central Bank Governor and Chairman of the Board of Directors of the Central Bank, Dr Mario Grech, together with Deputy Governor, Mr Alfred Mifsud, visited the Exchange. They were greeted at the Exchange by the Chairman, Mr Joseph Portelli, and Chief Executive Officer, Mr Simon Zammit. The aim of their visit was to discuss areas of common interest in particular the Exchange’s proposal to extend the trading session.

On 21 February 2017, her Excellency the Ambassador for Greece, Ms Chyssoula Karykopoulou-Vlaianou, paid a courtesy visit to the Exchange where she was greeted by the Chairman, Mr Joseph Portelli; the Chief Executive Officer, Mr Simon Zammit; and the General Manager, Mr Alfred Sammut. Ms Karykopoulou-Vlaianou was shown around the premises and given an overview of the operations of the Exchange.

On 13 June 2017, the Hon Prof Edward Scicluna, Minister for Finance, visited the MSE where he congratulated the Chairman and Board of Directors who had been confirmed to continue to lead the Exchange for the following two years. The Minister expressed his deep satisfaction with the performance of the Exchange which forms part of his portfolio, and the many initiatives that had been launched including the National Capital Markets Strategic Plan. Moreover, Prof Scicluna expressed his satisfaction that the MSE had posted a record profit after tax of €2.53 million for 2016, a significant increase of 50% over the 2015 figure. The Finance Minister conveyed his appreciation for the efforts made by all stakeholders including the management and staff of the Exchange that had led to these results.

EXCHANGE OPERATIONS

and other activities





Exchange Operations and other activities

Main Market

Total market turnover for 2017 stood at €568.3 million; a decrease of 17.3% over the 2016 figures which stood at €687.4 million. The drop in the market turnover was attributable to a reduced interest in the Malta Government Stocks (MGSs) segment which registered a fall of 26.8% or €148 million. However, in contrast to the previous year, both the equity and corporate bond segments registered an increase. Equities registered an increase of 13.1% or €10.2 million while corporate bonds recorded an increase of 32.2%, equating to a total increase of €18.6 million.

The reduction in total market turnover was also reflected in the number of deals effected on the market. The total number of deals fell by 10.7% from 34,012 in 2016 to 30,368 at year end 2017. In line with the decrease in turnover, the largest drop in the number of trades was recorded in the deals executed in the MGSs which accounted for a fall of 29.4%, a reduction of 5,237 trades over the same period in 2016. Conversely, the largest increase in deals was noted in Corporate Bonds which registered an increase of 23.4%, from 6,130 in December 2016 to 7,566 in December 2017. Equities also registered a marginal increase of 1.5%, from 10,092 to 10,249 trades at year end 2017.

Market capitalisation at the end of the year stood at €12.2 billion, a minimal decrease of 0.8% from the €12.3 billion value at the end of 2016. This change was the result of a substantial decrease in the MGSs market capitalisation of €274.46 million and a further decrease in the Treasury Bills market capitalisation of €77.1 million. However, the total decrease was offset by an increase of €104.45 million in the equities market capitalisation together with an increase of €156.33 million in corporate bonds market capitalisation.

The MSE Equity Total Return Index closed the year at 8669.13, down by 1.47% when compared to the year end 2016 figures which stood at 8798.58. The MSETRX peaked at 9103.79 on 26 July 2017 and fell to its lowest point of 8425.01 on 4 December 2017.

During 2017, there was one new equity listing, a rights offer with a combined initial market capitalisation of €258.2 million, and one delisted equity.

A total of 13 corporate bonds were issued during the year with a total value of €339 million (€260 million when excluding roll overs) while

a total value of €98.9 million was redeemed during the year. In 2016, these figures stood at 14 new issues with a total value of €399 million and €288 million when excluding roll overs, while total redemptions amounted to €80.4 million.

In 2017, a total of nine new MGSs with a nominal value of €259 million were issued while the total value of redeemed MGSs amounted to €268 million. Contrastingly, in 2016, a total of 9 MGSs with a nominal value of €598 million were issued while the total value of redeemed MGSs amounted to €232 million. During 2017, two “62+ Malta Government Savings Bond” amounting to €99.64 million were issued; however, these were not admitted for listing and trading.

A total of 77 Treasury Bills were issued in 2017 with a combined value of €588.6 million compared to 90 issues in 2016 totalling to €971 million. A total of 61 Treasury Bills with a combined value of €537.4 million were redeemed during 2017 compared to 88 Treasury Bills with a total value of €939.1 million in 2016.

At the end of 2017, a total of 11 collective investment schemes which were solely invested in the financial instruments listed on the MSE, registered an aggregate Net Asset Value (NAV) slightly above €1.033 billion. Compared to the 2016 figures, there was a decrease of 0.977% over last year's aggregate NAV which stood at €1.041 billion.

Prospects MTF

Following its launch in 2016, the Prospects MTF market started to admit the first securities throughout 2017. One foreign equity (nominal €700,000) and five corporate bonds (nominal €13.7 million) were admitted on the Prospects MTF market during 2017, with one further corporate bond being approved but not yet admitted to trading by year end.

Furthermore, the Prospects MTF Committee approved seven Corporate Advisors during the year which brought the total number of Corporate Advisors up to 17. Throughout the year, Corporate Advisors attended several workshops in Corporate Governance as part of their ongoing training.

In total, 32 trades were also registered in the Prospects MTF market. These amounted to a total market turnover of €201,258 by the end of December 2017.

MSE Index for 2017



Comparative Trading Figures

Security	Number of Deals		Volume/No. of Shares		Market Turnover (EURO)	
	2016	2017	2016	2017	2016	2017
Equities						
6pm Holdings p.l.c. Ord GBP0.20	74	-	421,360	-	461,333.95	-
Bank of Valletta p.l.c. Ord €1.00	2,716	3,574	7,367,792	12,559,752	16,621,365.67	25,887,242.48
FIMBank p.l.c. Ord US\$0.50	412	187	7,167,695	2,964,569	5,156,399.02	1,927,841.62
GlobalCapital p.l.c. Ord €0.291172	60	62	146,138	2,463,394	66,517.96	750,662.55
Grand Harbour Marina p.l.c. Ord €0.12	15	25	26,492	54,108	23,698.84	46,994.46
GO p.l.c. Ord €0.582343	628	611	1,596,997	1,664,106	5,069,799.54	5,842,609.21
HSBC Bank Malta p.l.c. Ord €0.30	1,208	1,061	4,035,681	3,939,441	6,820,607.58	7,871,069.61
International Hotel Investments p.l.c. Ord €1.00	383	292	3,688,540	3,493,034	2,350,827.59	2,170,187.29
Lombard Bank Malta p.l.c. Ord €0.25	174	164	1,362,282	562,275	2,954,927.91	1,296,923.47
Loqus Holdings p.l.c. Ord €0.232937	25	15	61,979	61,529	8,645.46	10,511.49
MIDI p.l.c. Ord €0.20	180	190	2,492,987	3,954,610	886,601.42	1,277,185.16
Medserv p.l.c. Ord €0.10	417	366	2,402,688	2,018,239	3,838,684.08	2,740,678.16
Malta International Airport p.l.c. Ord €0.25	795	892	1,371,924	2,780,063	5,893,491.41	11,979,866.95
Malita Investments p.l.c. Ord B €0.50	177	269	1,734,568	2,663,415	1,559,223.45	1,998,438.71
Mapfre Middlesea p.l.c. Ord €0.21	157	149	274,766	297,610	649,520.49	582,938.03
Malta Properties Company plc Ord €0.32	624	430	4,117,417	2,404,540	2,295,368.15	1,242,106.21
MaltaPost p.l.c. Ord €0.25	146	107	496,684	522,815	954,934.22	1,054,525.30
Pefaco International plc Ord €1.50	2	-	445,125	-	997,080.00	-
PG p.l.c. Ord €0.25	-	514	-	4,235,927	-	5,541,686.63
Plaza Centres p.l.c. Ord €0.20	96	146	929,078	1,249,485	1,000,489.63	1,299,651.29
RS2 Software p.l.c. Ord €0.06	1,489	841	6,254,843	4,013,202	16,264,819.03	6,663,488.28
Simonds Farsons Cisk p.l.c. Ord €0.30	179	176	405,567	189,749	2,611,008.26	1,556,988.28
Santomas Shareholdings plc Ord €0.275	23	52	74,243	313,972	156,590.30	657,795.36
Tigne Mall p.l.c. Ord €0.50	112	126	1,103,617	5,879,373	1,154,375.67	5,580,822.55
Total Equity	10,092	10,249	47,978,463	58,285,208	77,796,310	87,980,213
Corporate Bonds						
5.1% 6PM Holdings plc Unsecured € 2025	64	17	1,356,600	98,300	1,495,648.12	105,145.70
6% AX Investments Plc € 2024	151	148	1,066,000	1,100,400	1,207,935.28	1,219,931.26
4.8% Bank of Valletta plc Notes 2018	135	181	1,603,500	2,347,900	1,682,594.02	2,406,463.49
5.35% Bank of Valletta plc Sub € 2019	138	136	917,100	813,300	969,124.89	836,732.40
4.25% Bank of Valletta plc € Notes 2019 Series 2 Tranche 1	100	160	1,063,200	1,871,900	1,101,948.73	1,936,594.48
4.8% Bank of Valletta Plc Sub € 2020	152	197	1,052,400	1,455,800	1,105,395.00	1,500,651.72
3.5% Bank of Valletta plc € Notes 2020 S1 T1	254	192	6,029,000	4,428,100	5,980,318.13	4,383,370.62
3.5% Bank of Valletta plc € Notes 2020 S2 T1	154	117	1,638,100	1,591,800	1,621,279.40	1,561,224.12
3.5% Bank of Valletta plc € Notes 2020 S2 T2	1	-	10,000	-	10,000.00	-
3.75% Bortex Group Finance plc Unsecured € 2027	-	40	-	270,700	-	274,662.86
5.75% Central Business Centres plc Unsecured € 2021 S1 T1	27	27	153,200	240,800	159,417.80	252,562.78
5.25% Central Business Centres plc Unsecured € 2025 S2 T1	35	49	240,100	255,800	248,597.45	266,115.06
6.25% Corinthia Finance plc € 2016-2019	78	-	261,400	-	265,460.42	-
4.4% Central Business Centres plc Unsecured € 2027 S1/T1 T1	-	55	-	338,900	-	345,396.64
6% Corinthia Finance plc € 2019-2022	9	8	70,000	62,000	74,235.00	63,901.20
4.25% Corinthia Finance plc Unsecured € 2026	158	92	2,114,500	836,300	2,200,962.73	872,964.41
5% Dizz Finance plc Unsecured € 2026	75	106	828,000	1,322,000	851,736.90	1,391,147.40
6.6% Eden Finance plc 2017-2020	13	9	446,300	32,000	471,818.93	32,481.80
5.6% GlobalCapital plc € 2014/16	31	-	106,300	-	101,941.15	-
4% Eden Finance plc Unsecured € 2027	-	199	-	2,741,100	-	2,818,424.44
5% GlobalCapital plc Unsecured € 2021	31	154	255,800	1,584,900	256,128.70	1,565,422.76
4.9% Gasan Finance Company plc € 2019-2021	74	58	505,900	648,700	530,358.92	668,190.14
7% Grand Harbour Marina plc € 2017-2020	45	13	184,700	32,200	190,094.07	32,531.22
4.5% Grand Harbour Marina plc Unsecured € 2027	-	81	-	824,900	-	854,291.37
4.25% GAP Group plc Secured € 2023	187	575	1,589,300	6,747,600	1,612,878.93	6,867,413.80
4.6% HSBC Bank Malta Plc € 2017	76	-	883,465	-	898,955.87	-
5.9% HSBC Bank Malta Plc € Sub 2018	68	88	507,200	998,700	538,350.55	1,043,420.01
5% Hal Mann Vella Group plc Secured Bonds € 2024	216	225	1,894,000	2,114,200	1,991,263.58	2,205,640.54
4.5% Hili Properties plc Unsecured € 2025	630	297	2,742,200	1,147,100	2,929,334.46	1,194,122.76
4.5% Izola Bank plc € Unsecured 2025	29	63	270,800	792,100	290,204.90	835,770.80
6.5% Island Hotels Group Holdings plc € 2017-2019	36	8	162,700	44,300	166,526.81	44,115.95
6% Island Hotels Group Holdings plc € 2024	159	152	1,061,500	1,404,600	1,160,960.40	1,504,553.30
6.25% International Hotel Investments Plc € 2017 - 2020	52	8	256,900	227,700	262,554.42	227,433.77
5.8% International Hotel Investments plc 2021	55	50	414,400	461,400	439,795.97	492,299.40
5.8% International Hotel Investments plc 2023	27	35	196,900	312,200	212,301.80	331,506.10
5.75% International Hotel Investments plc Unsecured € 2025	291	167	981,700	524,600	1,066,044.24	559,217.71
4% International Hotel Investments plc Secured € 2026	421	611	3,679,700	4,020,500	3,785,553.61	4,114,111.50
4% International Hotel Investments plc Unsecured € 2026	1	171	14,400	1,520,100	14,680.80	1,542,847.63
7.5% MeDirect Bank plc Subordinated Bonds EUR 2019	63	39	1,994,000	762,000	2,227,764.10	827,604.50
7.5% MeDirect Bank plc Subordinated Bonds GBP 2019	-	11	-	132,000	-	156,601.49
6% MeDirect Bank plc Subordinated Unsecured € 2019-2024	35	23	775,000	558,000	817,982.70	576,373.80
6% MeDirect Bank plc Subordinated Unsecured £ 2019-2024	2	1	40,000	20,000	49,963.12	23,155.83
5% MeDirect Bank Plc Subordinated Unsecured € 2022-2027	-	20	-	432,000	-	442,843.40
7% MIDI plc EUR 2016-2018	54	-	596,800	-	610,421.10	-
7% MIDI plc GBP 2016-2018	28	-	247,900	-	324,936.92	-
4% MIDI plc Secured € 2026	291	299	1,924,600	1,473,000.00	1,997,172.98	1,518,514.36
5.3% Mariner Finance plc Unsecured € 2024	116	99	893,800	759,600	973,606.77	808,120.05
7.15% Mediterranean Investments Holding plc Euro 2015-2017	116	22	652,100	84,700	650,720.49	84,190.20
7.15% Mediterranean Investments Holding plc GBP 2015-2017	19	2	225,500	16,900	277,807.55	18,689.30
7.15% Mediterranean Investments Holding plc USD 2015-2017	32	2	419,200	47,000	377,128.27	44,389.24
5.5% Mediterranean Investments Holding plc Unsecured € 2020	75	43	644,100	328,800	668,366.30	338,881.54
6% Mediterranean Investments Holding plc Euro 2021	127	64	1,184,800	502,500	1,186,419.37	512,483.27
5% Mediterranean Investments Holding plc Unsecured € 2022	-	105	-	926,700	-	957,540.36
4.8% Mediterranean Maritime Hub Finance plc Unsecured € 2026	85	197	834,000	2,139,000	851,869.80	2,226,673.70
6.2% Mizzi Org. Fin. plc € 2016-2019	76	-	327,100	-	334,251.25	-
6% Medserv plc Sec. & Grntd € Notes 2020-2023 S1 T1	97	75	454,700	442,200	500,306.07	472,421.48
4.5% Medserv plc Unsecured € 2026	73	78	2,287,900	1,457,100	2,393,168.22	1,508,904.18
5.75% Medserv plc Unsecured USD 2026	43	15	813,100	324,000	779,327.84	305,084.83
6.8% Premier Capital plc € Bond 2017-2020	78	6	409,900	26,100	422,090.63	26,019.50
3.75% Premier Capital plc Unsecured € 2026	77	520	676,500	5,459,700	687,806.91	5,568,769.92
5.5% Pendergards Developments plc Secured € 2020 Series I	43	91	219,800	1,355,500	232,981.02	1,413,757.45
6% Pendergards Developments plc Secured € 2022 Series II	94	93	1,364,400	976,000	1,544,318.62	1,072,070.52
5.1% 1923 Investments plc Unsecured € 2024	289	10	2,296,300	118,000	2,427,654.58	122,699.64
3.9% Plaza Centres plc Unsecured € 2026	10	15	510,000	515,000	529,360.00	529,542.50
4.35% SD Finance plc Unsecured € 2027	-	436	-	5,327,300	-	5,436,695.58
6% Simonds Farsons Cisk plc 2017 - 2020	97	43	262,600	134,300	274,271.07	138,261.83
3.5% Simonds Farsons Cisk plc Unsecured € 2027	-	70	-	446,000	-	462,729.08
4% Stivala Group Finance plc Secured € 2027	-	152	-	1,419,900	-	1,452,919.41
6.2% Tumas Investments plc € 2017 - 2020	71	25	289,400	297,300	299,627.38	303,962.48
5% Tumas Investments plc Unsecured € 2024	54	51	416,700	391,400	450,149.85	418,982.15
3.75% Tumas Investments plc Unsecured € 2027	-	103	-	999,400	-	1,035,631.95
5.3% United Finance Plc Unsecured € Bonds 2023	12	23	65,300	149,200	71,011.20	158,509.88
4.4% Von der Heyden Group Finance plc Unsecured € 2024	-	312	-	2,597,000	-	2,591,311.90
3.75% Virtu Finance plc Unsecured € 2027	-	32	-	552,000	-	565,719.06
Total Corporate Bonds	6,130	7,566	55,382,765	74,382,500	57,854,886	76,470,714
Malta Government Stocks						
Total Malta Government Stocks	17,790	12,553	480,871,732	354,955,518	551,797,197	403,829,745
Treasury Bills						
Total Treasury Bills						
Total all Securities	34,012	30,368	584,232,960	487,623,226	687,448,393	568,280,672

Prospects - MTF Trading Figures

Security	Number of Deals		Volume/No. of Shares		Market Turnover (EURO)	
	2016	2017	2016	2017	2016	2017
Corporate Bonds						
5.5% IG Finance plc € Unsecured 2024-2027	-	9	-	72,000	-	73,367.50
4.75% Orion Finance plc € Unsecured 2027	-	18	-	106,000	-	107,350.80
5.5% Anchovy Studios plc € Unsecured 2027	-	4	-	15,000	-	15,240.00
5.25% Klikk Finance plc € Unsecured 2027	-	1	-	5,000	-	5,300.00
Total all Securities	-	32	-	198,000	-	201,258

MGS Movements 2017

Security Name	Date of Issue	Amount Issued	Coupon	Dates of Interest		Traded Value (EURO)	Deals	Last Closing Price
7% MGS 2017	18-Feb-07	668,998	7.000%	18-Feb	18-Aug	-	-	-
7% MGS 2017 (II)	30-Jun-07	10,338,691	7.000%	30-Jun	30-Dec	-	-	-
4.25% MGS 2017 (III)	23-Feb-11	263,853,300	4.250%	6-May	6-Nov	11,379,051.48	112	100.29
3.75% MGS 2017 (IV)	22-Jun-12	71,963,700	3.750%	20-Feb	20-Aug	7,354,545.47	22	100.57
FLTNG RT 6MTH EUR MGS 2017(V)	7-Sep-12	25,000,000	1.009%	5-Mar	5-Sep	-	-	-
7.8% MGS 2018	3-Aug-98	163,057,021	7.800%	15-Jan	15-Jul	14,730,864.69	132	104.20
7% MGS 2018 (II)	18-Apr-08	326,700	7.000%	18-Apr	18-Oct	-	-	-
7% MGS 2018 (III)	30-Jun-08	6,542,600	7.000%	30-Jun	30-Dec	-	-	-
FLTNG RT 6MTH EUR MGS 2018(IV)	7-Sep-12	31,400,000	0.965%	05-Mar	05-Sep	-	-	-
3.85% MGS 2018 (V)	12-Dec-12	121,431,000	3.850%	18-Apr	18-Oct	988,030.60	7	102.41
FLTNG RT 6MTH EUR MGS 2018(VI)	25-Sep-13	38,950,000	1.237%	25-Mar	25-Sep	-	-	-
FLTNG RT 6MTH EUR MGS 2018(VII)	12-Jun-14	29,300,000	1.253%	12-Jun	12-Dec	-	-	-
6.6% MGS 2019	1-Sep-99	102,493,253	6.600%	01-Mar	01-Sep	1,570,470.98	109	110.97
7% MGS 2019 (II)	30-Jun-09	13,670,000	7.000%	30-Jun	30-Dec	-	-	-
3% MGS 2019 (III)	1-Mar-13	122,495,900	3.000%	22-Mar	22-Sep	682,630.02	37	105.24
FLTNG RT 6MTH EUR MGS 2019(IV)	25-Sep-13	40,750,000	1.337%	25-Mar	25-Sep	-	-	-
3.2% MGS 2019 (V)	9-Dec-13	121,450,700	3.200%	31-Jan	31-Jul	29,139.90	2	107.91
FLTNG RT 6MTH EUR MGS 2019(VI)	27-Nov-15	35,000,000	0.000%	27-May	27-Nov	-	-	-
5.2% MGS 2020	27-Jun-07	52,407,462	5.200%	10-Jun	10-Dec	1,103,131.32	100	113.20
4.6% MGS 2020 (II)	18-Nov-09	158,327,200	4.600%	25-Apr	25-Oct	2,136,427.65	141	110.64
7% MGS 2020 (III)	30-Jun-10	430,700	7.000%	30-Jun	30-Dec	-	-	-
3.35% MGS 2020 (IV)	9-Dec-13	64,040,000	3.350%	31-Jan	31-Jul	-	-	-
2% MGS 2020 (V)	4-Apr-14	138,484,400	2.000%	26-Mar	26-Sep	677,871.65	14	105.73
FLTNG RT 6MTH EUR MGS 2020(VI)	29-Oct-14	47,850,000	0.939%	29-Apr	29-Oct	-	-	-
5% MGS 2021	25-May-04	458,844,653	5.000%	08-Feb	08-Aug	11,503,898.97	554	117.61
7% MGS 2021 (II)	18-Jun-11	466,000	7.000%	18-Jun	18-Dec	-	-	-
7% MGS 2021 (III)	30-Jun-11	2,858,800	7.000%	30-Jun	30-Dec	-	-	-
5.1% MGS 2022	16-Aug-04	71,047,725	5.100%	16-Feb	16-Aug	2,488,358.00	219	122.88
4.3% MGS 2022 (II)	6-Feb-12	240,169,400	4.300%	15-May	15-Nov	14,835,012.46	304	118.25
7% MGS 2022 (III)	1-Sep-12	1,318,800	7.000%	01-Mar	01-Sep	-	-	-
1.5% MGS 2022 (IV)	11-Jul-16	63,396,700	1.500%	11-Jan	11-Jul	124,253.70	7	106.21
5.5% MGS 2023	14-Jul-03	78,811,283	5.500%	06-Jan	06-Jul	2,337,745.77	112	128.08
7% MGS 2023 (II)	18-Nov-13	2,404,400	7.000%	18-May	18-Nov	3,591,933.16	1	149.39
1.4% MGS 2023 (III)	20-Feb-17	146,276,500	1.400%	11-May	11-Nov	42,200.00	2	105.50
1.4% MGS 2023 (III) R	20-Feb-17	776,500	1.400%	11-May	11-Nov	52,750.00	1	105.50
1.4% MGS 2023 (III) I	22-Feb-17	124,500,000	1.400%	11-May	11-Nov	-	-	-
1.4% MGS 2023 (III) FI	4-Aug-17	21,000,000	1.400%	11-May	11-Nov	-	-	-
3.3% MGS 2024 (I)	3-Mar-14	24,051,100	3.300%	12-May	12-Nov	5,214,589.49	78	118.68
7% MGS 2024 (II)	18-Aug-14	1,135,000	7.000%	18-Feb	18-Aug	1,328,545.61	1	154.07
7% MGS 2025 (I)	14-Aug-15	2,007,900	7.000%	14-Feb	14-Aug	3,175,895.43	1	158.17
7% MGS 2026 (I)	25-Jul-16	734,400	7.000%	25-Jan	25-Jul	1,184,734.08	1	161.32
1.5% MGS 2027 (I)	20-Feb-17	90,954,500	1.500%	15-Jun	15-Dec	4,236,980.60	10	102.59
1.5% MGS 2027 (I) R	20-Feb-17	1,054,500	1.500%	15-Jun	15-Dec	22,217.80	1	100.99
1.5% MGS 2027 (I) I	22-Feb-17	36,000,000	1.500%	15-Jun	15-Dec	1,348,500.00	3	103.50
1.5% MGS 2027 (I) FI	4-Aug-17	53,900,000	1.500%	15-Jun	15-Dec	-	-	-
7% MGS 2027 (II)	25-Jul-17	1,096,800	7.000%	25-Jan	25-Jul	-	-	-
4.8% MGS 2028 (I)	2-Nov-12	107,029,500	4.800%	11-Mar	11-Sep	8,812,408.73	244	134.88
4.5% MGS 2028 (II)	1-Mar-13	286,651,500	4.500%	25-Apr	25-Oct	10,314,712.83	436	132.14
5.1% MGS 2029 (I)	22-Jun-12	79,144,900	5.100%	01-Apr	01-Oct	2,901,659.79	130	140.84
2.3% MGS 2029 (II)	16-Jun-15	143,518,400	2.300%	24-Jan	24-Jul	23,185,361.05	463	109.40
5.25% MGS 2030	26-May-10	440,165,700	5.250%	23-Jun	23-Dec	15,240,146.53	425	142.83
5.2% MGS 2031 (I)	21-Nov-11	201,343,600	5.200%	16-Mar	16-Sep	14,031,373.51	254	143.50
4.65% MGS 2032 (I)	4-Nov-13	140,454,200	4.650%	22-Jan	22-Jul	18,217,890.39	317	138.28
4.45% MGS 2032 (II)	3-Mar-14	153,111,700	4.450%	03-Mar	03-Sep	14,034,765.74	325	137.29
4.3% MGS 2033 (I)	9-Jun-14	150,699,900	4.300%	01-Feb	01-Aug	8,848,368.47	321	134.86
4.1% MGS 2034 (I)	4-Apr-14	200,075,700	4.100%	18-Apr	18-Oct	18,266,106.39	471	132.64
2.2% MGS 2035 (I)	20-Feb-17	20,539,100	2.200%	24-May	24-Nov	1,135,268.00	91	105.94
2.2% MGS 2035 (I) R	20-Feb-17	17,274,500	2.200%	24-May	24-Nov	1,415,320.53	66	102.00
2.2% MGS 2035 (I) I	22-Feb-17	3,264,600	2.200%	24-May	24-Nov	-	-	-
2.5% MGS 2036 (I)	17-May-16	221,733,100	2.500%	17-May	17-Nov	51,837,096.66	1,303	108.57
2.1% MGS 2039 (I)	24-Oct-16	159,102,100	2.100%	24-Feb	24-Aug	57,236,492.42	2,736	101.00
2.1% MGS 2039 (I) R	24-Oct-16	159,102,100	2.100%	24-Feb	24-Aug	5,634,906.52	501	98.00
3% MGS 2040 (I)	2-Mar-15	162,276,100	3.000%	11-Jun	11-Dec	32,017,489.72	1,220	114.00
2.4% MGS 2041 (I)	25-Jan-17	153,669,800	2.400%	25-Jan	25-Jul	27,594,332.06	1,220	105.68
2.4% MGS 2041 (I) R	8-Aug-16	153,669,800	2.400%	25-Jan	25-Jul	966,266.75	59	100.86

Market Capitalisation as at 31 December 2017

Security	Nominal/No of Shares	Close Price	Capitalisation in Euro
Equities			
BOV ORD SHARES	525,000,000	1.800	945,000,000.00
HSBC ORD SHARES	360,306,099	1.784	642,786,080.62
LOM BANK ORD SHARES	44,177,914	2.300	101,609,202.20
MMS SHARES	92,000,000	1.782	163,944,000.00
SFC ORD SHARES	30,000,000	8.520	255,600,000.00
GO ORD SHARES	101,310,488	3.549	359,550,921.91
IHI ORD SHARES	615,684,920	.627	386,034,444.84
PZC ORD SHARES	28,242,000	1.090	30,783,780.00
LQS ORD SHARES	31,899,000	.175	5,582,325.00
GC PLC ORD SHARES	30,000,000	.312	9,360,000.00
FIMB PLC ORD SHARES	314,531,123	.690	181,855,601.53
MIA PLC ORD A SHARES	81,179,990	4.700	381,545,953.00
STUMAS SHOLDINGS PLC	6,649,184	2.250	14,960,664.00
MDS ORD SHARES	53,744,405	1.259	67,664,205.90
GHM ORD SHARES	20,000,000	.763	15,260,000.00
MALTAPOST PLC ORD SHARES	37,654,720	2.120	79,828,006.40
RS2 SOFTWARE PLC ORD SHARES	171,527,619	1.540	264,152,533.26
MIDI PLC ORDINARY SHARES	214,159,922	.350	74,955,972.70
MALITA INV PLC ORD B SHARES	30,000,000	.820	24,600,000.00
TIGNE MALL PLC ORD SHARES	56,400,000	1.089	61,419,600.00
PEFACO INT PLC ORD SHARES	22,350,054	2.240	50,064,120.96
MPC PLC ORD SHARES	101,310,488	.480	48,629,034.24
PG PLC ORDINARY SHARES	108,000,000	1.400	151,200,000.00
Total			4,316,386,446.56
Corporate Bonds			
5.35% BOV PLC SUB BDS 2019	50,000,000	102.800	51,400,000.00
4.8% BOV SUB BDS 2020	70,000,000	103.100	72,170,000.00
4.8% BOV PLC NOTES 2018	55,400,000	101.000	55,954,000.00
4.25% BOV EUR NTS 2019 S 2 TR 1	40,000,000	103.750	41,500,000.00
3.5% BOV SUB NTS 2030 SRS1 TR1	66,920,500	100.250	67,087,801.25
3.5% BOV SUB NTS 2030 SRS2 TR1	44,670,400	100.000	44,670,400.00
5.9% HSBC BNK SUB BDS 2018	30,000,000	101.700	30,510,000.00
4.9% GF PLC BONDS 2019-2021	24,898,400	102.510	25,523,349.84
3.5% SFC PLC UNS EUR BDS 2027	20,000,000	104.650	20,930,000.00
6% AX INV PLC BNDS 2024	40,000,000	112.700	45,080,000.00
6% CFC PLC BONDS 2019-2022	7,500,000	103.500	7,762,500.00
4.25% CFC USC BDS 2026	40,000,000	104.000	41,600,000.00
5.8% IHI PLC BDS 2021	20,000,000	105.000	21,000,000.00
5.8% IHI PLC BONDS 2023	10,000,000	107.450	10,745,000.00
5.75% IHI PLC UNSEC BDS 2025	45,000,000	107.500	48,375,000.00
4% IHI PLC SEC BDS 2026	55,000,000	103.000	56,650,000.00
4% IHI PLC UNSEC BDS 2026	40,000,000	102.000	40,800,000.00
3.9% PZC PLC UNSEC BNDS 2026	8,500,000	101.150	8,597,750.00
5.3% UFC PLC UNSEC BDS 2023	8,500,000	105.300	8,950,500.00
4% EDF PLC UNS EUR BDS 2027	40,000,000	104.000	41,600,000.00
5% GC PLC EUR UNSEC BNDS 21	10,000,000	99.400	9,940,000.00
5% TUM INV PLC UNS BDS 2024	25,000,000	106.810	26,702,500.00
3.75% TUM INV UNS EUR BDS 2027	25,000,000	104.500	26,125,000.00
5.3% MRN FIN UNS BNDS 2024	35,000,000	107.490	37,621,500.00
6% MDS SEC NTS 2020/23 S1 T1	20,000,000	107.000	21,400,000.00
4.5% MDS PLC UNS EUR BDS 2026	21,982,400	103.540	22,760,576.96
5.75% MDS UNSEC USD BDS 2026	9,148,100	103.500	7,933,872.55
4.5% GHM PLC UNS EUR BDS 2027	15,000,000	105.400	15,810,000.00
5.1% GPM HILDS PLC UNSEC BDS 2025	13,000,000	106.500	13,845,000.00
6% MIH PLC UNS BNDS 2021	12,000,000	102.300	12,276,000.00
5.5% MIH PLC UNSEC BDS 2020	20,000,000	104.500	20,900,000.00
5% MIH PLC UNS EUR BNDS 2022	40,000,000	103.350	41,340,000.00
4% MIDI PLC EUR SEC BDS 2026	50,000,000	103.000	51,500,000.00
6% IHI PLC BNDS 2024	35,000,000	107.450	37,607,500.00
3.75% PRC PLC UNSEC BDS 2026	65,000,000	103.300	67,145,000.00
4.5% IZL BNK PLC UNSEC BDS 2025	12,000,000	105.750	12,690,000.00
7.5% MDBK EUR SUB BDS 2019	18,829,000	105.750	19,911,667.50
7.5% MDBK GBP SUB BD 2019	3,044,000	103.010	3,532,381.49
6% MDBK EUR SB UN BD 2019/24	23,286,000	105.000	24,450,300.00
6% MDBK GBP SB UN BD 2019-24	1,373,000	104.060	1,609,525.73
5% MDBK SB UN EUR BDS 2022/27	18,651,000	103.000	19,210,530.00
5% MDBK SB UN GBP BDS 2022/27	1,188,000	100.000	1,338,320.12
5.5% PENDRG S I SEC BD 2020	14,711,300	105.000	15,446,865.00
6% PENDRG S II SEC BD 2022	27,000,000	107.990	29,157,300.00
5% HMV GRP PLC SEC BDS 2024	30,000,000	105.490	31,647,000.00
5.1% 1923 INV UNS BD 2024	36,000,000	103.520	37,267,200.00
5.75% CBC UNS BD 2021 S1 T1	3,000,000	105.600	3,168,000.00
5.25% CBC UNS BD 2025 S2 T1	3,000,000	105.000	3,150,000.00
4.4% CBC UNS EUR BD 2027 S1 T1	6,000,000	103.000	6,180,000.00
4.5% HIL UNSEC BDS 2025	37,000,000	104.500	38,665,000.00
5% DFC PLC UNSEC BDS 2026	8,000,000	106.000	8,480,000.00
4.25% GAP PLC SEC EUR BDS 2023	40,000,000	102.980	41,192,000.00
4.8% MMHF PLC UNSEC EUR BDS 2026	15,000,000	105.000	15,750,000.00
4.4% VDH G F UNS EUR BDS 2024	25,000,000	99.500	24,875,000.00
4.35% SD FIN UNS EUR BDS 2027	65,000,000	104.500	67,925,000.00
3.75% VFP PLC UNS EUR BDS 2027	25,000,000	102.850	25,712,500.00
4% SGF SEC BDS 2027	45,000,000	102.000	45,900,000.00
3.75% BGF PLC UNS EUR BDS 2027	12,750,000	102.320	13,045,800.00
Total			1,644,117,640.43

Market Capitalisation as at 31 December 2017 (CONTINUED)

Security	Nominal/No of Shares	Close Price	Capitalisation in Euro
Malta Government Stocks			
7.8% MGS 2018	163,057,021	104.200	169,905,415.88
6.6% MGS 2019	102,493,253	110.970	113,736,762.85
5.5% MGS 2023	78,811,283	128.080	100,941,491.27
5% MGS 2021	458,844,653	117.610	539,647,196.39
5.1% MGS 2022	71,047,725	122.880	87,303,444.48
5.2% MGS 2020	52,407,462	113.200	59,325,246.98
7% MGS 2018 (II)	326,700	100.000	326,700.00
7% MGS 2018 (III)	6,542,600	100.000	6,542,600.00
7% MGS 2019 (II)	13,670,000	100.000	13,670,000.00
4.6% MGS 2020 (II)	158,327,200	110.640	175,173,214.08
5.25% MGS 2030	440,165,700	142.830	628,688,669.31
7% MGS 2020 (III)	430,700	100.000	430,700.00
7% MGS 2021 (II)	466,000	100.000	466,000.00
7% MGS 2021 (III)	2,858,800	100.000	2,858,800.00
5.2% MGS 2031 (I)	201,343,600	143.500	288,928,066.00
4.3% MGS 2022 (II)	240,169,400	118.250	284,000,315.50
5.1% MGS 2029 (I)	79,144,900	140.840	111,467,677.16
7% MGS 2022 (III)	1,318,800	100.000	1,318,800.00
4.8% MGS 2028 (I)	107,029,500	134.880	144,361,389.60
3.85% MGS 2018 (V)	121,431,000	102.410	124,357,487.10
3% MGS 2019 (III)	122,495,900	105.240	128,914,685.16
4.5% MGS 2028 (II)	286,651,500	132.140	378,781,292.10
4.65% MGS 2032 (I)	140,454,200	138.280	194,220,067.76
7% MGS 2023 (II)	2,404,400	149.390	3,591,933.16
3.2% MGS 2019 (V)	121,450,700	107.910	131,057,450.37
3.35% MGS 2020 (IV)	64,040,000	105.056	67,278,118.56
3.3% MGS 2024 (I)	24,051,100	118.680	28,543,845.48
4.45% MGS 2032 (II)	153,111,700	137.290	210,207,052.93
4.3% MGS 2033 (I)	150,699,900	134.860	203,233,885.14
7% MGS 2024 (II)	1,135,000	154.070	1,748,694.50
2% MGS 2020 (V)	138,484,400	105.730	146,419,556.12
4.1% MGS 2034 (I)	200,075,700	132.640	265,380,408.48
3% MGS 2040 (I)	162,276,100	114.000	184,994,754.00
2.3% MGS 2029 (II)	143,518,400	109.400	157,009,129.60
7% MGS 2025 (I)	2,007,900	158.170	3,175,895.43
1.5% MGS 2022 (IV)	63,396,700	106.210	67,333,635.07
2.5% MGS 2036 (I)	221,733,100	108.570	240,735,626.67
7% MGS 2026 (I)	734,400	161.320	1,184,734.08
2.4% MGS 2041 (I)	153,669,800	105.680	162,398,244.64
2.1% MGS 2039 (I)	159,102,100	101.000	160,693,121.00
1.4% MGS 2023 (III)	146,276,500	105.500	154,321,707.50
1.5% MGS 2027 (I)	90,954,500	102.590	93,310,221.55
2.2% MGS 2035 (I)	20,539,100	105.940	21,759,122.54
7% MGS 2027 (II)	1,096,800	100.000	1,096,800.00
FLTNG RT 6MTH EUR MGS 2018(IV)	31,400,000	99.327	31,188,678.00
FLTNG RT 6MTH EUR MGS 2018(VI)	38,950,000	100.090	38,985,055.00
FLTNG RT 6MTH EUR MGS 2019(IV)	40,750,000	100.310	40,876,325.00
FLTNG RT 6MTH EUR MGS 2018(VII)	29,300,000	100.470	29,437,710.00
FLTNG RT 6MTH EUR MGS 2020(VI)	47,850,000	101.436	48,536,934.60
FLTNG RT 6MTH EUR MGS 2019(VI)	35,000,000	100.000	35,000,000.00
Total			6,084,864,661.05
Treasury Bills			
91 DTB 26.10.17 - 25.01.18	20,000,000	100.091	20,018,120.00
91 DTB 02.11.17 - 01.02.18	21,000,000	100.093	21,019,551.00
91 DTB 16.11.17 - 15.02.18	20,000,000	100.094	20,018,820.00
91 DTB 30.11.17 - 01.03.18	30,000,000	100.095	30,028,470.00
91 DTB 07.12.17 - 08.03.18	17,500,000	100.095	17,516,607.50
91 DTB 14.12.17 - 15.03.18	2,500,000	100.090	2,502,245.00
91 DTB 21.12.17 - 22.03.18	5,000,000	100.095	5,004,770.00
182 DTB 03.08.17 - 01.02.18	2,000,000	100.152	2,003,038.00
182 DTB 19.10.17 - 19.04.18	18,000,000	100.165	18,029,628.00
182 DTB 23.11.17 - 24.05.18	20,000,000	100.165	20,033,020.00
181 DTB 07.12.17 - 06.06.18	5,000,000	100.169	5,008,460.00
273 DTB 17.08.17 - 17.05.18	2,000,000	100.220	2,004,408.00
273 DTB 09.11.17 - 09.08.18	10,000,000	100.243	10,024,330.00
364 DTB 13.07.2017 - 12.07.2018	2,000,000	100.192	2,003,830.00
363 DTB 14.12.17 - 12.12.18	2,000,000	100.303	2,006,068.00
Total			177,221,365.50
Grand Total			12,222,590,113.54
Prospects - MTF			
Equities			
SFA SPA ORDINARY SHARES	700,000	2.780	1,946,000.00
Total			1,946,000.00
Corporate Bonds			
5.5% IGF UNSEC BDS 2024-2027	3,700,000	103.500	3,829,500.00
5.5% ANCHOVY UNSEC BDS 2027	1,000,000	101.500	1,015,000.00
4.75% ORN FIN EUR UNS BDS 2027	5,000,000	101.000	5,050,000.00
5.25% KLF PLC UNSEC EUR BDS 2027	2,000,000	106.000	2,120,000.00
4.875% AGH SEN SEC BDS 2024	2,000,000	100.000	2,000,000.00
Total			14,014,500.00
Grand Total			15,960,500.00

Collective Investment Funds Investing in MSE Listed Securities

Fund	Net Asset Value in EURO 31 Dec 16	Net Asset Value in EURO 31 Dec 17
Vilhena Funds Sicav plc - Malta Fund	42,980,024	45,737,191
Vilhena Funds Sicav plc - Malta Government Bond Fund	279,076,767	292,923,281
Vilhena Funds Sicav plc - Maltese Opportunities Fund	31,501,229	30,686,333
Vilhena Funds Sicav plc - Maltese Equity Focus Fund	15,227,832	15,105,292
Vilhena Funds Sicav plc - Malta Bond Fund	165,975,446	163,657,053
Global Funds Sicav plc - Malta Privatisation and Equity Fund	2,527,105*	
Amalgamated Funds Sicav plc - Growth and Income Fund	63,720,159**	72,384,155.87**
APS Funds SICAV plc - APS Income Fund	82,960,635	80,576,814
HSBC Malta Funds Sicav plc - Malta Bond Fund	162,620,395	152,021,485
HSBC No-Load Funds Sicav plc - Malta Government Bond Fund	147,428,037	***
HSBC No-Load Funds Sicav plc - Maltese Assets Fund	49,471,766	***
HSBC Malta Funds SICAV plc - Malta Government Bond Fund	-	132,633,501
HSBC Malta Funds SICAV plc - Maltese Assets Fund	-	45,681,551
Calamatta Cuschieri Funds SICAV plc - Malta Government Bond Fund	-	1,885,308
Calamatta Cuschieri Funds SICAV plc - Malta Cautious Fund	-	****

*Valuation Date as at 5 May 2015 (Fund Suspended) **Valuation Date only available as at 31 October each year.

Delisted from under HSBC No-Load Funds Sicav plc and relisted under HSBC Malta Funds SICAV plc *Still to be launched

Central Securities Depository (CSD)

The number of accounts held at the Central Securities Depository (CSD) which stood at just above 77,000, showed a slight increase when compared to 2016 where the number of accounts was just under 73,500. During 2017, the CSD processed 371 corporate actions, 244 of which were interest and dividend payments together with several bonus issues, scrip dividend issues, mergers, and redemptions.

During 2017, 17 companies sought admission of non-listed securities to the CSD. At year end the total number of securities dematerialised on the CSD was 67 (excluding those listed on the Exchange), a decrease of 13 from the 80 securities admitted in 2016.

The number of transactions effected via the MSE CSD – Clearstream Banking AG link increased to a total of 285 transactions executed throughout the year. This results in an increase of 66 transactions when compared to the previous year where 219 transactions had been executed through this link. The majority of these were related to transactions in non-listed securities.

During the first quarter of 2017, the Exchange participated in the successful migration of Clearstream Banking AG to T2S. This migration facilitated various CSD processes with more efficient processing of transactions effected via the MSE CSD – Clearstream Banking AG link.

Market Operations Office

During the year, the Market Operations office admitted one new member, APS Bank Ltd; therefore, increasing the list of approved member firms to 18 at year end.

In addition, Market Operations processed six new traders' applications from four different member firms. The new traders underwent a period of training before being granted access to

Listed Securities as at 31 December 2017

Equities	23
Corporate Bonds	58
Government Stocks	50
Treasury Bills	15
Structured Debt Instrument	0
Collective Investment Schemes	121 Funds- Primary Listed 16 Funds - Secondary Listed
TOTAL	283

Admitted Securities as at 31 December 2017

Equities	1
Corporate Bonds	5
TOTAL	6

the Xetra Trading System and all received training within their respective firms. The number of active traders having access to the Xetra Trading System at the end of the year stood at 48.

Data Operations

As part of an internal reorganisation of the Exchange's structures, Data Operations have been assigned the main function to act as back office operations for CSD services to issuers of dematerialised instruments. These services include all corporate action payment and deliverables processing mainly printing of advices and cheques, issuing of reports, SEPA files for direct credit payments as well as tax reporting.

Moreover, Data Operations handles the processing of new issues and provides Registrar Services. During 2017, 30 new issues were processed, where Data Operations assumed the role of Registrar for four of these issues.

Admissions during 2017

Equities - Official List

30,000,000	Bank Of Valletta Plc Ordinary Shares subsequent to a Bonus Issue
117,786	Fimbank Plc Ordinary Shares subsequent to a Share Option Scheme
668,120	MaltaPost plc Ordinary Shares subsequent to a Scrip Dividend Issue
108,000,000	PG plc Ordinary Shares
3,882,463	Fimbank Plc Ordinary Shares subsequent to a Bonus Issue
13,194,432	RS2 Software plc Ordinary Shares subsequent to a Bonus Issue
17,934,274	International Hotel Investments plc Ordinary Shares subsequent to a Bonus Issue
2,216,396	Santumas Shareholdings PLC subsequent to a Bonus Issue
105,000,000	Bank Of Valletta Plc Ordinary Shares subsequent to a Rights Issue
52,349	Fimbank Plc Ordinary Shares subsequent to a Share Option Scheme

Corporate Bonds

25,000,000	4.4% Von der Heyden Group Finance plc Unsecured € Bonds 2024
65,000,000	4.35% SD Finance plc Unsecured € Bonds 2027
40,000,000	4% Eden Finance plc Unsecured € Bonds 2027
40,000,000	5% Mediterranean Investments Holding plc Unsecured Bonds 2022
25,000,000	3.75% Tumas Investments plc Unsecured € Bonds 2027
6,000,000	4.4% Central Business Centres plc Unsecured € Bonds 2027 Series 1/2017 Tranche 1
15,000,000	4.5% Grand Harbour Marina plc Unsecured € Bonds 2027
20,000,000	3.5% Simonds Farsons Cisk plc Unsecured € Bond 2027
18,651,000	5% Mediterranean Bank Plc Subordinated Unsecured € Bonds 2022 -2027
1,188,000	5% Mediterranean Bank Plc Subordinated Unsecured £ Bonds 2022 -2027
45,000,000	4% Stivala Group Finance plc Secured € Bonds 2027
12,750,000	3.75% Bortex Group Finance Plc Unsecured € Bonds 2027
25,000,000	3.75% Virtu Finance plc Unsecured € Bonds 2027

Malta Government Stocks (€)

776,500	1.4% Malta Government Stock 2023 (III) r
124,500,000	1.4% Malta Government Stock 2023 (III) i
1,054,500	1.5% Malta Government Stock 2027 (I) r
36,000,000	1.5% Malta Government Stock 2027 (I) i
17,274,500	2.2% Malta Government Stock 2035 (I) r
3,264,600	2.2% Malta Government Stock 2035 (I) i
1,096,800	7% Malta Government Stock 2027 (II) r
21,000,000	1.4% Malta Government Stock 2023 (III) FI August 2017
53,900,000	1.5% Malta Government Stock 2027 (I) FI August 2017

Treasury Bills (€)

588,600,000	77 issues of Treasury Bills
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Collective Investment Schemes

4 sub-funds	HSBC Malta Funds SICAV plc
2 sub-funds	ETSF Fund SICV Plc - ETF Market Value Fund
2 sub-funds	Calamatta Cuschieri Funds SICAV plc
3 sub-funds	KAG Investments Fund Sicav

Other functions carried out by Data Operations include the processing of Registration Advices and Statements of Holdings, daily and periodic publication of statistics, together with reporting to FESE and WFE.

Information Technology

In view of the extension of trading hours, a redesign and development of the post-trading interfaces was required to provide real-time updates by members to the CSD and offer immediate feedback to members.

The introduction of MiFID II regulation required updates to both the Xetra Trading platform, of which the MSE is a partner exchange, and the post-trade reporting interfaces availed by members to report to the CSD. To this effect, during November 2017, Deutsche Bourse released Xetra 17.0. The regulation also required the MSE to start reporting transparency data and transaction reports directly to ESMA and MFSA, respectively.

In early 2017, the Cross CSD settlement was migrated to the T2S platform following the migration of Clearstream Banking AG to T2S. Further updates to its systems and interfaces were performed due to the Classification of Financial Instruments (CFI – ISO 10962) and Financial Instrument Short Name (FISN – ISO 18774) standards coming into force.

Additionally, the MSE continued to invest in its IT infrastructure and processes during 2017.

National Numbering Agency

A total of 544 International Securities Identification Numbers (ISINs) were issued throughout the year. A total of 112 ISINs were issued for financial instruments listed on the MSE while another 432 were issued for unlisted financial instruments.

Reporting in Line with European Market Infrastructure Regulation

During the year, one new counterparty signed an agreement appointing the Exchange as its reporting agency while another 52 new delegating counterparties signed agreements with existing reporting counterparties to report their trades using the Exchange's reporting service. At the end of the year, 17 counterparties and 87 delegating counterparties were using this service. In total, 49,510 trades were reported through the MSE's reporting facility throughout the year. This represents a decrease of over 13% when compared to the previous year's reported transactions.

Business Development

In 2017, the MSE continued with its efforts to become more visible on the international front. Attention was given to the needs of Italian entrepreneurs who are seeking to raise capital for the growth of their businesses but who were finding it difficult to obtain financing from banks. In this regard, the MSE held various meetings with regional representatives of the General Confederation of Italian Industry (Confindustria), namely in Bergamo, Padova, and Trieste. The Exchange also participated in the Galileo Festival held in Padova which is held annually by the University of Padova to encourage enterprise growth through innovation. The Festival is very popular among SMEs who are aspiring to grow their business and need additional financing to reach their goals. Therefore, this was an opportunity for the Exchange to present Prospects MTF to emerging Italian SMEs. Additionally, on the Italian front, following the launch of IFSM in October, the MSE was present at the Annual Non-Performing Loans (NPL) Conference held in November in Milan.

In view of the launch of IFSM, the MSE was present at the Annual Global ABS conference held in Barcelona in early June. Later in June, the MSE together with Finance Malta participated in a seminar organised by Managing Partners Group in London. The seminar focused on promoting Malta as a growing financial services hub. In this regard, the MSE presented an overview of its current operations together with a glimpse of the future projects it had planned namely the upcoming launch of IFSM.

Locally, the MSE hosted several conferences at the Exchange. In view of the approaching MiFID II implementation deadline, in March 2017 the MSE partnered with Thomson Reuters to organise the MiFID II seminar which gave a detailed overview of the implications of the MiFID II on industry practitioners of financial services.

Furthermore, public relations were high on the MSE's agenda. For the first time in its 26-year history, as part of its international promotion campaign, in early September 2017 the MSE produced two corporate videos, one in English and one in Italian. Both videos aimed to highlight the advantages of establishing a rewarding working relationship with the MSE.

Promotion and Education

Financial Education Presentations

In line with the NCMSF and its CSR, throughout the year the Exchange continued to promote financial education at various levels and different fora. The Exchange has collaborated with several secondary schools as well as with the Faculty of Economics, Management, and Accountancy (FEMA) at the University of Malta, and the Association of Students of Commercial Studies (ASCS) in hosting numerous visits at the Exchange. Several MBA students from Xavier University in Ohio together with their coordinator, Lorenzo Mule Stagno, visited the Exchange to learn more about the Maltese capital market and the Exchange's operations. Fifteen MCAST Business Studies students participated in a 30-hour work exposure and financial education programme spread over 10 weeks between February and May 2017. They received an overview about the various aspects of the capital markets and the funds industry, and the operations of the Exchange. They also visited the MFSA, the Central Bank of Malta, and Bank of Valletta plc. At the end of the programme, the students received certificates of attendance.

Moreover, the Exchange signed a cooperation agreement with Thomson Reuters for the latter to provide several professional development courses at the Exchange through the Malta Stock Exchange Institute. Exchange officials also participated in a series of educational radio and television programmes targeting retail investors and the public.

Prospects MTF Educational Clinic

A second educational clinic about the Prospects MTF was organised by Demetra Corporate Advisors on 15 September 2017. The event focused on the requirements for admission to the Prospects MTF and the benefits derived from this admission. The event was hosted by the MSE at its premises in Valletta and was inaugurated by the Chief Executive Officer, Mr Simon Zammit. One of the speakers, Mr Kenneth Farrugia, Chairman of Finance Malta, outlined the range of opportunities that exist in Malta and how Malta has developed into a financial services centre over the past 10 years. Over 20 persons, mostly from northern Italy, attended the workshop which also included the participation of Maltese stakeholders.

Certificate of Finance in International Trade

The Exchange supported the organisation a course of the Certificate of Finance in International Trade (COFIT) for employees of AFREXIM, a development bank in Egypt. This took place in June and November 2017 and involved several lectures about various subjects including a lecture given by the Exchange about its operations, its role, and the various services it offers. Emphasis was made on the trading function on the secondary market, the Regulated Main Market, and

the Prospects MTF. Students also learned about how business development initiatives and overseas events are planned and executed.

3rd Annual Investor Education Conference

The Exchange organised the 3rd Annual Investor Education Conference on 4 November 2017 at the Corinthia Palace Hotel in Attard in partnership with the MFSA and supported by Jesmond Mizzi Financial Services, Calamatta Cuschieri Investment Services, and Grant Thornton.

This conference was well attended by over 120 participants and was opened by the Hon Prof Edward Scicluna, Minister for Finance. It focused on increasing the level of knowledge needed by investors to make better decisions. The topics covered included the reinvestment of income and compounding, Undertakings for the Collective Investment of Transferable Securities (UCITS) funds, financial ratios, and an overview of the new market Prospects MTF. The role of the financial arbiter was explained. Attendees were also given an overview of the performance and plans of the Malta Stock Exchange Institute. Once again, the Exchange promoted the electronic investor portal, e-Portfolio, which is gaining popularity among investors.



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Audited Financial Statements

For the year ended 31 December 2017





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Directors' Report

For the Year Ended 31 December 2017

The directors have prepared this directors' report in accordance with article 177 of the Companies Act, 1995 (Chapter 386, Laws of Malta) including the further provisions as set out in the Sixth Schedule, together with the financial statements of Malta Stock Exchange plc (the "Company" or the "Exchange"), for the year ended 31 December 2017.

Directors

Mr Joseph Portelli (Chairman)
Prof Joseph Falzon (Deputy Chairman)
Dr Abdalla Kablan
Prof Tanya Sammut Bonnici
Mr Steven Tedesco

Principal activity, risks and uncertainties

The Company was set up with its principal objective being that of maintaining facilities to ensure an orderly and efficient market place for securities trading. The Company also provides clearing, settlement, depository and other security related services.

The Company is subject to a number of risks and uncertainties, many of which are out of its control. A severe slowdown in economic conditions locally may have a negative effect on share and bond prices putting pressure on market capitalizations and adversely affecting Exchange revenues.

Likewise, should a local company experience a credit default, investor appetite for corporate bonds will diminish. Also, given that the Maltese Treasury is the Exchange's largest revenue source, any curtailment of Maltese Government debt issuance will have a deleterious effect on earnings.

There are also the risks of foreign Stock Exchanges, and local entrants competing with the Company locally. Technological innovations within the Fintech sector and adverse regulatory changes could also put pressure on Company earnings. Reputational issues, litigation and adverse court rulings could also negatively affect the Exchange.

Review of business development and financial position

During the year 2017, the Company generated a profit before tax of EUR 3,915,034 (2016: EUR 3,705,897). The increase in profitability for the year was driven both by improvement in all the Company's revenue streams and by cost cutting. The Statement of Profit or Loss and Other Comprehensive Income is set out on page 46 and the movements in the reserves are disclosed in the Statement of Changes in Equity on page 47.

Dividends

The Company paid a net distribution of EUR 3,000,000 (2016: EUR 1,000,000). The Directors do not propose further dividend distributions for the year.

Reserves

The Directors propose that retained earnings amounting to EUR 5,551,463 (2016: EUR 5,931,175) be carried forward to the next financial year.

Regulatory sanctions

The Directors confirm that no regulatory breaches were reported during 2017 and no regulatory sanctions were imposed on the Malta Stock Exchange plc by the Competent Authority during the year.

Events after the reporting date

No significant events have taken place since the reporting date that would otherwise have required adjustment to and/or disclosures in the financial statements.

Future developments

The Company's focus for the coming years is to continue to execute the National Capital Markets Strategic Plan, a road map launched in late 2016, designed to modernize and expand the role of the Exchange within the local capital markets' sphere. The Plan which consists of 23 points includes allowing for the listing of exchange traded funds (ETFs), real estate investment trusts (REITs), warrants, securitised products and the development of Islamic capital markets products. There are also initiatives to promote the Exchange's new SME market called Prospects and fiscal incentives to increase listings, whilst it is also the Exchange's intention to promote investor education with the promotion of the Malta Stock Exchange Institute.

The Company will also endeavour to improve trading liquidity and develop a focused strategy on enhancing business development efforts with particular emphasis on seeking international business from a number of different markets. The Exchange will be increasing growth initiatives, and execute on a public relations and international promotion strategy with a view to expand its business and the Maltese economy. The Company also will actively explore opportunities within blockchain and study the opportunities this nascent technology offers within the digital asset space. A number of capital projects relating to the renovation of various facilities within the Exchange are also planned.

Approved by the Board of Directors on 28 May 2018 and signed on its behalf by:



Joseph Portelli
Chairman



Joseph Falzon
Deputy Chairman

Registered office
Garrison Chapel
Castille Place
Valletta VLT 1063
Malta

Statement of Financial Position

As at 31 December 2017

	Notes	2017 EUR	2016 EUR
ASSETS			
Non-current assets			
Plant and equipment	5	432,909	418,742
Intangible assets	6	100,824	166,743
Investment in equity accounted investee	7	11,842	10,020
Available-for-sale financial assets	8	1,740,895	2,601,174
Deferred tax asset	9	18,245	23,501
		2,304,715	3,220,180
Current assets			
Trade and other receivables	10	2,211,026	2,256,479
Cash at bank and in hand	11	6,401,607	7,080,756
		8,612,633	9,337,235
TOTAL ASSETS		10,917,348	12,557,415
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	12.1	2,500,000	2,500,000
Fair value reserve	12.3	448,267	719,323
Social responsibility fund	12.4	22,070	27,070
Retained earnings		5,551,463	5,931,175
Total equity		8,521,800	9,177,568
Current liabilities			
Bank borrowings	13	1,320	12,514
Trade and other payables	14	2,314,503	2,207,782
Current tax		79,725	1,159,551
		2,395,548	3,379,847
Total liabilities		2,395,548	3,379,847
TOTAL EQUITY AND LIABILITIES		10,917,348	12,577,415

The accounting policies and explanatory notes form an integral part of the financial statements.

The financial statements on pages 45 to 64 have been authorised for issue by the Board of Directors on 28 May 2018 and were signed on its behalf by:



Joseph Portelli
Chairman



Joseph Falzon
Deputy Chairman

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 EUR	2016 EUR
Revenue	15	7,135,399	6,840,736
Cost of revenue	16	(190,744)	(190,234)
Gross profit		6,944,655	6,650,502
Administrative expenses	16	(3,301,086)	(3,382,039)
Provision for doubtful debts		(19,635)	-
Operating profit		3,623,934	3,268,463
Share of profit/(loss) of equity accounted investee	7	1,822	(2,740)
Rental income		2,000	-
Income from financial assets	17	261,303	423,912
Finance income	18	26,107	16,740
Finance costs	18	(132)	(478)
Profit before tax		3,915,034	3,705,897
Income tax expense	19	(1,299,746)	(1,172,532)
Profit for the year		2,615,288	2,533,365
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
- Net (loss) on available-for-sale financial assets		(271,056)	(184,087)
Total comprehensive income for the year		2,344,232	2,349,278

The accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Changes in Equity

For the year ended 31 December 2017

	Notes	Issued capital EUR	Fair value reserve EUR	Social responsibility fund EUR	Retained earnings EUR	Total EUR
At 1 January 2016		2,500,000	903,410	16,883	4,407,997	7,828,290
Total comprehensive income						
Profit for the year		-	-	-	2,533,365	2,533,365
Net loss on available-for-sale financial assets		-	(184,087)	-	-	(184,087)
Total comprehensive income		-	(184,087)	-	2,533,365	2,349,278
Net movement for the year	12.4	-	-	10,187	(10,187)	-
Transactions with owners of the Company						
Dividends paid	12.2	-	-	-	(1,000,000)	(1,000,000)
At 31 December 2016		2,500,000	719,323	27,070	5,931,175	9,177,568
At 1 January 2017		2,500,000	719,323	27,070	5,931,175	9,177,568
Total comprehensive income						
Profit for the year		-	-	-	2,615,288	2,615,288
Net loss on available-for-sale financial assets		-	(271,056)	-	-	(271,056)
Total comprehensive income		-	(271,056)	-	2,615,288	2,344,232
Net movement for the year	12.4	-	-	(5,000)	5,000	-
Transactions with owners of the Company						
Dividends paid	12.2	-	-	-	(3,000,000)	(3,000,000)
At 31 December 2017		2,500,000	448,267	22,070	5,551,463	8,521,800

The accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 EUR	2016 EUR
Operating activities			
Profit for the year		2,615,288	2,533,365
Adjustment for:			
Depreciation of plant and equipment	5	109,625	101,229
Amortisation of intangible assets	6	81,917	165,143
Interest receivable	17/18	(93,307)	(135,543)
Interest payable	18	132	478
Gain on disposal of available-for-sale financial assets	17	(194,103)	(305,109)
Share of (profit) / loss of equity accounted investee	7	(1,822)	2,740
Tax expense		1,299,746	1,172,532
		3,817,476	3,534,835
Changes in:			
Trade and other receivables		44,767	(252,409)
Trade and other payables		106,719	296,576
Cash generated from operating activities		3,968,962	3,579,002
Income tax paid		(2,374,316)	(52,463)
Interest paid on bank overdraft		(132)	(478)
Net cash flows from operating activities		1,594,514	3,526,061
Investing activities			
Acquisition of plant and equipment	5	(123,792)	(250,996)
Acquisition of intangible assets	6	(15,998)	(3,024)
Proceeds from available-for-sale financial assets		779,541	1,996,378
Interest received		97,780	155,817
Acquisition of term deposits		(1,674,703)	(1,505,886)
Net cash flows (used in) / from investing activities		(937,172)	392,289
Financing activities			
Dividends paid		(3,000,000)	(1,000,000)
Cash flows used in financing activities		(3,000,000)	(1,000,000)
Net (decrease) / increase in cash and cash equivalents		(2,342,658)	2,918,350
Cash and cash equivalents at 1 January		4,462,356	1,544,006
Cash and cash equivalents at 31 December	11	2,119,698	4,462,356

The accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2017

1 Reporting Entity

Malta Stock Exchange plc ("the Company") is domiciled and incorporated in Malta as a public limited company under the Companies Act, 1995 (Chapter 386, Laws of Malta), (the "Act").

2 Basis of Preparation

2.1 Statement of compliance

The financial statements have been prepared and presented in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. All references in these financial statements to IAS, IFRS or SIC / IFRIC interpretations refer to those adopted by the EU. These financial statements have also been drawn up in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta).

2.2 Basis of measurement

These financial statements are prepared under the historical cost convention, except that available-for-sale financial assets are measured at fair value whilst associated undertakings are accounted for using the equity method.

2.3 Functional and presentation currency

These financial statements are presented in EURO (EUR) which is the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their descriptions as significant and critical in terms of the requirements of IAS1 Presentation of Financial Statements.

3 Significant Accounting Policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

3.1 Plant and equipment

Plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

General electrical equipment	10 to 15 years
Computer hardware	5 years
Office furniture, fittings and other equipment	6 to 10 years

An item of plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Notes to the Financial Statements

For the year ended 31 December 2017

3 Significant Accounting Policies *(continued)*

3.2 Intangible assets

Intangible assets represent software licences acquired by the Company and have finite useful lives. Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

3.2.1 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

3.2.2 Amortisation

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on the straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful life for the current and comparative periods for software licenses is of 5 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.3 Interests in equity-accounted investees

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The financial statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

3.4 Financial instruments

3.4.1 Financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. All financial assets are initially recognised at fair value, including any directly attributable transaction costs except in the case of financial instruments measured at fair value through profit or loss. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Available-for-sale

Available-for-sale financial assets are debt securities. Debt securities are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market contributions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with any fair value gains or losses recognised as other comprehensive income in the fair value reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or, determined to be impaired, at which time the cumulative loss is recognised in profit or loss in finance costs and removed from the fair value reserve.

Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to held to maturity is permitted only when the entity has the ability and intent to hold until maturity the financial asset accordingly.

For financial assets actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices at the close of business on the reporting date. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis based on the expected cash flows of the underlying net asset base of the investment and option pricing models.

Notes to the Financial Statements

For the year ended 31 December 2017

3 Significant Accounting Policies *(continued)*

3.4 Financial instruments *(continued)*

3.4.1 Financial assets *(continued)*

All “regular way” purchases and sales of financial assets are recognised on the “trade date”, that is, the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for impairment is made when there is objective evidence (such as financial difficulties of a receivable) that the Company will not be able to collect the full amount due. Impaired debts are derecognised when they are assessed as uncollectible.

Cash at bank and in hand

Cash in hand and at banks and term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Term deposits with contractual maturities exceeding three months are not considered cash and cash equivalents. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash in hand and short-term deposits at banks, net of other outstanding bank overdrafts and cash collateral.

3.4.1.1 De-recognition of financial assets

A financial asset is derecognised (or, where applicable a part of a financial asset or part of a group of similar financial assets) when:

- The right to receive cash flows from the asset have expired;
- the right to receive cash flows from the asset is retained, but the Company has assumed an obligation to pay them in full without material delay to a third party under a ‘pass through’ arrangement; or
- the rights to receive cash flows from the asset have been transferred and either the Company (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.4.2 Financial liabilities

Financial liabilities are initially recognised at fair value less any transaction costs that are directly attributable to the issue of the financial liability, in the case of financial liabilities not at fair value through profit or loss.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

3.4.2.1 De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3.4.3 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when, the Company, currently has a legally enforceable right to set off the recognised amounts and there is an intention either to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

3.5 Share capital

3.5.1 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Notes to the Financial Statements

For the year ended 31 December 2017

3 Significant Accounting Policies *(continued)*

3.6 Impairment

3.6.1 Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, or indications that a debtor will enter bankruptcy.

Financial assets at amortised cost

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale debt securities

If an available-for-sale financial asset is impaired, an amount comprising the difference between the cost and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. The recoverable amount is determined by discounting the estimated future cash flows to present values at the financial assets' original effective interest rate.

3.6.2 Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax expense are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences.

Notes to the Financial Statements

For the year ended 31 December 2017

3 Significant Accounting Policies *(continued)*

3.7 Income tax *(continued)*

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it is has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3.8 Revenue recognition

Revenue comprises membership and other fees receivable from stockbrokers, together with fees receivable in respect of the listing, clearing, registration and trading of quoted securities and related services. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable excluding discounts, rebates and sales taxes or duty. Revenue is recognised on an accrual basis.

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in income from financial assets in profit or loss.

3.9 Foreign currency translation

The financial statements are presented in Euro (EUR), which is also the Company's functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate prevailing at the date of the transaction. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

3.10 Employee benefits

The entity pays fixed contributions towards the State pension in accordance with local legislation and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which the services are rendered by the employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

3.11 Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where it is expected that some or all of a provision is to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognised in profit or loss net of any reimbursement.

3.12 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Company as a lessee

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

Notes to the Financial Statements

For the year ended 31 December 2017

3 Significant Accounting Policies *(continued)*

3.13 New standards and interpretations endorsed by the EU not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for annual periods beginning after 1 January 2017. Earlier application is permitted; however the Company has not early applied the following new or amended standards in preparing these financial statements.

IFRS 9 Financial Instruments: IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 15 Revenue from Contracts with customers: IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 9 and IFRS 15 are effective for annual reporting periods beginning on or after 1 January 2018. Both standards have been adopted by the EU. These Standards are expected to have an immaterial impact on the Company's financial statements. The Company will be assessing the impact of these new standards during 2018.

IFRS 16 Leases: IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective as from 1 January 2019.

4 Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for both measurement and disclosure purposes only based on the following methods.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4.1 Debt securities

The fair value of debt securities is determined by reference to their quoted closing bid price at the reporting date.

4.2 Other financial assets and liabilities

The fair values of the other financial assets and liabilities measured at cost are not different from their carrying amount, in view of their short term nature.

Notes to the Financial Statements

For the year ended 31 December 2017

5 Plant and Equipment

	General Electrical Equipment EUR	Computer hardware EUR	Office Furniture, fittings and other equipment EUR	Total EUR
Cost				
At 1 January 2016	748,718	222,971	442,685	1,414,374
Additions	116,341	128,531	6,124	250,996
At 31 December 2016	865,059	351,502	448,809	1,665,370
At 1 January 2017	865,059	351,502	448,809	1,665,370
Additions	80,697	36,732	6,363	123,792
At 31 December 2017	945,756	388,234	455,172	1,789,162
Depreciation				
At 1 January 2016	652,554	164,667	328,178	1,145,399
Depreciation charge for the year	37,012	46,382	17,835	101,229
At 31 December 2016	689,566	211,049	346,013	1,246,628
At 1 January 2017	689,566	211,049	346,013	1,246,628
Depreciation charge for the year	42,393	50,534	16,698	109,625
At 31 December 2017	731,959	261,583	362,711	1,356,253
Carrying amount				
At 1 January 2016	96,164	58,304	114,507	268,975
At 31 December 2016	175,493	140,453	102,796	418,742
At 1 January 2017	175,493	140,453	102,796	418,742
At 31 December 2017	213,797	126,651	92,461	432,909

Notes to the Financial Statements

For the year ended 31 December 2017

6 Intangible Assets

	Computer Software EUR
Cost	
At 1 January 2016	1,096,092
Additions	3,024
At 31 December 2016	1,099,116
At 1 January 2017	1,099,116
Additions	15,998
At 31 December 2017	1,115,114
Amortisation	
At 1 January 2016	767,230
Amortisation	165,143
At 31 December 2016	932,373
At 1 January 2017	932,373
Amortisation	81,917
At 31 December 2017	1,014,290
Carrying amount	
At 1 January 2016	328,862
At 31 December 2016	166,743
At 1 January 2017	166,743
At 31 December 2017	100,824

7 Investment in Equity Accounted Investee

In January 2012, the Company was allotted shares on the incorporation of European Wholesale Securities Market Limited ("the equity accounted investee"), a company set-up under the laws of Malta with the aim to provide a European Wholesale Securities Market (EWSM), a specialist market for wholesale fixed-income debt securities. EWSM is an EU regulated market, established in Malta and authorised by the Malta Financial Services Authority.

The Company has a 20% holding in European Wholesale Securities Market Limited, with the other shareholder being Irish Stock Exchange Limited holding 80%. The Company has invested a total of EUR 40,000 in the issued share capital of this equity accounted investee.

As of 31 December 2017, the equity accounted investee generated a net profit of EUR 9,109 (2016: net loss of EUR 13,698), with shareholders' equity closing the year at positive equity of EUR 59,214 (2016: EUR 50,105). The share of profit for the Company of EUR 1,822 has been recognised as a share of profit of equity accounted investee in profit or loss (2016: share of loss of EUR 2,740). Investment in the equity accounted investee stood at EUR 11,842 (2016: EUR 10,020) at 31 December 2017.

Notes to the Financial Statements

For the year ended 31 December 2017

8 Available-for-Sale Financial Assets

Available-for-sale financial assets

a. The fair value of the financial assets is as follows:

	2017 EUR	2016 EUR
<i>Non-current</i>		
Malta Government Stocks	1,740,895	2,601,174

b. The amortised cost of the financial assets is as follows:

	Effective interest rate %	2017 EUR	2016 EUR
<i>Non-current</i>			
Malta Government Stocks	4.6 / 4.3	1,292,628	1,881,851

c. The revaluation balance of the financial assets (recognised in equity) is as follows:

	2017 EUR	2016 EUR
<i>Non-current</i>		
Malta Government Stocks	448,267	719,323

9 Deferred Tax

9.1 Recognised deferred tax asset

Deferred tax asset is attributable to the following:

	2017 EUR	2016 EUR
Plant and equipment	15,362	28,022
Accrued investment income	(3,989)	(4,521)
Provisions	6,872	-
	18,245	23,501

9.2 Movement in temporary differences during the year

	Balance 01/01/2016 EUR	Recognised in profit or loss EUR	Balance 31/12/2016 EUR	Recognised in profit or loss EUR	Balance 31/12/2017 EUR
Plant and equipment	20,666	7,356	28,022	(12,660)	15,362
Accrued investment Income	(7,557)	3,036	(4,521)	532	(3,989)
Provisions	-	-	-	6,872	6,872
	13,109	10,392	23,501	(5,256)	18,245

Notes to the Financial Statements

For the year ended 31 December 2017

10 Trade and Other Receivables

	2017 EUR	2016 EUR
Fees receivable net of provisions (note 10.1)	2,033,391	2,069,289
Amounts due from related parties (note 10.2)	24,312	26,871
Prepayments and accrued income	153,323	157,108
Other receivable	-	3,211
	2,211,026	2,256,479

10.1 As at the reporting date, the ageing analysis of fees receivable is as follows:

	Total EUR	Neither Past due nor impaired EUR	Past due but not impaired		
			>30 days EUR	60-90 days EUR	90 days and older EUR
2017	2,033,391	1,759,751	70,056	129,955	73,629
2016	2,069,289	1,688,804	122,651	154,065	103,769

Fees receivable, which are neither past due nor impaired, include trade receivables due from the Government of Malta, a related party, of EUR 431,110 (2016: EUR 390,621).

10.2 Amounts due from related parties are unsecured, non-interest bearing and have no fixed date of repayment. The balance as at 31 December 2017 comprises EUR 18,406 (2016: EUR 16,206) due from CSD (Malta) plc and EUR 5,906 (2016: EUR 10,665) due from European Wholesale Securities Market Limited.

11 Cash and Cash Equivalents

Cash and cash equivalents consist of cash at bank and in hand, net of a bank overdraft as follows:

	2017 EUR	2016 EUR
Cash at bank	6,400,919	7,080,561
Cash in hand	688	195
Cash at bank and in hand	6,401,607	7,080,756
Bank overdraft (note 13)	(1,320)	(12,514)
Cash and cash equivalents	6,400,287	7,068,242
Term deposits with contractual maturities exceeding three months	(4,280,589)	(2,605,886)
Cash and cash equivalents as shown in the Statement of cash flows	2,119,698	4,462,356

Term deposits earn interest at an average rate of 1.17% (2016: 0.9%) per annum.

Notes to the Financial Statements

For the year ended 31 December 2017

12 Capital and Reserves

12.1 Authorised and Issued Capital

	2017 EUR	2016 EUR
Authorised		
5,000,000 ordinary shares of EUR 1 each	5,000,000	5,000,000
Issued and fully paid up		
2,500,000 ordinary shares of EUR 1 each	2,500,000	2,500,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

12.2 Dividends

	2017 EUR	2016 EUR
Declared and paid during the year:		
Dividend on ordinary shares for 2017: Eur 1.20 (2016: 40 cents)	3,000,000	1,000,000

12.3 Fair value reserve

This reserve records the fair value changes on available-for-sale financial assets, representing net fair value gains not available for distribution.

12.4 Social responsibility fund

The Company has setup a Social Responsibility Fund for the purpose of supporting educational, philanthropic and cultural causes as well as to support the maintenance and refurbishment of Malta's historical heritage. An annual contribution of EUR 15,000 (2016: EUR 25,487) is transferred from retained earnings into the Social Responsibility Fund. The budget for such fund shall be agreed for the calendar year subject to recommendations on the causes or events to be supported by the Executive Committee. Any payments from such Social Responsibility Fund are subject to approval by the Board of Directors upon recommendation of the Chief Executive Officer. As payments are affected, the expense is recognised in profit or loss with an equivalent transfer from the Social Responsibility Fund to retained earnings. The amount utilised during the year out of this Fund amounted to EUR 20,000 (2016: EUR 15,300).

13 Bank Borrowings

	2017 EUR	2016 EUR
Current borrowings		
Bank borrowings (note 11)	1,320	12,514
	1,320	12,514

The unsecured overdraft facility of EUR 250,000 reported in 2016 was terminated during the reporting year.

Notes to the Financial Statements

For the year ended 31 December 2017

14 Trade and Other Payables

	2017 EUR	2016 EUR
Trade payables (note 14.1)	159,224	121,130
Amounts due to related party (note 14.2)	512,723	456,949
Deferred income	1,227,339	1,182,806
Accruals and other payables	102,892	130,482
Other taxes	312,325	316,415
	2,314,503	2,207,782

14.1 Trade payables are non-interest bearing and are normally settled on 60 day term.

14.2 Amounts due to related party are unsecured, non-interest bearing and repayable on demand. These amounts include EUR 266,778 (2016: EUR 211,004) due to the immediate parent and EUR 245,945 (2016: EUR 245,945) due to the Government of Malta.

15 Revenue

The income from the main activities was as follows:

	2017 EUR	2016 EUR
Listing fees	4,480,154	4,207,063
Register fees	1,561,216	1,489,473
Turnover fees	300,832	505,332
Stockbrokers' fees	43,784	65,235
Other	749,413	573,633
	7,135,399	6,840,736

16 Cost of Revenue and Administrative Expenses

	2017 EUR	2016 EUR
<i>Cost of revenue</i>		
Variable trading fees paid	190,744	190,234
<i>Administrative expenses</i>		
Emoluments of the chairman and other board members	22,600	22,600
Salaries, social security and other staff costs (note 16.1)	1,788,770	1,788,831
Rent	137,994	134,316
Auditors' remuneration	8,500	8,500
Depreciation of plant and equipment	109,625	101,229
Amortisation of intangible assets	81,917	165,143
Other expenses	1,171,315	1,161,420
	3,320,721	3,382,039
Cost of revenue and administrative expenses	3,511,465	3,572,273

Other expenses include other non-audit services payable to the Company's auditors amounting to EUR 825 (2016: EUR 16,750).

Notes to the Financial Statements

For the year ended 31 December 2017

16 Cost of Revenue and Administrative Expenses *(continued)*

16.1 Employee information

16.1.1 Staff costs

	2017 EUR	2016 EUR
Wages and salaries	1,654,893	1,651,151
Social security costs	110,221	111,693
Other staff costs	23,656	25,987
	1,788,770	1,788,831

16.1.2 Staff numbers

The average number of persons employed by the Company during the year was 58 (2016: 61).

17 Income from Financial Assets

	2017 EUR	2016 EUR
Interest on available-for-sale financial assets	67,200	118,803
Gain on disposal of available-for-sale financial assets	194,103	305,109
	261,303	423,912

18 Net Finance Income

	2017 EUR	2016 EUR
Finance income		
Interest on bank balances	26,107	16,740
Finance cost		
Interest on bank borrowings	(132)	(478)
Net finance income	25,975	16,262

19 Income Tax Expense

19.1

	2017 EUR	2016 EUR
Current tax expense	1,294,490	1,182,924
Deferred tax (note 9.2)	5,256	(10,392)
Income tax expense	1,299,746	1,172,532

Notes to the Financial Statements

For the year ended 31 December 2017

19 Income Tax Expense *(continued)*

19.2 Reconciliation of effective tax rate

	2017 EUR	2016 EUR
Profit before tax	3,915,034	3,705,897
Tax at 35%	1,370,262	1,297,064
Tax effect of		
- share of loss/(profit) of equity accounted investee	(638)	959
- amortisation of available-for-sale investments	1,326	1,414
- expenses not deductible for tax purposes	14,728	9,494
- income subject to lower rates of tax	(17,996)	(29,611)
- income not subject to tax	(67,936)	(106,788)
Income tax expense	1,299,746	1,172,532

20 Immediate Parent and Ultimate Controlling Party

The immediate parent company of Malta Stock Exchange plc is MSE (Holdings) Limited, a company registered in Malta having its registered address at Garrison Chapel, Castille Place, Valletta.

The ultimate controlling party of Malta Stock Exchange plc is the Government of Malta.

21 Related Party Transactions and Balances

The related parties of the Company with which the Company had balances outstanding as of 31 December 2017 or transactions during the year then ended were as follows:

- MSE (Holdings) Limited (shareholder of the Company)
- CSD (Malta) plc (subsidiary of MSE (Holdings) Ltd)
- Government of Malta (ultimate controlling party)
- European Wholesale Securities Market Limited (associate of the Company)

21.1 Related party transactions

During the year, the Company entered into various transactions with related parties, as follows:

		2017 EUR	2016 EUR
<i>Revenue</i>	<i>Related Party</i>		
Listing fees	Government of Malta	2,241,350	2,164,600
Register fees	Government of Malta	494,919	404,737
Amendments	Government of Malta	71,734	105,145
<i>Administrative expenses</i>			
Rent	MSE (Holdings) Limited	90,000	90,000
Dividend paid	MSE (Holdings) Limited	3,000,000	1,000,000

Included in administrative expenses are salaries paid to the chairman and board members amounting to EUR 22,600 (2016: EUR 22,600).

Notes to the Financial Statements

For the year ended 31 December 2017

21 Related Party Transactions and Balances *(continued)*

21.2 Related party balances

The outstanding amounts at year end together with the related terms have been separately disclosed in notes 10 and 14.

22 Financial Risk Management Objectives and Policies

At the year end, the Company's main financial assets on the statement of financial position comprise available-for-sale financial assets, trade and other receivables and cash at bank and in hand. At the year end, there were no off-balance sheet financial assets.

At the year end, the Company's main financial liabilities comprise of bank borrowings and trade and other payables. Except for the Company's commitment to the European Wholesale Securities Market Limited amounting to EUR 146,000, being the 20% share of the total commitment of EUR 730,000, there were no off-balance sheet financial liabilities at the reporting date.

The main risks arising from the Company's financial assets and liabilities are credit risk, interest rate risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

22.1 Credit risk

Financial assets which potentially subject the Company to credit risk consist principally of available-for-sale investments, trade receivables, loans and amounts due from related parties and cash at bank. The maximum exposure is the carrying amounts disclosed as follows:

	2017 EUR	2016 EUR
Available-for-sale investments (note 8a)	1,740,895	2,601,174
Fees receivable (note 10)	2,033,391	2,069,289
Amounts due from related parties (note 10)	24,312	26,871
Cash at bank (note 11)	6,400,919	7,080,561
	10,199,517	11,777,895

The credit risk relating to available-for-sale investments is considered to be low in view of management's policy of investing only in high quality sovereign securities which are listed on recognised stock exchanges. The Company's cash at bank is placed with quality financial institutions rated at BBB+ and AA- (Standard and Poor's) where credit ratings are available. Carrying amounts for trade receivables are stated net of the necessary provisions which have been made against bad and doubtful debts in respect of which management reasonably believes that recoverability is doubtful.

The Company's exposure to credit risk arises from activity exceeding 25% of its revenues. At year end the Company had EUR 431,110 (2016: EUR 390,621) owed by the Government of Malta representing 21% (2016: 19%) of the Company's total fee receivables. The Government of Malta generated EUR 2,808,003 (2016: EUR 2,674,482) of the Company's total revenue, representing 39% (2016: 39%) of the Company's total revenue.

22.2 Market risk

22.2.1 Interest rate risk

The interest rates on the available-for sale investments and term deposits are disclosed in notes 8b and 11. Under the present interest rate scenario, a reasonably expected change in benchmarks is not expected to have any significant effect on the Company's assets and liabilities.

Notes to the Financial Statements

For the year ended 31 December 2017

22 Financial Risk Management Objectives and Policies *(continued)*

22.2.2 Price risk table

The Company holds non-current financial assets which are exposed to changes in market prices. The following table demonstrates the sensitivity to a reasonably possible change in market prices, with all other variables held constant, of the Company's non-current financial assets, based on the balances as at year end.

	Increase/ Decrease in Basis points	Effect on Equity EUR 000
2017	+100/-100	(17)/17
2016	+100/-100	(26)/26

22.3 Liquidity risk

The Company actively manages its risk of a shortage of funds by closely monitoring the maturity of both its financial investments and other receivables and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and proceeds from sale of available-for-sale financial assets. The presentation of the financial assets and liabilities listed above under the current and non-current headings within the statement of financial position is intended to indicate the timing in which cash flows will arise.

22.4 Fair values

The Company's investments comprise listed debt securities. These financial instruments are measured at fair value and classify within the Level 1 category on the fair value hierarchy. Level 1 is defined as valuation techniques using quoted prices (unadjusted) in active markets for identical assets and liabilities. The carrying amounts of trade and other receivables, cash and cash equivalents, bank borrowings and trade and other payables approximate fair value.

22.5 Capital Management

Capital includes equity less the fair value reserve comprising net gains on available-for-sale investments. The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust capital structure, the Company may adjust dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or process during the year.

Externally imposed financial resources requirements

The Company is required to comply with the financial resources requirements as set by the Malta Financial Services Authority. Regulated markets and central securities depositories are required to maintain own funds equal or in excess of its capital resources requirements. The Capital Resource requirement is calculated at the higher of (i) initial capital and (ii) the sum of various risk components in accordance with Article 2 of Part II of the Financial Market Rules for Regulated Markets.

During the year under review, the Company complied with all of the financial resources requirements as stipulated in the financial market rules for regulated markets.

Independent Auditor's Report

To the Shareholders of Malta Stock Exchange p.l.c.

1 Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Malta Stock Exchange p.l.c. (the "Company"), which comprise the statement of financial position as at 31 December 2017 the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- (a) give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU; and
- (b) have been properly prepared in accordance with the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act").

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, 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 (Chapter 281, Laws of Malta) ("APA"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Letter of Transmittal, Chairman's message, Chief Executive's Report, Administration Report, Exchange Operations and Other Activities, and Directors' Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, other than in the case of the directors'

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

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that (a) give a true and fair view in accordance with IFRS as adopted by the EU, and (b) are properly prepared in accordance with the provisions of the Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Company's financial reporting process.

Auditors' 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 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 scepticism throughout the audit.

Independent Auditor's Report (continued)

To the Shareholders of Malta Stock Exchange p.l.c.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

2 Report on Other Legal and Regulatory Requirements

Opinion on the Directors' Report

The directors of the Company are responsible for preparing a directors' report in accordance with the provisions of article 177 of the Act and other applicable legal requirements.

We are required to consider whether the information given in the directors' report for the accounting period for which the financial statements are prepared is consistent with those financial statements; and, if we are of the opinion that it is not, we shall state that fact in our report. We have nothing to report in this regard.

In accordance with article 179(3) of the Act, we are also required to:

- (a) express an opinion on whether the directors' report has been prepared in accordance with the applicable legal requirements; and
- (b) state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit of the financial statements, we have identified material misstatements in the directors' report, giving an indication of the nature of any such misstatements.

In such regards:

- in our opinion, the directors' report has been prepared in accordance with the applicable legal requirements; and
- we have not identified material misstatements in the directors' report.

Matters on which we are required to report by exception by the Act

We have nothing to report in respect of the following matters where articles 179(10) and (11) of the Act requires us to report to you if, in our opinion:

- (a) proper accounting records have not been kept by the Company; or
- (b) the Company's financial statements are not in agreement with the accounting records; or
- (c) we have not obtained all the information and explanations which, to the best of our knowledge and belief, we require for the purpose of our audit.

The Principal authorised to sign on behalf of KPMG on the audit resulting in this independent auditors' report is Noel Mizzi.



KPMG
Registered Auditors

28 May 2018

Portico Building
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