annual report 07

Malta Stock Exchange plc

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malta stock exchange plc

as at 31 December 2007

The Board of Directors

Joseph Zammit Tabona	Chairman
Arthur Galea Salomone	Deputy Chairman
Saviour Briffa	Director
Antoine Fiott	Director
Karen Spiteri Bailey	Director
Eileen V Muscat	Company Secretary

Strategy Committee

Joseph Zammit Tabona	Chairman
Arthur Galea Salomone	Member
Mark A Guillaumier	Member
Eileen V Muscat	Member

Executive Committee

Mark A Guillaumier	Chairman
Joseph Zammit Tabona	Member
Eileen V Muscat	Member
Simon Zammit	Member
Robert Vella Baldacchino	Member
Marie Cordina	Secretary

Audit Committee

Joseph Zammit Tabona	Chairman
Saviour Briffa	Member
Karen Spiteri Bailey	Member
Berta Vella	Member
Marie Cordina	Secretary

Securities Settlement System Committee

Mark A Guillaumier	Chairman
Saviour Briffa	Member
Eileen V Muscat	Member
Simon Zammit	Member
Robert Vella Baldacchino	Member

letter of **transmittal**

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

6 March 2008

The Chairman & President
Malta Financial Services Authority
Notabile Road
Attard BKR 3000

Dear Sir

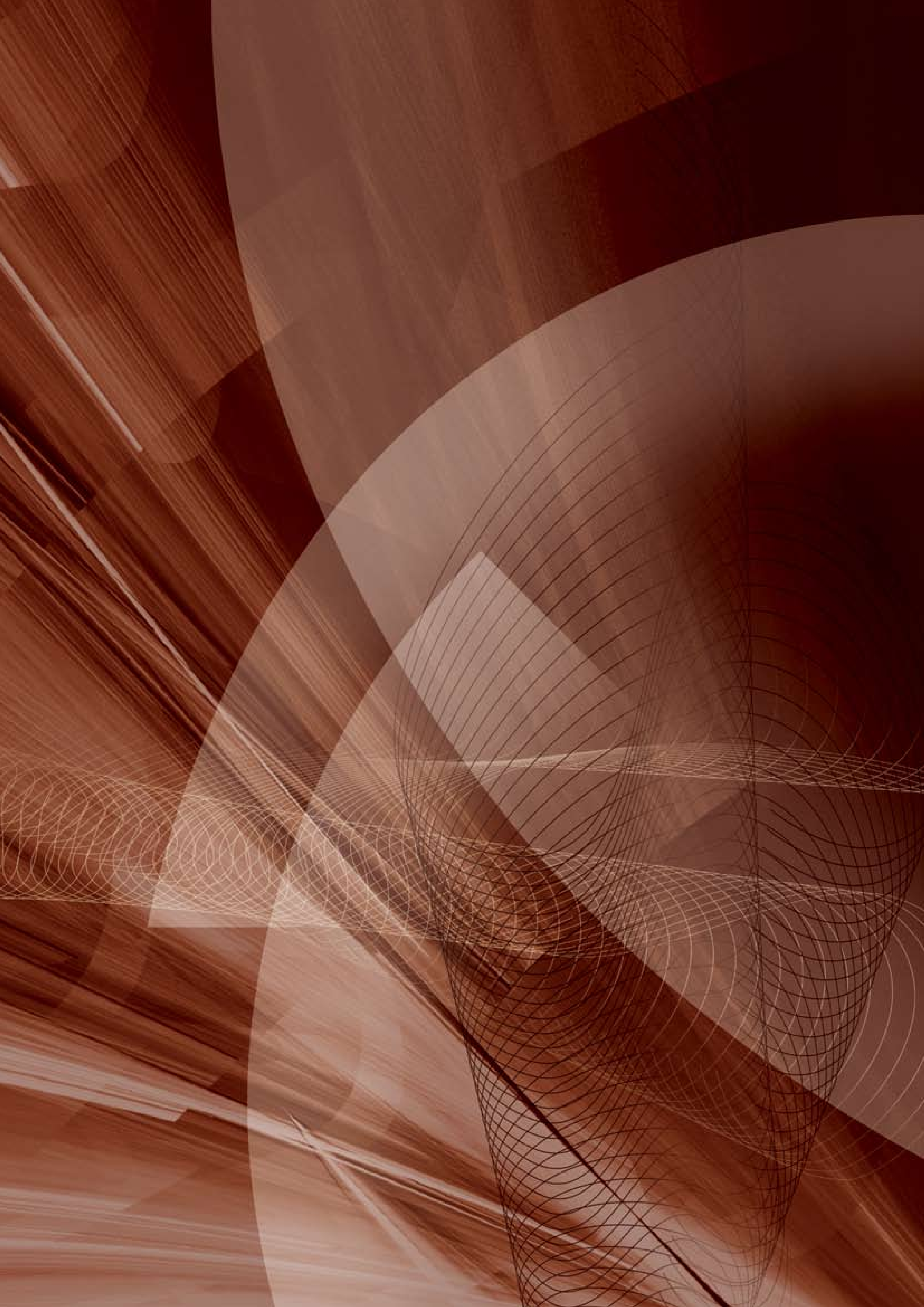
In accordance with Article 31 (1) of the Financial Markets Act (Cap. 345 of the Laws of Malta), I have the honour to transmit the Audited Financial Statements for the Financial Year ended 31 October 2007 together with a Report on the activities of the Malta Stock Exchange for the year ended 31 December 2007.

Yours faithfully

Joseph Zammit Tabona
Chairman

contents

chairman's message



chairman's message

It is indeed my great pleasure to present the Annual Report for 2007, a very busy year for the Exchange which has seen many operational developments, a resurgence in listings and. not least of all, a year during which we have seen the birth of Malta Stock Exchange plc and its sister company CSD (Malta) plc.

Looking at the developments which have taken place on the operational side, we have managed to widen the range of financial instruments available on the market with new equity and bond offerings which have raised a total of almost Lm347 million (€808 million) (excluding Treasury Bills) on the primary market. We have also introduced money market instruments to the market in the form of Treasury Bills. Not only are these securities new to admission and trading, but their introduction to the market has also brought about a major development in the Exchange's security settlement system as these securities are the first securities on our market to be cleared and settled on the same day.

We have taken the euro changeover process in our stride, not only in terms of the changes required in the trading and securities registration systems which will be discussed in more detail later on in this Report, but also as regards the Exchange's new status as a Direct Member of TARGET2, the pan-eurozone clearing and settlement system operated by the European Central Bank.

Compliance with the Market in Financial Instruments Directive, better known as MiFID and the Transparency Directive, is another area to which we have had to dedicate considerable resources, both human and financial.

As I mentioned in the previous year's Annual Report, it was envisaged that the corporate restructuring of the Exchange would take centre stage during 2007 and that by the end of the year the Exchange would look very different from the institution that has been in operation since 1992. This has indeed been the case. The main event for the Exchange during the past year has, no doubt, been the corporate restructuring which, subsequent to amendments to the Financial Markets Act which came into effect on 1 November 2007, has seen the Malta Stock Exchange change from a corporate entity into a public liability company, set up under the Companies Act.

The proposal to change the corporate structure of the Exchange from a public entity set up under a specific law, to a group of companies set up under the Companies Act has been in development for a number of years and I am very pleased to be able to say that this objective has finally been achieved during 2007. The new corporate structure is supported by an extensive internal restructuring that took place during the third quarter of the year. Both the new internal and corporate structures provide the proper legislative, regulatory, governance and operational structures to enable the Exchange to increase its operational efficiency, to seek new business opportunities and possibly, eventually, to attract future strategic partners with a view to continue to expand its operations both locally and overseas.

As I mentioned above, 2007 has seen a substantial number of new issues launched on the market, including nine new corporate bond issues, two equity issues and over 30 Government Stock issues and Treasury Bill issues. Indeed, it is encouraging to note that all the efforts put into attracting new issues to the market made during the past two years are yielding results. Not only has the number of listings continued to grow at a steady pace, but 2007 has also seen the first equity issue from a foreign company, with its operations based in Malta, coming to the market. Another similar company was admitted at the very start of the current year.

The very high levels of equity trading registered during 2006, decreased considerably when comparing year to year figures, however, this decline was more than made up for by trading turnover in the newly-listed Treasury Bills and significant increases in Government Stock and Corporate Bond trading. Market turnover during 2007 in fact reached a total of just over Lm196 million (€457 million), an increase of around 22% when compared to the previous year's turnover. Market capitalisation reached a value of Lm 3.3 billion (€7.7 billion), up from Lm2.9 billion (€6.8 billion) the previous year.

Despite incurring considerable capital expenditure during 2007 in respect of a number of technical developments such as an upgrade to the trading system and to SWIFT, as well as direct membership in TARGET2, which also involve, to some extent, higher running costs, and the decrease in revenue as a result of the decrease in equity trading, during the period which the Financial Statements found at the end of this Report cover, that is up to 31 October 2007, the Exchange registered a pre-tax profit of Lm568,668 (€1.3 million), an increase of 15% when compared to the previous year.

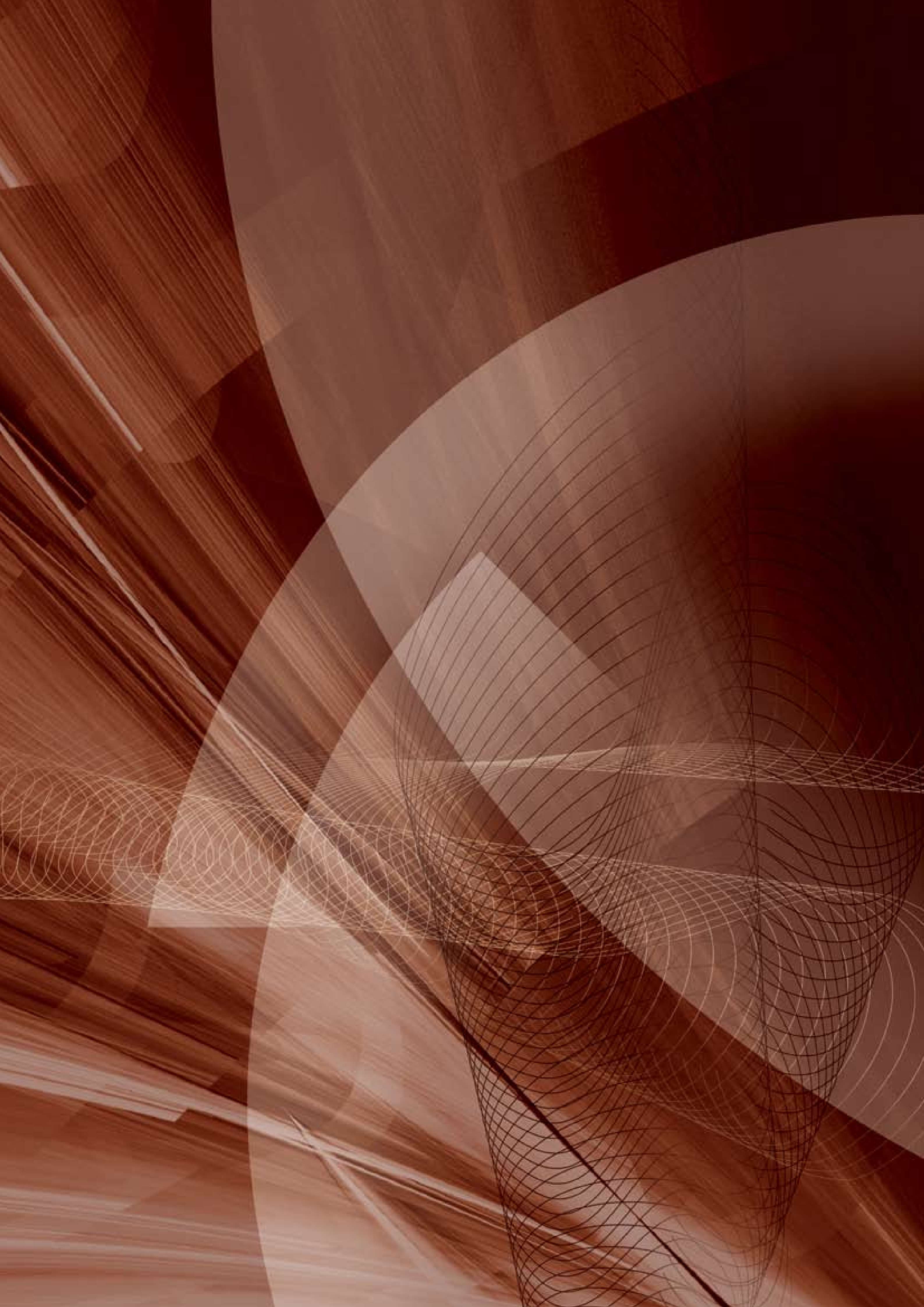
A number of strategic developments have been planned for 2008. We are working on a number of new initiatives aimed at widening the range of services which we can offer and which can bring in new business for the Exchange. We are also working on the drafting of new admission rules in respect of an Exchange regulated market for companies which do not meet the full requirements of the Official List. The technological infrastructure is also being overhauled in order to improve not only the overall efficiency of the trading and central registration systems but also to enable the Exchange to offer new services to issuers, investors and intermediaries as well as to enable the Exchange to comply with its international commitments to offer access and interoperability to its core systems.

Widening the range of financial instruments available on our market, as well as continuing to increase the market liquidity of financial instruments admitted to our market, remain prime strategic goals. To this end, we shall continue with our efforts to attract more companies to the market, particularly smaller local family-owned companies as well as smaller cap overseas companies. At the same time we are also fairly advanced in drawing up a set of rules related to the introduction of market-marking to our market, which coupled with a wider range of financial instruments available on the market, has the ultimate objective of improving liquidity and making our market a more attractive trading venue for international institutional investors.

I would like to thank my fellow Board Members, the Management and all the staff for their commitment and support during this often difficult but momentous year and with, I am sure, the continued help of all concerned, I look forward to another busy and rewarding year.

Joseph Zammit Tabona
Chairman

chief executive's report



chief executive's report

The positive performance of the market both in terms of new listings as well as in turnover values recorded during 2007 was reflected in the financial results for the year which returned a healthy surplus before tax of Lm725,000 compared with Lm493,000 in 2006. In November, the Malta Stock Exchange's corporate structure was changed from that of a corporate entity set up under a specific law into a public liability company, set up under the Companies Act. This corporate restructuring exercise was preceded earlier on in the year by an internal reorganization of offices and staff whose main aim was to introduce new efficiencies and better work flows in the operations of the Exchange. A detailed description of these developments can be found elsewhere in the Annual Report.

Another major event that left its mark on the operations of the Exchange during 2007 was the preparatory work needed to set the proper operational basis for the euro changeover that took place on 1 January 2008. The Malta Stock Exchange was directly involved, together with other institutions in the financial sector, in the Financial Services Sub-Committee under the National Euro Changeover Committee, NECC. In order to ensure that the changeover exercise proceeded smoothly, the Exchange had to dedicate a significant amount of resources, both human and financial, to the preparatory work required such as a number of technology updates to our trading and securities registration systems, the training of staff and the implementation of the necessary changes in client accounts to reflect the change in the currency of denomination. I am glad to say that, thanks to the support of all the people involved, the whole process went through smoothly and without any major hitches.

In tandem with the process of changing the national currency, in November the Exchange also became a direct member of the European Clearing and Settlement System known as TARGET2 which is, essentially, a centralised payment system with a single technical platform developed and operated by a "consortium" of central banks – Banca d'Italia, Banque de France and the Deutsche Bundesbank – on behalf of the Eurosystem. Together with the US Federal Reserve Bank's "Fedwire" system and the global foreign exchange settlement system "Continuous Linked Settlement" (CLS), TARGET2 is amongst the biggest payment systems worldwide. TARGET2 offers a number of advantages to its users, such as settling payment transactions in a fast manner and in central bank money with no credit risk, features which also makes it a very robust infrastructure in times of crisis. I feel that this development further strengthens the post-trading infastructure of the Exchange bringing it in line with the highest international standards.

During the course of 2007, the Exchange took the necessary steps to comply with its commitments vis-à-vis the voluntary Code of Conduct it had subscribed to in November 2006 and which was designed to cut the total cost of trading equities across national borders by injecting more price transparency and competition into clearing and settlement operations thereby increasing the competitiveness of the European securities markets.

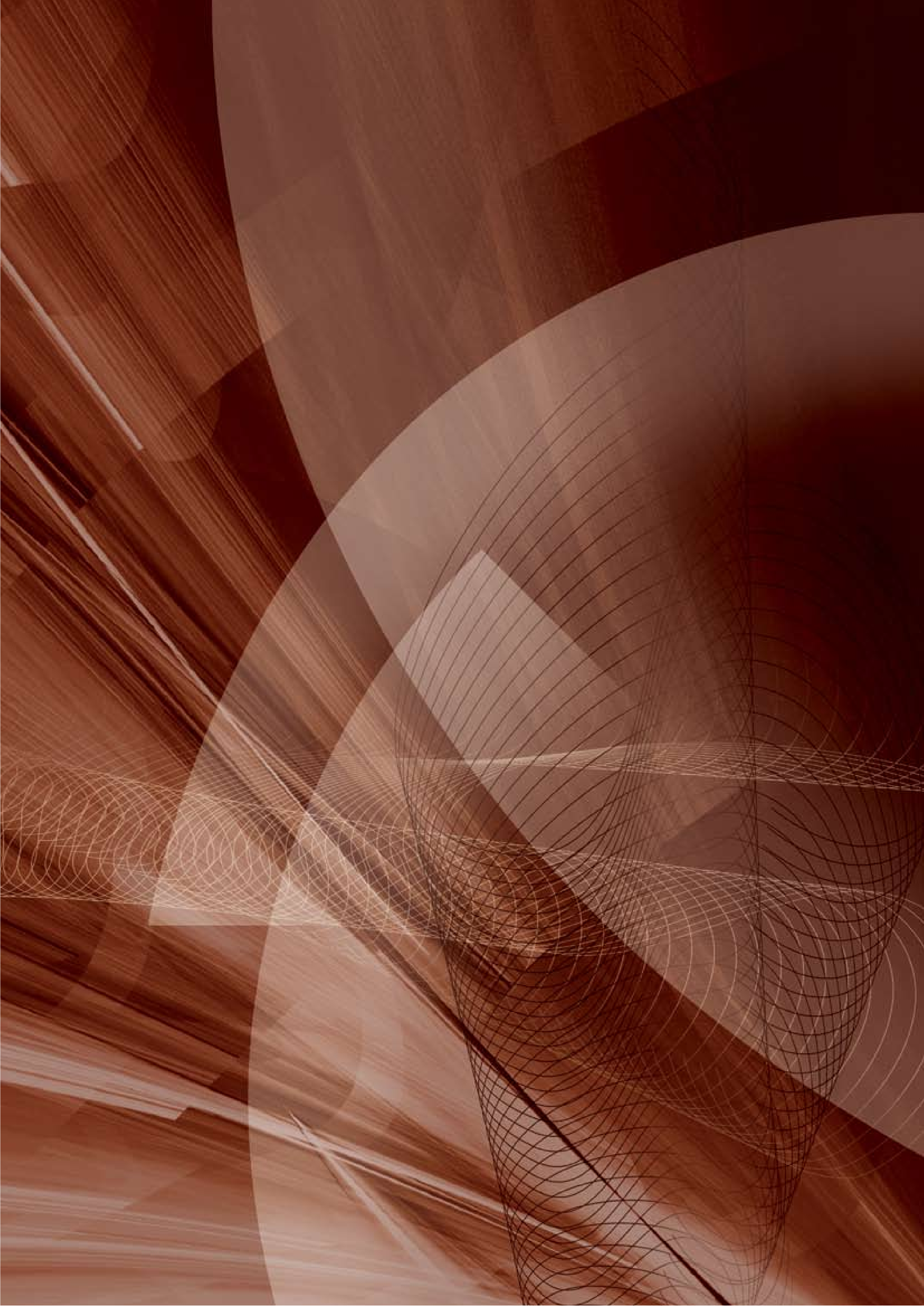
I cannot conclude this report without mentioning the corporate restructuring of the Malta Stock Exchange which took place towards the end of the year. The new corporate structure has been designed to provide the current shareholder, that is the Government, with the appropriate platform should it decide to sell shares in the subsidiary companies.

The new corporate structure of the Exchange coupled with the high standards of its operations and the strong public image by which it is today known both locally and internationally, provides the proper legislative, regulatory and governance platform enabling the Exchange to seek new business opportunities and to attract possible strategic partners.

I want to end this Report by highlighting the hard work and sense of co-operation shown by all members of staff during the course of a busy and challenging year for the Exchange. This support and sense of dedication shown by all concerned augurs well for the future of this Institution.

Mark A Guillaumier
Chief Executive

administration report



The Board of Directors

Joseph Zammit Tabona
Chairman
Arthur Galea Salomone
Deputy Chairman
Saviour Briffa
Director
Antoine Fiott
Director
Karen Spiteri Bailey
Director
Eileen V Muscat
Company Secretary

The Council

The Council appointed by the Minister of Finance in terms of Article 25 of the Financial Markets Act (Cap. 345 of the Laws of Malta) in January 2006, continued in office till 31 October 2007. With effect from 1 November 2007, the Chairman and Council Members were appointed as the Chairman and Board of Directors of Malta Stock Exchange plc in terms of Article 7 of the Memorandum of Association of the Company, following the corporate restructuring of Malta Stock Exchange to Malta Stock Exchange plc.

At the end of 2007, the Board of Directors of Malta Stock Exchange plc was composed of Mr Joseph Zammit Tabona as Chairman, Dr Arthur Galea Salomone as Deputy Chairman, and Mr Saviour Briffa, Dr Antoine Fiott and Ms Karen Spiteri-Bailey, as Directors. Ms Eileen V Muscat was appointed as Company Secretary in terms of Article 9 of the Memorandum of Association of Malta Stock Exchange plc. Mr Mark A Guillaumier, continued in his capacity as Chief Executive of Malta Stock Exchange plc.

With effect from 1 November 2008, the Chairman and Council Members of the Malta Stock Exchange were also appointed as the Chairman and Board of Directors of MSE (Holdings) Ltd and CSD (Malta) plc, the other two companies set up as a result of the corporate restructuring of Malta Stock Exchange plc. Ms Eileen V Muscat was also appointed as Company Secretary to both these companies whilst Mr Mark A Guillaumier was appointed as Chief Executive of CSD(Malta) plc.

Apart from a total of fourteen meetings during the year under review, the Council also held an ad hoc meeting in order to discuss the corporate restructuring of the Exchange. In the course of a number of meetings held throughout the year, the Council considered the drafting of the constitutional documents of the three companies, the necessary amendments in the relevant legislation and other related matters. At the same time, the Council, acting on the advice of the Executive Committee, also considered the internal restructuring of the Exchange with a view to increasing the efficiency of the organisation and also to ensure that it was fully prepared to meet the challenges that it would be facing in the coming months, particularly those related to the implementation of the various MiFID provisions and the euro changeover process.

The Council also continued to focus on short-term strategic goals, particularly as regards to the range and type of instruments admitted to the recognised lists of the Exchange. Furthermore, the Council approved the direct participation of the Exchange in TARGET2, the centralised payment system within the eurozone, Other topics dealt with by the Council were the introduction of Treasury Bills onto the market and a number of other technical implementations such as the upgrade to the trading system software. The Council also approved several amendments to the Bye-laws particularly with regard to the clearing and settlement of Treasury Bills.

Committees

The various Committees set up by the Council at the start of its tenure in January 2006, namely, the Strategy Committee, Executive Committee, Audit Committee and SSS Committee, continued to meet regularly throughout the year under review, to consider and discuss particular issues in accordance with their various terms of reference.

Strategy Committee

The Strategy Committee met early on in the year and agreed that the Exchange should continue to concentrate on the short-term strategies set out the previous year to broaden the range of financial instruments available by encouraging local companies to raise their financing requirements on the market. The Strategy Committee also felt the Exchange should broaden its marketing strategies in order to encourage foreign companies to list on the Exchange. The significant increase in the number of admissions during both 2006 and 2007 indicates that the strategy adopted and the efforts being made by the Exchange in this area are yielding very positive results.

During 2006, the Strategy Committee had also directed Management to look into the possibility of introducing an Exchange regulated market with a view to providing another avenue for companies, particularly those with a smaller capitalisation or even start-up companies, to approach the market for the first time and drawing up draft rules for the consideration of the Council. A copy of the relevant draft rules was submitted to the Malta Financial Services Authority for its comments towards the end of the year.

The Executive Committee

During the course of the year, the Executive Committee met on a regular basis under the chairmanship of the Chief Executive. In line with its statutory obligations, the Executive Committee oversaw the implementation of the Council's policy decisions and made recommendations to Council regarding a number of operational, legislative, regulatory and strategic matters.

The Executive Committee continued to be heavily involved in the drafting of documentation related to the corporate restructuring of the Exchange. In addition, the Committee also concentrated on the drawing up of a new internal structure for the Exchange. The new set-up was designed not only in support of the corporate restructuring exercise , but also to ensure that all systems and procedures were adequate to meet the challenges that the Exchange was facing during the course of the year

The Executive Committee oversaw the implementation of the technical upgrade to the trading system as well as the introduction of the necessary amendments to the clearing and settlement system. The Committee also piloted the necessary changes in the reporting requirements of the Exchange emanating from the various amendments in the relevant legislation and regulations. The Executive Committee also steered through the necessary changes to the Bye-laws and assisted, in conjunction with the SSS Committee, with the drafting of the bye-laws in relation to the clearing and settlement of Treasury Bills.

The Executive Committee was also responsible for steering through the euro changeover process and for ensuring that the transition was as smooth as possible for all parties involved in the operations of the market.

Audit Committee

During the year, the Council was also assisted by the Audit Committee. Apart from regularly reviewing the Management Accounts, the Audit Committee was actively involved in monitoring both expenditure and the Exchange's investment portfolio with a view to actively seeking alternative investment solutions in order to maximise returns to the Exchange The Audit Committee was also actively involved in the financial aspects of the corporate restructuring, mainly in drawing up the opening balance sheets for the three new companies, the necessary transfers regarding the share capital of the companies as well as the valuation and transfer of the lease relating to the property in accordance with the amendments to the Financial Markets Act.

Securities Settlement System (SSS) Committee

The Securities Settlement Committee met regularly in 2007 under the Chairmanship of the Chief Executive, During the course of the year, in fact, the Exchange implemented major changes in the clearing and settlement system. The first development was the introduction of new rules and procedures in relation to the clearing and settlement of Treasury Bills which were dematerialised and admitted to trading with effect from 2 April 2007. As a consequence of the admission of such instruments to the market, the clearing and settlement system had to be amended to cater for same day settlement on a gross basis. The SSS Committee drafted the relevant bye-laws and oversaw their implementation. The introduction of the euro, scheduled for the beginning of 2008, also involved the Exchange in the upgrading of its participation levels in SWIFT, membership in TARGET2 as well as the transfer of the settlement process of non-euro transactions from the Central Bank to a commercial bank. The SSS Committee was heavily involved in all these issues, particularly by ensuring that new rules and regulations were appropriate to cover all these developments.

During the year, the SSS Committee, carried out a self-assessment of its security settlement system against ESCB standards as required by the European Central Bank (ECB) in view of Malta's eventual entry in the eurozone. The ECB sent its comments late in the year and confirmed that the Exchange's clearing and settlement system is broadly compliant with ESCB user requirements. The SSS noted the ECB comments and immediately started to work on the changes advocated by the ECB for the local SSS to achieve full compliance with the relevant standards.

The SSS Committee also continued to monitor the degree of compliance with the EU Code of Conduct on Clearing and Settlement to which the Exchange became a signatory in 2006, whilst, at the same time closely following developments with regard to the Eurosystem's TARGET2-S plans.

Market Making Committee

The Market Making Committee, under the Chairmanship of the Chief Executive of the Exchange, was set up late in 2006 to consider the feasibility of introducing market making operations in the local market. The Committee met a number of times during 2007 to consider the matter and, by the end of the year, had prepared drafts with the necessary amendments to the current legislation as well as a first draft of the relevant Bye-laws which are currently under consultation with the interested parties.

Corporate Restructuring

The Exchange has been for some time considering the possibility of restructuring the corporate set-up of the institution from a public entity with the status of a recognised investment exchange set up in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta), into a Group structure set up under the Companies Act.

The main objectives behind this restructuring exercise were to improve the competitiveness of the Exchange by raising efficiency levels and providing new and wider services to market players both locally and internationally and to provide an adequate platform to support any eventual privatisation exercise. These objectives were in line with the strategic goals of the Exchange of streamlining the governance framework without compromising on regulatory and business standards.

The groundwork necessary to carry out this exercise commenced in earnest towards the beginning of 2007 and the new corporate structure became effective on 1 November 2007 when the relevant amendments to the Financial Markets Act were passed through the House and the three new companies constituting the Group were duly registered in terms of the Companies Act.

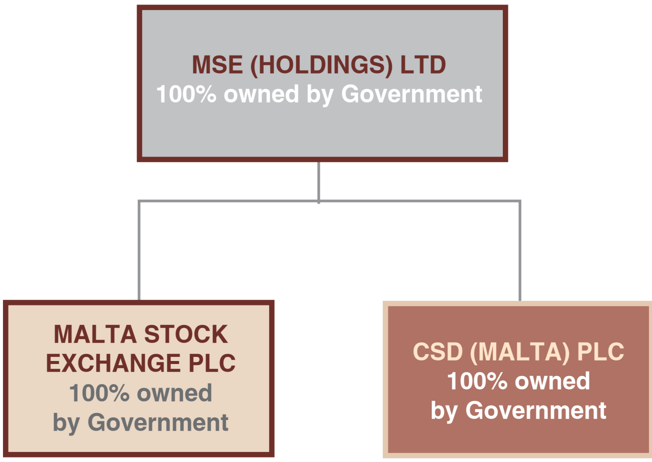
The new structure provides for the establishment of a group of companies composed of MSE (Holdings) Ltd, a holding company wholly-owned by Government and two subsidiary companies, namely Malta Stock Exchange plc and CSD (Malta) plc. The holding company acquired the lease agreement in force between the Exchange and the Government with regards to the property currently used as the premises of the Exchange. Through this mechanism, the Government, through the holding company, continues to retain control over the immovable property. The holding company also holds 100% shareholding of the two subsidiary companies, Malta Stock Exchange plc and CSD (Malta) plc.

In terms of the relevant provisions of the Financial Markets Act, Malta Stock Exchange plc has succeeded to all the assets, liabilities, rights and obligations of the Malta Stock Exchange with effect as from 1 November 2007. At the same time, Malta Stock Exchange plc was issued with two licenses by the Competent Authority, one to operate a regulated market and the other to operate a central securities depository. Effectively, Malta Stock Exchange plc took over all the operations and functions of the Malta Stock Exchange with effect from the operative date. Eventually, it is planned that a further split will take place in the core operations such that Malta Stock Exchange plc will retain trading operations and ancillary services while CSD (Malta) plc will take over the license to operate registrar and clearing and settlement functions.

In line with the Exchange's strategic objectives, the new corporate structure provides a suitable platform for the eventual sale, in full or in part, of either or both of the subsidiary companies whilst providing a solid legislative, regulatory and governance platform to expand current operations into new lines of business thereby enhancing the possibility of attracting strategic partners.

Furthermore, in order to provide continuity in the governance of the new companies, the members of the Council of the Malta Stock Exchange were again appointed as the members of the Board of Directors of the three new companies.

The structure of the Group is made up as follows :



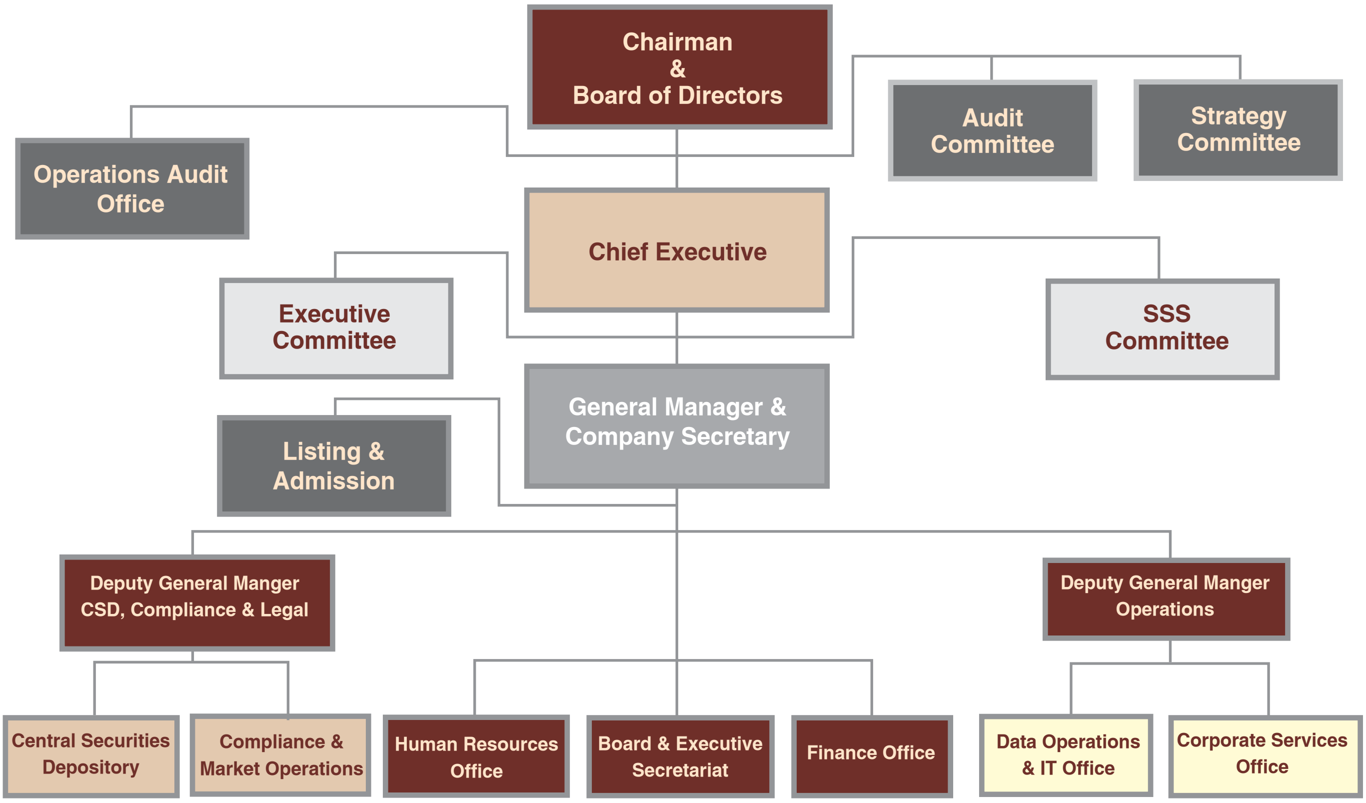
Internal Re-organisation of the Exchange

During 2006 the Executive Committee commenced working on a comprehensive internal restructuring of the Exchange's offices and functions. The new structure was implemented in mid-2007 with the aim to

- provide for new developments in the functions and responsibilities of the institution which have necessitated the introduction of a number of additional functions and services to be provided by the Exchange;
- streamline the organisational set-up with the aim of increasing efficiency in its operations by minimising any duplication of procedures and functions and utilising individual staff skills to the maximum potential;
- clearly define lines of reporting and responsibility within the organisational set-up, and
- clearly define the core functions of the Exchange as regards the CSD and the rest of the operations particularly in view of any eventual split between the two functions.

The new internal structure of the Exchange has resulted in the amalgamation of a number of offices and the creation of different structures for other offices, such as the amalgamation between Legal Office and the CSD and the split between Human Resources Office and Corporate Services Office. The new structure also provides for the shift of number of functions from one office to another, in order to gain more efficiencies by removing duplication of procedures.

The internal structure of the Exchange is now as follows:



Human Resources

Staff Complement

A junior member of staff was recruited towards the beginning of the year to bring the staff complement of the Exchange up to 43. However, during the last quarter of the year, three members of staff resigned. At the end of the year, therefore, the staff complement of the Exchange stood at 40.

As part of the internal restructuring exercise undertaken by the Exchange during 2007 as described above, a number of staff members were promoted to the Senior Manager grade and given additional duties in respect of business development and the implementation of the new structure.

During the Summer months, the Exchange engaged three students to assist in the workload and also in order that they could gain work experience in their particular areas of study.

Staff Training

Two members of staff sponsored by the Exchange to undergo tertiary education successfully completed their second year of studies in June 2007. Both these staff members returned to work at the Exchange during the Summer months. The Exchange also continued to sponsor a number of staff to undertake part-time graduate studies in computing and information systems, international law and creativity and innovation.

The Exchange also sponsored a number of staff to undergo industry training and other short courses mainly concerning compliance, regulatory, legal and IT related subjects as well as to attend a number of local seminars on different topics related to the financial sector.

Union Representation

In May 2007 the Council of the Exchange gave sole recognition to the Professional & Financial Services section (GWU-PFS) of the General Workers Union to represent Exchange staff members.

Mr Robert J Sammut was nominated as Shop Steward by Union members, while Mr Joseph Farrugia, Ms Ivania Carabott, Ms Melissa Mamo and Ms Claire Caprio Mangion were nominated as members of the Staff Committee.

The Exchange and the GWU-PFS established very cordial relations and held a number of meetings regularly during the year. The Exchange and the GWU-PFS are currently negotiating the first Collective Agreement to be signed by the Exchange. The Collective Agreement will cover the period 1 January 2008 to 31 December 2010.

Regulatory Matters

Legislation

During 2007, the Financial Markets Act (Cap. 345 of the Laws of Malta) went through a number of substantial, amendments which became effective on 1 November 2007 in line with the publication of Act XX of 2007 – An Act to amend several Financial Laws. The amendments mainly cover :

- changes emanating through the transposition of MiFID, encompassing also changes in terminology
- transitory clauses in connection with the corporate restructuring of the Exchange, and
- new provisions regarding the authorisation, licensing and regulation of central securities depositories.

All the amendments introduced in the Financial Markets Act had an effect on the operations of the Exchange, particularly the transitory clauses and the new provisions regarding central securities depositories.

The transitory clauses provide that as from the operative date, deemed to be 1 November 2007, Malta Stock Exchange plc would continue in the personality of the Malta Stock Exchange and would succeed to all its assets, rights, liabilities and obligations to the exclusion of the property currently housing the premises of the Exchange which was transferred to MSE (Holdings) Ltd, as described above. Furthermore, Malta Stock Exchange plc would also succeed to the recognition order issued to the Malta Stock Exchange to operate a recognised investment exchange, now a regulated market, as defined under MiFID.

In view of the cessation of the operations of the Malta Stock Exchange, the Statute appended to the Financial Markets Act was repealed. All specific references to the Malta Stock Exchange, the Council and its operations and functions were consequently removed from the Act.

A new section of the Financial Markets Act deals with the set-up and operations of central securities depositories. Central security depository functions, previously forming part of the authorisation of recognised investment exchanges, are now deemed to be separate and distinct activities, subject to specific authorisation by the Competent Authority. New provisions in the Financial Markets Act, therefore, deal with authorisation requirements and revocation, application procedures and also include the functions of central securities depositories which now Include custodial services, authentification of registers, registrar and management functions and other ancillary services.

Article 28 of the Financial Markets Act also enshrines the concept of dematerialisation of designated financial instruments, as will be defined in specific regulations to be issued in terms of the Act in due course.

Other amendments to the Financial Markets Act directly effecting the Exchange refer to the significant influence over the management of a regulated market (previously part of the General Notification Directives applicable to recognised investment exchanges), the provision of clearing and settlement facilities to transacting parties including the possibility of access and interoperability with other similar systems and other provisions regarding confidentiality of information.

All the regulations issued in terms of the Financial Markets Act were also amended to reflect the new terminology and provisions of the amended Act.

Financial Market Rules

The General Notification Directives applicable to Recognised Investment Exchanges were repealed and replaced by the Financial Market Rules, issued by the Competent Authority in accordance with the provisions of Article 5 of the Financial Markets Act. The Financial Market Rules include provisions designed to ensure that due notice of events and certain specified information is submitted to the Competent Authority for the proper fulfilment of its regulatory functions as prescribed in the Financial Markets Act in relation to regulated markets. The Financial Market Rules, in fact, include general provisions regarding notifications to be made by the regulated market specifying the form, method and timing of such notifications and also include details and other necessary information which should be notified to the Competent Authority. The Financial Market Rules also transpose certain provisions of MiFID, including new rules together with their relevant appendices relating to the provision of data on financial instruments admitted to trading.

Licenses

In accordance with the Financial Markets Act but also in view of the corporate restructuring of the Exchange, Malta Stock Exchange plc was issued with two licenses on 1 November 2007.

In terms of Article 4 of the Act, Malta Stock Exchange plc is authorised by the Competent Authority to provide the services of a regulated market subject to the requirements of the Act and any regulations and the Financial Market Rules made thereunder.

Pursuant to Article 24 of the Act, Malta Stock Exchange plc is authorised by the Competent Authority to provide the services of a central securities depository subject to the requirements of the Act and any regulations made thereunder. This authorisation provides details of the functions which may be carried out in terms of this license, which include:

- the provision of custody or depository facilities
- the maintenance of registers and recording of transactions and holdings in financial instruments
- the provision, management and administration of a clearing and settlement system including the provision of access and interoperable links
- the authentification of registers of financial instruments, and
- other ancillary functions including corporate administrative services.

Bye-laws

As a consequence of the listing, trading and dematerialisation of Treasury Bills on 2 April 2007, a new section was added to Chapter 6 of the Bye-laws which deals specifically with the clearing and settlement of these money market instruments, on a delivery-versus-payment, gross, same-day settlement basis.

A new section was added to Chapter 4 of the Bye-laws dealing with Trading, Central Securities Depository and Settlement. The new bye-laws refer to “Client Account Amendments” and detail the procedures to be undertaken by a Member should it be deemed necessary to change an account number. This new section of the Bye-laws was added as a consequence of the implementation of additional functionality of the trading system following the implementation of the upgrade in August 2007.

Currently the Bye-laws are being reviewed and significant changes are being made as a result of the amendments to the legislation and new provisions of the Financial Market Rules.

Council Notice 1 – Fees & Other Charges

New charges were introduced during 2007 in respect of Client Account Amendments following the relevant additions to the Bye-laws as described above. Trading fees and bank charges were also added, denominated in Sterling, following the admission to the Official List of shares denominated in this currency.

As from 1 July, Council Notice 1 was issued showing charges denominated in both Maltese Lira and euro (where appropriate) in accordance with dual display requirements in connection with the changeover to euro as the national currency at the beginning of 2008. At the end of the year, all charges denominated in euro were rounded downwards and Council Notice 1 was re-issued showing the new euro denominated charges, effective 1 January 2008.

EU Code of Conduct on Clearing and Settlement

Whilst Council Notice 1 showing all fees and charges levied by the Exchange had already been available on the Exchange's website for a number of years, in accordance with the first phase of the EU Code of Conduct on Clearing and Settlement regarding price transparency, a specific page was created on the website showing all specific fees and charges in accordance with the requirements of the Code.

In accordance with the second phase of the Code, which was due for implementation by the end of June 2007, the Financial Markets Act was amended to provide for access and interoperability between central securities depositories, security settlement systems and other related systems to enhance the ability of organisations to interconnect and ultimately increase freedom of choice for market participants.

The Exchange is already broadly in line with the third phase of the Code which deals with service unbundling and accounting separation, as the fees and charges levied by the Exchange are already split into listing, trading and register and clearing and settlement fees. However, for greater clarity, the Exchange is currently undertaking an exercise to further split fees and explain the services being provided in respect of such fees.

Compliance

In January and July, the Exchange submitted the "Certificate of Compliance" to the Competent Authority in terms of the General Notification Directives applicable to Recognised Investment Exchanges wherein the Council confirmed compliance with all relevant rules and regulations and financial requirements.

Audit

In March 2007, the Exchange's external auditors, Ernst & Young, submitted the Audited Financial Statements and Management Letter for the financial year ended 31 December 2006 to the Council in terms of the Financial Markets Act. The audited Financial Statements were submitted to the Competent Authority and reproduced in the Exchange's Annual Report for 2006.

Due to the corporate restructuring of the Exchange, the financial year for the Malta Stock Exchange ended on 31 October 2007. The Exchange's external auditors, Ernst & Young carried out the appropriate audit covering the period 1 January – 31 October 2007 during December 2007. The Audited Financial Statements covering this period were approved by the Board of Directors on 11 February 2008 and are being reproduced as part of this Annual Report.

International Relations

The Exchange maintained its membership of several standard setting international organisation as described in previous Annual Reports. The Exchange is a Member of the following industry organisations:

FESE	Federation of European Securities Exchanges
WFE	World Federation of Exchanges
IOSCO	International Organisation of Securities Commission
ECSDA	European Central Securities Depositories Association
ANNA	Association of National Numbering Agencies
ECMI	European Capital Markets Institute
ECGI	European Corporate Governance Institute

As reported in the Annual Report for 2006, the Exchange became a full member of ECSDA and ANNA during 2006. The Exchange, therefore, concentrated its efforts on ensuring that it was in line with all the standards in respect of security numbering as required from all members of National Numbering Agencies. Furthermore, as a new member of ECSDA, the Exchange has completed all the appropriate questionnaires and is also sitting on a number of Working Committees within this pan-European organisation.

Meetings

As in previous years, Exchange officials actively participated in a number of regular meetings set up during the year by the international organisations of which the Exchange is a member. These events included a number of Technical Working Committee meetings and Task Force meetings, MiFID Task Force meetings concentrated on issues such as transparency, best execution and the calculation and reporting of liquid shares. Clearing and Settlement Task Force meetings dealt with the implementation of access and interoperability, unbundling of services and also discussed the reports of the Monitoring Group set up to oversee compliance with the Code. The Working Committee of FESE was also very active this year. Besides overseeing the implementation of MiFID and EU Code of Conduct requirements by its Members, the Working Committee also revised its own Statute with reference to its roles and functions, particularly as regards to the enhancement of its role as EU lobbyist on behalf of European financial markets.

The Exchange also attended several of the regular meetings organised by ECSDA including Board Meetings where the Exchange is represented by the Chairman and other Task Force meetings relating mainly to access and interoperability between relevant systems and also with respect to the TARGET2-SECURITIES project being spearheaded by the European Central Bank. In relation to the latter project, the Exchange also attended a number of meetings organised by the European Central Bank itself.

Euro Changeover

One of the major projects undertaken by the Exchange during the year was without doubt the euro changeover.

While the Exchange's core systems, the trading system and the central registration system, converted to euro in a 'big bang' process during the last few days of December, preparations for the changeover had started during 2006 with the publication of the Guidelines regarding the "Redenomination and Renominalisation of Listed Maltese lira denominated financial instruments into euro" in May of that year which set out the objectives, applicability and principles to be applied in the conversion process. During 2007, further discussions were held with Members and listed companies regarding the Guidelines and relevant changes were made in respect of the methodologies to be applied in order to ensure the smoothest possible changeover from one currency to another. Amended Guidelines including detailed Market Conventions were issued during 2007.

At the same time, the Exchange also reviewed all its own systems to ensure that they had sufficient functionality to deal with the changeover. The euro changeover process, in fact, involved major technical changes to the clearing and settlement system due to the Exchange's direct membership of TARGET2 which became effective when Malta joined the eurozone, including upgrades to the Exchange's access to the SWIFT messaging system. Changes were also necessary to statistical reports and other internal systems such as the wage roll and the accounting system.

The Guidelines

The Guidelines issued by NECC in conjunction with the Exchange, outlined the methodologies to be used in the conversion of both shares and fixed interest instruments including Government Stocks, Corporate Bonds and Treasury Bills.

Different methodologies were used for the conversion of shares (renominalisation) and for fixed income financial instruments (redenomination). Both methodologies were, however, based upon the principles of transparency, legal equivalence and fairness where the conversion of nominal issued amounts from Maltese Lira into euro necessitated the applicability of rounding.

Redenomination of fixed income financial instruments took place at individual investor level at the irrevocably fixed conversion rate to six decimal places. In all cases the bottom-up method of rounding was used, meaning that all amounts converted into euro were rounded up to the nearest euro. This method ensured that investors suffered no losses due to the redenomination of their holdings in these listed financial instruments.

In the context of equity conversion, renominalisation is the conversion of the nominal value of the shares. Renominalisation is supported by the principle that voting rights of shareholders are not adversely effected through the conversion process. In the case of renominalisation, the total listed share capital was converted into euro. Effectively, the number of shares of each individual shareholder remained the same with the nominal value being quoted in euros.

In accordance with EU Regulation 1103/07, the introduction of the euro did not alter any term of contract nor give any party the right to unilaterally alter or terminate such contract, unless otherwise specified in the contract terms. Contractual terms of listed financial instruments, such as interest and coupon date, therefore, remained unchanged following conversion into euro.

The Changeover

The last trading session held in financial instruments denominated in Maltese Lira took place on 27 December 2007. The settlement cycle for transactions effected on this date was also reduced to T+2 to ensure that settlement took place also took place in Maltese Lira on 31 December 2007, immediately prior to conversion date.

Before trading re-opened, Compliance & Market Operations Office implemented all the necessary changes to the trading system, including the revision of the prices of outstanding orders into euro in accordance with conversion and rounding regulations. Static details of traded financial instruments within the trading system, such as security names and nominal values were also amended together with all the recognised lists issued by the Exchange to reflect the new security names and market prices. Prior to euro conversion, all fixed interest securities were traded in multiples of 100 and, therefore, the board lot, that is the minimum volume of such financial instruments which could be traded, had been set at 100. Due to the conversion methodology and rounding convention adopted for fixed interest financial instruments, following conversion, it was no longer possible to retain trading in multiples of 100, and, therefore, the minimum board lot for these financial instruments was changed to 1. Market prices of both shares and fixed interest financial instruments were converted into euro at the irrevocably fixed rate. Upon resumption of trading, market prices of shares were quoted in euro to three places of decimal whilst market prices of fixed interest financial instruments continued to be quoted as a percentage in euro to two places of decimal.

The conversion of all listed financial instruments whose registers are held within the Central Securities Depository, took place between 27 December 2007 and 3 January 2008.

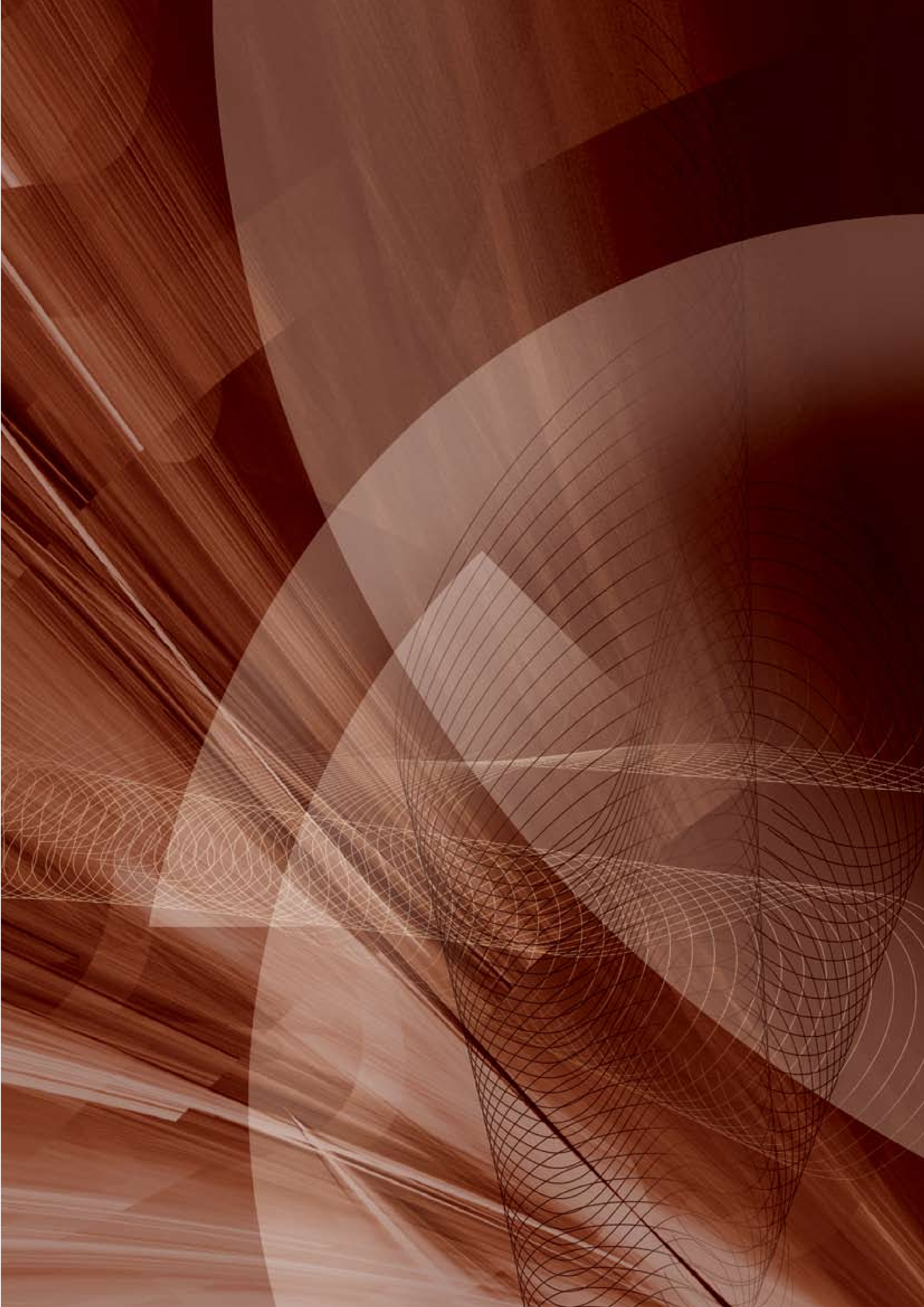
While this was largely an automated process, the process involved substantial checking and also some manual amendments to the static details of financial instruments whose registers are held and maintained within the CSD. To facilitate the changeover process, instructions had been issued to Issuers of listed financial instruments regarding causa mortis transfers, and to the commercial banks regarding pledge processing stating that any relevant instructions received after 27 December 2007 would not be processed by the Central Securities Depository due to the conversion process taking place at the time. Normal services were resumed immediately following conversion date.

In order to further assist investors, the annual Statement of Holdings issued to all investors showing investor holdings as at 31 December of each year, were, for 2007, issued as at 1 January 2008. In this way, it was possible to show investor holdings as at 1 January 2008 already converted into euro, as well as the same balances in Maltese Lira as at 31 December 2007.

Normal trading sessions and the provision of full services by the Central Securities Depository were resumed on 4 January 2008 following a smooth conversion process.

The Board would like to express its appreciation for all the hard work and commitment of the Management and all the staff to ensure the successful implementation and conclusion of the changeover process.

exchange operations and other activities



Market Operations during 2007

Turnover on the Exchange's market was just over Lm196.4 million during 2007 (€457.5 million), an increase of just under Lm36 million (€83.9 million), or 22% compared to the previous year's figure. This increase in market turnover was registered despite a significant contraction in equity trading which , however, was more than made up by considerable gains in fixed-income securities trading – both Government and Corporates - as well as by high turnover levels in Treasury Bills which were admitted to trading for the first time on 2 April 2007.

Equity trading reached unprecedented levels during the latter part of 2005, a trend which persisted during the first half of 2006 but eased during the latter half of that year. This slowdown in equity trading levels continued during 2007 although equities rallied somewhat towards the end of the year. Equity market turnover registered in 2007, in fact, was just under Lm28 million (€62.5 million), a decrease of Lm60 million (€139.8 million) when compared to the previous year's figure. Turnover decreased significantly across virtually all the listed equities, with trading in this sector concentrated in the shares of the two major listed local banks, which together accounted for almost 60% of turnover in this sector of the market. The two equities listed during the last quarter of the year also performed well. The decrease in equity business was also reflected in the number of deals effected in these securities which fell to 10,144, just over a third of the number of deals effected during 2006.

In contrast, trading volumes in the corporate bond sector increased by almost Lm1 million (€2.3 million), or 20%, to reach a turnover value of Lm5.3 million (€12.3 million). Bond business increased in virtually all the corporate securities and the nine corporate bonds listed during the year also performed well. Trading in these corporate bonds accounted for Lm 1.76 million (€4.1 million), or one-third of total fixed-income turnover registered during the year. Even though corporates turnover increased on a year ago, the number of trades effected in these securities during 2007 dropped by almost 1,000 to 1,431.

The increase in market activity which emerged in the corporate bond sector was even more marked in Government Stocks where turnover more that doubled in 2007 to reach Lm140 million (€326 million), up from Lm 68 million (€158 million) in 2006. The number of deals registered in Government bonds, however, was in line with the rest of the market, dropping from 3,112 in 2006 to 2,821. Trading was mainly concentrated in the shorter term bonds, particularly the 7% MGS 2010 (III) issue, which accounted for some 16% of total turnover in this sector of the market. Significant business was also registered in the longer term bonds particularly the 7% MGS 2018 and the 5% MGS 2021.

Over thirty issues of Bills issued by the Treasury were admitted to listing on 2 April 2007. A number of the 90 day issues were redeemed during the course of the year and replaced by other issues. The Treasury normally issues these Bills on a weekly basis. Two hundred and twenty deals were effected in these securities, resulting in a market turnover value of over Lm23 million (€54 million).

MSE Share Index

The slump in equity trading which had emerged during the second half of 2006, continued into the new year and this was reflected in the value of the Malta Stock Exchange Share Index. The Index, in fact, registered its lowest value on the 5 January 2007, when it stood at 4757.34. However, equity prices rallied and a week later the Index stood at 5130.63, the highest value registered in 2007.

Equity prices dipped considerably at the beginning of March then remained fairly steady throughout the year, except for some peaks in May and November. Towards the year's close, prices appeared to steady a pattern which continued until the end of the year. In fact, by the end of December 2007, the Malta Stock Exchange Share Index was up by 1.3% on the previous year.

Market Capitalisation

At the end of 2007, total market capitalisation stood at just under Lm3.3 billion (€7.7 billion), an increase of Lm0.4 billion (€0.93 billion) when compared to the previous year. These figures do not include data for Collective Investment Schemes in their calculation .

Market capitalisation of the equities sector, at Lm1.6 billion (€3.7 billion), was up from the end-2006 value of Lm1.5 billion (€3.5 billion). Whilst the slight overall increase in equity prices which emerged during the year was the main factor behind this increase in the figure for equity market capitalisation, the coming on the market of two new equities during the year also contributed.

The corporate bond market was also up on the previous year, with an increase of Lm48 million (€112 million) up to Lm208 million (€484 million). This increase reflected the nine new corporate issues that came to the market during 2007.

The market capitalisation of listed Government Stocks, at Lm1.25 billion, remained virtually unchanged during the year.

The market capitalisation of outstanding Treasury Bills stood at just under Lm151 million (€352 million) at the end of the year.

The Net Asset Values of Collective Investment Schemes investing in locally listed securities overall registered some decreases during 2007 when compared to the values registered during 2006. The largest decreases where registered in those funds that invest in Malta Government Stocks.

Comparative Trading Figures

Security	Number of Deals		Volume/No. of Shares		Market Turnover (Lm)		Market Turnover (Euro)	
	2007	2006	2007	2006	2007	2006	2007	2006
Equity								
Bank of Valletta Plc Ord Lm0.25	2,644	9,163	2,020,933	6,977,967	7,322,833.73	31,458,757	*17,057,614.10*	*73,279,192.10*
HSBC Bank Malta Plc Lm0.125	3,623	13,360	4,255,060	8,613,233	8,370,116.49	34,285,759	*19,497,126.70*	*79,864,335.65*
Lombard Bank Plc Ord Lm0.25	230	515	216,494	364,520	1,144,648.30	2,255,844	*2,666,313.31*	*5,254,703.28*
Middlesea Insurance Plc Ord Lm0.25	190	608	123,534	344,436	226,281.53	1,261,725	*527,094.18*	*2,939,028.74*
Simonds Farsons Cisk Plc Ord Lm0.125	216	244	330,289	596,660	324,465.68	454,047	*755,801.72*	*1,057,644.60*
GO Plc Ord Lm0.25	1,177	3,386	1,731,796	4,315,884	2,457,112.20	8,373,768	*5,723,531.78*	*19,505,633.41*
Int. Hotels Investments Plc Ord €1.00	443	642	2,465,656	2,207,793	1,143,336.24	898,502	*2,663,257.03*	*2,092,946.03*
Plaza Centres Plc Ord Lm0.20	80	143	175,412	619,114	124,088.33	424,235	*289,048.05*	*988,201.45*
GlobalCapital Plc Ord Lm0.125	400	587	1,301,538	876,483	2,649,411.05	1,697,639	*6,171,467.61*	*3,954,434.33*
FIMBank Plc Ord US$ 0.50	427	448	4,353,655	2,951,091	2,624,776.83	2,117,302	*6,114,085.32*	*4,931,987.30*
Malta Int. Airport Plc Ord Lm0.20	509	1,073	585,529	2,748,696	807,506.67	4,211,445	*1,880,984.56*	*9,810,026.91*
Medserv plc Ordinary ‘A’ Shares Lm0.10	101	66	241,070	390,010	372,124.75	531,608	*866,817.49*	*1,238,314.22*
Grand Harbour Marina plc Ord Lm0.10	45	-	127,186	-	94,169.25	-	*219,355.35*	-
6pm Holdings Plc Ord GBP0.20	19	-	210,458	-	93,732.21	-	*218,337.31*	-
Datatrak Holdings Plc Ord Lm0.10	40	112	70,807	185,951	16,588.30	54,076	*38,640.33*	*125,963.54*
Total Equity	**10,144**	**30,347**	**18,209,417**	**31,191,838**	**27,771,192**	**88,024,707**	***64,689,475***	***205,042,412***
Corp. Bonds								
6.75% United Finance Plc 2008	9	27	95,000	180,000	95,641.25	182,829	*222,784.18*	*425,876.54*
6.5% CareMalta Finance Plc 2008/11	18	28	293,200	179,300	295,157.44	185,831	*687,531.89*	*432,870.65*
6.4% Gasan Finance Company Plc 2008/11	80	74	222,900	122,500	224,164.05	126,230	*522,161.77*	*294,036.34*
3.8% European Investment Bank 2009	28	58	292,000	188,900	289,146.38	188,630	*673,529.89*	*439,389.84*
6.7% Mizzi Org. Fin. Plc 2009/12	58	53	156,700	115,000	161,101.81	119,648	*375,266.27*	*278,704.33*
6.7% Corinthia Finance Plc 2009	64	85	132,700	161,200	133,980.79	165,536	*312,091.29*	*385,594.04*
6.15% Bank of Valletta Plc Sub 2010	67	86	110,700	204,300	113,262.51	215,324	*263,830.68*	*501,570.74*
6.5% Corinthia Finance Plc € 2010	27	39	210,600	218,500	92,704.55	95,962	*215,943.52*	*223,530.99*
5% Int. Hotel Investments Plc Con 2010	4	16	14,500	18,000	14,650.00	18,006	*34,125.32*	*41,943.79*
5.75% Mariner Finance Plc € 2008/10	15	30	423,100	288,300	181,634.76	123,877	*423,095.17*	*288,554.79*
6.7% Tumas Investments Plc 2010/12	46	77	139,200	231,000	144,302.84	240,992	*336,135.20*	*561,360.54*
8% Bank of Valletta US$ 2010	65	140	345,500	865,500	115,378.40	321,375	*268,759.37*	*748,603.50*
6.6% Simonds Farsons Cisk Plc 2010/12	59	52	56,400	41,300	58,445.61	43,426	*136,141.65*	*101,156.37*
6.7% Eden Finance Plc 2010	42	152	289,700	656,600	290,731.00	657,617	*677,221.06*	*1,531,835.17*
6.75% Corinthia Finance Plc 2012	49	83	89,000	149,300	92,068.69	155,281	*214,462.36*	*361,706.27*
6.3% Int. Hotel Investments Plc 2013	46	80	92,900	135,800	94,544.45	140,223	*220,229.33*	*326,631.82*
6.2%-6.8% Int. Hotel Invest. Plc € 2013	27	42	105,800	361,300	47,199.09	160,047	*109,944.29*	*372,808.42*
6% Dolmen Properties Plc Sec 2010/3	55	61	106,700	214,300	108,761.30	225,201	*253,345.68*	*524,576.75*
4% AX Investments Plc 2013	14	-	257,800	-	278,634.43	-	*649,043.63*	-
6.5% Int. Hotel Invest. Plc € 2012/14	135	43	1,401,500	659,600	620,522.62	291,581	*1,445,428.87*	*679,200.14*
5.6% GlobalCapital plc € 2014/16	66	113	370,400	806,700	154,890.86	346,986	*360,798.64*	*808,259.45*
6.7% AX Investments Plc 2014-2016	96	-	204,600	-	208,556.89	-	*485,806.87*	-
4.6% HSBC Bank Malta Plc 2017	97	-	490,900	-	489,634.12	-	*1,140,540.69*	-
4.6% HSBC Bank Malta Plc € 2017	42	-	759,300	-	322,671.72	-	*751,622.92*	-
7% Big Bon Finance Plc Sec 2010/12	22	38	43,500	147,100	43,778.29	153,849	*101,975.98*	*358,372.58*
7.5% Hotel San Antonio Plc 2012	28	30	33,600	28,900	34,315.21	29,639	*79,932.94*	*69,040.58*
8% Bay Street Finance Plc 2012	65	121	144,800	305,100	146,509.43	308,533	*341,275.17*	*718,689.42*
7% GAP Developments Plc Sec 2011-13	74	-	276,200	-	277,390.65	-	*646,146.40*	-
7% GAP Developments Plc Euro Sec 2011-13	21	-	351,100	-	153,367.56	-	*357,250.33*	-
7.5% Mediterranean Inv Holding Plc 2012-2014	1	-	2,500	-	2,500.25	-	*5,824.02*	-
7.5% Mediterranean Inv Holding Plc Euro 2012-14	-	-	-	-	-	-	-	-
7% PAVI Shopping Complex Plc Sec 2014-2017	11	-	31,000	-	30,949.40	-	*72,092.71*	-
	1,431	**1,528**	**7,543,800**	**6,278,500**	**5,316,596**	**4,496,623**	***12,384,338***	***10,474,313***
Close Ended Collective Investment Scheme								
San Tumas Shareholdings Plc	5	19	5,174	17,176	6,010	18,109	***13,999***	***42,184***
Total Close Ended Collective Invest. Scheme	**5**	**19**	**5,174**	**17,176**	**6,010**	**18,109**	***13,999***	***42,184***
Malta Government Stocks								
Total MGSs	**2,821**	**3,112**	**131,147,600**	**63,178,700**	**140,126,571**	**68,034,047**	***326,407,108***	***158,476,700***
Treasury Bills								
Total Treasury Bills	**220**	**0**	**23,320,000**	**0**	**23,190,780**	**0**	***54,019,986***	***0***
Total All Financial Instruments	**14,621**	**35,006**	**180,225,991**	**100,666,214**	**196,411,149**	**160,573,487**	***457,514,906***	***374,035,608***

Malta Government Stock Movements 2007

Security Name	Date of Issue	Amount Issued	Coupon	Dates of Interest	Traded Value (Lm)	Deals	Last Closing Price	*Traded Value (EURO)*
7.35% MGS 2007	12-Oct-97	24,750,000	7.35%	18-Apr - 18-Oct	1,531,810.20	20	100.370	*3,568,157.93*
5.9% MGS 2007 (II)	4-May-99	10,000,000	5.90%	23-Apr - 23-Oct	3,006.60	1	100.220	*7,003.49*
5.6% MGS 2007 (III)	6-Jul-00	35,250,000	5.60%	10-Jun - 10-Dec	285,664.95	54	100.100	*665,420.34*
7.2% MGS 2008	19-Jun-98	10,000,000	7.20%	10-Jun - 10-Dec	19,296.48	6	101.260	*44,948.71*
7.2% MGS 2008 (II)	3-Aug-98	30,000,000	7.20%	28-Feb - 28-Aug	2,302,745.43	47	101.770	*5,363,953.95*
7% MGS 2009 R	16-Aug-99	64,500	7.00%	30-Jun - 30-Dec	-	-	-	-
5.9% MGS 2009 (II)	20-Sep-99	25,000,000	5.90%	1-Mar - 1-Sep	9,989,732.44	33	102.330	*23,269,817.00*
5.9 % MGS 2009 (III)	16-Oct-00	64,300,000	5.90%	30-Mar - 30-Sep	2,723,324.67	29	101.670	*6,343,640.04*
5.9% MGS 2010	28-Dec-99	15,000,000	5.90%	19-May - 19-Nov	-	-	-	-
5.75% MGS 2010 (II)	6-Jul-00	18,500,000	5.75%	10-Jun - 10-Dec	114,571.69	8	103.180	*266,880.25*
7% MGS 2010 (III) R	26-Sep-00	544,900	7.00%	30-Jun - 30-Dec	22,657,964.88	11	102.920	*52,778,860.66*
5.4% MGS 2010 (IV)	3-Mar-03	48,000,000	5.40%	21-Feb - 21-Aug	-	-	-	-
7.5% MGS 2011	23-Oct-96	15,000,000	7.50%	28-Mar - 28-Sep	11,452,823.57	168	102.270	*26,677,902.56*
6.25% MGS 2011 (II)	10-Aug-01	40,000,000	6.25%	1-Feb - 1-Aug	-	-	-	-
7% MGS 2011 (III) R	24-Jan-02	125,000	7.00%	30-Jun - 30-Dec	7,688,545.55	30	110.920	*17,909,493.48*
7.8% MGS 2012	11-Jun-97	34,500,000	7.80%	24-May - 24-Nov	1,461,623.70	48	104.680	*3,404,667.37*
7% MGS 2012 (II) R	26-Jul-02	176,200	7.00%	30-Jun - 30-Dec	-	-	-	-
5.7% MGS 2012 (III)	7-Oct-02	152,501,700	5.70%	30-Mar - 30-Sep	8,481,672.29	56	112.490	*19,756,981.81*
5.7% MGS 2012 (III) FI	7-May-07	10,000,000	5.70%	- - -	14,008.76	3	103.120	*32,631.63*
5.7% MGS 2012 (III) FI June 2007	4-Jul-07	26,501,700	5.70%	- - -	3,385.38	3	102.870	*7,885.81*
5.7% MGS 2012 (III) FI Oct 2007	30-Oct-07	31,617,900	5.70%	- - -	3,141,600.00	3	104.670	*7,317,959.47*
7.8% MGS 2013	12-Nov-97	34,250,000	7.80%	18-Apr - 18-Oct	-	-	-	-
6.35% MGS 2013 (II)	5-Dec-01	26,000,000	6.35%	19-May - 19-Nov	12,571,360.05	145	104.380	*29,283,391.68*
7% MGS 2013 (III) R	12-Sep-03	66,700	7.00%	30-Jun - 30-Dec	6,059,319.65	49	115.610	*14,114,418.01*
6.6% MGS 2014	16-Oct-00	10,500,000	6.60%	30-Mar - 30-Sep	887,223.67	94	107.790	*2,066,675.22*
6.45% MGS 2014 (II)	8-Jun-01	30,000,000	6.45%	24-May - 24-Nov	-	-	-	-
5.1% MGS 2014 (III)	21-Jul-03	47,000,000	5.10%	6-Jan - 6-Jul	433,048.69	29	111.340	*1,008,732.10*
5.1% MGS 2014 (III) FI	4-Aug-06	-	5.10%	- - -	744,260.44	54	109.780	*1,733,660.47*
7% MGS 2014 (IV) R	6-Aug-04	1,718,800	7.00%	30-Jun - 30-Dec	5,639,463.97	184	101.950	*13,136,417.35*
6.1% MGS 2015	6-Jul-00	30,000,000	6.10%	10-Jun - 10-Dec	198,563.95	12	101.490	*462,529.58*
5.9% MGS 2015 (II)	19-Apr-02	40,200,000	5.90%	9-Apr - 9-Oct	-	-	-	-
7% MGS 2015 (III) R	8-Jul-05	291,400	7.00%	30-Jun - 30-Dec	769,104.45	43	108.190	*1,791,531.45*
7% MGS 2015 (IV) R	30-Nov-05	345,400	7.00%	3-May - 3-Nov	1,441,219.97	132	107.130	*3,357,139.46*
6.65% MGS 2016	16-Apr-01	30,000,000	6.65%	28-Mar - 28-Sep	-	-	-	-
4.8% MGS 2016 (II)	2-Dec-03	80,000,000	4.80%	26-May - 26-Nov	1,152,546.72	114	112.220	*2,684,711.67*
4.8% MGS 2016 (II) FI B	29-Mar-06	-	4.80%	- - -	6,489,085.23	312	99.690	*15,115,502.52*
7% MGS 2016 (III) R	30-Jun-06	1,455,600	7.00%	30-Jun - 30-Dec	-	-	-	-
7.8% MGS 2018	3-Aug-98	70,000,000	7.80%	15-Jan - 15-Jul	17,427,635.56	104	123.970	*40,595,470.67*
6.6% MGS 2019	20-Sep-99	44,000,000	6.60%	1-Mar - 1-Sep	1,858,097.43	75	114.670	*4,328,202.73*
5.2% MGS 2020 (I)	4-Jul-07	11,529,400	5.20%	10-Jun - 10-Dec	141,602.45	37	101.960	*329,844.98*
5% MGS 2021	3-Jun-04	110,000,000	5.00%	8-Feb - 8-Aug	9,718,494.26	524	99.730	*22,638,002.00*
5% MGS 2021 FI Oct 2007	5-Aug-05	18,382,100	5.00%	- - -	66,223.19	19	100.930	*154,258.54*
5.1% MGS 2022	24-Aug-04	30,500,000	5.10%	16-Feb - 16-Aug	1,100,557.44	204	100.250	*2,563,609.22*
5.5% MGS 2023	21-Jul-03	33,833,200	5.50%	6-Jan - 6-Jul	1,325,687.55	142	104.330	*3,088,021.31*

MSE Index 2007

Market Capitalisation as at 31 Dec 07

Symbol	ISIN	Security	No of Shares	Close Price	Capitalisation in Lm
Equity					
BOV	MT0000020116	BOV Ord Shares	110,832,882	3.500	387,915,087.00
HSB	MT0000030107	HSBC Ord Shares	291,840,000	2.000	583,680,000.00
LOM	MT0000040106	LOM Bank Ord Shares	8,628,728	6.204	53,532,628.51
MSI	MT0000050105	MSI Shares	25,000,000	1.650	41,250,000.00
SFC	MT0000070103	SFC Ord Shares	25,714,286	1.100	28,285,714.60
GO	MT0000090101	GO Ord Shares	101,310,488	1.350	136,769,158.80
IHI	MT0000110107	IHI Ord Shares	537,099,977	1.040	239,797,362.45
PZC	MT0000120106	PZC Ord Shares	9,414,000	0.670	6,307,380.00
DTK	MT0000150103	DTK Ord Shares	15,949,500	0.131	2,089,384.50
GCL	MT0000170101	GC Plc Ord Shares	13,207,548	2.405	31,764,152.94
FIM	MT0000180100	FIMB Plc Ord Shares	109,893,905	1.744	56,707,687.17
MIA	MT0000250101	MIA Plc Ord A Shares	40,589,995	1.380	56,014,193.10
STUM	MT0000290107	STUM Share.Hldgs Plc	1,665,176	1.250	2,081,470.00
MDS	MT0000310103	MDS Ord Shares	10,000,000	1.760	17,600,000.00
GHM	MT0000320102	GHM Ord Shares	10,000,000	0.750	7,500,000.00
6PM	MT0000350109	6pm Holdings plc Ord Shares	7,500,000	0.730	3,219,262.66
	Total				**1,654,513,481.72**
Corporate Bonds					
B.BOV615	MT0000021247	6.15% Bov Sub Bonds 2010	19,990,600	100.980	20,186,507.88
B.BOV8USD	MT0000021254	8% BOV Us$ Bonds 2010	36,543,500	106.800	11,547,906.03
B.HSB46	MT0000031212	4.6% HSBC BONDS 2017	15,766,600	98.000	15,451,268.00
B.HSB46EUR	MT0000031220	4.6% HSBC € 2017	21,506,900	95.500	8,817,330.43
B.GFC64	MT0000061235	6.4% GFC Plc Bonds 2008/11	4,827,900	100.000	4,827,900.00
B.SFC66	MT0000071218	6.6% SFC Plc Bonds 2010/12	4,000,000	103.250	4,130,000.00
B.GCL56EUR	MT0000073412	5.6% G.C. P.l.c. € Bonds 2014/16	17,000,000	90.000	6,568,214.99
B.AXI67	MT0000081217	6.7% AXI Bonds 2014/16	5,000,000	101.500	5,075,000.00
B.AXI4	MT0000081225	4% AXI Bonds 2013	928,000	105.000	974,400.00
B.CFC67	MT0000101205	6.7% CFC Bonds 2009	8,322,500	99.000	8,239,275.00
B.CFC675	MT0000101213	6.75% CFC Bonds 2012	6,286,600	101.000	6,349,466.00
B.CFC65EUR	MT0000101221	6.5% CFC Đ Bonds 2010	14,273,700	102.500	6,280,820.17
B.IHI5	MT0000111212	5% IHI Conv Bonds 2010	4,984,000	100.000	4,984,000.00
B.IHI63	MT0000111220	6.3% IHI Plc Bonds 2013	6,017,500	99.000	5,957,325.00
B.IHI62EUR	MT0000111238	6.2%-6.8% IHI Plc € Bonds 2013	8,058,000	103.500	3,580,333.99
B.IHI65EUR	MT0000111246	6.5% IHI Plc € Bonds 2012/14	12,500,000	100.000	5,366,188.72
B.UFC675	MT0000131202	6.75% UFC Bonds 2008	4,000,000	99.000	3,960,000.00
B.EFC67	MT0000141201	6.7% EDF Bonds 2010	10,000,000	100.000	10,000,000.00
B.HSA75	MT0000201203	7.5% HSA Bonds 2012	2,500,000	102.000	2,550,000.00
B.MOF67	MT0000211202	6.7% MOF Bonds 2009/12	10,000,000	101.500	10,150,000.00
B.BSF8	MT0000221201	8% BSF Bonds 2012	3,263,800	100.540	3,281,424.52
B.TUM67	MT0000231200	6.7% TUM Bonds 2010/12	7,000,000	99.000	6,930,000.00
B.CMF65	MT0000241209	6.5% CMF Bonds 2008/11	3,800,000	100.000	3,800,000.00
B.BBF7	MT0000261207	7% BBF Bonds 2010/12	3,000,000	99.010	2,970,300.00
B.MRF575EUR	MT0000271206	5.75% MRF Bonds 2008/10	13,000,000	100.000	5,580,836.27
B.DOL6	MT0000281205	6% DPP 2010/13	4,700,000	100.010	4,700,470.00
B.EIB38	MT0000301201	3.8% EIB Bonds 2009	10,000,000	96.030	9,603,000.00
B.GAP7	MT0000331208	7% GAP Sec Bonds 2011/13	9,743,000	99.000	9,645,570.00
B.GAP7EUR	MT0000331216	7% GAP € Sec Bonds 2011/13	12,244,700	97.000	5,098,891.99
B.PVI7	MT0000361205	7% PAVI plc Sec Bds 2014/17	5,000,000	100.000	5,000,000.00
B.MIH75	MT0000371204	7.5% MIH plc Bds 2012-2014	4,932,400	100.010	4,932,893.24
B.MIH75EUR	MT0000371212	7.5% MIH plc Euro Bonds 2012-2014	3,510,600	100.000	1,507,083.37
	Total				**208,046,405.59**
Malta Government Stocks					
G75.11A	MT0000010711	7.5% MGS 2011	15,000,000	110.920	16,638,000.00
G78.12A	MT0000010745	7.8% MGS 2012	34,500,000	112.490	38,809,050.00
G78.13A	MT0000010786	7.8% MGS 2013	34,250,000	115.610	39,596,425.00
G72.08A	MT0000010794	7.2% MGS 2008	10,000,000	101.260	10,126,000.00
G72.08B	MT0000010810	7.2% MGS 2008 (II)	30,000,000	101.770	30,531,000.00
G78.18A	MT0000010828	7.8% MGS 2018	70,000,000	123.970	86,779,000.00
G7.09A	MT0000010869	7% MGS 2009	64,500	100.000	64,500.00

Market Capitalisation (continued)

Symbol	ISIN	Security	No of Shares	Close Price	Capitalisation in Lm
Malta Government Stocks *(continued)*					
G59.09B	MT0000010893	5.9% MGS 2009 (II)	25,000,000	102.330	25,582,500.00
G66.19A	MT0000010901	6.6% MGS 2019	44,000,000	114.670	50,454,800.00
G59.10A	MT0000010919	5.9% MGS 2010	15,000,000	103.180	15,477,000.00
G575.10B	MT0000010927	5.75% MGS 2010 (II)	18,500,000	102.920	19,040,200.00
G61.15A	MT0000010943	6.1% MGS 2015 (I)	30,000,000	108.190	32,457,000.00
G7.10C	MT0000010950	7% MGS 2010 (III)	544,900	100.000	544,900.00
G59.09C	MT0000010968	5.9% MGS 2009 (III)	64,300,000	101.670	65,373,810.00
G66.14A	MT0000010976	6.6% MGS 2014	10,500,000	111.340	11,690,700.00
G665.16A	MT0000010984	6.65% MGS 2016	30,000,000	112.220	33,666,000.00
G645.14B	MT0000010992	6.45% MGS 2014(II)	30,000,000	109.780	32,934,000.00
G625.11B	MT0000011008	6.25% MGS 2011 (II)	40,000,000	104.680	41,872,000.00
G635.13B	MT0000011016	6.35% MGS 2013 (II)	26,000,000	107.790	28,025,400.00
G7.11C	MT0000011032	7% MGS 2011 (III)	125,000	100.000	125,000.00
G59.15B	MT0000011040	5.9% MGS 2015 (II)	50,020,100	107.130	53,586,533.13
G7.12B	MT0000011065	7% MGS 2012 (II)	176,200	100.000	176,200.00
G57.12C	MT0000011081	5.7% MGS 2012 (III)	152,501,700	104.380	159,181,274.46
G54.10D	MT0000011099	5.4% MGS 2010 (IV)	48,000,000	102.270	49,089,600.00
G51.14C	MT0000011115	5.1% MGS 2014 (III)	82,507,900	101.950	84,116,804.05
G55.23A	MT0000011123	5.5% MGS 2023	33,833,200	104.330	35,298,177.56
G7.13C	MT0000011131	7% MGS 2013 (III)	66,700	100.000	66,700.00
G48.16B	MT0000011149	4.8% MGS 2016 (II)	80,000,000	99.690	79,752,000.00
G5.21A	MT0000011164	5% MGS 2021	110,000,000	99.730	109,703,000.00
G51.22A	MT0000011172	5.1% MGS 2022	30,500,000	100.250	30,576,250.00
G7.14D	MT0000011206	7% MGS 2014 (IV)	1,718,800	100.000	1,718,800.00
G7.15C	MT0000011271	7% MGS 2015 (III)	291,400	100.000	291,400.00
G7.15D	MT0000011305	7% MGS 2015 (IV)	345,400	100.000	345,400.00
G7.16C	MT0000011321	7% MGS 2016 (III)	1,455,600	100.000	1,455,600.00
G7.17A	MT0000011347	7% MGS 2017	287,200	100.000	287,200.00
G52.20A	MT0000011370	5.2% MGS 2020	11,529,400	101.960	11,755,376.24
G7.17B	MT0000011404	7% MGS 2017 (II)	4,438,400	100.000	4,438,400.00
G57.12CFIF	MT0000011412	5.7% MGS 2012 (III) FI Oct '07	31,617,900	104.670	33,094,455.93
G5.21AFID	MT0000011420	5% MGS 2021 FI Oct '07	18,382,100	100.930	18,553,053.53
	Total				**1,253,273,509.90**
Treasury Bills					
T1.180108	MT3100010250	91 DTB 19.10.07 - 18.01.08	5,441,000	100.000	5,441,000.00
T1.250108	MT3100010268	91 DTB 26.10.07 - 25.01.08	7,125,000	100.000	7,125,000.00
T1.010208	MT3100010276	91 DTB 02.11.07 - 01.02.08	2,086,000	99.359	2,072,626.65
T1.150208	MT3100010284	91 DTB 16.11.07 - 15.02.08	3,481,000	100.000	3,481,000.00
T1.290208	MT3100010292	91 DTB 30.11.07 - 29.02.08	8,861,000	100.000	8,861,000.00
T2.040108	MT3200010127	182 DTB 06.07.07 - 04.01.08	8,050,000	99.786	8,032,789.10
T2.080208	MT3200010135	182 DTB 10.08.07 - 08.02.0	3,616,000	99.214	3,587,571.01
T2.220208	MT3200010143	182 DTB 24.08.07 - 22.02.08	6,580,000	100.000	6,580,000.00
T2.070308	MT3200010150	182 DTB 07.09.07 - 07.03.0	10,279,000	100.000	10,279,000.00
T2.280308	MT3200010168	182 DTB 28.09.07 - 28.03.08	6,681,000	98.787	6,599,946.11
T2.110408	MT3200010176	182 DTB 12.10.07 - 11.04.08	18,421,000	98.432	18,132,177.14
T2.020508	MT3200010184	182 DTB 02.11.07 - 02.05.08	8,677,000	100.000	8,677,000.00
T2.060608	MT3200010192	182 DTB 07.12.07 - 06.06.0	9,871,000	100.000	9,871,000.00
T3.110108	MT3300010159	273 DTB 13.04.07 -11.01.08	5,114,000	99.823	5,104,937.99
T3.200308	MT3300010167	272 DTB 22.06.07 - 20.03.0	9,566,000	98.726	9,444,090.90
T3.300508	MT3300010175	273 DTB 31.08.07 - 30.05.0	9,732,000	97.875	9,525,185.27
T3.200608	MT3300010183	274 DTB 20.09.07 - 20.06.0	6,568,000	97.644	6,413,251.35
T3.110708	MT3300010191	273 DTB 12.10.07 - 11.07.08	3,529,000	97.387	3,436,773.11
T3.080808	MT3300010209	273 DTB 09.11.07 - 08.08.08	16,772,000	97.044	16,276,219.68
T4.090508	MT3400010034	364 DTB 11.05.07 - 09.05.08	811,000	97.438	790,221.37
T4.110708	MT3400010042	364 DTB 13.07.07 - 11.07.0	929,000	96.095	892,724.41
T4.211108	MT3400010059	364 DTB 23.11.07 - 21.11.08	184,000	100.000	184,000.00
	Total				**150,807,514.09**
	Grand Total in LM				**3,266,640,911.30**
	Grand Total in EURO				**7,609,226,441.42**

Collective Investment Funds investing in MSE Listed Securities

ISIN	Fund	Net Asset Value in Lm Dec-06	Net Asset Value in Lm Dec-07
MT0000072034	La Valette Funds Sicav plc - Malta Fund	24,662,178.04	21,377,462
MT0000072067	La Valette Funds Sicav plc - Malta Bond Fund	44,957,528.11	35,061,507
MT0000072075	Vilhena Funds Sicav plc - Malta Fund	14,863,565.97	13,430,720
MT0000072125	Vilhena Funds Sicav plc - Malta Government Bond Fund	57,962,268.78	39,457,723
MT0000072257	Global Funds Sicav plc - Malta Privatisation and Equity Fund	6,470,661.98	4,554,330
MT0000072260	Wignacourt Funds Sicav plc - Malta Fund	13,798,701.60	12,071,415
MT0000072273	Amalgamated Funds Sicav plc - Growth and Income Fund	31,265,937.13	32,342,865
MT0000072042	HSBC Malta Funds Sicav plc - Malta Bond Fund	90,459,611.00	61,724,908
MT0000072166	HSBC No-Load Funds Sicav plc - Malta Government Bond Fund	132,100,347.00	76,499,589
MT0000072174	HSBC No-Load Funds Sicav plc - Maltese Assets Fund	34,531,568.00	33,744,956
MT0000072406	Lombard Funds SICAV p.l.c. Lombard Enterprise Fund	273,775.94	509,103

Holders of MSE listed securities by Market Capitalisation as at 31 Dec 07

	Financial Entities		Non-Financial Entities		Government		Individuals	
	Resident	Non-Resident	Resident	Non-Resident	Resident	Non-Resident	Resident	Non-Resident
Equities	4.60%	22.38%	35.46%	16.69%	3.19%	0.00%	15.55%	2.13%
Corp. Bonds	19.83%	0.79%	15.02%	0.82%	0.00%	0.00%	63.14%	0.41%
MGS	54.51%	0.00%	17.54%	0.07%	0.29%	0.00%	27.49%	0.10%
T. Bills	82.24%	0.00%	12.21%	0.00%	0.00%	0.00%	5.56%	0.00%

Admission

The recognised lists of the Exchange at the end of 2007 were made up as follows.:

- **15 Equities (Ordinary Shares)**
- **32 Corporate Bonds**
- **39 Malta Government Stock issues**
- **22 Treasury Bill issues**
- **1 Close-ended Collective Investment Scheme**
- **43 Open-ended Collective Investment Schemes (Primary Listing)**
- **181 Open-ended Collective Investment Schemes (Secondary Listing)**

As referred to elsewhere in this Report, the past year proved to be very positive for new admissions to the Exchange's recognised lists. Apart from two new equities and nine new corporate bonds, 2007 also saw the admission and trading of a new financial instrument, Treasury Bills, which were listed and admitted to trading in April 2007.

Two new equities were listing during the year, one of which a foreign-owned company with its operations domiciled in Malta. This was the first time that the Exchange admitted an equity to its Official List denominated in Sterling. The total number of listed equities appearing on the Exchange's recognised lists at the end of the year was 15. During the year, one equity was delisted from the Official List following a restructuring exercise.

During 2007 by far the most active primary market was the corporate bond market. Nine new corporate bonds were issued during the year, denominated in both euro and Maltese Liri. Five of these new issues were admitted to the Alternative Companies List. Over Lm57 million (€134 million) were raised on the primary market through the issue of these new corporate bonds. One redemption of corporate bonds also took place during the year. At the end of 2007, therefore, a total of 32 corporate bond issues appeared on the Exchange's recognised lists, up from the 24 registered at the end of 2006.

Nine new Government Stock issues were admitted to the Official List during 2007, bringing the total up to 39. A number of redemptions and amalgamations took place during the year as the Treasury continued to rationalise its issuance programme

With effect from 2 April 2007, the Exchange admitted to trading a new type of security for our market, namely Treasury Bills. With effect from the same day, the registers of Treasury Bill issues outstanding at the time were taken over by the Central Securities Depository from the Treasury becoming dematerialised in the process. As a result of this latest development, all Government Paper is now listed, traded on the secondary market and held in dematerialised form.

The admittance to trading for the first time of these money market instruments, involved a number of changes in Exchange procedures. The listing process for these financial instruments is different to that of other instruments in that a General Prospectus is issued only the first time that these instruments are brought to the market. Subsequent issues of Treasury Bills do not need the issue of another prospectus but only require to be issued in accordance with the Issuance Calendar as published by the Treasury.

This also means that the Exchange admits subsequent issues on the basis of the General Prospectus. All subsequent issues of Treasury Bills issued in accordance with the General Prospectus are automatically admitted to the Exchange's Treasury Bill Recognised List. The General Prospectus governing Treasury Bill issuance was published on the 20 March 2007 concurrently with the appropriate amendments that were required to the relevant legislation which included the amendment permitting such instruments to be held in dematerialised form at the Central Securities Depository operated by the Exchange.

Whilst a separate market was created for these new instruments, the same trading rules and procedures as for other traded instruments continued to apply. However, in view of their inherently short-term nature, it was decided that these instruments were to be cleared and settled on the same day that they were traded. This was the first time that a T+0 settlement cycle was introduced in the Exchange. To this end, new bye-laws had to be drawn up to support this development-including new procedures and time-tables-together with a number of technical developments which had to implemented in the clearing and settlement system. Unlike the equity and bond markets where clearing of funds in relation to trades takes place on a netting basis, clearing and settlement of Treasury Bills is carried out on a gross, trade-for-trade basis.

At the end of the year, twenty-two different issues of Treasury Bills appeared on the Exchange's Treasury Bill Recognised List, five 91-day issues, eight 182-day issues, six 272 – 274-day issues and three 364-day issues.

Compliance & Market Operations Office

During 2007 Compliance & Market Operations Office was involved in a number of developments and technical implementations that took place in the Exchange during the year, either as a result of the various legislative and regulatory changes or following the introduction of new financial instruments on the market.

Throughout the year, Compliance & Market Operations Office continued to liaise with the Competent Authority in respect of the regulation of Members, particularly with reference to their trading activities. Apart from the periodic regulatory reports that are required by the Authority in accordance with the Financial Market Rules, this Office also assisted the Competent Authority in specific investigations it was carrying out.

The legislative changes that came into force on 1 November 2007, particularly those which came about as a result of the implementation of MiFID requirements, involved numerous amendments to the reports required by the Competent Authority on a regular basis. The Compliance & Market Operations Office was heavily involved in the setting up of new procedures and in implementing the necessary technical interventions in order to ensure that the Exchange was fully compliant with these requirements.

Compliance & Market Operations Office was also responsible for overseeing the setting up of a new market within the trading infrastructure on which Treasury Bills started to be traded as from 2 April 2007. Apart from the technical implementation of setting up the market, Compliance & Market Operations Office was also involved in preparing the relevant trading rules and market practices as well as in setting up and assigning the relevant ISIN codes for these new instruments.

One of the projects undertaken by this Office during the year was to ensure full compliance with the Guidelines of the Association of National Numbering Agencies (ANNA) of which the Exchange became a full member in 2006, as the National Numbering Agency for Malta. The Senior Manager heading Compliance & Markets Operation Office was instrumental in the Exchange obtaining full membership of ANNA and under her guidance, the Office carried out an intensive exercise to ensure that the procedures adopted by the Exchange when assigning ISIN numbers to financial instruments are in line with ANNA requirements. This exercise proved to be extremely useful when Treasury Bills started trading on the Exchange and also in respect of the new reporting obligations that came into force as a result of MiFID requirements where ISIN numbers and other related reference numbers are utilised for the reporting obligations.

Compliance & Markets Operations Office conducted a number of training sessions during the year in respect of new traders. A number of traders completed their training period and were successful in their written tests. New procedures were introduced to facilitate the training and examination process for prospective traders. For 2007, the Exchange is planning to hold both the training sessions on the trading system as well as the relevant tests on-line.

A total of 290 Company Announcements were issued during 2007 through the Exchange's company information dissemination system, an increase of 51 when compared to the number issued the previous year. This increase was due to the number of new companies obtaining a listing during the year and also to the numerous announcements issued in relation to bonus and rights issues, increases in share capital and the euro changeover exercise. Company announcements were issued as follows during the year :

January	15
February	8
March	17
April	37
May	22
June	35
July	53
August	33
September	13
October	19
November	25
December	23

Compliance & Market Operations Office was directly involved in the euro conversion, primarily with regard

Financial Instruments Granted Admission During 2007

Equities

Grand Harbour Marina plc	10,000,000 Ordinary Shares of Nominal Lm0.10c
6pm Holdings plc	7,500,000 Ordinary Shares of Nominal GPB0.20
Fimbank plc	95,317 Ordinary Shares of Nominal US$0.50 *(Executive Share Option Scheme)* 735,210 Ordinary Shares of Nominal US$0.50 *(Scrip Dividend Issue)* 22,894,699 Ordinary Shares of Nominal US$0.50 *(Rights Issue)*
International Hotels Investments plc	37,270 Ordinary Shares of Nominal €1.0 *(Conversion of bond)* 4,961,223 Ordinary Shares of Nominal €1.0 *(Bonus Issue)* 370,000,000 Ordinary Shares of Nominal €1.0
Lombard Bank Malta plc	94,386 Ordinary Shares of Nominal Lm0.25 *(Rights Issue)*

Corporate Bonds

Lm5,000,000	6.7% AX Investments plc Bond 2014-16
Lm928,000	4.0% AX Investments plc Bond 2013
€21,506,90	4.6% HSBC Bank Malta plc Euro Bond 2017
Lm15,766,600	4.6% HSBC Bank Malta plc Bond 2017

Corporate Bonds – Alternative Companies List

Lm 9,743,000	7.0% GAP Developments plc MTL Secured Bond 2011 - 2013
€12,244,700	7.0% GAP Developments plc € Secured Bond 2011-2013
Lm5,000,000	7.0% PAVI Shopping Complex plc Secured Bond 2014-2017
Lm4,943,400	7.5% Mediterranean Investment Holdings plc Bond 2012-2014
€3,510,600	7.5% Mediterranean Investment Holdings plc Bond 2012-2014

Government Stocks

Lm287,200	7.0% Malta Government Stock 2017
Lm4,438,400	7.0% Malta Government Stock 2017 (II)
Lm16,257,900	5.1% Malta Government Stock 2014 (III) Fungible Issue
Lm10,000,000	5.7% Malta Government Stock 2012 (III) Fungible Issue
Lm11,529,400	5.2% Malta Government Stock 2020
Lm25,501,700	5.7% Malta Government Stock 2012 (III) Fungible Issue
Lm9,820,100	5.9% Malta Government Stock 2015 (II) Fungible Issue
Lm18,382,100	5.0% Malta Government Stock 2021 (I) Fungible Issue
Lm31,617,900	5.7% Malta Government Stock 2012 (III) Fungible Issue

Treasury Bills

22 Treasury Bills Issues (as at end 2007)

Collective Investment Schemes

Primary Listing

InvestInvent Wind Energy Fund SICAV	2 sub-funds
HSBC Maltese Money Market Fund	Fund
Vilhena Funds SICAV	2 sub-funds

Secondary Listing

Fidelity TargetTM	2 sub-funds
Fidelity Funds SICAV	16 sub-funds
Fidelity MultiManager SICAV	12 sub-funds

The following financial instruments have been delisted from the Exchange's recognised lists during 2007 :

10,000,000 Suncrest Hotels plc Ordinary Shares of Nominal Lm0.10
Turkish Garanti Euro Capital Growth Fund
Global Funds SICAV – 3 sub-funds
InsightInvestment International Wealth Builder Fund – 8 sub-funds

to the trading system. This Office had to ensure that all conversions of outstanding orders, static details, pricing mechanisms, historical and statistical trading information, market conventions such as trade ranges, tick sizes, board lots, trading rules and other procedures were in line with euro conversion requirements in order to ensure a smooth changeover at the beginning of 2008. Throughout this exercise, Compliance & Market Operations Office liaised closed with the CSD, Operations Audit Office and also the Exchange's IT Office, to ensure that the necessary changes in the trading system and its procedures were in line with the requirements of other systems of the Exchange.

Upgrade to the Trading System

The upgrade to the trading system infrastructure, which was spread out over a six-month period, was a major project undertaken by the Exchange in 2007. Such an upgrade had been considered by the Exchange for some time and was mainly focussed on upgrading the operating systems to the latest technology in order to increase the functionality of the system.

Compliance & Market Operations Office, as the office directly responsible for market operations and oversight, was directly involved in this project, particularly during the testing phase and also with respect to drawing up new market conventions and rules.

The main changes to the trading system infrastructure also involved a major upgrade to the operating system. This upgrade has increased the flexibility of the system in that it provides the possibility of trading new financial instruments in different market segments, such as for example, derivatives. The immediate result of this upgrade was that the Exchange can now run concurrently a number of separate markets such as, for example, the main market, the off-market and the Treasury Bill market. This provides additional efficiency in relation to oversight, time-tables and has spin-off effects on ancillary systems such as clearing and settlement and registration. While the upgrade to the trading system infrastructure did not involve any drastic changes for end-users which would have required new training, some changes had to be introduced in the procedures to cater for new functionalities in the system. Primary amongst the new functions, is the identification not only of the Member firms but also of the individual traders trading of their behalf. This enhancement greatly assists not only the Exchange, but also the Member firms themselves in their compliance and oversight functions. Furthermore, some changes were also made to the post-trading reports provided to Members, both as regards format and content. Another change that the Exchange felt opportune to implement, was the "masking" of the identity of the Member firms at the time of trading. This enhancement was introduced with the aim of increasing the degree of transparency in the market. A further enhancement to the trading rules now allows that genuine errors made by Members during a trading session could be rectified by Compliance & Market Operations Office following the close of the trading session, in accordance with a set procedure laid down in the Bye-laws.

The upgraded trading system infrastructure came into operation in August 2007 following the issue of new time-tables in respect of trading and clearing and settlement.

Operations Audit Office

Following the internal restructuring exercise described elsewhere in this Report, the functions of Operations Audit Office changed from a hands-on verification of processes to more audit based functions. However, due to the major changes that occurred in the Exchange's own internal structure and also in view of the major technical developments that were taking place throughout the year, Operations Audit Office took a more active role as it was responsible for testing and verifying procedures in line with their implementation or as they were transferred between the various offices as a result of the internal restructuring exercise.

Operations Audit Office was heavily involved in drawing up new rules and procedures in respect of clearing and settlement and was also involved in testing and verifying such procedures. The upgrade to the trading system infrastructure was another area where this Office gave a lot of direct input on new technical and trading procedures particularly with reference to the introduction of the Treasury Bill market.

As may be appreciated, the internal restructuring exercise involved a major overhaul to the procedures of all the offices of the Exchange, and consequently also to, the Internal Procedures Manual of the Exchange. Towards the latter part of the year, Operations Audit Office commenced this exercise with the assistance of the various offices concerned. This exercise is planned to continue well into the first half of 2008.

Throughout the year, Operations Audit Office was involved, together with the other offices of the Exchange, in finalising plans in respect of the euro conversion. Operations Audit Office was instrumental in drawing up relevant Guidelines and towards the end of the year was heavily involved in preparing the actual changeover procedures and in their, verification as they came onstream.

During 2006 Operations Audit Office had carried out on-site visits to all the offices of the Exchange to ensure on-going compliance with all regulations and procedures. During the year under review, such verification of compliance procedures was carried out through the provisions of reports and other information from the various offices as it was not deemed necessary to repeat the on-site visits within such a short time frame. Due to the internal restructuring exercise described above, Operations Audit Office will again review all the procedures of the various offices throughout the coming months.

In accordance with the Financial Market Rules applicable to regulated markets, Operations Audit Office continued to prepare regular reports for submission to the Board and to the Competent Authority.

CSD Register Amendments for 2007

Amendment Type	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Totals
Causa Mortis	138	113	271	144	190	267	126	144	99	362	119	104	**2,077**
Garnishee Insert	5	8	12	7	8	5	7	5	8	9	9	9	**92**
Garnishee Release	11	8	8	12	3	2	2	3	5	8	5	9	**76**
Holder Amendment	192	153	101	122	237	221	135	79	56	91	82	25	**1,494**
Mandate/Power of Attorney	680	330	263	157	180	643	277	330	182	192	130	259	**3,623**
Bought Movements	1,682	1,423	1,557	1,270	1,735	1,491	1,289	1,288	927	1,393	1,602	1,546	**17,203**
Sold Movements	1,682	1,423	1,557	1,270	1,735	1,491	1,289	1,288	927	1,393	1,602	1,546	**17,203**
Release of Estates	408	181	312	273	196	151	332	266	212	270	154	216	**2,971**
Off Market Transf./Donations	86	144	78	83	76	78	150	178	63	64	185	121	**1,306**
Pledge Insert	99	83	98	76	71	89	36	60	63	116	57	31	**879**
Pledge Release	61	61	77	46	89	74	57	70	48	59	68	39	**749**
Total	5,044	3,927	4,334	3,460	4,520	4,512	3,700	3,711	2,590	3,957	4,013	3,905	47,673

Dividend / Interest Payments during 2007

	GROSS AMT LM	GROSS AMT EURO	GROSS AMT US$	NO OF PAYMENTS
January	5,616,093.893			11,398
February	7,532,852.500	499,596.000		23,832
March	11,003,023.150	812,500.000		17,333
April	35,315,994.625	927,790.500	3,139,683.011	22,700
May	16,343,509.641			47,153
June	12,452,363.621	972,865.650		20,362
July	6,858,169.014	747,500.000		17,258
August	38,505,705.726	509,566.203		33,686
September	11,483,853.586			20,532
October	5,406,069.477		2,93,480.000	18,945
November	9,227,266.252			34,470
December	17,961,986.792			25,250
TOTAL	177,706,888.277	4,469,818.353	6,063,163.011	292,919

Central Securities Depository

The number of accounts held within the Central Securities Depository (CSD) increased during 2007 to 176,156 representing 63,777 individuals, up from 62,626 last year. While there were a number of redemptions of registers during the year, the increase in the number of accounts held within the CSD was mainly due to new financial instruments admitted to listing during the year.

The number of register amendments effected by the CSD across all registers decreased from 85,286 in 2006 to 47,673 during 2007. This significant decrease in register amendments was a direct result of the decrease in trades effected on the market during 2007 when compared to 2006. Amendments arising out of market transactions decreased from 72,380 in 2006 to 34,406 in 2007. At the same time, however, other amendments arising out of off-market transactions, causa mortis transfers, mandates and power of attorney inserts and release of estates all showed increases when compared to the previous year's totals.

The CSD also effected the processing in respect of redemptions and redemption payments and the amalgamation processes in respect of fungible Government Stock issues. Throughout the year, CSD, in conjunction with the Data Operations Office, processed nearly 293,000 dividend and interest payments on behalf of issuers, an increase of 7,500 when compared to the previous year. This increase was also due to the newly-listed financial instruments that came on stream in 2007. These dividend and interest payments totalled a gross value of almost Lm180.5 million (€420.5 million), denominated in three different currencies. This represents a significant increase of Lm 50 million (€116.5 million) when compared to the Lm130 million (€307 million) paid out as dividends and interest during 2006.

Clearing and Settlement

The introduction of new clearing and settlement procedures throughout the year significantly affected the procedures of the CSD.

The first major implementation was the commencement of trading in Treasury Bills which also resulted in different clearing and settlement procedures, primarily settlement on a gross basis (trade-for-trade) and settlement on a T+0 basis. These new procedures involved continuous monitoring of the system and of course, registration of the securities involved in these transactions, also on a T+ 0 basis.

Later on in the year, changes were also made to the clearing and settlement procedures of trades effected in currencies other than Maltese Lira, namely euro and US Dollar. Towards the latter part of the year another currency was added, namely Sterling, following the listing of a new equity. By the end of the year, transactions in these currencies were no longer settled through the payment system operated by the Central Bank of Malta but their clearing and settlement began to be routed through a payment system operated through a commercial bank. This development was in line with international standards and involved the opening of new accounts with the commercial bank, new contracts to be signed with the relevant participants and also amendments to the relevant bye-laws and procedures.

The main changes to the clearing and settlement system effected during 2007 came about as a result of the conversion to euro which took place at the beginning of 2008. As a result of Malta becoming part of the eurozone, MaRIS, the National Payment System operated by the Central Bank of Malta became obsolete and was replaced by TARGET2, the pan-eurozone payment system whose participants included National Central Banks, other banks and ancillary organisations such as central securities depositories and clearing and settlement systems. Early on in the year, the Board agreed that the Exchange (as the operator of the clearing and settlement system) should become a Direct Participant in TARGET2 rather than an indirect participant in order to ensure that it could retain control of the clearing and settlement of transactions effected on its markets.

Participation in TARGET2 involved significant technical changes to the Exchange's technical systems, an upgrade in SWIFT membership from a closed-area network to a more open level providing for wider connectivity, changes in rules and procedures as well as changes to the operating hours of the clearing and settlement system which now have to abide by TARGET2 operating times.

The Exchange's IT Department undertook the implementation of the new system several months before live date and in collaboration with the Central Bank of Malta, other local participants, SWIFT and other offices of the Exchange, also took part in several testing sessions to ensure a smooth changeover process. While the implementation of TARGET2 involved the Exchange and other participants in major technical implementations, this development did not involve end users of the system, such as Members, in any changes in their procedures.

Also as a result of Malta's entry into the eurozone, other developments to the clearing and settlement of credit operations are currently still being discussed with the Central Bank of Malta. It is envisaged that these new procedures will be implemented early in 2008.

As a Member of the European Central Securities Depositories Association (ECSDA), the Exchange is also directly involved in discussions and drafting of documentation in relation to a proposal by the European Central Bank (ECB) for the setting up of TARGET2-SECURITIES, a pan-eurozone settlement system, similar to TARGET2 but dealing with securities settlement rather than funds settlement. While the ECB's proposal envisages an implementation date of 2013 for this new settlement system, in view of the technical complexity of the issue and more importantly, the impact on the business of several central securities depositories and clearing and settlement systems, this issue is being given a lot of importance across the EU. The Exchange, together with other interested parties, is closely monitoring the situation and is also directly involved in discussions and drawing up of concrete proposals through its membership of several committees set up by both ECSDA and the ECB to push the matter forward.

Towards the end of the year, the Exchange also started discussions with another international clearing and settlement system with regard to the possibility of establishing a link between the two systems.

Other Exchange Functions and Activities

Legislative changes that came into force on 1 November 2007, provide that the Exchange, as the operator of the central securities depository, may provide new services, including those regarding registrar and management services in respect of new issues.

During the last quarter of the year, the Exchange undertook registrar services in respect of a corporate bond issue and also in respect of new issues of Government Stocks as well as a rights issue. The new service provided by the Exchange set new parameters and standards including that all submissions of applicant details had to be made by the selling agents in a specific electronic format, thereby cutting down on processing time. The Exchange also set new standards for contractual agreements between the Issuer, the Exchange and selling agents. These new services also included the role of paying agent, vis-à-vis the Issuer, Intermediaries and Investors in the case of refunds, etc. Such new services involved the Exchange in some technical implementations as well as in the setting up of the necessary bank accounts in order to be able to carry out the services of a paying agent.

It is envisaged that during 2008, more services will come on stream including the public provision of the authenticated registers in accordance with the provisions of the Financial Markets Act and the provision of custodial services.

Throughout the year Data Operations & IT Office was involved in a number of major projects, primarily the upgrade to the trading system, the amendments to the clearing and settlement system including participation in TARGET2 and upgrades to SWIFT as well as the setting up of the Treasury Bill market. Furthermore, this Office was involved in the design and development of new reports for the Inland Revenue Department as well as other reports required in terms of amendments to the Exchange's regulatory requirements to ensure compliance with MiFID and the Transparency

Directive. Data Operations & IT Office was also responsible for updating the Exchange's website to show new trading data regarding Treasury Bills.

Data Operations & IT Office spearheaded the processes related to the euro conversion and was instrumental in preparing the necessary processes designed to facilitate the changeover of the trading, central securities depository and clearing and settlement functions.

Whilst the Exchange did not carry out a specific investor education campaign during 2007, a number of activities related to the operations of the Exchange were organised for specific audiences. These activities proved to be very popular with participants and it is planned that a number of similar events will be organised in the coming year

The Exchange continued with its on-going education programme for schools and was again pleased to note the strong interest shown by educational institutions at different levels to participate in this programme. During 2007, the Exchange redrafted all the presentations made to students to take into consideration the significant developments that had taken place during the past two years as well as the various other changes that were scheduled to take place in the next 12 months.

The Exchange also participated in a number of television and radio programmes dealing mainly with the euro conversion exercise and how it effected the holdings of investors in listed financial instruments. On this particular issue, the Exchange participated in a number of specific seminars and conferences where officials of the Exchange explained the changeover process with respect to listed financial instruments.

During the final quarter of the year, the Exchange, in collaboration with the American-Maltese Chamber of Commerce (AmCham), organised a series of seminars held at the Exchange, and targeted primarily towards financial services practitioners. The seminars dealt with a number of specific themes including seeking a listing on the Exchange and market making. A number of international speakers participated in these seminars which were very well attended. It is envisaged that similar events will also be held during the forthcoming year.

At the beginning of the year, the Board agreed that one of its major strategic goals was to continue to encourage companies to approach the market for their financing requirements. A number of companies were, therefore, invited to visit the Exchange to discuss the listing and admission process. The Exchange prepared a presentation for companies dealing with all aspects of admission including legislative and regulatory requirements, the application process, documentation required and fees.

Throughout the year, a number of Senior Officials of the Exchange also participated in a number of local and international seminars as speakers. The Chief Executive was a panellist during a conference held in London on "Stock Exchange Strategies post MiFID" and later on in the year he was also a panellist at a local conference dealing with Real Estate. The Chairman was a speaker at another local conference where he spoke about future strategies of the Exchange and later on in the year, he also addressed members of the Diplomatic Corps regarding the operations and functions of the Exchange and its plans for the future. The Deputy General Manager (CSD & Legal) also addressed an international conference held in Cambridge regarding Malta's Anti Money Laundering provisions.

Apart from meetings with prospective listed companies, the Exchange also hosted a number of distinguished guests to the Exchange including a Diplomatic Mission from the Republic of China. During these visits the Exchange provided an overview of the operations of the Exchange and its strategic plans for the future. Later on in the year, the Exchange also hosted a delegation from the Slovenian Ministry of Finance during where the participants discussed trading in Government paper, following the euro conversion.

The Exchange also continued to participate in other local committees including the Public Debt Management Committee regarding Government Paper issuance, the Financial Services Consultative Committee composed of participants from across the spectrum of financial services providers in Malt. Later on in the year, the Exchange was also requested to participate in two committees, one set up to look into Eurobond issuance and the other to carry out a review of the Listing Rules.

The Market Making Committee set up in 2006 to consider the feasibility of introducing market making facilities on the local market met several times during the year. A number of proposals were drawn up regarding required amendments to current legislation. Relative amendments in the bye-laws were also prepared for discussion with interested parties.

Members

Membership

At the end of 2007 a total of twelve firms together with the Central Bank of Malta appeared on the Exchange's list of Authorised Member firms. No new Members were authorised during 2007.

The twelve Member Firms together with the Central Bank of Malta were represented by over sixty traders, authorised by the Exchange to trade on behalf of the Member Firms. Ten new traders were authorised to trade after obtaining all regulatory clearances and after successfully completing the requisite training and written tests held over three different sessions during the year.

The Exchange is currently processing a number of new trader applications.

College of Member Firms

The College of Member Firms composed of representatives from all the Member Firms and set up in terms of the provisions of the Financial Markets Act, confirmed the appointment of Mr James Blake as Chairman and Mr Andrew Zarb

Mizzi as Secretary for a further period of one year with effect from March 2007. Mr David Curmi was also confirmed as the Deputy Chairman of the College of Member Firms for the same period.

The College held regular meetings with the Chairman and Senior Management of the Exchange and the very valid contribution of its Members was of great assistance to the Exchange in the implementation of new developments particularly with regard to Treasury Bill trading, the upgrade to the trading system, new developments in clearing and settlement, and the euro changeover process. The continued support of the College of Member Firms was vital in ensuring that these developments were implemented with minimum upheavals to the continued operations of the Exchange. The Exchange is very conscious that such major developments could not have been implemented without the commitment and support of its Member Firms and would like to take this opportunity to thank all its Members for their considerable endeavours to facilitate the implementation of these developments during a particularly busy and strategically important year for the Exchange.

members

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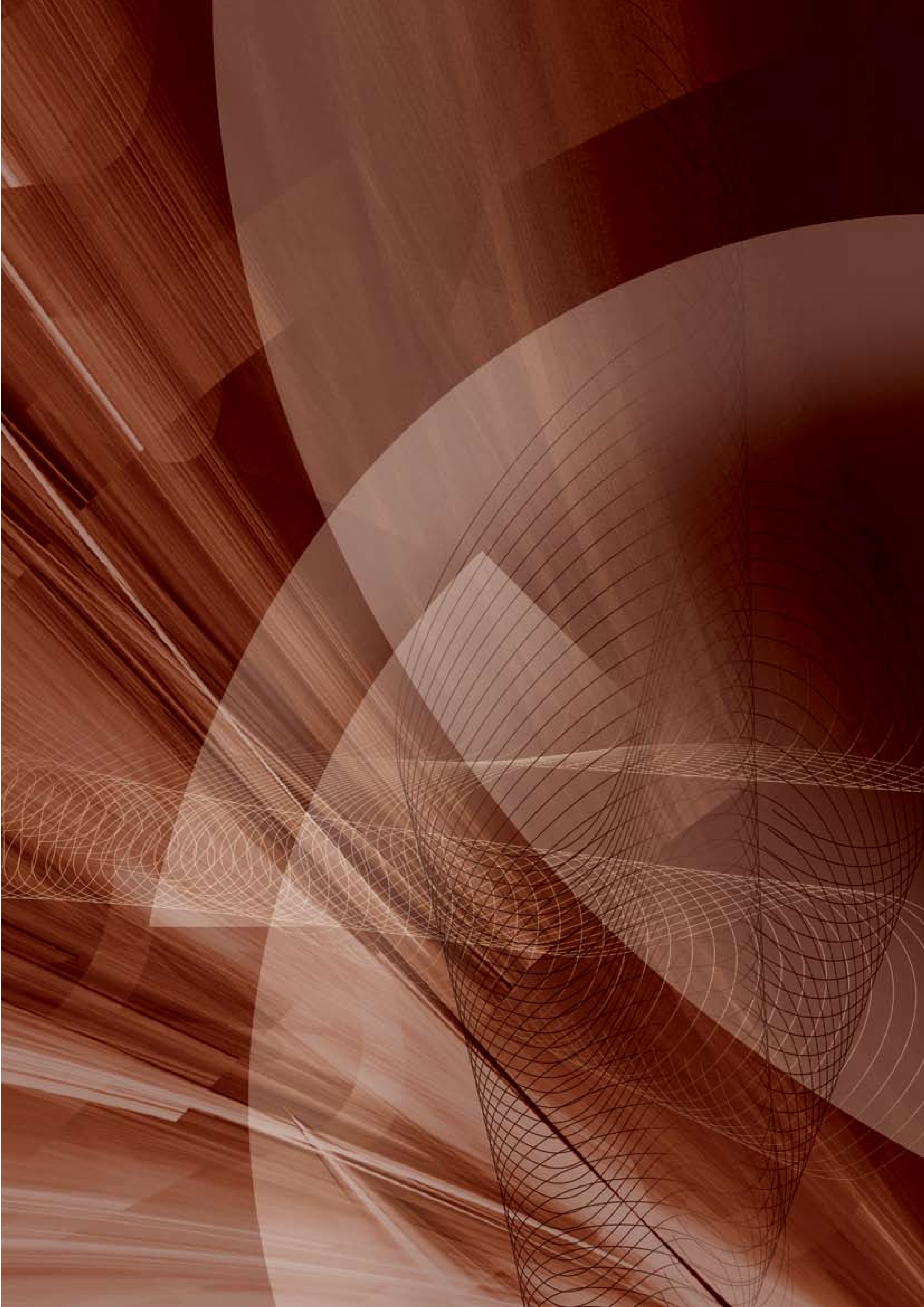
financial report and audited financial statements



general information

for the period ended 31 October 2007

Council Members

Joseph Zammit Tabona	Chairman
Arthur Galea Salomone	Deputy Chairman
Saviour Briffa	
Antoine Fiott	
Karen Spiteri Bailey	

In accordance with Act XX of 2007, the above Council Members were appointed to the Board of Directors of the Malta Stock Exchange plc on its incorporation on 5 October 2007, which entity succeeded to all the assets, liabilities, rights and obligations of the former Malta Stock Exchange as from 1 November 2007.

Secretary

Eileen V Muscat

Registered Office

Garrison Chapel
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Valletta VLT 1063
MALTA

Bankers

Bank of Valletta plc
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Valletta VLT 1113
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APS Bank Limited
APS House
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Floriana FRN 9020
MALTA

Auditors

Ernst & Young
Certified Public Accountants
Fourth Floor
Regional Business Centre
Achille Ferris Street
Msida MSD 1751
MALTA

financial report

for the period ended 31 October 2007

Following the corporate restructuring of the Malta Stock Exchange, which came into effect on 1 November 2007, the last financial period of the Malta Stock Exchange covered only the first ten months of 2007, that is, from 1 January to 31 October. Year-to year figures quoted in this Report are, therefore, not strictly comparable since the time frames covered are different.

During the ten months under review, the Malta Stock Exchange registered a profit before taxation of Lm568,668. This is equivalent to an increase of Lm75,779 (15%) compared to the previous twelve-month period.

Insofar as the number of listed instruments is concerned, 2007 turned out to be quite a successful year. Apart from over 30 issues of Treasury Bills and Government Stocks, in fact, another seven new corporate bonds and two equity issues were admitted to the recognised lists during the ten months under review. However, in terms of income accruing to the Exchange from this source, there was a drop of 11% down to Lm819,384 which was mainly attributable to the difference in the time periods covered. At the same time, income arising from the maintenance of securities' registers by the Central Securities Depository registered a contraction of 17% down to Lm316,612.

The high levels of equity trading registered during 2006 slowed down appreciably during the ten months under review and this slowdown was reflected in the level of trading-related income which, at Lm112,533, was down by almost 40% compared with the previous year.

Reflecting these changes, the Malta Stock Exchange's operating income during the first ten months of 2007 reached a total of Lm1,280,638, down by 16% from the Lm1,525,388 registered during 2006.

Despite the introduction of a number of new technical implementations such as the upgrade to the trading system and direct membership in TARGET2, which, apart from considerable capital expenditure, also involve higher running costs, the Exchange has been successful in reducing its running expenses. These savings were mainly the result of a number of cost-cutting measures implemented by Management in recent years but also reflected a number of efficiencies gained in its internal procedures as a result of the internal restructuring carried of the Exchange as outlined elsewhere in this Report. The total outlays for the ten months to December, 2007, in fact, declined by 5% compared to the previous year, down to Lm843,968.

These results gave rise to an operating profit of Lm436,670 during the ten months to October, 2007 as against Lm455,708 registered in 2006. Other non-operational income and expenditure items resulted in a net inflow of Lm131,998 during the same period pushing the profit before tax figure up to Lm568,668.

The Exchange is looking forward to another successful and profitable year in 2008. There are clear indications of a number of new issues approaching the market during the course of the coming year. At the same time, the Exchange is currently working on a number of initiatives designed to provide a range of new services to market players including issuers, investors and intermediaries.

Mark A. Guillaumier
Chief Executive

Malta Stock Exchange
Garrison Chapel
Castille Place
Valletta VLT 1063
11 February 2008

management's report

for the period ended 31 October 2007

The Management's Report and the audited financial statements for the period ended 31 October 2007 are hereby presented by the Board of Directors of the Malta Stock Exchange plc in its capacity as successor management to the Council of the Malta Stock Exchange, which ceased to exist on 31 October 2007 in accordance with Act XX of 2007.

Principal activity

The Malta Stock Exchange maintains facilities to ensure an orderly and efficient market place for securities trading. The Malta Stock Exchange also provides clearing and settlement, depository and related services for securities.

Results

The income statement is set out on page (V) and the movements in the reserves are disclosed in the statement of changes in equity on page (VII).

Review of the business and future developments

These financial statements cover the period from 1 January 2007 to 31 October 2007. During this period, the Malta Stock Exchange has registered a profit before tax of Lm568,668 compared to the profit before tax of Lm492,889 generated during the year ended 31 December 2006.

In accordance with Act XX of 2007 with effect from 1 November 2007, Malta Stock Exchange plc shall continue in the personality of the Malta Stock Exchange established under part IV of the Financial Markets Act (Cap. 345 of the Laws of Malta) and the Malta Stock Exchange plc shall accordingly succeed to all its assets, rights, liabilities and obligations.

Management

During the period ended 31 October 2007 the management of the former Malta Stock Exchange was vested in the Council Members as listed on page (I). The Council Members were appointed in terms of Article 8 of the Statute.

In accordance with Act XX of 2007, the Council Members were appointed to the Board of Directors of the Malta Stock Exchange plc on its incorporation on 5 October 2007, which entity succeeded to all the assets, liabilities, rights and obligations of the former Malta Stock Exchange, as from 1 November 2007.

Statement of Management's responsibilities

Management is responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Malta Stock Exchange as at the end of the financial period and of the profit or loss for that period.

Management is responsible for ensuring that: -

- appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates;
- the financial statements have been drawn up in accordance with International Financial Reporting Standards;
- the financial statements are prepared on the basis that the Malta Stock Exchange must be presumed to be carrying on its business as a going concern; and
- account has been taken of income and charges relating to the accounting period, irrespective of the date of receipt or payment.

Management is also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Malta Stock Exchange and to enable them to ensure that the financial statements comply with the Financial Markets Act (Cap.345 of the Laws of Malta). It is also responsible for safeguarding the assets of the Malta Stock Exchange and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. This Report was approved by the Board of Directors of the Malta Stock Exchange plc in its capacity as successor management to the Council of the former Malta Stock Exchange and was signed on its behalf by:

EILEEN V. MUSCAT
Secretary

Garrison Chapel
Castille Place
Valletta VLT 1063
MALTA

11 February 2008

auditors' report

for the period ended 31 October 2007

We have audited the accompanying financial statements of the Malta Stock Exchange, which comprise the Balance Sheet as at 31 October 2007 and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the period then ended, and a summary of significant accounting policies and other explanatory notes set on pages (IX) to (XXIII).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and Financial Markets Act (Cap.345 of the Laws of Malta). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Malta Stock Exchange as of 31 October 2007, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Financial Markets Act (Cap.345 of the Laws) of Malta.

This copy of the audit report has been signed by Anthony Doublet (Partner) for and on behalf of

Ernst & Young
Certified Public Accountants

11 February 2008

income statement
for the period ended 31 October 2007

	Notes	Period from 1 Jan 2007 to 31 Oct 2007 Lm	Year to 31 Dec 2006 Lm
Operating income	4	**1,280,638**	1,525,388
Administrative expenses	5	**(843,968)**	(1,069,680)
Operating profit	5	**436,670**	455,708
Gain on disposal of leasehold premises	12	**102,839**	-
Income from investment securities	7	**29,323**	20,285
Other income	4	**-**	24,298
Other expenses		**(1,079)**	(6,859)
Finance revenue	8	**915**	1,087
Finance costs	9	**-**	(1,630)
Profit before tax		**568,668**	492,889
Income tax expense	10	**(199,770)**	(174,530)
Profit for the financial period/year		**368,898**	318,359

The accounting policies and explanatory notes on pages (IX) to (XXIII) form an integral part of the financial statements.

balance sheet

as at 31 October 2007

	Notes	2007 Lm	2006 Lm
ASSETS			
Non-current assets			
Property, plant and equipment	12	**387,974**	2,134,151
Intangible assets	13	**89,446**	29,038
Financial assets	14	**698,786**	296,342
		1,176,206	2,459,531
Current assets			
Trade and other receivables	15	**2,693,276**	630,322
Financial assets	14	**9,691**	9,230
Income tax recoverable		**-**	783
Cash at bank and in hand	21	**16,727**	164,939
		2,719,694	805,274
TOTAL ASSETS		**3,895,900**	3,264,805
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	16	**1,500,000**	1,500,000
Revaluation reserve	17	**8,691**	17,502
Accumulated surplus		**1,306,852**	1,305,754
Dividend reserve	17	**367,800**	-
Other reserve	17	**95,491**	95,491
Total equity		**3,278,834**	2,918,747
Non-current liabilities			
Deferred taxation	19	**85,102**	82,494
Current liabilities			
Interest bearing loans and borrowings	18	**1,681**	2,185
Trade and other payables	20	**381,430**	261,379
Income tax payable		**148,853**	-
		531,964	263,564
Total liabilities		**617,066**	346,058
TOTAL EQUITY AND LIABILITIES		**3,895,900**	3,264,805

The accounting policies and explanatory notes on pages (IX) to (XXIII) form an integral part of the financial statements. The financial statements on pages (V) to (XXIII) have been authorised for issue by the Board of Directors of Malta Stock Exchange plc in its capacity as successor management of the Council of the Malta Stock Exchange, in accordance with Act XX of 2007. The financial statements were signed on behalf of the Board on 11 February 2008 by:

JOSEPH ZAMMIT TABONA
Chairman

ARTHUR GALEA SALOMONE
Deputy Chairman

statement of changes in equity

for the period ended 31 October 2007

	Capital Lm	Revaluation reserve Lm	Accumulated surplus Lm	Dividend reserve Lm	Other reserve Lm	Total Lm
FINANCIAL YEAR ENDED 31 DECEMBER 2006						
Balance at 1 January 2006 (note 16 & 17)	1,500,000	16,264	987,395	-	95,491	2,599,150
Profit for the financial year	-	-	318,359	-	-	318,359
Reversal of impairment loss	-	7,250	-	-	-	7,250
Unrealised loss on available-for-sale financial assets (note 14)	-	(9,249)	-	-	-	(9,249)
Effect of deferred taxation on unrealised loss (note 19)		3,237	-	-	-	3,237
Balance at 31 December 2006	**1,500,000**	**17,502**	**1,305,754**	**-**	**95,491**	**2,918,747**
FINANCIAL PERIOD ENDED 31 OCTOBER 2007						
Balance at 1 January 2007 (note 16 & 17)	1,500,000	17,502	1,305,754	-	95,491	2,918,747
Profit for the financial period	-	-	368,898	-	-	368,898
Unrealised loss on available-for-sale financial assets (note 14)	-	(13,555)	-	-	-	(13,555)
Effect of deferred taxation on unrealised loss (note 19)	-	4,744	-	-	-	4,744
Dividends proposed (note 11)	-	-	(367,800)	367,800	-	-
Balance at 31 October 2007	**1,500,000**	**8,691**	**1,306,852**	**367,800**	**95,491**	**3,278,834**

The accounting policies and explanatory notes on pages (IX) to (XXIII) form an integral part of the financial statements.

cash flow statement

for the period ended 31 October 2007

	Note	2007 Lm	2006 Lm
Operating activities			
Profit before taxation		**568,668**	492,889
Adjustment to reconcile profit before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment		**71,737**	87,105
Amortisation of intangible assets		**19,568**	12,127
Gain on disposal of premises leased under finance lease		**(102,839)**	-
Income from investment securities		**(29,323)**	(20,285)
Interest income		**(915)**	(1,087)
Interest expense		**-**	1,630
Decrease in provision for impairment of receivables		**-**	(11,538)
Working capital adjustments:			
Increase in trade and other receivables		**(243,512)**	(176,698)
Increase in trade and other payables		**120,051**	33,471
Income tax paid		**(55,630)**	(152,342)
Tax recovered		**12,848**	28,910
Net cash flows from operating activities		**360,653**	294,182
Investing activities			
Purchase of intangible assets		**(79,976)**	(2,896)
Purchase of property, plant and equipment		**(22,721)**	(29,729)
Purchase of available-for-sale investments		**(432,710)**	(52,750)
Proceeds from available-for-sale investments		**15,150**	7,000
Income from investment securities		**30,423**	20,285
Movements in bank term deposit balance		**-**	10,052
Interest received		**915**	1,087
Advances to related companies		**(19,442)**	-
Net cash flows used in investing activities		**(508,361)**	(46,951)
Financing activities			
Repayment of bank loan		**-**	(250,327)
Interest paid		**-**	(1,630)
Net cash flows used in financing activities		**-**	(251,957)
Net decrease in cash and cash equivalents		**(147,708)**	(4,726)
Cash and cash equivalents at 1 January		**162,754**	167,480
Cash and cash equivalents at 31 October/31 December	21	**15,046**	162,754

The accounting policies and explanatory notes on pages (IX) to (XXIII) form an integral part of the financial statements.

1. Corporate Information

The Malta Stock Exchange (the 'Exchange') ceased to exist on 31 October 2007 and Malta Stock Exchange plc continued in the personality of the former Malta Stock Exchange, in accordance with Act XX of 2007, as from 1 November 2007 (note 26). The financial statements of Malta Stock Exchange for the period ended 31 October 2007, were authorised for issue by the Board of Directors of the Malta Stock Exchange plc in its capacity as successor management of the Council of the Malta Stock Exchange, on 11 February 2008.

Malta Stock Exchange is owned by the Government as explained in note 16.

1.1 Change in the Reporting Period

Due to the above, these financial statements cover the period from 1 January 2007 to 31 October 2007. Comparative information covers the year from 1 January 2006 to 31 December 2006. Thus comparative amounts for the income statement, statement of changes in equity, cash flow statement and related notes are not entirely comparable as they cover a twelve months period whilst the current period covers only ten months.

1.2 Basis of Preparation and Statement of Compliance

These financial statements are prepared under the historical cost convention, except for available-for-sale investments that have been measured at fair value. These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and comply with the Financial Markets Act (Cap. 345 of the Laws of Malta).

The classification of assets and liabilities between long and short term has been retained notwithstanding the cessation of existence of the Exchange as described in note 1.1 above, since the going concern basis is considered to be appropriate for these financial statements given that the operations will continue, albeit within a new corporate structure.

2.1 Changes in Accounting Policies

Standards, interpretations and amendments to published standards effective in 2007

The accounting policies that have been followed were those followed in the previous year except that the Exchange has adopted these newly revised standards and interpretations effective for accounting periods beginning on 1 January 2007. The changes in accounting policies result from adoption of the following new or revised standards.
- IFRS 7- Financial Instruments: Disclosures
- IAS 1- Amendment-Presentation of Financial Statements
- IFRIC 7 – Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- IFRIC 8- Scope of IFRS 2
- IFRIC 9- Reassessment of Embedded Derivatives
- IFRIC 10- Interim Financial Reporting and Impairment

IFRS 7 requires disclosures that enable users of the financial statements to evaluate the significance of the Exchange's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. There has been no effect on the financial position or results of the Exchange.

The amendment made to IAS 1 did not have any effects on the financial performance or position of the Exchange. It did however give rise to additional disclosures. The amendment to IAS 1 requires the Exchange to make new disclosures to enable users of the financial statements to evaluate the Exchange's objectives, policies and processes for managing capital. These new disclosures are shown in note 24.

IFRIC 7, 8, 9 and 10 are not applicable to the Exchange's operations and hence did not have any effect on the financial performance and position of the Exchange neither did they give rise to additional disclosures.

2.1 Changes in Accounting Policies *(continued)*

Standards, interpretations and amendments to published standards effective in 2007 *(continued)*

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

Certain new standards, amendments and interpretations to existing standards have been published that would have been effective for the Exchange's accounting periods beginning on or after 1 January 2008 or later periods. The Exchange has not early adopted these provisions and the Exchange's management is of the opinion that there are no requirements that will have a possible impact on the successor entity's (Malta Stock Exchange plc) financial statements in the period of initial application.

The Exchange has not applied the following IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations that have been issued but are not yet effective:

IFRS 3 – Business Combinations *(effective for financial years beginning on or after 1 July 2009).* IFRS 3 is not relevant to the Exchange's operations.

IFRS 8-Operating Segments *(effective for financial years beginning on or after 1 January 2009).* IFRS 8 is not within the scope of the Exchange.

IAS 1-Presentation of Financial Statements – Revised *(effective for financial years beginning on or after 1 January 2009).* The Exchange assessed the impact and concluded that certain additional disclosures would be necessary upon its application.

IAS 23-Borrowing Costs – Revised *(effective for financial years beginning on or after 1 January 2009).*
IAS 23 will have no impact on the Exchange's financial statements.

IAS 27-Consolidated and separate financial statements *(effective for financial years beginning on or after 1 July 2009).* IAS 27 will have no impact on the Exchange's financial statements.

IFRIC 11-IFRS 2-Group and Treasury Share Transactions *(effective for financial years beginning on or after 1 March 2007).* IFRIC 11 is not relevant to the Exchange's operations.

IFRIC 12-Service Concession Arrangements *(effective for financial years beginning on or after 1 January 2008).* IFRIC 12 is not relevant to the Exchange's operations.

IFRIC 13-Customer Loyalty Programmes *(effective for financial years beginning on or after 1 July 2008).* IFRIC 13 is not relevant to the Exchange's operations.

IFRIC 14-IAS 19- The Limit of Defined Benefit Asset. Minimum Funding Requirements and their interaction *(effective for financial years beginning on or after 1 January 2008).* IFRIC 14 is not relevant to the Exchange's operations.

2.2 Accounting Policies

Foreign currency translation

The financial statements are presented in Malta Lira (Lm), which is the Exchange's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling on 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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All resulting differences are taken to the income statement.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Exchange and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Stockbrokers, listing and register fees

Revenue is recognised on an accrual basis.

2.2 Accounting Policies *(continued)*

Interest income

Revenue is recognised as the interest accrues, unless collectibility is in doubt, using the effective interest rate, that is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividend income

Revenue is recognised when the right to receive payment is established.

Settlement of deals

The Exchange provides the services of a clearing house to facilitate the settlement of deals made during the trading session. Since these clearing house activities are not transactions of the Exchange, they are not reflected in these financial statements.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated to write off the cost of property, plant and equipment on a straight line basis over the expected useful lives of the assets concerned. The annual rates used for this purpose, which are consistent with those of the previous year, are:-

Premises leased under finance lease	over the remaining term of the lease
Improvements to premises leased under finance lease	over useful life or term of lease if shorter
General electrical equipment	$6\frac{2}{3}$%
Computer hardware	20%
Office furniture, fittings and other equipment	10 - $16\frac{2}{3}$%

Depreciation is not charged on assets which have not yet been brought into use.

Gains and losses arising on de-recognition upon disposal of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

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 and available-for-sale financial assets, as appropriate. All financial assets are initially recognised at cost, being the fair value of the consideration given, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Exchange determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

The Exchange has classified its financial assets during the current period and the previous year as 'available-for-sale' financial assets.

After initial recognition, financial assets which are classified as 'available-for-sale' are measured at fair value, without any deduction for transaction costs that may be incurred on sale or other disposal. Unrealised gains or losses on available-for-sale

Financial assets *(continued)*

securities are reported as a separate component of equity until the financial asset is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

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 balance sheet 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.

Derecognition 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 Exchange 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 Exchange (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.

Financial liabilities

Financial liabilities are initially recognised at cost, being the fair value of the consideration received, including 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.

Derecognition 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 derecognition 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.

Trade and settlement date accounting

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.

Impairment of non-financial assets

The Exchange assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets (other then goodwill and any indefinite life intangibles) are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose suitable discount rate in order to calculate the present value of those cash flows.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss recognised for the difference between the recoverable amount and the carrying amount as follows:

2.2 Accounting Policies *(continued)*

Impairment and uncollectibility of financial assets *(continued)*

- for financial assets at amortised cost - the carrying amount of the asset is reduced to its estimated recoverable amount either directly or through the use of an allowance account and the amount of the loss is included in the income statement for the period; and

- for available-for-sale financial assets - 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 the income statement, is transferred from equity to the income statement.

Trade and other receivables

Trade 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 debtor) the Exchange will not be able to collect the full amount due. Impaired debts are derecognised when they are assessed as uncollectible.

Cash and cash equivalents

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.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash in hand and short-term deposits at banks, net of other outstanding bank overdrafts.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid for goods and services received, whether or not billed to the Exchange.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary difference, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

2.2 Accounting Policies *(continued)*

Taxes *(continued)*

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the 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. A reassessment is made after inception of the lease only if one of the following applies:

a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

c) there is a change in the determination of whether fulfilment is dependant on a specified asset; or

d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal of extension period for scenario b).

For arrangements entered prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Finance leases, which transfer to the Exchange substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease tem, if there is no reasonable certainty that the Exchange will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

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 presented in the income statement net of any reimbursement.

3. Significant Accounting Judgements, Estimates and Assumptions

In preparing the financial statements, management is required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the period the changes become known.

In the opinion of the management, the accounting estimates, assumptions and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised)-'Presentation of financial statements'.

4. Operating and Other Income

Operating income 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. The income from the main activities was as follows:

	Period from 1 Jan 2007 to 31 Oct 2007 Lm	Year to 31 Dec 2006 Lm
Stockbrokers fees	**84,320**	120,844
Listing fees	**819,384**	922,761
Register fees	**316,612**	382,901
Transaction fees and other income	**60,322**	98,882
	1,280,638	1,525,388

Other income

Prior year's other income of Lm24,298 comprised of fees charged to a third party for advisory services provided by the Malta Stock Exchange personnel.

5. Operating Profit

The operating profit is stated after charging:

	Period from 1 Jan 2007 to 31 Oct 2007 Lm	Year to 31 Dec 2006 Lm
Included in administrative expenses:		
Staff costs (note 6a)	**406,499**	477,579
Emoluments of the Chairman and Council Members	**9,585**	11,981
Auditors' remuneration	**2,950**	2,950
Depreciation of property, plant and equipment (note 12)	**71,737**	87,105
Amortisation of intangible assets	**19,568**	12,127
Consultancy and maintenance expenses in connection with software and hardware	**47,066**	47,442
Subscriptions	**32,008**	37,663
Lease payments	**4,167**	4,583

6. Employee Information

a. Staff costs

The total employment costs were as follows:

	Period from 1 Jan 2007 to 31 Oct 2007 Lm	Year to 31 Dec 2006 Lm
Wages and salaries	**382,830**	450,052
Social security costs	**23,669**	27,527
	406,499	477,579

b. Staff numbers

The average number of persons employed by the Exchange during the period was 43 (2006: 43).

7. Income from Investment Securities

	Period from 1 Jan 2007 to 31 Oct 2007 Lm	Year to 31 Dec 2006 Lm
Interest on quoted securities	**29,436**	15,720
(Loss)/profit on sale of securities	**(113)**	4,565
	29,323	20,285

8. Finance Revenue

	Period from 1 Jan 2007 to 31 Oct 2007 Lm	Year to 31 Dec 2006 Lm
On bank balances	**915**	1,087

9. Finance Costs

	Period from 1 Jan 2007 to 31 Oct 2007 Lm	Year to 31 Dec 2006 Lm
On bank loan	**-**	1,630

10. Income Tax Expense

The tax charge for the period/year is comprised of the following:

	Period from 1 Jan 2007 to 31 Oct 2007 Lm	Year to 31 Dec 2006 Lm
Current tax expenses	**192,418**	164,610
Deferred tax expense (note 19)	**7,352**	9,920
	199,770	174,530

The income tax expense differs from the theoretical tax expense that would apply on the Exchange's profit before tax using the applicable tax rate in Malta of 35% as follows:

	2007 Lm	2006 Lm
Profit before tax	**568,668**	492,889
Theoretical tax expense at 35%	**199,034**	172,511
Tax effect of		
- excess of carrying amount over tax base of property, plant and equipment and intangibles	**38,854**	5,863
- excess of carrying amount over tax base of amount receivable	**455**	155
- expenses not deductible for tax purposes	**3,347**	4,792
- income subject to different tax rates	**(5,927)**	(4,753)
- provisions not subject to tax	**-**	(4,038)
- exempt income on gain of transfer of property	**(35,993)**	-
Income tax expense	**199,770**	174,530

11. Dividends Proposed

Proposed for approval at AGM (not recognised as a liability as at 31 October):

	2007	2006
	Lm	Lm
Equity dividends:		
Final dividend for 2007	**367,800**	-

12. Property, Plant and Equipment

	Premises leased under finance lease & improvements	**General electrical equipment**	**Computer hardware**	**Office furniture, fittings & other equipment**	**Total**
	Lm	**Lm**	**Lm**	**Lm**	**Lm**
Cost					
At 1 January 2006	1,810,149	458,133	334,312	281,835	2,884,429
Additions	744	-	11,981	17,004	29,729
At 31 December 2006	1,810,893	458,133	346,293	298,839	2,914,158
Additions	-	-	16,301	6,420	22,721
Disposals	(1,810,893)	-	-	-	(1,810,893)
At 31 October 2007	**-**	**458,133**	**362,594**	**305,259**	**1,125,986**
Depreciation					
At 1 January 2006	79,575	133,387	312,653	167,287	692,902
Depreciation charge for the year	18,617	30,542	13,051	24,895	87,105
At 31 December 2006	98,192	163,929	325,704	192,182	780,007
Depreciation charge for the period	15,540	25,452	9,660	21,085	71,737
Disposals	(113,732)	-	-	-	(113,732)
At 31 October 2007	**-**	**189,381**	**335,364**	**213,267**	**738,012**
Net book value					
At 31 October 2007	**-**	**268,752**	**27,230**	**91,992**	**387,974**
At 31 December 2006	1,712,701	294,204	20,589	106,657	2,134,151
At 1 January 2006	1,730,574	324,746	21,659	114,548	2,191,527

On 26 October 2007, the premises leased under finance lease and related improvements were transferred to MSE (Holdings) Ltd (note 15).

13. Intangible Assets

	Computer software Lm
Cost	
At 1 January 2006	283,547
Additions	2,896
At 31 December 2006	286,443
Additions	79,976
At 31 October 2007	**366,419**
Amortisation	
At 1 January 2006	245,278
Amortisation	12,127
At 31 December 2006	257,405
Amortisation	19,568
At 31 October 2007	**276,973**
Net book value	
At 31 October 2007	**89,446**
At 31 December 2006	29,038
At 1 January 2006	38,269

14. Financial Assets

The carrying amounts of financial assets at the balance sheet date were as follows:

	2007 Lm	2006 Lm
Available-for-sale financial assets (at fair value)		
Listed available-for-sale financial assets	**708,477**	298,322
Unlisted available-for-sale financial asset	-	7,250
At 31 October 2007/31 December 2006	**708,477**	305,572

The listed available-for-sale financial assets represent the Exchange's investment in Malta Government Stocks. These are classified as 'available-for-sale' and are carried at fair value with the unrealised gains and losses reported directly in equity.

The unrealised loss in the carrying amount on these financial assets, which has been recognised in equity during the period ended 31 October 2007 amounted to Lm13,555 (2006: unrealised loss Lm9,249) (note 17).

Interest rates on the listed available-for-sale financial assets are fixed. Their maturity and the average interest rates earned are as follows:

	Average interest rate %	2007 Lm	2006 Lm
Current assets:			
Within 1 year	7.2	**9,691**	9,230
Non-current assets:			
Between 2 and 5 years	6.33	**478,127**	167,075
After 5 years	6.22	**220,659**	122,017
Total listed available-for-sale financial assets		**698,786**	289,092
Unlisted available-for-sale financial assets		-	7,250
Total non-current available-for-sale financial assets		**698,786**	296,342
Total available-for-sale financial assets		**708,477**	305,572

The unlisted available-for-sale financial asset which represented a 10% interest in the equity of Malta International Training Centre Limited, a company registered in Malta, was disposed of during the period.

15. Trade and Other Receivables

	2007 Lm	2006 Lm
Fees receivable (note i)	**555,646**	542,059
Other receivables	**4,116**	35,810
Prepayments and accrued income	**65,518**	52,453
Accrued register fees	**248,554**	-
Amounts due from related companies (note ii)	**1,819,442**	-
	2,693,276	630,322

i. As at the balance sheet date, the ageing analysis of fees receivable is as follows:

	Total Lm	Neither past due nor impaired Lm	<30 days Lm	30-60 days Lm	60-90 days Lm	90-120 days Lm	>120 days Lm
2007	**555,646**	**31,493**	**26,729**	**63**	**12,308**	**-**	**485,053**
2006	542,059	336,949	179,842	14,962	1,115	-	9,191

Fees receivable include amounts due from related party of Lm481,179 (2006:Lm293,088) relating to annual listing fees (note 24). Most of the amount due for more than 120 days is receivable from this related party. No provision for impairment of receivables was deemed necessary as at 31 October 2007 and 31 December 2006.

ii. Amounts due from related companies consist mainly of amount receivable on the transfer of the leasehold premises. These amounts are unsecured, interest free and expected to be repaid within the next financial period.

16. Capital

	2007 Lm	2006 Lm
Capital	**1,500,000**	1,500,000

This represents the initial capital contribution of Lm500,000 by the Government of Malta as specified by Section 30 of the Financial Markets Act (Cap. 345 of the Laws of Malta), together with an amount of Lm1,000,000 which was a Government loan capitalised during the year ended 31 December 2003.

17. Reserves

Revaluation reserve

The balance on this reserve represents unrealised gains, net of losses, arising from the revaluation at fair value of financial assets classified as "available-for-sale", net of deferred taxation (note 14).

Dividend reserve

The balance on this reserve represents the amount of dividend proposed for approval at the Annual General Meeting.

Other reserve

The Malta Stock Exchange maintained a Compensation Fund for the purpose of ensuring the security of exchange transactions, in the event of financial difficulties of any member to meet his obligations towards the investing public. The Compensation Fund was maintained until 20th November 2003 on which date it was liquidated by virtue of Legal Notice 370 of 2003 - Financial Markets (Amendment of Schedule) Regulations, 2003. By virtue of the same Legal Notice, the Exchange is bound to maintain the proceeds of the liquidation of this fund in a separate reserve until January 2008 (see also note 23).

18. interest bearing loans and borrowings

	2007	2006
	Lm	Lm
Current borrowings		
Bank overdraft (note 21)	**1,681**	2,185

The Exchange has an unsecured overdraft facility of Lm250,000 (2006: Lm250,000) to cover any temporary shortfall in the Securities Settlement Account operated by the Exchange with the Central Bank of Malta.

The interest rates can vary depending on the Central Bank of Malta base rate, which is currently 4.251%. The average interest rates on the Exchange's borrowings were as follows:

	2007	2006
	%	%
Other bank facilities	**7.25**	6.25

19. Deferred Taxation

The movement in the deferred taxation account for the period/year is analysed as follows:

	2007	2006
	Lm	Lm
At 1 January	**82,494**	75,811
Credited in equity	**(4,744)**	(3,237)
Debited in the income statement (note 10)	**7,352**	9,920
At 31 October 2007/31 December 2006	**85,102**	82,494

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using a principal tax rate of 35% (2006: 35%). The balance at 31 October 2007/31 December 2006 represents:

	2007	2006
	Lm	Lm
Temporary differences arising between the carrying amount and the tax base of property, plant and equipment and intangibles	**83,071**	76,174
Temporary differences on financial assets	**776**	5,520
Temporary differences on accrued investment income	**1,255**	800
	85,102	82,494

20. Trade and Other Payables

	2007	2006
	Lm	Lm
Prepaid listing fees	**299,375**	175,442
Trade payables	**40,040**	50,012
Other payables	**42,015**	35,925
	381,430	261,379

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60 day term
- Other payables are non-interest bearing and have an average term of 6 months

21. Cash at Bank and In Hand

i. Cash at bank and in hand as disclosed in the balance sheet consist of:

	2007	2006
	Lm	Lm
Cash at bank and in hand	**16,727**	164,939

ii. Cash and cash equivalents consist of cash in hand and short term deposits at bank, net of other outstanding bank facilities as follows:

	2007	2006
	Lm	Lm
Cash at bank and in hand	**16,727**	164,939
Bank overdraft (note 18)	**(1,681)**	(2,185)
	15,046	162,754

22. Commitments Under Non-Cancellable Finance Leases

The total of future minimum lease payments under non-cancellable finance leases for each of the following periods were as follows:

	Buildings	
	2006	2005
	Lm	Lm
- not later than one year	**-**	5,000
- later than one year and not later than five years	**-**	26,000
- later than five years	**-**	735,871
	-	766,871

The lease agreement stipulates that the rights over the leased assets revert to the lessor in the event of default by the Exchange on its obligations. Since the property was transferred to MSE (Holdings) Ltd on 26 October 2007, there were no lease commitments at year end.

23. Contingent Liabilities

At 31 October 2007 and at 31 December 2006 the Exchange had the following contingent liability:-

Claims up to a maximum of Lm95,491 in relation to the Compensation Fund up to 3 January 2008 as stipulated in Section 13 of the Statute of the Financial Markets Act. This amount has been set aside in the 'Other Reserve' (note 17).

24. Related Party Disclosures

Related party	**Period/ year**	**Amounts invoiced to related parties Lm**	**Amounts invoiced by related parties Lm**	**Amounts owed by related parties Lm**	**Amounts owed to related parties Lm**	**Type of transactions**
Government of Malta - The Treasury	2007	528,506	-	481,179	-	Listing fees and Register fees
Amounts due on transfer of property	2007	1,800,000	-	1,800,000	-	Transfer of property
Amounts recharged to related parties	2007	19,442	-	19,442	-	Sundry expenses
Government of Malta - The Treasury	2006	647,100	-	293,088	-	Listing fees and Register fees

Key management personnel
The Executive Committee members are considered to be key management personnel. Included in 'Administrative expenses' are salaries paid to Executive Committee members amounting to Lm91,236 (2006: Lm91,829).

25. Financial Risk Management Objectives and Policies

At the period end, the Exchange's main financial assets on the balance sheet comprise investments, receivables and cash at bank. At the period end, there were no off-balance sheet financial assets.

At the period end, the Exchange's main financial liabilities on the balance sheet consisted of payables. The Exchange's off-balance sheet financial liabilities at the period end consisted of claims in relation to the Compensation Fund as described in note 23 Contingent Liabilities.

Contractual maturity profile of financial liabilities

The presentation of the financial assets and liabilities listed above under the current and non-current headings within the balance sheet is intended to indicate the timing in which cash flows will arise.

The Exchange's financial liabilities consist mainly of trade and other payables and bank overdraft. The maturity profile of the financial liabilities is as disclosed in note 18 and 20.

Credit risk

Financial assets which potentially subject the Exchange to concentrations of credit risk consist principally of investment securities consisting of quoted and unquoted investments, receivables and cash at bank. The credit risk relating to quoted investment securities is considered to be low in view of management's policy of investing only in high quality and sovereign securities which are listed on recognised stock exchanges. The Exchange's cash at bank is placed with quality financial institutions. Carrying amounts for receivables are stated net of the necessary provisions which have been prudently made against bad and doubtful debts in respect of which management reasonably believes that recoverability is doubtful. Credit risk with respect to debts is limited due to the large number of customers comprising the Exchange's receivable base and the Exchange has no significant concentration of credit risk.

Fair values

The fair value of available-for-sale investments is based on quoted market prices at the balance sheet date.

The carrying amounts of cash at bank, receivables, payables and short term borrowings approximated their fair values.

Interest rate risk

The interest rates on the borrowings and financial assets of the Exchange are disclosed in note 14 and 18.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Exchange's equity.

	Increase/ decrease in basis points	Effect on Equity Lm 000
2007		
Lm	**+25/-25**	**30/(30)**
2006		
Lm	+25/-25	14/(14)

Capital Management

The Exchange manages its capital structure and makes adjustments to it, in light of economic conditions. To maintain or adjust the capital structure, the Exchange may adjust the dividend payments to stakeholders or capitalise loan from stakeholder. No changes were made in the objectives, policies or processes during the period ended 31 October 2007 and the year ended 31 December 2006.

26. Post Balance Sheet Events

In accordance with Act XX of 2007 with effect from 1 November 2007, Malta Stock Exchange plc shall continue in the personality of the Malta Stock Exchange established under Part IV of the Financial Markets Act (Cap. 345 of the Laws of Malta) and the Malta Stock Exchange plc shall accordingly succeed to all its assets, rights, liabilities and obligations.

27. Dual Currency Presentation

On 10 July 2007, the European Council of Finance Ministers (Ecofin) approved unanimously Malta's entry in the eurozone. Ecofin set the Irrevocable Fixed Conversion Rate at 0.4293 Maltese Lira to the Euro. In accordance with Legal Notice 4 of 2007 - Euro Adoption Act, the Exchange is required to apply dual display of key financial information, as follows:

	Period from 1 Jan 2007 to 31 Oct 2007 EUR	Year to 31 Dec 2006 EUR	**Period from 1 Jan 2007 to 31 Oct 2007 Lm**	Year to 31 Dec 2006 Lm
Income statement				
Operating income	**2,983,084**	3,553,198	**1,280,638**	1,525,388
Profit before tax	**1,324,640**	1,148,122	**568,668**	492,889
Balance sheet				
Total assets	**9,075,006**	7,604,950	**3,895,900**	3,264,805
Total liabilities	**1,437,377**	806,098	**617,066**	346,058
Cash flow statement				
Net cash flow from operating activities	**840,096**	685,260	**360,653**	294,182
Net cash flow used in investing activities	**(1,184,162)**	(109,366)	**(508,361)**	(46,951)
Net cash flow used in financing activities	**-**	(586,902)	**-**	(251,957)

28. Comparative Information

Where applicable comparative figures have been adjusted to conform with the current year's presentation. Comparative figures show that intangible assets amounting to Lm29,038 were reclassified from property, plant and equipment and financial assets of Lm9,230 were reclassified from non-current assets to current assets to reflect better the nature of the items.