Malta Stock Exchange plc

Malta Stock Exchange plc
ANNUAL REPORT 2011

20th mse anniversary

Letter of Transmittal

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

March 2012

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

Dear Sir

In accordance with the Financial Market Rules Stipulating Financial Reporting and Financial Reporting Requirements applicable to Regulated Markets and Central Securities Depositories, I have the honour to transmit the Audited Financial Statements and a report on the activities of Malta Stock Exchange plc for the period ended 31 December 2011.

Yours faithfully

Arthur Galea Salomone
Chairman

The Team

Board of Directors

Chairman	Arthur Galea Salomone
Deputy Chairman	Antoine Fiott
Directors	Charlotte Attard Richard Sladden Karen Spiteri Bailey
Secretary	Marie Cordina

Audit & Remuneration Committee

Chairman	Karen Spiteri Bailey
Members	Charlotte Attard Arthur Galea Salomone
Secretary	Marie Cordina

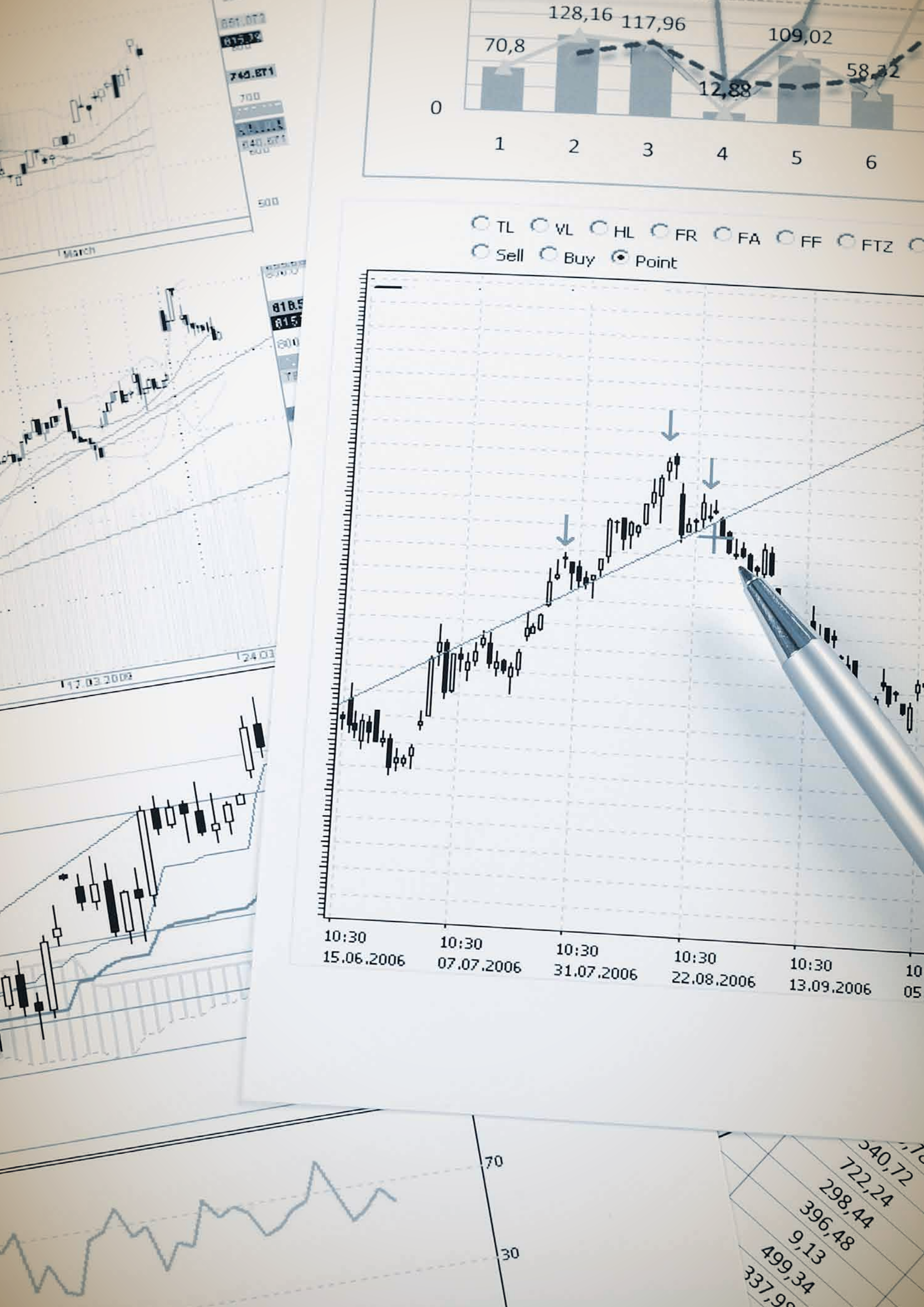
Executive Committee

Chairman	Eileen V Muscat
Members	Robert Vella Baldacchino Simon Zammit
Secretary	Marie Cordina

SSS Committee

Chairman	Eileen V Muscat
Members	Saviour Briffa Elizabeth A Calleja Mousu Marie Cordina Stephanie Galea Alexander Pace Robert Vella Baldacchino Simon Zammit

Company Secretary	Marie Cordina



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722,24
298,44
396,48
9,13
499,34

Contents

Chairman's Message

2011 was a milestone year for the Exchange, marking the 20th anniversary since the establishment of the first governing Council. From its modest beginning 20 years ago, with manual trading taking place on a weekly basis and exclusively in Government stocks, the Exchange has developed into a fully-fledged regulated market. Along the route, the Exchange has seen the admission of diverse financial instruments, the introduction of daily electronic remote trading, the reorganisation of the Exchange into a group of companies run on commercial lines and many other positive developments, which have enabled the Exchange to serve as an effective means to mobilize capital.

As expected, throughout these 20 years, both primary and secondary markets have gone through peaks and troughs. Rewards and casualties come with this territory and 2011 was indeed a tough year for the Exchange. As was anticipated, the record activity we witnessed on the primary market for three successive years, 2008, 2009 and 2010, could not be sustained. Issuer reluctance to approach the capital market for financing needs was evident and this for various reasons, not least of which were the newly introduced listing policies, the mechanics of which are now being revisited. Though turnover on the secondary market was relatively healthy, 2011 ushered some of the sharpest drops in the Share Index during our recent history. The fall in equity prices was reflected in the end-year market capitalization of €8 billion, down from €8.4 billion the previous year. In spite of the backdrop of a European sovereign debt crisis, particularly acute in Europe's periphery, domestic investor sentiment for local Government stock remained positive. Thirteen new Government Stocks amounting to a nominal value of over €700 million were fully-subscribed.

As regulatory restraints, external economic woes and international political turmoil conspired to dampen financial markets, we utilized this challenging year to consolidate our operational infrastructure. In April 2011, we launched the Clearstream link which enables Maltese listed securities to be cleared and settled on an international settlement platform, thereby facilitating cross border trading.

Preparations for the replacement of the Exchange's trading system, to be supplied by Deutsche Boerse AG, started in earnest after a inordinately long procurement process. It is intended that this hosted state-of-the-art technology will serve as an effective business enabler, facilitating internationalization of our market.

Despite the trying times, the financial performance for 2011 remained positive. The Exchange registered a pre-tax profit of €1,792,570, an increase of €90,900 over the previous year. Increased efficiencies, strict control over expenditure, as well as positive returns on investments compensated for decreased revenue from listing and market-related activity.

Thanks for these positive results are due to all the Exchange's stakeholders, including our dedicated management and staff, the regulators who supervise our operation, our shareholder who supports us, stockbrokers who we regard as partners in growing the Exchange's business, listed companies and investors on whose custom we depend.

In this milestone year, I feel duty bound to record the Exchange's gratitude to a number of persons, without whose contribution, the Exchange's accomplishments during the past years would not have been possible. Singling out individual names worthy of special

mention is always risky, for fear of omitting so many others who are equally deserving. I will however make an exception in respect of those who passed away since the Exchange's inception – Alfred Camilleri, Alfred Mallia, Anthony Galdes and Louis Galea, who all served on previous Boards with exemplary commitment, as well as George Bonello Du Puis who over twenty years ago, as Minister of Finance, energetically pioneered the establishment of the Exchange. That fledgling Exchange is now an internationally accredited institution and an increasingly important player in what has grown into an unrecognizably transformed financial services sector.

Arthur Galea Salomone
Chairman

Chief Executive's Report

As the Chairman mentioned in his report, the Exchange has undergone significant changes in its structure and operations throughout its twenty-year history and has developed into an internationally accredited, regulated market. We believe that at this stage of development, the Exchange's future strategy should be clearly focused on attracting international business, both from a market perspective and also in respect of back-office services. Notwithstanding its international focus, the Exchange remains very committed to servicing its domestic users, which remain a mainstay of its operations, however, it is acknowledged that given the demographics of a very small country with a small population, the local market can only achieve a finite growth . In order to continue to achieve sustainable growth, it must, therefore, widen its horizon to attract more international business.

One focus of the Exchange's international strategy has been to achieve connectivity with other markets. In this context, the first interoperable link was set up between one of the largest international depositories, Clearstream Banking and the Exchange's own depository which has also led to the launch of the Exchange's custody business. This has already produced dividends insofar as an increase in cross-border transactions in Maltese securities as well as participation by international investors in the Maltese market. Also, the Exchange has launched a number of major technological upgrades designed to bolster and support its internationalization strategy, chief among which is replacement of the current trading system by the XETRA trading platform, supplied by Deutsche Boerse AG, which is expected to go live in June 2012. The Exchange's effort to attract international companies to its market while having still some way to go is also slowly but surely, proving to be successful, particularly in attracting small to medium sized companies to the market as primarily a listing venue. Developing a niche of the Exchange is increasingly important if meaningful internationalization is to be achieved, an objective which in the present circumstances may appear difficult but which we believe is achievable. Opportunities lie in projecting the Exchange as a venue of choice for niche issuers looking for a cost effective platform which enables them to tap into the European Capital Market.

The listing regime for investment funds was established in the mid-nineties when the first locally set-up fund manager approached the market to list a domestic bond based collective investment scheme. During the following years the Exchange saw a steady influx of investment funds onto its main listing board particularly international funds which choose Malta as their venue of choice for secondary listing attracted by low operating costs and an attractive tax regime. The fund industry has undergone seismic changes during the past years like any other sector of financial markets. As investors demand increasing transparency and robust regulation, Malta has begun to compete with and win business from more long-established fund jurisdictions. The Exchange is confident that there is great opportunity and potential in synergising with the rapidly expanding fund industry not only from the perspective of offering a well regulated listing venue but also by providing a whole range of support services and international connectivity through its depository. For investment funds seeking a listing, the Exchange provides an excellent regulatory framework with a high level of transparency, very competitive fees, fiscal and tax benefits, a fast listing process with a simplified listing process for secondary listing, coupled with a personal approach to issuers from skilled and professional staff. The Exchange's Depository has considerable experience and a very strong reputation with regard to maintenance of registers and related

services. The close link with the Exchange's trading arm also makes the Depository an ideal locale to locate fund registers while its link with Clearstream Banking provides international access which is conductive to increasing the level of liquidity of the assets while Fund Managers can also obtain a competitive advantage through the use of the Exchange's low-cost depository operations.

The Malta Stock Exchange is a well-positioned and well regulated Exchange, enjoying the confidence built up over the years of all its issuers and which benefits from Malta's excellent reputation as an international financial centre. It offers a full spectrum of operational and support services in a cost effective and efficient economic environment whereby regulation and reputation are supported with a flexible "can-do" attitude. These factors together with a concentrated effort, on a national scale to continue to entrench ethics in economic and corporate behaviour, coupled with an excellent quality of life make Malta a formidable and competing alternative for financial services operations.

All the developments taking place within the Exchange coupled with an increase in listing and trading activity indicate that 2012 is going to be a very busy year for the Exchange during which I believe it will continue to consolidate its position within the local financial services sector and will launch itself into new areas of international activity for the benefit of all stakeholders.

I am cognizant that all this would not be possible without the continued guidance of the Board and shareholder, the unfailing commitment of all my colleagues within the Exchange and the support of our regulators, Issuers and Members.

Eileen V Muscat
Chief Executive

Administration Report

Governance

The Board

At the end of 2011 the Board of Directors of the Malta Stock Exchange was composed of Dr Arthur Galea Salomone, Chairman and Dr Antoine Fiott, Deputy Chairman, together with three (3) other Directors, namely, Ms Charlotte Attard, Dr Richard Sladden and Ms Karen Spiteri Bailey. Ms Marie Cordina held the post of Company Secretary at the end of the year under review, while Ms Eileen V Muscat continued in her capacity as Chief Executive.

The same individuals also occupy the respective posts within MSE (Holdings) Ltd and CSD (Malta) plc, the other companies withing the group.

General Meetings

The Company's Annual General Meeting was held on 18 March 2011. During the Annual General Meeting the Shareholders unanimously approved the Financial Statements for the year ended 31 December 2010 and the re-appointment of the Board of Directors for a further year. It was also agreed, in line with Good Corporate Governance principles, to issue a call for proposals in respect of audit services.

Following the Annual General Meeting the Exchange welcomed the Minister of Finance, the Economy and Investments who briefly toured the Exchange and met a number of staff members. Subsequently, he addressed journalists during a Press Conference wherein he spoke about the performance of the Exchange during 2010.

Later on in the year, on 1 August 2011, an Extraordinary General Meeting was convened wherein the Shareholders unanimously approved a dividend for 2011.

Board Meetings

Fifteen (15) Board Meetings were convened during the year including twelve (12) regular meetings and three (3) Ad Hoc meetings. This was a particularly busy year for the Board as it discussed and considered major projects in the light of its strategic decisions to expand and enhance the Exchange's international profile and to create new business streams. Such projects include the implementation of the Clearstream-CSD interoperable link, and implementation of a new trading infrastructure.

The Board was also heavily involved in Collective Agreement negotiations as well as other operational and regulatory matters.

Committees

Throughout the year the three committees appointed by the Board, the Audit Committee, the Executive Committee and the SSS Committee, met on a regular basis particularly in the light of the major projects being undertaken by the Exchange where they provided very valid support to the Board.

Among other matters, the Audit Committee recommended to the Board the approval of the Annual Budget for 2011 and the payment of a dividend, as well as recommended the approval of an amended Procurement Policy of the Exchange which was amended in the light of recent changes to relevant legislation. The Audit Committee also continued to monitor closely the Exchange's overall expenditure and its investment policy. In its role as Remuneration Committee, the Audit Committee met several times to discuss the financial package proposals put forward as part of the Collective Agreement negotiations.

The Executive Committee also met regularly during the year and focused mainly on the many changes in operations and procedures that would be brought about as a result of the technology upgrades as well as amendments to the regulatory and legal frameworks, changes to the bye-laws, together with staff and operational matters. Due to the major technology projects being undertaken many joint meetings were held between the Executive Committee and the SSS Committees. These joint meetings took the form of Project Steering Meetings in relation to the Clearstream-CSD link and the implementation of a new trading infrastructure. Apart from these projects the SSS Committee continued to discuss the Target2-Securities project, MaltaClear Default Rules, as well as other on-going developments.

During the latter half of the year the Exchange issued two public tenders one regarding a call for the provision of audit services and the other one in relation to the procurement of hardware in relation to the technology projects. In line with the Procurement Policy of the Exchange the Board appointed Evaluation Committees, both under the chairmanship of the Chair of the Audit Committee and composed of Board Members and officials of the Exchange, to evaluate the responses submitted.

Human Resources

Staff Complement

At the end of the year the staff complement of the Exchange numbered fifty six, nineteen males and thirty seven females, including both full-time and part-time employees. The staff complement is split into seventeen executive staff, thirty five supervisory and clerical staff and four non-clerical staff. A number of staff were redeployed to new duties during throughout the course of the year. During the year a number of new employees joined the Exchange including five junior staff who were deployed in various offices and a senior officer in the new post of Business and Product Development Manager. The new post was created in line with the strategy of the Exchange to assist the Board and Senior Management to expand its business both domestically and internationally by developing and marketing new products and services to existing and potential new clients.

The Exchange also offered a six month internship to a student from the Ukraine who was deployed to Finance Office which was her area of expertise.

Several employees availed themselves of the family-friendly schemes offered by the Exchange, including Career Breaks, teleworking and working on reduced hours.

Staff Training

Throughout the year a number of Exchange personnel underwent specific industry training and participated in a number of seminars and conferences both locally and overseas covering a diverse range of topics including UCITS, internal audit, risk management, Asset Structuring and Taxation. Furthermore, several employees of the Exchange are undergoing graduate and post-graduate studies such as MBAs, Masters in Financial Services and the FHRD Certificate Programme.

Social Events Committee

The Social Events Committee met six (6) times during the year and organized a number of highly successful events including dress down days, Zumba Fitness Sessions, Summer Barbeque and a day trip to Sicily. As part of the programme of social activities, employees raised a considerable contribution for the benefit of philanthropic causes.

The Committee has drawn up a calendar of events for 2012 as well as initiatives to continue to support various philanthropic causes.

Union Representation

A number of meetings were held throughout the year with the Professional and Financial Services Section of the General Workers Union, the only Union granted recognition by the Exchange, which represents a number of grades within the organization. The majority of the meetings held related to negotiations in connection with the drawing up of a new Collective Agreement.

The Exchange would like to thank the Staff Committee, composed of Mr Joseph Farrugia, Shop Steward and Ms Melissa Mamo and Ms Melissa Farrugia, Assistant Shop Stewards and the Section Secretary, Dr Cory Greenland, for their support and valid contribution.

Regulatory Matters

Bye-laws

Subsequent to approval by the Competent Authority amendments were made to the Bye-laws of the Exchange in the context of CSD procedures, interoperable links and admission procedures.

Bye-laws 5.05.08 to 5.05.12 were amended to provide that blocking and unblocking of CSD accounts arising from lock-in situations as may be outlined in an approved prospectus could only be effected upon specific instructions of the relevant Issuer or shareholder.

New bye-laws, 5.07,01 to 5.07.05 were introduced with specific reference to access and interoperable links. These are enabling bye-laws which expand on the provisions of Article 30 of the Financial Markets Act relating to CSD functions. The new bye-laws also make reference to the EU Code of Conduct on Clearing and Settlement which also deals with these types of links.

The amendments to the Admission Rules introduced during 2011 related to changes in operational procedures partly also consequent to the introduction of the new bye-laws regarding blocking and unblocking of CSD accounts.

Other amendments were made to the Bye-laws in relation to CSD procedures regarding merger and/or division of holder accounts.

Consultation

During the year under review the Exchange provided feedback to consultation processes both on an EU-wide basis and also in respect to consultation initiatives by the Competent Authority. In particular the Exchange submitted feedback as appropriate in respect of various EU Directives currently under review including MiFID, EMIR and the proposed CSD legislation as well as RM micro requirements.

The Exchange also provided feedback to the Competent Authority in respect of proposed amendments to the Listing Policies first issued in 2010 and also with regard to a consultation process in respect of the introduction of market makers in the local market. With regard to this, the Exchange itself issued a Consultation Document among its Members.

Compliance

The Exchange submitted the "Certificate of Compliance" in accordance with the Financial Market Rules applicable to Regulated Markets at the end of January covering the period August 2010 – January 2011 and at the end of July covering the period February to July 2011. In both instances the Board confirmed the Exchange's compliance with all applicable legislation, rules and regulations including financial requirements and reporting.

Audit

The Audited Financial Statements of the Exchange for the year ended 31 December 2010 were unanimously approved by the shareholders during the Annual General Meeting of the Exchange held on 18 March 2011. The Financial Statements and Annual Report were submitted to the Competent Authority and published in accordance with relevant rules and regulations.

EU Code of Conduct on Clearing and Settlement

In accordance with the provisions of the EU Code of Conduct on Clearing and Settlement, the Board approved the Self-Assessment Report on Service Unbundling and Account Separation for 2010. This was reviewed by the Exchange's Auditors who prepared an "Independent Assurance Report on the Self-Assessment Report" which was submitted to the Competent Authority in terms of the Code. In their Report, the Auditors confirmed the Exchange's compliance with the provisions of the Code.

Risk Management and Internal Capital Adequacy Assessment (RMICAAP)

During the year, the Exchange's Operations Audit Office reviewed the key business risks drawn up the previous year as part of the RMICAAP assessment carried out by the Exchange's Auditors, re-evaluated the Exchange's continued tolerance to exposure to the identified risks, changes to risk mitigation processes as highlighted the previous year as well as identified new risk areas following the introduction of new services, operations and technology during the year. At the beginning of 2012 Operations Audit Office made its report to the Board wherein it confirmed the Exchange's infrastructure was sufficiently robust and its processes, including its risk mitigation processes, were sufficient to tolerate operational risks.

Annual Dinner

On 6 October 2011, the Board hosted a Gala Dinner at the Excelsior Hotel, Floriana, under the patronage of the Prime Minister, as part of its 20th anniversary celebrations. The dinner was attended by over a hundred guests including the Minister of Finance, the Economy and Investments, the Shadow Minister, as well as representatives of listed companies and the Treasury, Member Firms, regulators and other market participants.

In a brief address, the Chairman spoke about the development of the Exchange over the past twenty years, its growing role within the financial sector and its plans for its future expansion. He also paid tribute to all those, who over the past twenty years had been instrumental in helping the Exchange to achieve its goals. The Prime Minister also spoke about the development of the Exchange since it was set up in 1991 and its role as a major player in Malta's financial services sector. He also referred to Malta's current economic performance in the context of the on-going global financial crisis.

Visitors to the Exchange

During January, Mr Chris Richardson of Percival Software, the supplier of the CSD software, held a workshop at the Exchange wherein he explained the functionality of the next upgrade to the registration software currently in use at the CSD. In April, Clearstream officials held a two-day workshop at the Exchange in connection with the implementation of the CSD-Clearstream link which became operational in April.

On 14 April 2011 the Exchange hosted a number of representatives from the Commonwealth who were visiting Malta on a fact-finding mission. The Chief Executive briefly addressed the visitors regarding the Exchange's performance during 2010 and its future strategies. A number of officials then gave presentations regarding the various operations of the Exchange.

Later on in the month, on 27 April the Exchange welcomed a delegation from the General Workers Union as part of the Workers' Day visits to those organizations wherein the GWU is a recognized Union. The delegation was led by Mr Tony Zarb, the Secretary General. The delegation held a brief meeting with the Chairman and the Chief Executive and was then conducted around the premises when the Union representatives had the opportunity to meet members of the staff and learn more about the operations of the Exchange.

The Exchange welcomed a delegation of bankers from Northern Cyprus in mid-June 2011 as part of the TAIEX Programme, when Exchange officials made presentations regarding the functions and operations of the Exchange and the financial sector in general.

International Relations

The Exchange is a member of a number of industry international organizations, namely :

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

Exchange Officials participated in a number of regular meetings of the international industry standard setting organizations indicated above, of which it is a full member, in particular those organized by FESE and ECSDA.

2011 was another very active year for these organizations in particular FESE and ECSDA as EU-wide discussion and debate continued unabated on a number of Directives and new legislation including MiFID, CSD Legislation, EMIR and the Securities Legislation. The Exchange participated in the debate through the EU-wide consultation process and also through attending the regular meetings of these organizations.

The Chief Executive, Ms Eileen V Muscat, was a panelist during the FESE Annual Convention held in Athens in June. The panel debated the theme "Who's Afraid of MIFID II?".

Later on in the year, in October, the Malta Stock Exchange hosted the Special Interest Meeting and Board of Directors meeting of ECSDA. Representatives of thirty European CSDs participated in these meetings which discussed futures changes to the post-trading environment, including the proposed CSD legislation and Target 2-Securities.

The Exchange also actively participated in meetings relating to the Target 2-Securities Project and is represented on various committees including the Advisory Group.

During the year, Ms Eileen V Muscat, Chief Executive, also participated in meetings of ESMA's Post-Trading Standing Committee (PTSC) which has responsibility within ESMA for discussing all issues related to post-trading.

Trading System

In August the Exchange signed a five-year contract with Deutsche Boerse AG for the provision of a hosted, fully electronic trading system – Xetra – which will go live in mid-June 2012.

Cash market trading on the Vienna Stock Exchange has been based on Xetra technology since November 1999. The Irish Stock Exchange has been operated with Xetra since 2000, the Bulgarian since 2008 and the Ljubljana Stock Exchange in Slovenia since 2010. The Eurex subsidiary Eurex Bonds and the European Energy Exchange also use the Xetra trading system. The Shanghai Stock Exchange uses Xetra as the basis for its New Generation Trading System introduced at the start of 2010.

Deutsche Börse Group's global liquidity provider Clearstream integrated Malta into its settlement network in April as the last country in the euro zone. The settlement link provides international investors with access to Maltese securities.
The Xetra business unit of Deutsche Börse provides listing, trading and clearing services for issuers, intermediaries and investors. Xetra provides efficient access to the capital markets,

supports the latest trading techniques and provides an ever-growing range of tradable securities.

The trading system of the same name sets the highest standards in terms of reliability, security, speed and innovation. Xetra offers the highest liquidity, transparency and cost efficiency to more than 250 European banks and brokerage firms from 18 countries. Approximately 830,000 securities are currently traded using Xetra technology, more than on any other trading platform.

CSD – Clearstream Banking Link

On 11 April 2011, the Exchange launched a link with Clearstream, the global liquidity provider of Deutsche Börse Group, The new cross-border settlement link is operated by the Malta Stock Exchange (MSE) and allows international investors to access Maltese securities free of payment. The link connects MSE with Clearstream Banking Frankfurt (CBF), the central securities depository (CSD) for the German domestic market.

The Maltese securities are eligible in CASCADE, the settlement system of CBF. Customers of CBF can settle these securities between themselves and hold them in collective safe custody like any other German security. Maltese securities can also be used for collateral purposes. Moreover, they are also eligible through the international central securities depository (ICSD) Clearstream Banking Luxembourg (CBL) via the settlement link between the ICSD and the CSD, thus allowing an even wider range of international investors to access the Maltese market.

As an international central securities depository (ICSD) headquartered in Luxembourg, Clearstream provides the post-trade infrastructure for the Eurobond market and services for securities from 51 domestic markets worldwide. Clearstream's customers comprise approximately 2,500 financial institutions in over 110 countries. Its services include the issuance, settlement and custody of securities as well as investment fund services and global securities financing. With more than €11.3 trillion in assets under custody, Clearstream is one of the world's largest settlement and custody firms for domestic and international securities. As a central securities depository (CSD) based in Frankfurt, Clearstream also provides the post-trade infrastructure for the German securities industry, offering access to a growing number of markets in Europe.

Target-2 Securities (T2S)

After two years of negotiation between the Eurosystem and the CSDs which had signed the Memorandum of Understanding in July 2009, among which was the Malta CSD, a contractual basis for the provision of T2S services was agreed and was presented to the CSDs in November 2011.

The core legal document of T2S is the Framework Agreement which governs the rights and obligations of the Eurosystem and the CSDs in relation to the development and operation of T2S. In particular the Framework Agreement determines the rights and obligations of the signing parties in respect of ancillary legal issues of T2S, including confidentiality and data protection, intellectual property rights, liability, termination and dispute resolution and arbitration. The Schedules attached to the Framework Agreement include, inter alia, the service level agreement, governance arrangements and the pricing policy. Each CSD will enter into a separate but identical Framework Agreement with the Eurosystem in order to ensure a level-playing field and equality of treatment between all contracting CSDs.

It is envisaged that the Framework Agreement will be signed by July 2012 and that T2S will go live in 2015-2016.


Malta Stock Exchange plc
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Exchange Operations and other Activities

The Market

The turnover value registered on the market during 2011 reached a total of just under €510 million, a decrease of around €5 million when compared with the value registered during the previous year. The overall decrease in turnover value was due to a significant drop in trading in Treasury Bills and also in the Corporate Bond market, which losses, however, were compensated for by increased trading in equities and also in particular, a considerable increase in trading in Government Stocks when compared to 2010.

Trading in the equity market totaled €37.6 million, up from a turnover value of €36.2 million registered in 2010 representing 21,291,343 million shares being transacted compared to 19,519,488 shares that changed hands the previous year. This slight increase in equity trading was the result of an increase in turnover in banking sector shares, which are the most liquid on the market. The general trend, however, was a decrease in equity trading across the board as may be seen in the relevant Table below. Despite the increase in equity trading, generally prices of equities decreased throughout the year resulting in significant losses in the value of the Malta Stock Exchange Share Index.

Comparing year-to-year figures, the turnover value in the corporate bond market decreased from €46 million to just over €34 million. As in the equity market the general trend throughout 2011 was a decrease in trading across the board in the corporate bond market. Unlike 2010 when fifteen (15) new corporate bonds were listed and trading in which accounted for 26% of turnover in the corporate bond market for that year, during 2011 only three (3) corporate bonds were listed, trading in which accounted for only 4% of turnover registered in the corporate bond market during the year.

Trading turnover value in Government Stocks rose by over €128 million during 2011, that is almost 50%, when compared to the previous year's turnover value for this sector of the market. The turnover value in the Government Stock market reached a total of over €406 million, up from €278 million transacted during 2010. Trading in the 5.7% MGS 2012 (III) accounted for almost 23% of the value of turnover in the Government Stock sector as a result of the switching exercise undertaken by the Treasury. Trading in the Government Stocks listed throughout the year accounted for a turnover value of just under €101 million, that is 25% of the turnover value registered in the Government Stock market during the year. There was a marked decrease in trading in Treasury Bills during the year under review. Turnover in this sector of the market reached a value of just under €32 million, down from €154 million transacted during 2010.

The total number of trades concluded through 2011 was 17,318 across all sectors of the market, a decrease of 2,299 from the 19,617 deals effected the previous year. Comparing year-to-year figures, the largest decrease in the number of concluded trades was in the Government Stock market, where despite the significant increase in trading, the number of deals effected during 2011 was 4,850, a decrease of 1,260 from the previous year. This means that comparing 2010 to 2011 the size of the average deal in Government Stocks rose from €45,663 to €83,711. The number of trades effected in the Corporate Bond market was 4,689 virtually unchanged from the previous year when 4,638 trades were executed in this sector. Deals concluded in the equity market also decreased from 8,748 in 2010, down 1,011 to 7,737 in 2011. The average size of a deal however, increased slightly from €4,123 in 2010 to €4,875 in 2011. The number of deals concluded in the Treasury Bill market dropped sharply year-to-year, from 102 to 37, reflecting the large year-to-year decrease in trading in this sector of the market.

Comparative Trading Figures

Security	Number of Deals		Volume/No. of Shares		Market Turnover (Euro)	
	2010	2011	2010	2011	2010	2011
Equities						
Bank of Valletta Plc Ord €1.00	3,058	3,592	3,385,374	5,514,227	11,679,992	15,086,803
HSBC Bank Malta Plc €0.30	2,025	1,398	2,673,951	3,005,321	8,445,236	9,086,131
Lombard Bank Plc Ord €0.25	206	216	314,778	694,876	891,963	1,981,516
Middlesea Insurance Plc Ord €0.21	537	161	1,236,306	211,922	1,099,722	206,220
Simonds Farsons Cisk Plc Ord €0.30	94	76	185,874	125,437	323,581	224,691
GO Plc Ord €0.582343	718	810	1,359,391	1,768,241	2,817,458	2,424,772
Int. Hotel Investments Plc Ord €1.00	405	245	2,128,184	3,487,419	1,768,873	3,064,255
Plaza Centres Plc Ord €0.465875	49	37	223,755	82,479	370,643	143,109
GlobalCapital Plc Ord €0.291172	54	21	58,887	11,139	74,187	9,491
FIMBank Plc Ord US$ 0.50	250	152	2,958,354	1,792,173	2,194,954	1,044,317
Malta Int. Airport Plc Ord €0.25	613	460	1,258,542	1,164,760	2,466,650	1,986,148
Medserv plc Ordinary A Shares €0.232937	73	11	262,710	16,103	1,122,738	65,138
Grand Harbour Marina plc Ord €0.232937	39	18	147,202	39,510	285,197	77,588
6pm Holdings Plc Ord GBP0.20	14	13	39,166	132,757	20,145	44,160
Crimsonwing plc Ord €0.10	26	29	224,422	219,900	91,218	75,044
MaltaPost Plc Ord €0.25	448	265	2,683,900	1,022,493	2,168,290	1,029,695
RS2 Software Plc Ord €0.20	43	141	194,800	1,432,299	96,311	773,341
Loqus Holdings Plc Ord €0.232937	33	13	45,492	19,424	8,902	3,160
Island Hotels Group Holdings plc Ord €1.00	63	27	138,400	18,063	136,160	17,158
MIDI plc Ordinary Shares €0.20	-	52	-	532,800	-	235,088
Total Equity	**8,748**	**7,737**	**19,519,488**	**21,291,343**	**36,062,220**	**37,577,826**

Corp. Bonds						
6.15% BOV plc Sub 2010	7	-	577,481	-	578,944	-
6.75% UFC plc 2014-2016	144	20	1,232,600	97,900	1,251,651	100,026
8% BOV US$ 2010	290	-	5,958,000	-	4,750,581	-
6.7% Eden Finance plc 2010	17	-	698,611	-	699,069	-
6.75% Corinthia Fin plc 2012	29	78	158,378	255,213	161,141	250,825
6.7% Mizzi Organisation Fin plc 2009/12	3	-	23,367	-	23,367	-
6.7% Tumas Investment plc 2010/12	14	-	43,963	-	44,198	-
6.6% SFC plc 2010/12	6	-	76,777	-	77,936	-
6.3% IHI plc 2013	36	77	159,542	304,896	160,655	296,201
6.2%-6.8% IHI plc 2013	21	43	134,000	207,600	135,826	203,933
6% Gasan Finance plc 2014-2016	76	52	535,100	266,900	546,235	273,138
6% Dolmen Prop. plc Sec. 2010/13	27	26	64,308	106,929	64,573	106,987
6.5% IHI plc 2012/14	27	29	220,800	222,600	221,806	216,837

5.6% GlobalCapital plc 2014/16	98	55	538,900	314,100	452,224	267,699
6.7% AX Investments plc 2014/16	109	48	443,368	166,628	446,429	167,135
4% AX Investments plc 2013	9	19	60,365	581,000	73,467	717,790
4.6% HSBC Bank Malta plc 2017	333	226	2,717,552	1,682,758	2,773,325	1,718,212
7.5 % Hotel San Antonio plc 2012	59	21	211,278	772,912	213,854	787,234
8% Bay Street Finance plc 2012	36	9	4,649,065	68,625	4,722,494	69,381
7% P G Finance plc Secured 2010/12	15	-	90,044	-	90,044	-
7% GAP Dev. Plc Sec 2011/13	260	188	3,612,286	2,563,159	3,448,046	2,533,497
7% PAVI Shop. Complex plc 2014/17	29	31	305,959	85,381	306,909	86,728
7.5% Mediterranean Inv. Holding plc 2012/14	52	123	362,594	783,515	370,337	731,877
7.5% Mediterranean Inv. Holding plc Bonds 2015	54	168	379,700	1,011,900	386,294	933,500
5.9% HSBC Bank Malta Plc Sub 2018	90	114	831,200	900,400	876,197	950,894
7% MIDI plc 2016-2018	176	270	1,872,900	2,721,800	1,932,503	2,783,465
7% MIDI plc GBP 2016-2018	40	21	540,300	167,700	672,248	203,591
7% FIMBank plc 2012-2019	104	175	729,100	1,185,000	757,000	1,194,876
7% FIMBank plc USD 2012-2019	40	38	258,300	338,200	203,866	241,323
5.35% BOV plc Sub Bds 2019	232	191	1,619,900	1,186,500	1,694,080	1,221,876
6.25% IHI plc Bds 2015-2019	190	186	1,271,700	1,095,100	1,290,112	1,075,693
6.25% Tum Inv plc Bds 2014 - 2016	90	84	439,400	579,800	447,739	598,430
6.25% Corinthia Finance plc Bonds 2016 - 2019	85	150	349,000	637,700	354,898	630,901
6.5% Island Hotels Group Holdings plc Bonds 2017-2019	50	58	242,300	189,200	249,518	191,421
7.15% Melita Capital plc Bonds 2014 - 2016	276	302	1,540,900	2,345,900	1,537,119	2,353,090
6.2% Mizzi Org. Fin. plc € 2016-2019	226	94	1,638,000	398,600	1,690,023	413,657
7% Grand Harbour wwMarina plc Bonds 2017- 2020	87	74	558,600	508,400	578,771	523,723
6.25% Corinthia Finance plc Bonds 2016-2019 (II)	11	-	34,900	-	35,330	-
6.25% Corinthia Finance plc Bonds 2016-2019 (II)	422	483	3,714,000	3,279,900	3,796,076	3,320,853
6.8% Premier Capital p.l.c. Bonds 2017 - 2020	150	78	984,500	470,700	1,014,409	484,674
6.25% International Hotel Investments plc Bonds 2017-2020	60	104	344,100	547,700	351,441	532,781
6.6% Eden Finance plc 2017-2020	54	43	1,472,300	379,700	1,474,908	387,717
6% Simonds Farsons Cisk plc 2017 - 2020	106	59	227,300	105,000	233,407	108,830
6.2% Tumas Investments p.l.c. Bonds 2017 - 2020	80	89	418,400	355,400	431,759	367,108
7.15% Mediterranean Inv Holding p.l.c. EUR Bonds 2015 - 2017	113	197	1,100,500	1,065,100	1,134,295	988,078
7.15% Mediterranean Inv. Holding p.l.c. GBP Bonds 2015 - 2017	9	43	92,700	289,000	116,449	315,074
7.15% Mediterranean Inv. Holding p.l.c. USD Bonds 2015 - 2017	14	47	169,400	325,200	135,425	225,235
5.35% Izola Bank plc Secured Notes 2015	62	24	1,027,000	198,000	1,035,286	200,500
6.25% Mediterranean Bank plc Bonds 2015	65	116	1,605,800	1,169,400	1,617,638	1,177,588
4.25% FIMbank plc EUR Bonds 2013	32	172	269,500	1,353,300	271,059	1,354,776
4.25% FIMBank plc USD Bonds 2013	23	149	156,100	2,079,600	118,418	1,485,592
6.25% Mediterranean Bank plc Bonds 2015 FI June 2011	-	3	-	89,500	-	89,500
4.8% Bank of Valletta plc Notes 2018	-	91	-	859,100	-	873,785
4.8% Bank of Valletta plc Notes 2018 Tranche II	-	21	-	436,300	-	444,797
Total Corp. Bonds	**4,638**	**4,689**	**46,762,138**	**34,749,216**	**46,049,379**	**34,200,825**

Close Ended Collective Investment Scheme						
San Tumas Shareholdings plc	19	5	47,475	7,449	122,523	14,813
Total Close Ended Collective Investment Scheme	19	5	47,475	7,449	122,523	14,813
Malta Government Stocks						
Total MGSs	**6,110**	**4,850**	**258,310,070**	**379,874,126**	**278,724,632**	**406,130,665**
Treasury Bills						
Total T.Bills	**102**	**37**		**31,783,000**		**31,762,199**
Total all Securities	**19,617**	**17,318**	**-**	**-**	**514,820,994**	**509,686,327**

MGS Movements 2011

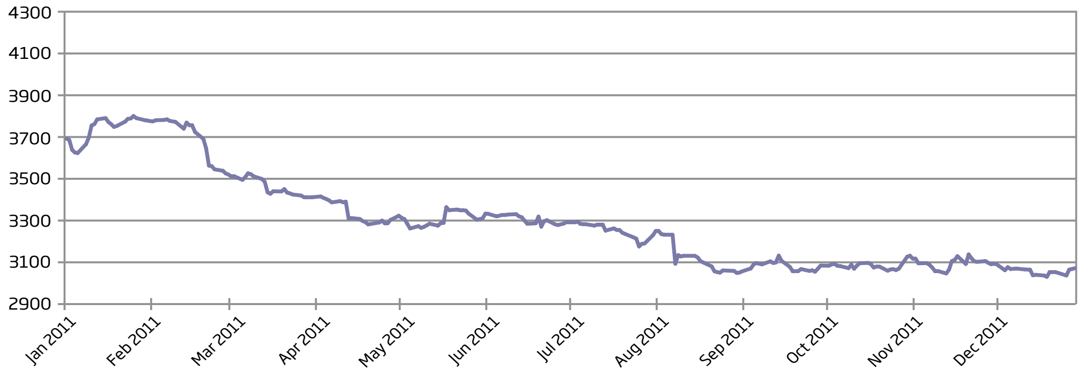
Security Name	Date of Issue	Amount Issued	Coupon	Dates of Interest	Traded Value (EURO)	Deals	Last Closing Price
7.5% MGS 2011	23-Oct-96	34941055	7.50%	28-Mar - 28-Sep	2,180,921	26	100.610
6.25% MGS 2011 (II)	10-Aug-01	93176269	6.25%	01-Feb - 01-Aug	74,779	1	100.320
7% MGS 2011 (III)	24-Jan-02	291172	7.00%	30-Jun - 30-Dec	-	-	-
7.8% MGS 2012	11-Jun-97	80364319	7.80%	24-May - 24-Nov	38,945,806	113	102.760
7% MGS 2012 (II)	26-Jul-02	410436	7.00%	30-Jun - 30-Dec	-	-	-
5.7% MGS 2012 (III)	7-Oct-02	268940703	5.70%	30-Mar - 30-Sep	93,405,507	283	103.260
7.8% MGS 2013	12-Nov-97	79781860	7.80%	18-Apr - 18-Oct	8,576,177	67	110.260
6.35% MGS 2013 (II)	5-Dec-01	60565893	6.35%	19-May - 19-Nov	2,068,632	141	106.200
7% MGS 2013 (III)	12-Sep-03	155370	7.00%	30-Jun - 30-Dec	-	-	-
3.6% MGS 2013 (IV)	3-Apr-09	287014800	3.60%	18-Apr - 27-Sep	3,288,189	119	102.790
Floating Rate 6 Mth Eur MGS 2013 (V)	3-Mar-10	7250000	2.18%	24-Feb - 24-Aug	-	-	-
Floating Rate 6 Mth Eur MGS 2013 (VI)	18-Aug-10	30000000	2.20%	11-Feb - 11-Aug	-	-	-
Floating Rate 6 Mth Eur MGS 2013 (VII)	27-May-11	52000000	2.14%	18-May - 18-Nov	-	-	-
6.6% MGS 2014	16-Oct-00	24459140	6.60%	30-Mar - 30-Sep	7,624,109	44	109.640
6.45% MGS 2014(II)	8-Jun-01	69882324	6.45%	24-May - 24-Nov	6,173,746	63	111.190
5.1% MGS 2014 (III)	21-Jul-03	388915541	5.10%	06-Jan - 06-Jul	12,918,953	217	106.870
7% MGS 2014 (IV)	6-Aug-04	4003727	7.00%	30-Jun - 30-Dec	-	-	-
Floating Rate 6 Mth Eur MGS 2014 (V)	25-Nov-11	24000000	2.14%	23-May - 23-Nov	-	-	-
6.1% MGS 2015 (I)	6-Jul-00	69882174	6.10%	10-Jun - 10-Dec	7,878,466	67	111.390
5.9% MGS 2015 (II)	4-Jul-07	116518196	5.90%	09-Apr - 09-Oct	2,046,701	128	111.230
7% MGS 2015 (III)	8-Jul-05	678780	7.00%	30-Jun - 30-Dec	-	-	-
7% MGS 2015 (IV)	30-Nov-05	804571	7.00%	03-May - 03-Nov	-	-	123.250
Floating Rate 6 Mth Eur MGS 2015 (V)	19-Nov-09	29800000	2.59%	25-Apr - 25-Oct	-	-	99.860
3.75% MGS 2015 (VI)	3-Mar-10	131545100	3.75%	03-Jun - 03-Dec	13,691,697	84	103.500
3.75% MGS 2015 (VI) FI Nov 10	29-Nov-10	6102600	3.75%	03-Jun - 03-Dec	216,913	5	100.480
6.65% MGS 2016	16-Apr-01	69883069	6.65%	28-Mar - 28-Sep	1,316,169	91	114.520

4.8% MGS 2016 (II)	2-Dec-03	186351758	4.80%	26-May	-	26-Nov	3,490,162	114	106.510
7% MGS 2016 (III)	30-Jun-06	3390636	7.00%	30-Jun	-	30-Dec	-	-	-
4.3% MGS 2016 (IV)	7-Dec-11	158145275	4.30%	16-Feb	-	16-Aug	26,119,000	3	104.560
7% MGS 2017	19-Feb-07	668998	7.00%	18-Feb	-	18-Aug	-	-	-
7% MGS 2017 (II)	28-Jun-07	10338691	7.00%	30-Jun	-	30-Dec	-	-	-
4.25% MGS 2017 (III)	3-Mar-11	204982700	4.25%	06-May	-	06-Nov	11,380,577	375	104.200
4.25% MGS 2017 (III) FI May' 11	27-May-11	89919400	4.25%	06-May	-	06-Nov	6,657,241	151	104.150
4.25% MGS 2017 (III) FI Nov 11 I	25-Nov-11	3000000	4.25%	06-May	-	06-Nov	-	-	
4.25% MGS 2017 (III) FI Nov 11 r	2-Dec-11	16070900	4.25%	06-May	-	06-Nov	63,164	3	104.750
7.8% MGS 2018	3-Aug-98	163057021	7.80%	15-Jan	-	15-Jul	48,119,729	69	122.760
7% MGS 2018 (II)	17-Apr-08	326700	7.00%	18-Apr	-	18-Oct	-	-	-
7% MGS 2018 (III)	27-Jun-08	6542600	7.00%	30-Jun	-	30-Dec	-	-	-
6.6% MGS 2019	20-Sep-99	102493253	6.60%	01-Mar	-	01-Sep	11,217,624	53	117.000
7% MGS 2019 (II)	26-Jun-09	13670000	7.00%	30-Jun	-	30-Dec	-	-	-
5.2% MGS 2020	4-Jul-07	52407462	5.20%	10-Jun	-	10-Dec	1,015,772	82	107.340
4.6% MGS 2020 (II)	19-Nov-09	158327200	4.60%	25-Apr	-	25-Oct	10,585,268	165	103.890
7% MGS 2020 (III)	1-Jul-10	430700	7.00%	30-Jun	-	30-Dec	-	-	
5% MGS 2021	3-Jun-04	458844653	5.00%	08-Feb	-	08-Aug	21,661,114	371	105.480
7% MGS 2021 (II)	20-Jun-11	466000	7.00%	18-Jun	-	18-Dec	-	-	
7% MGS 2021 (III)	1-Jul-11	2858800	7.00%	30-Jun	-	30-Dec	-	-	
5.1% MGS 2022	24-Aug-04	71047725	5.10%	16-Feb	-	16-Aug	681,548	76	105.520
5.5% MGS 2023	21-Jul-03	78811283	5.50%	06-Jan	-	06-Jul	1,663,877	57	109.910
5.25% MGS 2030	4-Jun-10	440165700	5.25%	23-Jun	-	23-Dec	54,452,259	1635	103.580
5.25% MGS 2030 (I) FI May' 11	27-May-11	59905700	5.25%	23-Jun	-	23-Dec	911,789	35	102.000
5.25% MGS 2030 I F.I. Feb 2011	3-Mar-11	84721400	5.25%	23-Jun	-	23-Dec	3,555,492	85	102.000
5.2% MGS 2031 (I) I	25-Nov-11	6880000	5.20%	16-Mar	-	16-Sep	-	-	
5.2% MGS 2031 (I) r	2-Dec-11	118036900	5.20%	16-Mar	-	16-Sep	4,149,286	127	102.870

The Malta Stock Exchange Share Index

The decrease in equity prices that was registered throughout the year was reflected in the value of the Malta Stock Exchange Share Index (the Index) which ended the year at a value of 3094.799, a decrease of over 18% when compared to the closing value of 2010. After reaching a high of 3887.34 on 27 January 2011 and maintaining a positive trend for the first quarter of the year, equity prices began a steady decline, reflecting what was happening in the global financial sector and the increasing negative news from the countries within the Eurozone. During 2011, in fact, the Index suffered two of the major drops since 1995 when its value dipped by over 5% on single days in March and August.

MSE Index for 2011



Market Capitalisation

At the end of the year, total market capitalization amounted to a value of €8.14 billion, (excluding Collective Investment Schemes), a decrease of almost €0.3 billion when compared to the market capitalization value at the end of 2010.

Sector by sector, the largest decrease in market capitalization related to equities, where the value decreased from €3.2 billion at the end of 2010 to €2.6 billion at the end of 2011, reflecting the sharp decrease in equity prices registered throughout the year. Market capitalization of Treasury Bills at the end of the year stood at over €250 million, a decrease of €120 million when compared to the value at the end of the previous year, also reflecting the decrease in Treasury Bills available on the primary market during 2011 when compared to previous years. Conversely the Government Stock sector and Corporate Bond sector showed a market increases comparing year-to-year figures. Market Capitalization value of Government Stocks reached €4.3 billion at the end of 2011, an increase of almost €0.5 billion when compared to 2010 while the market capitalization of the Corporate Bond sector also registered a slight increase to €0.94 billion at end 2011, up from €0.89 billion the previous year.

Market Capiatalisation as at 31 December 2011

Security	No of Shares	Close Price	Capitalisation in Euro
BOV Ord Shares	240,000,000	2.500	600,000,000.00
HSBC Ord Shares	291,840,000	2.579	752,655,360.00
LOM Bank Ord Shares	36,092,692	2.700	97,450,268.40
MSI Shares	92,000,000	0.800	73,600,000.00
SFC Ord Shares	30,000,000	1.800	54,000,000.00
GO Ord Shares	101,310,488	0.980	99,284,278.24
IHI Ord Shares	554,238,573	0.844	467,777,355.61
PZC Ord Shares	9,414,000	1.800	16,945,200.00
LQS Ord Shares	31,899,000	0.160	5,103,840.00
GC P.l.c. Ord Shares	13,207,548	1.000	13,207,548.00
FIMB Plc Ord Shares	136,636,319	0.770	81,627,717.92
MIA Plc Ord A Shares	81,179,990	1.690	137,194,183.10
STUM Share.Hldgs PLC	1,665,176	2.100	3,496,869.60
MDS Ord Shares	10,000,000	3.950	39,500,000.00
GHM Ord Shares	10,000,000	1.950	19,500,000.00
6pm Holdings plc Ord Shares	18,288,000	0.320	7,000,191.39
Crimsonwing p.l.c. Ord Shares	26,000,000	0.250	6,500,000.00
MaltaPost p.l.c. Ordinary Shares	31,678,103	1.000	31,678,103.00
RS2 Software plc Ord Shares	37,500,000	0.600	22,500,000.00
MIDI plc Ordinary Shares	214,159,922	0.380	81,380,770.36
IHGH plc Ordinary Shares	36,340,160	0.850	30,889,136.00
Total equities			**2,641,290,821.62**
5.35% BOV plc Sub Bds 2019	50,000,000	103.000	51,500,000.00
4.8% BOV Sub Bds 2020	70,000,000	103.000	72,100,000.00
4.8% BOV plc Notes 2018	40,000,000	102.980	41,192,000.00
4.8% BOV Notes 2018 Tra II	15,400,000	103.000	15,862,000.00
4.6% HSBC € 2017	58,234,390	101.500	59,107,905.85
5.9% HSBC Bank Malta plc Sub Bds 2018	30,000,000	105.600	31,680,000.00
6% GFC plc Bds 2014-2016	20,000,000	102.360	20,472,000.00
6% SFC p.l.c. Bonds 2017 - 2020	15,000,000	103.300	15,495,000.00
5.6% G.C. P.l.c. € Bonds 2014/16	17,000,000	79.000	13,430,000.00
6.7% AXI Bonds 2014/16	11,647,819	100.000	11,647,819.00
4% AXI Bonds 2013	2,161,721	123.000	2,658,916.83
6.75% CFC Bonds 2012	14,644,885	100.000	14,644,885.00
6.25% CFC plc Bonds 2016 - 2019	40,000,000	100.500	40,200,000.00
6.3% IHI Plc Bonds 2013	14,018,268	100.000	14,018,268.00

6.2%-6.8% IHI Plc € Bonds 2013	8,058,000	100.000	8,058,000.00
6.5% IHI Plc € Bonds 2012/14	12,500,000	100.000	12,500,000.00
6.25% IHI plc Bds 2015-2019	35,000,000	100.000	35,000,000.00
6.25% IHI plc Bonds 2017-2020	25,000,000	100.010	25,002,500.00
6.75% UFC plc Bds € 2014-2016	12,000,000	102.000	12,240,000.00
6.6% EDF p.l.c. Bonds 2017-2020	15,000,000	101.500	15,225,000.00
7% FIM plc EUR Sub Bds 2012-2019	23,579,500	102.000	24,051,090.00
7% FIM plc USD Sub Bds 2012-2019	8,107,800	100.010	6,291,109.30
4.25% FIM plc Eur Bonds 2013	19,263,600	101.000	19,456,236.00
4.25% FIMBank plc USD Bonds 2013	18,047,700	100.500	14,072,417.18
7.5% HSA Bonds 2012	5,141,798	101.000	5,193,215.98
6.2% MOF plc Bonds 2016-2019	30,000,000	103.000	30,900,000.00
8% BSF Bonds 2012	2,772,603	100.000	2,772,603.00
6.25% Tum Inv plc Bds 2014 - 2016	25,000,000	102.510	25,627,500.00
6.2% TIP p.l.c. Bonds 2017 - 2020	25,000,000	103.500	25,875,000.00
6% DPP 2010/13	5,474,394	100.010	5,474,941.44
7% GHM plc Bonds 2017-2020	12,000,000	106.000	12,720,000.00
7% GAP Plc Euro Sec Bds 2011/13	32,780,100	100.000	32,780,100.00
7% PAVI plc Sec Bds 2014/17	10,319,496	102.000	10,525,885.92
7.5% MIH plc Euro Bonds 2012-2014	14,757,659	100.000	14,757,659.00
7.5% MIH plc Bds 2015	19,649,600	100.250	19,698,724.00
7.15% MIH p.l.c. € Bonds 2015 - 2017	28,519,400	100.000	28,519,400.00
7.15% MIH p.l.c. GBP Bonds 2015 - 2017	4,351,100	100.000	5,204,665.07
7.15% MIH p.l.c. USD Bonds 2015 - 2017	7,120,300	100.000	5,524,323.07
7% MIDI p.l.c. € Bnds 2016 - 2018	31,702,900	102.000	32,336,958.00
7% MIDI p.l.c. £ Bnds 2016 - 2018	7,214,300	102.000	8,802,136.36
7.15% MLT plc Bonds 2014-2016	25,878,300	101.500	26,266,474.50
6.5% IHGH plc Bonds 2017-2019	14,000,000	101.000	14,140,000.00
6.8% PRC plc Bds 2017-2020	25,000,000	102.500	25,625,000.00
5.35% Izola Bank plc Secured Notes 2015	9,000,000	101.300	9,117,000.00
6.25% Med Bank plc Bonds 2015	20,000,000	103.000	20,600,000.00
Total Corp Bonds			**938,366,733.50**

7.8% MGS 2012	80,364,319	102.760	82,582,374.20
7.8% MGS 2013	79,781,860	110.260	87,967,478.84
7.8% MGS 2018	163,057,021	122.760	200,168,798.98
6.6% MGS 2019	102,493,253	117.000	119,917,106.01
6.1% MGS 2015 (I)	69,882,174	111.390	77,841,753.62
6.6% MGS 2014	24,459,140	109.640	26,817,001.10
6.65% MGS 2016	69,883,069	114.520	80,030,090.62

6.45% MGS 2014(II)	69,882,324	111.190	77,702,156.06
6.35% MGS 2013 (II)	60,565,893	106.200	64,320,978.37
5.9% MGS 2015 (II)	116,518,196	111.230	129,603,189.41
7% MGS 2012 (II)	410,436	100.000	410,436.00
5.7% MGS 2012 (III)	268,940,703	103.260	277,708,169.92
5.1% MGS 2014 (III)	388,915,541	106.870	415,634,038.67
5.5% MGS 2023	78,811,283	109.910	86,621,481.15
7% MGS 2013 (III)	155,370	100.000	155,370.00
4.8% MGS 2016 (II)	186,351,758	106.510	198,483,257.45
5% MGS 2021	458,844,653	105.480	483,989,339.98
5.1% MGS 2022	71,047,725	105.520	74,969,559.42
7% MGS 2014 (IV)	4,003,727	100.000	4,003,727.00
7% MGS 2015 (III)	678,780	100.000	678,780.00
7% MGS 2015 (IV)	804,571	123.250	991,633.76
7% MGS 2016 (III)	3,390,636	100.000	3,390,636.00
7% MGS 2017	668,998	100.000	668,998.00
5.2% MGS 2020	52,407,462	107.340	56,254,169.71
7% MGS 2017 (II)	10,338,691	100.000	10,338,691.00
7% MGS 2018 (II)	326,700	100.000	326,700.00
7% MGS 2018 (III)	6,542,600	100.000	6,542,600.00
3.6% MGS 2013 (IV)	287,014,800	102.790	295,022,512.92
7% MGS 2019 (II)	13,670,000	100.000	13,670,000.00
4.6% MGS 2020 (II)	158,327,200	103.890	164,486,128.08
3.75% MGS 2015 (VI)	131,545,100	103.500	136,149,178.50
5.25% MGS 2030	440,165,700	103.580	455,923,632.06
7% MGS 2020 (III)	430,700	100.000	430,700.00
4.25% MGS 2017 (III)	204,982,700	104.200	213,591,973.40
7% MGS 2021 (II)	466,000	100.000	466,000.00
7% MGS 2021 (III)	2,858,800	100.000	2,858,800.00
4.25% MGS 2017 (III) FI Nov 11 r	16,070,900	104.750	16,834,267.75
4.25% MGS 2017 (III) FI Nov 11 I	3,000,000	103.750	3,112,500.00
5.2% MGS 2031 (I) r	118,036,900	102.870	121,424,559.03
5.2% MGS 2031 (I) I	6,880,000	100.750	6,931,600.00
4.3% MGS 2016 (IV)	158,145,275	104.560	165,356,699.54
Floating Rate 6 Mth Eur MGS 2015 (V)	29,800,000	99.860	29,758,280.00
Floating Rate 6 Mth Eur MGS 2013 (V)	7,250,000	100.000	7,250,000.00
Floating Rate 6 Mth Eur MGS 2013 (VI)	30,000,000	100.000	30,000,000.00
Floating Rate 6 Mth Eur MGS 2013 (VII)	52,000,000	100.226	52,117,520.00
Floating Rate 6 Mth Eur MGS 2014 (V)	24,000,000	100.280	24,067,200.00
Total MGS			**4,307,570,066.52**

91 DTB 07.10.11 - 06.01.12	29,192,000	99.975	29,184,556.04
91 DTB 14.10.11 - 13.01.12	6,300,000	100.000	6,300,000.00
91 DTB 21.10.11 - 20.01.12	11,150,000	100.000	11,150,000.00
91 DTB 23.12.11 - 23.03.12	550,000	100.000	550,000.00
91 DTB 28.10.11 - 27.01.12	32,800,000	100.000	32,800,000.00
91 DTB 04.11.11 - 03.02.12	26,300,000	99.688	26,217,865.10
90 DTB 11.11.11 - 09.02.12	30,150,000	100.000	30,150,000.00
91 DTB 09.12.11- 09.03.12	1,000,000	100.000	1,000,000.00
91 DTB 16.12.11 - 16.03.12	350,000	100.000	350,000.00
91 DTB 30.12.11 - 30.03.12	500,000	100.000	500,000.00
181 DTB 12.08.11 - 09.02.12	4,000,000	100.000	4,000,000.00
182 DTB 09.09.11 - 09.03.12	2,200,000	99.616	2,191,556.40
182 DTB 23.09.11 - 23.03.12	1,150,000	99.417	1,143,290.90
182 DTB 30.09.11 - 30.03.12	10,000,000	100.000	10,000,000.00
181 DTB 07.10.11 - 05.04.12	5,000,000	100.000	5,000,000.00
182 DTB 09.12.11- 08.06.12	500,000	100.000	500,000.00
273 DTB 15.04.11 - 13.01.12	18,690,000	100.000	18,690,000.00
273 DTBI 06.05.11 - 03.02.12	6,850,000	99.758	6,833,395.60
273 DTB 24.06.11 - 23.03.12	3,000,000	100.000	3,000,000.00
272 DTB 08.07.11 - 05.04.12	15,061,000	100.000	15,061,000.00
273 DTB 15.07.11 - 13.04.12	23,155,000	99.430	23,023,085.97
273 DTB 14.10.11 - 13.07.12	30,000,000	100.000	30,000,000.00
Total Treasury Bills			**257,644,750.01**
Grand Total			**8,144,872,371.65**

Holders of MSE listed securities by Market Capitalisation as at 31 December 2011

	Financial Entities		Non-Financial Entities		Government		Individuals	
	Resident	Non-Resident	Resident	Non-Resident	Resident	Non-Resident	Resident	Non-Resident
Equities	8.54%	28.99%	23.15%	7.15%	7.57%	0.00%	23.35%	1.25%
Corp. Bonds	14.26%	0.54%	4.03%	0.27%	0.06%	0.00%	79.61%	1.23%
MGS	63.56%	1.75%	4.58%	0.00%	0.20%	0.00%	28.84%	1.06%
T.Bills	98.62%	0.00%	0.00%	0.00%	0.29%	0.00%	1.09%	0.00%

Net Asset Value

The total Net Asset Value of Collective Investment Schemes which are listed on the Exchange and which invest in locally listed financial instruments amounted to €544 million at the end of 2011, down €54 million from the €600 value registered at the end of the previous year.

Comparing year-to-year figures the Net Asset Values of these funds all decreased with the exception of that of the APS Funds SICAV plc – APS Income Fund which increased by over €4 million.

Collective Investment Funds investing in MSE listed securities

	Net Asset Value (€) December 2010	Net Asset Value (€) December 2011
La Valette Funds Sicav plc - Malta Fund	32,898,996	26,787,564
La Valette Funds Sicav plc - Malta Bond Fund	77,016,991	62,855,360
Vilhena Funds Sicav plc - Malta Fund	21,983,866	19,335,930
Vilhena Funds Sicav plc - Malta Government Bond Fund	105,662,446	89,180,068
Global Funds Sicav plc - Malta Privatisation and Equity Fund	4,100,019	2,956,390
Wignacourt Funds Sicav plc - Malta Fund	18,543,873	13,678,763
Amalgamated Funds Sicav plc - Growth and Income Fund	55,942,406	45,365,019
APS Funds SICAV plc - APS Income Fund	20,470,592	24,806,698
HSBC Malta Funds Sicav plc - Malta Bond Fund	107,337,188	104,171,783
HSBC No-Load Funds Sicav plc - Malta Government Bond Fund	119,997,182	109,349,018
HSBC No-Load Funds Sicav plc - Maltese Assets Fund	55,873,861	45,555,739

Admission

During 2011 a significant drop in the number of new admissions to the market was registered, particularly in the corporate bond sector when compared to the performance of the primary market during the previous three years. Indeed, during 2011 no new equity was admitted to the market and only three corporate bonds, issued by banks, where admitted to the Exchange recognized lists. Listing Policies issued during 2010 providing for the imposition of a Sinking Fund and confirmation of Financial Soundness in the case of the issuance of a corporate bond have proven to be too costly and difficult to adhere to with the result that only those Issuers that fall within the current exemptions, that is the banks, have approached the market with new bonds. These policies, coupled with the uncertainty caused by the on-going financial crisis and increasing problems in the Eurozone, reversed the positive trend of the primary market registered within the previous three years. At the same time Government Stock issuance remained buoyant with a nominal value of over €730 million being issued during the year together with 80 issues of Treasury Bills amounting to a nominal value of over €800 million.

Admissions during 2011

Equities

40,000,000	Bank of Valletta plc Ord Shares of €1 Nominal (Bonus Issue)
1,107,613	Maltapost plc Ord Shares of €0.25 Nominal (Scrip Dividend Issue)
10,788,000	6pm Holdings plc Ord Shares of GBP 0.20 Nominal (Rights Issue)
683,685	Fimbank plc Ord Shares of US$0.50 Nominal (Scrip Dividend Issue)
1,070,960	Island Hotels Group Holdings plc Ord Shares of €1 Nominal (Addition)

Corporate Bonds

€ 5,000,000	6.25% Mediterranean Bank plc Bonds 2015 FI June 2011
€ 40,000,000	4.8% Bank of Valletta plc Notes 2018
€ 15,400,000	4.8% Bank of Valletta plc Notes 2018 Tranche II

Government Stock Issues

€ 115,063,300	4.25% MGS 2017 (III)
€ 84,721,400	5.25% MGS 2010 (I) FI Feb 2011
€ 89,919,400	4.25% MGS 2017 (III) FI May 2011
€ 59,905,700	5.25% MGS 2030 (I) FI May 2011
€ 52,000,000	Floating Rate 6 Month Euribor MGS 2013 (VII)
€ 466,000	7% MGS 2021 (II)
€ 2,858,800	7% MGS 2021 (III)
€ 3,000,000	4.25% MGS 2017 (III) FI Nov 2011 I
€ 6,880,000	5.2% MGS 2031 (I) I
€ 24,000,000	Floating Rate 6 Month Euribor MGS 2014 (V)
€ 16,070,900	4.25% MGS 2017 (III) FI Nov 2011 R
€118,036,900	5.2% MGS 2031 (I) R
€158,145,275	4.3% MGS 2016 (IV)

Treasury Bills

80	Treasury Bill Issues

Collective Investment Schemes

Primary Listing

4 sub-funds	JFP Investments (SICAV) plc

Redemptions and Mergers

Seven (7) Government Stock Issues were redeemed during the year together with seventy-six (76) issues of Treasury Bills. A further three (3) Government Stock Issues and one (1) Corporate Bond were merged with other tranches of the same stock on due date and re-issued as an integrated stock.

Redemptions

€ 83,176,269	6.25% MGS 2011 (II)
€ 6,102,600	3.75% MGS2015 (VI) FI Nov 10
€ 84,721,400	5.25% MGS 2030 (I) FI Feb 11
€ 59,905,700	5.25% MGS 2030 (I) FI May 11
€ 34,941,055	7.5% MGS 2011
€ 89,919,400	4.25% MGS 2017 (III) FI May 11
€ 291,172	7% MGS 2011 (III)

Merged

€ 5,000,000	6.25% Mediterranean Bank plc Bonds 2015
€ 6,102,000	3.75% MGS 2015 (VI)
€ 144,627,100	5.25% MGS 2030
€ 89,919,400	4.25% MGS 2017 (III)

Deductions

Throughout the year a number of Issuers reduced the outstanding nominal balance of their bonds through a series of buy-backs. An Issuer of equity also carried out similar exercise resulting in a reduction in the number of shares in issue while for the first time, the Treasury also offered investors the opportunity to switch from a current holding into a new Government Stock Issue.

751,338	International Hotel Investments plc Ord Shares of €1 Nominal
€ 682,127	7.5% Hotel San Antonio plc Bonds 2012
€ 13,289	8% Bay Street Finance plc Bonds 2012
€ 547,318	&% PAVI Shopping Complex plc Secured Bonds 2014-2017
€1,754,940	7% GAP Developments plc Euro Secured Bonds 2011-2013
€ 243,030	7.5% Mediterranean Investments Holding plc Euro Bonds 2012-214
€ 350,400	7.5% Mediterranean Investments Holding plc Bonds 2015
€ 247,800	7.15% Mediterranean Investments Holding plc Euro Bonds 2015-2017
£ 34,800	7.15% Mediterranean Investments Holding plc GBP Bonds 2015-2017
$ 96,200	7.15% Mediterranean Investments Holding plc US$ Bonds 2015-2017
€159,945,000	5.7% MGS 2012 (III)

Delisting

The following investment funds were delisted during the year :

3 sub-funds	Lloyds TSB Offshore Funds Limited
2 sub-funds	Fidelity Funds SICAV

Financial Instruments granted Admission as at 31 December 2011

A total of 364 financial instruments appeared on the Exchange's Recognized Lists at the end of 2011, an increase of 10 over the previous year. The listed financial instruments are classified as follows :

20	Equities - Ordinary Shares
45	Corporate Bonds
46	Government Stock Issues
22	Treasury Bill Issues
1	Closed Ended Investment Scheme
1	Structured Debt Instrument
49	Investment Funds (Primary Listed)
180	Investment Funds (Secondary Listed)

Central Securities Depository

The year under review was a particularly busy year as new regulations were issued and new processes implemented as a result of the implementation of the CSD-Clearstream Link. These new procedures marked the beginning of the Exchange's custody business and include the management and maintenance of the relevant custody accounts, additional SWIFT messaging as well as additional reporting to the Competent Authorities. By virtue of the implementation of this link for the first time, the Exchange took over on its books the register of an unlisted company, governed by a separate Service Level Agreement, specific to non-listed companies.

In order to continue to improve on the CSD services provided to Issuers and investors, the Exchange also issued instructions to both Listed Companies and Members outlining new procedures including specific time-frames for submission of amendments to registers prior to Corporate Actions in order to ensure, as far as possible, that registers are as correct as possible prior to corporate actions in order to avoid amendments at a later stage. Furthermore, the Member Access and Listed Companies Access areas on the Exchange's website had been enhanced in order to extend the information available on-line particularly that which was trading related.

During 2011 a further increase of 8,036 in the number of accounts held within the CSD was registered bringing the number of accounts maintained by the CSD up to 243,759. These accounts represent 72,976 individuals, an increase of 1,296 when compared to the number at the end of 2010. The number of investors holding Government Stocks increased when compared to the number of investors holding these securities at the end of 2010, up from 76,766 - 97,429. At the same time, the number of holders of Corporate Bonds and equities decreased year- to year from 94,566 to 82,489 in Corporate Bonds and from 64,335 to 63,777 in equity. This shift in holders registered at the CSD in the different securities reflected the large increase in Government Stock trading registered during 2011 and the decreases in equity and corporate bond trading registered on the market.

The number of amendments effected on the registers held within the CSD during 2011 totalled 47,596, down from 58,414 effected the previous year. This decrease in amendments when compared year-to-year was mainly due to the significant decrease in the number of trades effected on the market and consequently, the decrease in bought/sold movements registered within the CSD.

CSD Amendments 2011

Amendment Type	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Totals
Causa Mortis	236	88	103	152	185	56	59	86	88	89	39	55	**1236**
Garnishee Insert	4	7	5	4	11	1	14	17	-	1	-	3	**67**
Garnishee Release	8	8	6	5	11	5	5	3	-	-	0	1	**52**
Holder Amendment	117	162	158	173	84	97	95	64	69	62	74	42	**1197**
Mandate/Power of Attorney	331	328	328	478	544	449	576	506	315	261	783	411	**5310**
Bought Movements	1,784	1,859	1,382	1,369	1,287	1,244	1,277	1,759	1,362	1,478	1,459	1,058	**17,318**
Sold Movements	1,784	1,859	1,382	1,369	1,287	1,244	1,277	1,759	1,362	1,478	1,459	1,058	**17,318**
Release of Estates	214	141	193	174	191	120	202	163	151	114	141	95	**1899**
Off Market Transfers/Donations	183	213	178	128	133	124	168	175	68	77	131	90	**1668**
Pledge Insert	87	77	55	77	91	63	44	76	71	27	59	95	**822**
Pledge Release	73	53	52	63	43	46	51	70	49	52	67	90	**709**
Total	**4,821**	**4,795**	**3,842**	**3,992**	**3,867**	**3,449**	**3,768**	**4,678**	**3,535**	**3,639**	**4,212**	**2,998**	**47,596**

The CSD also processed a number of corporate actions during the year including redemptions, amalgamations of fungible registers and dividend and interest payments. During the year the CSD processed 414,533 dividend and interest payments, an increase of almost 30,000 payments over the previous year amounting to just under €364 million.

Dividend and Interest Payments 2011

Payment Date	Gross (€)	Gross (GBP)	Gross (US$)	No. of Payments
January	20,057,658	-	-	17,395
February	21,378,371	-	-	35,058
March	51,692,713	-	-	35,965
April	26,303,206	-	286,926	32,854
May	42,963,366	-	449,563	73,364
June	23,541,318	-	-	31,845
July	24,259,769	317,886	523,045	25,741
August	40,831,631	-	-	31,828
September	28,921,525	-	-	32,087
October	15,884,867	-	288,503	16,765
November	42,599,814	-	389,906	55,273
December	24,862,182	505,001	-	26,358
TOTAL	**363,256,420**	**882,887**	**1,937,943**	**414,533**

Compliance and Market Operations

Apart from carrying out its core functions of market monitoring, monitoring of Members and listed companies and regulatory reporting, Compliance and Market Operations Office took a leading role in the implementation project relating to the new trading infrastructure. In particular Compliance and Market Operations Office were directly involved in drawing up new trading parameters, testing and drafting the new trading rules that would apply when the new trading infrastructure would come on-stream. In this context a number of staff from this office attended workshops in Deutsche Boerse in Frankfurt relating to the new trading system.

Compliance and Market Operations Office conducted a number of on-line training sessions and relative tests in relation to the new traders authorized during the year.

A total of 431 Company Announcements were issued, virtually unchanged from the previous year, and disseminated throughout the year through the Company Information Dissemination System, split as follows on a monthly basis as shown hereunder. The issues of Company Announcements was concentrated during April and May when most of the listed companies would be due to hold their Annual General Meeting.

January	22
February	24
March	37
April	61
May	56
June	30
July	34
August	61
September	26
October	16
November	34
December	30

Compliance and Market Operations Office also issued a total of 356 new ISIN Numbers during the year in its role as National Numbering Agency for Malta. This was an increase of 58 when compared to the number of ISINs issued the previous year. The increase was largely due to a significant number of investment funds choosing Malta as a new domicile for operations. The new ISINs were issued to both listed securities and non-listed securities, that is 100 listed and 256 non-listed securities.

Operations Audit Office

Throughout 2011 Operations Audit Office continued to be divested of verification procedures in respect of routine operations and processes of the Exchange, to concentrate more fully on its risk management role, through the updating of procedures and monitoring of risk management procedures. In this context, as reported elsewhere in this Report, Operations Audit Office reviewed the Key Business Risks and Risk Mitigation procedures as highlighted in the previous year's RMICAAP exercise and made its report to the Board at the beginning of this year. The review confirmed the Auditor's report of the previous year regarding the soundness of the Exchange's operations and its risk management procedures.

During the year, Operations Audit Office was also involved in all the Steering Committee Meetings in relation to the two major projects undertaken by the Exchange throughout the year, namely the implementation of the new trading infrastructure and the CSD-Clearstream Link.

While continuing to shed its verification role, Operations Audit Office continued to monitor and assess a number of core processes, primarily those related to new issues, corporate actions and bulk processes.

Other Exchange Functions and Activities

Operations

Throughout the year all the offices of the Exchange were involved in the development of new processes and operations and in continuing to provide on-going services such as corporate action and primary issue processing. In particular, there was a focus on the implementation of the CSD-Clearstream Link as well as the start of the implementation project in relation to new trading infrastructure. Both these projects, involved the drawing up of the relevant contracts and service level agreements, apart from the implementation of new procedures and processes as well rules and regulations applicable to this new functionality. Both projects are still on-going. The CSD-Clearstream Link is being discussed in the context of settlement of DVP trades while the trading system implementation will continue until June, when the new system is scheduled to come on-stream.

A new role within the Exchange is that of the Business and Product Development Manager. In line with the strategy of the Exchange to increase and diversify its service and client base, both domestically and internationally, it was felt to be the right time to create this specific role in order to enhance the Exchange's profile, to seek and develop possible new areas of business for the Exchange.

In line with its Procurement Policy which was amended in line with recent changes to legislation and regulations for the first time, the Exchange issued two public tenders, one in relation to the provision of audit services for the next three (3) years in line with the decision taken by shareholders at the Annual General Meeting and the second tender for the provision of a Storage Area Network required in the context of the new trading infrastructure.

Health and Safety

Throughout the year the Exchange also implemented a number of upgrades to the premises and also new rules in respect of Health and Safety requirements in line with prevalent legislation and requirements. In this context, a Health and Safety Committee has been set up which the broad terms of reference to draw up a Health and Safety Policy for the Exchange and to ensure compliance with all applicable legislation and requirements.

Education

The Exchange's on-going education campaign for schools continued during 2011 when the Exchange welcomed a significant number of secondary school students to visit the Exchange's premises and learn more about its operations and functions. Several staff members were involved in delivering lectures to these students and it is due to their hard work and commitment that such visits are able to be continued and to be successful.

Exchange personnel also assisted graduate and post-graduate students in their studies through assistance with their dissertations and lectures pertinent to their course work. Late in the year the

Exchange also reached an agreement with the University of Malta to deliver a number of lectures during the year which would be credited as part of the course work for Banking and Finance Students. The Exchange also continued to provide lecturers to MITC to deliver talks regarding the legislative background of the Exchange and its operations and functions as part of the Diploma in Financial Services organized by MITC.

On 5 April 2011 the Chief Executive presented the Alfred Camilleri Prize to two Banking and Finance Students who graduated in 2010 and who obtained a Grade A in their dissertations. These were Mr Christian Buhagiar for his dissertation "The US Sub-Prime Crisis and the Japanese Lost Decade: A Comparative Study" and Ms Natasha Mifsud for her dissertation "The 1997-98 Asian Crisis : An Examination of its Causes and Implications".

Exchange Officials also participated in a number of editions of "Flusek", a TV programme dealing with financial issues. Exchange Officials spoke about the history of the Exchange and its development during the past twenty-years particularly the development of its core operations as well as referred to the important role that the Exchange plays in the local financial sector and its plans for the future.

Speakers

Dr Robert Vella Baldacchino, DGM (CSD, CMO,LO) participated as a speaker during the Annual Conference on Clearing and Settlement held in London in June while later on in the year he was a speaker at the Prevention of Financial Crime held in Cambridge. He also addressed participants at an event held in Berlin organized by FinanceMalta.

Ms Eileen V Muscat, Chief Executive addressed a seminar on "Family Asset Structuring" held in March wherein she spoke about "Opportunities offered by the Market". In June the Chief Executive was a panelist during the FESE Annual Convention held in Athens in June which debated the theme "Who's Afraid of MIFID II?". Later on in the year, in November, the Chief Executive was a speaker at an Education Clinic organized by FinanceMalta. She spoke about the Exchange's developments during the past twenty years and its strategic plans for the future.

Members

Membership

At the end of 2011, a total of twelve (12) firms together with the Central Bank of Malta appeared on the Exchange's list of Member Firms. No new Member Firm was authorized during the year. These Member Firms together with the Central Bank of Malta were represented by forty (40) traders who appeared on the Exchange's List of Authorised Traders at the end of the year. During 2011, eight (8) new traders were authorized by the Exchange representing the Central Bank of Malta and another four (4) Member Firms.

College of Member Firms

The College of Member Firms, composed of representatives from all the authorized Members appearing on the Exchange's List of Member Firm, met regularly with the Chairman and Senior Management of the Exchange to discuss matters of mutual interest. This year was particularly intensive as the College and the Exchange discussed and participated in Consultation Processes initiated by the Competent Authority in particular those regarding proposed changes to Listing Policies and Market Making. The College and the Exchange also discussed the on-going major technological projects being undertaken by the Exchange in particular the implementation of the trading system and the coming on-stream of the CSD-Clearstream link.

The Exchange is cognizant of the continued support and commitment of its Members and in particular of the very active and valid role of all the members of the College, without which the continued development of the Exchange could not be achieved. The Exchange would like to express its appreciation for such support and assistance and would like to thank the Members for their efforts to continue to grow the business of the capital market.

Members' List

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$820.51
$678.06
$697.98
$643.21
$455.59
$507.74
$284.48

Financial Report & Audited Financial Statements for the year ended 31 December 2011


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Directors' report

The Directors present their report, together with the financial statements of Malta Stock Exchange plc (the "Company"), for the year ended 31 December 2011.

Directors

Dr. Arthur Galea Salomone (Chairman)
Dr. Antoine Fiott (Deputy Chairman)
Ms. Karen Spiteri Bailey
Ms. Charlotte Attard
Dr. Richard Sladden

Principal activity

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

Review of business development and financial position

During the year ended 2011, the Company generated a profit before tax of EUR1,792,570 (2010: EUR1,701,610). The statement of comprehensive income is set out on page 57 and the movements in the reserves are disclosed in the statement of changes in equity on page 58.

Dividends

The Company paid an interim distribution of EUR452,237 (2010: EUR389,610). The Directors do not propose further dividend distributions for the year.

Reserves

The Directors propose that retained earnings amounting to EUR2,528,855 be carried forward to the next financial year.

Regulatory Sanctions

The Directors confirm that no regulatory breaches were reported during 2011 and no regulatory sanctions were imposed on the Malta Stock Exchange by the Competent Authority during 2011.

Subsequent events

In February 2012 the Company entered into a joint venture with the Irish Stock Exchange to launch the European Wholesale Securities Market (EWSM) a specialist new market for wholesale fixed-income debt securities. EWSM is an EU regulated market, established in Malta and authorised by the Malta Financial Services Authority. The Malta Stock Exchange has a 20% stake in the newly formed company, besides acting as Market Operator and provider of secondary market services to EWSM.

Future developments

The Company is currently working on the implementation of the XETRA trading platform supplied by Deutsche Boerse AG which will go live in June of 2012. It is intended that this hosted, state-of-the-art trading technology will serve as an effective business enabler, facilitating internationalization of the market.

Approved by the Board of Directors on 23 April 2012 and signed on its behalf by:

ARTHUR GALEA SALOMONE
Chairman

ANTOINE FIOTT
Deputy Chairman

Registered office
Garrison Chapel
Castille Place
Valletta VLT 1063
MALTA

Directors' responsibility for the financial statements

The Companies Act, 1995 (Chapter 386, Laws of Malta) requires the directors to prepare financial statements of Malta Stock Exchange plc (the "Company") for each financial period which give a true and fair view of the financial position of the Company as at the end of the financial period and of the profit or loss of the Company for that period in accordance with the requirements of International Accounting Standards as adopted by the EU.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and to enable them to ensure that the financial statements have been properly prepared in accordance with the provisions of the Act.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors, through oversight of management, are responsible to ensure that the Company establishes and maintains internal control to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Management is responsible, with oversight from the directors, to establish a control environment and maintain policies and procedures to assist in achieving the objective of ensuring, as far as possible, the orderly and efficient conduct of the Company's business. This responsibility includes establishing and maintaining controls pertaining to the Company's objective of preparing financial statements as required by the Act and managing risks that may give rise to material misstatements in those financial statements. In determining which controls to implement to prevent and detect fraud, management consider the risks that the financial statements may be materially misstated as a result of fraud.

Signed on behalf of the Board of Directors by:

ARTHUR GALEA SALOMONE
Chairman

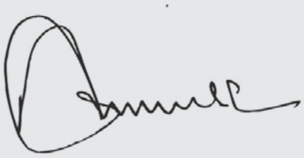
ANTOINE FIOTT
Deputy Chairman

Statement of Financial Position as at 31 December 2011

	Notes	2011 EUR	2010 EUR
ASSETS			
Non-current assets			
Plant and equipment	12	**487,079**	590,349
Intangible assets	13	**49,116**	70,531
Financial assets	14	**3,666,590**	3,020,976
Deferred tax asset	19	**18,115**	11,121
		4,220,900	3,692,977
Current assets			
Trade and other receivables	15	**2,061,206**	1,540,433
Cash at bank and in hand	21	**248,884**	429,240
		2,310,090	1,969,673
TOTAL ASSETS		**6,530,990**	5,662,650
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	16	**2,500,000**	2,500,000
Fair value reserve	17	**68,043**	40,598
Retained earnings		**2,528,855**	1,799,886
Total equity		**5,096,898**	4,340,484
Current liabilities			
Interest bearing borrowings	18	**6,712**	4,819
Trade and other payables	20	**1,249,477**	1,261,305
Income tax payable		**177,903**	56,042
		1,434,092	1,322,166
Total liabilities		**1,434,092**	1,322,166
TOTAL EQUITY AND LIABILITIES		**6,530,990**	5,662,650

The accounting policies and explanatory notes on pages 60 to 80 form an integral part of the financial statements.

The financial statements on pages 56 to 80 have been authorised for issue by the Board of Directors on 23 April 2012 and were signed on its behalf by:



ARTHUR GALEA SALOMONE
Chairman

ANTOINE FIOTT
Deputy Chairman

Statement of Comprehensive Income for the year ended 31 December 2011

	Notes	2011 EUR	2010 EUR
Revenue	5	**4,290,906**	4,220,718
Administrative expenses	6	**(2,645,731)**	(2,678,220)
Operating profit		**1,645,175**	1,542,498
Income from other financial assets	8	**148,270**	159,746
Finance income	9	**1,412**	752
Finance costs	10	**(2,287)**	(1,386)
Profit before tax		**1,792,570**	1,701,610
Income tax expense	11	**(611,364)**	(567,907)
Profit for the year		**1,181,206**	1,133,703
Other comprehensive income			
Net gain/(loss) on available-for-sale financial assets		**27,445**	(50,696)
Total comprehensive income for the year		**1,208,651**	1,083,007

The accounting policies and explanatory notes on pages 60 to 80 form an integral part of the financial statements.

Statement of Changes in Equity for the year ended 31 December 2011

	Notes	Issued capital EUR	Fair Value EUR	Retained earnings EUR	Total EUR
At 1 January 2010		**2,500,000**	**91,294**	**1,055,793**	**3,647,087**
Profit for the year		-	-	1,133,703	1,133,703
Other comprehensive income		-	(50,696)	-	(50,696)
Total comprehensive income		-	(50,696)	1,133,703	1,083,007
Dividends paid	16.2	-	-	(389,610)	(389,610)
At 31 December 2010		**2,500,000**	**40,598**	**1,799,886**	**4,340,484**
At 1 January 2011		**2,500,000**	**40,598**	**1,799,886**	**4,340,484**
Profit for the year		-	-	1,181,206	1,181,206
Other comprehensive income		-	27,445	-	27,445
Total comprehensive income		-	27,445	1,181,206	1,208,651
Dividends paid	16.2	-	-	(452,237)	(452,237)
At 31 December 2011		**2,500,000**	**68,043**	**2,528,855**	**5,096,898**

The accounting policies and explanatory notes on pages 60 to 80 form an integral part of the financial statements.

Statement of Cashflows for the year ended 31 December 2011

	Notes	2011 EUR	2010 EUR
Operating activities			
Profit for the year		**1,181,206**	1,133,703
Adjustment for:			
Depreciation of plant and equipment	12	**147,070**	159,797
Amortisation of intangible assets	13	**61,953**	60,341
Interest receivable from available-for-sale financial assets	8	**(142,068)**	(119,323)
Gain on disposal of available-for-sale financial assets	8	**(6,202)**	(40,423)
Tax expense		**611,364**	567,907
Changes in:			
Trade and other receivables		**(520,772)**	(287,595)
Trade and other payables		**(11,828)**	298,775
Income tax paid		**(496,498)**	(736,145)
Net cash flows from operating activities		**824,225**	1,037,037
Investing activities			
Purchase of plant and equipment	12	**(43,800)**	(46,835)
Purchase of intangible assets	13	**(40,538)**	(9,219)
Purchase of available-for-sale financial assets		**(848,347)**	(1,244,119)
Proceeds from available-for-sale financial assets		**201,315**	757,767
Interest received from available-for-sale financial assets		**177,133**	152,801
Net cash flows used in investing activities		**(554,237)**	(389,605)
Financing activities			
Dividends paid		**(452,237)**	(389,610)
Net cash flows used in financing activities		**(452,237)**	(389,610)
Net (decrease)/increase in cash and cash equivalents		**(182,249)**	257,822
Cash and cash equivalents at 1 January		**424,421**	166,599
Cash and cash equivalents at 31 December	21	**242,172**	424,421

The accounting policies and explanatory notes on pages 60 to 80 form an integral part of the financial statements.

Notes to the Financial Statement for the year ended 31 December 2011

1. Reporting entity

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

2. Basis of preparation

2.1. Statement of compliance

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

2.2. Basis of measurement

These financial statements are prepared under the historical cost convention, except for available-for-sale financial assets that have been measured at fair value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

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

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable excluding discounts, rebates and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

3.1.1 Stockbrokers, listing and register fees

Revenue is recognised on an accrual basis.

3.1.2 Interest income

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

3.2 Foreign currency translation

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

3.3 Plant and equipment

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

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

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

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

3.4 Leases

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

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

3.5 Intangible assets

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

3.5.1 Subsequent expenditure

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

3.5.2 Amortisation

Amortisation is based on the cost of an asset less its residual value.

Amortisation is recognised in profit or loss on the straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

The estimated useful life for the current and comparative periods for software licenses is of 5 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.6 Financial instruments

3.6.1 Financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments 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 Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Available-for-sale
Available-for-sale financial assets are debt securities. Debt securities are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market contributions. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

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

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

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

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

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

Cash 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 statement of cash flows, cash and cash equivalents consist of cash in hand and short-term deposits at banks, net of other outstanding bank overdrafts.

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

3.6.2 Financial liabilities

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

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

3.6.2.1 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 the statement of comprehensive income.

3.6.3 Share capital

3.6.3.1 Ordinary shares

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

3.7 Impairment

3.7.1 Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, or indications that a debtor will enter bankruptcy.

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

Available-for-sale 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 statement of comprehensive income, is transferred from equity to the statement of comprehensive income.

The recoverable amount is determined by discounting the estimated future cash flows to present values at the financial assets' original effective interest rate.

3.7.2 Non-financial assets

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

Impairment losses are recognised in profit or loss.

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

3.8 Income tax

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

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.9 Employee benefits

Defined contribution plans

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

3.10 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 statement of comprehensive income net of any reimbursement.

3.11 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011 and have not been applied in preparing these financial statements. None of these will have a significant effect on the financial statements of the Company.

4 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for disclosure purposes only based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4.1 Debt securities

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

4.2 Trade and other receivables

The fair value of trade and other receivables is not different from its carrying amount, since these have no stated applicable interest rate and the effect of applying discounting is immaterial in view of their short term nature.

4.3 Non-derivative financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5 Revenue

Revenue comprises membership and other fees receivable from stockbrokers, together with fees receivable in respect of the listing, clearing, registration and trading of quoted securities and related services. The income from the main activities was as follows:

	2011 EUR	2010 EUR
Stockbrokers fees	**230,600**	215,499
Listing fees	**2,743,961**	2,582,500
Register fees	**1,154,692**	1,261,054
Transaction fees and other income	**161,653**	161,665
	4,290,906	4,220,718

6 Administrative expenses

	2011 EUR	2010 EUR
Emoluments of the chairman and board members	**25,157**	25,157
Salaries, social security and other staff costs (note 7a)	**1,297,439**	1,287,386
Rent	**100,725**	99,843
Auditors' remuneration	**7,000**	8,260
Depreciation of plant and equipment	**147,070**	159,797
Amortisation of intangible assets	**61,953**	60,341
Other expenses	**1,006,387**	1,037,436
	2,645,731	2,678,220

Consultancy and professional fees included remuneration payable to the company's auditors as follows:

	EUR
Other assurance services	2,200

7 Employee information

a. Staff costs

The total employment costs were as follows:

	2011 EUR	2010 EUR
Wages and salaries	**1,194,500**	1,187,470
Social security costs	**81,341**	75,782
Other staff costs	**21,598**	24,134
	1,297,439	1,287,386

b. Staff numbers

The average number of persons employed the Company during the year was 53 (2010: 50).

8 Income from financial assets

	2011 EUR	2010 EUR
Interest on available-for-sale financial assets	**142,068**	119,323
Gain on disposal of available-for-sale financial assets	**6,202**	40,423
	148,270	159,746

9 Finance income

	2011 EUR	2010 EUR
Interest on bank balances	**1,412**	752

10 Finance costs

	2011 EUR	2010 EUR
Interest on bank overdraft	**2,278**	1,386
Foreign exchange losses	**9**	-
	2,287	1,386

11 Income tax expense

11.1

	2011 EUR	2010 EUR
Current tax expenses	618,358	586,859
Deferred tax credit (note 19)	(6,994)	(18,952)
Income tax expense	611,364	567,907

11.2 Reconciliation of effective tax rate

	2011 EUR	2010 EUR
Profit before tax	**1,792,570**	1,701,610
Tax at 35%	**627,400**	595,564
Tax effect of		
- expenses not deductible for tax purposes	**21,844**	5,224
- income subject to lower rates of tax	**(35,709)**	(18,733)
- income not subject to tax	**(2,171)**	(14,148)
Income tax expense	**611,364**	567,907

12 Plant and equipment

	General electrical equipment EUR	Computer hardware EUR	Office furniture, fittings & other equipment EUR	Total EUR
Cost				
At 1 January 2010	657,852	86,295	294,193	1,038,340
Additions	13,353	22,216	11,266	46,835
At 31 December 2010	671,205	108,511	305,459	1,085,175
At 1 January 2011	671,205	108,511	305,459	1,085,175
Additions	12,307	11,079	20,414	43,800
At 31 December 2011	**683,512**	**119,590**	**325,873**	**1,128,975**
Depreciation				
At 1 January 2010	157,368	49,393	128,268	335,029
Depreciation charge for the year	75,747	21,014	63,036	159,797
At 31 December 2010	233,115	70,407	191,304	494,826
At 1 January 2011	233,115	70,407	191,304	494,826
Depreciation charge for the year	97,789	21,621	27,660	147,070
At 31 December 2011	**330,904**	**92,028**	**218,964**	**641,896**
Net book value				
At 1 January 2010	500,484	36,902	165,925	703,311
At 31 December 2010	438,090	38,104	114,155	590,349
At 1 January 2011	438,090	38,104	114,155	590,349
At 31 December 2011	**352,608**	**27,562**	**106,909**	**487,079**

13 Intangible asset

	Computer software EUR
Cost	
At 1 January 2010	248,146
Additions	9,219
At 31 December 2010	257,365
At 1 January 2011	257,365
Additions	40,538
At 31 December 2011	**297,903**
Amortisation	
At 1 January 2010	126,493
Amortisation	60,341
At 31 December 2010	186,834
At 1 January 2011	186,834
Amortisation	61,953
At 31 December 2011	**248,787**
Net book value	
At 1 January 2010	121,653
At 31 December 2010	70,531
At 1 January 2011	70,531
At 31 December 2011	**49,116**

14 Financial assets

Available-for-sale financial assets (at fair value)

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

	2011 EUR	2010 EUR
Non-current		
Malta Government Stocks	**3,666,590**	3,020,976

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

	Effective interest rate %	2011 EUR	2010 EUR
Non-current			
Malta Government Stocks	4.42 / 4.52	**3,598,547**	2,980,378

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

	2011 EUR	2010 EUR
Non-current		
Malta Government Stocks	68,043	40,598

The Company's investments comprise listed debt securities. The fair value of such securities (defined as Level 1 under the fair value hierarchy) is determined by reference to published price quotations in an active market.

As at the financial reporting date, the Company pledged in favour of its bankers for unutilised loan facilities, debt securities having a market value of at least EUR438,800 (refer to note 18.2).

15 Trade and other receivables

	2011 EUR	2010 EUR
Fees receivable (note 15.1)	**1,870,412**	1,300,170
Amounts due from related parties (note 15.2)	**79,440**	124,834
Prepayments and accrued income	**111,354**	115,429
	2,061,206	1,540,433

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

	Total	Neither past due nor impaired	Past due but not impaired >30 days	60-90 days	90 days and older
	EUR	EUR	EUR	EUR	EUR
2011	1,870,412	1,047,512	40,992	324,531	457,377
2010	1,300,170	1,184,957	30,158	63,693	21,362

Fees receivable include trade receivables due from the Government of Malta, a related party, of EUR796,583 (2010: EUR358,774).

15.2 Amounts due from related parties are non-interest bearing and have no fixed date of repayment. These amounts are due from MSE (Holdings) Limited and CSD (Malta) plc.

16 Issued capital

16.1

	2011 EUR	2010 EUR
Authorised		
5,000,000 ordinary shares of EUR1 each	**5,000,000**	5,000,000
Issued and fully paid up		
2,500,000 ordinary shares of EUR1 each	**2,500,000**	2,500,000

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

16.2 Dividends

	2011 EUR	2010 EUR
Declared and paid during the year:		
Interim dividend on ordinary shares for 2011: 18.1 cents (2010: 15.6 cents)		
	452,237	389,610

17 Fair Value reserve

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

18 Interest bearing borrowings

18.1

	2011 EUR	2010 EUR
Current borrowings		
Bank overdraft (note 21)	**6,712**	4,819

The Company has unsecured overdraft facilities of EUR750,000 to cover any temporary shortfall in the Securities Settlement account and as an Overnight Facility to finance exchange operations.

The facilities bear interest at 2% over the Banks Base Rate which stood at 4.45% at the last renewal of the facility.

18.2 As at financial reporting date, the Company also had unutilised loan facilities of EUR400,000, which bear interest at 1.75% over the Banks Base Rate (equivalent to 2.45% at 31 December 2011). The loan facilities are secured by a pledge on debt securities (note 14).

19 Deferred tax

19.1 Recognised deferred tax assets / liabilities

Deferred tax assets / liabilities are attributable to the following:

	2011 EUR	2010 EUR
Plant and equipment	**23,775**	16,415
Accrued investment income	**(5,660)**	(5,294)
	18,115	11,121

19.2 Movement in temporary differences during the year

	Balance 01/01/2010	Recognised in profit or loss	Balance 31/12/2010	Recognised in profit or loss	Balance 31/12/2011
	EUR	EUR	EUR	EUR	EUR
Plant and equipment	(2,797)	19,212	16,415	7,360	23,775
Accrued investment Income	(5,034)	(260)	(5,294)	(366)	(5,660)
	(7,831)	18,952	11,121	6,994	18,115

20 Trade and other payables

	2011 EUR	2010 EUR
Trade payables (note 20.1)	120,775	128,719
Amounts due to related party (note 20.2)	245,944	245,944
Prepaid listing fees	562,231	568,965
Accruals	130,655	114,337
Other taxes	189,872	203,340
	1,249,477	1,261,305

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

20.2 Amounts due to related party are unsecured, non-interest bearing and with no fixed date of repayment. These amounts are due to the Government of Malta.

21 Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and on hand, net of other outstanding bank facilities as follows:

	2011 EUR	2010 EUR
Cash at bank	**248,681**	428,967
Cash in hand	**203**	273
	248,884	429,240
Bank overdraft (note 18)	**(6,712)**	(4,819)
	242,172	424,421

22 Immediate parent and ultimate controlling party

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

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

23 Related party transactions and balances

The related parties of the company with which the Company had balances outstanding as of 31 December 2011 or transactions during the year then ended were as follows:

MSE (Holdings) Limited (shareholder of the Company)
CSD (Malta) plc (subsidiary of MSE (Holdings) Ltd)
Government of Malta (ultimate controlling party)

23.1 Related party transactions

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

		2011 EUR	2010 EUR
Revenue	Related Party		
Listing fees	Government of Malta	**1,395,750**	1,299,400
Register fees	Government of Malta	**396,796**	408,165
Administrative expenses			
Rent	MSE (Holdings) Limited	**90,000**	90,000

23.1.1 Key management personnel

The chairman and board members are considered to be key management personnel. Included in administrative expenses are salaries paid to the chairman and board members amounting to EUR25,157 (2010: 25,157).

23.2 Related party balances

The outstanding amounts at year end together with the related terms have been separately disclosed in notes 15 and 20.

24 Financial risk management objectives and policies

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

At the year end, the Company's main financial liabilities comprise of bank overdraft and trade and other payables. At the year end, there were no off-balance sheet financial liabilities.

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

24.1 Credit risk

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

	2011 **EUR**	2010 EUR
Available-for-sale investments (note 14a)	**3,666,590**	3,020,976
Fees receivable (note 15)	**1,870,412**	1,300,170
Amounts due from related parties (note 15)	**79,440**	124,834
Cash at bank (note 21)	**248,681**	428,967
	5,865,123	4,874,947

The credit risk relating to available-for-sale investments is considered to be low in view of management's policy of investing only in high quality sovereign securities which are listed on recognised stock exchanges. The Company's cash at bank is placed with quality financial institutions. Carrying amounts for trade 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.

The Company's exposure to credit risk arises from activity exceeding 25% of its revenues. At year end the Company had EUR796,583 (2010: EUR358,774) owed by the Government of Malta representing 43% (2010: 28%) of the Company's total trade receivables. The Government of Malta generated EUR1,792,546 (2010: EUR1,707,565) of the Company's total revenue, representing 42% (2010: 40%) of the Company's total revenue.

24.2 Market risk

24.2.1 Interest rate risk

The interest rates on the available-for sale investments and bank overdraft are disclosed in notes 14b and 18. The Company has limited exposure to interest rate risk due to low bank balances which are subject to floating interest rates.

24.2.2 Price risk table

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

	Increase/ decrease in basis points	Effect on Equity
		EUR 000
2011	+100/-100	(37)/37
2010	+100/-100	(30)/30

24.3 Liquidity risk

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

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

24.4 Fair values

The fair value of available-for-sale financial assets is based on quoted market prices at the reporting date. At 31 December 2011, the carrying amounts of cash at bank, trade and other receivables, bank overdraft and trade and other payables approximated their fair values.

24.5 Capital Management

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

Externally imposed financial resources requirements

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

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

25 Subsequent events

In February 2012 the Company entered into a joint venture with the Irish Stock Exchange to launch the European Wholesale Securities Market (EWSM) a specialist new market for wholesale fixed-income debt securities. EWSM is an EU regulated market, established in Malta and authorised by the Malta Financial Services Authority. The Malta Stock Exchange has a 20% stake in the newly formed company, besides acting as Market Operator and provider of secondary market services to EWSM.

Independent Auditors' Report

To the Members of Malta Stock Exchange plc

Report on the Financial Statements

We have audited the financial statements of Malta Stock Exchange plc (the "Company") as set out on pages 56 to 80, which comprise the statement of financial position as at 31 December 2011 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements
As explained more fully in the Directors' Responsibilities Statement set out on page 55, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act"), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 179 of the Act and may not be appropriate for any other purpose.

In addition, we read the Directors' Report and consider the implications for our report if we become aware of any apparent material misstatements of fact.

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 about 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 our 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, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Independent Auditors' Report (continued)
To the Members of Malta Stock Exchange plc

Opinion on Financial Statements
In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and

- have been properly prepared in accordance with the Companies Act, 1995 (Chapter 386, Laws of Malta).

Report on Other Legal and Regulatory Requirements

Matters on which we are required to report by exception by the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act")

We have nothing to report in respect of the following matters where the Act requires us to report to you if, in our opinion:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or

- proper accounting records have not been kept by the Company; or

- the Company's financial statements are not in agreement with the accounting records; or

- we have not obtained all the information and explanations which, to the best of our knowledge and belief, we require for the purpose of our audit; or

- certain disclosures of directors' remuneration specified by the Act are not made.

Hilary Galea-Lauri (Partner) for and on behalf of

KPMG
Registered Auditors

23 April 2012

Malta Stock Exchange plc

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