Malta Stock Exchange plc

# 2012

ANNUAL REPORT

# 2012
# ANNUAL REPORT

Malta Stock Exchange plc

Garrison Chapel, Castille Place,

Valletta VLT 1063, Malta

Tel: (356) 2124 4051

Fax: (356) 2569 6316

E-mail: borza@borzamalta.com.mt

www.borzamalta.com.mt

# Malta Stock Exchange plc

as at 31 December 2012

## Board of Directors

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

## Audit 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 |

## Securities Settlement System (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

# Letter of Transmittal

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

March 2013

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

Dear Sir

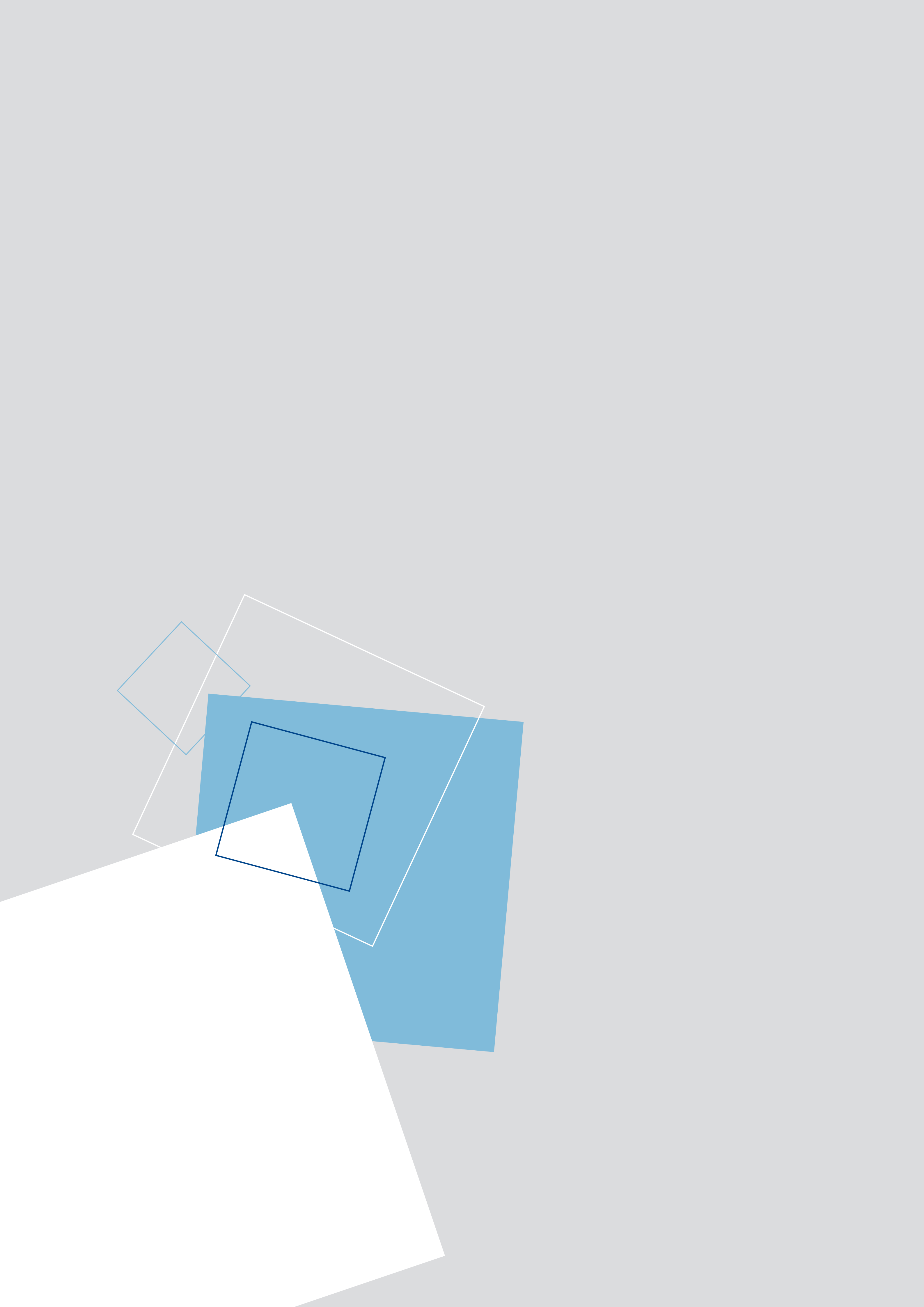
In accordance with the Financial Market Rules Stipulating Financial Reporting and Financial Reporting Requirements applicable to Regulated Markets and Central Securities Depositories, I have the honour to transmit the Audited Financial Statements and a report on the activities of the Malta Stock Exchange for the year ended 31 December 2012.

Yours faithfully

Arthur Galea Salomone
Chairman

# Contents

# **Chairman's** Message



# Chairman's Message

There is no doubt that 2012 was a trying year for the Exchange, particularly on the primary market. As was anticipated, the downward trend experienced in 2011 in respect of non-Governmental issues persisted. Despite the challenging environment, six non-Governmental issues, representing €95 million worth of new capital, were listed. The Exchange continued to provide an effective platform for the issue of Government Stock. During 2012, €800 million worth of new Government Stock was issued. Government Instruments were invariably oversubscribed, indicating positive investor sentiment.

Trading on the secondary market compared favourably to the previous year. The Exchange registered a market turnover of €670 million as against €510 million for 2011. A large proportion of that turnover is attributable to increased investor interest in Government debt instruments and less so in respect of corporate bonds and equities. Equities recovered gradually and by the end of 2012, the MSE Share Index registered an increase of 3.78% over the previous year. Market capitalisation closed off at €8.6 billion, an increase of 5.3% over the previous year. Clearly, the Stock Exchange continues to fulfill a positive economic role by serving as a catalyst for hitherto dormant capital to be put to more productive use in the economy, though admittedly we would like to see a more buoyant primary market.

During this challenging year the Exchange undertook major technological and infrastructural initiatives which are yielding positive results. The Clearstream link, which enables Maltese listed securities to be cleared and settled on an international settlement platform, has increased our cross-border trading. It has also facilitated the provision of CSD services to international companies which are not listed on our Exchange. These ancillary income streams have proven to be important to the Exchange in times of reduced core activity.

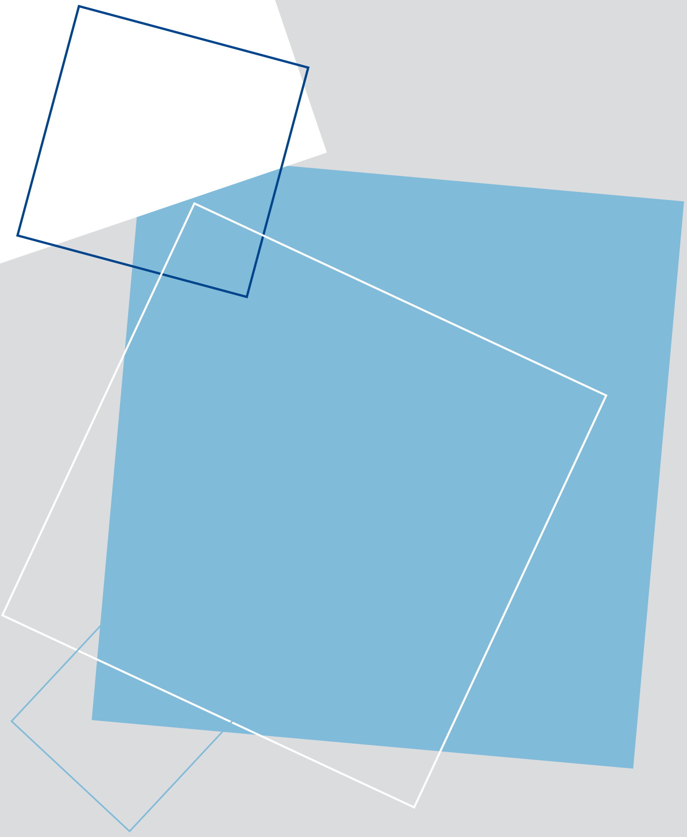
June 2012 marked the Exchange's migration to the Xetra trading platform operated by Deutsche Boerse AG. The Exchange thus joined another eighteen countries' exchanges on a trading platform with a large global footprint. Apart from increased functionality, Xetra has provided the Exchange and listed companies with instantaneous increased exposure. Preparations for participation in Target-2 Securities, the pan-European Settlement platform, is on-going. These infrastructural initiatives will ensure that notwithstanding size limitations, the Malta Stock Exchange is in a position to provide an attractive listing proposition, not only for domestic issuers but also for small and mid-cap companies looking for a cost effective platform which enables them to tap into the European Capital Market. This investment is yielding dividends and new business is being channeled towards the Exchange from previously untapped sources. After a lengthy gestation period, following consultation with the stockbrokers and extensive discussions with the Regulator, 2012 also marked the finalization of the Bye-laws on Market Making.

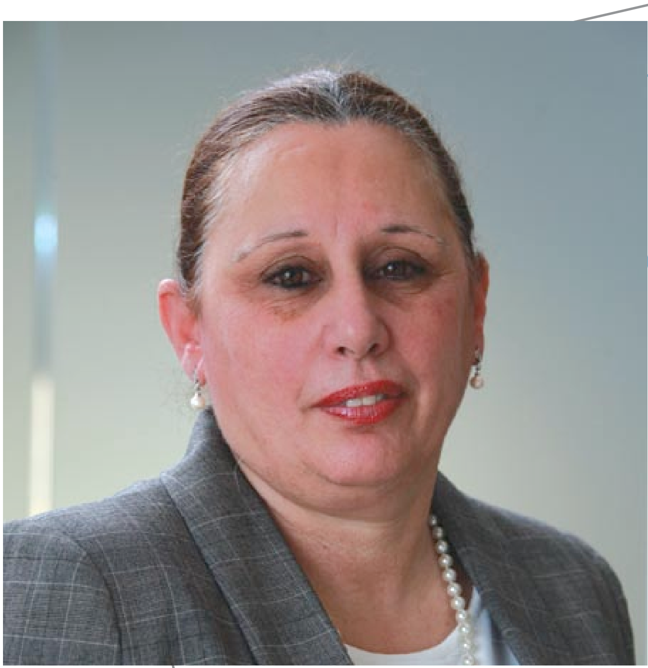
Despite a challenging environment, the Exchange's financial performance for 2012 continued to improve, maintaining the Exchange's trend of increased profitability on a year-to-year basis for the last four years. A pre-tax profit of over €1.9 million was registered for the year, an increase of 8% over the previous year. Besides the development of new income streams, the introduction of new efficiencies and cost control contributed to this positive financial performance. Credit for this performance is shared amongst the various stakeholders who have made a positive and significant contribution to the Exchange's success. Gratitude is due to the stockbroking community, the regulator and our shareholder, the Government. A special word of thanks go to my colleagues on the Board of Directors and all staff at the Exchange for their hard work. The Exchange's progress over the past years would not have been possible without their relentless dedication.

As the capital market continues to develop, it would be indeed salutary to see increased vigilance in selling practices, sustained initiatives to improve financial literacy amongst the investing public, the development of an independent and analytical financial press, a renewed commitment to political consensus in the field of financial services and a concerted effort to entrench ethics in economic and corporate behavior.

Arthur Galea Salomone
Chairman

# **Chief Executive's**
# Report





# Chief Executive's Report

The past year has been a story of two halves. On the one hand, with the exception of the Government Stock market, we had a fairly inactive primary market, and at the same time, on the other hand a very buoyant secondary market, like the primary market, dominated by trading in Government Stocks. In the secondary market, however, corporate bonds and equities both held their own, with turnover values in the corporate bond sector increasing slightly over the values of the previous year. While trading values decreased overall in equities, prices showed some signs of recovery as reflected in the almost 4% year-to-year increase in the value of the MSE Share Index. Recent changes to the Listing Policies in relation to the applicability of sinking funds to corporate bonds issues and revisions to the Listing Rules in relation to the Alternative Companies List coupled with the stable economic climate and Malta's increasing reputation as a developing financial centre are producing very positive Issuer and investor sentiment which augurs well for the coming year.

Despite the lack of a significant number of listings during the year, 2012 was an extremely busy year for the Exchange, which primarily focused on a number of major technological projects intended not only as technology upgrades in their own right, but also designed with a view to support the Exchange's strategy to continue to develop new services and in particular to grow its international business. The major project undertaken and implemented was the migration to the XETRA trading platform, a hosted system operated by Deutsche Boerse AG, which provided not only enhanced trading functionality in line with international standards, but also resulted new post-trading processes, enhanced international exposure for the Exchange and its users and also provided more opportunities for the use of the CSD-Clearstream link which was implemented in 2011. While it is still early days, the move to the new trading platform is already paying dividends. As a direct result of the Exchange's presence as a participant on Xetra, in January 2013 the Exchange approved the first remote Member of the Exchange domiciled in Germany. Furthermore, the Exchange has been approached by a number of overseas Issuers who, attracted not only by Malta as a reputable and cost-effective jurisdiction but also by the operational functionality afforded through Xetra and Clearstream, are looking very positively towards the Exchange as an alternative listing and trading venue.

In June, the Exchange, as operator of the CSD, together with another 30 CSDs and ICSDs, signed the Framework Agreement in respect of the Target 2- Securities Project [T2S], reaffirming its commitment to participate in this pan-European Settlement System, spearheaded by the ECB. The Exchange also committed to migrating to the new settlement platform in the first Migration Wave, scheduled for June 2015. It should be stated that while this development will involve significant technological, operational and procedural changes which must be adopted by the CSD and its users, participation in T2S will not impinge on the relationship that exists between the CSD and Issuers, investors, Members and other market participants to whom it provides services. As a pre-requisite to the migration to the T2S platform, a major upgrade to the registration software is necessary to be implemented which will provide the technical basis for the interface between the CSD and T2S. The implementation of the upgrade commenced in the latter half of the year and is scheduled to go live in 2013. The technical upgrade to the registration software will also involve operational and procedural changes that will be required to adhere to the participation criteria of T2S.

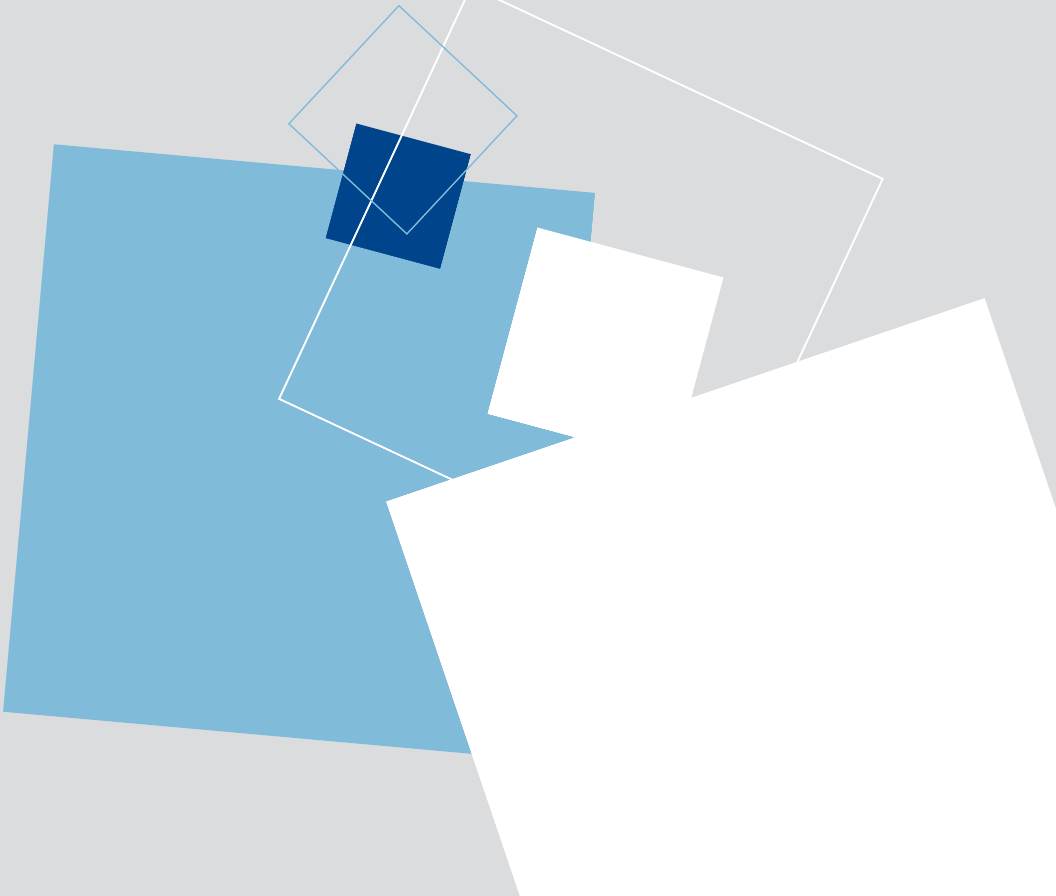
During 2012, the Exchange also sought to expand and further develop the use of the CSD-Clearstream link, leveraging also on the international connectivity and exposure resulting from migration to Xetra. Indeed, during the year we saw a significant increase in the transfers taking place over the link and an influx of unlisted companies, or companies listed elsewhere rather than on our market, seeking dematerialization within our CSD, attracted by the extent and range of the services provided at cost effective prices and the connectivity to international markets through the interoperable link. This influx has also resulted in an expansion of the Exchange's custody business, which it may perform under its CSD license, a new revenue generating business which looks to further grow in the future.

One of the effects of these major technological changes coupled with the international connectivity that this has provided and the new business streams that have been generated, has been to focus efforts on unbundling the services that both the market and the CSD provide. While it remains imperative that through its core functions, the Exchange can continue to provide the whole value chain of any transaction, from admission, to trading, to clearing and settlement, right up to registration, users are increasingly looking not only at competitive costs and the reputation of the jurisdiction in which they operate, but also at venues that can offer specialized and specific services tailored to their particular needs which are efficient and cost effective. Our marketing strategy during the year has been focused on highlighting the different services that we can provide and, in particular the wide range of services that can be provided by the CSD in its own right.

Over the past twenty years, the Exchange has consolidated its position within the local financial sector and has firmly launched itself on the international scene and into new services and areas of activities. All these could only be possible with the support and guidance of the Board of Directors and the commitment of all my colleagues, our Members and Issuers and other stakeholders of the Exchange.

Eileen V Muscat
Chief Executive

# **Administration**
# Report



# Administration Report

## Governance

### The Board

The Board of Directors of the Exchange was composed of Dr Arthur Galea Salomone, Chairman, Dr Antoine Fiott, Deputy Chairman as well as another three Directors, namely, Ms Charlotte Attard, Dr Richard Sladden and Ms Karen Spiteri Bailey at the end of 2012. The post of Company Secretary was held by Ms Marie Cordina, Senior Manager, while Ms Eileen V Muscat continued in her capacity as Chief Executive.

The same individuals also occupy the respective posts in the other two companies within the Group, namely, MSE [Holdings] Ltd and CSD [Malta] plc.

### General Meetings

The Exchange's Annual General Meeting was convened on the 23 April 2012. During the Annual General Meeting, the shareholders unanimously approved the Directors' Report, Auditors' Report and the Audited Financial Statements for the year ended 31 December 2011. The shareholders also unanimously approved the re-appointment of the Board of Directors for a further year.

Two Extraordinary General Meetings were held on the 30 August and the 10 December respectively. During the first Extraordinary General Meeting, the shareholders unanimously approved the payment of a net dividend amounting to €500,000. A similar dividend was approved during the second Extraordinary General Meeting resulting in a total net dividend of €1 million for 2012.

### Board Meetings

Twelve regular Board Meetings and one Ad Hoc Board Meeting were convened during the year. This was again a very busy year for the Board as they debated and agreed upon new procedures and Bye-laws as a result of the implementation of the new trading technology, the commitment towards the Target2-Securities Project and the signing of the relevant Framework Agreement. The Board also discussed at length matters related to the establishment of the European Wholesale Securities Market and the proposals from the recognized Union with respect to a new Collective Agreement, apart from other discussions on strategy and new business streams as well as operational and regulatory matters.

### Committees

Throughout the year, the three committees appointed by the Board, namely the Audit Committee, the Executive Committee and the SSS Committee, met on a regular basis and provided very valid support to the Board on relevant matters in particular those related to major strategic projects being undertaken by the Exchange.

#### Audit Committee

The Audit Committee held thirteen meetings during the year during which on a regular basis, it reviewed the monthly Management Accounts and also monitored expenditure and the investments of the Exchange. The Audit Committee also made recommendations to the Board with regard to the Budget Estimates for 2012 and the payment of dividends to the shareholder.

#### Executive Committee

The Executive Committee also met regularly during the year and focused mainly on the implementation of the trading system and discussions related to contractual negotiations and amendments to the Bye-laws which were subsequently submitted to the Board for approval. In this respect, the Executive Committee also held a number of joint meetings with the SSS Committee when further developments in respect of Target2-Securities and the CSD-Clearstream Link were also discussed. The Executive Committee was also involved in Collective Agreement negotiations and prepared proposals with respect to a new fee structure and also new areas of business such as custody and ETFs. The Executive Committee also recommended a minor change to the Data Protection Policy which was subsequently approved by the Board and also recommended the approval of a Health and Safety Policy for the Exchange by the Board, which was also later agreed to.

### SSS Committee

Apart from its joint meetings with the Executive Committee, the SSS Committee took on the guise of the Trading System Steering Committee which met on a weekly basis and which had the responsibility to steer through the implementation of the new trading system and also to develop new post-trading operations and procedures. Following the implementation of the trading system, the SSS Committee started to operate as two Steering Committees, one in relation to the upgrade to the registration system and another one in relation to Target2 - Securities. Both Steering Committees met on a weekly basis towards the latter half of the year and will continue to steer through both projects until implementation.

### Remuneration Committee

Apart from meetings of these three committees, the Remuneration Committee was also convened several times during the year when it discussed and agreed to make appropriate recommendations to the Board with regard to the Financial Package to be included in the Collective Agreement as well as the Financial Package for Senior Management.

# Human Resources

## Staff Complement

At the end of the year, the staff complement had reached fifty-seven including two part-timers, following the recruitment of a junior member of staff. The staff complement was split between eighteen male and thirty nine female staff. A total of nineteen members of staff were in the managerial grades, thirty six within the supervisory and clerical grades and three non-clerical staff.

During the year, one manager was seconded to work within the Ministry for Tourism, Culture and the Environment, while two members of staff remained absent from work on Career Breaks. Other members of staff also benefitted from family friendly measures, including twelve members of staff who worked on a teleworking basis for some hours during the week and a member of staff who availed herself of reduced working hours.

As in previous years, the Exchange offered six month internships to two students, one from Macedonia who was deployed within Human Resources & Corporate Services Office and one from France who worked with the Business & Product Development Manager. Furthermore, the Exchange also engaged two Maltese students to work during the Summer months. Both students were deployed within the CSD.

## Restructuring

In the latter half of the year, Corporate Services Office was merged with Human Resources Office. The new office amalgamates the work and responsibilities of both offices, that is, all matters relating to Human Resources and all the responsibilities previously undertaken by Corporate Services Office including the maintenance of plant and equipment, stores, archives, as well as health and safety issues.

## Staff Training

During the year, a number of Exchange officials underwent industry training and participated in a number of conferences and seminars both locally and overseas. This year, emphasis was given to training related to risk management, anti money laundering regulations and tax matters. Furthermore, during the year, a member of staff obtained an MBA while another member of staff obtained a Masters in Financial Services while two members of staff were successful in completing the FHRD Certificate Programme.

## Social Events Committee

The Social Events Committee met several times during the year and again organized a number of very successful events including dress down days, a boat trip and a very popular day trip to Sicily. As part of the social events, staff raised a considerable amount of money which will benefit a number of philanthropic causes.

The Committee has again drawn up a varied calendar of events for the coming year including a number of events which will raise funds to support charitable causes.

## Union Representation

Throughout 2012 meetings continued unabated with the Professional and Financial Services Section of the General Workers Union, the only Union granted recognition by the Exchange, which represents all grades up to Manager 2. The meetings between the Exchange and the Union related mainly to negotiations in connection with the renegotiation of the current Collective Agreement which expired at the end of 2011.

A new Collective Agreement, covering the years 2012 – 2015 was signed between the Union and the Exchange on 15 February 2012. The new Collective Agreement includes a new financial package for each grade covered by the Agreement and some minor amendments to the text which were mainly introduced to clarify some clauses in order that there would be no doubt in interpretation.

After consultations with the Union, the Exchange also introduced a Child Care Subsidy, providing for financial support to parents who send their pre-school age children to registered child care facilities.

The Union's input was also instrumental in the setting up of a Health & Safety Committee to address related issues which may arise from time.

The Exchange would like to express its appreciation for the very valid contribution and support of the Section Secretary, Dr Cory Greenland and the Staff Committee composed of Mr Joseph Farrugia, Shop Steward and Ms Melissa Farrugia and Ms Melissa Mamo, Assistance Shop Stewards.

# Regulatory Matters

## Secondary Legislation

Following a recommendation by the Exchange, Legal Notice 140 of 2009 regarding Designated Financial Instruments was revoked and was replaced by Legal Notice 380 of 2012. The new regulations exclude previous provisions which had provided for public access to registers held within the CSD and the obligation of the CSD to provide the Registrar of Companies with updated registers on a daily basis.

## Bye-laws

In July, following approval by the Competent Authority, the Exchange issued a new set of Bye-laws which encompassed significant changes due to new trading and post-trading procedures and operations. At the same time, the Exchange took the opportunity to include other amendments such as new Default Rules in relation to market contracts and also new provisions in relation to dematerialization of financial instruments not listed on the Exchange.

The Bye-laws were split into four [4] separate parts to better reflect (a) the separation of the licenses held by the Exchange as operator of the regulated market and the CSD and the core functions  and (b) the OTC market (which is not an Exchange run market} from the other functions of the Exchange. This has resulted also in a change in sequence in some Chapters of the Bye-laws, i.e. Chapter 5 – CSD and Chapter 6- Admission, have now become Chapter 5 – Admission and Chapter 6 – CSD. Again, this re-sequence reflects the split according to license and core functions.

Whenever possible, details of all procedures and processes have been included within the Bye-laws hence the inclusion of the Market Model Principles [Appendix 4.1] and Pre-and Post-trading Procedures including Match and Allocation and Earmarking [Appendix 7.1] and Member and User Set-up  [Appendix 3.5] as well as requirements in relation to dematerialization and the Formal Application for such dematerialization of financial instruments not traded on the Exchange [Appendix 6.1].

Later on in the year the Competent Authority approved minor amendments in relation to amalgamation/demerger of accounts and also approved new bye-laws in relation to the admission of Market Makers to the local capital market. These amendments have not yet been issued and brought into force.

## Consultation

During the year under review the Exchange provided feedback to consultation processes initiated by the EU and also in respect of consultation initiatives launched by the Competent Authority. The Exchange provided feedback in respect of EU Directives and Regulations currently under review including MIFID II, and the proposed CSD Regulation.

The Exchange also provided feedback to the Competent Authority with regard to proposed amendments to the Listing Policies  first issued in 2010 and also with regard to proposed amendments to the Listing Rules in respect of the Alternative Companies List.

The Exchange itself also issued a Consultation Document to Members in respect of the possible admission of ETFs to the local market.

The Exchange also participated in an EU Peer Review in relation to tax matters.

## Compliance

The Exchange submitted the "Certificate of Compliance" to the Competent Authority in accordance with the Financial Market Rules applicable to Regulated Markets at the end of January covering the period August 2011 – January 2012 and at the end of July covering the period from February to July 2012. In both instances the Board confirmed the Exchange's compliance with all applicable legislation, rules and regulations including financial and reporting requirements.

At the end of March the Exchange also submitted its Annual Compliance Report to the Financial Intelligence Analysis Unit as required in terms of relevant regulations in respect of Prevention of Money Laundering and Funding of Terrorism.

## Audit

The Audited Financial Statements of the Exchange for the year ended 31 December 2011 were unanimously approved by the shareholders in General Meeting. The Audited Financial Statements and the Annual Report regarding the activities of the Exchange for 2011 were submitted to the Competent Authority and published in accordance with the Financial Market Rules Stipulating Financial Reporting and Financial Reporting Requirements applicable to Regulated Markets.

## EU Code of Conduct on Clearing and Settlement

In compliance with the EU Code of Conduct on Clearing and Settlement of which the Exchange is a signatory, the Board approved the Self-Assessment Report on Service Unbundling and Account Separation for 2011. The Exchange's Auditors, in accordance with the Code, prepared an "Independent Assurance Report" on the Self-Assessment Report" which was submitted to the Competent Authority in August 2012. In their Report, the Auditors confirmed the Exchange's compliance with the provisions of the Code. Following the relevant confirmation from the Auditors, the Exchange issued a Public Statement on its website, explaining in brief, its assessment methodology and its compliance to the Code in particular to the requirement for service unbundling and account separation.

### Risk Management and Internal Capital Adequacy Assessment [RMICAAP]

At the beginning of 2012, the Board confirmed to the Competent Authority, that it had an RMICAAP in place and that the Exchange's legal, regulatory, operational, technical and resource infrastructure was sufficiently robust for continuity of business and it had adequate risk mitigation processes in place that were sufficient to tolerate operational risks.

### CPSS-IOSCO Disclosure Framework

In September, following the significant changes to clearing and settlement procedures as a result of the implementation of a new trading system and the adoption of new Default Rules, the Exchange updated the Disclosure Framework on compliance with CPSS-IOSCO Standards in respect of Security Settlement Systems which had previously been submitted to IOSCO and the Competent Authority in 2009.

In accordance with the relevant disclosure standards, the Disclosure Framework is published on the Exchange's website.

## Migration to the Xetra Trading Platform

On 9 July 2012, after a lengthy and intensive implementation period, the Exchange migrated to a new trading platform – Xetra, supplied and operated by Deutsche Boerse, AG.

Xetra is a common platform used in 18 countries' exchanges including the Frankfurt Stock Exchange itself, Dublin, Slovenia, Austria and Shanghai and which is synonymous with the highest standards in terms of reliability, security, speed and innovation. Over 250 banks and brokerage firms from 18 countries have access to this common trading platform and approximately 830,000 different securities are currently traded on the Xetra platform, making it the mostly widely used trading technology with a global reach. The move to this state-of-the-art technology reflects the Exchange's strategy to seek more international business. It is intended that the significant international connectivity provided by Xetra will serve as an effective business enabler, facilitating internationalization of our market to the benefit of all its users – listed companies, Members, and not least of all, investors.

It is inevitable that a major technology change, such as the migration to a new trading system, resulted in significant changes not only with respect to trading functionality itself, but also to the related operations and procedures. While the basic principles of trading have remained unchanged, the trading functionality includes new concepts for our market, providing flexibility and efficiency which allow the market to respond to rapidly changing market conditions while at the same time ensuring that the market continues to operate in a regulated and transparent manner in line with European standards. As a result of the implementation of the new trading platform, the interface between the trading platform and the registration system was removed, resulting in significant changes to clearing and settlement procedures and, in particular the introduction of additional risk mitigation processes to provide a safe and secure framework for the final settlement of trades effected on the market.

The Exchange's website continued to provide the same level of market data including Index values, ticker, market summary and trades effected and is updated every 15 minutes in line with European standards.

The move to the Xetra trading platform is an important development for the Exchanges and its users. The Exchange remains fully committed to continue to seek opportunities to attract new business and products to continue to develop our capital market for the benefit of its Members, Issuers and Investors who over the years have shown confidence in our market.

## Target2-Securities [T2S]

In June, the Exchange as operator of the Central Securities Depository, together with almost another 30 CSDs, signed the European Central Bank's [ECB] Target2-Securities [T2S] Framework Agreement which had been agreed to the previous year after two years of negotiations. The T2S Project was initiated in 2006 and was created to provide a borderless securities settlement within Europe. The Exchange has been involved in the project since its inception and with the signing of the Framework Agreement, has confirmed its commitment to participate in this Europe-wide initiative.

The Framework Agreement determines the rights and obligations of the signatories with respect to compliance with the relevant standards and the acceptance of the fee structure as well as dealing with ancillary legal issues, such as liability and confidentiality.

At the same time as the signing of the Framework Agreement, participant CSDs were also required to submit a high level Feasibility Assessment whereby they would indicate their preferred Migration Wave, the model they would be adopting and any possible obstacles that they could envisage may jeopardise their migration to T2S. The Exchange also submitted this Feasibility Assessment indicating that its preferred migration date would be in Wave 1, scheduled for June 2015. Furthermore, the Exchange also confirmed that it had opted for the Layered Model, i.e. that it would participate in T2S through omnibus accounts and not all the accounts held within the CSD would be replicated in T2S. The Exchange also confirmed, that while fully cognizant of the time and resources required to achieve the deadlines set out in the Implementation Plan, it was confident that it would not fall short of its commitments.

At the end of 2012, the ECB confirmed that the Malta CSD would migrate to T2S in the first wave, that is, June 2015. In the meantime the Implementation Plan has now gathered speed and the Exchange, is working to very tight schedules, supported by Central Bank of Malta and other market participants, to ensure not only that the technological implementation required is finished in due time, but also to ensure compliance with the relevant market and operating standards that are required.

As part of the implementation of T2S, the Exchange participates in a number Committees and Task Forces forming part of the governance structure of T2S including the Advisory Group, CSD Group and Project Manager Group as well as other Task Forces related to migration and user standards.

## European Wholesale Securities Market [EWSM]

At the beginning of 2012 the Exchange entered into an agreement with the Irish Stock Exchange [ISE] to form the European Wholesale Securities Market [EWSM], a specialist new market for wholesale fixed-income debt securities which was launched on the 21 February 2012. EWSM is a European regulated market, established in Malta and authorized by the Malta Financial Services Authority. The Exchange has a 20% stake in the new market, and also acts as Market Operator and the provider of secondary market services to the EWSM. The ISE has an 80% stake in EWSM and also acts as the market promoter besides providing the primary market infrastructure and other corporate services to the EWSM

The Board of Directors is composed of persons of international repute in the financial world. Mr. Michael Bonello, former Governor of the Central Bank of Malta, is the MSE nominated Director on the Board of EWSM. The two Directors nominated by Irish Stock Exchange are Mr Padraig O'Connor, Chairman of the Irish Stock Exchange and Mr Fabrice Demaringy, who from 2002 to 2008 was the Secretary General of the Committee of European Securities Regulator, the predecessor of the European Securities and Markets Authority.

The new market reflects an opportunity for both the ISE and the MSE to further expand their business internationally. The Irish Stock Exchange is the leading exchange in Europe for listing structured debt products and had been exploring ways to expand and diversify their activities in this area for some time. The EWSM creates an additional market choice for debt issuers which both Exchanges believe is timely and attractive. The two Exchanges have had a close working relationship for many years and were ideal partners for this innovative collaboration which leverages on the experience of the ISE in this field and the MSE as an established and experienced market operator to deliver an attractive new market proposition.

The EWSM is an example of cross-border co-operation that makes good use of the EU's single market for financial services and makes commercial sense for both partners. Both Exchanges believe that by pooling resources, the EWSM will be in a position to provide a highly professional outfit, a competitive pricing structure and hopefully a compelling offering for international customers. As promoters of this new market, the Malta Stock Exchange is pleased to have served as a catalyst for yet another important development in the financial sector.

## Annual Dinner

On 12 December 2012 the Board hosted the Exchange's Annual Dinner at the Hilton Hotel, St Julians, under the auspices of the Hon Prime Minister. The guests at the Dinner included representatives from the listed companies and the Treasury, Members, the Competent Authorities, the Shareholders and other stakeholders of the Exchange. In a brief address the Chairman spoke about the performance of the Exchange and the significant changes that had taken place over the year in its technology and operations, the focus of the Exchange on international business and its increasingly important role within the financial sector. The Chairman also spoke about the importance of good corporate governance and ethical behaviour within all the financial community in order for Malta to continue to thrive as a financial centre. In his address, the Prime Minister spoke about Government's plans for the continued growth of the financial sector in Malta and the


Exchange's role within this sector and its vital part in the continued development of financial services which was essential to the sustainability of Malta's economy.

## Visitors to the Exchange

On 23 February 2012, the Prime Minister, Dr Lawrence Gonzi, paid an official visit to the Exchange when he had the opportunity to tour the premises and meet the Board and the staff. In a short address the Prime Minister spoke about the role of the Exchange and Malta's performance as a developing financial centre.

During the year, the Exchange also hosted a number of distinguished visitors who took the opportunity to learn more about our operations and identify areas of mutual interest and possible development. To name a few, the Exchange hosted HE Mr Jim Hennessy, the Irish Ambassador to Malta, Mr Eugen Lascu, Malta's new Consul to Bucharest and Mr Victor Cionga, CEO of the Romanian Stock Exchange, as well as financial journalists from Russia, India, Hungary and financial practitioners from the UK, Italy, the United States, Germany and Grenada.

The Exchange also welcomed representatives from Deutsche Boerse AG, who visited the Exchange in connection with the implementation of a new trading system. Later on in the year, the Exchange also hosted representatives from Percival Software Ltd who gave training sessions in connection with the technology upgrade of the registration system and also discussed various contractual matters including those related to T2S.

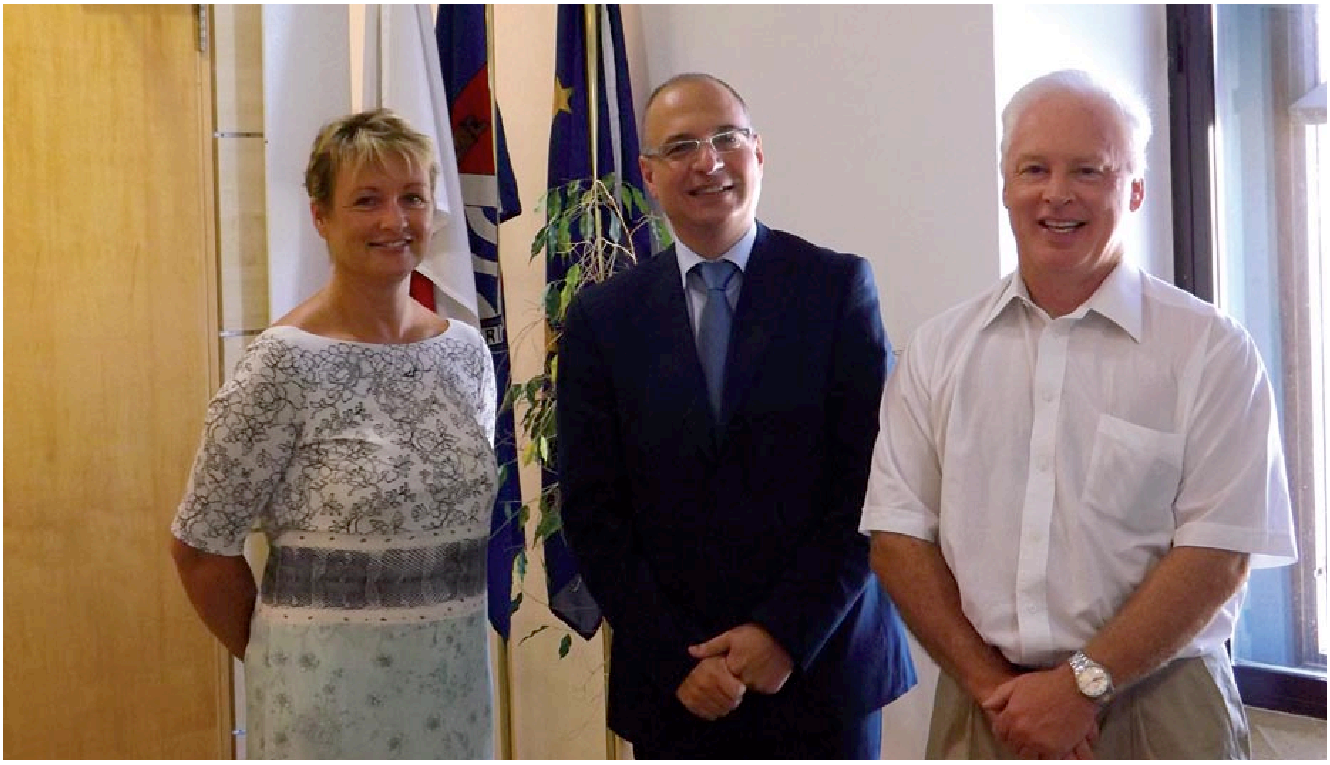
At the beginning of the year, the Exchange hosted the first Board meeting of the EWSM, which was attended by all the Directors and also by representatives from the Irish Stock Exchange. The officials from the Irish Stock Exchange visited the Exchange a number of times throughout the year in connection with EWSM Board Meetings and other events also related to the new market.

## International Affiliations

Exchange officials participated in several regular meetings of the international industry standard setting organisations of which it is a full member.

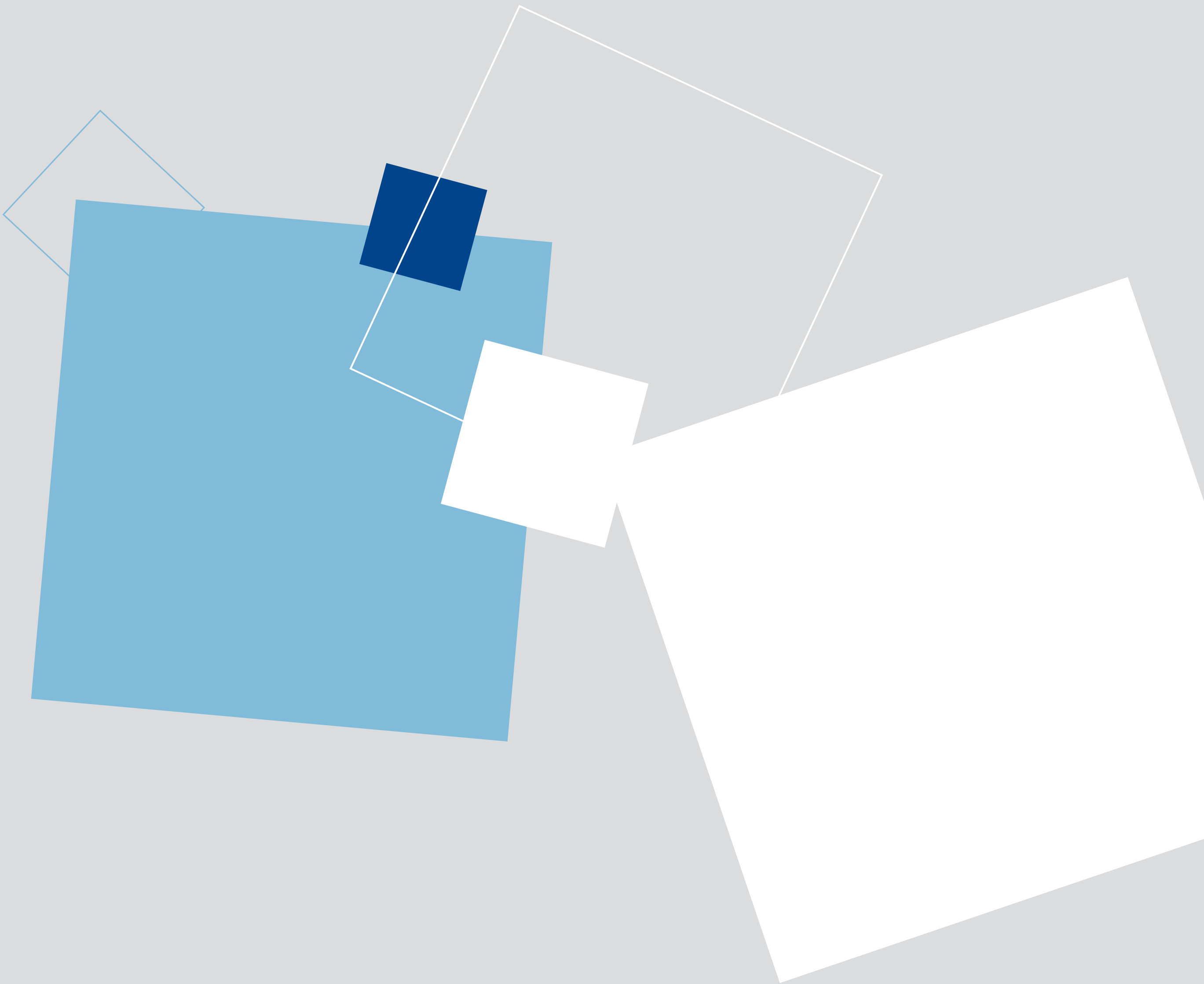
| | |
|---|---|
| **WFE** | World Federation of Exchanges |
| **FESE** | Federation of European Securities Exchanges |
| **ECSDA** | European Central Securities Depositories Association |
| **ANNA** | Association of National Numbering Agencies |
| **IOSCO** | International Organisation of Securities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

The year was another very active year for these organisations, in particular FESE and ECSDA, as EU-wide discussions and consultations continued on a number of Directives and Regulations currently being drafted mainly MIFID II and the CSD Regulation. The Exchange participated in the debate through the consultation process as a member of these international organisations. The Exchange also submitted its responses to numerous questionnaires and surveys in relation to such proposed new legislation, in particular in respect of the CSD Regulation.



*HE Mr Jim Hennessy, the Irish Ambassador to Malta, Mrs Monica Hennessy, with Dr Arthur Galea Salomone, Chairman Malta Stock Exchange*

# Exchange Operations
and Other Activities



## The Market

During 2012, market transactions amounted to a turnover value of just over €670 million, a significant increase of €161 million (equivalent to 31.54%) over the value of market transactions registered during the previous year. The net increase in turnover is due to an increase in the turnover, and number of trades, in Malta Government Stocks and an increase in turnover in Corporate Bonds, which together more than compensated for the lower level of trading that took place in respect equities and particularly in the Treasury Bill market.

Trades in the equity market totaled €33.5 million in 2012, down from €36.6 million registered in 2011. This represents a total of just under 29 million shares changing hands, as compared to 21 million in 2011. The financial sector remained the most popular category of equities traded during the year, accounting for almost 60% of the total value of turnover in 2012. The trend has generally been for equities to retain their value, or indeed appreciate somewhat, resulting in an increase of almost 4% in the MSE Share Index from 3094.799 as at the end of 2011 to 3211.906 at the end of 2012. The highest point of the MSE share index during 2012 was registered on 29 October, at 3272.8, whilst the lowest value of 2012 was on 20 April at 2922.377, registering a variance of 12% between the two extreme points. There was one new equity that was granted admission to listing on the Exchange during the year, bringing the total equities listed on the Main and Alternative Companies List (ACL) to 21.

The corporate bond market saw in increase in turnover of over 37% over the previous year, registering a total trade value of €47 million compared to €34 million in 2011. The number of trades executed are down from 4,687 in 2011 to 3,700 in 2012, indicating a higher average value per deal. In fact, both the volume and value of trades in 2012 have increased, which indicates that the average trade went up to €12,710 in value, representing 12,513 units, down from €7,290 and 7,400 units in 2011. During 2012, the market saw 5 new corporate bond issues, totaling €79.5 million - three of these were listed late during 2012 and did not have a significant effect on the volume of bonds traded during the year.

For the second consecutive year, trading turnover in Malta Government Stocks has increased significantly over the previous year, rising by over €160 million with the total traded value reaching €566 million in 2012, up almost 40% on 2011's figures. This category of traded instrument was undoubtedly the prime mover in generating the highest level of value of trades on the Exchange market since inception 21 years ago. There has been a very evident switch by the Treasury to focus more on the use of Government Stocks and less on Treasury Bills, such that we have seen an increase in the issue of Government stocks in 2012 - 27 issues totally €1.3 billion (over €800 million euro in new finance) versus 2011 (13 issues totaling €731 million), and a reduction in the use of the shorter term Treasury Bills (95 issues totaling €842 million in 2012 vs 80 totalling €880 in 2011). This increase in Government stocks activity in the primary market appears to have had a positive effect on trading in the secondary market, with secondary market trading in Treasury Bills dropping to €23 million (29 trades) in 2012 from €32 million (37 trades) in 2011. At the same time the value of market turnover registered in the Malta Government Stocks issued in 2012 amounted to just under €62 million, that is almost 11% of turnover registered during the year in this market sector.

Once again, despite the overall increase in the value of traded instruments in 2012, the total number of trades executed on the market was 15,392, down by 1,926 from the 17,318 trades effected in 2011. This drop was a result of the significant reduction of trades in equities and corporate bonds, which was offset in the number of trades registered in Government Stocks. The increased interest in Government Stocks was such that the value of the average deal in Government stocks increased again from €83,711 to €95,775. On the other hand, whilst the number of trades in equities and corporate bonds went down, their average value increased from €4,857 to €5,837 (equities) and from €7,293 to €12,710 (corporate bonds).

## The Malta Stock Exchange Share Index

The price of equities on the market fluctuated during the year, resulting in the Malta Stock Exchange Share Index (the Index) dropping from a year start position of 3094.799 to a year low of 2,922.377 on 20 April, following which it benefited from a positive trend, that saw it peak at 3,272.800 on 29 October. The end of year value of the Index stood at 3,211.906, up from start of year position by 3.78%. This fluctuation broadly reflected the market sentiment felt in the countries within the Eurozone.

## Market Capitalisation

The market capitalisation of financial instruments admitted to the Malta Stock Exchange's recognized lists as at the end of 2012 amounted to a value of €8.58 billion, (excluding Collective Investment Schemes), up by €440 million over the previous year-end figure of €8.14 billion.

The market capitalisation of all equities listed totaled €2.75 billion, a marginal increase over the end of 2011 value of €2,64 billion of €113 million, reflecting the appreciation in equity values, and the new equity introduced to the market during the year. The corporate bonds category retained its capitalisation value, showing a marginal increase of €43 million, despite new entrants valued at €79 million coming to market in 2012. The main contributor was the Government Stock category that increased by €382 million, a figure that must be seen in the light of a reduction of €100 million in the end of year capitalisation value of Treasury Bills.

# Comparative Trading Figures

| Security | Number of Deals 2011 | Number of Deals 2012 | Volume/No. of Shares 2011 | Volume/No. of Shares 2012 | Market Turnover (EURO) 2011 | Market Turnover (EURO) 2012 |
|---|---|---|---|---|---|---|
| **Equities** | | | | | | |
| Bank of Valletta p.l.c. Ord €1.00 | 3,592 | **2,354** | 5,514,227 | **5,204,603** | 15,086,803 | **11,525,459** |
| HSBC Bank Malta p.l.c. Ord €0.30 | 1,398 | **768** | 3,005,321 | **1,826,905** | 9,086,131 | **4,820,137** |
| Lombard Bank Malta p.l.c. Ord €0.25 | 216 | **216** | 694,876 | **717,533** | 1,981,516 | **1,484,030** |
| Middlesea Insurance p.l.c. Ord €0.21 | 161 | **96** | 211,922 | **118,860** | 206,220 | **83,263** |
| Simonds Farsons Cisk p.l.c. Ord €0.30 | 76 | **98** | 125,437 | **240,967** | 224,691 | **485,788** |
| GO p.l.c. Ord €0.582343 | 810 | **844** | 1,768,241 | **5,084,841** | 2,424,772 | **4,392,989** |
| International Hotel Investments p.l.c. Ord €1.00 | 245 | **213** | 3,487,419 | **2,253,137** | 3,064,255 | **1,833,252** |
| Plaza Centres p.l.c. Ord €0.20 * | 37 | **58** | 82,479 | **1,541,999** | 143,109 | **950,150** |
| GlobalCapital p.l.c. Ord €0.291172 | 21 | **13** | 11,139 | **16,350** | 9,491 | **15,335** |
| FIMBank p.l.c. Ord US$0.50 | 152 | **123** | 1,792,173 | **3,020,237** | 1,044,317 | **1,930,738** |
| Malta International Airport p.l.c. Ord €0.25 | 460 | **352** | 1,164,760 | **1,366,212** | 1,986,148 | **2,384,665** |
| Medserv p.l.c. Ord €0.232937 | 11 | **27** | 16,103 | **80,406** | 65,138 | **318,901** |
| Grand Harbour Marina p.l.c. Ord €0.232937 | 18 | **36** | 39,510 | **135,250** | 77,588 | **253,605** |
| 6pm Holdings p.l.c. Ord GBP0.20 | 13 | **30** | 132,757 | **106,700** | 44,160 | **42,333** |
| Crimsonwing p.l.c. Ord €0.10 | 29 | **100** | 219,900 | **1,458,788** | 75,044 | **408,701** |
| MaltaPost p.l.c. Ord €0.25 | 265 | **171** | 1,022,493 | **760,853** | 1,029,695 | **612,058** |
| RS2 Software p.l.c. Ord €0.20 | 141 | **142** | 1,432,299 | **1,773,886** | 773,341 | **1,016,861** |
| Island Hotels Group Holdings p.l.c. Ord €1.00 | 27 | **28** | 18,063 | **17,551** | 17,158 | **14,820** |
| MIDI p.l.c. Ord €0.20 | 52 | **48** | 532,800 | **3,059,320** | 235,088 | **890,883** |
| Malita Investments p.l.c. Ord B €0.50 | - | **22** | - | **82,530** | - | **42,074** |
| Loqus Holdings p.l.c. Ord €0.232937 | 13 | **1** | 19,424 | **100** | 3,160 | **15** |
| Total Equity | 7,737 | 5,740 | 21,291,343 | 28,867,028 | 37,577,826 | 33,506,056 |
| **Corp. Bonds** | | | | | | |
| 6.75% Corinthia Finance Plc 2012 | 78 | **17** | 255,213 | **599,573** | 250,825 | **599,607** |
| 6.3% Int. Hotel Investments Plc 2013 | 77 | **47** | 304,896 | **162,104** | 296,201 | **162,364** |
| 6.2%-6.8% Int. Hotel Invest. Plc € 2013 | 43 | **13** | 207,600 | **75,000** | 203,933 | **75,021** |
| 6% Dolmen Properties Plc Sec 2010/3 | 26 | **13** | 106,929 | **43,532** | 106,987 | **43,516** |
| 4.25% FIMBank plc EUR 2013 | 172 | **94** | 1,353,300 | **1,837,600** | 1,354,776 | **1,839,915** |
| 4.25% FIMBank plc USD 2013 | 149 | **56** | 2,079,600 | **707,800** | 1,485,592 | **559,114** |
| 4% AX Investments Plc 2013 | 19 | **37** | 581,000 | **655,454** | 717,790 | **849,749** |
| 6.5% Int. Hotel Invest. Plc € 2012/14 | 29 | **9** | 222,600 | **135,500** | 216,837 | **136,143** |
| 7.5% Mediterranean Investments Holding plc EUR 2012-2014 | 123 | **81** | 783,515 | **493,886** | 731,877 | **500,738** |
| 5.35% Izola Bank plc Secured Notes 2015 | 24 | **34** | 198,000 | **1,117,000** | 200,500 | **1,134,048** |
| 7.5% Mediterranean Investments Holding Plc € 2015 | 168 | **102** | 1,011,900 | **1,506,500** | 933,500 | **1,521,330** |
| 6.25% Mediterranean Bank plc EUR 2015 | 116 | **152** | 1,169,400 | **3,671,800** | 1,177,588 | **3,706,916** |
| 6.25% Mediterranean Bank plc EUR 2015 FI June 2011 | 3 | **-** | 89,500 | **-** | 89,500 | **-** |
| 6% Gasan Finance Company plc € 2014-2016 | 52 | **42** | 266,900 | **221,800** | 273,138 | **227,517** |
| 5.6% GlobalCapital plc € 2014/16 | 55 | **58** | 314,100 | **245,900** | 267,699 | **201,239** |
| 6.75% United Finance Plc € 2014-2016 | 20 | **12** | 97,900 | **125,700** | 100,026 | **128,975** |
| 6.25% Tumas Investments plc € 2014-2016 | 84 | **48** | 579,800 | **220,500** | 598,430 | **226,905** |
| 6.7% AX Investments Plc 2014-2016 | 48 | **41** | 166,628 | **133,235** | 167,135 | **133,969** |
| 4.6% HSBC Bank Malta Plc € 2017 | 226 | **126** | 1,682,758 | **2,551,543** | 1,718,212 | **2,600,531** |
| 7.15% Mediterranean Investments Holding plc Euro 2015-2017 | 197 | **233** | 1,065,100 | **1,899,000** | 988,078 | **1,919,167** |
| 7.15% Mediterranean Investments Holding plc GBP 2015-2017 | 43 | **30** | 289,000 | **274,500** | 315,074 | **346,809** |
| 7.15% Mediterranean Investments Holding plc USD 2015-2017 | 47 | **48** | 325,200 | **540,900** | 225,235 | **428,492** |
| 4.8% Bank of Valletta plc Notes 2018 | 91 | **164** | 859,100 | **2,252,000** | 873,785 | **2,314,188** |
| 4.8% Bank of Valletta plc Notes 2018 Tranche II | 21 | **9** | 436,300 | **175,900** | 444,797 | **180,464** |
| 5.9% HSBC Bank Malta Plc € Sub 2018 | 114 | **68** | 900,400 | **1,207,400** | 950,894 | **1,288,927** |
| 7% MIDI plc EUR 2016-2018 | 270 | **238** | 2,721,800 | **2,134,100** | 2,783,465 | **2,165,569** |
| 7% MIDI plc GBP 2016-2018 | 21 | **33** | 167,700 | **415,600** | 203,591 | **535,522** |
| % FIMBank plc EUR 2012-2019 | 175 | **200** | 1,185,000 | **1,112,100** | 1,194,876 | **1,138,434** |
| 7% FIMBank plc USD 2012-2019 | 38 | **29** | 338,200 | **510,300** | 241,323 | **407,027** |
| 4.25% Bank of Valletta plc € Notes 2019 Series 2 Tranche 1 | - | **153** | - | **1,645,600** | - | **1,669,690** |
| 5.35% Bank of Valletta plc Sub € 2019 | 191 | **144** | 1,186,500 | **673,700** | 1,221,876 | **701,825** |
| 6.5% Island Hotels Group Holdings plc € 2017-2019 | 58 | **42** | 189,200 | **134,900** | 191,421 | **137,835** |
| 6.25% Int. Hotel Invest. Plc € 2015-2019 | 186 | **106** | 1,095,100 | **688,700** | 1,075,693 | **697,998** |
| 6.25% Corinthia Finance plc € 2016-2019 | 150 | **124** | 637,700 | **978,800** | 630,901 | **995,811** |
| 6.2% Mizzi Org. Fin. plc € 2016-2019 | 94 | **63** | 398,600 | **372,500** | 413,657 | **388,392** |
| 7.5% Mediterranean Bank plc Subordinated Bonds EUR 2019 | - | **3** | - | **1,005,000** | - | **1,020,709** |
| 7% Grand Harbour Marina plc € 2017-2020 | 74 | **32** | 508,400 | **156,100** | 523,723 | **163,064** |
| 4.8% Bank of Valletta Plc Sub € 2020 | 483 | **148** | 3,279,900 | **910,400** | 3,320,853 | **925,230** |
| 6.8% Premier Capital plc € Bond 2017-2020 | 78 | **89** | 470,700 | **1,088,100** | 484,674 | **1,141,458** |
| 6.25% International Hotel Investments Plc € 2017 - 2020 | 104 | **48** | 547,700 | **196,600** | 532,781 | **199,913** |
| 6% Simonds Farsons Cisk plc 2017 - 2020 | 59 | **59** | 105,000 | **264,700** | 108,830 | **277,973** |
| 6.6% Eden Finance plc 2017-2020 | 43 | **47** | 379,700 | **459,000** | 387,717 | **472,460** |
| 6.2% Tumas Investments plc € 2017 - 2020 | 89 | **71** | 355,400 | **1,047,900** | 367,108 | **1,099,102** |
| 7.5% Hotel San Antonio Plc 2012 | 21 | **-** | 772,912 | **-** | 787,234 | **-** |
| 8% Bay Street Finance Plc 2012 | 9 | **-** | 68,625 | **-** | 69,381 | **-** |
| 5.8% International Hotel Investments plc 2021 | - | **3** | - | **367,300** | - | **367,479** |
| 6% Corinthia Finance plc € 2019-2022 | - | **2** | - | **20,000** | - | **20,300** |
| 7% GAP Developments Plc Euro Sec 2011-13 | 188 | **238** | 2,563,159 | **7,996,354** | 2,533,497 | **7,996,043** |
| 7.15% Melita Capital plc € 2014-2016 | 302 | **268** | 2,345,900 | **3,125,700** | 2,353,090 | **3,213,994** |
| 7% PAVI Shopping Complex Plc Sec 2014-2017 | 31 | **26** | "85,381 | **160,554** | 86,728 | **168,423** |
| Total Corp. Bonds | 4,689 | 3,700 | 34,749,216 | 46,318,135 | 34,200,825 | 47,029,893 |
| **Close Ended Collective Investment Scheme** | | | | | | |
| Santumas Shareholdings p.l.c. | 5 | **10** | 7,449 | **23,520** | 14,813 | **42,191** |
| Total Close Ended Collective Investment Scheme | 5 | 10 | 7,449 | 23,520 | 14,813 | 42,191 |
| **Malta Government Stocks** | | | | | | |
| Total MGSs | 4,850 | 5,913 | 379,874,126 | 534,076,031 | 406,130,665 | 566,319,222 |
| **Treasury Bills** | | | | | | |
| Total T.Bills | 37 | 29 | 31,783,000 | 23,367,000 | 31,762,199 | 23,347,237 |
| Total all Securities | 17,318 | 15,392 | - | - | 509,686,327 | 670,244,600 |

## MGS Movements 2012

| Security Name | Date of Issue | Amount Issued (EURO) | Coupon | Dates of Interest | Traded Value (EURO) | Deals | Last Closing Price |
|---|---|---|---|---|---|---|---|
| 7% MGS 2019 (II) | 26-Jun-09 | 13,670,000 | 7.00% | 30-Dec - 30-Jun | - | - | - |
| 5.25% MGS 2030 | 4-Jun-10 | 440,165,700 | 5.25% | 23-Dec - 23-Jun | 43,620,877 | 628 | 105.900 |
| 7% MGS 2020 (III) | 1-Jul-10 | 430,700 | 7.00% | 30-Dec - 30-Jun | - | - | - |
| Floating Rate 6 Mth Eur MGS 2013 (VI) | 18-Aug-10 | 30,000,000 | 1.09% | 11-Aug - 11-Feb | - | - | - |
| 7% MGS 2021 (II) | 20-Jun-11 | 466,000 | 7.00% | 18-Dec - 18-Jun | - | - | - |
| 7% MGS 2021 (III) | 1-Jul-11 | 2,858,800 | 7.00% | 30-Dec - 30-Jun | - | - | - |
| Floating Rate 6 Mth Eur MGS 2014 (V) | 24-Nov-11 | 24,000,000 | 2.14% | 23-Nov - 23-May | - | - | - |
| 4.25% MGS 2017 (III) FI Nov 11 r | 2-Dec-11 | 16,070,900 | 4.25% | 20-Nov - 06-May | 1,811,114 | 31 | 104.800 |
| 4.25% MGS 2017 (III) FI Nov 11 l | 24-Nov-11 | 3,000,000 | 4.25% | 22-Nov - 06-May | - | - | - |
| 5.2% MGS 2031 (I) r | 2-Dec-11 | 118,036,900 | 5.20% | 20-Nov - 16-Mar | 16,220,706 | 391 | 101.800 |
| 5.2% MGS 2031 (I) l | 24-Nov-11 | 6,880,000 | 5.20% | 22-Nov - 16-Mar | 5,939,783 | 17 | 101.120 |
| 4.3% MGS 2016 (IV) | 7-Dec-11 | 158,145,275 | 4.30% | 16-Aug - 16-Feb | 36,235,103 | 21 | 107.920 |
| 3.75% MGS 2017 (IV) r | 5-Jul-12 | 4,552,800 | 3.75% | 21-Jun - 20-Aug | 15,142 | 1 | 103.010 |
| 4.3% MGS 2022 (II) FI Jun 12 r | 5-Jul-12 | 34,993,200 | 4.30% | 21-Jun - 15-Nov | 4,474,583 | 94 | 102.170 |
| 5.1% MGS 2029 (I) r | 5-Jul-12 | 57,894,900 | 5.10% | 21-Jun - 01-Oct | 3,167,021 | 95 | 103.000 |
| 3.75% MGS 2017 (IV) l | 28-Jun-12 | 43,500,000 | 3.75% | 26-Jun - 20-Aug | - | - | - |
| 4.3% MGS 2022 (II) FI Jun 12 l | 28-Jun-12 | 17,500,000 | 4.30% | 26-Jun - 15-Nov | - | - | - |
| 5.1% MGS 2029 (I) l | 28-Jun-12 | 21,250,000 | 5.10% | 26-Jun - 01-Oct | 30,900 | 1 | 103.000 |
| 7% MGS 2022 (III) | 3-Sep-12 | 1,318,800 | 7.00% | 01-Sep - 01-Mar | - | - | - |
| Floating Rate 6Mth Eur MGS 2017 (V) | 7-Sep-12 | 25,000,000 | 1.43% | 04-Sep - 05-Mar | - | - | - |
| Floating rate 6Mth Eur MGS 2018 (IV) | 7-Sep-12 | 31,400,000 | 1.63% | 04-Sep - 05-Mar | - | - | - |
| 7.8% MGS 2012 | 11-Jun-97 | 80,364,319 | 7.80% | 24-Nov - 24-May | 1,476,213 | 35 | 100.620 |
| 7.8% MGS 2018 | 3-Aug-98 | 163,057,021 | 7.80% | 15-Jan - 15-Jul | 16,597,291 | 67 | 125.640 |
| 6.1% MGS 2015 (I) | 6-Jul-00 | 69,882,174 | 6.10% | 10-Dec - 10-Jun | 19,155,202 | 82 | 111.060 |
| 6.6% MGS 2014 | 16-Oct-00 | 24,459,140 | 6.60% | 30-Sep - 30-Mar | 973,041 | 54 | 106.540 |
| 6.65% MGS 2016 | 16-Apr-01 | 69,883,069 | 6.65% | 28-Sep - 28-Mar | 8,605,398 | 120 | 115.150 |
| 6.45% MGS 2014(II) | 8-Jun-01 | 69,882,324 | 6.45% | 24-Nov - 24-May | 14,878,101 | 99 | 109.600 |
| 6.35% MGS 2013 (II) | 5-Dec-01 | 60,565,893 | 6.35% | 19-Nov - 19-May | 17,306,245 | 189 | 101.970 |
| 5.9% MGS 2015 (II) | 19-Apr-02 | 116,518,196 | 5.90% | 09-Oct - 09-Apr | 16,619,084 | 186 | 111.450 |
| 7% MGS 2012 (II) | 26-Jul-02 | 410,436 | 7.00% | 30-Jun - 30-Dec | - | - | - |
| 5.7% MGS 2012 (III) | 4-Oct-02 | 268,940,703 | 5.70% | 30-Mar - 30-Dec | 7,746,354 | 166 | 100.320 |
| 7% MGS 2017 | 19-Feb-07 | 668,998 | 7.00% | 18-Aug - 18-Feb | - | - | - |
| 5.2% MGS 2020 | 4-Jul-07 | 52,407,462 | 5.20% | 10-Dec - 10-Jun | 8,325,340 | 76 | 112.710 |
| 7% MGS 2017 (II) | 28-Jun-07 | 10,338,691 | 7.00% | 30-Dec - 30-Jun | - | - | - |
| 7% MGS 2018 (III) | 30-Jun-08 | 6,542,600 | 7.00% | 30-Dec - 30-Jun | - | - | - |
| 3.75% MGS 2015 (VI) | 3-Mar-10 | 131,545,100 | 3.75% | 03-Dec - 03-Jun | 6,194,718 | 75 | 105.720 |
| Floating Rate 6 Mth Eur MGS 2013 (V) | 3-Mar-10 | 7,250,000 | 1.35% | 24-Aug - 24-Feb | 2,006,200 | 1 | 100.310 |
| 4.25% MGS 2017 (III) | 3-Mar-11 | 263,853,300 | 4.25% | 06-Nov - 06-May | 25,735,078 | 361 | 107.500 |
| Floating Rate 6 Mth Eur MGS 2013 (VII) | 27-May-11 | 52,000,000 | 2.14% | 18-Nov - 18-May | - | - | - |
| 4.25% MGS 2017(III) FI Feb 12 r | 20-Feb-12 | 6,299,700 | 4.25% | 05-Feb - 06-May | 29,613 | 3 | 104.310 |
| 4.3% MGS 2022 (II) r | 20-Feb-12 | 71,276,900 | 4.30% | 05-Feb - 15-May | 5,340,405 | 138 | 101.550 |
| 4.3% MGS 2022 (II) l | 13-Feb-12 | 87,200,000 | 4.30% | 08-Feb - 15-May | - | - | - |
| 5.2% MGS 2031 (I) FI Feb 12 r | 20-Feb-12 | 45,660,700 | 5.20% | 05-Feb - 16-Mar | 567,407 | 17 | 101.120 |
| 5.2% MGS 2031 (I) FI Feb 12 l | 13-Feb-12 | 30,766,000 | 5.20% | 08-Feb - 16-Mar | - | - | - |
| 5.2% MGS 2031 (I) | 20-Mar-12 | 201,343,600 | 5.20% | 16-Sep - 16-Mar | 31,404,126 | 750 | 104.730 |
| 4.3% MGS 2022 (II) | 15-May-12 | 210,970,100 | 4.30% | 15-Nov - 15-May | 16,879,709 | 353 | 104.160 |
| 5.1% MGS 2029 (I) | 2-Oct-12 | 79,144,900 | 5.10% | 01-Oct - 01-Apr | 3,465,876 | 96 | 105.110 |
| 3.75% MGS 2017 (IV) FI Nov 12 r | 15-Nov-12 | 2,358,900 | 3.75% | 01-Nov - 20-Feb | - | - | - |
| 3.75% MGS 2017 (IV) FI Nov 12 l | 12-Nov-12 | 1,400,000 | 3.75% | 06-Nov - 20-Feb | - | - | - |
| 4.3% MGS 2022 (II) FI Nov 12 r | 15-Nov-12 | 21,399,300 | 4.30% | 01-Nov - 15-May | 685,790 | 11 | 104.000 |
| 4.3% MGS 2022 (II) FI Nov 12 l | 12-Nov-12 | 7,800,000 | 4.30% | 06-Nov - 15-May | - | - | - |
| 4.8% MGS 2028 (I) r | 15-Nov-12 | 97,029,000 | 4.80% | 01-Nov - 11-Mar | 3,618,827 | 125 | 103.400 |
| 4.8% MGS 2028 (I) l | 12-Nov-12 | 10,000,500 | 4.80% | 06-Nov - 11-Mar | - | - | - |
| 3.75% MGS 2017 (IV) FI Dec 12 | 18-Dec-12 | 20,152,000 | 3.75% | 19-Aug - 20-Feb | - | - | - |
| 3.85% MGS 2018 (V) | 18-Dec-12 | 121,431,000 | 3.85% | 17-Oc - 18-Apr | - | - | - |
| 7.8% MGS 2013 | 12-Nov-97 | 79,781,860 | 7.80% | 18-Oct - 18-Apr | 30,127,883 | 90 | 105.480 |
| 6.6% MGS 2019 | 17-Jun-97 | 102,493,253 | 6.60% | 01-Sep - 01-Mar | 8,569,073 | 52 | 121.120 |
| 5.5% MGS 2023 | 21-Jul-03 | 78,811,283 | 5.50% | 06-Jan - 06-Jul | 3,682,515 | 61 | 113.920 |
| 7% MGS 2013 (III) | 12-Sep-03 | 155,370 | 7.00% | 30-Dec - 30-Jun | - | - | - |
| 4.8% MGS 2016 (II) | 1-Dec-03 | 186,351,758 | 4.80% | 26-Nov - 26-May | 19,315,275 | 186 | 110.190 |
| 5.1% MGS 2022 | 24-Aug-04 | 71,047,725 | 5.10% | 16-Aug - 16-Feb | 3,215,073 | 130 | 110.240 |
| 7% MGS 2014 (IV) | 6-Aug-04 | 4,003,727 | 7.00% | 30-Dec - 30-Jun | - | - | - |
| 7% MGS 2015 (III) | 8-Jul-05 | 678,780 | 7.00% | 30-Dec - 30-Jun | - | - | - |
| 7% MGS 2015 (IV) | 30-Nov-05 | 804,571 | 7.00% | 03-Nov - 03-May | - | - | - |
| 7% MGS 2016 (III) | 30-Jun-06 | 3,390,636 | 7.00% | 30-Dec - 30-Jun | - | - | - |
| Floating Rate 6 Mth Eur MGS 2015 (V) | 19-Nov-09 | 29,800,000 | 1.83% | 25-Oct - 25-Apr | 3,152,593 | 12 | 100.000 |
| 3.6% MGS 2013 (IV) | 3-Apr-09 | 140,514,800 | 3.60% | 18-Oct - 18-Apr | 43,616,365 | 160 | 101.780 |
| 5.1% MGS 2014 (III) | 21-Jul-03 | 388,915,541 | 5.10% | 06-Jan - 06-Jul | 38,973,448 | 346 | 105.580 |
| 7% MGS 2018 (II) | 17-Apr-08 | 326,700 | 7.00% | 18-Oct - 18-Apr | - | - | - |
| 4.25% MGS 2017 (III) FI Feb 12 l | 13-Feb-12 | 33,500,000 | 4.25% | 08-Feb - 06-May | - | - | - |
| 5% MGS 2021 | 3-Jun-04 | 458,844,653 | 5.00% | 08-Aug - 08-Feb | 34,084,146 | 410 | 110.610 |
| 4.6% MGS 2020 (II) | 19-Nov-09 | 158,327,200 | 4.60% | 25-Oct - 25-Apr | 62,247,885 | 181 | 109.170 |
| 3.75% MGS 2017 (IV) | 20-Aug-12 | 48,052,800 | 3.75% | 20-Aug - 20-Feb | 209,720 | 2 | 104.860 |

## MSE Index for 2012

# Market Capitalisation as at 31 Dec 2012

| ISIN | Security | Volume/No of Shares | Close Price | Capitalisation in Euro |
|---|---|---|---|---|
| **Equity** | | | | |
| MT0000020116 | BOV Ord Shares | 270,000,000 | 2.415 | 652,050,000 |
| MT0000030107 | HSBC Ord Shares | 291,840,000 | 2.700 | 787,968,000 |
| MT0000040106 | LOM Bank Ord Shares | 36,092,692 | 1.860 | 67,132,407 |
| MT0000050105 | MSI Shares | 92,000,000 | 0.740 | 68,080,000 |
| MT0000070103 | SFC Ord Shares | 30,000,000 | 2.500 | 75,000,000 |
| MT0000090101 | GO Ord Shares | 101,310,488 | 1.190 | 120,559,481 |
| MT0000110107 | IHI Ord Shares | 554,238,573 | 0.860 | 476,645,173 |
| MT0000120106 | PZC Ord Shares | 28,242,000 | 0.600 | 16,945,200 |
| MT0000150103 | LQS Ord Shares | 31,899,000 | 0.147 | 4,689,153 |
| MT0000170101 | GC P.l.c. Ord Shares | 13,207,548 | 0.800 | 10,566,038 |
| MT0000180100 | FIMB Plc Ord Shares | 142,943,602 | 0.800 | 86,744,202 |
| MT0000250101 | MIA Plc Ord A Shares | 81,179,990 | 1.800 | 146,123,982 |
| MT0000290107 | STUM Share.Hldgs PLC | 1,665,176 | 1.800 | 2,997,317 |
| MT0000310103 | MDS Ord Shares | 10,000,000 | 3.940 | 39,400,000 |
| MT0000320102 | GHM Ord Shares | 10,000,000 | 1.820 | 18,200,000 |
| MT0000350109 | 6pm Holdings plc Ord Shares | 19,019,520 | 0.310 | 7,217,151 |
| MT0000380106 | Crimsonwing p.l.c. Ord Shares | 28,940,000 | 0.490 | 14,180,600 |
| MT0000390105 | MaltaPost p.l.c. Ordinary Shares | 32,688,600 | 0.850 | 27,785,310 |
| MT0000400102 | RS2 Software plc Ord Shares | 39,999,956 | 0.740 | 29,599,967 |
| MT0000420126 | MIDI plc Ordinary Shares | 214,159,922 | 0.275 | 58,893,979 |
| MT0000480104 | IHGH plc Ordinary Shares | 36,340,160 | 0.790 | 28,708,726 |
| MT0000610106 | Malita Inv plc Ord B Shares | 30,000,000 | 0.500 | 15,000,000 |
| Total | | | | 2,754,486,686 |
| **Bonds** | | | | |
| MT0000021262 | 5.35% BOV plc Sub Bds 2019 | 50,000,000 | 105.000 | 52,500,000 |
| MT0000021270 | 4.8% BOV Sub Bds 2020 | 70,000,000 | 102.500 | 71,750,000 |
| MT0000021288 | 4.8% BOV plc Notes 2018 | 55,400,000 | 103.100 | 57,117,400 |
| MT0000021304 | 4.25% BOV plc Ä Nts 2019 Series 2 Tra 1 | 40,000,000 | 101.750 | 40,700,000 |
| MT0000031220 | 4.6% HSBC Ä 2017 | 58,234,390 | 103.260 | 60,132,831 |
| MT0000031238 | 5.9% HSBC Bank Malta plc Sub Bds 2018 | 30,000,000 | 108.000 | 32,400,000 |
| MT0000061243 | 6% GFC plc Bds 2014-2016 | 20,000,000 | 103.100 | 20,620,000 |
| MT0000071226 | 6% SFC p.l.c. Bonds 2017 - 2020 | 15,000,000 | 107.000 | 16,050,000 |
| MT0000073412 | 5.6% G.C. P.l.c. Ä Bonds 2014/16 | 17,000,000 | 80.000 | 13,600,000 |
| MT0000081217 | 6.7% AXI Bonds 2014/16 | 11,647,819 | 101.500 | 11,822,536 |
| MT0000081225 | 4% AXI Bonds 2013 | 1,730,884 | 133.000 | 2,302,076 |
| MT0000101239 | 6.25% CFC plc Bonds 2016 - 2019 | 40,000,000 | 102.750 | 41,100,000 |
| MT0000101254 | 6% CFC plc Bonds 2019-2022 | 7,500,000 | 101.000 | 7,575,000 |
| MT0000111220 | 6.3% IHI Plc Bonds 2013 | 4,061,143 | 100.500 | 4,081,449 |
| MT0000111238 | 6.2%-6.8% IHI Plc Ä Bonds 2013 | 1,687,600 | 98.000 | 1,653,848 |
| MT0000111246 | 6.5% IHI Plc Ä Bonds 2012/14 | 12,500,000 | 102.000 | 12,750,000 |
| MT0000111253 | 6.25% IHI plc Bds 2015-2019 | 35,000,000 | 102.760 | 35,966,000 |
| MT0000111261 | 6.25% IHI plc Bonds 2017-2020 | 25,000,000 | 102.260 | 25,565,000 |
| MT0000111279 | 5.8% IHI plc Bds 2021 | 20,000,000 | 101.250 | 20,250,000 |
| MT0000131210 | 6.75% UFC plc Bds Ä 2014-2016 | 12,000,000 | 103.000 | 12,360,000 |
| MT0000141219 | 6.6% EDF p.l.c. Bonds 2017-2020 | 15,000,000 | 104.200 | 15,630,000 |
| MT0000181215 | 7% FIM plc EUR Sub Bds 2012-2019 | 23,579,500 | 101.500 | 23,933,193 |
| MT0000181223 | 7% FIM plc USD Sub Bds 2012-2019 | 8,107,800 | 103.000 | 6,334,699 |
| MT0000181231 | 4.25% FIM plc Eur Bonds 2013 | 19,263,600 | 100.260 | 19,313,685 |
| MT0000181249 | 4.25% FIMBank plc USD Bonds 2013 | 18,047,700 | 100.750 | 13,792,807 |
| MT0000211210 | 6.2% MOF plc Bonds 2016-2019 | 30,000,000 | 105.500 | 31,650,000 |
| MT0000231226 | 6.25% Tum Inv plc Bds 2014 - 2016 | 25,000,000 | 104.500 | 26,125,000 |
| MT0000231234 | 6.2% TIP p.l.c. Bonds 2017 - 2020 | 25,000,000 | 104.500 | 26,125,000 |
| MT0000321217 | 7% GHM plc Bonds 2017-2020 | 12,000,000 | 104.780 | 12,573,600 |
| MT0000331216 | 7% GAP Plc Euro Sec Bds 2011/13 | 29,422,286 | 100.000 | 29,422,286 |
| MT0000361205 | 7% PAVI plc Sec Bds 2014/17 | 10,319,496 | 106.750 | 11,016,062 |
| MT0000371212 | 7.5% MIH plc Euro Bonds 2012-2014 | 14,757,659 | 103.500 | 15,274,177 |
| MT0000371220 | 7.5% MIH plc Bds 2015 | 19,649,600 | 103.000 | 20,239,088 |
| MT0000371238 | 7.15% MIH p.l.c. Ä Bonds 2015 - 2017 | 28,519,400 | 104.000 | 29,660,176 |
| MT0000371246 | 7.15% MIH p.l.c. GBP Bonds 2015 - 2017 | 4,351,100 | 103.250 | 5,499,126 |
| MT0000371253 | 7.15% MIH p.l.c. USD Bonds 2015 - 2017 | 7,120,300 | 103.600 | 5,595,563 |
| MT0000421207 | 7% MIDI p.l.c. Ä Bnds 2016 - 2018 | 31,702,900 | 103.500 | 32,812,502 |
| MT0000421215 | 7% MIDI p.l.c. £ Bnds 2016 - 2018 | 7,214,300 | 103.500 | 9,139,850 |
| MT0000471202 | 7.15% MLT plc Bonds 2014-2016 | 25,878,300 | 103.750 | 26,848,736 |
| MT0000481219 | 6.5% IHGH plc Bonds 2017-2019 | 14,000,000 | 103.050 | 14,427,000 |
| MT0000511205 | 6.8% PRC plc Bds 2017-2020 | 24,735,600 | 104.000 | 25,725,024 |
| MT0000531203 | 5.35% Izola Bank plc Secured Notes 2015 | 9,000,000 | 101.500 | 9,135,000 |
| MT0000551201 | 6.25% Med Bank plc Bonds 2015 | 18,634,000 | 100.500 | 18,727,170 |
| MT0000551227 | 7.5% Med Bank Eur Sub Bonds 2019 | 10,156,000 | 101.600 | 10,318,496 |
| MT0000551235 | 7.5% Med Bank GBP Sub bonds 2019 | 1,911,000 | 100.000 | 1,911,000 |
| Total | | | | 981,525,380 |

## Market Capitalisation as at 31 Dec 2012 - *continued*

| ISIN | Security | Volume/No of Shares | Close Price | Capitalisation in Euro |
|---|---|---|---|---|
| **Malta Government Stocks** | | | | |
| MT0000010786 | 7.8% MGS 2013 | 79,781,860 | 105.480 | 84,153,906 |
| MT0000010828 | 7.8% MGS 2018 | 163,057,021 | 125.640 | 204,864,841 |
| MT0000010901 | 6.6% MGS 2019 | 102,493,253 | 121.120 | 124,139,828 |
| MT0000010943 | 6.1% MGS 2015 (I) | 69,882,174 | 111.060 | 77,611,142 |
| MT0000010976 | 6.6% MGS 2014 | 24,459,140 | 106.540 | 26,058,768 |
| MT0000010984 | 6.65% MGS 2016 | 69,883,069 | 115.150 | 80,470,354 |
| MT0000010992 | 6.45% MGS 2014(II) | 69,882,324 | 109.600 | 76,591,027 |
| MT0000011016 | 6.35% MGS 2013 (II) | 60,565,893 | 101.970 | 61,759,041 |
| MT0000011040 | 5.9% MGS 2015 (II) | 116,518,196 | 111.450 | 129,859,529 |
| MT0000011115 | 5.1% MGS 2014 (III) | 388,915,541 | 105.580 | 410,617,028 |
| MT0000011123 | 5.5% MGS 2023 | 78,811,283 | 113.920 | 89,781,814 |
| MT0000011131 | 7% MGS 2013 (III) | 155,370 | 100.000 | 155,370 |
| MT0000011149 | 4.8% MGS 2016 (II) | 186,351,758 | 110.190 | 205,341,002 |
| MT0000011164 | 5% MGS 2021 | 458,844,653 | 110.610 | 507,528,071 |
| MT0000011172 | 5.1% MGS 2022 | 71,047,725 | 110.240 | 78,323,012 |
| MT0000011206 | 7% MGS 2014 (IV) | 4,003,727 | 100.000 | 4,003,727 |
| MT0000011271 | 7% MGS 2015 (III) | 678,780 | 100.000 | 678,780 |
| MT0000011305 | 7% MGS 2015 (IV) | 804,571 | 123.250 | 991,634 |
| MT0000011321 | 7% MGS 2016 (III) | 3,390,636 | 100.000 | 3,390,636 |
| MT0000011347 | 7% MGS 2017 | 668,998 | 100.000 | 668,998 |
| MT0000011370 | 5.2% MGS 2020 | 52,407,462 | 112.710 | 59,068,451 |
| MT0000011404 | 7% MGS 2017 (II) | 10,338,691 | 100.000 | 10,338,691 |
| MT0000011438 | 7% MGS 2018 (II) | 326,700 | 100.000 | "326,700 |
| MT0000011461 | 7% MGS 2018 (III) | 6,542,600 | 100.000 | 6,542,600 |
| MT0000011511 | 3.6% MGS 2013 (IV) | 140,514,800 | 101.780 | 143,015,963 |
| MT0000011545 | 7% MGS 2019 (II) | 13,670,000 | 100.000 | 13,670,000 |
| MT0000011602 | 4.6% MGS 2020 (II) | 158,327,200 | 109.170 | 172,845,804 |
| MT0000011610 | 3.75% MGS 2015 (VI) | 131,545,100 | 105.720 | 139,069,480 |
| MT0000011651 | 5.25% MGS 2030 | 440,165,700 | 105.900 | 466,135,476 |
| MT0000011669 | 7% MGS 2020 (III) | 430,700 | 100.000 | 430,700 |
| MT0000011719 | 4.25% MGS 2017 (III) | 263,853,300 | 107.500 | 283,642,298 |
| MT0000011750 | 7% MGS 2021 (II) | 466,000 | 100.000 | 466,000 |
| MT0000011768 | 7% MGS 2021 (III) | 2,858,800 | 100.000 | 2,858,800 |
| MT0000011818 | 4.3% MGS 2016 (IV) | 158,145,275 | 107.920 | 170,670,381 |
| MT0000011883 | 5.2% MGS 2031 (I) | 201,343,600 | 104.730 | 210,867,152 |
| MT0000011891 | 4.3% MGS 2022 (II) | 210,970,100 | 104.160 | 219,746,456 |
| MT0000011909 | 3.75% MGS 2017 (IV) | 48,052,800 | 104.860 | 50,388,166 |
| MT0000011958 | 5.1% MGS 2029 (I) | 79,144,900 | 105.110 | 83,189,204 |
| MT0000011982 | 7% MGS 2022 (III) | 1,318,800 | 100.000 | 1,318,800 |
| MT0000011990 | 3.75% MGS 2017 (IV) FI Nov 12 r | 2,358,900 | 105.000 | 2,476,845 |
| MT0000012006 | 3.75% MGS 2017 (IV) FI Nov 12 I | 1,400,000 | 105.340 | 1,474,760 |
| MT0000012014 | 4.3% MGS 2022 (II) FI Nov 12 r | 21,399,300 | 104.000 | 22,255,272 |
| MT0000012022 | 4.3% MGS 2022 (II) FI Nov 12 I | 7,800,000 | 102.910 | 8,026,980 |
| MT0000012030 | 4.8% MGS 2028 (I) r | 97,029,000 | 103.400 | 100,327,986 |
| MT0000012048 | 4.8% MGS 2028 (I) I | 10,000,500 | 101.040 | 10,104,505 |
| MT0000012063 | 3.75% MGS 2017 (IV) FI Dec 12 | 20,152,000 | 101.850 | 20,524,812 |
| MT0000012071 | 3.85% MGS 2018 (V) | 121,431,000 | 101.850 | 123,677,474 |
| MT1000010008 | Floating Rate 6 Mth Eur MGS 2015 (V) | 29,800,000 | 100.000 | 29,800,000 |
| MT1000010016 | Floating Rate 6 Mth Eur MGS 2013 (V) | 7,250,000 | 100.310 | 7,272,475 |
| MT1000010024 | Floating Rate 6 Mth Eur MGS 2013 (VI) | 30,000,000 | 100.000 | 30,000,000 |
| MT1000010032 | Floating Rate 6 Mth Eur MGS 2013 (VII) | 52,000,000 | 100.226 | 52,117,520 |
| MT1000010040 | Floating Rate 6 Mth Eur MGS 2014 (V) | 24,000,000 | 100.280 | 24,067,200 |
| MT1000010057 | Floating Rate 6Mth Eur MGS 2017 (V) | 25,000,000 | 100.202 | 25,050,500 |
| MT1000010065 | Floating rate 6Mth Eur MGS 2018 (IV) | 31,400,000 | 99.327 | 31,188,678 |
| **Total** | | | | **4,689,944,637.35** |
| **Treasury Bills** | | | | |
| MT3100012199 | 91 DTB 05.10.12 - 04.01.13 | 1,000,000 | 100.000 | 1,000,000 |
| MT3100012207 | 91 DTB 12.10.12 - 11.01.13 | 4,061,000 | 100.000 | 4,061,000 |
| MT3100012215 | 91 DTB 19.10.12 - 18.01.13 | 10,350,000 | 100.000 | 10,350,000 |
| MT3100012223 | 91 DTB 26.10.12 - 25.01.13 | 4,999,000 | 100.000 | 4,999,000 |
| MT3100012231 | 91 DTB 23.11.12 - 22.02.13 | 1,050,000 | 100.000 | 1,050,000 |
| MT3100012249 | 91 DTB 30.11.12 - 01.03.13 | 1,750,000 | 100.000 | 1,750,000 |
| MT3100012256 | 91 DTB 07.12.12 - 08.03.13 | 13,600,000 | 100.000 | 13,600,000 |
| MT3100012264 | 91 DTB 14.12.12 - 15.03.13 | 14,200,000 | 100.000 | 14,200,000 |
| MT3100012272 | 91 DTB 21.12.12 - 22.03.13 | 11,250,000 | 100.000 | 11,250,000 |
| MT3200011133 | 182 DTB 06.07.12 - 04.01.13 | 5,000,000 | 100.000 | 5,000,000 |
| MT3200011141 | 182 DTB 13.07.12 - 11.01.13 | 3,000,000 | 100.000 | 3,000,000 |
| MT3200011158 | 182 DTB 20.07.12 - 18.01.13 | 14,000,000 | 100.000 | 14,000,000 |
| MT3200011166 | 182 DTB 27.07.12 - 25.01.13 | 10,000,000 | 100.000 | 10,000,000 |
| MT3200011174 | 182 DTB 10.08.12 - 08.02.13 | 3,000,000 | 100.000 | 3,000,000 |
| MT3200011182 | 183 DTB 20.09.12 - 22.03.13 | 7,000,000 | 100.000 | 7,000,000 |
| MT3200011190 | 181 DTB 28.09.12 - 28.03.13 | 4,000,000 | 100.000 | 4,000,000 |
| MT3200011224 | 181 DTB 07.12.12 - 06.06.13 | 5,000,000 | 100.000 | 5,000,000 |
| MT3200011232 | 182 DTB 14.12.12 - 14.06.13 | 5,000,000 | 100.000 | 5,000,000 |
| MT3300010480 | 274 DTB 05.04.12 - 04.01.13 | 3,051,000 | 100.000 | 3,051,000 |
| MT3300010498 | 273 DTB 13.04.12 - 11.01.13 | 8,000,000 | 100.000 | 8,000,000 |
| MT3300010506 | 273 DTB 28.09.12 - 28.06.13 | 5,000,000 | 100.000 | 5,000,000 |
| MT3300010514 | 273 DTB 02.11.12 - 02.08.13 | 10,322,000 | 100.000 | 10,322,000 |
| MT3400010067 | 364 DTB 13.04.12 - 12.04.13 | 4,000,000 | 100.000 | 4,000,000 |
| MT3400010075 | 364 DTB 05.10.12 - 04.10.13 | 5,500,000 | 100.000 | 5,500,000 |
| **Total** | | | | **154,133,000** |
| **Grand Total** | | | | **8,580,089,703** |

## Net Asset Value

The total Net Asset Value of Collective Investment Schemes which are listed on the Exchange and which invest in locally listed instruments amounted to €521 million as at the end of 2012, down €23 million from the €544 million value that was registered as at the end of 2011. This was a result of the delisting of one fund valued at €45.3 million during the year, since the remaining funds collectively appreciated by over €22 million during the year, with two funds (Vilhena Funds Sicav plc - Malta Government Bond Fund and HSBC Malta Funds Sicav plc - Malta Bond Fund) accounting for an increase of over €27 million between them. The biggest drop in value was registered by HSBC No-Load Funds Sicav plc - Maltese Assets Fund which registered a loss of over €3 million during the year.

## Admissions

The number of admissions to the market included the admission of a new equity with a market capitalisation of €15 million as

## Holders of MSE Listed Securities by Market Capitalisation as at 31 Dec 2012

| | Financial Entities | | Non-Financial Entities | | Government | | Individuals | |
|---|---|---|---|---|---|---|---|---|
| | Resident | Non-Resident | Resident | Non-Resident | Resident | Non-Resident | Resident | Non-Resident |
| Equities | 8.26% | 28.26% | 23.01% | 6.91% | 7.88% | 0.01% | 24.26% | 1.41% |
| Corp. Bonds | 14.39% | 0.26% | 4.16% | 0.39% | 0.29% | 0.00% | 79.25% | 1.27% |
| MGS | 61.78% | 1.59% | 4.05% | 0.00% | 0.72% | 0.00% | 30.55% | 1.30% |
| T.Bills | 86.32% | 0.00% | 0.00% | 0.00% | 1.69% | 0.00% | 0.96% | 11.03% |

## Collective Investment Funds Investing in MSE Listed Securities

| ISIN Code | Fund | Net Asset Value in EURO 31 Dec 11 | Net Asset Value in EURO 31 Dec 12 |
|---|---|---|---|
| MT0000072034 | La Valette Funds Sicav plc - Malta Fund | 26,787,564 | 26,430,554.84 |
| MT0000072067 | La Valette Funds Sicav plc - Malta Bond Fund | 62,855,360 | 68,983,455 |
| MT0000072075 | Vilhena Funds Sicav plc - Malta Fund | 19,335,930 | 21,637,487 |
| MT0000072125 | Vilhena Funds Sicav plc - Malta Government Bond Fund | 89,180,068 | 103,570,867 |
| MT0000072257 | Global Funds Sicav plc - Malta Privatisation and Equity Fund | 2,956,390 | 2,449,808 |
| MT0000072265 | Wignacourt Funds Sicav plc - Malta Fund | 13,678,763 | 14,020,879 |
| MT0000072273 | Amalgamated Funds Sicav plc - Growth and Income Fund | 45,365,019 | - |
| MT0000075557 | APS Funds SICAV plc - APS Income Fund | 24,806,698 | 32,096,988 |
| MT0000072042 | HSBC Malta Funds Sicav plc - Malta Bond Fund | 104,171,783 | 117,269,028 |
| MT0000072166 | HSBC No-Load Funds Sicav plc - Malta Government Bond Fund | 109,349,018 | 118,725,147 |
| MT0000072174 | HSBC No-Load Funds Sicav plc - Maltese Assets Fund | 45,555,739 | 42,508,663 |

## Admissions during 2012

### Equities

| | |
|---|---|
| 30,000,000 | Bank of Valletta plc Ord Shares of €1 per share subsequent to a bonus issue |
| 1,010,497 | Maltapost plc Ordinary shares of €0.25 per share subsequent to a scrip dividend issue |
| 841,386 | Fimbank plc Ordinary Shares of US$0.50 per share subsequent to a scrip dividend issue |
| 5,465,897 | Fimbank plc Ordinary Shares of US$0.50 per share subsequent to a bonus share issue |
| 731,520 | 6pm Holdings plc Ordinary Shares of GBP 0.20 per share subsequent to a bonus share issue |
| 2,499,956 | RS2 Software plc Ordinary Shares of €0.20 per share subsequent to a bonus share issue |
| 30,000,000 | Malita Investments plc Ordinary B Shares of €0.20 per share |
| 2,940,000 | Crimsonwing plc Ordinary Shares of €0.10 per share subsequent to an increase in share capital |

### Corporate Bonds

| | |
|---|---|
| €7,500,000 | 6% Corinthia Finance plc 2019-2022 |
| €40,000,000 | 4.25% Bank of Valletta plc € Notes 2019 Series 2 Tranche 1 |
| €10,156,000 | 7.5% Mediterranean Bank plc EUR Subordinated Bonds 2019 |
| GBP 1,911,000 | 7.5% Mediterranean Bank plc GBP Subordinated Bonds 2019 |
| €20,000,000 | 5.8% International Hotel Investments plc Bonds 2021 |

Malta Government Stocks

| | |
|---|---|
| €33,500,000 | 4.25% MGS 2017 (III) FI Feb 12 I |
| €87,200,000 | 4.3% MGS 2022 (II) I |
| €30,766,000 | 5.2% MGS 2031 (I) FI Feb 12 I |
| €45,660,700 | 5.2% MGS 2031 (I) FI Feb 12 R |
| €71,276,900 | 4.3% MGS 2022 (II) R |
| €6,299,700 | 4.25% MGS 2017 (III) FI Feb 12 R |
| €201,343,600 | 5.2% MGS 2031 (I) |
| €158,476,900 | 4.3% MGS 2022 (II) |
| €17,500,000 | 4.3% MGS 2022 (II) FI June 12 I |
| €21,250,000 | 5.1% MGS 2029 (I) I |
| €43,500,000 | 3.75% MGS 2017 (IV) I |
| €4,552,800 | 3.75% MGS 2017 (IV) R |
| €34,993,200 | 4.3% MGS 2022 (II) FI June 12 R |
| €57,894,900 | 5.1% MGS 2029 (I) R |
| €48,052,800 | 3.75% MGS 2017 (IV) |
| €1,318,800 | 7% MGS 2022 (III) |
| €25,000,000 | Floating Rate 6 Month Euribor MGS 2017 (V) |
| €31,400,000 | Floating Rate 6 Month Euribor MGS 2018 (IV) |
| €79,144,900 | 5.1% MGS 2029 (I) |
| €1,400,000 | 3.75% MGS 2017 (IV) FI Nov 12 I |
| €7,800,000 | 4.3% MGS 2022 (II) FI Nov 12 I |
| €10,000,500 | 4,8% MGS 2028 (I) I |
| €2,358,900 | 3.75% MGS 2017 (IV) FI Nov 12 |
| €21,399,300 | 4.3% MGS 2022 (II) FI Nov 12 R |
| €97,029,000 | 4.8 MGS2028 (I) R |
| €20,152,000 | 3.75% MGS 2017 (IV) FI Dec 12 |
| €121,431,000 | 3.85% MGS 2018 (V) |

Treasury Bills

| | |
|---|---|
| 95 | Treasury Bill issues |

well as 5 new corporate bonds totaling over €79 million. The admission of the corporate bonds was partly driven by the need to redeem and roll-over bonds that matured during the year. The Listing Rules in respect of the Alternative Companies List and the Listing Policies in relation to the applicability of a Sinking Fund in respect of companies approaching the market for financing, were the subject of discussion and consultation with the Competent Authority with a view to introducing amendments and new provisions that would increase the attractiveness of the market to prospective Issuers. It is anticipated that developments in this regard will take place early in 2013.

Apart from the new equity and corporate bonds, 27 new Malta Government stocks with a value of just under €1.3 billion were issued during the year together with 95 issues of Treasury bills, totaling €842 million.

## Redemptions and Mergers

### Redemptions

During 2012, four corporate bonds – all from the hospitality and retail sectors, were redeemed, with three of them, 7.5% Hotel San Antonio Plc Bonds 2012, 8% Bay Street Finance Plc Bonds 2012 and 6% Dolmen Properties Plc Secured Bonds 2010-2013 being fully redeemed, totaling a nominal amount of over €22.5 million. At the same time, three Government Stock issues with a nominal value of almost €350 million and 93 Treasury Bill issues with a value of just under €950 million were redeemed during the year.

Corporate Bonds

| | |
|---|---|
| €9,296,095 | 6.75% Corinthia Finance Plc Bonds 2012 |
| €5,141,798 | 7.5% Hotel San Antonio plc Bonds 2012 |
| €2,712,152 | 8% Bay Street Finance plc Bonds 2012 |
| €5,474,394 | 6% Dolmen Properties plc Secured Bonds 2010 - 2013 |

Malta Government Stocks

| | |
|---|---|
| €80,364,319 | 7.8% MGS 2012 |
| €268,940,703 | 5.7% MGS 2012 (III) |
| €410,436 | 7% MGS 2012 (II) |

Treasury Bills

| | |
|---|---|
| €948,968,000 | 93 Issues of Treasury Bills |

### Mergers

One Corporate Bond merged and a further 16 Government Stocks were merged or switched and re-issued as six integrated stocks with the same maturity and coupon rates totaling an issue amount of almost €962 million.

## Deductions

The Government reduced the nominal outstanding balance of some of its issues due to switch auctions into new stocks while five Corporate Bond Issuers reduced their outstanding nominal balance of their existing bonds through a series of buy backs during 2012.

### Malta Government Stocks

| | |
|---|---|
| €146,500,000 | 3.6% MGS 2013 (IV) |

### Corporate Bonds

| | |
|---|---|
| €60,451 | 8% Bay Street Finance plc 2012 |
| €3,357,814 | 7% GAP Developments plc Euro Secured Bonds 2011 - 2013 |
| €1,366,000 | 6.25% Mediterranean Bank plc Bonds EUR 2015 |
| €430,837 | 4% AX Investments plc Bonds 2013 |
| €264,400 | 6.8% Premier Capital plc Bonds 2017-2020 |

## Delisting

The following sub-funds and share classes of Collective Investment Schemes admitted to the Official List of the Malta Stock Exchange were delisted during 2012 :

| |
|---|
| Jubilee Momentum Fund – Class C Shares |
| Jubilee Momentum Fund – Class I Shares |
| Target 2010 Fund – Class A Euro Shares |
| Target 2010 Fund – Class A Euro Accumulation Shares |
| Brewin Dolphin Portfolio Limited – Income Fund Euro Secondary |
| Brewin Dolphin Portfolio Limited – Income fund GBP Secondary |
| Brewin Dolphin Portfolio Limited – Income Fund US$ Secondary |
| Brewin Dolphin Portfolio Limited – The Bond Fund GBP Secondary |

## Financial Instruments granted admission as at 31 December 2012

A total of 363 financial instruments appeared on the Exchange's Recognised Lists as at the end of 2012, one less that as at the end of the previous year. These financial instruments were split as follows :

| | |
|---|---|
| Equities | 21 |
| Corporate Bonds | 45 |
| Government Stock Issues | 54 |
| Treasury Bill Issues | 24 |
| Close ended Collective Investment Scheme | 1 |
| Structured Debt Instrument | 1 |
| Collective Investment Schemes | 43 – Primary Listed<br>174 – Secondary Listed |

## Central Securities Depository [CSD]

As a result of the implementation of the Xetra trading platform and the removal of the tight-coupling between the trading platform and the registration system, significant changes were implemented in the clearing and settlement processes which directly affected the operations of the CSD. New processes were introduced to replace the pre-validation process, including a match and allocation operation and an earmarking system whereby Members could earmark securities being the subject of sell orders and whereby trading Members could update the CSD in order to update the relevant accounts within the CSD, following trading.

During 2012 the number of accounts registered within the CSD increased by 3,333 overall, to 247,092, representing, 73,825 individual holders, an increase of 849 when compared to the end-2011 figure.

The transfers over the CSD-Clearstream Link have increased considerably during the year in view of the increase in the number of unlisted companies or companies not listed on the Maltese market, which have been dematerialized within the CSD. As a result of this, there has been also an increase in business of custody. The Bye-laws of the Exchange, which were amended in July, reflect the new changes to procedures both in respect of CSD processes as well as clearing and settlement procedures.

The number of amendments effected during 2012 on the registers held within the CSD totaled 45,852, categorized as shown overleaf, down from 47,596 amendments effected the previous year. This slight decrease in the amendments effected, comparing year-to-year figures, was due mainly to a decrease in the number of trades effected on the market and consequently a decrease in the bought/sold movements registered within the CSD.

The CSD also submits reports regarding settlement of monies in three currencies Euro, USD and GBP in which financial instruments are traded and settled which are submitted to the to the Central Bank and Malta Financial Services Authority (MFSA) on a monthly basis.

Reports include "Payments into MaltaClear Settlement A/c", 'Payments Debited out of MaltaClear Settlement A/c" and "Totals" performed by our licensed members/brokers. A Report in respect of late payments remitted for the said currencies is also submitted.

The Exchange also submits a detailed report regarding any failed settlement, to the Competent Authorities.

The CSD processed a number of corporate actions during the year including dividend and interest payments, redemptions and amalgamations of registers. During the year, the CSD processed 408,063 dividend and interest payments, a decrease of 6,000 from last year, amounting to over €345 million, a decrease of around €20 million when compared to the previous year. Such decreases are the result of the amalgamation and redemption of various registers throughout the year.

## CSD amendments during 2012

| Amendment Type | January | February | March | April | May | June | July | August | September | October | November | December | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Causa Mortis | 18 | 21 | 27 | 28 | 26 | 16 | 81 | 30 | 26 | 88 | 62 | 42 | **465** |
| Garnishee Insert | 18 | 12 | 9 | 5 | 3 | 4 | 19 | 10 | 13 | 33 | 18 | 15 | **159** |
| Garnishee Release | 4 | 8 | 3 | 9 | 9 | 2 | 5 | 15 | 13 | 9 | 15 | 23 | **115** |
| Holder Amendment | 79 | 162 | 43 | 46 | 90 | 89 | 66 | 92 | 33 | 62 | 30 | 31 | **823** |
| Mandate/Power of Attorney | 354 | 237 | 158 | 213 | 404 | 335 | 314 | 255 | 181 | 345 | 268 | 105 | **3169** |
| Bought Movements | 1,685 | 1,495 | 1,366 | 1,150 | 1,549 | 1,475 | 1,209 | 1,175 | 794 | 1,558 | 1,544 | 1,258 | **16,258** |
| Sold Movements | 1,685 | 1,495 | 1,366 | 1,150 | 1,549 | 1,475 | 1,195 | 1,245 | 806 | 1,555 | 1,553 | 1,124 | **16,198** |
| Release of Estates | 228 | 339 | 365 | 385 | 386 | 464 | 604 | 381 | 257 | 524 | 288 | 275 | **4496** |
| Off Market Transfers/Donations | 221 | 188 | 452 | 160 | 250 | 110 | 164 | 151 | 127 | 182 | 213 | 248 | **2466** |
| Pledge Insert | 58 | 57 | 53 | 57 | 73 | 82 | 66 | 79 | 49 | 90 | 46 | 81 | **791** |
| Pledge Release | 84 | 34 | 99 | 53 | 86 | 104 | 90 | 58 | 67 | 83 | 85 | 69 | **912** |
| Total | 4,434 | 4,048 | 3,941 | 3,256 | 4,425 | 4,156 | 3,813 | 3,491 | 2,366 | 4,529 | 4,122 | 3,271 | 45,852 |

## Dividend and Interest Payments 2012

| Payment Date | Gross (Euro) | Gross (US$) | Gross (GBP) | No of Payments |
|---|---|---|---|---|
| January | 21,960,225 | - | - | 21,348 |
| February | 21,738,975 | - | - | 25,727 |
| March | 21,760,567 | - | - | 29,273 |
| April | 46,926,703 | 288,503 | - | 38,296 |
| May | 45,236,316 | 3,537,975 | - | 62,501 |
| June | 27,316,219 | - | - | 32,121 |
| July | 24,218,265 | 509,101 | 311,104 | 25,473 |
| August | 57,057,497 | - | - | 34,348 |
| September | 28,283,076 | - | - | 36,255 |
| October | 20,840,534 | 288,503 | - | 24,440 |
| November | 22,435,027 | 389,906 | - | 33,529 |
| December | 59,631,105 | - | 505,001 | 44,752 |
| Total | 343,736,509 | 5,013,988 | 816,105 | 408,063 |

## Compliance and Market Operations

The major event that was the focus of the Compliance and Market Operations office during 2012 was the changeover to the new Xetra trading infrastructure that took place on 9 July 2012. This was a major change in procedures, specifications, and trading rules, and the office was closely involved in this project before, during, as well as after its implementation. Close communication and co-ordination was maintained with Deutsche Boerse in Frankfurt, who are the operators of Xetra, in order to set up the various instruments and local parameters on this hosted system. The various stakeholders, and the Members in particular, were given progress updates, training and simulation exercises in order for them to become familiar with the new platform. The rigorous security features, since this is a remote hosted system, were also given their due consideration.

A total of 456 Company Announcements were issued during the year and disseminated through the Company Information Dissemination System, an increase of 25 over the previous year. The table left shows the number of announcements issued on a monthly basis. These peak during the months of April, May and August since announcements are also issued by the respective Company when they are due to hold its Annual General Meeting.

## Company Announcements issued during 2012

| | |
|---|---|
| January | 25 |
| February | 34 |
| March | 41 |
| April | 63 |
| May | 54 |
| June | 31 |
| July | 34 |
| August | 57 |
| September | 21 |
| October | 17 |
| November | 37 |
| December | 42 |
| **Total** | **456** |

Compliance and Market Operations Office also issued a total of 407 new International Securities Identification Numbers (ISINs) during 2012. This was an increase of 51 new ISINs issued over 2011, reflecting the growth in the number of investment funds choosing Malta as their domicile. 101 of the financial instruments registered in Malta were listed on the Exchange whilst 306 financial instruments were not admitted to any of the Exchange's recognised lists.

## Operations Audit Office

During the past year, the Operations Audit Office has shed most of its real-time verification and its real-time involvement in the operational processes in order to adopt a stronger risk-based audit function. This approach has enabled this office to focus more on its Risk Management role by determining whether internal controls are well designed and properly operated in order to mitigate risk as much as possible. In this regard, Operations Audit Office carried out regular reviews of various internal processes in order to ensure that the four-eyed principle is being applied.

During the year, prior to the implementation of Xetra, members of staff from Operations Audit Office formed part of the Steering Committee set up in relation to this major project. Operations Audit Office was also heavily involved in this system changeover process.

Due to the introduction of Xetra, a number of internal processes undertaken by the Exchange have changed and new processes have been introduced. Following these changes, Operations Audit Office has commenced the updating of the Management and Internal Capital Adequacy Assessment Report.

## Other Exchange Functions and Activities

The year was dominated by three major technological developments which involved all the offices of the Exchange. During the first half of the year, work was concentrated on the implementation of Xetra, the new trading system supplied by Deutsche Boerse AG. The multi-disciplinary Project Steering Committee set up to steer this implementation through, oversaw the technical implementation, the change in rules and operations as well as consequential changes to post-trading procedures and operations. The new post-trading processes involved the development, in-house, of a match and allocation facility and an earmarking facility, both made available to Members of the Exchange. Later on in the year two other projects got under way, namely, a major upgrade to the registration software used within the CSD and scheduled to live in the first half of 2013 and, following the signing of the Framework Agreement in June, work started in earnest on the T2S Project which would go live in June 2015. At the same time work had also commenced on the implementation of ISO 20022 standards in relation to SEPA requirements which had to be adopted by February 2014.

As the CSD business in relation to the dematerialisation of non-listed companies expanded throughout the year, and, as a consequence, transfers over the MSE CSD – Clearstream link increased, the services offered through this link were reviewed together with related processes including the development of custody services.

Throughout the year the Exchange continued to provide services to listed companies, Members, investors and other users, including the processing of numerous corporate actions and primary issues processes in respect of the newly issued financial instruments to be admitted to the Exchange's recognised lists. The Exchange also provided registrar services in respect of one of the new corporate bond issues.

Towards the end of the year, the Exchange formed part of a joint venture that successfully bid to provide consultancy services to the, Tanzanian government in Dar-es-Salaam in respect of the setting up of a competent authority for financial services and to continue to develop their financial services sector. The project is on-going and will conclude towards the beginning of 2013.

## Promotion and Education

In line with the Exchange's strategy to enhance its profile both locally and overseas, throughout 2012 the Exchange focused on a number of events and initiatives to promote its services.

The Exchange organised three Business Breakfast Meetings which were very well attended by financial sector practitioners and other stakeholders of the Exchange. The first meeting organised in collaboration with the Irish Stock Exchange


*Ms Eileen V Muscat, CEO, Malta Stock Exchange, giving the breakfast meeting presentation about the new Xetra trading platform*

*Mr Gerard Scully, from the Irish Stock Exchange, addressing financial services practitioners about the EWSM* addressed the services offered by the newly established European Wholesale Securities Market [EWSM], set up between the Irish Stock Exchange and the Malta Stock Exchange. Mr Gerard Scully from the Irish Stock Exchange gave a detailed overview of the EWSM with particular reference to the legislative framework, the rationale for the new market and the potential role of Malta based financial sector practitioners. The second Business Breakfast highlighted and explained the changes in the Exchange's operations that would come on stream once the new trading platform was implemented and at the same time also highlighted the reasons for the choice of trading technology as a business enabler and support for the Exchange's strategy to internationalise its business. The final Business Breakfast meeting for the year very specifically dealt with the services offered by the Exchange and in particular referred to the on-

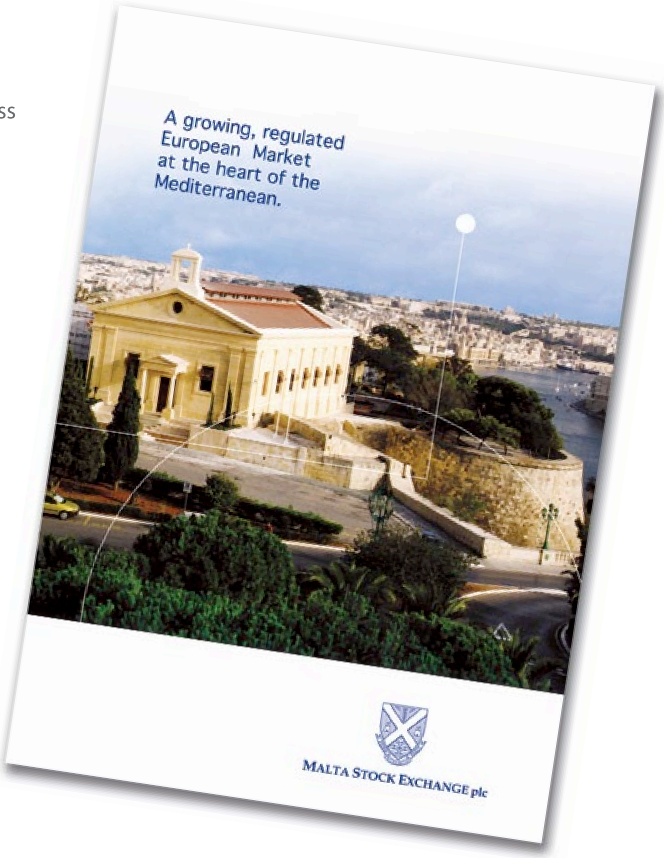

*Mr Cliff Pace and Ms Claire Mula promoting the Exchange during the FinanceMalta conference*

going unbundling of such services with a view to better address the needs of particular users.

The Exchange also took the opportunity to participate actively in numerous seminars and conferences and other similar events. In May, a roadshow was organised at the Frankfurt Stock Exchange in collaboration with Deutsche Boerse when Dr Robert Vella Baldacchino, Deputy General Manager and Mr Cliff Pace, Senior Manager, Business & Product Development, addressed German stockbrokers and other financial market practitioners to introduce the Malta Stock Exchange and the services it provides in anticipation of the Exchange's move to the Xetra trading platform. At the same time, the speakers highlighted how the services provided by the Exchange could benefit German users. Ms Eileen V Muscat, Chief Executive, participated in the World Exchange Congress held in Istanbul where she was a participant on a panel which debated the role of small exchanges. Later on in the year, Ms Muscat was a panellist during a conference organised by the Malta Institute of Management which dealt with Malta's attractiveness to foreign organisations. Mr Pace participated as a speaker at a conference organised by Efason in Malta which addressed the opportunities available to overseas family companies. During the same month, Dr Vella Baldacchino addressed the Annual conference on Prevention of Financial Crime held in Cambridge, UK.

Furthermore, also in line with the need to enhance its public profile, during the year, the Exchange updated the publication regarding the services it provides and other company information. The Exchange issued two new documents to promote its services. One was a brief overview of the services available, while the second, which is also available on the Exchange's website, outlines the services provided by the Exchange in more detail together with applicable fees where appropriate. This publication has been distributed extensively, to visitors and guests of the Exchange as well as during various conferences and similar events.

Throughout the year a number of articles were published in local as well as in the foreign media, magazines, the local press as well as distributed through the Exchange's own website and through FinanceMalta's network of members. In November the Exchange also entered into a new relationship with Mondaq, an internet based organisation that channels articles to users depending on their individual queries and internet searches. This last system has channelled MSE written articles to over 200 users worldwide as a result of their individual search queries between November and December 2012. Apart from this, the Exchange also participated in a number of TV programmes dealing with financial matters, where representatives from the Exchange spoke about recent developments and the performance of the capital market.



To support the Exchange's promotional drive, the website was also extensively upgraded throughout the year. An Issuers' page was added together with all publications and presentations made by Exchange Officials. Existing text and FAQs were updated and statistics pages were redesigned to make statistics easier to access and made more user-friendly. New information was also added including a "Freedom of Information" page required by law, the updated corporate brochure is now available on line as is a breakdown of listing rules and details regarding the Exchange's HMRC recognition.

Furthermore, since July and the conversion to the Xetra Platform, a Freephone was introduced intended to explain to anyone interested the details and consequences of the changeover. Over the months, this service developed into an enquiries route for members of the public having queries regarding to the Exchange's operating procedures and requests for information.

Apart from its promotional activities, the Exchange continued to support educational initiatives to enhance knowledge of the financial sector among students in Malta. As in previous years, the Exchange welcomed secondary, post-secondary and University students to its premises where they were given an overview of the Exchange's operations with particular emphasis on their areas of interest and level of knowledge. Exchange personnel were invited to deliver specific lectures at the University of Malta as part of student course work and also provided tuition in various other courses organised by educational bodies.

In April the Exchange presented two prizes to the two Business & Finance Hons Students having the best theses. The two students were Demis Farrugia with a thesis entitled "VAR: A critical Analysis of the main Methods using Data from major Financial Markets" and Mr Julian Galea with a dissertation entitled "Credit Default Swaps: Tools for Risk Management or Speculation?"

# Members

## Membership

At the end of 2012 a total of twelve Member Firms and the Central Bank of Malta appeared on the Exchange's list of Member Firms. During December the Exchange notified the market of a pending application for membership. It is envisaged that this new Member, which would be the first overseas Member Firm authorised by the Exchange, would be approved and commence its activities at the beginning of 2013.

During the year, five new traders were authorised by the Exchange bringing the total number of authorised traders at the end of the year to just under 50 representing the twelve Member Firms and the Central Bank of Malta.

## College of Member Firms

The College of Member Firms, composed of representatives from all the authorised Member Firms, met regularly with the Chairman and Senior Management of the Exchange to discuss matters of mutual interest. This year in particular, the College was instrumental in supporting the Exchange to ensure that the new trading platform was implemented on due date with no hitches. The College also gave very valid input regarding the new post-trading procedures and other related matters. The College and the Exchange also discussed other on-going matters such as proposed changes to the Listing Rules and Listing Policies issued by the Listing Authority as well as requirements with regard to Prevention of Money Laundering and Funding of Terrorism.

The continued support and commitment of its Members is essential to the continued development of the Exchange and the services it provides and it is very cognisant of the vital role that the College plays in bringing forward the Members' views on major developments affecting the capital market. The Exchange would like to express its appreciation for the continued support and assistance of the Members and for their efforts to ensure that the capital market continues to develop.

### Bank of Valletta plc
Cannon Road
Sta Venera
Tel: +356 2275 1732
Fax: +356 2275 1733
E-mail: stockbrokers@bov.com
Web: www.bov.com

### Calamatta Cuschieri & Company Ltd
5th Floor
Valletta Buildings
South Street
Valletta
Tel: +356 2568 8688
Fax: +356 2568 8256
E-mail: info@cc.com.mt
Web: www.cc.com.mt

### Charts Investment Management Service Ltd
Valletta Waterfront
Vault 17
Pinto Wharf
Floriana
Tel: +356 2122 4106/2124 1121
Fax: +356 2124 1101
E-mail: info@charts.com.mt
Web: www.charts.com.mt

### Curmi & Partners Ltd
Finance House
Princess Elizabeth Street
Ta' Xbiex
Tel: +356 2342 6000
Fax: +356 2134 7333
E-mail: info@curmiandpartners.com
Web: www.curmiandpartners.com

### Financial Planning Services Ltd
4 Marina Court
G Cali' Str
Ta' Xbiex
Tel: +356 2134 4243/2134 4244/2134 4255
Fax: +356 2134 1202
E-mail: info@bonellofinancial.com
Web: www.bonellofinancial.com

### Finco Treasury Management
Level 5
The Mall Complex
The Mall
Floriana
Tel: +356 2122 0002
Fax: +356 2124 3280
E-mail: investments@fincotrust.com
Web: www.fincotrust.com

### GlobalCapital Financial Management Ltd
120 The Strand
Gzira
Tel: +356 2134 2342/2147 2700/2131 0088
Fax: +356 2147 2654
E-mail: info@globalcapital.com.mt
Web: globalcapital.com.mt

### Hogg Capital Investments Ltd
Regent House
Suite 33
Bisazza Str
Sliema
Tel: +356 2132 2872
Fax: +356 2134 2760
E-mail: markhogg@hoggcapital.com
Web: www.hoggcapital.com

### HSBC Stockbrokers (Malta) Ltd
1st Floor
Business Banking Centre
Mill Str
Qormi
Tel: +356 2380 2242
Fax: +356 2380 2495
E-mail: hsl@hsbc.com.mt
Web: www.hsbc.com.mt

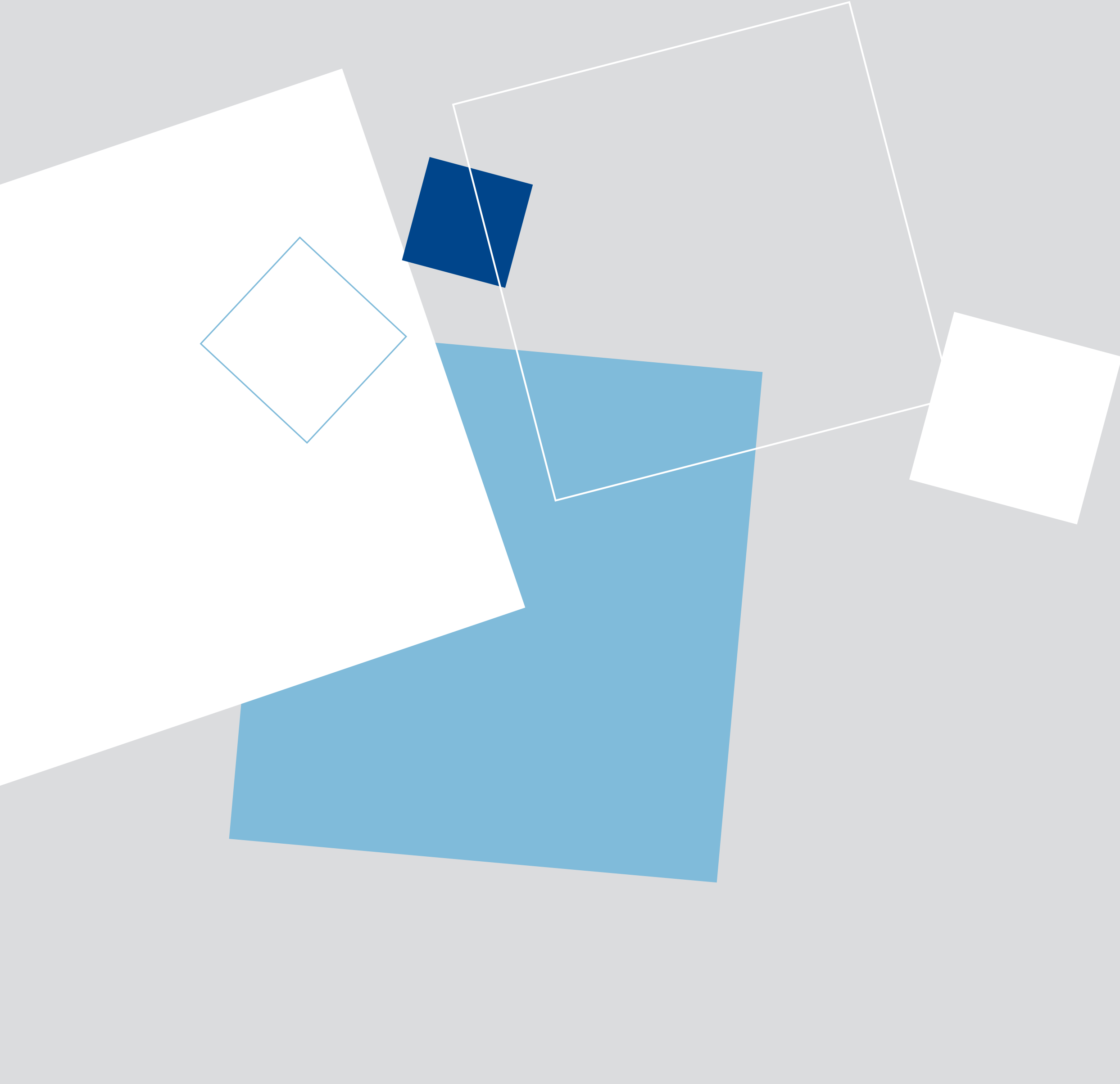
### Jesmond Mizzi Financial Advisors Ltd
67 Level 3
South Street
Valletta
Tel: +356 226 5690
Fax: +356 2322 5691
E-mail: info@jesmondmizzi.com
Web: www.jesmondmizzi.com

### Lombard Bank Malta plc
Head Office
67 Republic Str
Valletta
Tel: +356 2558 1114
Fax: +356 2558 1815
E-mail: wealthmanagement@lombardmalta.com
Web: www.lombardmalta.com

### Rizzo, Farrugia & Co (Stockbrokers) Ltd
Airways House
High Street
Sliema
Tel: +356 2258 3000
Fax: +356 2258 3001
E-mail: info@rizzofarrugia.com
Web: www.rizzofarrugia.com

# Audited Financial Statements

for the year ended
31 December 2012



# Contents

# 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 2012.

## 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 2012, the Company generated a profit before tax of EUR 1,926,940 (2011: EUR1,792,570). The statement of comprehensive income is set out on page 47 and the movements in the reserves are disclosed in the statement of changes in equity on page 48.

## Dividends

The Company paid a distribution of EUR1,000,000. The Directors do not propose further dividend distributions for the year.

## Reserves

The Directors propose that retained earnings amounting to EUR2,809,559 be carried forward to the next financial year.

## Regulatory Sanctions

The directors confirm that no regulatory breaches were reported during 2012 and no regulatory sanctions were imposed on the Malta Stock Exchange plc by the Competent Authority during 2012.

## Future developments

The Company is currently working on the implementation of the an upgrade to the Central Security Depository Software supplied by Percival Software Ltd, UK which will come on stream in July 2013. Furthermore, following the signing of the Framework Agreement in June, the Company is currently working on the implementation in respect of its participation in Target-2 Securities platform, a pan-European Settlement System developed by the ECB. The Company will be migrating to this platform in the first migration wave in June 2015.

Approved by the Board of Directors on 4 March 2013 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 2012

| | Notes | 2012 EUR | 2011 EUR |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Plant and equipment | 11 | **429,613** | 487,079 |
| Intangible assets | 12 | **391,988** | 49,116 |
| Investment in equity accounted investee | 13 | **-** | - |
| Available-for-sale financial assets | 14 | **3,887,256** | 3,666,590 |
| Loan receivable | 15 | **20,000** | - |
| Deferred tax asset | 19 | **20,838** | 18,115 |
| | | **4,749,695** | 4,220,900 |
| **Current assets** | | | |
| Trade and other receivables | 16 | **2,324,507** | 2,061,206 |
| Cash at bank and in hand | 21 | **101,128** | 248,884 |
| | | **2,425,635** | 2,310,090 |
| **TOTAL ASSETS** | | **7,175,330** | 6,530,990 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Issued capital | 17 | **2,500,000** | 2,500,000 |
| Fair value reserve | 17 | **188,855** | 68,043 |
| Retained earnings | | **2,809,559** | 2,528,855 |
| **Total equity** | | **5,498,414** | 5,096,898 |
| **Non-current liabilities** | | | |
| Loans and borrowings | 18 | **274,584** | - |
| | | **274,584** | - |
| **Current liabilities** | | | |
| Loans and borrowings | 18 | **102,189** | 6,712 |
| Trade and other payables | 20 | **1,248,710** | 1,249,477 |
| Current tax | | **51,433** | 177,903 |
| | | **1,402,332** | 1,434,092 |
| **Total liabilities** | | **1,676,916** | 1,434,092 |
| **TOTAL EQUITY AND LIABILITIES** | | **7,175,330** | 6,530,990 |

The accounting policies and explanatory notes on pages 50 to 64 form an integral part of the financial statements.

The financial statements on pages 46 to 64 have been authorised for issue by the Board of Directors on 4 March 2013 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 2012

| | Notes | 2012<br>EUR | 2011<br>EUR |
|---|---|---|---|
| **Revenue** | 5 | **4,582,951** | 4,290,906 |
| Administrative expenses | 6 | **(2,844,926)** | (2,645,731) |
| **Operating profit** | | **1,738,025** | 1,645,175 |
| Share of loss of equity accounted investee | 13 | **(10,000)** | - |
| Income from financial assets | 8 | **208,302** | 148,270 |
| Finance income | 9 | **1,578** | 1,412 |
| Finance costs | 9 | **(10,965)** | (2,287) |
| **Profit before tax** | | **1,926,940** | 1,792,570 |
| Income tax expense | 10 | **(646,236)** | (611,364) |
| **Profit for the year** | | **1,280,704** | 1,181,206 |
| **Other comprehensive income** | | | |
| Net gain on available-for-sale financial assets | | **120,812** | 27,445 |
| **Total comprehensive income for the year** | | **1,401,516** | 1,208,651 |

The accounting policies and explanatory notes on pages 50 to 64 form an integral part of the financial statements.

# Statement of Changes in Equity

## For the year ended 31 December 2012

| | Notes | Issued capital EUR | Fair value EUR | Retained earnings EUR | Total EUR |
|---|---|---|---|---|---|
| **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 | 17.2 | - | - | (452,237 ) | (452,237) |
| **At 31 December 2011** | | **2,500,000** | **68,043** | **2,528,855** | **5,096,898** |
| | | | | | |
| **At 1 January 2012** | | **2,500,000** | **68,043** | **2,528,855** | **5,096,898** |
| Profit for the year | | - | - | 1,280,704 | 1,280,704 |
| Other comprehensive income | | - | 120,812 | - | 120,812 |
| Total comprehensive income | | - | 120,812 | 1,280,704 | 1,401,516 |
| Dividends paid | 17.2 | - | - | (1,000,000 ) | (1,000,000) |
| **At 31 December 2012** | | **2,500,000** | **188,855** | **2,809,559** | **5,498,414** |

The accounting policies and explanatory notes on pages 50 to 64 form an integral part of the financial statements.

# Statement of Cash Flows

## For the year ended 31 December 2012

| | Notes | 2012 EUR | 2011 EUR |
|---|---|---|---|
| **Operating activities** | | | |
| Profit for the year | | **1,280,704** | 1,181,206 |
| Adjustment for: | | | |
| Depreciation of plant and equipment | 11 | **126,545** | 147,070 |
| Amortisation of intangible assets | 12 | **108,105** | 61,953 |
| Interest receivable from available-for-sale financial assets | 8 | **(202,658)** | (142,068) |
| Gain on disposal of available-for-sale financial assets | 8 | **(5,644)** | (6,202) |
| Interest on bank loan | | **10,267** | - |
| Share of loss of equity accounted investee | 13 | **10,000** | - |
| Tax expense | | **646,236** | 611,364 |
| Changes in: | | | |
| Trade and other receivables | | **(263,301)** | (520,772) |
| Trade and other payables | | **(767)** | (11,828) |
| Income tax paid | | **(775,429)** | (496,498) |
| **Net cash flows from operating activities** | | **934,058** | 24,225 |
| **Investing activities** | | | |
| Purchase of plant and equipment | 11 | **(69,079)** | (43,800) |
| Purchase of intangible assets | 12 | **(450,977)** | (40,538) |
| Purchase of available-for-sale financial assets | | **(1,096,467)** | (848,347) |
| Proceeds from available-for-sale financial assets | | **981,633** | 201,315 |
| Interest received from available-for-sale financial assets | | **223,282** | 177,133 |
| Purchase of shares in equity accounted investee | | **(10,000)** | - |
| Loan advanced to equity accounted investee | | **(20,000)** | - |
| **Net cash flows used in investing activities** | | **(441,608)** | (554,237) |
| **Financing activities** | | | |
| Dividends paid | | **(1,000,000)** | (452,237) |
| Bank loan received | | **354,584** | - |
| Interest paid on bank loan | | **(10,186)** | - |
| **Net cash flows used in financing activities** | | **(655,602)** | (452,237) |
| Net decrease in cash and cash equivalents | | **(163,152)** | (182,249) |
| Cash and cash equivalents at 1 January | | **242,172** | 424,421 |
| **Cash and cash equivalents at 31 December** | 21 | **79,020** | 242,172 |

The accounting policies and explanatory notes on pages 50 to 64 form an integral part of the financial statements.

## 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 Significant Accounting Policies

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

### 3.1 Associates and jointly-controlled entities

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The financial statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

### 3.2 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:

#### *3.2.1 Stockbrokers, listing and register fees*

Revenue is recognised on an accrual basis.

#### *3.2.2 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.

### 3.3 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.

### 3.4 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.

### 3.5 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 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.

### 3.12 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 2012 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 Loan and trade and other receivables

The fair values of the loan and trade and other receivables are not different from their 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:

| | **2012** | 2011 |
|---|---|---|
| | **EUR** | EUR |
| Stockbrokers' fees | **241,702** | 230,600 |
| Listing fees | **2,976,669** | 2,743,961 |
| Register fees | **1,192,606** | 1,154,692 |
| Transaction fees and other income | **171,974** | 161,653 |
| | **4,582,951** | 4,290,906 |

## 6 Administrative Expenses

| | **2012** | 2011 |
|---|---|---|
| | **EUR** | EUR |
| Emoluments of the chairman and board members | **25,157** | 25,157 |
| Salaries, social security and other staff costs (note 7.1) | **1,440,663** | 1,297,439 |
| Rent | **101,661** | 100,725 |
| Auditors' remuneration | **7,000** | 7,000 |
| Depreciation of plant and equipment | **126,545** | 147,070 |
| Amortisation of intangible assets | **108,105** | 61,953 |
| Other expenses | **1,035,795** | 1,006,387 |
| | **2,844,926** | 2,645,731 |

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

| | EUR |
|---|---|
| Other assurance services | 2,500 |

## 7 Employee Information

### 7.1 Staff costs

The total employment costs were as follows:

| | 2012 EUR | 2011 EUR |
|---|---|---|
| Wages and salaries | **1,321,800** | 1,194,500 |
| Social security costs | **93,225** | 81,341 |
| Other staff costs | **25,638** | 21,598 |
| | **1,440,663** | 1,297,439 |

### 7.2 Staff numbers

The average number of persons employed the Company during the year was 57 (2011: 53).

## 8 Income from Financial Assets

| | 2012 EUR | 2011 EUR |
|---|---|---|
| Interest on available-for-sale financial assets | **202,658** | 142,068 |
| Gain on disposal of available-for-sale financial assets | **5,644** | 6,202 |
| | **208,302** | 148,270 |

## 9 Net Finance Cost

| | 2012 EUR | 2011 EUR |
|---|---|---|
| **Finance income** | | |
| Interest on bank balances | **1,573** | 1,412 |
| Foreign exchange gains | **5** | - |
| | **1,578** | 1,412 |
| **Finance cost** | | |
| Interest on bank borrowings | **(10,965)** | (2,278) |
| Foreign exchange losses | **-** | (9) |
| | **(10,965)** | (2,287) |
| | **(9,387)** | (875) |

## 10 Income Tax Expense

### 10.1

| | 2012 EUR | 2011 EUR |
|---|---|---|
| Current tax expenses | **648,959** | 618,358 |
| Deferred tax credit (note 19) | **(2,723 )** | (6,994) |
| Income tax expense | **646,236** | 611,364 |

## 10 Income Tax Expense (continued)

### 10.2 Reconciliation of effective tax rate

| | **2012 EUR** | 2011 EUR |
|---|---|---|
| Profit before tax | **1,926,940** | 1,792,570 |
| Tax at 35% | **674,429** | 627,400 |
| Tax effect of | | |
| - expenses not deductible for tax purposes | **17,841** | 21,844 |
| - income subject to lower rates of tax | **(44,059)** | (35,709) |
| - income not subject to tax | **(1,975)** | (2,171) |
| Income tax expense | **646,236** | 611,364 |

## 11 Plant and Equipment

| | **General electrical equipment EUR** | **Computer hardware EUR** | **Office furniture, fittings & other equipment EUR** | **Total EUR** |
|---|---|---|---|---|
| **Cost** | | | | |
| 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 |
| At 1 January 2012 | 683,512 | 119,590 | 325,873 | 1,128,975 |
| Additions | 10,980 | 16,708 | 41,391 | 69,079 |
| **At 31 December 2012** | **694,492** | **136,298** | **367,264** | **1,198,054** |
| **Depreciation** | | | | |
| 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 |
| At 1 January 2012 | 330,904 | 92,028 | 218,964 | 641,896 |
| Depreciation charge for the year | 75,208 | 13,430 | 37,907 | 126,545 |
| **At 31 December 2012** | **406,112** | **105,458** | **256,871** | **768,441** |
| **Net book value** | | | | |
| At 1 January 2011 | 438,090 | 38,104 | 114,155 | 590,349 |
| At 31 December 2011 | 352,608 | 27,562 | 106,909 | 487,079 |
| At 1 January 2012 | 352,608 | 27,562 | 106,909 | 487,079 |
| **At 31 December 2012** | **288,380** | **30,840** | **110,393** | **429,613** |

## 12 Intangible Assets

| | Computer software EUR |
|---|---|
| **Cost** | |
| At 1 January 2011 | 257,365 |
| Additions | 40,538 |
| At 31 December 2011 | 297,903 |
| At 1 January 2012 | 297,903 |
| Additions | 450,977 |
| **At 31 December 2012** | **748,880** |
| **Amortisation** | |
| At 1 January 2011 | 186,834 |
| Amortisation | 61,953 |
| At 31 December 2011 | 248,787 |
| At 1 January 2012 | 248,787 |
| Amortisation | 108,105 |
| **At 31 December 2012** | **356,892** |
| **Net book value** | |
| At 1 January 2011 | 70,531 |
| At 31 December 2011 | 49,116 |
| At 1 January 2012 | 49,116 |
| **At 31 December 2012** | **391,988** |

## 13 Investment in Equity Accounted Investee

In January 2012, the Company incorporated European Wholesale Securities Market Limited ("the equity accounted investee"), a company set-up under the laws of Malta with the aim to provide a European Wholesale Securities Market (EWSM), a specialist 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 Company has a 20% holding in European Wholesale Securities Market Limited, with the other shareholder being Irish Stock Exchange Limited holding 80%. The Company invested EUR10,000 in the initial issued share capital of this newly formed equity accounted investee.

As of 31 December 2012, the equity accounted investee incurred a net loss of EUR54k, with shareholders' equity closing at a negative position of EUR4k. The share of loss for the Company, limited to its investment of EUR10k, has been recognised as a share of loss of equity accounted investee in the Statement of Comprehensive Income.

## 14 Available-for-sale Financial Assets

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

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

| | 2012 | 2011 |
|---|---|---|
| | **EUR** | EUR |
| *Non-current* | | |
| Malta Government Stocks | **3,887,256** | 3,666,590 |

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

| | Effective interest rate % | 2012 EUR | 2011 EUR |
|---|---|---|---|
| *Non-current* | | | |
| Malta Government Stocks | 4.57 / 4.42 | **3,698,401** | 3,598,547 |

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

| | 2012 | 2011 |
|---|---|---|
| | **EUR** | EUR |
| *Non-current* | | |
| Malta Government Stocks | **188,855** | 68,043 |

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 utilised loan facilities, debt securities having a market value of at least EUR438,800 (refer to note 18.2).

## 15 Loan Receivable

This loan due from EWSM (note 13) is unsecured, non-interest bearing and repayable between 2014 and 2018. At a board meeting of EWSM held on 19 February 2013, it was resolved to recommend the issue of 20,000 Ordinary B shares of EUR1 each, the consideration of which be the loan favoured by the Company to EWSM.

## 16 Trade and Other Receivables

| | 2012 | 2011 |
|---|---|---|
| | **EUR** | EUR |
| Fees receivable (note 16.1) | **2,013,706** | 1,870,412 |
| Settlements receivable | **179,231** | - |
| Amounts due from related parties (note 16.2) | **31,888** | 79,440 |
| Prepayments and accrued income | **99,682** | 111,354 |
| | **2,324,507** | 2,061,206 |

## 16 Trade and Other Receivables (continued)

**16.1** 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 |
| **2012** | **2,013,706** | **1,346,357** | **52,695** | **109,369** | **505,285** |
| 2011 | 1,870,412 | 1,047,512 | 40,992 | 324,531 | 457,377 |

Fees receivable include trade receivables due from the Government of Malta, a related party, of EUR891,634 (2011: EUR796,583).

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

## 17 Issued Capital

| **17.1** | **2012** | 2011 |
|---|---|---|
| | **EUR** | 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.

### 17.2 Dividends

| | **2012** | 2011 |
|---|---|---|
| | **EUR** | EUR |
| Declared and paid during the year: | | |
| Dividend on ordinary shares for 2012: 40 cents (2011: 18.1 cents) | **1,000,000** | 452,237 |

### 17.3 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 Loans and borrowings

| 18.1 | **2012** | 2011 |
|---|---|---|
| | **EUR** | EUR |
| Non-current borrowings | | |
| Bank loans (note 18.2) | **274,584** | - |
| | **274,584** | - |
| Current borrowings | | |
| Bank overdraft (note 21) | **22,108** | 6,712 |
| Bank loans (note 18.2) | **80,081** | - |
| | **102,189** | 6,712 |

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 utilised loan facilities of EUR400,000, which bear interest at 1.75% over the Banks Base Rate (equivalent to 2.45% at 31 December 2012). 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:

| | **2012** | 2011 |
|---|---|---|
| | **EUR** | EUR |
| Plant and equipment | **27,439** | 23,775 |
| Accrued investment income | **(6,601)** | (5,660) |
| | **20,838** | 18,115 |

### 19.2 Movement in temporary differences during the year

| | **Balance 01/01/2011 EUR** | **Recognised in profit or loss EUR** | **Balance 31/12/2011 EUR** | **Recognised in profit or loss EUR** | **Balance 31/12/2012 EUR** |
|---|---|---|---|---|---|
| Plant and equipment | 16,415 | 7,360 | 23,775 | 3,664 | **27,439** |
| Accrued investment income | (5,294) | (366) | (5,660) | (941) | **(6,601)** |
| | 11,121 | 6,994 | 18,115 | 2,723 | **20,838** |

## 20 Trade and Other Payables

| | 2012 EUR | 2011 EUR |
|---|---|---|
| Trade payables (note 20.1) | **108,373** | 120,775 |
| Amounts due to related party (note 20.2) | **245,944** | 245,944 |
| Prepaid listing fees | **558,899** | 562,231 |
| Accruals | **149,499** | 130,655 |
| Other taxes | **185,995** | 189,872 |
| | **1,248,710** | 1,249,477 |

**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 a bank overdraft as follows:

| | 2012 EUR | 2011 EUR |
|---|---|---|
| Cash at bank | **101,019** | 248,681 |
| Cash in hand | **109** | 203 |
| Cash at bank and in hand | **101,128** | 248,884 |
| Bank overdraft (note 18) | **(22,108)** | (6,712) |
| **Cash and cash equivalents** | **79,020** | 242,172 |

## 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 2012 or transactions during the year then ended were as follows:

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

### 23.1 Related party transactions

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

| | | 2012 | 2011 |
|---|---|---|---|
| | | EUR | EUR |
| *Revenue* | *Related Party* | | |
| Listing fees | Government of Malta | **1,636,900** | 1,395,750 |
| Register fees | Government of Malta | **422,348** | 396,796 |
| *Administrative expenses* | | | |
| Rent | MSE (Holdings) Limited | **90,000** | 90,000 |

Included in administrative expenses are salaries paid to the chairman and board members amounting to EUR25,157 (2011: EUR25,157).

### 23.2 Related party balances

The outstanding amounts at year end together with the related terms have been separately disclosed in notes 15, 16 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, loans and amounts due from related parties and cash at bank. The maximum exposure is the carrying amounts disclosed as follows:

| | 2012 | 2011 |
|---|---|---|
| | EUR | EUR |
| Available-for-sale investments (note 14a) | **3,887,256** | 3,666,590 |
| Fees receivable (note 16) | **2,013,706** | 1,870,412 |
| Settlement receivables (note 16) | **179,231** | - |
| Amounts due from related parties (notes 15 and 16) | **51,888** | 79,440 |
| Cash at bank (note 21) | **101,019** | 248,681 |
| | **6,233,100** | 5,865,123 |

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 EUR891,634 (2011: EUR796,583) owed by the Government of Malta representing 44% (2011: 43%) of the Company's total trade receivables. The Government of Malta generated EUR2,059,248 (2011: EUR1,792,546) of the Company's total revenue, representing 45% (2011: 42%) 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** |
|---|---|---|
| **2012** | **+100/-100** | **(39)/39** |
| 2011 | +100/-100 | (37)/37 |

### 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 2012, 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. 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.

**Report on the Financial Statements**

We have audited the financial statements of Malta Stock Exchange plc (the "Company") as set out on pages 46 to 64, which comprise the statement of financial position as at 31 December 2012 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 45, 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.

*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 2012, 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

4 March 2013

Portico Building
Marina Street
Pieta' PTA 9044
Malta

Malta Stock Exchange plc

Garrison Chapel,
Castille Place, Valletta VLT 1063, Malta.
Tel: (00356) 2124 4051, Fax: (00356) 2569 6316.
E-mail: borza@borzamalta.com.mt Website: www.borzamalta.com.mt