



MALTA STOCK EXCHANGE plc

# ANNUAL REPORT 2016





**MALTA STOCK EXCHANGE plc**



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Malta Stock Exchange plc

Garrison Chapel, Castille Place

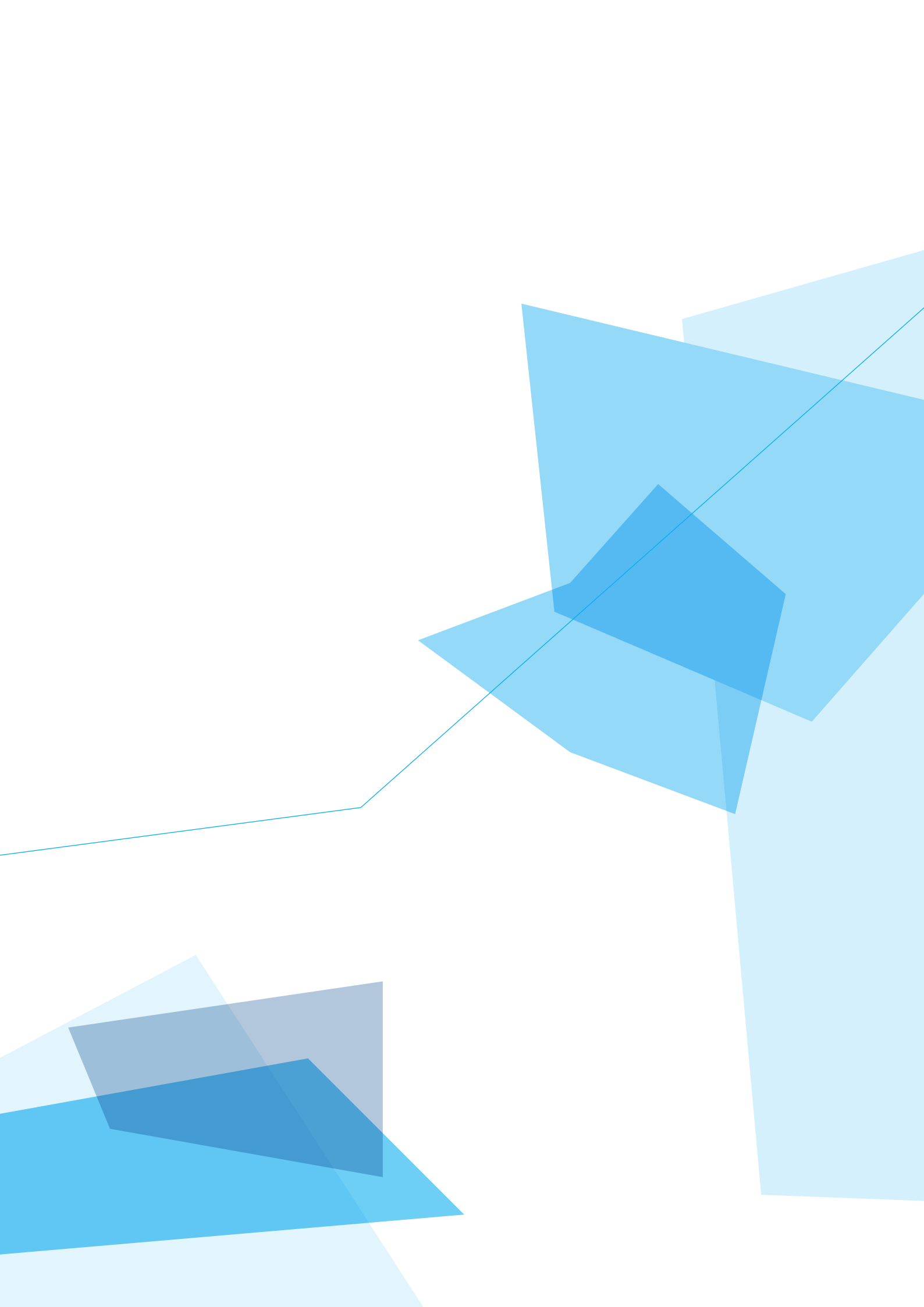
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# MALTA STOCK EXCHANGE

as at 31 December 2016

## Board of Directors

**Chairman**  
**Deputy Chairman**  
**Directors**

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

## Company Secretary

## Audit Committee

**Chairman**  
**Members**

Mr Steven Tedesco  
Mr Joseph Portelli  
Professor Tanya Sammut-Bonnici  
Ms Berta Vella  
Ms Marie Cordina

## Secretary

## Risk Management Committee

**Chairman**  
**Members**

Professor Joseph Falzon  
Dr Abdalla Kablan  
Ms Joanne Camilleri  
Ms Marie Cordina  
Mr Simon Zammit  
Ms Melissa Farrugia

## Secretary

## Executive Committee

**Chairman**  
**Members**

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

## Secretary

## Technical Committee

**Chairman**  
**Members**

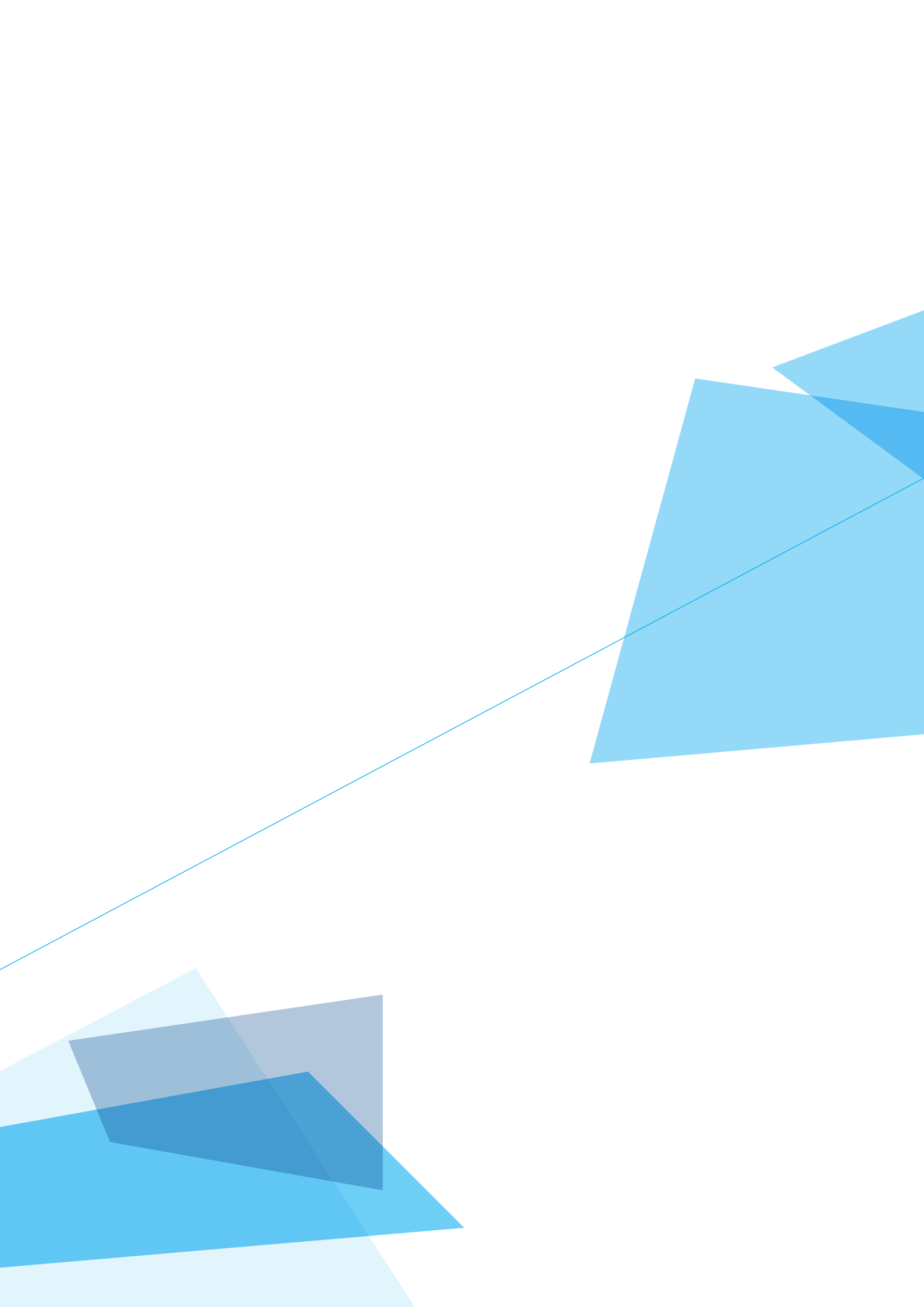
Mr Simon Zammit  
Dr Elizabeth A Calleja Mousu'  
Ms Marie Cordina  
Ms Stephanie Galea  
Mr Alex Pace  
Dr Robert Vella Baldacchino

## External Advisory Board

**Chairman**  
**Members**

Mr Joseph Portelli  
Mr Nick Calamatta, Calamatta Cuschieri Investment Services Ltd  
Dr Nicholas Curmi, Ganado Advocates  
Dr Louis de Gabriele, Camilleri Preziosi Advocates  
Mr Karl Mercieca, Ernst & Young  
Dr Karl Strobl, Ashima Fexserv  
Mr Chris Vassallo, Proventus Recruitment  
Mr Andreas Woelfl, Argentarius ETI Management Ltd  
Ms Marie Cordina

## Secretary



# LETTER OF TRANSMITTAL

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

April 2017

The Chairman  
Malta Financial Services Authority  
Notabile Road  
Attard BKR 3000

Dear Sir

In accordance with the Financial Market Rules Stipulating Financial Requirements and Financial Reporting Requirements applicable to Regulated Markets and Central Securities Depositories, I have the honour to transmit the Audited Financial Statements and a report on the activities of the Malta Stock Exchange for the year ended 31 December 2016.

Yours faithfully

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

Joseph Portelli  
Chairman



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for the year ended 31 December 2016







MALTA STOCK EXCHANGE plc

## CHAIRMAN'S MESSAGE





# CHAIRMAN'S MESSAGE



2016 was in many respects one of the Malta Stock Exchange's finest ever years. On the financial front, we posted a record increase in after-tax net income of 51% on the back of significant revenue growth and a decline in operating expenses. Out of eight revenue streams, all but one showed year-on-year increases. The revenue generated from listing fees and dematerialisation services generated the largest increases. On the cost side, a significant cost-cutting exercise was initiated and strict protocols were enacted to rein in spending. Operating expenses declined by 4.2% in 2016 even as wage costs and capital expenditures increased. We anticipate continued annual operating expense declines into 2019.

Last year the Exchange also celebrated its 25th Anniversary. We have come a long way since Bank of Valletta was first listed back in 1992. Today, we have almost 300 listings with over 44 companies, listing both bonds and equities, and that number is poised to grow further, particularly with Prospects, an exchange we started last year catering for the financing needs of small and medium-sized companies.

The Exchange spent its first 25 years growing domestically, but we believe over the next quarter century we must grow internationally. We have, for the first time ever, begun a

sustained strategy to market and promote our services across the globe, having travelled in 2016 to Shanghai, Dubai, London, Milan, Madrid, and Bucharest amongst other cities.

To enhance the Exchange's visibility we have increased resources allocated to business development and have continually upgraded our website and marketing efforts. Considering our website receives some 70,000 visitors a month, we have begun a program of marketing and generating advertising revenue from it. Last year we began issuing quarterly newsletters, aimed at promoting transparency and communicating more effectively with stakeholders. We also hosted numerous events at the Exchange, including a number of research analyst meetings, an art exhibition, seminars and the Annual Capital Markets Roundtable.

We have also created an ambitious road map for growth and modernisation called the National Capital Markets Strategic Plan (NCMSP). The Plan, launched in Q4 2016, is the cornerstone of our growth strategy aimed at modernising and expanding the Exchange and Maltese Capital Markets. The Plan, consisting of 23 initiatives, allows for the listings of exchange traded funds (ETFs), real estate investment trusts (REITs), warrants, securitised products and the development of Islamic capital markets products. There are also initiatives to promote the Exchange's new SME market, called Prospects, and fiscal incentives to increase listings, including a 2-year 25% discount on new issue listing fees.

We shall also endeavour to promote investor education with the formation of the Malta Stock Exchange Institute (MSEI). The MSEI is an initiative we are very proud of, and we believe it has the potential to become Malta's pre-eminent financial education centre, catering to individual investors and industry practitioners alike.

An important tenet of the Strategic Plan is to extend trading hours and to identify avenues for improving trading liquidity. We believe it is about time we afford investors and listed companies a full trading day. In Q1 2017 we will double the length of the trading day to a 15:30 close. An important aspect of increasing liquidity is to also attract additional players into our broker community. Between 2016 and 2017 we will see five new broker firms becoming Exchange members - quite a feat, considering we haven't admitted a new member since 2013.

We also admitted 10 Corporate Advisory firms into our Prospects Advisory and Compliance Program. These firms will ensure SMEs listing on the Prospects Multi-Lateral Trading Facility (MTF) will be governed and supervised in a manner acceptable to the Exchange.

During 2016, the Exchange continually raised awareness both internally and externally on the importance of promoting sound corporate governance. A number of corporate governance workshops and training sessions were offered to staff, stakeholders and the public. The Exchange created a Settlement Fund, to help offset potential losses from a trade failing to settle due to a broker experiencing financial difficulties. We also published a corporate governance manual and will be publishing a corporate governance newsletter tri-annually.

In 2016 we laid the ground work for the establishment of the Institutional Securities Market (ISM), a wholesale regulated market which will for the first time in the Exchange's history enable the MSE to compete for international institutional business such as securitised and structured products, warrants and wholesale bonds.

On the technology front the Exchange has formed a Blockchain Committee, and will actively explore opportunities within the FinTech sector. E-portfolio, an initiative which allows the Exchange's 70,000 account holders to access their accounts online, has not only enabled account holders to view their account activity in real-time, but has saved the Exchange tens of thousands of euros in paper and postage costs. We expect additional user functionality in 2017.

Over the last year we have been busy with a number of capital projects, such as inaugurating the Exchange's first off-site business continuity centre incorporating state of the art server technology. We also installed a new 19-metre ticker and video board system, completely refurbished the Exchange's reception and seating lounge, and restored the Garrison Chapel's façades, including the replacement of 4 portico columns on the Upper Barrakka side of the building.

I would like to thank outgoing CEO Ms Eileen Muscat for her 25 years of service to the Exchange. Congratulations also to Messrs Simon Zammit and Alfred Sammut, our incoming CEO and GM respectively. The Board and I look forward to working closely with our two highly qualified colleagues. I would also like to thank our eight corporate sponsors who generously financed our 25th Anniversary celebrations.

Indeed much of the Exchange's positive results and accomplishments in 2016 would not have been possible without the commitment of management and staff, together with the support and encouragement of my fellow Board members. I would also like to thank the Finance Minister and his team, without whose continued support and encouragement our success would not have been achievable.



**Joseph Portelli**

*Chairman*





MALTA STOCK EXCHANGE plc

# CHIEF EXECUTIVE'S REPORT





# CHIEF EXECUTIVE'S REPORT



The past year has certainly not been lacking in interesting developments for the Malta Stock Exchange. During 2016 the Exchange launched the National Capital Markets Strategic Plan as well as welcomed the first students to the newly formed Malta Stock Exchange Institute. The foyer of the Exchange has been given a major overhaul with an upgraded and more welcoming Customer Service area as well as with the installation of a video wall and ticker that portrays the image of a technology-driven Exchange. The Exchange has also invested heavily in setting up a new fully operational disaster recovery and business continuity site.

With the great dedication and professional work of our events coordinating team the Exchange has successfully organised a number of events throughout the year, including for the first time the MSE Annual Awards Dinner and the Annual FESE Convention, as well as the second Annual Investor Education Conference. The Exchange's 25th year was also marked with an Anniversary Reception.

The dominant and most visible factor on the market throughout 2016 has undoubtedly been the sharp decline in trading turnover in the Government Stock sector, which in 2016 amounted to just under €551.8 million, down by just under 29%

from nearly €777 million in 2015. The primary factor towards this decrease has been the overall decline in the volume of Central Bank of Malta purchases under the Eurosystem's Public Sector Purchase Programme, as well as investors' sensitivity to the pronounced declines in government bond yields.

While trading volumes in both the equity and the corporate bond sectors also registered decreases, these were however less pronounced and amounted to a 4.5% and 3.5% decrease respectively. The delisting in 2015 of two equities only marginally contributed to this overall downturn in equity turnover. This decrease can be largely attributed to the sharp drop of 32% in trading volumes of the top three equities by market turnover from a combined turnover of €42 million in 2015 to a combined turnover of €28.5 million in 2016. This decrease was offset to some extent by the increase of €12.2 million in two other equities that indeed are now in the top three equities by market turnover for 2016. Market Capitalisation at the end of the year stood at €12.3 billion, an increase of 6% from the €11.6 billion value at the end of 2015. The Malta Stock Exchange Share Index ended the year at 4631, up by 4.51%.

The year's financial operations resulted in a healthy profit before tax figure of €3.72 million, up by 47.5% on the previous year's figure of €2.52 million. Despite the effect that the decrease in market turnover had on one of our core revenue streams, the Exchange registered a total gross revenue of €6.84 million, an increase of 14.1% compared to last year's €5.99 million. Other revenue such as the National Numbering Agency, Off-Exchange Reporting, the Registrar Function for new issues in which we have now established ourselves as a market leader, the EMIR Reporting service and our fast growing Dematerialisation Services for unlisted securities continue to grow and generate revenue that supplements our core revenue streams.

Income from listing fees as well as registration fees has increased by 12% and 9% respectively. Indications for new listings in 2017 are very encouraging as a number of companies will undoubtedly be incentivised with new listing fee discounts, as well as tax benefits that will be introduced as part of the National Capital Market Strategic Plan. Our new SME-oriented market, Prospects, was officially launched as of 17 February 2016 and during the year ten Corporate Advisors were admitted.

Operational improvements and continuous control of administrative and operational costs have resulted in a gross



profit margin of 49%, an improvement of 10% over the 2015 margin. This despite an increase of 8.7% in human resources costs, with the addition of new employees and a number of promotions during the year. A new Collective Agreement that covers four years from 2016 to 2019 was signed in November 2016.

Our technology, operational and customer service teams have been kept very busy throughout the year with the development, launch and support of the new e-Portfolio portal that went live on 27 June 2016 after months of development and testing. With e-Portfolio, CSD account holders have now been given online access to their accounts with a real time view of their portfolio valuations and transaction histories. The move away from paper-based statements has both improved the level of service we offer investors and decreased our operational costs. The full impact of this cost cutting and sustainable measure will be realised during the current year and will continue for years to come as more services are added to the investor portal.

I would like to end my report by thanking my predecessor Eileen for the support and commitment invested in making the transition into my new Chief Executive role a seamless one, and for her dedication to the success of the Exchange. I would also like to express my appreciation to the Chairman and Board of Directors for the trust and confidence they have shown in entrusting me with executing their dynamic and strategic vision for the Exchange. Lastly, I wish to thank the management team and colleagues at the Exchange for their continued commitment and hard work towards the continued development of our Exchange.



**Simon Zammit**

*Chief Executive*



MALTA STOCK EXCHANGE plc

# ADMINISTRATION REPORT





# ADMINISTRATION REPORT



## Governance

### The Board

The Board was re-appointed for a period of one year with effect from 21 April 2016. The Board is composed of Mr Joseph Portelli, Chairman, Professor Joseph Falzon, Deputy Chairman, Dr Abdalla Kablan, Director, Professor Tanya Sammut-Bonnici, Director and Mr Steven Tedesco, Director. Ms Marie Cordina is the Secretary to the Board and Company Secretary.

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

### General Meetings

The Exchange's Annual General Meeting was convened on 20 April 2016. During this meeting, the shareholders unanimously approved the Minutes of the Annual General Meeting held on 28 April 2015 and the Minutes of the Extraordinary General Meeting held on 26 August 2015, the appointment of the Directors, the appointment of the Exchange's Auditors and the remuneration of the Chief Executive Officer. The Directors' Report, Auditors' Report and Audited Financial Statements for the year ended 31 December 2015 were also approved.

An Extraordinary General Meeting was convened on 10 August 2016 during which the shareholders unanimously approved a net dividend of €1,000,000 for 2016.

### Board Meetings

During the year, 12 regular meetings of the Board of Directors were convened together with a further Ad Hoc Board Meeting scheduled to discuss the MSE's strategy.

During its meetings the Board continually discussed the Exchange's growth strategy and its short and long term goals; including business development both domestically and internationally. The Board also discussed how the Exchange should take a leading role in creating a road map for the development of capital markets in Malta, culminating in the launch of the National Capital Markets Strategic Plan during the fourth quarter of 2016. The Board also approved the creation of the Malta Stock Exchange Institute, which has the potential of becoming a leading educational institution. They also discussed at length regulatory and operational issues and other matters related to health and safety and human resources. In respect to the latter, the Board approved promotions and redeployments in order to ensure that the MSE's Human Resource needs are adequately managed.

### Board Committees

The Board confirmed the appointment of the Audit Committee, Executive Committee, Technical Committee and Risk Management Committee, with new members reflecting promotions and redeployments made throughout the year. These committees all met on a regular basis and provided substantive support to the Board.

## Audit Committee

The Audit Committee met eight times during 2016, five of which were held during the first six months of the year. During the Audit Committee meeting held on 20 July 2016 it was agreed to recommend to the Board that, moving forward, such Committee meetings are held on a quarterly basis as is the practice at other major financial institutions. It was also decided that at least two Ad-hoc Committee meetings should be held each year, one to meet the external auditors and the other to consider the Budget for the following year. The Board endorsed this recommendation during its 102nd meeting held on 21 July 2016 and the Bye-Laws were amended accordingly.

The Audit Committee regularly reviewed and analysed the Exchange's Monthly/Quarterly Management Statements and approved the Budget estimates for 2017. Apart from monitoring the MSE's Investment Portfolio and trade debtors, the Audit Committee also assessed internal controls and introduced new controls. The Audit Committee also assessed and reviewed project management processes, budgeting and operations and liaised with the external auditors regarding automation within the Finance Office.

## Executive Committee

The Executive Committee held eight meetings during the year. Discussions focused on operational matters including PMLFT requirements and the consideration and evaluation of new business proposals. The Executive Committee discussed in depth and submitted operational proposals to the Board regarding the internal processes required to extend trading hours. The Executive Committee also discussed matters related to human resources, regulation and projects such as the implementation of e-Portfolio, Prospects, and the Risk Management Project.

## Risk Management Committee

The Risk Management Committee convened three times during the year and dealt mainly with oversight of the Risk Management Project including the status of the Risk Management Review and Risk Management Training. The Risk Management Committee also considered and recommended for approval the updated Risk Management Policy, the creation of a Settlement Guarantee Fund, changes to the composition of the Risk Management Committee, and the Risk Management and Internal Capital Adequacy Assessment Process Report for 2015. The Risk Management Committee also discussed the IT Strategy, the Business Continuity Plan and Health & Safety matters.

## External Advisory Board

The Exchange set up an External Advisory Board chaired by the Chairman of the Exchange and composed of a number of experts in the financial services sector, namely Dr Louis de Gabriele, Mr Chris Vassallo, Mr Karl Mercieca, Mr Andreas Woelfl, Dr Karl Strobl, Mr Nick Calamatta and Dr Nicholas Curmi. The objective of the Board is to advise the Exchange on the

development of the capital markets and potential new areas of business in light of opportunities arising from changes in legislation and regulation. The first meeting of the External Advisory Board was held on 13 January 2016 and was attended by the Board and Senior Management of the Exchange. The External Advisory Board met on a quarterly basis and discussed matters relating to international business, listings, the National Capital Markets Strategic Plan (NCMSP) as well as other matters. A number of relevant issues raised during these meetings were considered further by the Exchange Management for possible inclusion in its future strategy.

## Other Committees

### Blockchain Committee

The Exchange has created a Blockchain Committee composed of members of the Exchange's Board of Directors as well as the Chairman and Chief Executive, together with external experts who will assist the Exchange in formulating a Fintech strategy.

The Committee will be chaired by Dr Abdalla Kablan, an Exchange Director and a globally recognised Blockchain expert. Blockchain is a method of recording and confirming transactions, where participants hold complete records of transactions through peer-to-peer verification, without the need for a central clearing house. Many exchanges worldwide are currently looking closely at this new technology and how it can improve their operations and bring down costs. The Exchange will shortly unveil the Malta Stock Exchange Blockchain Consortium, a think tank which will bring together experts from among the Exchange's stakeholders as well as from other organisations in Malta to share knowledge and eventually possibly joint venture on the design and implementation of Blockchain applications.

### CSD Working Group

A CSD Working Group composed of Dr Nicholas Curmi, Mr Paul Mifsud, Mr Nick Calamatta and Mr Andreas Woelfl together with Senior Executives of the Exchange and chaired by Mr Joseph Portelli, Chairman, was set up to look into the operations and processes of the CSD. The external members of the working group are all well-versed in the workings of the CSD including clearing and settlement, dematerialisation and listing.

## Major Developments

### Prospects

The launch of Prospects on 17 February 2016 was followed by the establishment of the Prospects Committee in March which is charged with the consideration and approval of admission applications relating both to Corporate Advisors and to securities admitted to this market. A dedicated office has been created within the Exchange to deal with administrative and operational matters related to Prospects. During the year, the Prospects Committee has reviewed and approved ten Corporate



Advisor applications. The approved Corporate Advisors are now actively working on a number of prospective applications for admission of securities to the Prospects Multi-Lateral Trading Facility (MTF).

## National Capital Markets Strategic Plan

During the first annual Capital Markets Roundtable held on 27 October 2016, the Exchange's Chairman launched "The National Capital Markets Strategic Plan (NCMSP) – Taking Maltese Capital Markets to the Next Level" which highlighted a number of broad-ranging core initiatives which are being undertaken by the Exchange as part of its mission to develop a liquid, efficient and fair securities market for the benefit of issuers and investors while at the same time adding value to all of its stakeholders.

The Chairman emphasised the fact that while the Exchange would play a pivotal role in pushing the NCMSP forward, the Exchange would not be developing its strategy for growth in isolation but rather in an inclusive and collaborative manner with the industry as a whole.

The Plan's objective is to maximise the potential of Malta's capital markets to attract international listing and enhance Malta's international profile as a dynamic and well-regulated financial centre. The NCMSP aims to achieve these objectives through, among other things, increasing capital market products, reducing systemic risk, increasing both domestic and international listings, improving operational effectiveness, increasing Malta's international profile as a financial centre, increasing market liquidity and, very importantly, promoting financial education.



The 23 key initiatives include the development of new products such as ETFs and REITs, the development of Malta as a centre for Islamic Finance, revamped market making rules to help increase market liquidity, the launch of the Malta Stock Exchange Institute and various other operational changes such as extending trading hours, creating new indices and increasing electronic services to investors through the new e-Portfolio portal.

The initiatives are supported by a number of tax incentives that were announced by the Minister for Finance in the yearly Budget speech, as well as by significant reduction in Exchange fees to encourage companies to come to the market. Following the launch of the Plan, the Exchange opened a six-week consultation period and invited stakeholders to submit their views and recommendations by mid-December. An updated version of the Plan taking into account the recommendations received was presented in early January 2017.

## Malta Stock Exchange Institute

As one of the leading financial institutions in Malta, the Malta Stock Exchange was always at the forefront of enhancing financial education in Malta, particularly among students. Leveraging on the experience and expertise gained throughout its 25-year history and also in line with its Corporate Social Responsibility Strategy and National Capital Markets Strategic Plan, the Exchange is committed to continue to support the local community through enhanced financial education. The Exchange intends to consolidate and expand its training efforts and initiatives into one body, the Malta Stock Exchange Institute (MSEI), which shall be duly accredited as an educational body. The curriculum will encompass a number of short courses

### National Capital Markets Strategic Plan

1	Listing Exchange Traded Funds (ETFs)
2	Listing Real Estate Investment Trusts (REITs)
3	Developing Islamic Finance
4	Increasing Fund Listings
5	Applying Prospects SME Tax Incentives
6	Reducing IPO Capital Gains Tax
7	Reducing Listing Fees
8	Improving Liquidity
9	Introducing Dividend Reinvestment Plans (DRIPs)
10	Allowing for Foreign Language Prospectus
11	Extending Trading Hours
12	Developing New Indices
13	Going Electronic with e-Portfolio
14	Incentivising Local ETFs
15	Forming the MSE Institute
16	Raising Capital Markets Awareness
17	Implementing Zero Clearing Fees In Pension Accounts
18	Promoting Malta to International Investors
19	Enacting an International Business Development Strategy
20	Creating a Blockchain Committee and Consortium
21	Creating an Institutional Wholesale Securities Market
22	Studying CSD Restructuring and Efficiency
23	Evaluating a CSD Nominee System

on a variety of subjects not only related to the capital market itself, but also within the wider scope of financial services and management.

The Malta Stock Exchange Institute is innovative in that the level of courses offered are aimed at participants with various levels of knowledge, from the small investor, to students and practitioners, or simply those who want to know more about financial matters. The MSEI was inaugurated during the Capital Markets Roundtable held in October as a National Capital Markets Strategic Plan initiative and is in line with the Exchange's stated objective to improve the country's level of financial literacy, reflecting the importance the Exchange believes should be given to financial education.

## **e-Portfolio**

In 2016 the MSE informed all account holders that it will soon be introducing an online facility aimed at providing enhanced services to investors registered within the Central Securities Depository (CSD).

Following a number of internal presentations to staff and a soft-launch on 21 June 2016 when the Exchange gave Members an introduction to the new on-line system, e-Portfolio was publicly launched on 27 June 2016. Initial interest in e-Portfolio has been encouraging and is anticipated to increase as more investors are introduced to this service.

This is the first time in the Exchange's 25 year history that its 70,000 account holders have been given online access to their accounts. With this new service, investors can view valuation changes in their CSD investment portfolios, past transactions, and the latest Annual Reports for all Exchange-traded instruments. A number of additional online services are also being planned and will be rolled out by the last quarter of 2017. The first phase of the project allowed investors online access to their accounts and investment portfolios along with access to their Statement of Holdings and Registration Advices. This service is in line with the Exchange's strategy to move towards a paperless environment as part of its Corporate Social Responsibility obligations and to reduce costs by making the best use of technology. In subsequent phases, more online services will be introduced, taking full advantage of internet, e-mail and mobile technology.

## **Refurbishment**

Towards the end of last year, the Exchange embarked on the first stage of a programme of refurbishment of the Exchange's premises. The aim of the refurbishment is not only to protect the internal and outer fabric of the premises, which is a Grade 1 Listed Building, but also to provide staff with an excellent working environment and to make it more environmentally friendly by upgrading to newer lighting and efficient energy technology. Moreover, it was felt that the public should be encouraged to visit the Exchange, not only because it is housed in a historic building in its own right, but also for the public to

become more familiar with the institution and the services it provides.

As part of this refurbishment the Exchange has made a significant investment in new market data dissemination technology by installing a 19-metre tape ticker showing market prices and multiple screens showing trading statistics, indices, charts and other market information. A larger screen was placed on the first floor gallery which makes it visible from the pedestrian zone in the newly refurbished Castille Square. The new technology has attracted significant numbers of tourists and Maltese into the Exchange building and has proven to be a considerable asset to the Exchange's brand awareness. The Exchange believes that it should maximise the branding opportunities provided by the use of the new technology, not only for its own purposes, but also to enhance the profile of its listed companies, members and the Maltese Capital Market. The refurbishment of the reception area and the customer care office has created not only a more modern and welcoming environment for visitors to the Exchange, but also a more comfortable and private area for those requiring the assistance of Customer Care.

Another new addition was the ceremonial exchange bell which is rung on special events such as new admissions. Refurbishment works were also concluded on the front façade of the Exchange, particularly on the columns supporting the portico which had deteriorated over the years. The rear façade, facing the Upper Barrakka Gardens, also had its portico columns completely replaced. We anticipate the second phase of the 3-year refurbishment programme to continue into 2017 with the complete refurbishment of the Exchange's main conference room and a major extension to the executive floor platform.

## **Business Continuity and Disaster Recovery Site**

During the year the Exchange has made considerable investments in a new Disaster Recovery Site, situated outside Valletta, which is now fully operational and allows the Exchange to implement its Business Continuity Plan. The inauguration of the secondary site not only fulfils the Exchange's compliance with regulatory and licensing requirements and provides further resilience and security to its core operations, but also provides the possibility that as the Exchange grows this site could be utilised to run a number of the Exchange's operations.

## **Human Resources**

### **Staff Complement**

The year under review was another dynamic year with regards to the human resources structure. In line with the Board's strategy to ensure succession planning, two important promotions were effected towards the latter half of the year: the appointment of a new CEO and a new General Manager. The appointment of the new CEO followed the resignation of the former CEO after 25 years of service with the Exchange. At the end of the year, an employee in the grade of Manager I was promoted to



Manager II. A number of redeployments were also effected and two new employees were engaged, one as a full-time clerk and the other within the part-time junior rank. At the end of the year, the Exchange's staff complement had reached a total of 59, split on a gender basis between 38 females and 21 males. The complement included 24 staff in the managerial grades split on a gender basis of 15 females and nine males which largely

### Family-Friendly Measures

Throughout the year under review, a number of staff continued to avail of family-friendly concessions. 17 staff members benefitted from teleworking, 16 worked on flexi-hours, while a further three also enjoyed the benefits afforded by measures related to reduced hours.



reflects the gender split throughout all the grades. All the staff within the Exchange, with the exception of one junior member, are employed on a full-time basis. Apart from the permanent staff complement, during the summer months the Exchange engaged seven students who were deployed in various offices within the Exchange.

### Staff Policies

During the year, the Board approved a number of internal policies, including a Publications Policy, intended to provide guidelines on a unified format for all Exchange correspondence, as well as the MSE Dress Code Policy and the MSE Gift Policy. The purpose of the MSE Dress Code Policy is to establish guidelines on the appropriate work attire and appearance at the workplace. Employees of the Malta Stock Exchange, irrespective of grade, position and department, are expected to present a professional, business-like image

to clients, visitors and customers. The Exchange has extended its Friday casual dress day policy to all year round, as opposed to just the summer months. The MSE Gift Policy establishes a uniform policy relating to the acceptance of gifts, including gratuities or rewards. This policy applies to all appointed officials and employees of the Malta Stock Exchange.



## Social Events Committee

The Social Events Committee again had a very busy year organising a number of events for staff and their families, including dress down days, a day by the pool, a day trip to Catania and a five day tour to London. After last year's success, the Committee has once again organised a day by the pool for children from the Ursuline Creche in Tarxien. Later on in the year, these children were also invited to join the Exchange's Children's Christmas Party. Through the organisation of these events, the Exchange raised a considerable amount of money which was donated to a well-known philanthropic organisation.

## Union Representation

Throughout the year the Exchange held a number of meetings with the General Workers Union, the only recognised Union within the Exchange, where matters relating to staff were discussed, including operational and disciplinary matters and proposed amendments to Exchange policies. Negotiations which were initiated towards the end of 2015 in relation to a new Collective Agreement continued between the Exchange and the Union throughout the year. The Collective Agreement was signed on 29 November 2016.

The Exchange would like to thank the Section Secretary, Mr Charles Galea and all the members of the Staff Representative Committee led by the Shop Steward, Ms Melissa Farrugia and the Assistant Shop Steward, Ms Melissa Mamo for their support throughout the year.

## Regulatory Matters

### Bye-Laws

A number of amendments were made to Chapter 2, Chapter 3 (including Appendices 3.1, 3.2, 3.4, 3.5, 3.9) and Chapter 7 of the Bye-laws of the Exchange. These included changes to the frequency of the Audit Committee meetings, the composition of the Risk Management Committee and the quorum for Risk Management Committee meetings. Other changes were introduced in order to facilitate and streamline procedures related to the applications for admission of new Members and Traders including the introduction of the Prospective Trader Competency Declaration and changes in procedures in connection with onboarding Members.

Amendments were also made to the Bye-laws relating to the introduction of a Settlement Guarantee Fund which was required to bring the Exchange in line with regulatory requirements as well as to safeguard the clearing and settlement system in the case of potential Member operational difficulties.

### Fees and Other Charges

In September 2016, an amended Exchange Notice 1 – Fees and Other Charges was issued. The amendments that were made related to Exchange Membership Fees and Member Turnover Fees.

## Risk Management

During 2016, risks were continuously monitored and a number of mitigating actions proposed during the risk assessment exercise carried out in 2015 have been implemented. As part of the risk management update cycle, new risks were identified during meetings with Executive Management and all Heads of Departments. Following this process, the risk register was updated to include these new risks together with the relevant proposed mitigating actions. A stress testing exercise was carried out during the past year and a number of different scenarios were studied.

During May, two training sessions for Board Members and the Executive Management of the Exchange were carried out. During these sessions, participants were briefed on the methodologies used in the identification, evaluation and quantification of risk, as well as the ongoing monitoring process.

### Risk Management and Internal Capital Adequacy Assessment (RMICAAP)

In January 2016, the Board, in terms of the Financial Market Rules stipulating Financial Resources and Financial Reporting Requirements, confirmed to the competent Authority that the Exchange had an RMICAAP in place which was comprehensive and proportionate to the nature, scale and complexity of its activities and functions. The RMICAAP Report was submitted to the Competent Authority together with the updated Risk Management Policy.

## Compliance

In accordance with the Financial Market Rules applicable to Regulated Markets, the Exchange submitted the "Certificate of Compliance" to the Competent Authority at the beginning of February covering the period August 2015 to January 2016 and at the beginning of August covering the period February to July 2016. In both instances the Board confirmed the Exchange's compliance with applicable legislation, rules and regulations.

The Exchange also submitted the Annual Compliance Report to the Financial Intelligence Analysis Unit at the end of March 2016 as required in terms of the Regulations relating to Prevention of Money Laundering and Funding of Terrorism.

A notice of suspension in respect of a Member Firm was issued in order for the Member Firm to come in line with Bye-law 3.00.03 and fulfil the obligation to have an authorised trader to place orders on the market on behalf of its clients. The suspension was in effect from 29 March 2016 until the situation was rectified on 7 April 2016.

## Audit

During the Annual General Meeting the shareholders unanimously approved the Audited Financial Statements for the year ended 31 December 2015. The Audited Financial Statements and the Annual Report regarding the activities of

the Exchange during 2015 were submitted to the Competent Authority and published in accordance with the Financial Market Rules Stipulating Financial Requirements and Financial Reporting Requirements applicable to Regulated Markets.

### Assessments

The Central Securities Depositories Regulation (CSDR) came into effect as from 1 January 2016. In August the Exchange submitted the Level 1 CSDR Self-Assessment Questionnaire to the MFSA that commenced the application process for the renewal of the CSD licence under the new CSDR.

In December the Exchange submitted to the European Central Bank an update on the T2S Harmonisation Progress report outlining the Exchange's compliance with T2S criteria as required in the Market Standards for Corporate Actions Processing.

### Corporate Social Responsibility

Throughout the years of its operations, the Exchange has endeavoured to support cultural, educational and philanthropic

causes not only through direct financial support but also through the provision of speakers for educational and information events and the free use of its premises for other events. The Social Events Committee, supported by the staff, has been pivotal in organising events which are also opportunities for staff members to contribute towards philanthropic causes. The Board agreed to formalise a Corporate Social Responsibility Policy whereby it determined that 1% of profits after tax would be put towards a CSR Fund to be used to support such events and initiatives.

During 2016 the Exchange participated in a number of events and initiatives in line with this policy, among which were financial support for; Heritage Malta, Din l-Art Ħelwa, a Banking and Finance Chair at the University of Malta, artwork restoration at the Presidential Palace and, as done consecutively each year, a donation to the Community Chest Fund.

Many events were organised during 2016, when the Exchange celebrated its 25th Anniversary, including an Art Exhibition, educational initiatives and support of heritage and cultural events.

**The Malta Stock Exchange would like to thank the following corporate sponsors for their support in the 25th Anniversary Celebrations**



## International Affiliations

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

## Events

### FESE Convention

On 16 June the Exchange hosted the annual Federation of European Securities Exchanges (FESE) Convention 2016 which brought together over 130 delegates from all its member exchanges as well as other entities. A number of speakers and panellists during this one-day conference with the theme “Better Together” addressed the Capital Markets Union, regulation, derivatives reform and third country regimes. In his opening address Mr Joseph Portelli, Chairman of the Exchange, spoke

From the Exchange, Mr Simon Zammit participated in one of the discussion panels entitled “Teaming Up Savers with Companies – How to Finance Europe?” On the evening prior to the Convention, the Exchange hosted a dinner for all the delegates at the Limestone Heritage in Siġġiewi. The Keynote Speaker during the dinner was Mr Steven Maijoor, Chairman of the European Securities Market Authority (ESMA), who spoke about the changing regulatory environment within Europe and the challenges and opportunities facing capital markets and their participants. The Hon Professor Edward Scicluna, Minister for Finance also spoke during the event, which attracted some 140 local and foreign professionals.

At the conclusion of the Convention, the Exchange hosted an informal evening at its premises, kindly sponsored by Simonds Farsons Cisk plc and Wavetec Ltd, where the foreign guests had the opportunity to not only visit the Exchange but also to view the Art Exhibition, sample traditional Maltese cuisine and local beer, and watch a Champions League football match on the Exchange’s video wall.



### 25th Anniversary Reception

The highlight of the summer was the 25th Anniversary Reception held at the Saluting Battery at the Upper Barrakka Gardens, Valletta, on 20 July 2016 under the auspices of the Hon Dr Joseph Muscat, Prime Minister, which was attended by over 300 guests including stakeholders, diplomats, ex-Chairmen as well as staff. In his welcome address the Chairman, Mr Joseph Portelli, spoke about the development of the Exchange over its 25 year history and its future strategic plans. Mr Portelli concluded by thanking all those

about the developments and increasingly important role of the Exchange with particular reference to its strategy to expand its international business and to support SMEs through its new MTF, Prospects, which was launched earlier in the year. In a video address, the Hon Professor Edward Scicluna, Minister for Finance, highlighted the important role of the Exchange in the economy and future plans for the continued development of the capital markets within the framework of the Capital Markets Union.





present for their support and commitment towards the further growth of the capital market. In his address, the Hon Prime Minister spoke about the development of financial services in Malta, the Government's plans for the continued growth of this important sector of the economy and the role of the Exchange and its future expansion.

The Hon Prof Edward Scicluna, Minister for Finance, also referred to the financial sector in Malta and the importance of promoting and facilitating the financial service industry while at the same time maintaining a robust regulatory environment. A gun salute using the historic cannons at the Saluting Battery was a fitting tribute to the Exchange and the start of a wonderful evening.

### Annual Capital Markets Roundtable

On 27 October 2016, the Exchange held the first Annual Capital Markets Roundtable which is intended to be an annual event where industry experts may meet to discuss a broad range of issues that impact the capital market and the financial industry in general. The first meeting, which was attended by around 110 invitees, focused on the Capital Markets National Strategic Plan which was officially launched during the meeting. The Exchange was honoured with the presence of the Hon Dr Joseph Muscat, Prime Minister and the Hon Professor Edward Scicluna, Minister for Finance, who both spoke about the importance of the Exchange within Malta's economy and Government's support to ensure that the organisation would continue to expand and develop. In particular, Professor Scicluna referred to a number of tax incentives included in the 2017 Budget which benefitted both

investors and companies trading and seeking admission on the Exchange.

He added that this was tangible proof of Government's commitment to the growth of the capital markets industry in Malta. The Exchange Chairman, Mr Joseph Portelli, then presented the Capital Markets National Strategic Plan. He highlighted the Exchange's pivotal role in the development of the capital market for the benefit of all its stakeholders. Mr Portelli touched upon the 23 initiatives included in the Strategic Plan and the way forward with regard to their implementation. Mr Portelli's address was followed by panel discussions made up of industry experts, who discussed various aspects of the Strategic Plan and expressed their views on the way forward.

### Annual Awards Dinner

On 29 November the MSE Chairman and Board of Directors hosted the Annual Awards Dinner which was held at the Chamber of Commerce, Valletta. The dinner, under the patronage of the Hon Professor Edward Scicluna, Minister for Finance, was attended by over 115 representatives from regulatory bodies, members, listed companies and other financial services professionals.

In his welcome speech, the Chairman, Mr Joseph Portelli spoke about the performance of the Exchange during the previous year and its achievements over the last 25 years, while highlighting the future plans for the capital markets in Malta. The Hon Professor Edward Scicluna, Minister for Finance, also addressed participants where he referred to Malta's continuing





of listed companies. This was the first of a series of such information meetings organised by the Exchange for listed organisations.

The second meeting in the series was held in conjunction with Simonds Farsons Cisk plc on 6 June 2016. During the meeting, which was attended by around 50 participants, Simonds Farsons Cisk plc gave an overview of its Audited Financial Statements for the year ended 31 December 2015, which had just been published, and explained in detail its strategy to continue to expand internationally as well as its plans for the extensive regeneration of its old plant into a state-of-the-art business complex.

positive economic performance, Government's support for those who are most in need as reflected in the Budget, and to Malta's forthcoming EU Presidency in 2017.

While the Exchange has been hosting this event for several years, for the first time the dinner was used as an opportunity to recognise the outstanding performance by selected stakeholders and by eminent Maltese in various fields. A Lifetime Achievement Award was presented to the world-renowned Professor Edward Debono. Mr Anthony Diacono, Chairman of Medserv plc, accepted an award on behalf of the Company, which was selected as the 2016 MSE Company of the Year, while Mr Crocifisso Debono, a messenger driver with the Exchange, was elected 2016 Employee of the Year. The Exchange was honoured to have Mr Patrick Young, an entrepreneur and leading thinker about financial markets and investments, as its first keynote speaker during the dinner.

Ms Eileen V Muscat, former CEO of the Exchange, addressed the audience, taking a personal look back at her 28-year involvement with the Exchange and taking the opportunity to thank all those present for their support.

### Research Analysts Meetings

The Exchange, in conjunction with International Hotels Investments plc (IHI), held the first Research Analysts Meeting on 15 February 2016 wherein IHI gave an overview of the development of the company and its plans for the future to over 40 participants, mainly from the legal and financial sectors. The aim of these meetings is to provide the opportunity for listed companies to directly address those individuals who provide advice or analysis on the performance

### Art Exhibition

As part of its Corporate Social Responsibility initiatives, for the first time the Exchange hosted an art exhibition, between April and June, showcasing the work of up-and-coming Maltese artists. The Art Exhibition, with the theme "On Spatial Concerns", was officially opened by Her Excellency Ms Marie-Louise Coleiro Preca, President of the Republic, on 23 April 2016 during an event organised to mark the occasion. Following the launch, the exhibition, which included paintings, prints and various



installations including videos, attracted around 750 visitors, who had the opportunity to view the works as well as to visit and take in the Exchange's iconic building.

### Dematerialisation and Custody Services Seminar

The Exchange organised a half-day Seminar on 15 June 2016, covering the services and operations related to



dematerialisation and custody. The seminar, which was attended by over 20 participants, mostly from the legal profession, was introduced by Mr Simon Zammit, CEO and followed by Dr Robert Vella Baldacchino, Head of the Legal and Regulatory Office who gave an overview of the legal and regulatory framework governing these services. Dr Elizabeth Calleja Mousu, Head of the CSD, spoke about the eligibility criteria, the overall general processes and the application procedures. The presentations outlined the added-value that these services afford and how they may support the administration of equities and bond registers and the needs of registrars or administrators of funds and securitised instruments.

## Prospects Seminar

On 1 September 2016 the Exchange in collaboration with the Gozo Business Chamber, organised a half-day workshop on Prospects, the new SME market, under the auspices of the Hon Dr Anton Refalo, Minister for Gozo which was attended by around 30 participants from within the financial and business community in Gozo. During his welcome speech Dr Refalo spoke about the growth of the financial services sector in Gozo and plans to support SMEs on the island. Participants were addressed by Mr Joseph Portelli, Chairman and Mr Cliff Pace, Manager Product and Business Development, who spoke about the opportunities for Gozitan entrepreneurs to raise capital through Prospects or address succession planning through the issue of equity. The speakers also focused on the main features of Prospects and the role of the Corporate Advisor.

## An Introduction to the MFSA Listing Committee Seminar

The Exchange organised an afternoon seminar on 6 September 2016 explaining the processes and operations of the Listing Committee. The seminar was very well attended, with over 60 participants, mainly from the financial and legal sectors. The panel consisted of Mr David Pullicino, Dr Andre Camilleri, Ms Lauren Ellul, Mr Saviour Briffa and Ms Lorraine Vella. Mr David Pullicino, Chairman of the Listing Committee gave an overview of the listing process and the documentation required

in respect of a listing application with particular reference to the contents of a prospectus. Mr Pullicino also spoke about policy considerations and the approach taken by the Listing Committee when reviewing an application and also highlighted some issues which the Committee looked into in detail, such as financial information and risk considerations. The audience participated very actively in the concluding Q & A session, where a number of related topics were raised.

## Visitors to the Exchange

Her Excellency Ms Marie-Louise Coleiro Preca, President of Malta, visited the Malta Stock Exchange on 2 May 2016 to inaugurate the first Malta Stock Exchange Art Exhibition that was open to the public till 15 June 2016. During her speech the President welcomed this initiative and the Exchange's contribution towards the arts. The event that formed part of the activities to commemorate the Exchange's 25th Anniversary was also addressed by the Hon Professor Edward Scicluna, Minister for Finance and Mr Joseph Portelli, Chairman of the Exchange.

In June the Exchange welcomed a high-level delegation from the Shanghai Stock Exchange, headed by Mr Xuexian Pan, Chairman of the Shanghai Stock Exchange Supervisory Council. During their visit to Malta, the Chinese delegation attended the FESE Convention.

The Exchange welcomed a number of distinguished guests including Mr Stefan Maijoor, Chairman of the European Securities Markets Authority, and the Hon Dr Anton Refalo, Minister for Gozo. In November the Hon Mr Evarist Bartolo, Minister for Education, attended the launch of the Financial Education Program, presented by the Malta Stock Exchange in collaboration with Education Plus and the Alternative Learning Program.

The Hon Fabian Picardo, Chief Minister of Gibraltar and the Hon Dr Joseph Garcia, Deputy Chief Minister paid a brief courtesy visit to the Exchange, accompanied by the Hon Professor Edward Scicluna, Minister for Finance. During their visit the distinguished guests had the opportunity to hear about the developments of the Exchange and its plans for the future.



The Rt Hon Lord Mayor of London Dr Andrew Parmely and Stuart Gill, OBE High Commissioner, accompanied by a delegation from the British Bankers Association and the Chairman of the Commonwealth Enterprise and Investment Council, Lord Marland of Odstock, paid a courtesy visit to the Malta Stock Exchange. They met Mr Joseph Portelli, Chairman, Mr Simon Zammit, CEO and Mr Alfred Sammut, General Manager from the Exchange. Throughout the year the Exchange was honoured to also receive Chairpersons, CEOs and executives from many listed companies and local organisations.





MALTA STOCK EXCHANGE plc

## EXCHANGE OPERATIONS AND OTHER ACTIVITIES







# EXCHANGE OPERATIONS AND OTHER ACTIVITIES

## The Market

Total market turnover for 2016 showed a decrease of 25.10% compared to 2015 figures, with a total of €687.45 million as opposed to €918.25 million in 2015. All segments have registered a decrease in trading values with the largest drop of 28.98% being registered in the MGS segment and a 4.51% and 3.29% decrease in Equity and Corporate Bonds respectively.

The Malta Stock Exchange Share Index (the Index) ended the year at a value of 4630.879, up from 4430.985, the value at the end of 2015, an increase of 200 points, or slightly over 4.51%. The highest value of the Index was registered on 30 December, when it reached the value of 4630.879 while the lowest value of the year was registered during the third quarter, on 7 September, when the value of the Index stood at 4390.124, a change of 5.48% from the lowest to the highest value of the Index throughout the year. The MSE Sharia Index closed the year at 1002.977, an increase of 0.3% from its launch on 1 January 2016 at 1000.000.

The market capitalisation of the financial instruments admitted to the Exchange's recognised lists stood at €12.3 billion, an increase of 6.49% when compared to the previous end year value of €11.55 billion. All market sectors registered increases in their value during 2016. The largest increase in market capitalisation value year-on-year was registered in the corporate bonds sector, which rose from over €1.28 billion at the end of 2015, to €1.49 billion at the end of 2016. The market capitalisation values in the Malta Government Stock sector and the Treasury Bill sector showed a year-on-year increase of €303 million up to €6.36 billion and €32 million up to €254.3 million respectively. At the same time, the equity market sector value also increased from €4 billion at the end of 2015 to €4.2 billion at the end of 2016.

At the end of 2016, ten primary listed Collective Investment Schemes which invest solely in financial instruments listed on the Malta Stock Exchange registered a total Net Asset Value of just below €1.041 billion, an increase of €123.22 million when compared to the €917.74 million previous year-end value (an increase of 13.43%).

## Admission

The positive trend with regard to admissions registered during the previous years continued during 2016 with a total of 14 Corporate Bonds issued during the year with a total value of €399 million (€289 million when excluding roll-overs). In 2015 these figures stood at eight new issues with a total value of €205 million and €152 million when excluding roll overs. A total of nine new MGS were issued in 2016 (10 in 2015), with a total value of €598 million (€475 million in 2015). Treasury Bill issues increased from the previous year both in terms of issues (from 81 up to 90) and value (€786 million to €973 million). There were no new equity listings during 2016.

The outstanding nominal value of five corporate bonds, four Government Stock issues and 88 issues of Treasury Bills totalling over €1.25 billion were redeemed during 2016. Deductions of outstanding balances in corporate bond issues were also effected during the year through buy-backs transacted on the market.

A total of 295 financial instruments appeared on the Exchange's recognised lists at the end of 2016, an increase of 32 instruments when compared to the previous year.

## MSE Index for 2016



## Comparative Trading Figures

Security	Number of Deals		Volume/No. of Shares		Market Turnover (EURO)	
	2015	2016	2015	2016	2015	2016
<b>Equities</b>						
6pm Holdings p.l.c. Ord GBP0.20	87	74	412,480	421,360	409,024	461,334
Bank of Valletta p.l.c. Ord €1.00	3,146	2,716	8,939,127	7,367,792	20,246,011	16,621,366
Crimsonwing p.l.c. Ord €0.10	21	-	181,837	-	155,224	-
FIMBank p.l.c. Ord US\$0.50	230	412	2,397,219	7,167,695	1,170,116	5,156,399
GlobalCapital p.l.c. Ord €0.291172	5	60	2,000	146,138	1,496	66,518
Grand Harbour Marina p.l.c. Ord €0.12	40	15	110,791	26,492	171,402	23,699
GO p.l.c. Ord €0.582343	1,167	628	3,680,193	1,596,997	11,411,127	5,069,800
HSBC Bank Malta p.l.c. Ord €0.30	1,596	1,208	5,433,355	4,035,681	10,251,751	6,820,608
Island Hotels Group Holdings p.l.c. Ord €1.00	14	-	48,500	-	49,546	-
International Hotel Investments p.l.c. Ord €1.00	443	383	3,027,469	3,688,540	2,345,270	2,350,828
Lombard Bank Malta p.l.c. Ord €0.25	349	174	2,306,290	1,362,282	5,044,572	2,954,928
Logus Holdings p.l.c. Ord €0.232937	23	25	50,716	61,979	6,798	8,645
MIDI p.l.c. Ord €0.20	190	180	3,699,410	2,492,987	1,038,734	886,601
Medserv p.l.c. Ord €0.10	337	417	1,387,841	2,402,688	2,820,469	3,838,684
Malta International Airport p.l.c. Ord €0.25	960	795	2,623,555	1,371,924	9,023,063	5,893,491
Malita Investments p.l.c. Ord €0.50	243	177	1,896,221	1,734,568	1,685,542	1,559,223
Mapfre Middlesea p.l.c. Ord €0.21	336	157	573,058	274,766	945,623	649,520
Malta Properties Company plc Ord €0.32	422	624	3,527,296	4,117,417	2,105,568	2,295,368
MaltaPost p.l.c. Ord €0.25	135	146	480,723	496,684	748,806	954,934
Pefaco International plc Ord €1.50	1	2	100	445,125	224	997,080
Plaza Centres p.l.c. Ord €0.20	122	96	1,947,878	929,078	1,763,618	1,000,490
RS2 Software p.l.c. Ord €0.10	912	1,489	3,192,708	6,254,843	8,065,792	16,264,819
Simonds Farsons Cisk p.l.c. Ord €0.30	136	179	159,077	405,567	836,358	2,611,008
Santumas Shareholdings plc Ord €0.55	21	23	38,081	74,243	76,521	156,590
Tigne Mall p.l.c. Ord €0.50	126	112	1,387,291	1,103,617	1,099,801	1,154,376
<b>Total Equity</b>	<b>11,062</b>	<b>10,092</b>	<b>47,503,216</b>	<b>47,978,463</b>	<b>81,472,457</b>	<b>77,796,310</b>
<b>Corp. Bonds</b>						
5.1% 6PM Holdings plc Unsecured € 2025	125	64	4,125,100	1,356,600	4,489,992	1,495,648
6% AX Investments Plc € 2024	187	151	1,245,800	1,066,000	1,388,346	1,207,935
4.8% Bank of Valletta plc Notes 2018	95	135	1,076,400	1,603,500	1,154,950	1,682,594
5.35% Bank of Valletta plc Sub € 2019	120	138	853,800	917,100	942,175	969,125
4.25% Bank of Valletta plc € Notes 2019 Series 2 Tranche 1	91	100	889,500	1,063,200	942,221	1,101,949
4.8% Bank of Valletta Plc Sub € 2020	118	152	818,100	1,052,400	878,545	1,105,395
3.5% Bank of Valletta plc € Notes 2030 S1 T1	3	254	104,000	6,029,000	108,940	5,980,318
3.5% Bank of Valletta plc € Notes 2030 S2 T1	1	154	10,000	1,638,100	10,399	1,621,279
3.5% Bank of Valletta plc € Notes 2030 S2 T2	-	1	-	10,000	-	10,000
5.75% Central Business Centres plc Unsecured € 2021 S1T1	47	27	300,400	153,200	312,678	59,418
5.25% Central Business Centres plc Unsecured € 2025 S2T1	2	35	3,000	240,100	3,000	248,597
6.25% Corinthia Finance plc € 2016-2019	84	78	649,500	261,400	669,891	265,460
6% Corinthia Finance plc € 2019-2022	17	9	128,000	70,000	134,337	74,235
4.25% Corinthia Finance plc Unsecured € 2026	-	158	-	2,114,500	-	2,200,963
5% Dizz Finance plc Unsecured € 2026	-	75	-	828,000	-	851,737
6.6% Eden Finance plc 2017-2020	15	13	88,700	446,300	94,997	471,819
5.6% GlobalCapital plc € 2014/16	102	31	683,900	106,300	667,776	101,941
5% GlobalCapital plc Unsecured € 2021	-	31	-	255,800	-	256,129
4.9% Gasan Finance Company plc € 2019-2021	57	74	314,400	505,900	335,021	530,359
7% Grand Harbour Marina plc € 2017-2020	45	45	527,000	184,700	585,320	190,904
4.25% GAP Group plc Secured € 2023	-	187	-	1,589,300	-	1,612,879
4.6% HSBC Bank Malta Plc € 2017	123	76	2,065,074	883,465	2,170,016	898,956
5.9% HSBC Bank Malta Plc € Sub 2018	89	68	1,028,700	507,200	1,126,782	538,351
5% Hal Mann Vella Group plc Secured Bonds € 2024	308	216	2,668,900	1,894,000	2,831,239	1,991,264
4.5% Hili Properties plc Unsecured € 2025	505	630	2,366,100	2,742,200	2,546,729	2,929,334
5.35% Izola Bank plc Secured Notes 2015	1	-	726,000	-	726,000	-
4.5% Izola Bank plc A Unsecured 2025	82	29	1,732,500	270,800	1,810,735	290,205
6.5% Island Hotels Group Holdings plc € 2017-2019	52	36	234,300	162,700	243,099	166,527
6% Island Hotels Group Holdings plc € 2024	237	159	1,374,900	1,061,500	1,476,816	1,160,960
6.25% Int. Hotel Invest. Plc € 2015-2019	45	-	311,800	-	315,977	-
6.25% International Hotel Investments Plc € 2017 - 2020	50	52	237,900	256,900	247,421	262,554
5.8% International Hotel Investments plc 2021	66	55	434,200	414,400	455,958	439,796
5.8% International Hotel Investments plc 2023	51	27	651,700	196,900	702,280	212,302
5.75% International Hotel Investments plc Unsecured € 2025	500	291	2,304,000	981,700	2,551,102	1,066,044
4% International Hotel Investments plc Secured € 2026	-	421	-	3,679,700	-	3,785,554
4% International Hotel Investments plc Unsecured € 2026	-	1	-	14,400	-	14,681
6.25% Mediterranean Bank plc EUR 2015	49	-	332,300	-	337,324	-
7.5% Mediterranean Bank plc Subordinated Bonds EUR 2019	29	63	785,000	1,994,000	852,091	2,227,764
7.5% Mediterranean Bank plc Subordinated Bonds GBP 2019	5	-	210,000	-	298,773	-
6% Mediterranean Bank plc Subordinated Unsecured € 2019-2024	68	35	1,850,100	775,000	1,978,477	817,983
6% Mediterranean Bank plc Subordinated Unsecured £ 2019-2024	2	2	70,000	40,000	98,111	49,963
7% MIDI plc EUR 2016-2018	68	54	1,194,300	596,800	1,283,115	610,421
7% MIDI plc GBP 2016-2018	14	28	65,000	247,900	94,365	324,937
4% MIDI plc Secured A 2026	-	291	-	1,924,600	-	1,997,173
5.3% Mariner Finance plc Unsecured € 2024	126	116	1,855,700	893,800	2,024,316	973,607
7.5% Mediterranean Investments Holding Plc € 2015	137	-	2,027,600	-	1,975,106	-
7.15% Mediterranean Investments Holding plc Euro 2015-2017	240	116	1,262,600	652,100	1,229,660	650,720
7.15% Mediterranean Investments Holding plc GBP 2015-2017	16	19	100,500	225,500	138,156	277,808
7.15% Mediterranean Investments Holding plc USD 2015-2017	48	32	463,800	419,200	394,515	377,128
5.5% Mediterranean Investments Holding plc Unsecured € 2020	76	75	1,282,000	644,100	1,355,896	668,366
6% Mediterranean Investments Holding plc Euro 2021	194	127	1,887,400	1,184,800	1,889,400	1,186,419
4.8% Mediterranean Maritime Hub Finance plc Unsecured € 2026	-	85	-	834,000	-	851,870
6.2% Mizzi Org. Fin. plc € 2016-2019	86	76	768,400	327,100	818,215	334,251
6% Medserv plc Sec. & Grntd € Notes 2020-2023 S1 T1	146	97	724,200	454,700	798,154	500,306
4.5% Medserv plc Unsecured € 2026	-	73	-	2,287,900	-	2,393,168
5.75% Medserv plc Unsecured USD 2026	-	43	-	813,100	-	779,328
6.8% Premier Capital plc € Bond 2017-2020	71	78	610,100	409,900	667,213	422,091
3.75% Premier Capital plc Unsecured € 2026	-	77	-	676,500	-	687,807
5.5% Pendergardens Developments plc Secured € 2020 Series I	116	43	2,159,300	219,800	2,361,507	232,981
6% Pendergardens Developments plc Secured € 2022 Series II	111	94	1,344,900	1,364,400	1,482,482	1,544,319
5.1% PTL Holdings plc Unsecured € 2024	337	289	6,941,200	2,296,300	7,554,040	2,427,655
3.9% Plaza Centres plc Unsecured € 2026	-	10	-	510,000	-	529,360
6% Simonds Farsons Cisk plc 2017 - 2020	68	97	237,100	262,600	255,746	274,271
6.2% Tumas Investments plc € 2017 - 2020	67	71	1,038,700	289,400	1,125,708	299,627
5% Tumas Investments plc Unsecured € 2024	63	54	374,800	416,700	410,384	450,150
5.3% United Finance Plc Unsecured € Bonds 2023	28	12	454,900	65,300	480,363	71,011
<b>Total Corporate Bonds</b>	<b>5,383</b>	<b>6,130</b>	<b>55,993,574</b>	<b>55,382,765</b>	<b>59,825,859</b>	<b>57,854,886</b>
<b>Close Ended Collective Investment Scheme</b>						
<b>Malta Government Stocks</b>						
Total Malta Government Stocks	18,595	17,790	637,511,583	480,871,732	776,950,229	551,797,197
<b>Treasury Bills</b>						
<b>Total Treasury Bills</b>						
<b>Total all Securities</b>	<b>35,040</b>	<b>34,012</b>	<b>-</b>	<b>-</b>	<b>918,248,545</b>	<b>687,448,393</b>

## MGS Movements 2016

Security Name	Date of Issue	Amount Issued	Coupon	Dates of Interest	Traded Value (EURO)	Deals	Last Closing Price
6.65% MGS 2016	27-Mar-01	69,883,069	6.65%	28-Mar - 28-Sep	490,864	24	100.550
4.8% MGS 2016 (II)	26-Nov-03	186,351,758	4.80%	26-May - 26-Nov	19,358,403	105	100.390
7% MGS 2016 (III)	30-Jun-06	3,390,636	7.00%	30-Jun - 30-Dec	-	-	-
4.3% MGS 2016 (IV)	7-Dec-11	158,145,275	4.30%	16-Feb - 16-Aug	13,191,914	4	101.990
7% MGS 2017	18-Feb-07	668,998	7.00%	18-Feb - 18-Aug	-	-	-
7% MGS 2017 (II)	30-Jun-07	10,338,691	7.00%	30-Jun - 30-Dec	-	-	-
4.25% MGS 2017 (III)	23-Feb-11	263,853,300	4.25%	06-May - 06-Nov	16,764,400	331	103.690
3.75% MGS 2017 (IV)	22-Jun-12	71,963,700	3.75%	20-Feb - 20-Aug	5,414,358	10	102.610
FLTNG RT 6MTH EUR MGS 2017(V)	7-Sep-12	25,000,000	0.765%	05-Mar - 05-Sep	-	-	-
7.8% MGS 2018	3-Aug-98	163,057,021	7.80%	15-Jan - 15-Jul	1,587,277	115	111.990
7% MGS 2018 (II)	18-Apr-08	326,700	7.00%	18-Apr - 18-Oct	-	-	-
7% MGS 2018 (III)	30-Jun-08	6,542,600	7.00%	30-Jun - 30-Dec	-	-	-
FLTNG RT 6MTH EUR MGS 2018(IV)	7-Sep-12	31,400,000	0.965%	05-Mar - 05-Sep	-	-	-
3.85% MGS 2018 (V)	12-Dec-12	121,431,000	3.85%	18-Apr - 18-Oct	-	-	-
FLTNG RT 6MTH EUR MGS 2018(VI)	25-Sep-13	38,950,000	0.767%	25-Mar - 25-Sep	-	-	-
FLTNG RT 6MTH EUR MGS 2018(VII)	12-Jun-14	29,300,000	0.741%	12-Jun - 12-Dec	-	-	-
6.6% MGS 2019	1-Sep-99	102,493,253	6.60%	01-Mar - 01-Sep	1,479,394	103	117.500
7% MGS 2019 (II)	30-Jun-09	13,670,000	7.00%	30-Jun - 30-Dec	-	-	-
3% MGS 2019 (III)	1-Mar-13	122,495,900	3.00%	22-Mar - 22-Sep	4,745,623	54	108.070
FLTNG RT 6MTH EUR MGS 2019(IV)	25-Sep-13	40,750,000	0.867%	25-Mar - 25-Sep	-	-	-
3.2% MGS 2019 (V)	9-Dec-13	121,450,700	3.20%	31-Jan - 31-Jul	617,098	5	108.870
FLTNG RT 6MTH EUR MGS 2019(VI)	27-Nov-15	35,000,000	0.206%	27-May - 27-Nov	-	-	-
5.2% MGS 2020	27-Jun-07	52,407,462	5.20%	10-Jun - 10-Dec	2,197,327	131	117.800
4.6% MGS 2020 (II)	18-Nov-09	158,327,200	4.60%	25-Apr - 25-Oct	3,340,292	161	115.200
7% MGS 2020 (III)	30-Jun-10	430,700	7.00%	30-Jun - 30-Dec	-	-	-
3.35% MGS 2020 (IV)	9-Dec-13	64,040,000	3.35%	31-Jan - 31-Jul	-	-	-
2% MGS 2020 (V)	4-Apr-14	138,484,400	2.00%	26-Mar - 26-Sep	3,165,921	78	107.080
2% MGS 2020 (V) FI 2015 R	12-Oct-15	1,328,900	2.00%	26-Mar - 26-Sep	21,446	2	107.230
2% MGS 2020 (V) FI 2015 I	14-Oct-15	51,200,000	2.00%	26-Mar - 26-Sep	-	-	-
FLTNG RT 6MTH EUR MGS 2020(VI)	29-Oct-14	47,850,000	0.608%	29-Apr - 29-Oct	-	-	-
5% MGS 2021	25-May-04	458,844,653	5.00%	08-Feb - 08-Aug	17,208,071	658	122.830
7% MGS 2021 (II)	18-Jun-11	466,000	7.00%	18-Jun - 18-Dec	-	-	-
7% MGS 2021 (III)	30-Jun-11	2,858,800	7.00%	30-Jun - 30-Dec	-	-	-
5.1% MGS 2022	16-Aug-04	71,047,725	5.10%	16-Feb - 16-Aug	3,974,933	250	130.000
4.3% MGS 2022 (II)	6-Feb-12	240,169,400	4.30%	15-May - 15-Nov	8,686,302	394	121.810
7% MGS 2022 (III)	1-Sep-12	1,318,800	7.00%	01-Mar - 01-Sep	-	-	-
1.5% MGS 2022 (IV)	11-Jul-16	58,000,200	1.50%	11-Jan - 11-Jul	697,095	5	107.310
1.5% MGS 2022 (IV) R	29-Feb-16	3,000,200	1.50%	11-Jan - 11-Jul	5,318	1	106.350
1.5% MGS 2022 (IV) FI APR16	4-Apr-16	55,000,000	1.50%	11-Jan - 11-Jul	-	-	-
1.5% MGS 2022 (IV) FI AUG 16 R	8-Aug-16	5,265,500	1.50%	11-Jan - 11-Jul	10,724	1	107.240
1.5% MGS 2022 (IV) FI OCT 16 R	24-Oct-16	131,000	1.50%	11-Jan - 11-Jul	-	-	-
5.5% MGS 2023	14-Jul-03	78,811,283	5.50%	06-Jan - 06-Jul	2,555,341	121	132.250
7% MGS 2023 (II)	18-Nov-13	2,404,400	7.00%	18-May - 18-Nov	-	-	-
3.3% MGS 2024 (I)	3-Mar-14	24,051,100	3.30%	12-May - 12-Nov	2,818,305	103	119.560
7% MGS 2024 (II)	18-Aug-14	1,135,000	7.00%	18-Feb - 18-Aug	-	-	-
7% MGS 2025 (I)	14-Aug-15	2,007,900	7.00%	14-Feb - 14-Aug	-	-	-
7% MGS 2026 (I)	25-Jul-16	734,400	7.00%	25-Jan - 25-Jul	-	-	-
4.8% MGS 2028 (I)	2-Nov-12	107,029,500	4.80%	11-Mar - 11-Sep	6,702,075	249	138.870
4.5% MGS 2028 (II)	1-Mar-13	286,651,500	4.50%	25-Apr - 25-Oct	13,183,242	568	135.280
5.1% MGS 2029 (I)	22-Jun-12	79,144,900	5.10%	01-Apr - 01-Oct	3,996,754	199	144.200
2.3% MGS 2029 (II)	16-Jun-15	143,518,400	2.30%	24-Jan - 24-Jul	43,065,840	1,320	111.250
2.3% MGS 2029 (II) FI Oct 15 r	12-Oct-15	88,218,400	2.30%	24-Jan - 24-Jul	1,282,880	43	106.310
2.3% MGS 2029 (II) FI Oct 2015 I	14-Oct-15	39,200,000	2.30%	24-Jan - 24-Jul	-	-	-
5.25% MGS 2030	26-May-10	440,165,700	5.25%	23-Jun - 23-Dec	16,131,947	666	147.040
5.2% MGS 2031 (I)	21-Nov-11	201,343,600	5.20%	16-Mar - 16-Sep	12,108,823	507	148.530
4.65% MGS 2032 (I)	4-Nov-13	140,454,200	4.65%	22-Jan - 22-Jul	10,017,842	480	142.780
4.45% MGS 2032 (II)	3-Mar-14	153,111,700	4.45%	03-Mar - 03-Sep	19,687,780	461	139.910
4.3% MGS 2033 (I)	9-Jun-14	150,699,900	4.30%	01-Feb - 01-Aug	13,303,146	523	139.590
4.1% MGS 2034 (I)	4-Apr-14	200,075,700	4.10%	18-Apr - 18-Oct	35,307,388	704	135.940
2.5% MGS 2036 (I)	17-May-16	221,733,100	2.50%	17-May - 17-Nov	71,393,912	2,429	109.830
2.5% MGS 2036 (I) R	29-Feb-16	196,733,100	2.50%	17-May - 17-Nov	31,282,614	882	105.400
2.5% MGS 2036 (I) FI APR16	4-Apr-16	25,000,000	2.50%	17-May - 17-Nov	-	-	-
2.1% MGS 2039 (I) R	24-Oct-16	159,102,100	2.10%	24-Feb - 24-Aug	24,127,900	842	102.250
3% MGS 2040 (I)	2-Mar-15	162,276,100	3.00%	11-Jun - 11-Dec	56,610,354	2,583	119.280
2.4% MGS 2041 (I) R	8-Aug-16	153,669,800	2.40%	25-Jan - 25-Jul	85,264,295	2,678	105.340

## Central Securities Depository (CSD)

The number of accounts held at the CSD showed a minor increase in 2016 and stood at just under 73,500, up from just under 73,000 in 2015. During 2016 the CSD processed 367 Corporate Actions of which 222 were interest and dividend payments, together with a number of bonus and scrip dividend issues as well as mergers and redemptions.

The number of companies seeking admission of non-listed securities to the CSD during 2016 continued to increase with a further 36 securities choosing to make use of this service. The total number of securities admitted to the CSD, excluding

those listed on the Exchange, has nearly doubled in 2016 to bring this to a total of 80 securities. As a result of this increase in dematerialised securities held within the CSD, the number of transactions effected over the MSE CSD – Clearstream Banking AG link also increased. A total of 219 transactions, an increase of 115 when compared to the previous year, were executed over this link, the majority of which were related to transactions in non-listed securities.

During the year the CSD, Data Operations and IT Department and Clearstream Banking AG were involved in discussions and testing of processes related to Clearstream's migration to T2S planned for Q1 2017. The CSD and Data Operations and IT staff

## Market Capitalisation as at 31 December 2016

Security	Nominal/No of Shares	Close Price	Capitalisation in Euro
<b>Equities</b>			
BOV ORD SHARES	390,000,000	2.251	877,890,000.00
HSBC ORD SHARES	360,306,099	1.900	684,581,588.10
LOM BANK ORD SHARES	44,177,914	2.300	101,609,202.20
MMS SHARES	92,000,000	2.249	206,908,000.00
SFC ORD SHARES	30,000,000	7.000	210,000,000.00
GO ORD SHARES	101,310,488	3.270	331,285,295.76
IHI ORD SHARES	597,750,646	0.645	385,549,166.67
PZC ORD SHARES	28,242,000	1.090	30,783,780.00
LQS ORD SHARES	31,899,000	0.165	5,263,335.00
GC PLC ORD SHARES	30,000,000	0.410	12,300,000.00
FIMB PLC ORD SHARES	310,478,525	0.900	267,321,029.85
MIA PLC ORD A SHARES	81,179,990	4.050	328,778,959.50
STUMAS SHOLDINGS PLC	4,432,788	1.260	5,585,312.88
MDS ORD SHARES	53,744,405	1.599	85,937,303.60
GHM ORD SHARES	20,000,000	0.869	17,380,000.00
6PM HOLDINGS PLC ORD SHARES	20,982,938	0.800	19,679,191.56
MALTAPOST PLC ORD SHARES	36,986,600	2.030	75,082,798.00
RS2 SOFTWARE PLC ORD SHARES	158,333,187	1.820	288,166,400.34
MIDI PLC ORDINARY SHARES	214,159,922	0.351	75,170,132.62
MALITA INV PLC ORD B SHARES	30,000,000	0.857	25,710,000.00
TIGNE MALL PLC ORD SHARES	56,400,000	1.190	67,116,000.00
PEFACO INT PLC ORD SHARES	22,350,054	2.240	50,064,120.96
MPC PLC ORD SHARES	101,310,488	0.590	59,773,187.92
<b>Total</b>			<b>4,211,934,804.95</b>
<b>Corporate Bonds</b>			
5.35% BOV PLC SUB BDS 2019	50,000,000	103.800	51,900,000.00
4.8% BOV SUB BDS 2020	70,000,000	104.260	72,982,000.00
4.8% BOV PLC NOTES 2018	55,400,000	103.750	57,477,500.00
4.25% BOV EUR NTS 2019 S 2 TR 1	40,000,000	102.300	40,920,000.00
3.5% BOV SUB NTS 2030 SRS1 TR1	66,920,500	99.000	66,251,295.00
3.5% BOV SUB NTS 2030 SRS2 TR1	44,670,400	98.500	44,000,344.00
4.6% HSBC EUR 2017	58,234,390	100.000	58,234,390.00
5.9% HSBC BNK SUB BDS 2018	30,000,000	106.110	31,833,000.00
4.9% GF PLC BONDS 2019-2021	24,993,000	104.750	26,180,167.50
6% SFC PLC BONDS 2017-2020	15,000,000	103.000	15,450,000.00
6% AX INV PLC BNDS 2024	40,000,000	113.500	45,400,000.00
6% CFC PLC BONDS 2019-2022	7,500,000	106.000	7,950,000.00
4.25% CFC USC BDS 2026	40,000,000	105.000	42,000,000.00
6.25% IHI PLC BDS 2017-2020	6,572,000	102.000	6,703,440.00
5.8% IHI PLC BDS 2021	20,000,000	108.500	21,700,000.00
5.8% IHI PLC BONDS 2023	10,000,000	107.510	10,751,000.00
5.75% IHI PLC UNSEC BDS 2025	45,000,000	110.750	49,837,500.00
4% IHI PLC SEC BDS 2026	55,000,000	101.960	56,078,000.00
4% IHI PLC UNSEC BDS 2026	40,000,000	101.950	40,780,000.00
3.9% PZC PLC UNSEC BNDS 2026	8,500,000	104.000	8,840,000.00
5.3% UFC PLC UNSEC BDS 2023	8,500,000	108.610	9,231,850.00
6.6% EDF PLC BDS 2017-2020	13,984,000	102.780	14,372,755.20
5% GC PLC EUR UNSEC BNDS 21	10,000,000	100.000	10,000,000.00
6.2% TIP PLC BDS 2017-2020	25,000,000	106.000	26,500,000.00
5% TUM INV PLC UNS BDS 2024	25,000,000	108.500	27,125,000.00
5.3% MRN FIN UNS BNDS 2024	35,000,000	105.760	37,016,000.00
6% MDS SEC NTS 2020/23 S1 T1	20,000,000	108.500	21,700,000.00
4.5% MDS PLC UNS EUR BDS 2026	21,982,400	105.100	23,103,502.40
5.75% MDS UNSEC USD BDS 2026	9,148,100	106.500	9,320,507.51
7% GHM PLC BONDS 2017-2020	10,969,400	102.010	11,189,884.94
5.1% 6PM HLDs PLC UNSEC BDS 2025	13,000,000	107.990	14,038,700.00
7.15% MIH EUR BDS 2015/17	28,519,400	100.500	28,661,997.00
7.15% MIH GBP BDS 2015/17	4,351,100	100.000	5,100,937.87
7.15% MIH USD BDS 2015/17	7,120,300	99.990	6,811,047.52
6% MIH PLC UNS BNDS 2021	12,000,000	103.000	12,360,000.00
5.5% MIH PLC UNSEC BDS 2020	20,000,000	104.000	20,800,000.00
4% MIDI PLC EUR SEC BDS 2026	50,000,000	105.000	52,500,000.00
6.5% IHGH PLC BDS 2017/19	3,133,600	102.000	3,196,272.00
6% IHG PLC BNDS 2024	35,000,000	107.300	37,555,000.00
6.8% PRC PLC BDS 2017-2020	7,396,100	101.260	7,489,290.86
3.75% PRC PLC UNSEC BDS 2026	65,000,000	102.480	66,612,000.00
4.5% IZL BNK PLC UNSEC BDS 2025	12,000,000	105.900	12,708,000.00
7.5% MED BANK EUR SUB BDS 2019	18,829,000	113.000	21,276,770.00
7.5% MEDBNK GBP SUB BD 2019	3,044,000	103.000	3,675,638.92
6% MEDBK E SB UN BD 2019/24	23,286,000	103.050	23,996,223.00
6% MEDBK G SB UN BD 2019/24	1,373,000	104.000	1,673,997.66
5.5% PENDRG S I SEC BD 2020	15,000,000	105.000	15,750,000.00
6% PENDRG S II SEC BD 2022	27,000,000	112.000	30,240,000.00
5% HMV GRP PLC SEC BDS 2024	30,000,000	103.000	30,900,000.00
5.1% PTL HLDNGS UNS BD 2024	36,000,000	104.950	37,782,000.00
5.75% CBC UNS BD 2021 S1 T1	3,000,000	102.500	3,075,000.00
5.25% CBC UNS BD 2025 S2 T1	3,000,000	105.990	3,179,700.00
4.5% HIL UNSEC BDS 2025	37,000,000	105.000	38,850,000.00
5% DFC PLC UNSEC BDS 2026	8,000,000	105.000	8,400,000.00
4.25% GAP PLC SEC EUR BDS 2023	40,000,000	102.000	40,800,000.00
4.8% MMHF PLC UNSEC EUR BDS 2026	15,000,000	103.500	15,525,000.00
<b>Total</b>			<b>1,487,785,711.37</b>

## Market Capitalisation as at 31 December 2016 (continued)

Security	Nominal/No of Shares	Close Price	Capitalisation in Euro
<b>Malta Government Stocks</b>			
7.8% MGS 2018	163,057,021	111.990	182,607,557.82
6.6% MGS 2019	102,493,253	117.500	120,429,572.28
5.5% MGS 2023	78,811,283	132.250	104,227,921.77
5% MGS 2021	458,844,653	122.830	563,598,887.28
5.1% MGS 2022	71,047,725	130.000	92,362,042.50
7% MGS 2017	668,998	100.000	668,998.00
5.2% MGS 2020	52,407,462	117.800	61,735,990.24
7% MGS 2017 (II)	10,338,691	100.000	10,338,691.00
7% MGS 2018 (II)	326,700	100.000	326,700.00
7% MGS 2018 (III)	6,542,600	100.000	6,542,600.00
7% MGS 2019 (II)	13,670,000	100.000	13,670,000.00
4.6% MGS 2020 (II)	158,327,200	115.200	182,392,934.40
5.25% MGS 2030	440,165,700	147.040	647,219,645.28
7% MGS 2020 (III)	430,700	100.000	430,700.00
4.25% MGS 2017 (III)	263,853,300	103.690	273,589,486.77
7% MGS 2021 (II)	466,000	100.000	466,000.00
7% MGS 2021 (III)	2,858,800	100.000	2,858,800.00
5.2% MGS 2031 (I)	201,343,600	148.530	299,055,649.08
4.3% MGS 2022 (II)	240,169,400	121.810	292,550,346.14
3.75% MGS 2017 (IV)	71,963,700	102.610	73,841,952.57
5.1% MGS 2029 (I)	79,144,900	144.200	114,126,945.80
7% MGS 2022 (III)	1,318,800	100.000	1,318,800.00
4.8% MGS 2028 (I)	107,029,500	138.870	148,631,866.65
3.85% MGS 2018 (V)	121,431,000	105.265	127,824,342.15
3% MGS 2019 (III)	122,495,900	108.070	132,381,319.13
4.5% MGS 2028 (II)	286,651,500	135.280	387,782,149.20
4.65% MGS 2032 (I)	140,454,200	142.780	200,540,506.76
7% MGS 2023 (II)	2,404,400	100.000	2,404,400.00
3.2% MGS 2019 (V)	121,450,700	108.870	132,223,377.09
3.35% MGS 2020 (IV)	64,040,000	105.056	67,278,118.56
3.3% MGS 2024 (I)	24,051,100	119.560	28,755,495.16
4.45% MGS 2032 (II)	153,111,700	139.910	214,218,579.47
4.3% MGS 2033 (I)	150,699,900	139.590	210,361,990.41
7% MGS 2024 (II)	1,135,000	100.000	1,135,000.00
2% MGS 2020 (V)	138,484,400	107.080	148,289,095.52
4.1% MGS 2034 (I)	200,075,700	135.940	271,982,906.58
3% MGS 2040 (I)	162,276,100	119.280	193,562,932.08
2.3% MGS 2029 (II)	143,518,400	111.250	159,664,220.00
7% MGS 2025 (I)	2,007,900	100.000	2,007,900.00
1.5% MGS 2022 (IV)	58,000,200	107.310	62,240,014.62
2.5% MGS 2036 (I)	221,733,100	109.830	243,529,463.73
7% MGS 2026 (I)	734,400	100.000	734,400.00
1.5% MGS 2022 (IV) FI AUG 16 R	5,265,500	107.240	5,646,722.20
2.4% MGS 2041 (I) R	153,669,800	105.340	161,875,767.32
1.5% MGS 2022 (IV) FI OCT 16 R	131,000	107.250	140,497.50
2.1% MGS 2039 (I) R	159,102,100	102.250	162,681,897.25
FLTNG RT 6MTH EUR MGS 2017(V)	25,000,000	100.202	25,050,500.00
FLTNG RT 6MTH EUR MGS 2018(IV)	31,400,000	99.327	31,188,678.00
FLTNG RT 6MTH EUR MGS 2018(VI)	38,950,000	100.090	38,985,055.00
FLTNG RT 6MTH EUR MGS 2019(IV)	40,750,000	100.310	40,876,325.00
FLTNG RT 6MTH EUR MGS 2018(VII)	29,300,000	100.470	29,437,710.00
FLTNG RT 6MTH EUR MGS 2020(VI)	47,850,000	101.436	48,536,934.60
FLTNG RT 6MTH EUR MGS 2019(VI)	35,000,000	100.000	35,000,000.00
<b>Total</b>			<b>6,359,328,384.90</b>
<b>Treasury Bills</b>			
28 DTB 15.12.16 - 12.01.17	10,000,000	100.031	10,003,070.00
91 DTB 20.10.16 - 19.01.17	22,000,000	100.098	22,021,604.00
91 DTB 03.11.16 - 02.02.17	7,000,000	100.099	7,006,944.00
91 DTB 17.11.16 - 16.02.17	22,000,000	100.099	22,021,758.00
91 DTB 01.12.16 - 02.03.17	32,000,000	100.098	32,031,424.00
92 DTB 07.12.16 - 09.03.17	20,000,000	100.098	20,019,500.00
91 DTB 15.12.16 - 16.03.17	20,000,000	100.096	20,019,220.00
91 DTB 22.12.16 - 23.03.17	25,000,000	100.095	25,023,725.00
91 DTB 29.12.16 - 30.03.17	5,000,000	100.099	5,004,960.00
182 DTB 21.07.16 - 19.01.17	2,000,000	100.150	2,003,008.00
182 DTB 25.08.16 - 23.02.17	2,000,000	100.162	2,003,230.00
182 DTB 27.10.16 - 27.04.17	20,000,000	100.019	20,003,800.00
182 DTB 24.11.16 - 25.05.17	30,000,000	100.196	30,058,650.00
273 DTB 11.08.16 - 11.05.17	2,000,000	100.220	2,004,408.00
273 DTB 22.09.16 - 22.06.17	5,000,000	100.239	5,011,970.00
273 DTB 10.11.16 - 10.08.17	20,000,000	100.290	20,057,960.00
274 DTB 07.12.16 - 07.09.17	6,000,000	100.294	6,017,634.00
364 DTB 07.07.16 - 06.07.17	2,000,000	100.284	2,005,678.00
364 DTB 01.09.16 - 31.08.17	2,000,000	100.295	2,005,902.00
<b>Total</b>			<b>254,324,445.00</b>
<b>Grand Total</b>			<b>12,313,373,346.22</b>



## Collective Investment Funds Investing in MSE Listed Securities

Fund	Net Asset Value in EURO 31 Dec 15	Net Asset Value in EURO 31 Dec 16
Vilhena Funds Sicav plc - Malta Fund	34,743,584	42,980,024
Vilhena Funds Sicav plc - Malta Government Bond Fund	213,396,053	279,076,767
Vilhena Funds Sicav plc - Maltese Opportunities Fund	29,468,705	31,501,229
Vilhena Funds Sicav plc - Maltese Equity Focus Fund	14,997,779	15,227,832
Vilhena Funds Sicav plc - Malta Bond Fund	136,586,241	165,975,446
Global Funds Sicav plc - Malta Privatisation and Equity Fund	2,527,105*	
Amalgamated Funds Sicav plc - Growth and Income Fund	61,665,349**	63,720,159**
APS Funds SICAV plc - APS Income Fund	70,343,577	82,960,635
HSBC Malta Funds Sicav plc - Malta Bond Fund	157,582,445	162,620,395
HSBC No-Load Funds Sicav plc - Malta Government Bond Fund	146,206,197	147,428,037
HSBC No-Load Funds Sicav plc - Maltese Assets Fund	50,220,844	49,471,766

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

### Listed Securities as at 31 December 2016

Equities	23
Corporate Bonds	56
Government Stocks	53
Treasury Bills	19
Structured Debt Instrument	0
Collective Investment Schemes	144
<b>TOTAL</b>	<b>295</b>

participated in migration weekend testing in preparation for this event. New operating procedures have been discussed and agreed with Clearstream. The introduction of e-Portfolio in June 2016 also necessitated the introduction of new processes and procedures at the CSD. By year end, circa 5,000 applications had been received for this innovative service with the number of activated accounts slightly exceeding 2,000.

### Compliance and Market Operations Office (CMO)

During the year, the Compliance & Market Operations Office processed three new Membership applications. These new Member Firms granted Membership were namely XNT Ltd, MZ Investment Services Ltd and Michael Grech Financial Investment Services Ltd. At the end of the year, 16 member firms together with the Central Bank of Malta as stockbroker to the Treasury appeared on the Exchange's list of approved Member Firms. In addition, CMO also processed 16 new traders' applications from 11 different Member Firms. The new traders underwent a period of training before being granted access to the Xetra Trading System – 13 new traders received training within their respective firms while the traders from new Member Firms underwent hands-on training given by CMO staff at the MSE. The number of active traders having access to the Xetra Trading System at the end of the year stood at 59.

115 notices to Members were issued by CMO during the year, mostly in relation to trading operations, while Company Announcements issued through the Exchange's dissemination system amounted to 541.

There were no new Xetra version releases during 2016; Deutsche Bourse will be releasing a MiFIR and MiFID II compliant version in Q4 2017. In this respect the CMO has been in discussions with DB officials throughout the year assessing the business requirements for a MiFID2/MiFIR compliant system.

### National Numbering Agency (NNA)

A total of 541 ISINs were issued throughout the year. 140 ISINs were issued with respect to financial instruments listed on the MSE, whilst the remaining 401 were issued with respect to unlisted financial instruments.

### European Markets Infrastructure Regulation (EMIR)

During the year, four new counterparties signed agreements appointing the MSE as their reporting agency whilst another 12 new delegating counterparties signed agreements with existing reporting counterparties to report their trades using the MSE's service. At the end of the year, 16 counterparties and 35 delegating counterparties were making use of this service. In total, throughout the year 365,662 trades were reported through the MSE's reporting facility, up from 330,000 in the previous year. This amounts to an increase of 35,662 trades which represents an 11% increase over the previous year.

### Business Development and Marketing

During March the Malta Stock Exchange organised a business development visit to Beijing and Shanghai in China. The delegation was led by the Hon Professor Edward Scicluna, Minister for Finance and consisted of the Chairman and other Executives of the Malta Stock Exchange as well as key

**Equities – Official List**

183,182	Santumas Shareholdings plc Ordinary Shares subsequent to a Bonus Issue
30,000,000	Bank of Valletta plc Ordinary Shares subsequent to a Bonus Issue
8,744,399	Medserv plc Ordinary Shares of a Nominal 0.10 subsequent to a Rights Issue
679,872	Maltapost plc Ordinary Shares of Nominal 0.25 subsequent to a scrip dividend issue
16,792,452	GlobalCapital plc Ordinary Shares of €0.291172 Nominal subsequent to a Rights Issue
406,341	Lombard Bank plc Ordinary Shares of €0.25 Nominal subsequent to a Scrip Dividend Issue
11,941,882	FIMBank plc Ordinary Shares of US\$0.50 Nominal subsequent to a Bonus Issue
5,000,000	RS2 plc Ordinary Shares of €0.10 Nominal subsequent to a Bonus Issue
17,211,023	International Hotel Investments plc Ordinary Shares Nominal €1 Subsequent to a Bonus Issues
6,903,494	International Hotel Investments plc Ordinary Shares Nominal €1 Issue of deferred consideration on IHG acquisition
201,496	Santumas Shareholdings plc Ordinary Shares subsequent to a Bonus Issues
2,216,394	Santumas Shareholdings plc Ordinary Shares subsequent to a share split

**Corporate Bonds**

€21,982,400	4.5% Medserv plc Unsecured Bonds 2026
US\$ 9,148,100	5.75% Medserv plc Unsecured US\$ Bonds 2026
€14,214,700	3.5% Bank of Valletta plc € Bond 2030 S1 T2
€22,376,200	3.5% Bank of Valletta plc € Bond 2030 S2 T2
€40,000,000	4.25% Corinthia Finance plc Unsecured Bonds € 2026
€10,000,000	5% GlobalCapital plc Unsecured Bonds € 2021
€50,000,000	4.0% Midi plc Secured Bonds € 2026
€55,000,000	4.0% International Hotel Investments plc Secured Bonds € 2026
€8,500,000	3.9% Plaza Centres plc Unsecured Bonds € 2026
€8,000,000	5% Dizz Finance plc Unsecured Bonds 2023
€15,000,000	4.8% Mediterranean Maritime Hub Finance plc Unsecured Eur Bonds 2026
€40,000,000	4.25% Gap Group plc Secured Eur Bonds 2023
€65,000,000	3.75% Premier Capital plc Unsecured bonds 2026
€40,000,000	4% International Hotel Investments plc Unsecured Bonds 2026

**Malta Government Stocks (€)**

€3,000,200	1.5% MGS 2022 (IV) r
€196,733,100	2.5% MGS 2036 (I) r
€55,000,000	1.5% MGS 2022 (IV) FI April 2016
€25,000,000	2.5% MGS 2036 (I) FI April 2016
€221,733,100	2.5% MGS 2036 (I)
€58,000,200	1.5% MGS 2022 (IV)
€734,400	7.0% MGS 2026 (I)
€5,265,500	1.5% MGS 2022(IV)FI (August 16) r
€153,669,800	2.4% MGS 2041 (I)r
€131,000	1.5% MGS 2022 (IV) FI Oct 16 r
€159,102,100	2.1% MGS 2039 (I) r

**Treasury Bills (€)**

€973,050,000	90 issues of Treasury Bills
--------------	-----------------------------

**Collective Investment Schemes**

3 sub-funds	Prague Developments SICAV
1 sub-fund	EOS SICAV plc
18 sub-funds	Metatron Capital SICAV plc
1 sub-fund	TTC SICAV plc



representatives from Chetcuti Cauchi Advocates, Ganado Advocates and Ernst & Young. Meetings were held with key legal and audit practitioners in order to increase the level of awareness of the Maltese financial services sector. The delegation also met the Chairman of the Bank of China in Beijing as well as the President of the Shanghai Stock Exchange. Both these influential and important organisations agreed to investigate areas for business development and cooperation with Malta.

In January, the CEO addressed executives from Malta Enterprise in order to outline the new SME-oriented market, Prospects. Later on in the month, the CEO also addressed 6th Form Students in Gozo during a Career Day organised by the College in respect of career opportunities within the Financial Sector. Mr Joseph Portelli, Chairman of the Malta Stock Exchange, participated in the Institute of Financial Services Practitioners (IFSP) annual conference, giving an overview of the Exchange's role and vision for the future.

The Exchange participated in videos and podcasts commissioned by Malta Enterprise and FinanceMalta. The Exchange sponsored and supported the second Banking and Finance Conference organised by the University of Malta held on 7 March 2016. The CEO of the Exchange presented certificates to three students who received top grades in their dissertation for their M.Sc. in Banking and Finance.

### **MSE Sharia Equity Index**

On 8 February 2016, the MSE launched the MSE Sharia Equity Index which currently includes eight listed equities which have been certified by Dar Al Sharia of Dubai, a world-renowned Islamic Finance consultancy firm, as being Sharia-compliant. This Index is the first step to establish Malta as a centre for Islamic Finance products with a view to attracting Sharia-compliant equities and Sukuk instruments that could be listed and traded on the market.

### **Exchange-Traded Funds**

With a view to moving forward and continuing to diversify the instruments available for listing and trading on its markets, the Exchange is currently studying appropriate rules and regulations in respect of the admission and trading of Exchange-Traded Funds (ETFs). Through investing in ETFs, investors gain simple and effective access to a diverse range of assets and a broad range of indices including specific sector indices. ETFs also offer the key advantages of transparency, liquidity, and diversification. In order to support ETFs, the Exchange is also studying the current market making structure to be able to support ETF trading.

### **Marketing and Promotion Opportunities**

The MSE organised and participated in events in a number of European countries as part of its business development and marketing operations. The events focused on promoting

Prospects and the capital markets as well as the local financial services industry. As part of its marketing strategy and promotional campaign, the MSE started complementing its official website with a presence on social media for disseminating market information and creating financial awareness. Advertising space started being offered to financial services practitioners and listed companies on the recently installed video wall, balcony screen and ticker at the MSE's premises, as well as on the Exchange's website. The Exchange also issued a document outlining these promotional opportunities.

## **Promotion and Education**

### **European Money Week**

Over 40 students in Higher Secondary education from State and non-State schools visited the Malta Stock Exchange as part of the European Money Week activities organised by the Malta Bankers' Association between 14 and 18 March. These visits included a tour of the Exchange, as well as an overview on the role of the Malta Stock Exchange, the basic features of bonds and equities, and how capital markets work. Other information about the new Prospects SME-oriented market, the post-trading infrastructure and the Exchange's future plans was also outlined to the students.

The European Money Week is an annual initiative launched by the European banking industry through the European Banking Federation. Several events were held throughout the week, both at national and at European levels, with the aim of raising public awareness on the importance of financial literacy from an early age, and the need of improving financial education for junior and senior students.

### **Certificate of Finance in International Trade (COFIT) Presentation**

This event was a course organised by COFIT for a group of students who are employees of AFREXIM, a development bank in Egypt. Among the presentations made, the Exchange gave an overview about its operations, its role, and the various services it offers, including the trading function on the secondary market. Students were also shown recent statistics illustrating the development of the Exchange, the business and product development initiatives and plans, and an overview of how overseas events are planned and executed.

### **2nd Annual Investor Education Conference**

The Exchange organised the 2nd Annual Investor Education Conference on 29 October at the Corinthia Palace Hotel, Attard, in partnership with the MFSA and supported by HSBC, APS Bank, Calamatta Cuschieri and EY.

This year's conference, which again saw a strong attendance of around 150 participants, focused on the interpretation of financial statements. Other topics covered included an



## MSE MCAST Honours Programme

In November, the Hon Mr Evarist Bartolo, Minister for Education, attended the launch of the MSE MCAST Honours Programme organised by the Malta Stock Exchange through which 15 MCAST Business Studies students were selected to attend a 30-hour work exposure and financial education programme spread over 10 weeks. Besides learning about how the capital markets and the funds

introduction to exchange traded funds and the most important aspects of a Prospectus. Participants also learnt how investors should manage and diversify their investment portfolio and how to avoid the most common mistakes made by investors. During the conference, the Exchange also demonstrated its electronic investor portal, e-Portfolio, and participants had the opportunity to register for this service.

industry work the students visited the MFSA, the Central Bank and Bank of Valletta.

## Financial Education TV Features

The Malta Stock Exchange and Education Plus collaborated on a project to improve financial literacy among students through the creation of a series of short educational TV features. Seven features were produced by multimedia students of the Alternative Learning Programme in Paola which brought together the skills, knowledge and experience of the Exchange and the creativity and media production skills of the ALP Paola students.



## List of Member Firms

### Bank of Valletta plc

Cannon Road  
Sta Venera  
Tel: +356 2275 1732  
Fax: +356 2275 1733  
E-mail: [stockbroking@bov.com](mailto:stockbroking@bov.com)  
Web: [www.bov.com](http://www.bov.com)

### Joh Berenberg, Gossler & Co. KG

Neuer Jungfernstieg 20  
Hamburg 20354  
Germany  
Tel: +49 40 350 600  
Fax: +49 40 350 60900  
E-mail: [info@berenberg.de](mailto:info@berenberg.de)  
Web: [www.berenberg.de](http://www.berenberg.de)

### Calamatta Cuschieri Investments Services Ltd

5th Floor  
Valletta Buildings  
South Street  
Valletta  
Tel: +356 2568 8688  
Fax: +356 2568 8256  
Email: [info@cc.com.mt](mailto:info@cc.com.mt)  
Web: [www.cc.com.mt](http://www.cc.com.mt)

### Charts Investment Management Services Ltd

Valletta Waterfront  
Vault 17  
Pinto Wharf  
Floriana  
Tel: +356 2122 4106  
Fax: +356 2124 1101  
Email: [info@charts.com.mt](mailto:info@charts.com.mt)  
Web: [www.charts.com.mt](http://www.charts.com.mt)

### Curmi & Partners Ltd

Finance House  
Princess Elizabeth Street  
Ta' Xbiex  
Tel: +356 2342 6000  
Fax: +356 2134 7333  
Email: [info@curmiandpartners.com](mailto:info@curmiandpartners.com)  
Web: [www.curmiandpartners.com](http://www.curmiandpartners.com)

### Financial Planning Investments Services Ltd

4 Marina Court  
G Cali' Street  
Ta' Xbiex  
Tel: +356 2134 4243/4  
Fax: +356 2134 1202  
E-mail: [info@bonellofinancial.com](mailto:info@bonellofinancial.com)  
Web: [www.bonellofinancial.com](http://www.bonellofinancial.com)

### Fincot Treasury Management Ltd

Level 5  
The Mall Complex  
The Mall  
Floriana  
Tel: +356 2122 0002  
Fax: +356 2124 3280  
E-mail: [investments@fincotrust.com](mailto:investments@fincotrust.com)  
Web: [www.fincotrust.com](http://www.fincotrust.com)

### Global Capital Financial Management Ltd

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Ta' Xbiex  
Tel: +356 2134 2342  
Fax: +356 2279 6405  
E-mail: [info@globalcapital.com.mt](mailto:info@globalcapital.com.mt)  
Web: [www.globalcapital.com.mt](http://www.globalcapital.com.mt)

### Hogg Capital Investments Ltd

Ferris Building, Level 4  
1, St. Luke's Road  
Gwardamangia  
Pieta  
Tel: +356 2132 2872  
Fax: +356 2134 2760  
E-mail: [markhogg@hoggcapital.com](mailto:markhogg@hoggcapital.com)  
Web: [www.hoggcapital.com](http://www.hoggcapital.com)

### HSBC Bank Malta plc

Global Markets  
Banking Centre 1st Floor  
Mill Street  
Qormi  
Tel: +356 2380 2211  
Fax: +356 2380 2495  
Email: [hsl@hsbc.com](mailto:hsl@hsbc.com)  
Web: [www.hsbc.com.mt](http://www.hsbc.com.mt)

### Jesmond Mizzi Financial Advisors Ltd

67 Level 3  
South Street  
Valletta  
Tel: +356 2326 5690  
Fax: +356 2326 5691  
Email: [info@jesmondmizzi.com](mailto:info@jesmondmizzi.com)  
Web: [www.jesmondmizzi.com](http://www.jesmondmizzi.com)

### Lombard Bank Malta plc

Head Office  
67 Republic Street  
Valletta  
Tel: +356 2558 1114  
Fax: +356 2558 1815  
Email: [wealthmanagement@lombardmalta.com](mailto:wealthmanagement@lombardmalta.com)  
Web: [www.lombardmalta.com](http://www.lombardmalta.com)

### Michael Grech Financial Investment Services Limited

The Brokerage, Level 0 'A'  
St. Marta Street  
Victoria  
Gozo  
Tel: +356 2258 7000  
Fax: +356 2155 9199  
E-mail: [info@michaelgrechfinancial.com](mailto:info@michaelgrechfinancial.com)  
Web: [www.michaelgrechfinancial.com](http://www.michaelgrechfinancial.com)

### MZ Investment Services Ltd

55, MZ House  
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Rabat  
Malta  
Tel: +356 2145 3739  
Fax: +356 2145 3407  
E-mail: [info@mzinvestments.com](mailto:info@mzinvestments.com)  
Web: [www.mzinvestments.com](http://www.mzinvestments.com)

### Rizzo Farrugia & Co (Stockbrokers) Ltd

Airways House  
Third Floor  
High Street  
Sliema  
Tel: +356 2258 3000  
Fax: +356 2258 3001  
E-mail: [info@rizzofarrugia.com](mailto:info@rizzofarrugia.com)  
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### XNT Ltd

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MALTA STOCK EXCHANGE plc

# AUDITED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2016







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# Directors' Report

For the Year Ended 31 December 2016

The directors have prepared this directors' report in accordance with article 177 of the Companies Act, 1995 (Chapter 386, Laws of Malta) including the further provisions as set out in the Sixth Schedule, together with the financial statements of Malta Stock Exchange plc (the "Company"), for the year ended 31 December 2016.

## Directors

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

## Principal activity, risks and uncertainties

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

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

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

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

## Review of business development and financial position

During the year 2016, the Company generated a profit before tax of EUR 3,705,897 (2015: EUR 2,523,533). The increase in profitability for the year was driven both by improvement in all the Company's revenue streams and by cost cutting. The statement of profit or loss and other comprehensive income is set out on page 48 and the movements in the reserves are disclosed in the statement of changes in equity on page 49.

## Dividends

The Company paid a net distribution of EUR 1,000,000 (2015: EUR 1,000,000). The Directors do not propose further dividend distributions for the year.

## Reserves

The Directors propose that retained earnings amounting to EUR 5,931,175 (2015: EUR 4,407,997) be carried forward to the next financial year.

## Regulatory sanctions

The Directors confirm that no regulatory breaches were reported during 2016 and no regulatory sanctions were imposed on the Malta Stock Exchange plc by the Competent Authority during the year.

## Events after the reporting date

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

## Future Developments

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

The Company will also extend trading hours, endeavour to improve trading liquidity and develop a focused strategy on enhancing business development efforts with particular emphasis on seeking international business from a number of different markets. The Exchange will be increasing initiatives and events also supported by other stakeholders with a view to expand its local business and the Maltese economy. On the technology front the Company has formed a Block Chain Committee, and will actively explore opportunities within the FinTech sector.

A number of capital projects relating to the renovation of various facilities within the Exchange and Mosta office are also planned for the coming years.

Approved by the Board of Directors on 10 April 2017 and signed on its behalf by:



**Joseph Portelli**  
Chairman



**Joseph Falzon**  
Deputy Chairman

## Registered office

Garrison Chapel  
Castille Place  
Valletta VLT 1063  
Malta

## Statement of Financial Position

As at 31 December 2016

	Notes	2016 EUR	2015 EUR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	5	418,742	268,975
Intangible assets	6	166,743	328,862
Investment in equity accounted investee	7	10,020	12,760
Available-for-sale financial assets	8	2,601,174	4,480,569
Deferred tax asset	9	23,501	13,109
		<b>3,220,180</b>	5,104,275
<b>Current assets</b>			
Trade and other receivables	10	2,256,479	2,043,678
Cash at bank and in hand	11	7,080,756	2,655,369
		<b>9,337,235</b>	4,699,047
<b>TOTAL ASSETS</b>		<b>12,557,415</b>	9,803,322
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued capital	12.1	2,500,000	2,500,000
Fair value reserve	12.3	719,323	903,410
Social responsibility fund	12.4	27,070	16,883
Retained earnings		5,931,175	4,407,997
<b>Total equity</b>		<b>9,177,568</b>	7,828,290
<b>Current liabilities</b>			
Bank borrowings	13	12,514	11,363
Trade and other payables	14	2,207,782	1,911,206
Current tax		1,159,551	52,463
		<b>3,379,847</b>	1,975,032
<b>Total liabilities</b>		<b>3,379,847</b>	1,975,032
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>12,577,415</b>	9,803,322

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

The financial statements on pages 47 to 65 have been authorised for issue by the Board of Directors on 10 April 2017 and were signed on its behalf by:



**Joseph Portelli**  
Chairman



**Joseph Falzon**  
Deputy Chairman

## Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 EUR	2015 EUR
<b>Revenue</b>	15	<b>6,840,736</b>	5,993,539
Cost of revenue	16	(190,234)	(169,849)
<b>Gross profit</b>		<b>6,650,502</b>	5,823,690
Administrative expenses	16	(3,382,039)	(3,535,198)
<b>Operating profit</b>		<b>3,268,463</b>	2,288,492
Share of loss of equity accounted investee	7	(2,740)	(1,178)
Income from financial assets	17	423,912	225,504
Finance income	18	16,740	11,123
Finance costs	18	(478)	(408)
<b>Profit before tax</b>		<b>3,705,897</b>	2,523,533
Income tax expense	19	(1,172,532)	(835,234)
<b>Profit for the year</b>		<b>2,533,365</b>	1,688,299
<b>Other comprehensive income</b>			
Items that are or may be reclassified to profit or loss			
- Net (loss)/gain on available-for-sale financial assets		(184,087)	135,427
<b>Total comprehensive income for the year</b>		<b>2,349,278</b>	1,823,726

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

## Statement of Changes in Equity

For the year ended 31 December 2016

	Notes	Issued capital EUR	Fair value reserve EUR	Social responsibility fund EUR	Retained earnings EUR	Total EUR
At 1 January 2015		2,500,000	767,983	-	3,736,581	7,004,564
<b>Total comprehensive income</b>						
Profit for the year		-	-	-	1,688,299	1,688,299
Other comprehensive income		-	135,427	-	-	135,427
<b>Total comprehensive income</b>		-	135,427	-	1,688,299	1,823,726
Transfer from retained earnings	12.4	-	-	16,883	(16,883)	-
<b>Transactions with owners of the Company</b>						
Dividends paid	12.2	-	-	-	(1,000,000)	(1,000,000)
<b>At 31 December 2015</b>		<b>2,500,000</b>	<b>903,410</b>	<b>16,883</b>	<b>4,407,997</b>	<b>7,828,290</b>
<b>At 1 January 2016</b>		<b>2,500,000</b>	<b>903,410</b>	<b>16,883</b>	<b>4,407,997</b>	<b>7,828,290</b>
<b>Total comprehensive income</b>						
Profit for the year		-	-	-	2,533,365	2,533,365
Utilised during the year		-	-	(15,300)	15,300	-
Net loss on available for sale financial assets		-	(184,087)	-	-	(184,087)
<b>Total comprehensive income</b>		-	(184,087)	(15,300)	2,548,665	2,349,278
Transfer from retained earnings	12.4	-	-	25,487	(25,487)	-
<b>Transactions with owners of the Company</b>						
Dividends paid	12.2	-	-	-	(1,000,000)	(1,000,000)
<b>At 31 December 2016</b>		<b>2,500,000</b>	<b>719,323</b>	<b>27,070</b>	<b>5,931,175</b>	<b>9,177,568</b>

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



## Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 EUR	2015 EUR
<b>Operating activities</b>			
Profit for the year		<b>2,533,365</b>	1,688,299
Adjustment for:			
Depreciation of plant and equipment	5	<b>101,229</b>	129,976
Amortisation of intangible assets	6	<b>165,143</b>	169,556
Interest receivable from available-for-sale financial assets	17	<b>(118,803)</b>	(169,065)
Interest on bank overdraft	18	<b>478</b>	408
Gain on disposal of available-for-sale financial assets	17	<b>(305,109)</b>	(56,439)
Share of loss of equity accounted investee	7	<b>2,740</b>	1,178
Tax expense		<b>1,172,532</b>	835,234
		<b>3,551,575</b>	2,599,147
Changes in:			
Trade and other receivables		<b>(269,149)</b>	(21,634)
Trade and other payables		<b>296,576</b>	409,124
Cash generated from operating activities		<b>3,579,002</b>	2,986,637
Income tax paid		<b>(52,463)</b>	(893,330)
<b>Net cash flows from operating activities</b>		<b>3,526,539</b>	2,093,307
<b>Investing activities</b>			
Acquisition of plant and equipment	5	<b>(250,996)</b>	(97,277)
Acquisition of intangible assets	6	<b>(3,024)</b>	(155,508)
Proceeds from available-for-sale financial assets		<b>1,996,378</b>	1,239,289
Investment in EWSM		-	(10,000)
Interest paid on bank overdraft		<b>(478)</b>	
Interest received from available-for-sale financial assets		<b>155,817</b>	193,056
Acquisition of term deposits		<b>(1,505,886)</b>	(1,100,000)
<b>Net cash flows used in investing activities</b>		<b>391,811</b>	69,560
<b>Financing activities</b>			
Dividends paid		<b>(1,000,000)</b>	(1,000,000)
<b>Net cash flows used in financing activities</b>		<b>(1,000,000)</b>	(1,000,000)
Net increase in cash and cash equivalents		<b>2,918,350</b>	1,162,867
Cash and cash equivalents at 1 January		<b>1,544,006</b>	381,139
<b>Cash and cash equivalents at 31 December</b>	11	<b>4,462,356</b>	1,544,006

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

For the year ended 31 December 2016

## 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 ("IFRS" or "the applicable frameworks". All references in these financial statements to IAS, IFRS or SIC / IFRIC interpretations refer to those adopted by the EU. These financial statements have also been drawn up in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta).

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

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

### 2.4 Use of estimates and judgements

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

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

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

## 3 Significant Accounting Policies

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

### 3.1 Plant and equipment

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

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

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

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

For the year ended 31 December 2016

## 3 Significant Accounting Policies *(continued)*

### 3.2 Intangible assets

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

#### 3.2.1 Subsequent expenditure

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

#### 3.2.2 Amortisation

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

### 3.3 Interests in equity-accounted investees

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

### 3.4 Financial instruments

#### 3.4.1 Financial assets

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

##### *Available-for-sale*

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

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

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

For the year ended 31 December 2016

## 3 Significant Accounting Policies *(continued)*

### 3.4 Financial instruments *(continued)*

#### 3.4.1 Financial assets *(continued)*

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

##### *Trade and other receivables*

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

##### *Cash at bank and in hand*

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

#### 3.4.1.1 De-recognition of financial assets

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

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

#### 3.4.2 Financial liabilities

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

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

#### 3.4.2.1 De-recognition of financial liabilities

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

#### 3.4.3 Offsetting

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

### 3.5 Share capital

#### 3.5.1 Ordinary shares

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

For the year ended 31 December 2016

## 3 Significant Accounting Policies *(continued)*

### 3.6 Impairment

#### 3.6.1 Non-derivative financial assets

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

##### *Financial assets at amortised cost*

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

##### *Available-for-sale debt securities*

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

#### 3.6.2 Non-financial assets

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

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

### 3.7 Income tax

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

Current tax 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.

### 3.8 Revenue recognition

Revenue comprises membership and other fees receivable from stockbrokers, together with fees receivable in respect of the listing, clearing, registration and trading of quoted securities and related services. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of



For the year ended 31 December 2016

## 3 Significant Accounting Policies *(continued)*

### 3.8 Revenue recognition *(continued)*

the consideration received or receivable excluding discounts, rebates and sales taxes or duty. Revenue is recognised on an accrual basis.

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

### 3.9 Foreign currency translation

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

### 3.10 Employee benefits

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

### 3.11 Provisions

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

### 3.12 Leases

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

#### *Company as a lessee*

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

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

A number of new standards, amendments to standards and interpretations are not yet effective for annual periods beginning after 1 January 2016. Earlier application is permitted; however the Company has not early applied the following new or amended standards in preparing these financial statements.

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

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

IFRS 9 and IFRS 15 are effective for annual reporting periods beginning on or after 1 January 2018. Both standards have been adopted by the EU. The Company is still assessing the precise impact on its financial statements resulting from the application of IFRS 9 and IFRS 15. It does not envisage a significant adjustment to be necessary on initial adoption of these standards.

For the year ended 31 December 2016

## 3 Significant Accounting Policies *(continued)*

### 3.14 New standards and interpretations not yet endorsed by the EU

**IFRS 14 Regulatory Deferral Accounts:** IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. Although it was planned that this interim standard to be effective as from 1 January 2016 the EC has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

**IFRS 16 Leases:** IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is planned to be endorsed on quarter 4 of 2017 and be effective as from 1 January 2019.

## 4 Determination of Fair Values

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

### 4.1 Debt securities

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

### 4.2 Other financial assets and liabilities

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

## 5 Plant and Equipment

	General Electrical Equipment EUR	Computer hardware EUR	Office Furniture, fittings and other equipment EUR	Total EUR
<b>Cost</b>				
At 1 January 2015	711,163	189,037	416,897	1,317,097
Additions	37,555	33,934	25,788	97,277
At 31 December 2015	748,718	222,971	442,685	1,414,374
At 1 January 2016	748,718	222,971	442,685	1,414,374
Additions	116,341	128,531	6,124	250,996
<b>At 31 December 2016</b>	<b>865,059</b>	<b>351,502</b>	<b>448,809</b>	<b>1,665,370</b>
<b>Depreciation</b>				
At 1 January 2015	565,399	141,775	308,249	1,015,423
Depreciation charge for the year	87,155	22,892	19,929	129,976
At 31 December 2015	652,554	164,667	328,178	1,145,399
At 1 January 2016	652,554	164,667	328,178	1,145,399
Depreciation charge for the year	37,012	46,382	17,835	101,229
<b>At 31 December 2016</b>	<b>689,566</b>	<b>211,049</b>	<b>346,013</b>	<b>1,246,628</b>
<b>Carrying amount</b>				
At 1 January 2015	145,764	47,262	108,648	301,674
At 31 December 2015	96,164	58,304	114,507	268,975
At 1 January 2016	96,164	58,304	114,507	268,975
<b>At 31 December 2016</b>	<b>175,493</b>	<b>140,453</b>	<b>102,796</b>	<b>418,742</b>

## Notes to the Financial Statements

For the year ended 31 December 2016

### 6 Intangible Assets

	Computer Software EUR
<b>Cost</b>	
At 1 January 2015	940,584
Additions	155,508
At 31 December 2015	1,096,902
At 1 January 2016	1,096,902
Additions	3,024
<b>At 31 December 2016</b>	<b>1,099,116</b>
<b>Amortisation</b>	
At 1 January 2015	597,674
Amortisation	169,556
At 31 December 2015	767,230
At 1 January 2016	767,230
Amortisation	165,143
<b>At 31 December 2016</b>	<b>932,373</b>
<b>Carrying amount</b>	
At 1 January 2015	342,910
At 31 December 2015	328,862
At 1 January 2016	328,862
<b>At 31 December 2016</b>	<b>166,743</b>

### 7 Investment in Equity Accounted Investee

In January 2012, the Company was allotted shares on the incorporation of European Wholesale Securities Market Limited ("the equity accounted investee"), a company set-up under the laws of Malta with the aim to provide a European Wholesale Securities Market (EWSM), a specialist 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 has invested a total of EUR 40,000 in the issued share capital of this equity accounted investee.

As of 31 December 2016, the equity accounted investee sustained a net loss of EUR 13,698 (2015: EUR 5,887), with shareholders' equity closing the year at positive equity of EUR 50,103 (2015: EUR 63,801). The share of loss for the Company of EUR 2,740 has been recognised as a share of loss of equity accounted investee in profit or loss (2015: share of loss of EUR 1,178). Investment in the equity accounted investee stood at EUR 10,020 (2015: EUR 12,760).

# Notes to the Financial Statements

For the year ended 31 December 2016

## 8 Available-for-sale Financial Assets

### Available-for-sale financial assets

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

	2016 EUR	2015 EUR
<i>Non-current</i>		
Malta Government Stocks	2,601,174	4,480,569

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

	Effective interest rate %	2016 EUR	2015 EUR
<i>Non-current</i>			
Malta Government Stocks	4.8/ 4.3	1,881,851	3,577,159

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

	2016 EUR	2015 EUR
<i>Non-current</i>		
Malta Government Stocks	719,323	903,410

## 9 Deferred Tax

### 9.1 Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2016 EUR	2015 EUR
Plant and equipment	28,022	20,666
Accrued investment income	(4,521)	(7,557)
	23,501	13,109

### 9.2 Movement in temporary differences during the year

	Balance 01/01/2015	Recognised in profit or loss	Balance 31/12/2015	Recognised in profit or loss	Balance 31/12/2016
	EUR	EUR	EUR	EUR	EUR
Plant and equipment	25,304	(4,638)	20,666	7,356	28,022
Accrued investment Income	(7,500)	(57)	(7,557)	3,036	(4,521)
	17,804	(4,695)	13,109	10,392	23,501

## Notes to the Financial Statements

For the year ended 31 December 2016

### 10 Trade and Other Receivables

	2016 EUR	2015 EUR
Fees receivable (note 10.1)	<b>2,069,289</b>	1,863,209
Other receivables	<b>3,211</b>	-
Amounts due from related parties (note 10.2)	<b>26,871</b>	23,481
Prepayments and accrued income	<b>157,108</b>	156,988
	<b>2,256,479</b>	2,043,678

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

	Total EUR	Neither Past due nor impaired EUR	Past due but not impaired		
			>30 days EUR	60-90 days EUR	90 days and older EUR
<b>2016</b>	<b>2,069,289</b>	<b>1,688,802</b>	<b>122,651</b>	<b>154,065</b>	<b>103,769</b>
2015	1,863,209	1,566,424	104,537	141,313	50,935

Fees receivable, which are neither past due nor impaired, include trade receivables due from the Government of Malta, a related party, of EUR 390,621 (2015: EUR 391,523).

**10.2** Amounts due from related parties are unsecured, non-interest bearing and have no fixed date of repayment. These balance as at 31 December 2016 comprise EUR 16,206 (2015: EUR 14,006) due from CSD (Malta) plc and EUR 10,665 (2015: EUR 9,475) due from EWSM.

### 11 Cash and Cash Equivalents

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

	2016 EUR	2015 EUR
Cash at bank	<b>7,080,561</b>	2,655,184
Cash in hand	<b>195</b>	185
Cash at bank and in hand	<b>7,080,756</b>	2,655,369
Bank overdraft (note 13)	<b>(12,514)</b>	(11,363)
Cash and cash equivalents	<b>7,068,242</b>	2,644,006
Term deposits with contractual maturities Exceeding three months	<b>(2,605,886)</b>	(1,100,000)
Cash and cash equivalents as shown in the Statement of cash flows	<b>4,462,356</b>	1,544,006

Term deposits earn interest at an average rate of 0.9% (2015, 1.235%) per annum.



## Notes to the Financial Statements

For the year ended 31 December 2016

### 12 Capital and Reserves

#### 12.1 Authorised and Issued Capital

	2016 EUR	2015 EUR
<b>Authorised</b>		
5,000,000 ordinary shares of EUR 1 each	5,000,000	5,000,000
<b>Issued and fully paid up</b>		
2,500,000 ordinary shares of EUR 1 each	2,500,000	2,500,000

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

#### 12.2 Dividends

	2016 EUR	2015 EUR
Declared and paid during the year:		
Dividend on ordinary shares for 2016: 40 cents (2015: 40 cents)	1,000,000	1,000,000

#### 12.3 Fair value reserve

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

#### 12.4 Social responsibility fund

The Company has setup a Social Responsibility Fund for the purpose of supporting educational, philanthropic and cultural causes as well as to support the maintenance and refurbishment of Malta's historical heritage. An annual contribution of 1% of profit after tax, which amounted to EUR 25,487 during the year (2015: EUR 16,883) is transferred from retained earnings into the Social Responsibility Fund. The amount shall be capped at EUR 50,000 subject to review should the limit be reached. The budget for such fund shall be agreed for the calendar year subject to recommendations on the causes or events to be supported by the Executive Committee. Any payments from such Social Responsibility Fund are subject to approval by the Board of Directors upon recommendation of the Chief Executive Officer. As payments are effected, the expense is recognised in profit or loss with an equivalent transfer from the Social Responsibility Fund to retained earnings.

### 13 Bank Borrowings

	2016 EUR	2015 EUR
<b>Current borrowings</b>		
Bank overdraft (note 11)	12,514	11,363
	12,514	11,363

The Company has an unsecured overdraft facility of EUR 250,000 to cover any temporary shortfall in the Securities Settlement account. The facilities bear interest at 2% over the Bank's Base Rate which stood at 4.15% at the last renewal of the facility dated 12 December 2015.

### 14 Trade and Other Payables

	2016 EUR	2015 EUR
Trade payables (note 14.1)	121,130	103,057
Amounts due to related party (note 14.2)	456,949	382,362
Prepaid listing and other fees	1,182,806	1,011,515
Accruals	130,482	135,019
Other taxes	316,415	279,253
	2,207,782	1,911,206

## Notes to the Financial Statements

For the year ended 31 December 2016

### 14 Trade and Other Payables *(continued)*

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

**14.2** Amounts due to related party are unsecured, non-interest bearing and repayable on demand. These amounts include EUR 211,004 (2015: EUR 136,417) due to the immediate parent and EUR 245,945 (2015: EUR 245,945) due to the Government of Malta.

### 15 Revenue

The income from the main activities was as follows:

	2016 EUR	2015 EUR
Listing fees	4,207,063	3,755,509
Register fees	1,489,473	1,366,659
Turnover fees	505,332	452,376
Stockbrokers' fees	65,235	35,475
Other	573,633	383,520
	<b>6,840,736</b>	<b>5,993,539</b>

### 16 Cost of Revenue and Administrative Expenses

	2016 EUR	2015 EUR
<i>Cost of revenue</i>		
Variable trading fees paid to Deutsche Boerse	190,234	169,849
<i>Administrative expenses</i>		
Emoluments of the chairman and other board members	22,600	22,600
Salaries, social security and other staff costs (note 16.1)	1,788,831	1,645,130
Rent	134,316	120,967
Auditors' remuneration	8,500	8,500
Depreciation of plant and equipment	101,229	129,976
Amortisation of intangible assets	165,143	169,556
Other expenses	1,161,240	1,438,469
	<b>3,382,039</b>	<b>3,535,198</b>
Cost of revenue and administrative expenses	<b>3,572,273</b>	<b>3,705,047</b>

Other expenses include other non-audit services payable to the Company's auditors amounting to EUR 16,750 (2015: EUR 2,500).

#### 16.1 Employee Information

##### 16.1.1 Staff costs

	2016 EUR	2015 EUR
Wages and salaries	1,651,151	1,509,774
Social security costs	111,693	103,781
Other staff costs	25,987	31,575
	<b>1,788,831</b>	<b>1,645,130</b>

##### 16.1.2 Staff numbers

The average number of persons employed by the Company during the year was 61 (2015: 59).

## Notes to the Financial Statements

For the year ended 31 December 2016

### 17 Income from Financial Assets

	2016 EUR	2015 EUR
Interest on available-for-sale financial assets	118,803	169,065
Gain on disposal of available-for-sale financial assets	305,109	56,439
	<b>423,912</b>	<b>225,504</b>

### 18 Net Finance Income

	2016 EUR	2015 EUR
<b>Finance income</b>		
Interest on bank balances	16,740	11,123
	<b>16,740</b>	<b>11,123</b>
<b>Finance cost</b>		
Interest on bank borrowings	(478)	(368)
Foreign exchange losses	-	(40)
	<b>(478)</b>	<b>(408)</b>
<b>Net finance income</b>	<b>16,262</b>	<b>10,715</b>

### 19 Income Tax Expense

#### 19.1

	2016 EUR	2015 EUR
Current tax expense	1,182,924	830,539
Deferred tax (note 9.2)	(10,392)	4,695
Income tax expense	<b>1,172,532</b>	<b>835,234</b>

#### 19.2 Reconciliation of effective tax rate

	2016 EUR	2015 EUR
Profit before tax	3,705,897	2,523,533
Tax at 35%	1,297,064	883,237
Tax effect of		
- share of loss of equity accounted investee	959	412
- amortisation of available-for-sale investments	1,414	4,642
- expenses not deductible for tax purposes	9,494	3,951
- income subject to lower rates of tax	(29,611)	(38,397)
- income not subject to tax	(106,788)	(18,611)
Income tax expense	<b>1,172,532</b>	<b>835,234</b>

For the year ended 31 December 2016

## 20 Immediate Parent and Ultimate Controlling Party

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

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

## 21 Related Party Transactions and Balances

The related parties of the Company with which the Company had balances outstanding as of 31 December 2016 or transactions during the year then ended were as follows:

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

### 21.1 Related party transactions

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

		2016 EUR	2015 EUR
<i>Revenue</i>	<i>Related Party</i>		
Listing fees	Government of Malta	2,164,600	2,095,300
Register fees	Government of Malta	404,737	395,515
<i>Administrative expenses</i>			
Rent	MSE (Holdings) Limited	90,000	90,000
Dividend paid	MSE (Holdings) Ltd	1,000,000	1,000,000

Included in administrative expenses are salaries paid to the chairman and board members amounting to EUR 22,600, (2015: EUR 22,600).

### 21.2 Related party balances

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

## 22 Financial Risk Management Objectives and Policies

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

At the year end, the Company's main financial liabilities comprise of bank overdraft and trade and other payables. Except for the Company's commitment to the European Wholesale Securities Market Limited amounting to EUR 150,000, being the 20% share of the total commitment of EUR 750,000, there were no off-balance sheet financial liabilities at the reporting date.

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

For the year ended 31 December 2016

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

### 22.1 Credit risk

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

	2016 EUR	2015 EUR
Available-for-sale investments (note 8a)	2,601,174	4,480,569
Fees receivable (note 10)	2,069,289	1,863,209
Amounts due from related parties (note 10)	26,876	23,481
Cash at bank (note 11)	7,080,561	2,655,184
	<b>11,777,900</b>	<b>9,022,443</b>

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 made against bad and doubtful debts in respect of which management reasonably believes that recoverability is doubtful.

The Company's exposure to credit risk arises from activity exceeding 25% of its revenues. At year end the Company had EUR 390,621 (2015: EUR 391,523) owed by the Government of Malta representing 19% (2015: 21%) of the Company's total fee receivables. The Government of Malta generated EUR 2,569,337 (2015: EUR 2,490,815) of the Company's total revenue, representing 38% (2015: 42%) of the Company's total revenue.

### 22.2 Market risk

#### 22.2.1 Interest rate risk

The interest rates on the available-for sale investments, term deposits and bank overdraft are disclosed in notes 8b, 11 and 13. Under the present interest rate scenario, a reasonably expected change in benchmarks is not expected to have any significant effect on the Company's assets and liabilities.

#### 22.2.2 Price risk table

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

	Increase/ Decrease in Basis points	Effect on Equity EUR 000
2016	+100/-100	(26)/26
2015	+100/-100	(45)/45



For the year ended 31 December 2016

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

### 22.3 Liquidity risk

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

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

### 22.4 Fair values

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

### 22.5 Capital Management

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

#### *Externally imposed financial resources requirements*

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

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

# Independent Auditors' Report

To the Shareholders of Malta Stock Exchange plc

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Malta Stock Exchange plc (the "Company"), which comprise the statement of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- (a) give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU; and
- (b) have been properly prepared in accordance with the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act").

### Basis for Opinion

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

### Other Information

The directors are responsible for the other information. The other information comprises the Letter of Transmitted Chairman's message, Chief Executive's Report, Administration Report, Exchange Operations and Other Activities, and Directors' Report.

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

Report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Those Charged with Governance for the Financial Statements

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

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

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

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

## Independent Auditors' Report (continued)

To the Shareholders of Malta Stock Exchange plc

We also:

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

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

### Report on Other Legal and Regulatory Requirements

#### *Auditors' Opinion on the Directors' Report*

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

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

We are also required to:

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

In such regards:

- (a) in our opinion, the directors' report has been prepared in accordance with article 177 of the Act; and
- (b) we have not identified material misstatements in the directors' report.

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

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

- 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.

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



**KPMG**  
Registered Auditors

10 April 2017

Portico Building  
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Pieta' PTA 9044



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