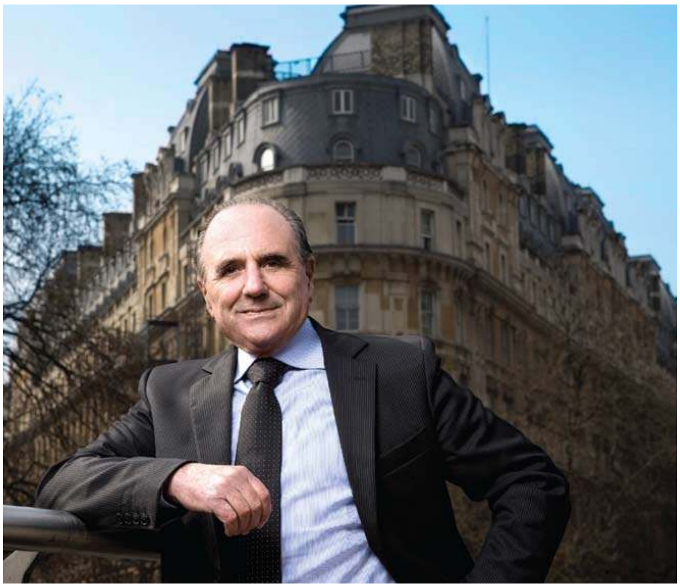
HOSPITALITY

Corinthia to Fly Flag in London

In classical Greek architecture, proportion was the defining characteristic of the Corinthian order: the "coherent integration of dimensions and ratios in accordance with the principles of symmetry". With his all consuming passion and attention to detail in his hotels, the prominent Maltese hotelier Alfred Pisani, founder and Chairman of the Corinthia Group, could be described as a living embodiment of these aesthetic principles, especially with regard to the manner in which he has sought to grow his business from inception.



Born into a traditional Maltese family, Pisani constructed his own home aged just 17. Then with the flair that has come to define his life coupled with the fearlessness of youth aged only 23, after learning that he could qualify for a soft government loan from the departing British Colonial government he upped the scale of his ambitions to a 150-room hotel.

Having charmed and cajoled bankers (as much with his energy and vision, as with his hastily conceived architectural drawings), his proto business plan was approved and he was provided with a USD $1.2 million loan giving him the fortuitously early means to create his first business venture. The Corinthia Palace, Malta's first luxury hotel was born; opened by none other than HRH the Duke of Edinburgh in 1968.

Pisani was, he says, always animated by the desire to set new standards of excellence and to redefine his guests' expectations for luxury, exclusivity and hospitality. "With a lot of commitment, a tremendous amount of commitment, miracles can happen." It is this belief that continues to drive his company today. Since its incorporation, the Corinthia Group has been driven by growth. The group invested in more hotels and other assets in Malta and then during the 1980s began acquisition abroad.

Pisani, with his inimitable vision, emphasizes that this was necessitated by the fact that Malta has such a small domestic market, "We had to look for countries which were developing quickly, where established international hotel chains were not yet ready to go because of political uncertainties. We had no choice so we went. It could have gone wrong but it went well, it was the limited size of Malta that forced us to go."

So from these beginnings as a nascent family business, Corinthia Group has flourished into a vibrant and dynamic collection of exceptional luxury hotels each renowned for their uniqueness of character. The underlying strategy of the Corinthia Group has always been to procure target acquisitions of hotels that are, or have the potential to become, the top five-star properties in their respective locations. As well as an international investor, developer and operator of upscale resorts in Europe and Africa, the Group also boasts partners such as the Libyan Foreign Investment Company, Istithmar of Dubai, Wyndham Hotels Group and a leading private family fund from Kuwait.

Alfred Pisani is justly proud of his meticulous eye for detail reflected in his hotels exacting aesthetics. He takes a fanatical personal interest in his hotels appearances and specifications, "We have created or refurbished beautiful buildings. If you go and see our hotels in St Petersburg or Budapest or even Tripoli they are unique by any standard. The amount of effort and attention to detail is simply incredible and we aim to achieve this by keeping firm control and maintaining a common thread between our various properties."

He is equally adamant that the human aspect of operations is even more important in providing a first class hospitality product, "We pay a lot of attention to developing our staff. In any acquisition or new venture, we introduce our new employees to our culture. This is vital in educating our people in who we are and what we are striving to achieve at Corinthia, we set out to create a sense of family – they need to understand what our standards and principles are." In addition, he goes on to insist that, "Corinthia Hotels has remained a family-inspired organisation where vision, hard work and people are at the core of the company's values."

> "With a lot of commitment, a tremendous amount of commitment, miracles can happen"
>
> Alfred Pisani, Chairman of Corinthia Hotels

His efforts have certainly been recognised and rewarded. Corinthia Group's hotels have received a clutch of prestigious awards. "The Grand Lady" of Malta's luxury hotels, the Corinthia Palace Hotel & Spa, recently won "Malta's Leading Hotel" at the World Travel Awards. These prestigious prizes are highly coveted and have been described by the Wall Street Journal as the "Oscars" of the global travel and tourism industry. Winning hotels are selected through the casting of votes by travel professionals from 183,000 travel agencies, tour and transport companies and tourism organizations in over 160 countries worldwide.

To this day Alfred Pisani remains undeniably passionate about, and rightly proud of, the projects he has undertaken. At his personal initiative, a painstaking and faithful reconstruction of the 110-year-old Grand Hotel Royal resulted in the restored building being crowned the Corinthia Grand Hotel Royal in Budapest Hungary. Soon after opening in 2003, it immediately won Europe's "Best Hotel Architecture Award" and later the international "Five-Star Diamond Award". Since then it has garnered several others, including; "Best Luxury Hotel in Budapest", the "Best Service Europe Top 20" and in the "Travellers' Choice™ 2010 Hotel Awards" by TripAdvisor® it was ranked among the Top 25 Hotels in Europe and in the Top 25 European Destinations chosen by Europeans. TripAdvisor's awards are considered to be the only honours representing the unbiased opinions of millions of travellers. In our age of consumer-driven recognition, these kinds of reviews and awards often speak volumes.

Characteristically Pisani is a very hands on Chairman, "I dedicate myself personally and with passion to each property, it is important to explain to staff who they are joining forces with – it's rather like getting married when you go into business partnerships, you need to know who your partner is because if you don't like our culture then you shouldn't stay in the marriage."

A world traveller himself, Pisani remains an avid admirer of the charm and uniqueness of Malta as a year round destination for a more cerebral and cultured clientele. "Malta is special in many ways, in cultural terms, in the sense of the prehistoric, the period of the Knights that left so much on the island, 'The Three Cities', the UNESCO World Heritage Capital City of Valletta, all of our fortifications for St Elmo. We have something phenomenal you don't find anywhere else in the world", he proudly declares.

What is surprising is not only how rich in culture and history this European microstate, teetering on the Mediterranean rim, is but also how vibrant. As Pisani points out, "The unique attraction in Malta is that you can come at any time of the year because the island doesn't shut down. If you go to some other islands in the Mediterranean, they only really cater for tourists in the summer months and then they close down come mid-October. In other such island destinations, the restaurants start to shut down because they are very much focused on seasonal tourism. Here in Malta, life is different. We are alive in all aspects and all seasons."

After more than 50 years in the industry, 2011 will bring Alfred Pisani's most audacious gamble to date, when the Corinthia Hotel London, opens its doors. Pisani claims that, "Entering the UK market has been a target for us for many years." With a projected opening date early next year, London will shortly have what is being hailed as its first grand new hotel to be built in the capital for over a century. The £270 million acquisition and development of what was the original Metropole Hotel from the 1880s and subsequently part of the Ministry of Defence, aims to become one of London's most exceptional luxury hotels. It will boast 300 bedrooms with room sizes averaging 45 square metres, as well as larger multi-level penthouses, suites and terraces affording spectacular views of the River Thames, Trafalgar Square and Whitehall. The property will also have a large central courtyard foyer, two clusters of restaurants, a destination bar, a ballroom restored to its original splendour and board-meeting facilities.

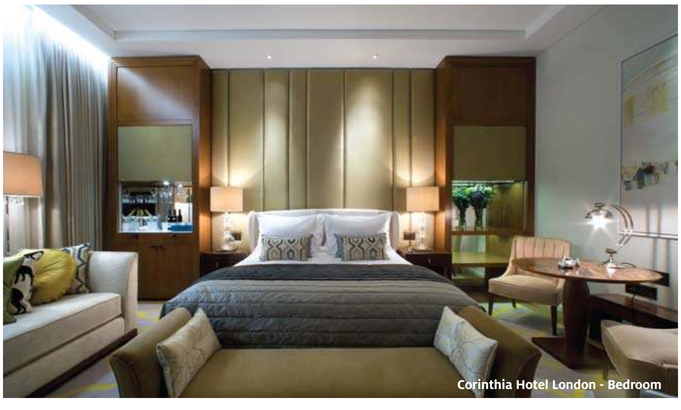
The adjoining 10 Whitehall Place property is being redeveloped to include a 3,200-square metre luxury spa operated by ESPA, as well as a suite of 12 exclusive residences ranging from 250 square metres up to over 1000 square metres. Corinthia London is located just minutes away from a host of top attractions including the iconic Nelson's Column, The National Gallery, St James's Park, Big Ben, The Houses of Parliament, Buckingham Palace and major theatres. The highly desirable location of Corinthia's new property means that this new hotel is ideally placed for both business and leisure travellers seeking the ultimate guest experience in London.

As the company's first UK investment, The Metropole Building and 10 Whitehall Place were acquired from The Crown Estate in 2008 by a consortium led by Corinthia. Pisani is passionate about the sympathetic restoration of these historic premises and asserts that the importance of this property was evidenced by the fact that The Crown Estate chose Corinthia to develop this important site.

The Corinthia Hotel project in London is being talked about as becoming one of the London's most exceptional luxury hotels. Early tastemakers and influential visitors have been invited to tour the project site and absorb the scale, magnitude and opulence of the massive project underway. As Pisani says, "Work on the 40,000-square metre site is progressing well and, when it does open its doors, the Corinthia London is set to become one of the most prestigious hotels in this most cosmopolitan of cities."

In developing the project, Corinthia secured a £135 million loan from a syndicate of banks. Given the difficult operating environment in 2009, this loan in itself is a sign of confidence in the Corinthia Group as developers, the calibre and track record of their management team, the project and the UK luxury hotel market more generally. The bank loan matched the £135 million invested as equity by Corinthia and its co-investors, setting a 50:50 loan to equity ratio on the project.

This redevelopment project will be one of London's iconic hotels and reap tangible immediate and long-term rewards not only by virtue of the investment itself, but also in widening the appeal of Corinthia Hotels brand into a major world capital. As Paul says in Corinthians 1, 14:40, "Let all things be done decently and in order." This is certainly a maxim that Alfred Pisani seems to have lived by. ◆



Corinthia Hotel London - Bedroom

With four distinct operating divisions the Corinthia Group is comprised of:

- International Hotel Investments (IHI), a public investment and development company that was set up and promoted by the Corinthia Group, itself a long-standing investor. Following a successful IPO in April 2000, the company's shares were listed on the Malta Stock Exchange and work is underway to consider a listing on a major stock exchange in Europe. IHI, which has annual revenues of around €128 million is now the largest non-banking institution listed in Malta.
- A hotel management arm - CHI Hotels & Resorts, a multi-brand hotel operator licensed to manage hotels under the Corinthia Brand, as well as the Wyndham and Ramada Plaza brands in Europe, Africa and the Middle East, with hotels in the United Kingdom, Czech Republic, Hungary, Libya, Malta, Portugal, Russia, the UAE, Italy, Tunisia and Turkey.
- Quality Project Management, the largest international project management organisation in Malta, with a track record of forty projects valued at over €1bn.
- An industrial catering division, with the establishment of Corinthia in-flight Services in 1974. It caters to the international airlines operating in and out of Europe such as Lufthansa and Emirates Airlines.

Corinthia Hotel Budapest

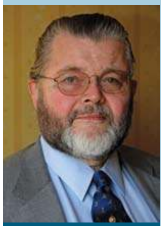
Corinthia Hotel Budapest - Grand Ballroom

Corinthia Hotel St Petersburg - Lobby

Corinthia Hotel St Petersburg

Custom House launches the Melita International Retirement Scheme, a QROPS

A "QROPS" is not, as was once suggested, a mythical creature from another planet dreamed up by Terry Pratchett. It is much more prosaic. QROPS means "Qualifying Recognised Overseas Pension Scheme" and was introduced by the UK tax authorities (HMRC) four years ago. It is HMRC who determines whether any prospective QROPS scheme in fact qualifies for QROPS status.



Dermot Butler, International Expert in Financial Services, sheds light on the significance of QROPS for UK retirees wishing to move to Malta

Last April Custom House Global Fund Services Limited (CHGFS), which is authorised by the MFSA (Malta Financial Services Authority) as a Trustee and is registered as a Retirement Scheme Administrator under the Special Funds Act, launched the Melita International Retirement Scheme (MIRS), which at time of writing, is the first Maltese based retirement scheme to be accepted by HMRC as a QROPS and to be registered and regulated by MFSA.

MIRS has been designed as a flexible and financially attractive solution for UK 'ex-pats' looking to move their UK pensions overseas. Being Maltese based, MIRS also benefits from Malta's full membership of the EU, a strong regulatory environment and over 50 double taxation agreements, which clearly demonstrates that Malta is an internationally accepted onshore financial centre.

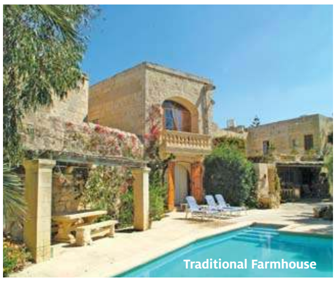
We at CHGFS, as the registered retirement scheme administrator, and Panthera IPS Ltd* as the UK marketing agent for the MIRS, both strongly recommend that everyone considering this should take their own professional, legal and tax advice. We recommend this because the QROPS is not always the perfect answer to all UK ex-pats pension requirements.

However for those UK ex-pats, who do not plan to return to the UK and who are able to benefit from the product, there are several advantages, including, inter alia: low fees (0.5% set up plus 0.5% annual management subject to €2500 minimum and € 10000 maximum); no requirement to purchase an annuity or ASP; potential to leave funds to heirs; no UK tax liability as pension income; considerable investment freedom.

* www.panthera.com

PROPERTY

Life in a Less Taxing Environment



Traditional Farmhouse

State-of-the-Art Villa

www.fortcambridge.com

Malta is an amazing little country. Bursting at the seams with culture and history, the attractions of the archipelago are certainly a big tourism draw attracting approximately 1.2 million tourists annually – which is 3 times the number of its citizens. Majestic forts, bastions and fabulous churches abound, yet what has always attracted foreigners to Malta has always been the gorgeous weather, clear seas and the warmth of the Maltese people. All of these elements together make for a very enticing package for home ownership.

The variety of properties available in Malta and Gozo ranges from 300-year old converted farmhouses to modern penthouses and luxury villas. The selection is vast and hence caters to a wide spectrum of budgets. From the popular coastal resorts to the beautiful old villages that are found in the interior of the islands – the diversity of real estate is astounding. Full of charm, traditional old "Houses of Character" make the most incredible homes as do bungalows and purpose-built flats. These make a great rental investment and are also a haven in retirement age. Moreover, the spirit bound up in the village life gives a real sense of belonging that permeates Maltese communities.

The other major attraction in Malta is the tax regime offered to foreigners who take up residence on the islands. There are huge tax savings to be made especially compared to the 40% or more paid on income at home in the UK. This factor alone is n excellent incentive to move to Malta. Moreover, there are neither inheritance taxes, nor property or council taxes and no capital gains tax is payable on a principal residence providing the property is not sold prior to three years of ownership. In addition, there is no minimum or maximum stay required for residency.

Purchasing property in Malta is also eminently simple and safe with the convenium written in English. For those seeking a real estate agent specializing in property conveyance, foreigners need look no further than award-winning Frank Salt Real Estate Ltd. Having operated in the market since 1969, their extensive knowledge and consultancy approach make them an excellent point of contact in the property market.

According to the statistics, the property market is extremely buoyant with an average annual appreciation that has consistently been 8-10% over the last 30 years. In fact, Malta has had a very steady increase in real estate value every year since 1965. Although prices in Malta may appear higher than some other European countries, there is a benefit to purchasing property in a healthy property market and one that has an excellent track record. In these times of global economic uncertainty, investment in real estate in Malta also appears to make great business sense. Given the high level of repeat tourism, investing in property as a holiday home is a wise choice. The average rental return in Malta on long lets is 4-5% and there are plenty of diverse properties to choose from including new developments. As Alan Richards, CEO of HSBC Malta confirms, "There are a number of high quality builds in Malta under development. Talking to the developers the target market is both domestic and international and demand has held up remarkably well."

One such development is Fort Cambridge in Tigné Peninsula, Sliema. On the 28,000-square metre site, there are two historical buildings dating back to 1880. Erected by the British during their colonial stay in Malta, there is Fort Cambridge (after which the development is named) and a barracks building. Both are to be restored as part of the project. The development offers sea views and is very strategically placed with Valletta, the state-of-the-art national hospital, the airport, the seaport, yacht marinas and the golf course being only 20 minutes away by car.

In total there will be 350 apartments varying from one to four bedrooms, which will occupy only 17% of the whole site area as the rest will be covered by the historical buildings and beautiful landscaped gardens. All the apartments will have wide terraces which are part and parcel of everyday life in Malta as, due to the mild climate, the balconies can be enjoyed for 8 months of the year. Prices of apartments at Fort Cambridge vary from €245,000 up to €1,900,000 according to size (from 100-500 square metres), location and view. Great attention has been paid to the sustainability of this development, so much so that it was awarded Gold in the best eco-development category at the Russian "Home Overseas" property awards.

Malta, with its excellent air connections to all major European and North African destinations, adds up to a pretty compelling package. Indeed, sometimes the appeal of the islands is so strong that professionals who go there on secondments do not want to leave. As Richards explained, "We have a problem in Malta actually because we have some very talented people at HSBC who we like to move around internationally. However once they are here they find it difficult to leave - the quality of life is so good in Malta." ◆

MEDICAL TOURISM

Treat yourself to a First Class Service

Malta may not seem an obvious choice when considering going abroad for medical treatment but the island was, in fact, home to the earliest known hospital in Christendom. It was established by the Knights Hospitalier in the capital Valletta to treat the returning crusaders injured in the holy land and it was there that many of the early western surgical procedures were pioneered. Thus, as a nation, the Maltese are justifiably proud of their long history of medical excellence, and for centuries Maltese hospitals have provided world-leading care to their citizens and foreigners alike.

SAINT JAMES HOSPITAL
Because our family cares...

The island's central role in caring for war-wounded, earned Malta the sobriquet, "The Nurse of the Mediterranean". During the First World War, the island's geographic position meant that it was designated a hospital and the climate aided the convalescence of the allied troops. Malta has continued to build on this long tradition and now boasts world-class facilities and expertise. In fact, a study launched by The World Health Organisation that examined healthcare systems and achievements on an international scale, ranked Malta second in the world.

With great vision and a desire to satisfy the growing foreign and domestic demand for medical expertise in Malta, Dr Muscat founded the St James Hospital Group in 1984. A polymath, eminent surgeon, politician, entrepreneur, visionary and passionate fundraiser, Dr Muscat's group of hospitals now represent one of the top private healthcare organisations in Malta, offering state-of-the-art facilities and manned by internationally-experienced surgeons.

Dr Muscat is clearly proud of his achievements saying, "We were always ahead of the times; we had the first MRI available in Malta, laser surgery, IVF/ICSI and we were pioneering in cataract surgery. We opened a specially dedicated eye clinic and a cosmetic clinic. I think that our success has stemmed from the fact that we were always avant-garde in investing in new and modern equipment."

In Malta, the St James Hospital Group boasts UK-trained doctors, competitive prices, and provides a holistic approach to the health tourism experience. It presently owns and runs an 80-bed hospital in Sliema with a specialist eye clinic, a 17-bed hospital in Zabbar, a dedicated cosmetic dermatology clinic under the name of Transforma in Attard and an outpatient clinic in Mosta. All of these private healthcare facilities are, of course, MRSA-free.

Explaining the benefits of health tourism to Malta, Dr Muscat points out, "Our services are five-star and each patient is assigned a 'Personal Relationship Manager'. We are just a short flight away from the UK. Why go further afield, to a country outside the EU, when you can come to a first class destination like Malta? Obviously all our staff speaks English, which makes people feel comfortable and safe. The majority of our doctors trained in UK and yet our prices are about half of what you would pay in the UK – whether it is for a hip or knee replacement or cosmetic surgery. Our medical tourists come mostly from UK and we take great care of them. They are welcomed at the airport, looked after conscientiously all the way through the procedure, and of course after surgery. But best of all we are cost effective." ◆

Daily Telegraph readers who present this article will receive a reduction of 10% on the quoted prices. Please contact us at: +356.23.29.16.26 or send us an email: healthtourism@stjameshospital.com

Martha Greenwood – Mini Face Lift "I was surprised and very pleased at the number of extensive tests I had to undergo before my surgery for a mini face lift, thus ensuring I was a suitable candidate for surgery. The health care in Malta is first class. The care and attention I received from Saint James Hospital was second to none. From arrival at the airport to departure from the airport 12 days later, Saint James Hospital staff organised and arranged everything for me and I felt completely safe and well looked after. I was given a mobile phone from the hospital to ensure I had constant and immediate communication with my personal facilitator, should I require anything at all. My personal facilitator at Saint James Hospital could not have done more for me and although I was on my own in Malta, I was made to feel safe and reassured at all times. I was always made to feel important by the staff and would not hesitate to recommend them. The package was very good value for money and everything was taken care of to a very high standard."

James Miller – Total Knee Replacement "Although major surgery is never pleasant, our stay at Saint James Hospital and the aftercare was superb. Everyone without exception was kind to us and helped to reassure us. Thank you so much."

www.stjameshospital.com

FINANCE

A Safe Harbour for Financial Services

As punitive tax regimes begin to bite in the larger economies like the US and those in Europe driving some financial companies away and, with political pressure impacting on traditional tax havens such as the Cayman Islands, Bermuda and the Channel Islands; Malta has begun to look ever more attractive to banks, hedge funds and other financial service companies that are flocking to the island like never before.

With a proactive government in place determined to increase the sectors contribution to the GDP from 12% to 25% by 2015, Malta is showing itself to be an increasingly punchy little contender. Prime Minister Lawrence Gonzi told the annual FinanceMalta conference recently, "Our strength as a financial services centre is based on innovation and on our will to provide a top-notch operating environment for business."

The ongoing global economic turmoil has also given Malta an opportunity to present itself as a hub and a haven as savvy finance firms seek domiciles with a strong financial record of accomplishment and a stable economy. Malta has certainly weathered the global financial crisis enviably. As the Minister of Finance, the Economy & Investment, Tonio Fenech explains, "This was borne of several factors, firstly the diversity of our economy, secondly the regulatory framework within our financial sector and thirdly and most importantly the political project we had embarked upon with our European Union membership and subsequent adoption of the Euro."

Accession to the EU in 2004 certainly contributed to the burgeoning growth of the financial services sector. It gave Malta the boost that propelled it to becoming one of the most dynamic and fastest growing financial centres in Europe. As a result, Malta is enjoying a hugely enhanced credibility that has placed it firmly on the radar screen of international finance. Equally, becoming part of the Eurozone in January 2008 provided not simply a change in the national currency but also culminated in the transformation of Maltese business culture. Indeed, adoption of the Euro was arguably the key underlying driver in the growth of interest in Malta as a domicile for financial service businesses. As Kenneth Farrugia of FinanceMalta puts it, "With the onset of joining the EU, the huge increase in business potential changed our mindset, practitioners started to realise that the market had become suddenly vastly bigger and this encouraged many to travel outside our shores and begin to promote Malta as a serious financial destination."

So having avoided the worst of the global banking crisis, Malta is now aggressively positioning itself as a regional financial centre, offering significant tax efficiencies and crucially all within an EU compliant regulatory regime. Malta has certainly worked diligently to improve the credibility of its financial regulatory system. The MFSA was set up in 1988 as a unified regulator with a remit to modernize Malta's regulatory framework and to meet or exceed best practices of countries within the EU.

As a tiny nation fine-tuned to industry trends, Malta has been adroit at adjusting to economic realities. This gives the country a competitive advantage when responding to market opportunities and an ability to adjust the rules and regulations quickly in response to circumstances in the markets. Indeed, flexibility and nimbleness have been defining benefits of the economy and resulted in the country being able to "dodge the bullet" of the financial crisis.

"Financial services are very much perceived as a growing sector."

Tonio Fenech, Minister of Finance

The Chairman of the MFSA (Malta Financial Services Authority), Professor Joe Bannister, declares, "We are always being asked what effect the crisis has had on us and we always say – 'What crisis?' Obviously this does not mean we are not vigilant - we have to be very vigilant - but in reality nothing happened." Meanwhile Farrugia asserts that, "At no point was there a lack of trust by the general public in the banking system and the banking system did not lose trust in the economy."

Dr Arthur Galea Salamone, Chairman of the Malta Stock Exchange, echoes this point saying, "We've got high investor protection standards. Locally, operators embrace core values of integrity, transparency, fairness and reasonableness and these core values are reflected in the regulatory stance we take in our approach towards investors." He firmly believes that the global financial crisis was also a crisis of values and trust. Malta was fortunate not to suffer a lack of confidence. However, in his opinion, it was not coincidental but rather by design. While Malta may be an open-market economy, as vulnerable as any to the upheaval (if not more so given its lack of natural resources), the belief is that their traditional, and relatively conservative, attitude has stood them in good stead.

Certainly many major players in Malta's financial and economic landscape feel that they escaped comparatively unscathed from the economic downturn. Indeed, The World Economic Forum's Competitive Index has also highlighted the soundness and resilience of the Maltese banking sector for 2008-2009 by ranking Malta's banking system as the 10th soundest in the world.

Other key factors behind Malta's recent success are clear; the MFSA has been universally praised as business friendly and industry orientated. The adherence to EU regulatory standards, an internationally accepted EU-recognized tax regime with an unmatched network of 50 bilateral tax treaties and a unique legal framework which is based on a combination of English common law and the Napoleonic code, make Malta an appealing destination. Legislation in Malta is pragmatic and regulations are speedily implemented. The MFSA'S supervisory council met 34 times last year and granted a total of 168 new licenses, one of which was to Deutsche Bank – another big name that is looking to ride the wave and will certainly further place Malta on the map.

To underline the respectability that the country has worked hard to win, Malta is now actively involved with the OECD, the EU and the Commonwealth in modelling global regulatory policy. Moreover, the government has been vocal in arguing Malta's case to have an important role to play in the G20's plan to reform the world's economic and financial system, with the ruling Nationalist party outspoken in their support of open markets and free trade. Interestingly, a recent City of London study of financial centres worldwide rated Malta as being the only Western finance centre expected to "become more significant over the next two to three years" while placing it in the company of the usual high growth centres of Dubai, Shanghai and Singapore.

The financial services sector is now a major pillar of the economy, averaging an impressive annual growth rate of 30% over the last three years, with a number of leading international financial institutions setting up shop on the island. These include banks, (with assets more than doubling in this period to over €45 billion), asset management firms, collective investment schemes and, the insurance sector alone, trebling in size over the past three years - mainly through increased international and captive insurance business. Currently employing around 7,000 people and accounting for 12% of Malta's GDP, the figures certainly support the government's rhetoric.

As Minister Fenech stressed, "This is having a multiplier effect on the whole economy and financial services are very much perceived as a growing sector, Malta is now being perceived very positively and we are seeing lots of funds being administered here, so we are certainly looking at growth in a number of financial service sectors." Therefore, a well-developed, vibrant financial services sector is now of critical importance to sustaining the continued growth and development of Malta's economy. What will be critical in achieving this is the continued development of "Brand Malta" and ensuring the hallmarks of that are solid foundations of confidence and trust.

FinanceMalta, takes this task very seriously because, as the Chairman Kenneth Farrugia says, "We are trying to build a name for the island and build a strong reputation because then business will flow by itself. I think our strategy is working and this is reflected in the extent of business that is coming our way." He was also frank in his assessment of what sets Malta apart from traditional domiciles such as Dublin and Luxembourg, "The market has become increasingly homogenous and differentiating yourself from other jurisdictions is not easy, but being efficient, being effective and making sure legislation is up to scratch as well as fast tracking important deals and changing legislation quickly, being a small country gives us a great chance to be nimble."

Whilst Malta is still undoubtedly developing as a financial centre, the country has certainly made great strides in creating the circumstances necessary to emerge as an excellent base for financial service firms of all types. Recording yet another year of growth, Professor Bannister of the MFSA was unambiguous, "Given the turmoil that followed the worldwide financial crisis, the performance of Malta's financial services sector can be described as extremely good." ◆

7 reasons why international financial institutions are dropping anchor in Malta

- English as an official language
- Cost competitive skilled workforce
- EU member with euro as its currency
- Consistently highly ranked quality of life
- Meticulous yet accessible single regulator
- Robust yet flexible legal and regulatory framework
- Secure and stable business environment and a world class IT infrastructure

Source: www.financemalta.org

BANKING SERVICES

Taking Malta Forward

As Malta's oldest bank and one of its largest domestic operations, the Bank of Valletta group (BOV) is the leading financial services provider in Malta, offering a full range of financial services including; retail & corporate banking, investment banking, private banking, fund management, bancassurance and stock broking.

"BOV has an enormous responsibility to be part of the continuing economic development and evolution of Malta's financial services."

Bank of Valletta

Their domestic operations are extensive, including a national network of 41 branches, a corporate centre, five business centres, and a wealth management arm. In addition to this, BOV is well represented overseas with a network of correspondent banks and representative offices in Australia, Canada, Italy, Tunisia Libya and Egypt providing Malta with the reach necessary to service customers in international banking and trade transactions. Privatised in 1995, with the Maltese government maintaining a 25% stake, BOV maintains deliberately prudent funding, asset quality, liquidity and capital ratio policies. These stood it in good stead throughout the recent global financial crisis that witnessed some of the most brutal conditions experienced in the history of modern banking. During this period however, BOV was able to continue to provide credit and liquidity to local businesses.

While Malta's wide-open economy has not been immune to the global recession, the impact has been more gradual and relatively mild when compared with other developed economies as Roderick Chalmers, BOV's Chairman, explained, "Malta got through the recession very well. Inevitably, there was a downturn, but it was modest and Maltese business showed its resilience. Throughout the downturn the bank's deposit base has continued to increase in a robust manner, and we believe that Malta is well placed to get into the upturn quickly."

Dubbed the "local local bank", Chalmers explains BOV's role in Malta's economic landscape, "We are directly involved with 45% of Malta's economy. We therefore have a great duty to not only service our customers to the best of our ability, but also, because of our very significant presence in the economy, we feel that as an organisation we have an enormous responsibility to be part of Malta's continuing economic development and evolution – particularly in the financial services sector."

Virtually every sector is a significant customer of BOV, using the bank's wide array of services. Chalmers is convinced of the vital role that BOV plays in Malta's economic well-being, and is passionate about supporting the repositioning of the "brand" of Malta. This is in part because BOV, with its very loyal customer base, remains close to clients. As such, it hears (and listens to) the voice of business and the people. Moreover, with a 45% market share, "BOV is a vital cog in the future of the financial services sector in Malta," asserts Chalmers, who is Maltese-born but with Scottish parentage.

Indeed, for the first time in its history, BOV now has total assets significantly exceeding €6 billion and customer deposits have also continued to show satisfactory growth with deposits increasing by €245 million or 5.2% since September 2009. With the bank continuing to manage its balance sheet in a deliberate and conservative manner, its liquidity position remains strong, as does its capital base, with a Tier 1 capital of 10%, and with a total capital ratio position of 14.4%. The bank's credit quality remains solid, with non-performing loans amounting to just 4.1% of gross advances.

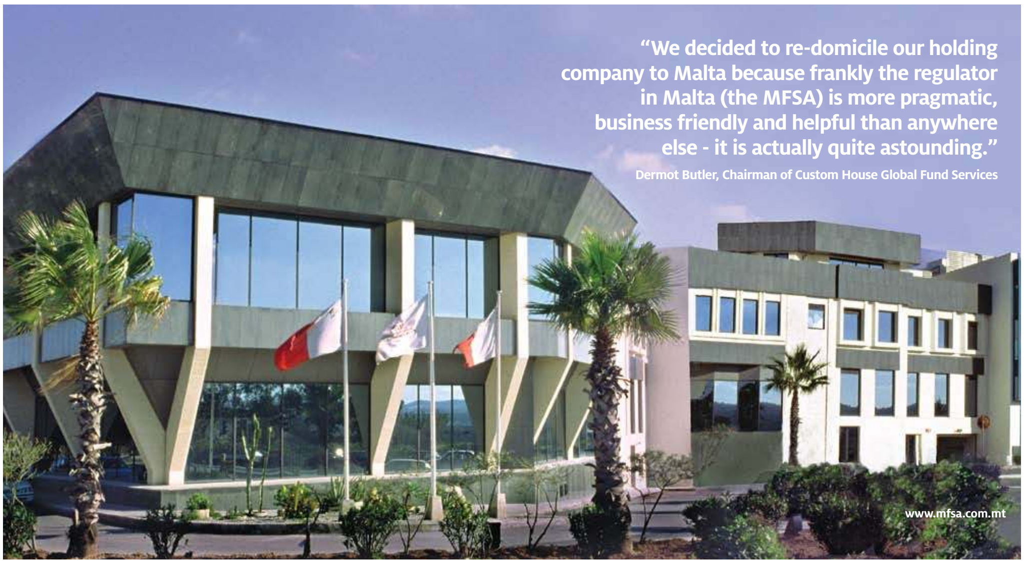
Chalmers has been a steady hand on the tiller and, along with senior management, is strong-willed about the principles that have seen the bank through such a wrenching period. "We stuck to old-fashioned yardsticks of banking - which is where you have to balance what you have borrowed with what you lend. We didn't take undue risk in what was clearly an overheated environment."

The bank recently announced pre-tax profits for the first six months of the financial year 2010 that amount to €47.5 million, a stark improvement on the €6.3 million for the equivalent period ending in March last year. Results, Chalmers characteristically described as, "Solid, satisfactory and encouraging." ◆

HEDGE FUNDS

Custom House Expands with Malta

Malta has made strident efforts in recent years to position itself as a stringently regulated, cost-effective domicile to the alternative investment market, able to compete with the best in the world. With the emphasis on continuing to build a strong and unimpeachable reputation, Malta now has a huge opportunity to develop into a truly global investment fund centre for a host of alternative investment products, catering to an international investor base engaged in a diverse array of strategies. Experience has been rapidly gained in the financial field and Malta is growing increasingly confident of its ability to attract new business.



This newfound prestige was strikingly reflected by the recent "Global Financial Centers Index" naming Malta as one of the top three financial centres likely to increase in importance over the next 2 to 3 years; outranked only by Shanghai and Dubai. Similarly, the World Economic Forum's Global Competitiveness Index 2009-2010 ranked Malta 13 out of 133 countries for its financial market sophistication.

So what is setting Malta apart from the more traditional domiciles and what does the future hold for the continued success of the island nation as a jurisdiction for the fund management industry?

Dermot Butler, Chairman of the recently Maltese-registered Custom House Global Fund Services, is quick to point out the reasons behind their move to Malta, "We decided to re-domicile our holding company to Malta because frankly the regulator in Malta (the MFSA) is more pragmatic, business friendly and helpful than anywhere else - it is actually quite astounding. Today CHGFS is not only the Custom House Group holding company, but also operating as a full service alternative investment fund administrator and licensed Custodian of Funds of Funds."

Malta's accession to the EU in 2004 and its adoption of the Euro in 2008 undoubtedly changed the country's status in many ways. Of course, as an EU member state it has established a comprehensive regulatory framework that is in conformity with all EU legislation. This places it in harmony with all other EU member countries. However, its comparative advantage is in retaining a much lower fees and cost structure.

Vitally, professional investor funds (PIFs) are exempt from Maltese capital gains and income taxes, meaning non-residents are not liable to pay any income tax in Malta whilst benefiting from one of the world's most extensive double-tax treaty networks. Numbering nearly 50 countries, this network includes all EU states, OECD member states and recently signed treaties with both the United States and China.

> "Malta has changed dramatically and is now a sophisticated financial services centre"

Butler is convinced that some fund managers are, "Leaving the UK because of the tax," and believes that, "There are some managers who are setting up in Malta because it's a sensible place to have a management company, not just because it's within the EU but also because it is relatively inexpensive in comparison to setting up in Luxembourg, Dublin or Switzerland." This may explain why the variety of funds operating in Malta including hedge funds, SICAVs (an acronym for the Spanish, "sociedad de inversión de capital variable which is an open-ended collective investment scheme) and UCIT's (Undertakings for Collective Investment in Transferable Securities), now constitute the largest single segment within the Maltese financial services industry.

Perhaps the biggest single factor in Malta's achievements has been the conspicuous impact of the Malta Financial Services Authority (MFSA), the body responsible for the licensing and supervision of all Maltese-based investment funds. The regulator has been widely acclaimed for the manner in which it blends being flexible and accommodating with its adherence to international obligations. Much like the government of Malta capitalises on its diminutive size, which allows it to be flexible and pro-business, the MFSA as a regulator is can-do in its approach and, as a result, has succeeded in attracting important firms like Custom House to its shores.

Strikingly proactive in promoting Malta as a modern and efficient financial services centre, the MFSA has pursued a vigorous round of international conferences highlighting the virtues of Malta's regulatory framework and the comparative advantages for anyone wishing to re-domicile or set up business in Malta.

The MFSA's role is to guarantee the country's adherence to international best practices for probity and transparency, whilst encouraging innovation and competition within the sector. Testament to their success has been the sudden spike in professional investor funds locating in Malta, now numbering some 400 funds operating in the jurisdiction; an increase of 44% since 2007 (Source - University of Malta).

Custom House Global Fund Services – one of the top independent administrators specialising in hedge funds and fund of funds has taken full advantage of this climate. The self-described "Specialist Fund Specialist", recently won the prestigious HFM Award for "Best Administrator - Client Service". With approximately US $40 billion in assets under administration, the figures speak for themselves and stand as testament to client satisfaction.

According to Custom House, Malta was a natural choice. Back in 2005, they brought a particular Canadian client to Malta. Butler explains, "There was a lot of quite complex legal structuring necessary, not only because the fund was being structured in Malta and due to the master-feeder structure of the fund we were doing, but also because there was some very delicate tax footwork that needed to be done, which the Maltese lawyers understood and helped achieve."

Involving over 60 sub-funds, this was a landmark piece of financial engineering, and demonstrated the intellectual expertise and proficiency of Maltese finance professionals operating in the jurisdiction. Structured for The National Bank of Canada, this was designed to combine the security of a fund vehicle with flexibility by a diverse portfolio of managed accounts. The master being a multi-segregated cell fund company with each segregated-cell fund representing a ring-fenced account. Thereby ensuring no cross collateral risk.

As the Chairman of Custom House, Dermot Butler asserts, "This clearly enables the manager to be very flexible: if something changes and the manager decides they don't want to be in any particular sector, they can get out. Normally, with a hedge fund you are locked-in to an extent because you have to put in a redemption order, which could take up to eight weeks to process during which time the market could have done a lot of damage. By contrast, with daily dealing NAVs, the manager can get out when he or she wants. There is a lot of flexibility and transparency and that's worked very well for everyone."

Indeed, the success of this project was instrumental in Custom House's decision to uproot and re-domicile its newly merged holding company to Malta. As Executive Director Albert Cilia emphasizes, "Obviously we believe that there is a lot of potential for growth here and we are working with our partners in the UK, Equity Trust. It's encouraging that we have won some big clients and I think that in the coming months, things will be kicking off here in Malta." Dermot Butler is equally adamant in his assessment, "I would add that Malta will grow and that it's come quite a long way in a very short time. They are very pro-business here. Malta has changed dramatically and is now a sophisticated financial services centre."

Custom House is effectively an independent company operating on its own but it is a member of the Equity Trust Group of Companies, which as Butler proudly states, "Is arguably the largest independent trust company in the world." Custom House established itself in Malta after its merger with Equity Trust. Prior to the move Custom House had several years of experience in Malta, getting to know the service providers and regulators very well. It now administers some 30% of all Maltese funds and sub-funds.

Such is Butler's belief in the European microstate as a centre of excellence in the financial services sector, that he is often touted as an unofficial lobbyist for Malta. He elaborates by saying, "I have nothing against the Cayman Islands or other Caribbean centres and I expect them to thrive, probably on business from the BRIC countries. We are expanding the services we provide out of Malta, as our EU hub, not just because it is a nice place, but also because Malta is a lot less expensive than either Dublin or Luxembourg. What few people realise is that Malta is now the third biggest fund administration centre in the world. However, Malta's great advantage today over the "offshore centres" of the Caribbean, is that it is in the EU, when being in the EU is likely to be critical to any hedge fund or manager wishing to attract EU resident investors."

In addition to Malta, Custom House has offices in Chicago, Dublin and Singapore, as well as Luxembourg and the Netherlands, and their unique service offering is a full 24/5 "round-the-world & round-the-clock" administration, covering all aspects of day to day operations that uses their PFS-"PAXUS" a fully integrated fund administration system. Their core offering is their daily dealing NAV (Net Asset Value) for a broad range of funds and sub-funds and the firm's ability to "roll" the funds books from one regional office to the next and hence circumnavigate the globe seamlessly via one single integrated system. Simply put by Butler, "Malta is an important part of our daily dealing administration machine, which we are able to do because we have an excellent system and because of the positioning of our offices in Dublin, Malta, Singapore and Chicago."

> "What few people realise is that Malta is now the third largest fund administration centre in the world"

What is clear is that Malta has been a direct beneficiary of the fallout from the global financial crisis, as hedge funds, alternative investment vehicles and "offshore" tax havens (and really anything perceived as exotic) have increasingly attracted the scorn of both the media and public, and the concomitant ire of their political representatives, and the tax and regulatory authorities.

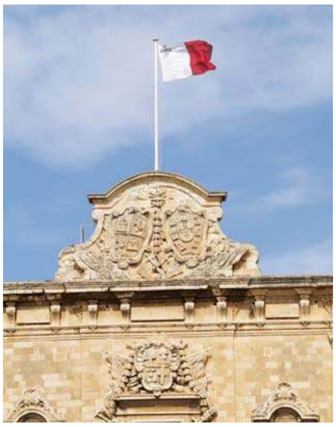
Most notably, with the soon to be introduced EU AIFM (Alternative Investment Fund Management) Directive for alternative investment funds, no one yet knows what the effect of this legislation will be on the industry as a whole. However, given the zeitgeist for stricter controls it is likely to tighten the scrutiny of the industry markedly and require an EU presence of some sort to get access to the EU investor market.

Within Europe, this prevailing sentiment was recently exemplified by Angela Merkel's hastily introduced moratorium on naked short selling. On the other side of the Atlantic, the Obama administration has also signalled its disdain for the industry and the perceived nefarious nature of hedge funds, short sellers (and almost anyone else) operating out of the Caribbean.

Consequently, though an onshore jurisdiction, what Malta now offers the industry is a combination of some of the best advantages of an offshore centre whilst simultaneously being a full member of the European Union with a hard-won reputation for transparency and regulation. Hence, a good many funds have now re-domiciled to Malta to take advantage of this, moving from more exposed jurisdictions. For now Malta continues to register more funds and the close cooperation amongst the markets eco-system here (inter-alia custodians, legal advisors, fund directors, fund administrators and investment managers) and the regulator has given Malta a clear competitive advantage in managing this impact.

As Professor Joe Bannister the MFSA's Chairman said recently, "The world has experienced the worst economic conditions in the last 70 years, with the finance sector being one of the biggest casualties, yet Malta has seen its finance industry grow and its international reputation remain high. Our continued success is a tribute to the prudent policies of our banks and to our other financial institutions and to the high quality of the people who work in the industry. We have the expertise the world seeks, but more importantly we have established a sound reputation for stability, steadiness and high standards."

Malta is therefore very likely to benefit from the phenomenon of, "a flight to safety" and the enhanced appreciation amongst alternative investment professionals for more regulated, onshore funds - especially for those funds that are currently in the pipeline and looking for a sanctuary within the European Union. As a result of this sentiment, and in the words of Dermot Butler - Malta may well be, "About to have its day." ◆



As at the 1st of May:

Total employees worldwide **267**

Total number of Funds (including sub-funds and managed accounts) under administration **over 600**

Total Assets Under Administration **approximately US$40 billion**

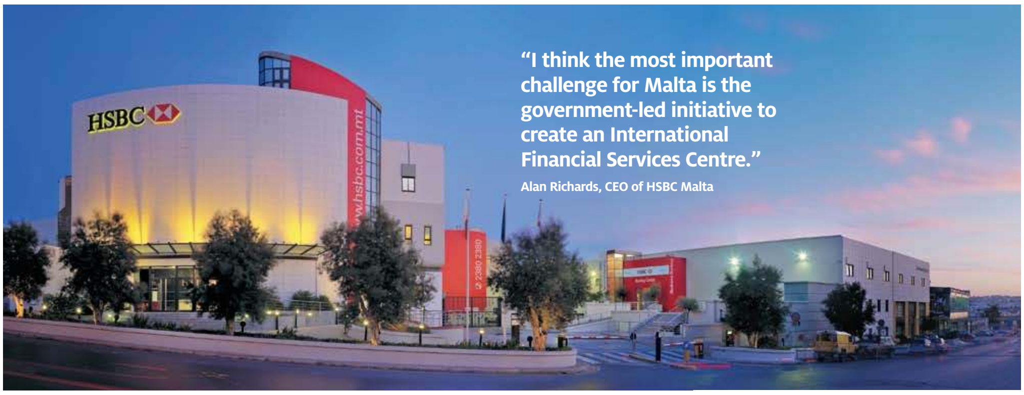
Total number of Fund Managers or Promoters serviced **approximately 200**

Total number of daily valuations **approximately 200 (30% of all accounts)**

BANKING SERVICES

Banking on a Bright Future

The progenitor of HSBC's involvement in Malta extends back as far as the 1846 founding of the Anglo-Egyptian Bank and having been through several incarnations, HSBC Bank Malta Plc has emerged as the leading banking and financial services group in the country. "Having an international bank with such a strong reputation helps Malta's own credentials and this must have been part of the Government's original thinking when HSBC was encouraged to invest in Malta over a decade ago", says HSBC Malta's CEO, Alan Richards.



"I think the most important challenge for Malta is the government-led initiative to create an International Financial Services Centre."
Alan Richards, CEO of HSBC Malta

The bank recognises that it has an ongoing and important role to play in the local economy and, as Richards states, "Because of the extensive scale of our operations in Malta this is a responsibility that we take very seriously. The biggest opportunity for HSBC over the next five years will be to support the government-led growth of the financial services sector in Malta. We have all of the components we need to help facilitate that growth which is being led very proactively and ably by the Government of Malta and it is our intention to play an active role in this." HSBC Bank Malta is certainly financially strong with over €5 billion in assets and a pre-tax profit of €71.2 million reported at the end of 2009 and with a Capital Adequacy Ratio of 11.8%.

HSBC provides banking services to more than half of Malta's population numbering some 260,000 customers. Richards continues, "We have such a vital role in partnership with the Government and local business and because of our international credentials we believe we are helpful to Malta's overall positioning as a serious player in the financial services industry." With over 1,900 staff and 44 branches and offices spread across Malta and her sister island Gozo, HSBC Malta is certainly omnipresent. The scale of HSBC'S footprint and brand impact is unmatched and they have become an indispensable part of the islands' commercial and physical landscape. Malta has also become home to a large call centre, now housing over 500 staff, supporting their UK banking operations. This was mainly due to the strong cultural and historical affinity Malta has with the United Kingdom having been a British colony up until 1964.

HSBC Malta provides the full panoply of banking and financial services with a commercial banking arm providing services to SME'S and large corporate customers as well as international companies. It boasts a purpose-built 1,800-square metre business banking centre that was designed to cater to the Maltese business community. This facility provides a seamless integration into HSBC'S Global Banking and Markets division, with a comprehensive range of services to corporate clients of all sizes including foreign exchange, money market, fixed income, currency and interest rate derivative products, banknotes, trading in metals and the provision of structured products. The Global Banking and Markets team also offer an investment banking arm that can offer advice on and execute mandates across a wide range of investment and financing products; encompassing M&A advisory, equity and debt capital markets and corporate broking.

However, what really sets HSBC Malta apart is its unrivalled access to the worldwide HSBC Group meaning that all products and services match international best practice and Malta can access HSBC's presence in 87 other countries. In addition, HSBC Global Asset Management incorporated in 1996 manages a range of domestic and international funds and specialises in the development of structured capital secured investment products and in the provision of bespoke portfolio management services, it currently manages €800 million in assets on behalf of around 30,000 investors.

Speaking about the future Richards says, "We are anticipating changes in the global regulatory environment and I think that Malta will benefit from these. We are, for instance, seeing a greater level of interest from funds and captive insurance. There has been a significant increase in activity. If you look back over the last three years the size of the funds and the number of funds has grown very significantly. However, even though our year on year growth has been impressive, it is still relatively small compared to the global industry so there is huge potential here. We're not quite at a tipping point yet but I don't think that we are that far away and we are seeing real momentum in the funds sector."

HSBC Security Services (Malta) Ltd provides a full suite of fund administration services to fund promoters who are looking for administrative support for their managed investment funds. These include the setting up and launch of investment funds, registrar and transfer agency services, valuation, unit price calculation services and corporate secretarial services. Moreover, HSBC Bank Malta offers custody services with Funds Under Custody of over €5 billion.

Additionally, HSBC has a fully owned subsidiary, HSBC Stockbrokers (Malta) Ltd. Beginning operations in 2001 this is now the leading brokerage firm in Malta. The company is primarily engaged in providing stock broking services to retail and institutional customers; it arranges and supports the listing of stocks and shares on the exchange.

Alan Richards has ambitions for this facet of the Maltese financial architecture, "I think the most important challenge for Malta is the government-led initiative to create an International Financial Services Centre. At HSBC this is an opportunity we are ideally placed to support – and an opportunity we are pushing hard to help deliver."

HSBC's retail banking provides the local market with the full range of personal financial services you would expect including current and savings accounts, mortgages, insurance, credit cards and consumer finance. Once again, this draws upon HSBC Group's global systems with the aim of providing customers with unparalleled convenience, choice and control across multiple platforms including: mobile services, SMS alerts and internet banking for both personal and corporate customers.

Malta, as a small market economy, depends heavily on exports and imports and has not been immune to the instability in the global financial system having registered five consecutive quarters of negative growth. However, the local economy is now stabilising, has returned to positive growth and is expected to maintain an upward trend for the rest of the year. HSBC itself delivered a strong performance during its most recent accounting period from 1 January to the 11 May 2010. Having taken stringent measures to grow revenue and improve productivity, the bank has also maintained a strong liquidity position. It boasts a stable loans-to-deposits ratio throughout and its capital adequacy is now well above regulatory requirements.

Alan Richards comments, "We are encouraged by the bank's recent performance, we have made really good progress in the last 12 months and we shall continue to emphasize our competitive advantage as an international bank. We remain well capitalised, liquid and very much open for business." So in spite of difficult market conditions HSBC Malta has continued to deliver strong results and it is difficult to argue with a return on equity to its shareholders of over 18%.

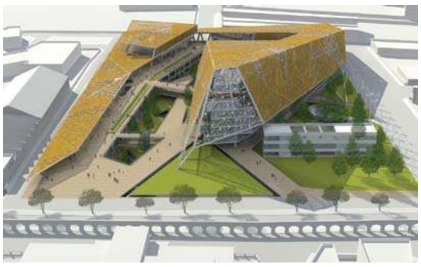
With HSBC's global network, group technology systems and unrivalled international franchise, HSBC is in a unique position to help Maltese businesses expand beyond Maltese shores and tap into overseas markets. As Richards points out, "There is a lot to be done in 2010 as this is sure to be another challenging year. However, we are in a position of real strength in Malta and excellently placed to support the local economy. With the professionalism, commitment and hard work of our staff we aim to remain Malta's leading provider of financial services." ◆

ENTERPRISE

Global World Corporate Village

The Maltese Government has just launched an expression of interest for the financing, construction, management and marketing of an urban regeneration project estimated to cost €200 Million.

Corporate Village Malta, as the project is named, intends to achieve the vision of excellence by establishing a nerve centre in the nascent central business district in Malta. Located over a footprint of 35,000m², Corporate Village Malta will provide office, leisure, retail, sports and conferencing facilities in almost 130,000m² of space. It will also serve as Government's single point of contact for business with the location of the main regulatory and business support agencies and departments.



With Malta envisaged to take over the EU Presidency in 2017, Corporate Village Malta will be the main hub of activity for the EU Presidency Summits and events during its six month shared tenure.

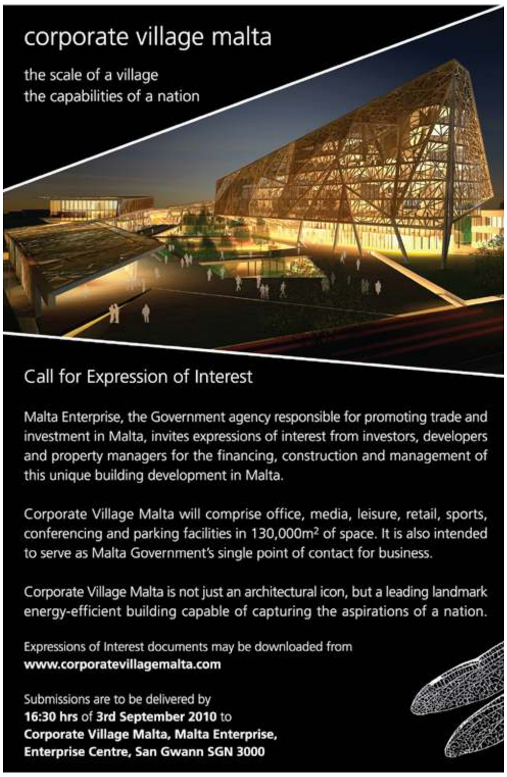
The Corporate Village is to serve as a model of excellence and innovation in architecture, with emphasis being placed on its green architecture credentials. Its presentation is to impart a sense of stability and permanence and be developed as an iconic building in order to further enhance its own attraction as well as that of its premier location.

Alan Camilleri - Chairman of Malta Enterprise, the lead agency to assume responsibility to oversee, co-ordinate and facilitate the execution of the project

While Government will keep a control on the design master plan, it will be leasing out the land to prospective investors while guaranteeing 30 percent occupancy of the office facilities. This sets up government as the anchor tenant – surely an attraction for its marketing potential.

Fund Managers, Investment Banks, property developers and management companies and institutional investors are being invited to form consortia and signal their interest to be considered for the RFP process which will commence in October 2010 with a final adjudication being delivered in December 2010.

Malta Enterprise is the driver behind this project, entrusted by the Government to act as the lead agency and to assume responsibility to oversee, co-ordinate and facilitate the execution of the project. Malta Enterprise spearheads the role of promoting foreign investment and industrial development in Malta. Its mission is to sustain Malta's overall competitiveness and to create the right environment for successful enterprise. It gives assistance and advice about business and investment opportunities available locally and offers investors the best possible service before, during and after they decide to do business in Malta. ◆



FDI

An Entrepreneurial Culture

Since Malta gained independence from the UK in 1964, its economy has flourished and undergone many transformations. However, it was after 1979, when the Military Agreement between Malta and the United Kingdom expired leading to the closure of the UK's military base on the island, that the country started to develop its industrial and service sector bases, focusing mainly on manufacturing and tourism. Evidence of early recognition in Malta's potential is the presence, since 1971, of Germany's highly successful toy manufacturer, Playmobil.

Malta's progress, in five short decades of independence, is astonishing and serves as a reminder of how commercially minded the Maltese are. The nation has worked hard and fast to evolve with the times and even envisage future trends. Recognition has come in the form of impressive levels of foreign direct investment (FDI) – the country now has a highly productive manufacturing sector and is home to more than 200 international manufacturing and distribution companies. A fifth of them underwent further major expansion in the past five years, which bears testament to their continued commitment to, and belief in, Malta. Manufacturing now makes up 17% of Malta's GDP, a remarkable achievement given that, at the time of independence 46 years ago economic activity was minimal.

Perhaps though it is unsurprising that the islands offer such a dynamic setting for business, the Maltese have long fostered an entrepreneurial spirit, rooted in their history as international traders in commerce and industry. Today there are many reasons why Malta is a special place to do business or to invest in. Amongst other things, it boasts a highly attractive incentive package, a stable economic and political environment, a strategic location, excellent air and shipping facilities and a highly educated, multilingual, skilled workforce. This, combined with a pro-business climate, has made Malta a location of choice for FDI and global trade.

To facilitate this success further, Malta continues to invest heavily to enhance international linkages. Undersea cables to the country have tripled, providing first-rate internet and telecommunications services. Air transportation has been made a priority making Malta better connected to the rest of the EU than many other member states. The country also enjoys impressive port and transhipment facilities with efficiency levels at the Freeport reaching record highs in 2009. Moreover, continued heavy investment in a 300-metre expansion of the quay will accommodate vessels of even greater capacity.

www.maltaenterprise.com

At the same time, the government has recognised the importance of investing in tertiary training in order to consolidate the connection between industry, education and workforce development. Malta's future economic advancement rests on the transition to higher value-added opportunities founded on a knowledge-based economy. As such, Malta College of Arts, Science & Technology (MCAST) has been further developed to improve the technical skills of the workforce and now commands a strong reputation in the private sector.

This readiness and responsiveness to market trends adds to the competitive advantages of the country's business climate. Lufthansa Technik ostensibly recognized this potential when, back in 2003, it chose Malta as a base for a new venture. In addition, the country's recent success in landing SR Technics, (another aircraft repair and maintenance company which sealed a deal to service easyJet's fleet in Malta), is testament to the calibre of Malta as a "high skill and high value-added" commercial proposition. As James Stewart, SR Technics' CEO, puts it, "In today's market, delivering the highest quality at the most attractive commercial terms is no longer a contradiction: it's a must."

Alan Camilleri, the Chairman of Malta Enterprise – the government agency responsible for attracting inward investment and supporting enterprise in Malta - explains, "SR Technics wanted to set up at a lower cost location whilst at the same time maintaining the intricate and exacting standards required of the aerospace industry. Malta was picked from over 53 countries." Cor Vrieswijk, Operations Director of easyJet whose planes will shortly be serviced on the island by SR Technics, echoes this sentiment, "Malta has shown itself to be very competitive in the international market, by the very businesslike and swift approach of the Maltese government, as well as the quality of the workforce. easyJet was impressed with the Maltese education system that shall be responsible for providing the highly qualified engineers for the maintenance facility." Vrieswijk continues, "From a business point of view I was encouraged by the meetings I had with several business leaders. Without exception, they were positive about the work ethos of the Maltese and the engagement of the government. Now the SRT maintenance facility is a fact, I can fully support these positive opinions."

Referring to the lengths that Malta Enterprise was prepared to go to in order to facilitate SR Technics' investment decision Camilleri was absolute, "Three years ago Malta didn't have an avionics faculty, it didn't even have a college in which to train airline maintenance technicians. Yet in just 36 months, we have managed to produce 500 qualified staff. This didn't happen by chance. We sat down with the institutions, we supported them by setting up the faculties and we got the strategic partners to be able to certify these faculties for the European and global standards for the airline industry. Then we incentivised students to take up these courses, because these were the requirements by industry and we managed to deliver."

This achievement is typical of the overall approach in Malta, as Camilleri elucidates, "I think that the secret of our success is that we are small so we can listen then act and we do this in a relatively short period of time. Structures are not very vertical; people are encouraged to take decisions. People like the ministers and me are very accessible. We can understand the beat and then we beat the drum!"

Further proof of this was the government's tailor-made approach to dealing with the fallout of the recent global financial crisis. Instead of implementing blanket measures in the form of general "stimulus packages" like a number of other sophisticated economies, the government convened with individual institutions that were suffering the effects or needed to downsize due to decreased demand. Together, in partnership with businesses (both local and international) the government took a proactive approach to safeguard jobs by providing funds for retraining. Stainless Steel Products Ltd, a subsidiary in Malta of the Bradford-based Jacuzzi UK, was one such company to benefit from this close collaboration with the government. According to Camilleri, when business then started picking up again, investors appreciated how supportive the government had been and half the companies they had assisted in the past six months have since increased their investments in Malta.

Today the diversity of Malta's economic activity is impressive, spanning numerous sectors including pharmaceuticals, mechanical engineering, electronics, maritime products, biomedical equipment, rubber, plastics, packaging and security systems. The ever-increasing tertiary sector often takes advantage of the multilingual workforce and Malta has recently become home to several back office services and call centre operations for a number of large multinationals.

Malta is also strong when it comes to international trade. Its competitive edge as a supplier is not merely its proximity to Europe, North Africa and the Middle East, but also its reputation for quality and reliability. Maltese companies tend to be large enough to cope with substantial orders, yet small and flexible enough to care for their clients and respond to their requirements with short lead times and quick deliveries.

Camilleri is candid in his assessment of the country's choices, "We realise that a country like Malta, with no natural resources, can only grow on the basis of two things: the local investors who continue to believe in their homeland and on the other hand the foreigners who believe that Malta is a good place for them to keep pouring in their resources and investing in infrastructure. We realise those are the only two options for us to grow and obviously we are aggressive in pursuing both."

A core government strategy is to create niche areas in order to foster "centres of excellence" whether that is in ICT, remote gaming, financial services or the pharmaceutical industry. Indeed, Malta has been pioneering in a number of key areas and has realised that its status as an island and its distance from northern Europe need not hamper the achievement of its goals. Who would have imagined that Malta would become the "Mediterranean hub for remote gaming"? Yet it has and is flourishing under the watchful eye of Malta's Lottery and Gaming Authority. Malta was the first EU member state to regulate the remote gaming industry. According to the LGA's CEO, Reuben Portanier, "In 2004 the regulations were all passed through the various stages at EU level. The UK followed in a very similar regulated way within a year."

What is clear is that there are incredible opportunities in a wide range of sectors. Malta Enterprise is leading a number of key developments that will create clusters of associated industries and will enable greater synergies. One example is, Camilleri explains, "An investment of €28 million in a life sciences park which touches on the one side with the new Mater Dei General Hospital and on the other side with the University of Malta." He continues, "That will basically create a whole R&D knowledge village focused on life sciences. We are trying to attract other companies in life sciences from around the world to set up shop here, not only because we are a competitive low-cost location but also because we will be focused on R&D innovation. The aim will be to support the pharmaceutical industry which already exists in Malta."

With developments like this and SmartCity Malta (a joint venture underway between Dubai's SmartCity and the Government of Malta to create a self-sustained township for the knowledge economy), Dr Gonzi's government is aiming to prove to the world that the country, though steeped in tradition, is ready for the future. Likewise, Malta Enterprise is spearheading an exciting new initiative that has just been launched – the creation of "Corporate Village Malta". The government has announced a call for expressions of interest and is looking to woo investment funds, property and construction companies, investment banks, venture capitalists and fund managers to invest in this ambitious urban regeneration project estimated to cost €200 million.

When it comes to business, many may say "size matters" but try telling that to the Maltese. They have long learned what their strengths are and have capitalised on them. All their efforts have begun to pay dividends and the significant levels of FDI that Malta has attracted are a strong indicator both of Malta's competitiveness and the wisdom of government policy. Indeed, Malta's size makes it an ideal location for testing scalable energy technologies including smart grid design, wave and tidal power generation and algae fuel production. In brief, opportunities abound. ◆

Events

Top 10 Picks for 2010

25/06/2010 - 28/06/2010
Marsovin Wine Festival
Hastings Gardens, Valletta

25/06/2010 - 30/06/2010
Malta Music Week
Various Locations

30/06/2010
Isle of MTV 2010
The Granaries, Floriana

04/07/2010 - 13/07/2010
Shakespeare Revisited A Centenary Tribute
Palazzo Parisio, Naxxar

23/07/2010 - 01/08/2010
The Farsons Great Beer Festival
Ta Qali Park

24/07/2010
Joseph Calleja in Concert with Claudio Baglioni and Dionne Warwick
The Granaries, Floriana

03/08/2010
Rod Stewart Live in Concert
The Granaries, Floriana

25/09/2010
Notte Bianca Festival
Valletta

08/10/2010 - 10/10/2010
Birgufest Vittoriosa

16/10/2010 - 23/10/2010
The Rolex Middle Sea Race Grand Harbour

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CURIOSITY

Gary Neville's Passion for Malta

Granted an exclusive interview with Gary Neville at Malta's Radisson Blu Resort, Image Diplomacy discovers why the world-renowned footballer is such a frequent visitor to the islands and why his passion led him to invest in Island Hotels.

Gary you have been coming to Malta for 18 years – what are your recollections of your first visit?

Originally, I came here with David Beckham, Chris Casper and Ben Thornley because Malta is home to the oldest Manchester United Supporters Club in the world. When I arrived, I just thought Malta was an incredible place - the people were so friendly. I'd never come across such genuine hospitality anywhere else. Back then I wasn't a famous football player, I was just a youth team player and nobody had ever heard of me. However, I was treated the same way as a member of the first team.

On a personal level, I liked the fact that the Maltese people spoke English and that they had some English habits and traits out here. It made me feel comfortable. It was a great experience and since then I have come back every year at least once and even two, three or four times a year when I can. Many people don't realise that Malta is less than 3 hours away from the UK with regular flights out of most UK airports. I bought property over here and now I come over not only for family holidays, but also for business because I recognise the excellent opportunities that exist in Malta.

One of those excellent opportunities is presumably Island Hotels. You not only invested in the company but you also sit on the board. What led you to get involved with the Group?

The Zahra family who founded the company were very ambitious. They had great optimism and enthusiasm about their future plans for the Group. After coming to Malta for 18 years, I also felt that the country was under-performing in the tourism sector and I realised that it had so much more to offer. Malta is unique – it is a fantastic location with great weather, history and culture all in one place. People in the UK probably do not appreciate how many incredible natural attractions there are in the islands of Malta, Gozo and Comino. However, I believe the vision of Malta is to improve perceptions and create a centre of excellence for tourism. I do think there needs to be a change in mentality and I felt that Island Hotels Group was going to assist in the ultimate goal of achieving that. Some of the developments Island Hotels Group plans to undertake in the coming years will definitely enable them to accomplish this mission.

Malta already attracts many super yachts and it's a location with great Mediterranean cuisine that could compete with Monaco or Marbella. Personally, I would choose Malta every time because of the wealth of culture, history and tradition as well as the delicious food and the amazing people. Malta just needs to be open to rising to the challenge by creating more pioneering, quality developments to further cater for the expectations of high-end visitors.

I think the Government's Vision for 2015 is achievable but it's just 5 years from now. Malta already has incredible traditional buildings with beautiful Roman architecture and a twist of English in there but currently it lacks an iconic development. Making Malta a destination of higher quality tourism builds would probably put the country on the map in the same way the Burj Al Arab did for Dubai.

You obviously love Malta but in a few words how would you currently define the archipelago as a destination?

My view on the island is that it is like an uncut diamond - it just needs polishing around the edges. One development that aims to add shine to the country is Island Hotels Group's project, "Hal Ferh". UK architects, Ken Shuttleworth and his team have drawn up concept plans for the 85,000-square metre tract of land near the Radisson Blu Resort & Spa in Golden Sands. I sit on the board of Island Hotels and share many of the company's visions. The CEO, Winston J Zahra intends to create exclusive accommodation in a private oasis thereby setting a new standard of luxury in Malta's tourism sector. Moreover, in its aim to come as close to carbon neutrality as possible the design will pave the way for environmentally sustainable developments. This is an exciting time for Malta as it becomes a 21st century destination. ◆

The concept design for the Hal-Ferh project