

**Guidelines on the conversion of company share capital  
from Maltese lira into euro.**

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**Guideline: NECC/0006/06**

**These guidelines have been endorsed by the  
National Euro Changeover Committee  
(NECC).**

## 1. Objective

These guidelines set out the manner in which company share capital, which is denominated in Maltese lira as on 31<sup>st</sup> December 2007 shall be converted into euro with effect from the 1<sup>st</sup> January 2008 (subject to adopting the euro on the 1<sup>st</sup> January 2008).

## 2. Applicability

These guidelines apply to all limited liability companies and partnerships *en commandite* or limited partnerships having their capital divided into shares, whose share capital is denominated in Maltese lira as on the 31<sup>st</sup> December 2007.

In the case of companies licensed and regulated by any competent authority and/or companies listed on the Malta Stock Exchange, these guidelines shall be without prejudice to any other guidelines or requirements as may be issued by the relevant competent authorities.

## 3. Principle(s)

These guidelines are based upon the principle of ensuring a smooth transition of conversion into euro of company share capital with effect from €-day, with the least possible intervention and processing of documentation by the companies involved.

## 4. Guidelines

### 4.1 National Currency changeover

The national currency changeover from Maltese Lira to euro will take place in terms of law whereby upon €-day, the Maltese currency will no longer be Maltese Lira but the euro. As a result of this all share capital denominated in Maltese Lira will by operation of law become denominated in euro on the basis of the irrevocably fixed conversion rate established in accordance with Part 5 of Article 123 of the Treaty establishing the European Community. The Registrar of Companies is of the opinion that a decision by company shareholders is not required for the change in the currency of company share capital to take place. Indeed as from €-day the Maltese Lira will cease to exist and be replaced by the euro. This will be a state of law and of fact. With effect from €-day, without any intervention being necessary by companies, the nominal value of shares denominated in Maltese Lira will automatically become denominated in the equivalent euro amount and consequently both the authorised and issued share capital amount will also be automatically redenominated in the equivalent euro amount.

#### 4.1 The conversion exercise

The conversion exercise starts with the nominal value of each share which when multiplied by the total number of issued and authorised shares will produce the amount of the company's issued and authorised share capital. This method may be referred to as the "bottom-up" method and will ensure that the authorized and issued share capital will in all cases be exactly divisible by the number of issued/authorized shares.

The conversion of the nominal value of shares shall be established by dividing the Maltese Lira value by the irrevocably fixed conversion rate. The resulting euro amount should be rounded to six decimal places in order to ensure a negligible difference in the share capital value following conversion.

The following are some examples of conversion of companies' share capital using this method.

*Example 1: Redesignation of the share capital of a Company having an authorised and issued share capital of Lm1,000 divided into 1,000 Ordinary shares of Lm 1 each*

In this example, the irrevocably fixed conversion rate is taken to be €1= Lm0.429300.

**Step 1** : Redenominate nominal value of shares in euro to six decimal places

Lm1 share :  $1/0.429300 = €2.329373$  per share

**Step 2** : Calculate the converted Issued and Authorised share capital

Issued share capital =  $1000 \times 2.329373 = €2329.37$

Authorised share capital =  $1000 \times 2.329373 = €2329.37$

*Example 2: Redesignation of the share capital of a Company having authorised share capital of Lm50,000 divided into 50,000 shares of Lm1 and issued share capital of Lm25,000 divided into 25,000 Ordinary shares of Lm1 each*

In this example, the irrevocably fixed conversion rate is taken to be €1= Lm0.429300.

**Step 1** : Redenominate nominal value of shares in euro to six decimal places

Lm1 share :  $1/0.429300 = €2.329373$  per share

**Step 2** : Calculate the converted Issued and Authorised share capital

Issued share capital =  $25,000 \times 2.329373 = € 58,234.33$

Authorised share capital =  $50,000 \times 2.329373 = € 116,468.65$

*Example 3: Redesignation of the share capital of a Company having an authorised share capital of Lm100,000 divided into 5,000 ordinary shares of Lm10 each, and 50,000 Preference shares of Lm1 each and an Issued share capital of Lm70,000 divided into 2,000 ordinary shares of Lm10 each and 50,000 Preference shares of Lm1 each.*

In this example, the irrevocably fixed conversion rate is taken to be €1 = Lm0.429300.

**Step 1 :** Redenominate nominal value of shares in euro to six decimal places

Lm10 share (Ordinary):  $10/0.429300 = €23.293734$  per share

Lm1 share (Preference):  $1/0.429300 = €2.329373$  per share

**Step 2 :** calculate the converted Issued and Authorised share capital

Issued share capital	=	2,000 Ordinary x 23.293734	=	€ 46,587.47
		50,000 Preference x 2.329373	=	€116,468.65
				<u>€163,056.12</u>
Authorised share capital	=	5,000 Ordinary x 23.293734	=	€116,468.67
		50,000 Preference x 2.329373	=	€116,468.65
				<u>€232,937.32</u>

It is to be noted that the paid up percentage of the issued share capital has no relevance to the workings of the redenomination exercise.

The resulting euro amount, both in respect of the nominal value of shares as well as of the total authorized and issued share capital will subsequently be confirmed by companies to the Registrar by means of the first annual return form filed by companies after the €-day. It is to be noted that every company is obliged to file such a return every year. Therefore, company records held by the Registrar will eventually be updated in this manner and will show the euro amount for shares and share capital. Furthermore, subsequent to the €-day, when any amendments are carried out to the memorandum or articles of association, companies will be required to show the nominal share value and the share capital value in euro, in the updated memorandum and articles of association.

Should, subsequent to the €-day, a company wish to restructure its share capital such that the nominal value of its shares would be a round figure in euro or having a limited number of decimal places (say two decimal places, e.g. €2.50) then this would require a specific shareholders resolution to alter the share capital accordingly. Such a decision would however be solely at the discretion of the company and would not be a requirement of the Registrar of Companies.

## 5. Definitions

- €-day** – the date when Malta enters the euro area, i.e. the euro becomes legal tender in Malta.
- Irrevocably fixed conversion rate** – the unalterable and irrevocably fixed exchange rate between the national currency of the Member State and the euro determined on the abrogation of the derogation for that Member State.
- Rounding** – part of the process of converting a legal currency unit into euro that expresses the converted number as a round number. e.g. €11.357 rounded off to 2 decimal places becomes €11.36.