

The Chairman  
Malta Stock Exchange  
27 Pietro Floriani Street  
Floriana.

30 March 1996

The Hon J Dalli FCCA CPA MBIM MP  
Minister of Finance  
Valletta

Dear Minister

In accordance with Section 28(i) of the Malta Stock Exchange Act, (Cap. 345), I have the honour to transmit the Audited Accounts and Report on the activities of the Malta Stock Exchange for the Financial Year ended 31 December 1995.

Yours sincerely



F Mifsud Bonnici  
**CHAIRMAN**

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## **CHAIRMAN'S REPORT**

It is tempting, after such an eventful year, to sit back and feel satisfied with the achievements and progress registered so far. However, in this fast moving world of ours, where technological progress and market demands move ahead relentlessly, it would be foolhardy to believe at any point in time that there is not much more that the Exchange can do; indeed, should do.

Last year, not only did we have an extremely successful bond issue by Mid-Med Bank Limited and the first listing of shares in a SICAV - one managed by Bank of Valletta Limited - but we had, for the first time, an offer for Sale of listed shares as well as the listing of Malta's leading blue chip - Simonds Farsons Cisk Limited. The successful sale of the Government shares in Bank of Valletta and the timely publication of the listing requirements for SICAVs are proof enough that our

young developing Exchange is fully equipped to deal with all the different demands that a new developing financial infrastructure in an emerging market present. In addition, in the early part of the year, the Exchange had to seek and identify temporary premises and relocate without affecting the regularity of its operations. Whilst the public at large may consider such a reliable performance as in line with expectations, exchange specialists and market participants appreciate that good results are not easy to achieve in an environment which has no past experience which can be relied on. Needless to say, mistakes at such an early stage of development could have a disastrous effect on our Exchange and could be very costly in more ways than one.

I would like, however, to look to the future of the Exchange taking account of developments occurring in the market place. Hot debate is currently taking place on the effects that membership of the EU will have on all aspects of local industry. It is perhaps a blessing in disguise that the present Government's commitment to join the EU has suddenly stirred up local businessmen to appreciate more than ever that something needs to be done in order that local industry makes the necessary investment, be it financial or otherwise, to secure its survival in the longer term. Such action, however, will always be necessary, whether we join Europe or not. Whilst certain structural changes will require Government help to overcome the inherent disadvantages existing in a small Island like ours, a revolution of the way local businesses, nearly all family companies, are structured and run, has been long overdue. Joining the EU, liberalising interest rates, exploring new sources and methods of raising capital as well as taking up other initiatives resulting from changes to our financial infrastructure, certainly represent a major challenge to most businesses. Add to all this the globalisation of markets and it will be difficult to find more cogent reasons why local businesses should be taking a close look inwards. Such an internal review, if honestly done, should result in a much greater number of potential candidates for listing on the Exchange than hitherto thought possible. Before any businessman begins to consider his future business strategy, he should ensure that he has a proper management structure in place and, of equal importance, a proper management information system that supports the businessman's acumen with decision support tools. Before our local businesses embark on this road - the only way that provides them with the possibility of survival, let alone expansion - disappearing acts amongst our existing businesses will not become an unknown event in Malta.



Once these objectives are achieved, a completely new dimension to business horizons is created and only then will a business be able to consider its strategy for future growth and profitability. The availability and raising of capital will at this stage inevitably become a determining factor in the profitable growth equation. In this regard, having sorted out its management structure and management information systems, a business would have achieved a major step forward to facilitate the possibility of seeking the confidence of the public by using the Exchange for capital raising purposes. I am certain that local industry urgently requires capital restructuring and that the Banks have a limited role to play in this dimension. Therefore, to meet any challenges, be they EU membership or market globalisation or new product initiatives, a listing will not only open the way to achieve this successfully, but will also add a new dimension to the status of a business.

No doubt another area, which could be promising for the Exchange, but is subject to Government policy and priorities, is that of the parastatal companies. These present a golden opportunity for Government to divest itself of capital hungry corporations and allowing local investors to contribute capital for an adequate return and to share in the experiences of local national enterprises. It is also necessary for such companies to improve in the areas mentioned earlier if they are to take advantage of the opportunities presented by the Exchange thereby also improving in their accountability.

If progress is registered in the above-mentioned spheres, the achievement of one of the objectives being currently addressed by the Council, namely, that of increasing volumes on the Exchange, will be facilitated. Adding more listed shares will give depth to the market and allow for performance analysts to indicate those opportunities that present better prospects for the investor. This will put into more concrete terms the mechanism for the priority allocation of capital resources reflecting a greater appreciation of those companies that perform satisfactorily or better than the norm. More listed shares will also provide that diversified range of investments which any investor, large or small, seeks.

The introduction of an electronic trading system before the end of the first half of this year should also assist in achieving higher trading volumes. This has been the experience in all exchanges where similar systems were introduced. This investment, moreover, represents a major step forward in further establishing the Malta Stock Exchange on the international map. Accordingly, foreign investors' interest is expected to increase and should help to expand activity, thus attracting more business.

The Council is currently defining a strategy aimed at promoting the Exchange locally with the help of listed companies and stockbrokers with a view to increasing trading levels. This strategy will address both the supply and demand side of the equation. Understanding the general public's perception of the Exchange, correcting any mistaken ones and taking action where it is considered necessary will be supplemented by a drive to encourage more listings on the Exchange. Such a strategy encompasses educational initiatives with a specific agenda aimed at investors and prospective investors, senior officials of listed companies with, for example, an assessment of dividend policies and companies with potential for listing.

Finally, as a result of Government's recent initiative in the financial services sector, the Exchange has taken steps to enable it to react to the intentional market which has been showing increasing interest in the listing facilities of the Exchange. Our participation in international fora in the area of securities listing and regulation serves us in good stead for this interesting and financially attractive opportunity,

To sum up, the challenges facing the Exchange are numerous and formidable; I have not, for example, referred to the consideration of the feasibility of a second tier market operated under the auspices of the Exchange; however, with the support of a dedicated and loyal staff complement, the contribution of the stockbroking community and the collaboration of the Minister of Finance, senior officials of the Ministry of Finance, the Treasury, the Central Bank and the Malta Financial Services Centre, I believe substantial progress can be achieved by the Exchange towards the further successful development of Malta's capital markets.



Frederick Mifsud Bonnici  
CHAIRMAN

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# **ADMINISTRATION REPORT**

## **THE COUNCIL**

The Council of the Malta Stock Exchange was re-appointed by the Minister of Finance with effect from 1 July 1995 in terms of Section 4 of the Malta Stock Exchange Act (Cap. 345). The Council Members were appointed in terms of Section 5 of the Statute forming part of the Malta Stock Exchange Act (Cap. 345) for a period of one year ending 30 June 1996. Mr Frederick Mifsud Bonnici was re-appointed Chairman with effect from the same date.

The Council met 14 times during 1995. A Special Meeting with the Members of the Exchange in terms of Section 9 (IV)(a) of the First Schedule of the Malta Stock Exchange Act was also held on 13 March 1995. During this meeting, the Chairman of the Council presented the Report and Accounts for 1994. Regular meetings were also held throughout the year between the Council and the Malta Stock Exchange Committee.

Individual Council Members continued to be involved in a number of Exchange sub-committees and held a number of other meetings, particularly with regard to new listings, electronic trading and new premises for the Exchange.

At the end of 1995, the Council was made up as follows :

Mr Frederick Mifsud Bonnici FCA FIA CPAA  
**Chairman**

Mr Louis E Galea FCIB  
**Deputy Chairman**

Dr Vincent Falzon LLD  
Mr Joseph V Laspina  
Mr George Welts FCMA MIA CPA  
**Members**

Mr Paul J Spiteri FCIB CDipAF  
**Secretary to the Council**



## **HUMAN RESOURCES**

### **Staff Complement**

**A number of changes in the staff complement of the Exchange took place during 1995. One clerk resigned at the end of January while two other clerks and one supervisor were recruited towards the middle of the year bringing the total staff complement up to 20 consisting of 7 Managerial staff, 5 Supervisors, 6 Clerks and 2 non-clericals. The Exchange also engaged a University student during the Summer months mainly to assist with the compilation of statistics.**

### **Overseas Visits**

**During 1995 the Exchange continued to provide the necessary facilities for its managerial staff to keep abreast of developments in overseas capital markets by attending conferences, visiting other Exchanges and generally maintaining close working relationships with their counterparts abroad.**

**During 1995, Mr F Mifsud Bonnici, Chairman and the General Manager, Mr P J Spiteri, attended the bi-annual Emerging Markets Task Force Meetings organised by the Federation of European Stock Exchanges**

**(FESE) held in March and October, in Warsaw and Ljubljana respectively. These meetings are of particular benefit to the Malta Stock Exchange as they provide the opportunity to discuss topics of interest among emerging stock exchanges.**

**It may be of interest to note that the Autumn 1996 meeting of the FESE Task Force is scheduled to be held in Malta in October.**

**In June, Mr Mifsud Bonnici, Chairman of the Exchange, headed a delegation made up of representatives from the Exchange, the Malta Financial Services Centre and the Central Bank of Malta, which participated in the International Organisation of Securities Commission (IOSCO) Annual General Meeting held in Paris.**

**The General Manager visited the London Stock Exchange in April and later on in the year he participated at a Workshop on the Regulation of Capital Markets organised by the Federation Internationale Des Bourses De Valeurs (FIBV), which was held in Milan.**

**In March, Mr Mark A Guillaumier, Deputy General Manager attended the IOSCO Emerging Markets Meeting held in Bangkok, Thailand. Later on in the year Mr Guillaurnier also participated in the 3rd ASEA Conference in Mauritius where he delivered a paper on the development of the Bond Market in Malta. Following this Conference, Mr Guillaurnier travelled to London where he and Mr Martin G Farrugia, Senior Manager, attended a Conference of Experts which dealt with the Rules and Regulations of the "Alternative Investment Market" (AIM) in the UK.**

**In January, Mr Simon Zammit, Manager CSD and Miss Eileen V Muscat, Manager Administration, visited Slovenia to take a first hand view of the electronic trading system adopted by the Ljubljana Stock Exchange and which is very similar to the system which is to be installed at the Malta Stock Exchange during 1996.**

**Mr Aldo Ellul, Manager Accounts, traveled to Switzerland in November where he participated in a conference on 1995 Accounting Standards held in Geneva whilst Dr Robert Vella Baldacchino, the Legal Officer of the Exchange, travelled to London in December where he participated in a conference dealing with International Equity Offerings.**

### **Local Conferences and Training**

**Various members of the staff also attended a number of local seminars, conferences and workshops dealing with related subjects such as the newly enacted Companies Act, Value Added Tax and new accounting standards, as well as with other subjects such as Press Releases and software packages used within the Exchange.**

**The Malta Stock Exchange was also represented at the Crans Montana Forum organised by the Ministry of Finance and held in Malta in October.**

**In July, Exchange Council -Members and senior management, together with representatives from Lombard**

**Bank (Malta) Ltd, attended a specially designed one-day Seminar dealing with "Total Quality Management" organised by MISCO. Mr Peter Brown, a specialist in the field, was brought over purposely from the UK to address participants at this Workshop.**

**During the year Malta Stock Exchange senior executives were also invited to speak at various seminars. Mr P J Spiteri, General Manager, delivered a paper on "Investor Protection" at a Seminar organised by the Malta Financial Services Centre while later on in June he delivered another paper on "The Malta Stock Exchange Financing Opportunities" organised by the Malta Chamber of Commerce.**

**The Chairman was also a guest speaker on various occasions. In March, Mr Mifsud Bonnici addressed a conference organised by the Malta Institute of Management where he presented a paper entitled "Privatisation: The Stakeholders Interest" while in November he delivered a talk on "Public Companies under the new Companies Act" during a conference organised by the Malta Institute of Accountants and the Chamber of Advocates.**

## **PREMISES**

**One of the major objectives achieved during 1995 was the move of the Malta Stock Exchange from the two premises in Valletta and Floriana to larger premises in Floriana which could accommodate all the staff of the Exchange.**

**Following a refurbishment programme, the staff formerly at the premises in St Anne Street, Floriana, moved in towards the end of February, while the staff at the Valletta premises followed in May. Trading continued to be held at the Valletta premises right up to August when this operation was also transferred to Floriana.**

**This move, however, is still seen as a temporary measure and arrangements are still progressing for the Exchange to take over the Central Mailing Room in Valletta. In fact, the lease for these premises was formally signed in December, 1995.**

**Plans for the refurbishment of the Exchange would be able Valletta premises have already been submitted and it is envisaged that the exchange would be able to take vacant possession of the property during 1996.**







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# **EXCHANGE OPERATIONS**

## **TRADING DEVELOPMENTS**

**During 1994, a number of measures had, been introduced in the equity trading rules designed to ensure the maintenance of an orderly market in equities. These measures included the introduction of trade ranges and the suspension of re-openings.**

**It was felt opportune to retain such measures during the past year especially as it was seen that they had added credibility to Exchange trading by maintaining an orderly and well-regulated market.**

**One slight amendment introduced to the trade-range rule was that during the first trading session in the ex-div period of any equity, "put-throughs" could be put on the Board at any price within the stipulated trade range rather than being limited to the range in which the previous weeks trading had been matched. This was felt necessary to counteract the fluctuation in price that could arise during the period when equity was being traded ex-div.**

### **New Listings**

**During the course of the year several Government Stocks reached their maturity dates and were duly redeemed. A number of new stocks were issued and listed among which was the first 12-year stock ever to be issued by the Maltese Government viz, the 7% MGS 2006.**

**Also listed during 1995 was the 7.25% Mid- Med Bank Ltd Unsecured Subordinated Loan Stock 2005 as well as a Collective Investment Scheme in the form of an open-ended company or SICV. The Fund, La Vallette, Funds SICAV operates as an umbrella fund whose two sub-funds, the La Vallette Global fund and the La Vallette Capital Growth fund, are both listed. The listing of these funds required new apposite listing rules and regulations which were incorporated in the Bye-laws.**

**Towards the end of the year Simonds Farsons Cisk Ltd became the fifth company quoted on the Stock Exchange. This was the first company from the non-financial sector to obtain a listing, and as such this was a very important development for the Exchange.**



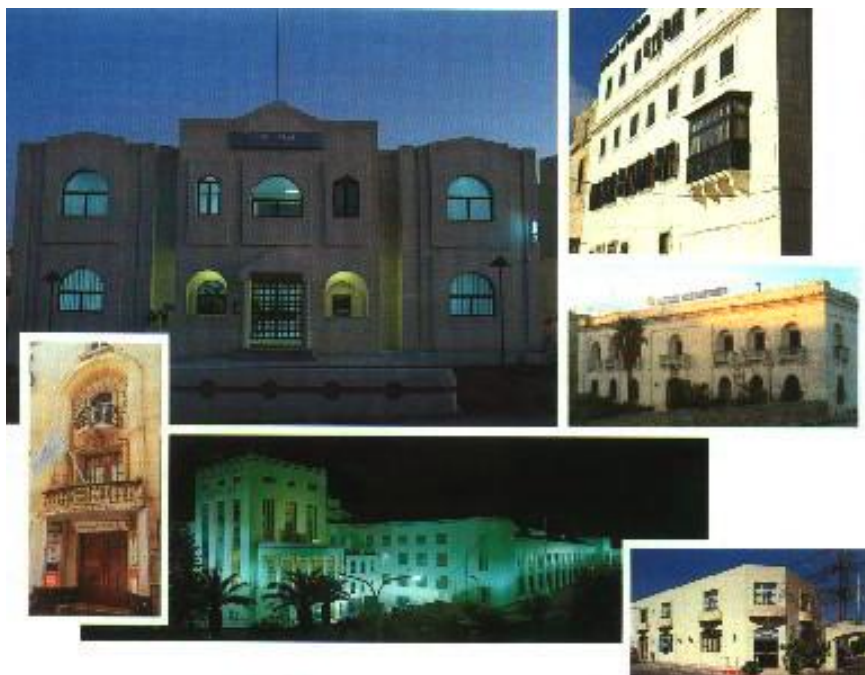
The securities listed by Simonds Farsons Cisk Ltd included both Ordinary Shares as well as two different issues of Preference Shares. These were the first Preference shares to obtain a listing on the Malta Stock Exchange. It was decided that in order to facilitate trading in these instruments, broker commissions should be charged at the bond rate rather than at the equity rate.

## Electronic Trading

A great deal of effort and work during 1995 was geared towards the commencement of electronic trading on the Exchange Floor.

Following the response to tenders issued in 1994, these submissions were evaluated, short listed and the most likely candidate was invited to make a presentation to the Council in February 1995.

Consequently, officials from EFA Software Services Ltd of Calgary, Canada came over to Malta where they gave a demonstration of the system and the formal contract between the Malta Stock Exchange and EFA for the supply and installation of an automated trading system was formally signed in April 1995. Brian Taylor of Brian Taylor Associates of London, UK was to act as Project Manager and Chris Richardson of Percival Software Ltd, U.K. was to be involved with the interface between the proposed automated trading system and the "Shares" package currently utilised within the Central Securities Depository. Computer Solutions Ltd, local agents and suppliers for IBM, were sub-contracted by EFA to supply the hardware and the technical back-up.



Installation of the system at the Malta Stock Exchange commenced late in November under the supervision of Mr Brian Taylor as Project Manager. In December, Mr Simon Zammit, Manager IT, traveled to London and Calgary to undergo training on the new system software and related hardware. A training programme for Malta Stock Exchange personnel as well as for stockbrokers and their staff has been drawn up and training will commence at the beginning of 1996 when specialised personnel from EFA will be in Malta for this purpose. It is planned that the system should go live towards the end of the first quarter of 1996.

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## TRADING AND SETTLEMENT CALENDAR 1996

<b>Trading Dates</b> (Wednesday unless otherwise indicated)	<b>Settlement Dates</b> (Tuesday unless otherwise indicated)
03 January	09 January
10 January	16 January
17 January	23 January
24 January	30 January
31 January	06 February
07 February	13 February
14 February	20 February
21 February	27 February
28 February	05 March
06 March	12 March
13 March	18 March (Monday)
20 March	26 March
27 March	02 April
03 April	09 April
10 April	16 April

<b>Trading Dates</b> (Wednesday unless otherwise indicated)	<b>Settlement Dates</b> (Tuesday unless otherwise indicated)
03 July	09 July
10 July	16 July
17 July	23 July
24 July	30 July
31 July	06 August
07 August	13 August
14 August	20 August
21 August	27 August
28 August	03 September
04 September	10 September
11 September	17 September
18 September	24 September
25 September	01 October
02 October	08 October
09 October	15 October

17 April	23 April	16 October	22 October
24 April	30 April	23 October	29 October
		30 October	05 November
02 May (Thursday)	07 May		
08 May	14 May	06 November	12 November
15 May	21 May	13 November	19 November
22 May	28 May	20 November	26 November
29 May	4 June	27 November	03 December
05 June	11 June	04 December	10 December
12 June	18 June	11 December	17 December
19 June	25 June	18 December	24 December
26 June	02 July	26 December (Thursday)	31 December

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## **THE CENTRAL SECURITIES DEPOSITORY**

**During 1995 the Central Securities Depository (CSD) continued to perform a vital role within the operating structure of the Exchange. A number of new enhancements were introduced in the software itself which enabled the CSD, to widen its sphere of operations and to take on added responsibilities, particularly in the primary market.**

**Partly as a result of the new listings which took place during the year, but also through secondary market activity, the number of listed security holders registered within the CSD on the separate registers continued to grow during 1995, rising from 48,000 to just over 77,000 at the end of the year.**

### **Primary Issues**

**One of the major enhancements introduced this year to the computer software utilised by the CSD, enabled the system to handle the entire spectrum of operations in primary issues. The CSD, in fact, is now able to handle such issues right from receipt of applications up to the issue of Registration Advices. Given the range of activity registered in the primary market during 1995, this new enhancement was utilised in varying degrees in the various issues including the Government's offer-for-sale of 12 million Bank of Valletta Ltd shares, Mid-Med Bank Ltd Unsecured Subordinated Loan Stock as well as in Simonds Farsons Cisk Ltd Preference share issue.**

## CSD/CSS Integrated System

The CSD/CSS Integrated System introduced this year in the Exchange has cut down considerably on the workload carried out post-trading by the CSS and the CSD as there is now only one point of data input as opposed to the previous system which entailed two points of data input. This development not only cuts down on the time factor but also reduces the margin of error, thereby making for more efficient post-trading procedures. As the CSS is now directly linked to the CSD, queries involving holdings of individual clients can be sorted out directly after trading thereby avoiding problems on settlement day. The introduction of this new integrated system represents a first step which will eventually lead to the fully-fledged electronic trading procedures to be introduced during 1996.

	CSD Amendments in 1995												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>Causa Mortis</b>	28	46	25	16	37	21	9	11	20	35	28	31	307
<b>Garnishee Orders</b>	5	3	5	17	0	9	5	5	4	12	18	17	100
<b>Holder Amendments</b>	179	93	38	53	62	59	93	28	37	55	44	54	795
<b>Mandate / Power of Attorney</b>	32	20	26	20	26	17	34	13	11	47	47	40	333
<b>Bought Movements</b>	316	296	296	226	288	235	212	244	252	210	318	284	3177
<b>Sold Movements</b>	336	302	341	250	313	209	224	242	243	228	312	281	3281
<b>Off Market Transfers</b>	41	45	41	24	36	29	18	26	12	44	81	41	438
<b>Pledge Movements</b>	95	85	105	82	86	122	92	79	77	58	45	19	945
<b>Totals</b>	1032	890	877	688	848	701	687	648	656	689	893	767	9376

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## **MEMBERS ACTIVITIES**

### **Malta Stock Exchange committee**

**Following the amendments to the First Schedule to the Malta Stock Exchange Act (Cap. 345) which came into effect on 1 July 1994 the Malta Stock Exchange Committee was once again appointed for a further period of one year with effect from 1 April 1995.**



**normal operations of the Exchange.**

### **Amendments to Bye-laws**

**One important area in which the Malta Stock Exchange Committee has been significantly involved is in respect to any major amendments to the Bye-laws.**

**Two important amendments to the Bye-laws effected during 1995 were the introduction of a revised Council Notice 1 dealing with all Fees, Commissions and Charges set by the Exchange and the introduction of the concept of a sponsoring stockbroker and the retention by listed companies of a sponsor post-listing. These new Bye-laws also**

**Resulting from nominations received from within the broker community, Mr I J Burr ridge, Mr P V Azzopardi and Mr C J Pace were re-appointed to represent the Members while Mr M A Guillaurnier, Deputy General Manager continued as the representative from the Exchange and Miss E V Muscat, Manager (Administration) continued as Secretary. Later on in the month Mr J G P Bonello was co-opted as the fourth Broker Member on the Committee while Mr I J Burr ridge and Mr P V Azzopardi were again re-elected as Chairman and Deputy Chairman respectively.**

**The Committee met 12 times during 1995 and also had regular meetings with the Council to discuss matters of mutual interest. Besides these formal meetings several other ad-hoc meetings were held between the Committee and the Exchange Management to discuss any urgent problem that was encountered during the**

set out guidelines regarding the obligations and responsibilities of sponsors.

A further amendment to the Bye-laws for which the Committee made recommendations was the Chapter regarding the Compensation Fund. Although the setting up of a Compensation Fund had been included in the Bye-laws since 1991 no Regulations had been laid down, which the 1995 amendment sought to redress.

The Committee gave an important input with regard to these amendments in order that any amendments would be to the mutual benefit of all concerned and any misunderstandings could be avoided as much as possible later on.

After the first 18 months of existence of the Committee of the Malta Stock Exchange it appears that this has further enhanced the good relationship existing between the Exchange and the broker community and results obtained so far augur well for the future.

### **Financial Intermediaries**

During 1995 the first non-bank Financial Intermediary started operations following approval by the Council - namely, FINCO Treasury Management Ltd. There are now six companies acting as Financial Intermediates, five of which are banks. Following the appointment of this new Financial Intermediary, the relevant shared commission rate as laid down in Council Notice 1 in terms of Bye-law 3.22 came into force for the first time in 1995. Bye-law 3.22 in fact states that Stockbroking Firms shall pay Financial intermediaries 50% of the relevant commission in the case of the Financial Intermediary being a Bank or 25% to any other person acting as Financial Intermediary.

### **Accredited Representatives**

Two new accredited representatives were appointed following the appropriate training period and the successful completion of the relevant test paper set by the Exchange early in December 1995. Furthermore, one Accredited Representative resigned from his appointment following his resignation from employment with the Stockbroking Firm. The total number of accredited representatives has now risen to 18 spread over seven firms and the Central Bank of Malta.

### **MEMBERS OF THE EXCHANGE**

Paul V Azzopardi	<b>Azzopardi Stockbrokers Ltd</b> 11-Piazzetta, Fourth Floor, Tower Road, Sliema SLM 16
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Joseph G P Bonello	<b>Financial Planning Stockbrokers Ltd</b> 4, Marina Court, G Call Street, Ta' Xbiex MSD 14
Ivan J Burrige	<b>Ivan Bur-ridge Stockbroking Ltd</b> 1, Britannia House, 9, Old Bakery Street, Valletta VLT09
Alfred Calamatta	<b>Calamatta Stockbrokers Ltd</b> 3rd Floor, Valletta Buildings, South Street, Valletta VLT11
Neville A Curmi	<b>Curmi &amp; Mallia (Stockbrokers) Ltd</b> 25/26, St Barbara Bastion, Valletta VLT 06
Karol F Farrugia	<b>Rizzo, Farrugia &amp; Co (Stockbrokers) Ltd</b> Airways House, Third Floor, High Street, Sliema SLM15
Wilfred Mallia	<b>Curmi &amp; Mallia (Stockbrokers) Ltd</b> 18A, Third Floor, Europa Centre, Floriana VLT 15
Christopher J Pace	<b>Globe Financial (Stockbrokers) Ltd</b> 114/4, The Strand, Gzira GZR 03  Bastion Court - 1, Wied is-Seqer Street, Victoria VCT 108, Gozo
Vincent J Rizzo	<b>Rizzo, Farrugia &amp; Co (Stockbrokers) Ltd</b> Airways House, Third Floor, High Street, Sliema SLM 15



Joseph C Aquilina	<b>CBM Stockbroker</b> Central Bank of Malta, Castille Place, Valletta CMR 01
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## FINANCIAL INTERMEDIARIES

APS Bank Ltd	<b>APS House</b> 24, St Anne Square, Floriana VLT 16
Bank of Valletta Ltd	<b>Head Office</b> 58, Zachary Street, Valletta VLT 04
Lombard Bank (Malta) Ltd	<b>Lombard House</b> 67 Republic Street, Valletta VLT 05
Mid-Med Bank Ltd	<b>Head Office</b> 233, Republic Street, Valletta VLT 05
Valletta Investment Bank Ltd	144, St Christopher Street, Valletta VLT 03
Finco Treasury Management Ltd	113, St Francis Street, Floriana VLT 13

## BROKERAGE

The following rates of commission shall apply both to the buying and to the selling of securities. In all transactions where a Member acts for both the seller and the buyer, each of these shall be charged commission as stated hereunder:

### MALTA GOVERNMENT SECURITIES, LOAN STOCKS AND BONDS (Other than convertible bonds)

Contract Value  Lm	Brokerage
On the first Lm1,000	0.3% (Min Lm2)

On the next Lm4,000	0.275%
On the next Lm45,000	0.25%
On the next Lm50,000	0.225%
On the next Lm900,000	0.2%
On the excess over Lm1,000,000	0.175%

#### **ALL OTHER STOCKS AND SHARES**

On the first Lm1,000	1.50% (Min Lm3)
On the next Lm4,000	1.25%
On the next Lm5,000	1.00%
On the next Lm10,000	0.75%
On the next Lm80,000	0.50%
On the next Lm400,000	0.375%
On the next Lm500,000	0.25%

**NOTE:** Sharing or rebating of brokerage by any device in regard to Stock Exchange rates is entirely prohibited except in the case of:

- i. financial intermediaries as per Bye-law 3.22: and
- ii. the Central Bank Stockbroker who may, at his discretion, waive the charges or allow rebate when acting on behalf of the Government.

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## **PUBLIC RELATIONS**

**During 1995 the Malta Stock Exchange maintained a public relations campaign aimed at increasing public awareness**

**of the Exchange to stimulate further interest in its operations.**

**The weekly Official List and Market Report, information relating to prices and yields of Government paper, as well as other reports were supplied to all the media, including the Press, Radio and TV. Throughout the year, various articles appeared in local newspapers and other publications regarding the activities and operations of the Exchange while various slots on local radio stations and TV were specifically dedicated to the operations of the Exchange. Discussions were also currently underway to have the Official List quoted on the local TV Teletext pages.**

**On the international level, prices of securities are quoted on Reuters Pages MTQA to MTQH and feedback received shows that this service has been found very useful both locally and overseas.**

**During 1995, the Exchange commenced the publication of quarterly Fact-sheets. These fact-sheets provide information about the structure and operations of the Exchange in a concise form, besides providing the latest statistical data from the Market Floor.**

**Members of the Stock Exchange staff continued to pay regular visits to secondary schools all over the Island where they explained to higher form students the operations of the Exchange. These visits were generally followed by the students coming over to the Exchange to follow a trading session in progress. The Exchange's Education Campaign also involved University Students visiting the Exchange and meeting members of the management who explained to them the functions and operations of the Exchange.**

## **Visitors to the Exchange**

**The Malta Stock Exchange welcomed several personalities to its new premises, including the ex-Chairman of the Malta Stock Exchange, Mr. Patrick G Staines and HE Mr. Graham Archer, High Commissioner for Britain to Malta. Mr. Archer met the Management and staff of the Exchange and discussed matters of mutual interest with the Chairman and General Manager.**

**Another visitor to the Exchange was Mr. G Hooper from "The Guardian" newspaper of London who attended a trading session and discussed developments at the Exchange with Senior Management. Subsequent to this visit, Mr. Hooper published an article about the Malta Stock Exchange in "The Guardian" which provided international coverage to the Malta Stock Exchange.**

## **International Affiliations**

**The Malta Stock Exchange continued to actively participate in the various international securities markets organisations where it is a member. These include the Federation Internationale des Bourses de Valeurs (FIBV), the Federation of European Stock Exchange (FESE), the European Capital Markets Institute (ECMI) and the International Organisation of Securities Commissions (IOSCO). Members of the Stock**

**Exchange Senior Management continued to attend periodic meetings of these organisations where they gave a valid input on the various issues on which they were asked to comment.**

**The first international conference dealing with securities markets to be held in Malta, will take place on 12 October 1996. The Malta Stock Exchange will be hosting more than 30 members of the Federation of European Stock Exchanges to the Autumn meeting of the Emerging Markets Task Force Sub-Committee of this organisation. These meetings are held twice a year and the resolution to hold the Autumn 1996 meeting in Malta was passed at the Ljubljana Meeting in 1995. The purpose of these meetings is for representatives from relatively new stock exchanges in more or less the same stage of development to meet and discuss on matters of mutual interest.**

## **Wider-Share Ownership Seminar**

**An important public relations event for 1995 was undoubtedly the organisation of a Seminar on Wider Share Ownership which was held in October at the Holiday Inn Crown Plaza.**

**This Seminar was spread over one and a half days and was attended by around 100 delegates coming from the financial sector as well as from local industry.**

**Three local speakers, a stockbroker, an economic adviser with great experience in the local financial sector and a member of the senior management of a company seeking a listing, gave their views, both for and against listing, and on the popularisation of securities ownership. Six foreign speakers representing a number of overseas stock exchanges including those of Dublin, Lisbon, Warsaw and Prague as well as an international authority on insider dealing and a UK financial director were invited to address the delegates and to give the benefit of their own experiences in this area. The conference gained a different dimension with the active participation of both the Hon Prime Minister and the Hon Minister of Finance.**



**The success of this Seminar could not have been attained without the full co-operation of all the staff of the Exchange who provided a fine example of concentrated and dedicated teamwork by all concerned.**

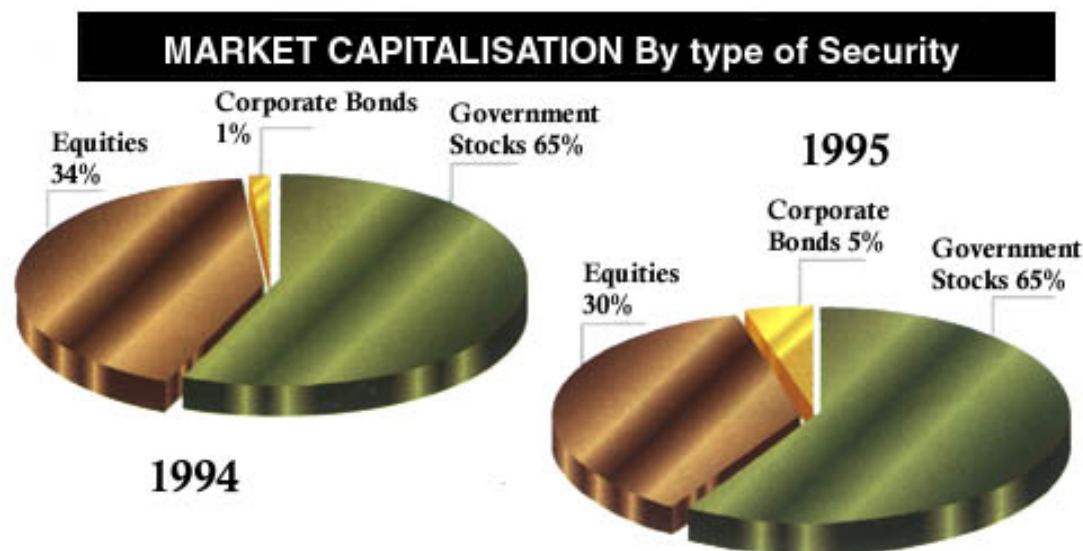
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## **MARKET REPORT FOR 1995**

### **TURNOVER**

Market turnover on the Malta Stock Exchange continued to increase during 1995 reaching a total of Lm46.2 million, up from Lm42.6 million a year ago. The slowdown in the growth rate of the Government stock market which emerged last year, persisted during 1995 with the result that the main factor contributing to this year's expansion in floor trading was the equity market and, to a lesser extent, corporate bond business.

One of the main factors affecting the level of Exchange trading during 1995 was the brisk activity experienced in the primary market where total issues by the Government and by the private sector amounted to more than Lm100 million. Of these, around Lm52 million were taken up by the banking system with the remainder being absorbed by the rest of the economy. In addition, another Lm14.8 million worth of Bank of Valletta Ltd. shares were offered for sale to the public by the Government in March.



The contraction in Government bond trading which emerged in 1994, persisted this year as turnover in this market fell from Lm35.5 million down to Lm25.8 million. On the other hand, equity business increased substantially, from Lm7 million to Lm20 million, boosted by

the Government offer for sale of 12 million Bank of Valletta Ltd shares mentioned earlier, a transaction which generated a turnover of Lm14.8 million on the Market Floor. Business in the Corporate Bond market, in the meantime, went up from Lm0.1 million in 1994 to Lm0.4 million. The Market Capitalisation at the end of the year under consideration reached Lm440 million, more or less unchanged on the previous year.

Market Turnover in Lm'000'				
Year	Equities	Govt Bonds	Corporate Bonds	Total
1992	343	11,403	-	11,746

1993	2,846	38,267	-	41,113
1994	6,988	35,452	111	42,551
1995	20,003 <sup>(1)</sup>	25,778	399	46,210

**Note: (1) Includes Lm14.8 million being the value of the Government sale of Bank of Valletta Ltd shares in March '95**

<b>Total Market Monthly Turnover in Lm'000'</b>				
	1992	1993	1994	1995
JAN	465	2,363	1,626	2,454
FEB	269	3,583	1,964	2,218
MAR	482	2,071	2,318	21,312
APR	599	6,911	883	1,189
MAY	1,773	5,136	1,570	7,816
JUN	2,636	1,895	4,272	1,024
JUL	1,096	5,931	2,709	1,155
AUG	1,244	2,302	4,370	2,830
SEP	1,651	3,891	11,555	1,063
OCT	729	2,503	5,561	902
NOV	596	2,173	1,491	3,056
DEC	206	2,354	4,232	1,191
<b>TOTAL</b>	<b>11,746</b>	<b>41,113</b>	<b>42,551</b>	<b>46,210</b>

## **DEALS**

Compared with a year ago, there was an overall decline in the number of deals taking place on the Exchange, down from 2,880 in 1994 to 2,484. In fact, whilst the number of deals in Government bonds fell from 1,509 to 1,319, equity deals also registered a contraction of 313 down to 1,010.

In contrast, the number of corporate bond deals went up from 25 to 77. The sharp increase registered this year in the number of corporate bond deals when compared with the year before is attributable to two main factors.

The Gasan Bond was listed in November 1994 and, therefore, figures for that year in this category relate only to two months' trading. Furthermore, in June, 1995 the Mid-Med Unsecured Subordinated Bond 2005 was also included in the Official List.

## GOVERNMENT SECURITIES

The market in Government securities continued to move on the declining trend which emerged in 1994. Thus after recording a turnover of LM35.5 last year, market turnover in Government paper contracted to Lm25.8 million in 1995. This decline can be attributed to a number of factors; on the one hand, the Central Bank, which had greatly contributed to maintaining high levels of liquidity on the market particularly during the first two years of Exchange operations, saw its market making role decline further as the substantial holdings of the Bank in virtually all Government issues, were gradually offloaded to the commercial banks and private sector. In addition, the commercial banks' participation in the Government securities market was not as active as in previous years. This development coincided with the sharp growth of the Repo market in Government securities. The value of Repo transactions, which were carried out off the Floor between the Central Bank and the commercial banks, exceeded Lm220 million in 1995, compared with just over Lm22 million in 1994. The reduction in the volume of trading by the commercial banks in the Government securities market during 1995, was partly offset by increased non-banks sector participation which resulted in an increase of Lm28.5 million in this sector's holdings of Government stocks. The commercial banks increased their holdings by Lm12.1 million overall, mainly as a result of substantial stock redemptions taking place during 1995. The stocks redeemed during 1995 amounted to Lm38.1 million of which Lm36.7 million were listed. The figures indicate that the nonbank public increased its holdings of Government paper by a net amount of Lrn9.3 million during 1995 entirely as a result of secondary market activity.

Listed Government Stocks by Holder as at end 1995					
	HOLDINGS LM '000'		CHANGE Lm '000'	% of Total	
	Dec 95	Dec 94		1995	1994
CENTRAL BANK	38.9	21.4	17.5	14.0	8.7
COMMERCIAL BANKS	118.2	130.3	12.1	42.3	53.2
NON-BANK PUBLIC	121.9	93.4	28.5	43.7	38.1
<b>TOTAL</b>	<b>279.0</b>	<b>245.1</b>	<b>33.9</b>	<b>100.0</b>	<b>100.0</b>



<b>Security</b>	<b>Deals</b>	<b>Nominal Value</b>	<b>%</b>
6% LDRS 1995	4	1,001,700	4.0
6.25% LDRS 1995 (II)	1	3,000	0.0
3% LDRS 1995 (III)	3	44,000	0.2
6.5% LDRS 1995 (IV)	3	1,500	0.0
4.2% LDRS 1995 (VI)	7	74,700	0.3
5.5% LDRS 1995 (VII)	2	4,000	0.0
5.5% LDRS 1995 (VIII)	2	3,000	0.0
6.25% LDRS 1995 (IX)	5	8,300	0.0
6.5% LDRS 1996/1997	5	5,300	0.0
6.5% LDRS 1996/1997 (II)	1	1,000	0.0
6.5% LDRS 1996/1997(III)	2	523,000	2.1
6.5% LDRS 1996/1997 (IV)	31	29,100	0.1
6.5% LDRS 1996/1997 (V)	43	145,800	0.6
6.5% LDRS 1996/1997 (VI)	34	418,800	1.7
6.75% LDRS 1997	30	3,215,700	12.7
5.4% LDRS 1997(II)	-	-	0.0
4.5% LDRS 1996/1998	11	44,200	0.2
4.5% LDRS 1996/1998 (II)	2	22,000	0.1
4.5% LDRS 1996/1998 (III)	4	17,200	0.1
4.5% LDRS 1996/1998 (IV)	3	4,500	0.0
4.5% LDRS 1996/1998 (V)	3	10,000	0.0
4.5% LDRS 1996/1998 (VI)	2	5,100	0.0
6.35% MGS 1998	19	97,000	0.4
6.35% MGS 1998 (II)	6	6,500	0.0
5.65% MGS 1998 (III)	20	2,395,800	9.5
5.65% MGS 1998 (IV)	-	-	0.0
6% MGS 1998 (V)	4	21,700	0.1
6% MGS 1998 (VI)	4	264,200	1.0
6%MGS 1999	51	115,600	0.5
6% MGS 1999 (II)	54	2,159,500	8.6
6.75%LDRS 2000	41	1,367,700	5.4
7.25% MGS 2000 (II)	13	29,200	0.1

6.5% MGS 2000 (III)	7	27,700	0.1
6.5% MGS 2000 (IV)	1	100,000	0.4
7% LDRS 2000/2001	7	12,700	0.1
7% LDRS 2000/2001 (II)	6	26,400	0.1
7% LDRS 2000/2001 (III)	8	24,100	0.1
7% LDRS 2000/2001 (IV)	38	45,300	0.2
7% LDRS 2000/2001 (V)	38	38,900	0.1
7% LDRS 2000/2001 (VI)	36	34,700	0.2
3% LDRS 2001	4	49,000	0.2
3% LDRS 2001 (II)	1	25,000	0.1
3% LDRS 2001 (III)	1	25,000	0.1
3% LDRS 2001 (IV)	2	25,500	0.1
6.5% MGS 2001	11	28,500	0.1
6.5% MGS 2001 (II)	54	1,146,400	4.5
7.75% MGS 2002	142	675,600	2.7
6.9% MGS 2002 (II)	12	36,300	0.1
6.9% MGS 2002 (III)	6	23,800	0.1
7% MGS 2003	18	3,859,000	15.3
7% MGS 2003 (II)	114	3,114,200	12.3
6.7% MGS 2004	129	781,300	3.1
7% MGS 2006	272	3,113,700	12.3
<b>TOTALS</b>	<b>1,319</b>	<b>25,253,400</b>	<b>100.0</b>

## The Primary Market in Government Securities

The following Table provides a breakdown of new issues of Government stocks in 1995 and their initial take up in the primary market

Subscribers in the Primary Market in 1995 (Lm'000')			
	SUBSCRIBED BY		
STOCK	AMOUNT ISSUED	BANKING SYSTEM	NON-BANK PUBLIC

		NOMINAL	%	NOMINAL	%
6% MGS 1998 (V)	10,000	7,033	13.7	2,967	15.4
6% MGS 1998 (VI)	17,600	15,273	29.7	2,327	12.1
6.5% MGS 2000 (III)	10,000	8,131	15.8	1,869	9.7
6.5% MGS 2000 (IV)	10,500	9,244	18.0	1,256	6.5
6.9% MGS 2002 (II)	10,000	4,100	8.0	5,900	30.6
6.9% MGS 2002 (III)	12,500	7,575	14.8	4,925	25.7
<b>Total</b>	<b>70,600</b>	<b>51,356</b>	<b>100.0</b>	<b>19,244</b>	<b>100.0</b>

Maturity Structure as at end 1995		
Year of maturity	Amount maturing Lm '000'	%
1996	7,000*	2
1997	26,300	9
1998	53,654	19
1999	25,000	9
2000	31,500	11
2001	22,200	8
2002	42,700	15
2003	51,707**	18
2004	18,700	6

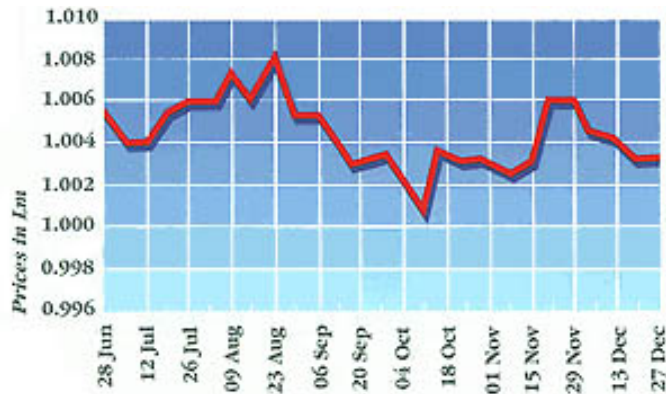
2005	-	-
2006	10,000	3
<b>TOTAL</b>	<b>288,761</b>	<b>100</b>

**NOTE:**

- \* Unlisted bearer stocks
- \*\* Includes Lm48.9 million in listed stocks and Lm2.8 million as premium on the 7% MGS 2003 redeemable at 110.

## Corporate Bonds

The corporate bond market expanded during the past year with the listing of the Mid-Med Bank Ltd 7.25% Unsecured and Subordinated Bond 2005 in June. The total value of the issue amounted to Lm20 million and by the end of the year market turnover in the 15ond had reached Lm0.2 million. The bond consistently traded above par through out the period of listing, at an average of 100.3.



The Gasan Bond, which was listed in November 1994, also registered a turnover of Lm0.2 million during the twelve months under review. The price, however, went below par in April and hovered around the 98.4/98.6 range till the end of the year.

## EQUITIES

Equity business on the Exchange during 1995 reached a total of Lm20 million, up from Lm7 million the year before. The main factor contributing to this increase in equity business was the Government offer for sale of 12 million Bank of Valletta Ltd. shares. The transaction, which was carried out through the market in March, generated a total turnover of Lm14.8 million.

A very important development which characterised the market during 1995, was the listing of securities issued by Simonds Farsons Cisk Ltd., a privately owned Maltese company operating primarily in the brewing and catering sectors. The securities took the form of Ordinary and Preference shares. Simonds Farsons Cisk Ltd. securities commenced trading during the session of 20 December. Prior to listing, the company issued Lm3 million worth of 6% (Net) Preference shares on the primary market. The issue was subsequently listed together with the 8.5% Preference shares and the Ordinary shares.

Trade ranges were set throughout the year at plus or minus 5% on the average trade-weighted price of the last trading session in respect of all equities. With regard to the Farsons ordinary share listing, the trade range for the first session-held on 20 December- was set at plus or minus 10% on the opening price of 58 cents. The trade range was brought in line with that for the other listed securities and narrowed to 5% for the 27 December session.

### Bank of Valletta Ltd.



A total of 13,335,124 Bank of Valletta Ltd Ordinary shares were transacted on the Exchange during 1995 for just over Lm16.4 million. Discounting the 12 million share offer by the Government described earlier, other business in Bank of Valletta Ltd. carried out through the market amounted to

1,335,124 shares with a nominal value of 25 cents for Lm1.6 million. In 1994, the number of shares transacted amounted to 1,030,328 with a value in the market of Lm2.8 million. The nominal value of these shares then stood at 50 cents and was changed to 25 cents in December, 1994. The market capitalisation of Bank of Valletta Ltd. fell

from Lm58 million last year to Lm56 million at the end of 1995. In contrast the number of shareholders rose from 10,793 to 17,394 during the same period, boosted by the new shareholders coming in as a result of the Government sale of shares. The number of Bank of Valletta Ltd. shares of 25 cents nominal listed at the end of 1995 amounted to 46,180,218.

## Mid-Med Bank Ltd

A total of 2,826,200 Mid-Med Bank Ltd shares were transacted on the Exchange during 1996 generating a turnover of just under Lm2.4 million. This was more or less the same value transacted last year. In the case of Mid-Med Bank Ltd, the number of shareholders contracted slightly during 1995, down from 5,494 to 5,279.

As in the case of the Bank of Valletta Ltd. the market capitalisation of Mid-Med Bank Ltd declined somewhat during the year down from Lm52 million in 1994 to just over Lm50 million. The number of Mid-Med Bank Ltd shares of 25 cents nominal listed at the end of the 1995 stood at 36,480,000.



## Lombard Bank (Malta) Ltd



Turnover generated by market trading in Lombard Bank (Malta) Ltd declined from just under Lm0.9 million in 1994 to Lm0.5 million this year. This contraction was accompanied by a smaller number of shares traded, down from just over 549,000 shares to 305,000. At the same time, the number of shareholders in Lombard Bank also declined, from 1,811 at the end of 1994 to 1,656 a year later. The market capitalisation for the 3 million shares listed was also slightly lower than

the previous year, down from Lm4.8 million to Lm4.4 million.

## Middle Sea Insurance Co. Ltd.

Market turnover during 1995 resulting from trading in Middle Sea Insurance Co. Ltd. shares reached a total of Lm0.5 million down from Lm0.9 million a year ago. The number of shares traded amounted to 413,637 against 613,004 last year. Middle Sea Insurance Co. Ltd. has a total of 12,500,000 shares listed with a nominal value of 50 cents each. In line with this year's trend in the equity market, the market capitalisation of the company fell this year from Lm17.8 million down to Lm15.6 million.



## Simonds Farsons Cisk Ltd.

Simonds Farsons Cisk Ltd. was listed on 14 December, 1995 and the first trading session in the company's shares took place on 20 December. Farsons listed the following shares:

3,000,000 Ordinary shares Nominal value 12c5

1,200,000 Preference shares 8.5% 1996/99, Nominal value Lm1

300,000 Preference shares 6% (Net) 2001/03 Nominal value Lm10

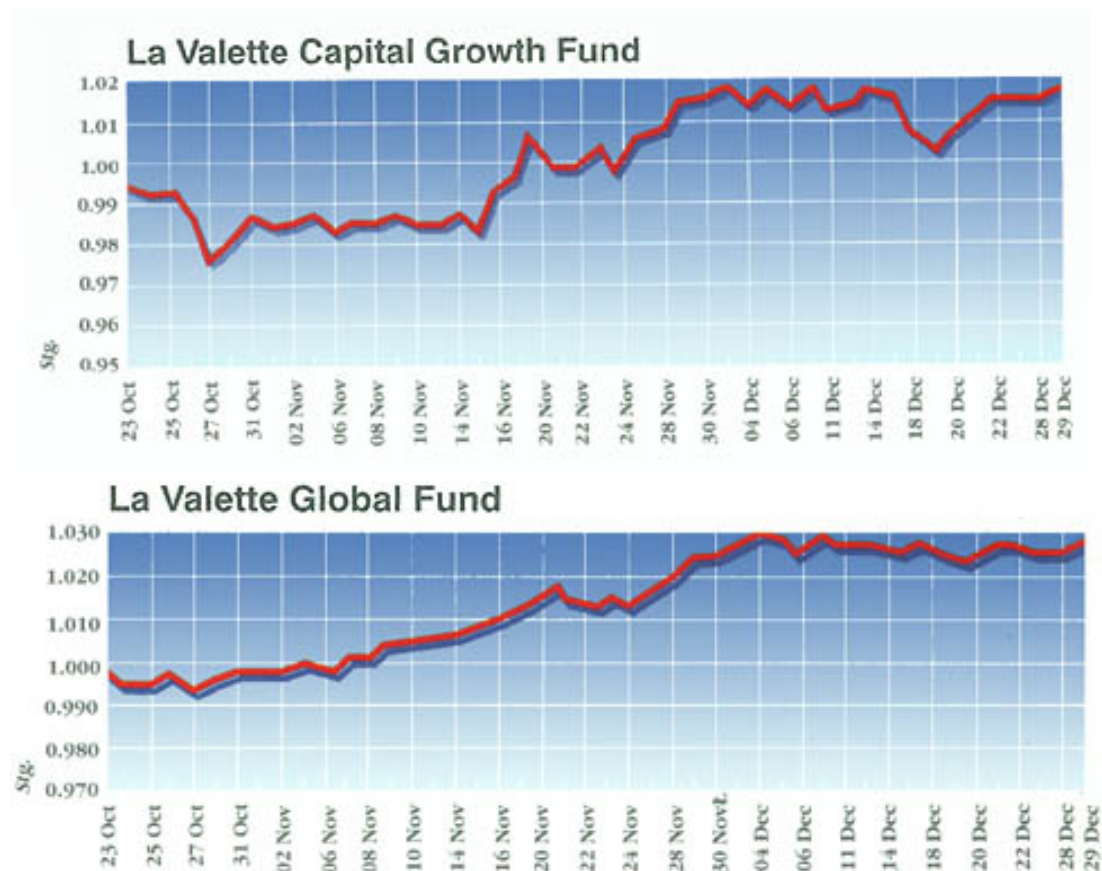
The opening price for the ordinary shares was 58 cents and a trade range of plus or minus 10% was set based on this price during the opening session. The range was narrowed to 5% in line with other listed equities. During the first two sessions, the ordinary share price moved up to 67 cents whereas the 8.5% Pref. shares and the 6% (Net) Pref. shares closed at Lm1 and at Lm0.77c, respectively. At these prices, the market capitalisation of the company reached Lm6.4 million.

There were 1,572 shareholders holding ordinary shares, 3,037 holding 6% (Net) Pref. shares and 2,966 holding 8.5% Pref. shares.

## Collective Investment Schemes



In October, the first Collective Investment Scheme was listed by the Malta Stock Exchange. The Scheme, La Valette Fund (SICAV), is an open-ended investment company operating as an umbrella fund and its two sub-funds, La Valette Global Fund and La Valette Capital Growth Fund, both appear on the Official List of the Exchange. Since investors wishing to transact business in open-ended entities of this kind can do so through the Manager of the Fund, no trading has yet taken place in these Schemes on the Floor of the Exchange. The following Graphs relate to the daily movements in unit prices as published by the Manager of the Fund.#



## Balance Sheet

AT 31 DECEMBER 1995

Notes

	<b>1995 Lm</b>	<b>1994 Lm</b>
Fixed assets		
Tangible assets	87,672	26,281
Debtors and prepayments	178,175	127,250
Investments	8 227,455	190,000
Cash at bank and in hand	99,564	215,238
Creditors: amounts falling due within one year	9 87,512	99,072
Net current assets	417,682	433,416
Net assets	505,354	459,697
Capital and reserves		
Capital	10 500,000	500,000
Accumulated surplus/(deficit)	5,354	(40,303)

**The financial statements on pages (VI) to (XII) were approved by the Council on 1 March 1996 and were signed on its behalf by:**

**F Mifsud Bonnici, L E Galea  
Chairman, Deputy Chairman**

**9 Creditors: amounts falling due within one year**

	<b>1995 Lm</b>	<b>1994 Lm</b>
Creditors and accruals	<b>63,076</b>	32,485
Taxation	<b>11,894</b>	57,212
Prepaid listing fees	<b>12,542</b>	9,375

**10 Capital**

**This represents the initial capital contribution by the Government of Malta as specified by Section 27 of the Malta Stock Exchange Act (Cap. 345).**

**11 Net cash inflow from operating activities**

	1995	1994
	Lm	Lm
<b>Reconciliation of operating surplus to net cash Inflow from operating activities</b>		
Operating surplus for the year	<b>40,318</b>	148,465
Depreciation	<b>41,331</b>	16,605
Loss on sale of fixed asset	<b>433</b>	-
Movement in working capital:		
Debtors and prepayments	<b>(50,925)</b>	(51,662)
Creditors and accruals	<b>33,758</b>	26,335
<b>Net cash inflow from operating activities</b>	<b>64,915</b>	139,743

## **12 Capital commitments**

**The Council has authorised and contracted for Lm87,260 of capital expenditure.**

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# **COMPENSATION FUND**

## **REPORT OF THE AUDITORS**

**We have audited the financial statements set out on pages II to IV.**

### **Respective Responsibilities of Council Members and Auditors**

**These financial statements are the responsibility of the Members of the Council of the Malta Stock Exchange. It is our responsibility to form an independent opinion, based on our audit, on the financial statements presented by the Council Members.**

### **Basis of opinion**

**We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes**

**an assessment of the significant estimates and judgements made by the Council Members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Fund, consistently applied and adequately disclosed.**

**We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.**

## **Opinion**

**These financial statements are in agreement with the books which, in our opinion, have been properly kept. We obtained the information and explanations we required.**

**In our opinion, the financial statements have been prepared in accordance with International Accounting Standards and give a true and fair view of the state of affairs of the Fund at 31 December 1995 and of the surplus for the year then ended.**

**Coopers & Lybrand**

**Certified Public Accountants and Auditors**

**167 Merchants Street Valletta Malta**

**1 March 1996**

# **INCOME AND EXPENDETURE ACCOUNT AND OTHER MOVEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 1995**

<b>1995</b>	<b>1994</b>
<b>Lm</b>	<b>Lm</b>

<b>Income</b>		
Investment income (gross)	<b>1,080</b>	450
Taxation deducted at source	<b>(162)</b>	(68)
<b>Operating surplus for the year</b>	<b>918</b>	382
<b>Accumulated fund at 1 January</b>	<b>22,382</b>	10,000
<b>Contributions due in terms of Chapter 7 of the Malta Stock Exchange By-laws</b>		
Stock Exchange contribution	<b>7,000</b>	6,000
Stockbrokers' contribution	<b>7,000</b>	6,000
<b>Accumulated fund at 31 December</b>	<b>37,300</b>	<b>22,382</b>

## BALANCE SHEET

AT 31 DECEMBER 1995

		<b>1995</b>	1994
		<b>Lm</b>	Lm
<b>Assets</b>			
Investments	3	<b>22,000</b>	10,000
Debtors		<b>14,000</b>	12,000
Cash at bank		<b>1,300</b>	382
		<b>37,300</b>	22,382
<b>Accumulated fund (page II)</b>		<b>37,300</b>	<b>22,382</b>

**The financial statements on pages (II) to (IV) were approved by the Council of the Malta Stock Exchange on 1 March 1996 and were signed on its behalf by:**

**F Mifsud Bonnici  
Chairman**

**L E Galea  
Deputy Chairman**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 1995**

#### **1 The Compensation Fund**

**The Malta Stock Exchange maintains a Compensation Fund, established in terms of Section 12 of the Statute contained in the First Schedule to the Malta Stock Exchange Act (Cap. 345) for the purpose of compensating the general public who has suffered pecuniary loss as a result of or in connection with any default of a member of the Exchange.**

**The Fund is administered by the Council of the Malta Stock Exchange in terms of Bye-Laws issued by Council on 24 July 1995, which provide inter alia for the separate management of the Fund's assets. Accordingly, separate financial statements have this year been drawn up in respect of the Fund.**

#### **2 Principal accounting policies**

**These financial statements have been prepared in accordance with the requirements of the International Accounting Standards issued by the international Accounting Standards Committee. A summary of the more important accounting policies, which have been applied consistently during the year, is set out below.**

##### **Basis of accounting**

**The financial statements are prepared in accordance with the historical cost convention.**

##### **Contributions**

**Contributions in terms of Chapter 7 of the Malta Stock Exchange Byelaws are accounted for in the year in which**

they are due.

### **3 Investments**

**Investments, which are stated at the lower of cost and market value, relate to the holding of short term Malta Government Stocks.**