



Letter of Transmittal

The Chairman

Malta Stock Exchange

27 Pietro Floriani Street

Floriana VLT 14

30 March 2001

The Hon J Dalli FCCA CPA MBIM MP

Minister of Finance

Valletta

Dear Minister

In accordance with Section 28 (1) of the Malta Stock Exchange Act, 1990 (Cap. 345), I have the honour to transmit the Audited Financial Statements and Report on the activities of the Malta Stock Exchange for the Financial Year ended 31 December 2000.

Yours sincerely

Alf Mallia

Chairman

Chairman's report



Chairman's Report



I am pleased to be able to report another successful year for the Malta Stock Exchange, a year which, I feel, marks the coming of age of this institution. During the past



twelve months, in fact, a total of eight companies from various sectors of the economy have successfully approached the market for their capital requirements. We have admitted the first company to the Alternative Companies List whilst on the corporate bond market we have listed the first bond in a foreign currency. Following this year's listings, total market capitalisation is now in the region of 2 billion Maltese liri, spread more or less equally between equity and bond issues. The Exchange has also continued to attract new listings of both local and foreign Collective Investment Schemes. By the end of the year, in fact, the number of funds listed had risen to around 300. The number of stockbrokers licensed by the Exchange also increased this year, up from 11 to 15 in December 2000.

As the market continues to develop, the Exchange is feeling the need for a review of both the Malta Stock Exchange Act as well as the Bye-laws. The Act has been in place since 1990 and has served its purpose well during this time. However, rules and regulations must develop in parallel with the market that they seek to regulate. There are a number of areas where the Exchange feels that the relevant legislation is wanting particularly where the powers of investigation at the disposal of the Exchange are concerned. We hope that the proposed amendments will be given the necessary Parliamentary approval during the coming months.

On the administration front, we are pleased to say that work on the new offices in Castille Place is proceeding according to plan and we should be able to relocate to the new premises by end-July 2001. The Project, which will include the refurbishment of the area surrounding the main building, has involved the Exchange in a considerable investment which was made possible with the support of the Minister of Finance.

My Council has also looked closely at the International Relations of the Exchange. After signing a Memorandum of Co-operation with the London Stock Exchange in 1999 which covered various areas of co-operation, the Council has also considered the possibility of entering into co-operation agreements with stock exchanges operating in the Mediterranean area. In this context the Council has enlisted the support of the OECD and has agreed on the contents of the first Agreement which was signed early on in 2001 with the Cairo and Alexandria Stock Exchange. At the same time, the Exchange also entered into a co-operation agreement with the Capital Market Board of Turkey and we look forward to signing similar agreements with other exchanges in neighboring countries.

The Council has also been looking at various ways of actively promoting investor education in Malta. We believe that this is an integral part of the responsibilities of the Exchange as the regulator of the Capital Market. In fact, during the year the Exchange took the lead in setting up the Capital Markets Group whose main aim is to promote public debate on matters that are of general interest to the market. It is a pleasure to note that public meetings organised by the Group have invariably been well attended.

In October 2000, the Exchange also organised the first Chairmen's Conference. This idea behind this Conference was to bring together members of the Boards of Directors of listed companies together with their top management teams and to create a forum where the companies could discuss with the Exchange in a frank and open way topics of general interest. We are pleased to note that both the London Stock Exchange and the FIBV participated in this conference which, we hope, will become an annual event in the local financial calendar. Indeed, as a follow-up to this conference the Exchange set up a Corporate Governance Committee whose brief is to prepare a draft Code of Corporate Governance both for listed Companies and for the Exchange itself. The Code should be ready and in operation by the middle of the year.

Another Stock Exchange initiative in the area of investor education is focused on a series of TV programmes designed to provide viewers with the basic elements of finance and investment. Along the same lines, we are pleased to note that a booklet providing basic information on investments has been published as a private initiative and proved to be very popular. The setting up of a Shareholders Association was also a step in the right direction which I am sure, will prove to be a significant factor in furthering the interests of investors. On its part, the Exchange has during the past year also instituted the Alfred Camilleri Prize which is intended to enrich and deepen the study of the local market by University Students. Alfred Camilleri was the first Chairman of the Exchange and we thought it was very fitting that this Prize should be set up bearing his name.

All this has been the fruit of much labour and thought. It is only opportune, therefore, for me to thank first of all the other fellow members of the Council for their unfailing commitment to the institution. At the same time, I must also thank all members of the staff without whose dedication and hard work we could not have achieved these results.

Alf Mallia

Chairman

Administration report



Administration Report

The Council



The Chairman and Council Members appointed by the Minister of Finance in terms of Section 4 of the Malta Stock Exchange Act, 1990 (Cap. 345) and Section 5 of the First Schedule annexed thereto, for a period of two years with effect from 1 February 1999 continued in office during the year 2000.

Subsequently in June 2000, Mr. George Wells, Deputy Chairman, resigned from the Council due to other commitments. Dr Arthur Galea Salomone was appointed to act as Deputy Chairman in his stead and Mr. Michael Sciortino was appointed to fill the resulting vacancy. At the end of his appointment in October 2000, Mr. Rene` G Saliba, the Central Bank representative on the Council was replaced by Mr. Saviour Briffa. Mr. Briffa's appointment is also for a period of one year up

to October 2001.

Mr. Alfred Mallia, Mr. Edward Cachia Caruana and Mr. Michael Sciortino were confirmed as Chairman and Council Members respectively, for a further two year period, effective 1 February 2001. Mr. Joseph V Laspina, a former Council Member was appointed for a two year period in lieu of Dr Galea Salamone who was unable to continue in office because of other pressing commitments. During the first meeting of the new Council, Mr. Joseph V Laspina was appointed to serve as Deputy Chairman in terms of Section 5(v) of the First Schedule of the Malta Stock Exchange Act, 1990 (Cap. 345).

The Council met eighteen (18) times during 2000. Several sub-committees were set up, in addition to the already existing Listing and Premises committees. These are composed of a mixture of non-executive Council Members and senior executives and staff members of the Exchange. These sub-committees cover all the operations of the Exchange, which apart from listing and premises, include IT, management and administration, CSD operations, trading and compliance. Another sub-committee was set up specifically to review and to recommend amendments to the Act and Bye-laws.

These sub-committees meet on a regular basis and report directly to the Council.

The Council invited representatives from the stockbroking community, issuers, practitioners and investors, to sit on a Committee, under the Chairmanship of the Chief Executive of the Exchange, to consider the introduction of a Model Code of Good Corporate Governance to be adopted by listed companies. A first draft of the Model Code has already been drawn up and is currently being discussed by the sub-committee. It is envisaged that the Draft Model Code on Good Corporate Governance will be presented to Council for consideration during the second quarter of 2001.



The Exchange's Annual Special Meeting convened in terms of Section (iv) (a) of the First Schedule of the Malta Stock Exchange Act, 1990 (Cap. 345) was held on the 27 March 2000 when the Annual Report and Audited Financial Statements of the Exchange and the Compensation Fund were presented to licensed members. In his address, the Chairman highlighted various developments that had taken place in the Exchange during the previous year and he also

made reference to certain future projects such as envisaged changes to the fee structure, in particular to the removal of the fixed commission rate structure and changes to the Act and Statute.



Tribunal

In October the Council drew the attention of the Tribunal set up in 1999 in terms of Section 20 of the Malta Stock Exchange Act, 1990 (Cap. 345), to two cases to determine whether there were sufficient grounds for holding an investigation and, if in the affirmative, to investigate such alleged or suspected irregular practice in Exchange dealings for the Tribunal to take whatever action it may deem fit and proper.

The Tribunal met a number of times and having deliberated at length after examining all submissions concluded in one case that there were no irregular practices in Exchange dealings. With regard to the other case, the matter is still 'sub judice'.

During the year under review, the Tribunal met with the Chairman and Council to discuss matters of mutual interest and also met Mr. Gavin Fryer, ex-Head of Listing at the London Stock Exchange and consultant to the Exchange, when primarily the role of the Exchange and the responsibilities and obligations of directors of listed companies were discussed.

Human Resources

During the year under review, the Exchange continued with its extensive and on-going re-structuring and reorganisation in order to better reflect and satisfy the needs of the organisation. The two independent audits commissioned in 1999 regarding the regulatory aspects of the Exchange and IT systems and other related procedures were in fact aimed at pin-pointing any existing weaknesses and the restructuring required to ascertain standardisation of processes and level of competencies.

The setting up of the various sub-committees of the Council was the first step in ensuring that the Exchange deals with various aspects involved more efficiently. The creation of an internal Admissions Committee complements the Listing Committee in order to speed up the application process by cutting down on a lot of duplication of work and centralising communication channels. At the same time, the structure of the Exchange was re-visited and certain changes were made to its organisation to provide a clearer distinction between its regulatory, operational and support services.

The changes in the structure of the Exchange, coupled with two (2) resignations from the staff complement resulted in a number of new vacancies some of which were filled internally by means of promotions and transfers. At the same time the recruitment process which had commenced during 1999 continued during 2000 with the recruitment of one (1) Supervisor and four (4) Clerk Bs during the year. The Assistant General Manager and a Supervisor who resigned during 2000 were replaced internally bringing the staff complement at the end of 2000 up to 35. This consists of thirteen (13) executive and managerial staff and 20 supervisory & clerical staff and 2 non-clerical staff. The recruitment process is not yet concluded and it is envisaged that there will be a further increase in the number of staff during the forthcoming year.

The Alfred Camilleri Prize



During 2000, the Malta Stock Exchange announced the setting up of the Alfred Camilleri Prize to encourage studies in the development of the Maltese capital market and the Stock Exchange in particular.

Over the years, the Malta Stock Exchange has made considerable efforts aimed at increasing the awareness of the investing public, school children, university students and financial services practitioners regarding its operations and functions. The Exchange felt, therefore, that the time was opportune for more in-depth and comprehensive studies in this area and considered that university students would be a good source for such studies.

The Prize has been set up as a memorial to Alfred Camilleri, the first Chairman of the Exchange who served until his untimely demise in November 1992. Mr. Camilleri firmly believed that the only way for the new institution to develop was by educating not only participants and practitioners but also, the investing public regarding the uses and benefits of having a local capital market. The Exchange, therefore, felt it fitting that such

an award scheme should be set up in his memory.

The Prize will be awarded on an annual basis for the best thesis presented by students of the Faculty of Economics, Management and Accountancy in areas related to these subjects and will carry an award of Lm250 and a certificate.

Staff Development

International Conferences and Seminars

In its continued endeavours to keep staff abreast of international developments and to give them the opportunity to discuss and exchange ideas regarding changes and problems encountered in the field of securities markets and related topics, the Exchange continued to support its staff to attend international seminars and conferences as well as to attend training overseas.

Some of the events attended during 2000 included:

¥ IOSCO Market Manipulation Seminar

¥ Directors Meeting on Demutualisation of SROs

¥ **Stock Exchanges in the New Millennium**

¥ **Clearing and Settlement in the new financial environment**

¥ **FIBV Workshop on Investor Relations; and**

¥ **EU related meetings.**

Training

Following the introduction of the upgrade to the registration system, the Depo 2000, an official from Percival Software Ltd, suppliers of the system, visited the Exchange, to train staff hands-on on the new system. Later on in the year, three (3) CSD staff visited the Head Office of Percival Software Ltd in Estonia, to undergo more intensive and detailed training on the new system from both the operations and IT aspects of the newly implemented upgrade.

At the same time, Exchange staff continued to broaden their knowledge of topics related to financial sector operations and developments by attending training courses, both internal and external, and also participating in local seminars and workshops.

International Relations

Correspondent Exchange of the Federation of European Securities Exchanges (FESE)

During the General Assembly of the Federation of European Securities Exchanges attended by the Chairman and General Manager of the Exchange, the Malta Stock Exchange was elected as an Official Correspondent Exchange of this Organisation together with the Securities Exchanges of other EU accession candidate countries, namely Bratislava, Riga, Tallinn, Vilnius and Cyprus.

The FESE is an association of securities exchanges from countries in the European Economic Area and Switzerland. Its primary role is essentially to promote the common interest of European stock exchanges as regulated securities markets. It seeks to promote the development of securities markets in Europe by co-operating in the areas of trading, clearing and settlement as well as in regulatory matters and in so doing, furthers the gradual process of integration of the European capital markets.

The Malta Stock Exchange has been a member of the Emerging Markets Forum of FESE since 1992, indeed it was a founding member of this Forum, and has been an active representative during its bi-annual meetings. Indeed, the Autumn Meeting of the Forum of 1996 was held in Malta and the Malta Stock Exchange will again have the honour of hosting this prestigious meeting in October 2001, to coincide with the Official Opening of the new Stock Exchange premises in Valletta.

The election of the Malta Stock Exchange as a Correspondent Exchange of FESE came at the end of a lengthy process of assessment by Federation Officials as to the level of compliance of the Exchange's regulations vis-à-vis those obtaining under EU Directives. The assessment process is continuing as the Exchange aspires to become an Associate Member of FESE during 2001. As a first step in this process, Mr. Paul Arlmann, Secretary General of FESE visited the Exchange in April when he met senior officials and began the reviewing process. A delegation from the Secretariat of FESE and two other Member Exchanges is scheduled to visit the Malta Stock Exchange during April or May 2001, to carry out an on-site evaluation of the Exchange and its procedures, very similar to that carried out by the FIBV when assessing the Exchange for membership, but with special regard given to an overview of the status and the efforts of Malta to achieve the requirements of the *acquis communautaire*.

Meetings

During the year under review, the Chairman represented the Malta Stock Exchange at the bi-annual meetings of the Working Committee of the International Federation of Stock Exchanges (FIBV), held in Sao Paulo and Berlin in March and June respectively. The Working Committee discussed matters of mutual interest, including pending applications for full membership of the FIBV. In October, the Chairman also participated in the General Assembly of the Federation, this year held in Brisbane, Australia. Also held in Australia this year, in Sydney, was the General Assembly of the International Organisation of Securities Commissions which was attended by the Chief Executive, while the General Manager participated in both the Spring and Autumn Meetings of the Emerging Markets Forum within the Federation of European Securities Exchanges.

Memorandum of Co-operation with the London Stock Exchange

Throughout its history, the Exchange has always endeavoured to create and maintain good relations and collaborate with other Stock Exchanges and in fact has a long history of collaboration with both the London and Dublin Stock Exchanges, who were instrumental in assisting the Malta Stock Exchange when it was starting operations. The Malta Stock





Exchange's membership of international bodies such as the FIBV and FESE also indicates the importance it gives to international relations. During the past few months the Malta Stock Exchange has set, as part of its strategy, the strengthening of ties with other Exchanges, in particular with those within the Mediterranean region, as it feels that closer ties between Exchanges in the same geographical region which more or less have similar characteristics, will be beneficial to all concerned. In fact, the Exchange has started discussions with several Exchanges in the Mediterranean Region to sound out the possibility of drawing up formal collaboration agreements, which might eventually lead to multilateral co-operation between Exchanges in the same region. To this end, discussions

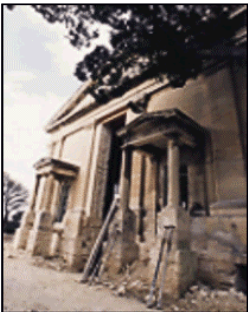
are currently taking place with the Capital Markets Board of Turkey, Cairo and Alexandria Stock Exchange. To further strengthen existing ties with the London Stock Exchange, in November the two Exchanges signed a Memorandum of Co-operation to provide a mechanism for long term co-operation to facilitate the development of channels of communication and to cater for a continuing relationship between the two Exchanges for the respective benefit of the financial services industry in both countries and to assist in the maintenance of orderly markets in securities in each state.



European Union

The EU Unit of the Exchange set up in 1999 to review the acquis and advise the Council on relevant matters continued in its endeavours during 2000 and kept the Council up to date on what was happening in the screening process. Members of the Exchange's EU Unit also attended the TAIEX Seminar held in London during the year dealing with matters relating to accession to the EU. At the same time, the Exchange has undertaken a major review of the Malta Stock Exchange Act, in order to bring all its provisions in line with relevant EU Directives within the time frame stipulated. The Act is practically being re-drafted in its entirety, however, major changes related to exclusivity of trading and membership are envisaged and it is hoped that the proposed amendments will be discussed in Parliament during the first half of 2001.

Premises



Refurbishment works on the new premises of the Exchange to be housed within the Garrison Church, Castille Place, Valletta, gathered pace during the latter half of 1999 and were in full swing throughout the year 2000. Excavation and preparatory works were ready by mid-year. This was followed by the erection of the steel structure within the original walls of the building, upon which the new structure would be built. At the same time the tendering process was continuing, and all tenders including mechanical and engineering, lifts, security, lighting and finishes, were concluded and awarded by the end of the year. Surveys were also commissioned and concluded regarding necessary restoration works that have to be carried out on the stone fabric of the building as well as on the wooden truss. Whilst the masonry work of the building is in fairly good condition, the wooden truss needs to be extensively restored to revert to its original condition, but this is not expected to cause unnecessary delays.

The Exchange has also extended the existing sub-station within the Barrakka Gardens in order to provide sufficient utility and energy needs to the new Exchange building and has also undertaken to restore the main gate to the

Barrakka Gardens and part of the surrounding area.



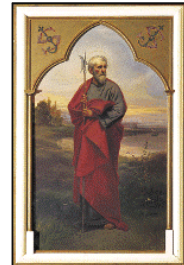
Official Opening

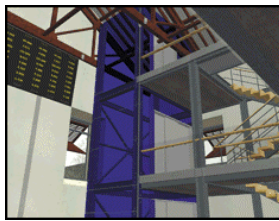


As part of the commemoration of the official opening of the premises, the Exchange has commissioned a publication that will deal with the historical aspect of the building and the historical era during which it was built. The publication will also refer to the paintings of G Cali which were originally commissioned to hang in the Garrison Church (and which are now to be found in the Russian Chapel at the President's Palace, San Anton), as well as a description of the architectural design of the new building and its use as a stock exchange.

It is envisaged that the Exchange will move to the new premises in July 2001 and the Official Opening will be held some time during the month of October and will include several cultural and social activities as well as the Autumn Meeting of the FESE Forum which is intended to be held in

the Conference Hall within the new premises.





Exchange operations and other activities



Exchange Operations

Market Performance during 2000

During the year 2000 market turnover on the Malta Stock Exchange reached a total of Lm149 million. This figure represents a turnover of Lm81.2 million in equities; Lm4.5 million turnover in corporate bonds and Lm63 million in Malta Government Stocks.

Comparative Trading Figures						
Security	Number of Deals		Volume/No. of Shares		Market Turnover (Lm)	
	2000	1999	2000	1999	2000	1999
Equities						
Bank of Valletta	3,151	3,786	3,549,867	5,712,364	18,190,815	16,905,237
HSBC Bank Malta	1,369	1,610	2,360,976	28,480,472	16,964,695	85,552,320
Lombard Bank	431	289	1,102,688	346,644	5,315,597	1,258,150
Middle Sea Insurance	366	190	492,258	3,364,139	2,118,224	7,890,172
SFC Ord	572	134	821,768	368,110	735,078	210,267
8.5% SFC Pref. Shares	-	36	-	17,230	-	17,471
6% SFC Pref. Shares	121	117	8,865	10,068	87,900	100,965
Suncrest Hotels	82	72	117,094	402,286	80,367	252,043
Maltacom	6,487	6,967	10,243,862	17,583,923	30,266,000	25,399,736
International Hotel Investments	232	-	5,602,853	-	5,578,358	-
Plaza Centres	177	-	1,935,379	-	1,845,401	-
Datatrak Holdings	178	-	173,718	-	187,388	-
Total Equity	13,206	13,201	26,409,348	56,305,236	81,389,823	137,586,361
Corporate Bonds						
7.25% MMB/HSBC 2005	246	291	484,200	619,800	516,734	660,784
8.25% Suncrest Bonds	57	69	87,900	260,000	91,663	268,372
6.5% GFC 1998/9	-	3	-	14,000	-	14,072
6.15% GFC 2003/4	32	30	163,000	83,100	165,623	83,775
6.5% GFC 2006/9	72	52	201,000	97,900	204,609	99,820
6.7% Corinthia 2009	192	163	650,400	894,600	662,405	923,666
6.15% BOV 2010	257	-	2,291,800	-	2,292,446	-
5% Int. Hotel Invest. 2010	16	-	32,500	-	32,106	-
8% BOV 2010 (US\$)	97	-	733,500	-	340,710	-
6.75% Utd Finance 2008	15	-	230,500	-	230,745	-
6.7% Eden Finance 2010	1	-	500	-	501	-
Total Corporate Bonds	985	628	4,875,300	1,969,400	4,537,542	2,050,490
Malta Government Stocks						
Total MGS	2,866	3,010	57,781,300	48,201,900	63,084,889	50,859,671
Total all Securities	17,057	16,839			149,012,254	190,496,522

Although at over Lm190 million, the global turnover value for 1999 was somewhat higher than that recorded for the year 2000, the 1999 figure included Lm74 million which represented the turnover on the sale of the Government's shareholding in Mid-Med Bank plc to HSBC Bank Malta plc in June 1999. After allowing for this

extraordinary factor, the business on the Exchange increased by Lm32.5 million during 2000, an increase of 28% on the previous year. During the year under review, the market was again dominated by high levels of business in the equity sector, which far exceeded the business transacted in the Government Stock market.

Government Stocks by Holder					
	Holdings (in Lm millions)		Change (in Lm millions)	% of Total	
	Dec 2000	Dec 1999		Dec 2000	Dec 1999
Central Bank	6.3	5.6	0.7	0.9	0.8
Commercial Banks	335.4	366.1	-50.7	47.1	54.2
Non-Bank Sector*	371.0	320.4	50.6	52.0	45.0
TOTAL	712.7	712.1	0.6	100.0	100.0

The number of deals effected on the market reached a total of 17,057, a minimum increase of 218 over the previous year's figures. Deals concluded in equities remained practically the same (from 13,201 to 13,206), while a slight decrease in Government Stock deals (3,010 to 2,866) was made up for by a significant increase in the number of deals concluded in corporate bonds, which registered an increase of over 50%, from 628 in 1999 to 985 in 2000, this increase being largely the result of the increase in listed corporate bonds.

The value of shares traded on both the Official List and the Alternative Companies List registered an increase of over 27% during 2000 when compared to 1999 figures (excluding the Mid-Med Bank plc transaction), reaching a turnover figure of Lm81.2. This increase in the turnover value for equities was not reflected in the number of shares traded, which registered a decline of 15%, from almost 31 million in 1999 down to 26.2 million in 2000. These divergent trends can be explained by higher equity prices during 2000, which pushed up equity turnover figures for the year.

In the equity market trading was heaviest in Maltacom plc shares, turnover in which accounted for 37% of all business transacted in the equity market.

Market turnover in the Government Stock market reached a value of just over Lm63 million in 2000, an increase of 24% compared to Lm51 million in 1999. This increase was not reflected in the number of deals concluded which decreased slightly from 3,010 in 1999 to 2,866 during the year under review. Trading in the Government Stock market was dominated by business in the longer term stocks, mainly in the 7.8% MGS 2018, turnover in which accounted for almost 27% of all business transacted. Business in this market was also brisk in medium term stocks, mainly in the 7.8% MGS 2012 and in the 7.8% MGS 2013. The largest number of deals in any one stock throughout the year were concluded in the longest-term bond, the 6.6% MGS 2019.



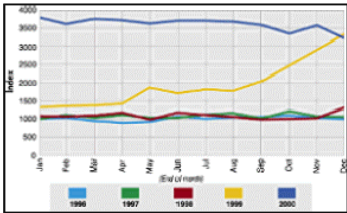
Government Securities Movements in 2000						
Isin No.	Security Type			Deals	Volume	% Volume
10159	6.75%	LDRS	2000	10	360,500	0.674%
10398	7.25%	MGS	2000 (III)	6	60,700	0.105%
10588	6.50%	MGS	2000 (III)	7	32,300	0.056%
10612	6.50%	MGS	2000 (IV)	11	77,600	0.134%
10729	6.75%	MGS	2000 (V)	24	74,000	0.128%
10752	6.65%	MGS	2000 (VI)	33	76,300	0.132%
10166	7.00%	LDRS	2000/2001	5	31,300	0.054%
10216	7.00%	LDRS	2000/2001 (II)	3	35,900	0.062%
10257	7.00%	LDRS	2000/2001 (III)	3	191,000	0.331%
10261	7.00%	LDRS	2000/2001 (IV)	16	41,200	0.071%
10331	7.00%	LDRS	2000/2001 (V)	15	11,300	0.020%
10356	7.00%	LDRS	2000/2001 (VI)	12	10,400	0.018%
10224	3.00%	LDRS	2001	2	7,400	0.013%
10299	3.00%	LDRS	2001 (II)	-	-	0.000%
10323	3.00%	LDRS	2001 (III)	5	65,100	0.113%
10364	3.00%	LDRS	2001 (IV)	-	-	0.000%
10513	6.50%	MGS	2001	14	50,200	0.087%
10554	6.50%	MGS	2001 (II)	42	568,800	0.984%
10646	6.75%	MGS	2001 (III)	55	456,000	0.793%
10679	6.75%	MGS	2001 (IV)	29	416,600	0.721%
10636	6.15%	MGS	2001 (V) (A)	16	561,100	1.006%
10644	6.15%	MGS	2001 (V) (B)	-	-	0.000%
10406	7.75%	MGS	2002	212	1,659,900	2.700%
10596	6.90%	MGS	2002 (II)	71	532,700	0.922%
10620	6.90%	MGS	2002 (III)	66	727,600	1.259%
10760	6.90%	MGS	2002 (IV)	55	2,184,000	3.780%
10448	7.00%	MGS	2003	7	965,200	1.670%
10463	7.00%	MGS	2003 (II)	175	4,301,800	7.445%
10489	6.70%	MGS	2004	148	1,229,100	2.127%
10602	6.80%	MGS	2004 (II)	42	752,000	1.301%
10737	7.25%	MGS	2005	69	483,400	0.837%
10877	5.60%	MGS	2005 (A)	32	1,071,100	1.854%
10885	5.60%	MGS	2005 (B)	13	1,449,500	2.509%
10562	7.00%	MGS	2006	126	530,400	0.918%
10853	7.25%	MGS	2006 (I)	128	448,200	0.776%
10687	7.25%	MGS	2006 (III)	59	348,500	0.603%
10778	7.35%	MGS	2007	66	738,100	1.277%
10851	5.90%	MGS	2007 (I)	12	68,900	0.119%
10935	5.60%	MGS	2007 (III)	8	102,500	0.177%
10794	7.20%	MGS	2008	11	70,500	0.122%
10610	7.20%	MGS	2008 (II)	62	882,000	1.526%
10663	5.90%	MGS	2009 (I)	56	4,213,700	7.292%
10968	5.90%	MGS	2009 (III)	1	1,500	0.003%

10893	5.90%	MGS	2009 (II)	56	4,213,700	7.292%
10908	5.90%	MGS	2009 (III)	1	1,500	0.003%
10919	5.90%	MGS	2010	12	887,200	1.501%
10927	5.75%	MGS	2010 (II)	4	56,200	0.097%
10711	7.50%	MGS	2011	40	566,600	0.981%
10745	7.80%	MGS	2012	132	4,304,100	7.449%
10766	7.80%	MGS	2013	133	3,515,400	6.084%
10976	6.60%	MGS	2014	22	190,200	0.329%
10943	6.10%	MGS	2015	153	2,817,600	4.876%
10828	7.80%	MGS	2018	311	15,731,400	27.226%
10901	6.60%	MGS	2018	342	3,893,000	6.737%
Totals: (2000)				2,856	57,781,300	100
Totals: (1999)				3,019	48,201,800	100

During 2000, there was a noticeable increase in corporate bond business, with the total value traded exceeding Lm4.5 million, over twice the turnover value registered during 1999, due to the large increase in the number of securities listed in this sector. This increase was also reflected in the number of deals which was similarly higher, rising from 628 to 985. Turnover in the 6.15% Bank of Valletta plc Bond 2003/4, accounted for almost 50% of the business transacted in the Corporate Bond market.

The Malta Stock Exchange Ordinary Share Index

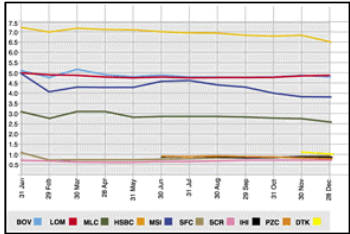
The Malta Stock Exchange Ordinary Share Index is an index of the price movements of ordinary shares listed on the Official List of the Malta Stock Exchange.



By definition, therefore, preference shares and those shares listed on the Alternative Companies List are excluded from the computation of the Index. The Index is a weighted index and the weightings correspond to the overall capitalisation of each issue in relation to the capitalisation of the ordinary shares in the Market. The prices taken in the computation are the trade weighted average for each share recorded on a daily basis. The base date was set at the end of the session held on 27 December 1995 and the base index was set at 1000.

Equity prices during 2000 remained fairly steady throughout the year. This was reflected in the value of the Malta Stock

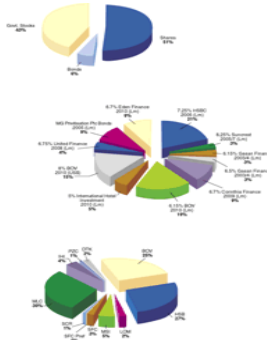
Exchange Ordinary Share Index, which after opening the year at 3278.48 and peaking at 3896.90 on 14 February 2000, ended the year at a value of 3375.49, an overall annual increase of 97.23 points, or 3%. Index values, in fact, remained fairly steady throughout the year, dipping slightly towards the end of the year, following the dip in equity prices as the year drew to its conclusion.



Market Capitalisation

The market capitalisation of securities listed on the Malta Stock Exchange (excluding Collective Investment Schemes) reached a total of over Lm1,730 million at the end of 2000, an increase of Lm134 million, or 8%, over the end of 1999 value. Market capitalisation of equities reached a value of Lm882 million, an increase of Lm92 million over last year's value. A large increase was also registered in the market capitalisation for corporate bonds - from Lm41 million at the end of 1999 up 154% to Lm106 million at the end of the year under review. Market capitalisation of Government Stocks decreased slightly by Lm22 million to end the year at a value of Lm742 million.

At the end of the year there were also twenty six (26) local Collective Investment Schemes listed on the Malta Stock Exchange (apart from almost 200 foreign investment schemes) with a market capitalisation value of over Lm330 million.

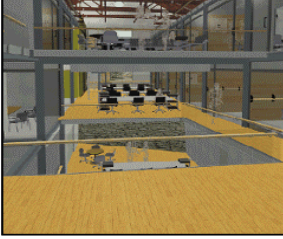


Trading

Horizon, the upgrade to the electronic trading system, which was installed towards the end of 1999 and which had been certified by the suppliers, EFA Software Services Ltd, as being Y2K compliant, proved to be so with flying colors, as trading continued seamlessly into the new year.



The trading system continued to perform well, and in fact no hitches resulted from the commencement of trading in the first US Dollar denominated bond, which was listed late in October 2000.



The first equity was listed on the new Alternative Companies List late in the year and it was agreed that as, there was still only one security listed on this Board, it would be traded under the same rules and regulations as those prevailing for securities listed on the Official List of the Malta Stock Exchange.

The listing of the first foreign currency denominated security necessitated some amendments to the Trading and Settlement Calendar for 2000, to ensure that the settlement period did not fall below T+3. .

The changeover to remote trading which was envisaged to take place during the year 2000, was delayed mainly for technical reasons, however, work on

the project continued apace throughout the year and it is now planned that the changeover to a screen-based scenario will take place during the first half of 2001, prior to the move to the new premises in Valletta.

As a first step to the new environment, Contract Notes and post-trading reports, are no longer being printed but are being given to stockbrokers in electronic format in order to facilitate and speed up post-trading procedures.

Listing

New Admissions

The year 2000 was another year which witnessed a considerable amount of new listings in all sectors of the market, including the first listing on the Alternative Companies List.



Three (3) new equity issues were admitted to listing during the year under review, namely 40,000,000 Ordinary Shares of Lm1 each of International Hotel Investments plc and 9,414,000 Ordinary Shares of 20c each of Plaza Centres plc, were admitted to listing on the Official List of the Malta Stock Exchange while Datatrak Holdings plc listed 15,949,500 Ordinary Shares of 10c each on the Alternative Companies List, the first company to list its securities on the alternative listing board which was introduced in 1999.

Subsequent to a Rights Issue, an additional 763,833 Lombard Bank (Malta) plc Ordinary Shares of 50c Nominal were admitted to the Official List in April 2000.

During the year under review, a further six (6) medium term Government Stocks were admitted to listing, with a total Nominal value issued of over Lm87 million. These were the 5.9% MGS 2009 (III); 6.6% MGS 2014; 5.6% 2015 and the 7% MGS 2010 (III), the latter being allocated entirely to the Foundation for Church Schools.

Throughout the year there were also a further six (6) new Corporate Bonds admitted to listing on the Official List. Among these were the first foreign currency denominated bond - the 8% Bank of Valletta plc Bond 2010, denominated and traded in US Dollars, with a Nominal value issued of US\$36,543,500.

MALTA STOCK EXCHANGE - NEW EQUITY ISSUES									
Company Name	ISIN Code	Issue Size (Lm)	Issue Price (Lm)	Issue Date	Listing Date	Listing Price (Lm)	Listing Size (Lm)	Listing Price (Lm)	Listing Size (Lm)
International Hotel Investments plc	MT0000000000	40,000,000	1.00	15/12/2000	15/12/2000	1.00	40,000,000	1.00	40,000,000
Plaza Centres plc	MT0000000000	9,414,000	0.20	15/12/2000	15/12/2000	0.20	9,414,000	0.20	9,414,000
Datatrak Holdings plc	MT0000000000	15,949,500	0.10	15/12/2000	15/12/2000	0.10	15,949,500	0.10	15,949,500
Lombard Bank (Malta) plc	MT0000000000	763,833	0.50	15/12/2000	15/12/2000	0.50	763,833	0.50	763,833
Bank of Valletta plc	MT0000000000	36,543,500	0.08	15/12/2000	15/12/2000	0.08	36,543,500	0.08	36,543,500
Eden Finance plc	MT0000000000	10,000,000	0.0675	15/12/2000	15/12/2000	0.0675	10,000,000	0.0675	10,000,000
United Finance plc	MT0000000000	4,000,000	0.0675	15/12/2000	15/12/2000	0.0675	4,000,000	0.0675	4,000,000
Bank of Valletta plc	MT0000000000	20,000,000	0.0615	15/12/2000	15/12/2000	0.0615	20,000,000	0.0615	20,000,000

The first privatisation bonds - 100,000 Malta Government Privatisation Bonds of a Nominal value of Lm100 each were admitted to listing in December 2000 while International Hotel Investment plc listed Lm5,000,000 5% Convertible bonds 2010 at the same time it listed its equity. Other Corporate Bonds listed during the year were Lm10,000,000 Eden Finance plc Bonds 2010, Lm4,000,000 6.75% United Finance plc Bonds 2008 and a further bond issued by Bank of Valletta plc - Lm20,000,000 6.15% Bonds 2010.

The year 2000 was a hugely successful year in respect to the listing of Collective Investment Schemes. The following local and overseas schemes were granted a primary or secondary listing during the year and admitted to the Official List of the Malta Stock Exchange :

Primary Listing

- Global Funds SICAV plc - 1 sub-fund
- Wignacourt Fund SICAV plc - 1 sub-fund
- Amalgamated Investments SICAV plc - 1 sub-fund
- Melita International Funds SICAV plc - 3 sub-funds

MALTA STOCK EXCHANGE - NEW EQUITY ISSUES									
Company Name	ISIN Code	Issue Size (Lm)	Issue Price (Lm)	Issue Date	Listing Date	Listing Price (Lm)	Listing Size (Lm)	Listing Price (Lm)	Listing Size (Lm)
International Hotel Investments plc	MT0000000000	40,000,000	1.00	15/12/2000	15/12/2000	1.00	40,000,000	1.00	40,000,000
Plaza Centres plc	MT0000000000	9,414,000	0.20	15/12/2000	15/12/2000	0.20	9,414,000	0.20	9,414,000
Datatrak Holdings plc	MT0000000000	15,949,500	0.10	15/12/2000	15/12/2000	0.10	15,949,500	0.10	15,949,500
Lombard Bank (Malta) plc	MT0000000000	763,833	0.50	15/12/2000	15/12/2000	0.50	763,833	0.50	763,833
Bank of Valletta plc	MT0000000000	36,543,500	0.08	15/12/2000	15/12/2000	0.08	36,543,500	0.08	36,543,500
Eden Finance plc	MT0000000000	10,000,000	0.0675	15/12/2000	15/12/2000	0.0675	10,000,000	0.0675	10,000,000
United Finance plc	MT0000000000	4,000,000	0.0675	15/12/2000	15/12/2000	0.0675	4,000,000	0.0675	4,000,000
Bank of Valletta plc	MT0000000000	20,000,000	0.0615	15/12/2000	15/12/2000	0.0615	20,000,000	0.0615	20,000,000

MALTA STOCK EXCHANGE - NEW EQUITY ISSUES									
Company Name	ISIN Code	Issue Size (Lm)	Issue Price (Lm)	Issue Date	Listing Date	Listing Price (Lm)	Listing Size (Lm)	Listing Price (Lm)	Listing Size (Lm)
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Bank of Valletta plc	MT0000000000	36,543,500	0.08	15/12/2000	15/12/2000	0.08	36,543,500	0.08	36,543,500
Eden Finance plc	MT0000000000	10,000,000	0.0675	15/12/2000	15/12/2000	0.0675	10,000,000	0.0675	10,000,000
United Finance plc	MT0000000000	4,000,000	0.0675	15/12/2000	15/12/2000	0.0675	4,000,000	0.0675	4,000,000
Bank of Valletta plc	MT0000000000	20,000,000	0.0615	15/12/2000	15/12/2000	0.0615	20,000,000	0.0615	20,000,000

¥ La Valette Funds SICAV plc - 5 sub-funds

Secondary Listing

¥ Royal + Sun Alliance Global Investment Portfolio SICAV plc - 1 sub-fund

¥ Lloyds TSB Money Market Fund Ltd - 12 sub-funds

¥ Lloyds TSB Offshore Fund Ltd - 9 sub-funds

¥ Lloyds TSB Offshore Gilt Fund Ltd

¥ Barclays International Fund SICAV - 13 sub-funds

¥ Barclays International Funds (Luxembourg) - 5 sub-funds

¥ Barclays Euro Funds - 6 sub-funds

¥ UBS (Luxembourg) Bond Fund - 13 sub-funds

¥ UBS (Luxembourg) Strategy Fund - 15 sub-funds

¥ Putnam World Trust II Fund - 13 sub-funds

¥ Fidelity Funds SICAV - 7 sub-funds

¥ HSBC International Capital Secured Growth Funds plc - 6 sub-funds

At the end of the year there were around 300 local and overseas Collective Investment Schemes listed on the Malta Stock Exchange.

Delisting

Following the winding up of the Fund, the Lazard Asia Pacific Fund, a sub-fund of Lazard Global Equity Fund, was delisted from the Official List with effect from 29 February 2000.

Suspension of Listing

As a result of new developments within the Fund, two share classes of Fidelity Funds SICAV - the Selection International Fund and the Selection Europe Fund - were suspended from listing on 9 December 1999. The listing of these two sub-funds was subsequently cancelled with effect from 4 February 2001.

Redemptions

During the year twelve (12) Government Stock issues with a total Nominal value of Lm86.5 million were redeemed.

Redemptions during 2000	
Security	Nominal (Lm)
6.75% LDRS 2000	10,000,000
7.25% MGS 2000 (II)	1,000,000
6.5% MGS 2000 (III)	10,000,000
6.5% MGS 2000 (IV)	10,500,000
6.75% MGS 2000 (V)	30,000,000
6.65% MGS 2000 (VI)	17,500,000
7.0% LDRS 2000/1	1,000,000
7.0% LDRS 2000/1 (II)	1,000,000
7.0% LDRS 2000/1 (III)	1,000,000
7.0% LDRS 2000/1 (IV)	1,500,000
7.0% LDRS 2000/1 (V)	2,000,000
7.0% LDRS 2000/1 (VI)	1,000,000
Total	86,500,000

Central Securities Depository

The increase in the number of listed securities was reflected in the increase in the number of accounts held within the

Central Securities Depository (CSD), which increased by almost 11,000 up to 110,000 when compared to the end of 1999 figure. These accounts represent approximately 60,000 individual holders.

CSD Register Amendments for 2000													
Amendment Type	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Causa Mortis	91	90	63	92	130	88	64	99	63	141	26	115	1,082
Garnishee Interest	2	7	4	6	4	6	4	9	12	11	5	0	70
Garnishee Release	3	0	4	4	4	3	4	3	10	9	11	3	58
Holder Amendments	111	173	85	154	119	90	90	134	174	137	98	86	1,450
Mandate/Power of Attorney	161	117	93	135	72	164	137	111	333	133	215	100	1,771
Bought Movements	4,023	2,828	2,071	1,223	1,145	1,074	712	617	852	837	1,217	461	16,860
Sold Movements	4,023	2,828	2,071	1,223	1,145	1,074	712	617	852	837	1,217	461	16,860
Release of Estates	59	157	137	111	105	100	110	125	73	218	65	80	1,340
Off-Market Transfers	12	26	47	17	20	34	10	5	7	20	5	6	209
Pledge Insert	166	166	112	90	115	88	76	80	73	109	89	80	1,244
Pledge Release	194	99	104	94	65	73	62	47	45	60	74	35	942
Total	6,835	6,061	4,791	3,149	2,924	2,784	2,001	1,847	2,494	2,512	3,022	1,426	41,835

The number of amendments effected across all the registers held by the CSD remained largely unchanged from 1999, registering an increase of just 1,157 throughout the year when compared to the previous year's figures. Amendments as a result of market transactions decreased slightly, however, there was an increase in holder amendments (static details), also a reflection of the increase in the number of holders across all the registers.

During the year under review, the CSD also processed over 113,000 dividend and interest cheques amounting to a value of over Lm49 million, an increase of over Lm2 million when compared to 1999 figures.

Dividend Payment Report for the year 2000			
		Gross Amount	No of Warrants
January	Lm	5,199,975	9,071
February		3,935,146	8,036
March		5,479,625	10,825
April		4,066,262	13,169
May		4,011,501	7,474
June		2,878,659	12,244
July		5,199,998	8,915
August		3,953,408	7,217
September		5,162,125	9,199
October		3,050,450	14,186
November		4,009,825	7,315
December		2,445,224	5,384
Total	Lm	49,592,200	113,139

In the summer months, CSD staff underwent training in Estonia at the Head Office of Percival Software Ltd on Depo 2000, the upgrade to the registration system implemented at the end of 1999. This training followed on that given to CSD at the beginning of the year by Percival Software Ltd staff who visited Malta for the purpose shortly after the implementation of the new upgrade. Particular areas covered in the follow-up training included primary issue procedures and reporting functions. Another important area covered was IT systems on which the CSD is heavily dependent.

Compliance

Following the Council's decision to strengthen the Exchange's regulatory function, several new members of staff joined Compliance Office at the beginning of the year while a number of internal movements took place to strengthen the Office's complement. Such an increase in staff was considered to be a necessity in view of the envisaged number of listings as well as the move to off-the-floor trading which would require greater market monitoring, coupled with the necessity to ensure that inspections to stockbroking firms, the number of which was increasing considerably, continue to be regular and frequent.

On-site Inspection Visits

In April 2000, Compliance Office commenced a new programme of inspection visits to stockbroking firms based on three main areas of compliance - clients' orders and the maintenance of the order log book; other business interests as defined in

The programme of inspection visits remained on course throughout 2000 with each Firm having already been visited twice by the end of the year. These visits also included unscheduled visits to the two new stockbroking firms which commenced operations during the year to ensure that all compliance procedures and operations were in place and in line with the requirements of the Bye-laws and other related regulations.

At the same time, Compliance Office continued to monitor the Firms` Quarterly Reporting Statements as well as Money Laundering procedures undertaken by the Firms.

The increase in the number of listing applications, in particular with respect to Collective Investment Schemes, necessitated a review of the listing procedures in order to speed up the process. Besides the setting up of the Admissions Committee, which included a number of Compliance staff, Compliance Office sought to draw up checklists for all listing requirements in respect of compliance with the Bye-laws in order to assist the sponsoring stockbroker when submitting a listing application. Such checklists are presented with the listing application which in turn assist Compliance Office in determining the correctness and completeness of a listing application.

In the context of the review undertaken by the Exchange with regard to market practices and compliance with internationally accepted regulatory standards, the Council approved changes to the Exchange's rules on dealings by directors and employees occupying a position of trust, in the listed securities of those companies in which they are employed or hold a directorship.

¥ when in possession of unpublished price-sensitive information;

¥ prior to an announcement involving any price-sensitive information; and


¥ during any close period ahead of the preliminary announcement of a company's results and any dividends or distributions to be paid or passed.

In line with an amendment to the Bye-laws, approved in March 2000, a director is now also prohibited from dealing in securities of the company in which he is a director, on considerations of a short-term nature.

Furthermore, prior to any dealing as may be permitted under the Bye-laws, the amendment also requires such a director or an employee to advise in writing the Chairman or one or more other directors designated for this purpose of his intention so to deal. The listed company receiving any such advance notice of a director's intention to deal is required to maintain a written record thereof and to confirm in writing to the director giving notice that a record of such notice has been retained.



As investors become more knowledgeable of the procedures of the market and their dealings with their respective stockbrokers, they have become more aware whether they are receiving adequate service and if not, that they have a right to an explanation at least and perhaps some form of redress. This can be seen by the significant increase in the number of investors seeking clarifications on their dealings or making a direct complaint.


Customer Complaint Form

• *Instructions: Please fill in all of the information as completely as possible.*

CUSTOMER INFORMATION

Customer Name First Name Surname and initials
 Home Address
 Street Postcode City/Town
 Home Phone
 Mobile Phone (if different from home)
 Email Address
 University Address (if different from home)
 Street Postcode
 Date

ADDITIONAL INFORMATION

Referring Party Name
 Referring Party Designation Last Name First Name
 Referring Address
 Name Position
 Referring Address

Compliance Office has without fail tackled all customer complaints and queries however, it was felt that standard procedures should be put in place, not only to encourage investors to come forward with their complaint but also to facilitate investigations by Compliance Office and to ensure that a written record is kept of each particular complaint.

As a result, in April 2000, the Exchange announced procedures that need to be followed when filing a complaint by a customer.

If an investor believes that he has been subject to unfair or improper business conduct by a broker or financial intermediary and he feels that he has grounds for complaint, he is encouraged to initially try and resolve any such matter with the broker or financial intermediary with whom business was originally conducted. In this respect brokers and financial intermediaries have been advised to nominate a Complaints Officer to deal with such matters.

Year

Month

Price

Trade Date

Should a customer not feel satisfied with the response from the broker or financial intermediary then the customer may wish to lodge the complaint with the Exchange in which case he must now do so in writing on the appropriate form. The Exchange has set up a Customer Services Office within its Compliance Department to look into these matters.

The brokers and financial intermediaries have been advised accordingly and they have been supplied with the Customer Complaint Forms which are also available from the Exchange.

Continuing Listing Obligations

During 2000 listed companies and Collective Investment Schemes issued ninety (90) Company Announcements in terms of the Bye-laws on continuing listing obligations. Compliance Office monitors listed companies' performance of these obligations rigorously in order to ensure that the general body of investors is at all times informed about the companies and securities in which they have invested or may wish to invest.

Company Announcements	
January	7
February	2
March	16
April	9
May	7
June	1
July	8
August	5
September	6
October	14
November	8
December	7
Total	

Keeping investors informed about their investments is considered to be of such importance by the Exchange that although listing requirements for those companies seeking a listing on the ACL are less onerous than for those seeking admission to the Official List, continuing obligations are exactly the same for both listing boards.

It is envisaged that in order to ensure that investors are informed of corporate news in the companies in which they have invested at the same time, Company Announcements and any other relevant company news are disseminated via the internet on the Exchange's website. In this respect, historic Company Announcements can already be found on the Exchange's website for easy reference.

The Malta Stock Exchange Act, 1990 (Cap. 345)

Amendments to the Statute

In July 2000, the Minister of Finance, by way of Legal Notice 124 of 2000 approved amendments to the First Schedule of the Malta Stock Exchange Act, 1990 (Cap. 345).



One of these amendments provides for the setting up of a College of Stockbroking Firms to replace the existing Malta Stock Exchange Committee, to which stockbrokers were statutorily bound to elect representatives from within the stockbroking community. Among its terms of reference the Committee was bound to tender advice to the Council on matters of mutual interest.

During a meeting with the Committee that the Council had in January, one of the matters raised had been the effectiveness (or otherwise) of the Committee with regards to both its advisory and self-regulatory role. It was mutually agreed that stockbrokers found it difficult to find consensus on any subject and the frequent change in the stockbrokers' elected representatives created continuity problems. It was therefore, recommended that the Committee should

be replaced by another body comprising all the licensed members.

Following further consideration, the Council deemed it appropriate that the Committee should be abolished and replaced with a College of Stockbroking Firms composed of representatives from each stockbroking firm.

The College was in fact set up in terms of LN 124 of 2000. It is pointed out that IOSCO, of which the Malta Stock Exchange is a full member, highly recommends that stockbrokers exercise an element of self-regulation among their own community which is one of the terms of reference of the College.

The College has no executive powers but its terms of reference are to advise the Council on matters relating to the proper functioning of an orderly market as well as to investigate and discipline any alleged misconduct on the part of any stockbroker and to make recommendations to Council accordingly.

The second amendment to the Statute provides for the definition of a Financial Services Organisation (FSO). An FSO is defined as any company licensed to carry on investment business in terms of the Investment Services Act including among others, banks and insurance companies.

Under the regulations operating prior to Legal Notice 124, an employee of an FSO could freely apply to become a stockbroker member. It was, however, felt that since a license is issued in the name of the individual applicant any application made by an institution in the name of any of its employees to act as a stockbroker could be abused by the employee as he could resign from his employment and carry with him the stockbroking license which for all intents and purposes would still be valid.

After consideration discussion it was decided to extend to FSOs the regulations which had been applicable to the Central Bank of Malta since the enactment of the Malta Stock Exchange Act. In terms of the said regulations a stockbroker licensed by the Exchange nominated by the Central Bank would have his licence "ipso facto" withdrawn on his resignation from Central Bank employment. Legal Notice 124 aims to achieve the same results in that the stockbroker is deemed to have resigned from membership of the Exchange if the Council receives notice in writing from the FSO nominating such person that it intends to withdraw its nomination in respect of such person.

Amendments to the Malta Stock Exchange Act, 1990 (Cap. 345)

In 2000, ten years after its inception, the Exchange undertook an extensive review of the Malta Stock Exchange Act, 1990 (Cap. 345) setting it up, in the light of the developments that had taken place throughout the decade. Moreover, this review was necessary to ensure compliance with EU Directives in view of Malta's application for accession to the EU as well as to ascertain continued compliance with current internationally recognised standards. A Draft Act has already been drawn up and presented to the general public during a consultative meeting held on 11 December 2000. During this meeting, the Deputy Chairman of the Exchange, Dr A Galea Salomone, explained the main areas of the Act which it was being proposed should be amended and the reasons for such proposed amendments. Amongst the main areas that are being addressed one finds exclusivity of trading, licensing criteria and investigative powers.

Amendments to the Bye-laws of the Malta Stock Exchange

As already mentioned elsewhere in this Report, early in the year the Council approved amendments to Chapter 6 of the Bye-laws (Listing Requirements), concerning dealings by directors of listed companies when in possession of price-sensitive information.

Following the issue of Legal Notice 124 amending the Statute annexed to the Act, Chapters 3 and 4 of the Bye-laws dealing with stockbrokers and stockbroking firms respectively, were amended to cater for the new provisions of the Statute. Licensing criteria and related exemptions from current Bye-laws for persons nominated by an FSO to act as stockbrokers, were included in Chapter 3 while certain exemptions in respect of stockbroking firms set up as subsidiaries of FSOs were included in bye-laws 4.01 and 4.02.

Listing Requirements under Chapter 6 of the Bye-laws are also being reviewed to provide for the listing of foreign companies (as already provided for under the Alternative Companies List listing rules) and to endeavour to simplify the listing process.

Council Notice 1 - Fees and Other Charges

During the year under review, the Council considered recommendations from stockbrokers, listed companies and other practitioners in the market, regarding the possible review of the Exchange's fee structure in order to reduce costs and encourage more companies to seek a listing.

After due consideration of such recommendations, at the beginning of December the Council approved amendments to Council Notice 1 dealing with all fees and charges levied by the Exchange, to become effective on 1 January 2001.

The waiver, until further notice, on initial listing fees in respect of equity issues introduced in 1999 was retained while register fees were also reviewed, reducing further the costs for listed companies.

Two major amendments carried out included the liberalisation of the fixed commission regime and the calculation of stockbroking firm fees.

The stockbroking firm fees, payable to the Exchange would no longer be calculated on the basis of the Gross Income of the firm, but would be calculated instead on a prescribed percentage of the market turnover of each and every firm.



Listed Companies' Seminar

In October, the Exchange organised its first seminar for listed companies.



The Council felt, that in the light of the interest generated and the number of new companies coming to the market, both on the main board and the ACL, it was opportune for the Exchange to discuss matters of mutual interest with listed, as well as prospective listed companies, in an endeavour to continue to strengthen and deepen the local capital market. This seminar was considered to be the first step in creating such a platform for discussion and the Exchange noted with satisfaction the attendance which included representatives from all the listed and prospective listed companies.

The speakers were Mr. Alfred Mallia, Chairman of the Malta Stock Exchange who touched upon the future of the Exchange and the way it should develop. He was followed by Dr Louis De Gabriele, who has been involved in a diverse number of public offerings and therefore, was in a unique position to discuss the listing experience and Mr. Walter Bonnici, the Chairman of Datatrak Systems Ltd, the first company to seek a listing on the ACL who highlighted the reasons why his company sought such a listing. The final speaker was none other than Mr. Gerrit de Marez Oyens, outgoing Secretary General of the International Federation of Stock Exchanges who spoke about capital markets generally with special reference to all the new and rapid global developments that are taking place.



A special guest at the seminar was Ms Joanne Menges, Head of Global Affairs at the London Stock Exchange who was in Malta to discuss the proposed Memorandum of Co-operation between the two Exchanges, heralding a new era of co-operation and assistance.

The Chairman and Council hosted a Gala Dinner for seminar participants and their guests to mark the closing of this seminar. The Minister of Finance who was a special guest at the Dinner, in a short after dinner address, stressed the importance of the Exchange's role as regulator and the importance of transparency in Exchange dealings.



Convention



At the beginning of the year the Malta Stock Exchange put up a stand together with the Malta Financial Services Centre at the Malta Business Convention which provided the two institutions with the opportunity to promote their services to the business community.

During the Convention, Mr. A Mallia, Chairman and Mr. P J Spiteri, Chief Executive, spoke about the introduction of the Alternative Companies List (ACL) and why it felt that this ought to generate interest as an alternative source of capital. Mr. Mallia spoke about the role of a stock exchange and how it functions in order to fulfill its role efficiently. Mr. Spiteri referred to the introduction of the ACL and explained that the introduction of these rules give certain companies, such as

new companies which do not have the necessary three year track record, an opportunity, which previously did not exist, to seek financing from the public and to list their securities on the Exchange.

In March the Malta Stock Exchange also participated in the Careers Convention organised by the Ministry of Education. The Exchange put up a stand which gave information about the Exchange's functions and operations and other material was available for distribution to those attending.



Later on the same month the Exchange hosted a Breakfast Meeting which was attended by the Hon Minister of Finance, the Council and Senior Manager and the Chairman of the Malta Financial Services Centre, and Mr. Gavin Fryer, Consultant to the Exchange, where the role of the Exchange, was discussed.

The Alternative Companies List was again the subject of another seminar organised by the Malta Chamber of Commerce in April 2000. Mr. A Mallia and Mr. P J Spiteri, Chairman and Chief Executive of the Exchange respectively together with Mr. P V Azzopardi, Stockbroker, were speakers at this event.



On 11 December 2000, the Exchange organised a public meeting to present proposed amendments to the Malta Stock Exchange Act, 1990 (Cap. 345) to the general public. The Deputy Chairman of the Exchange presented these proposed amendments and explained the background leading to such proposals. At the same meeting, Mr. Gavin Fryer, Consultant to the Exchange, presented a paper regarding the role of the Exchange in the listing process.



Distinguished Visitors



During March, the Exchange welcomed HE Mr. Didier Destremau, the French Ambassador to Malta who paid a courtesy visit to the Exchange. His Excellency discussed matters of mutual interest with the Chairman and Senior Executives of the Exchange, and explored the possibility of the Exchange obtaining assistance from the Bourse de Paris.

In April, the Secretary General of the Federation of European Stock Exchanges (FSE), Mr. Paul Arlmann paid a short visit to the Exchange as a first step in the validation process for the Malta Stock Exchange to become a Corresponding Member (approved by the Executive. Committee of FESE in June) and eventually an Associate Member of this prestigious organisation.

Mr. Arlmann was given a brief overview of the operations and functions of the Exchange and explained the validation process and what would be required of the Exchange in order to attain Associate Membership as soon as possible.



One of the highlights of the year for the Exchange was the courtesy visit by HE Professor Guido Demarco, President of the Republic, on 4 December 2000. His Excellency toured all the offices of the Exchange and had the opportunity to meet and speak to all members of the staff. In a short address the President stressed the importance of the Exchange in the financial sector and highlighted various developments that had taken place during its short history and augured well for the Exchange's continued growth and its increasing participation in both the national and international financial environment.

As a memento of his visit to the Exchange, His Excellency was presented with a donation to the Community Chest Fund, of

which he is patron.



Members



The year 2000 saw a significant rise in the number of Stockbrokers licensed by the Council of the Malta Stock Exchange. Five (5) new Stockbrokers were licensed during the year - one, a former Accredited Representative to operate through an existing stockbroking firm; a further three (3) to operate through two (2) newly set up stockbroking firms while the fifth prospective stockbroker was nominated by an FSO and licensed by the Council to operate through the newly set up stockbroking subsidiary of an FSO.

At the end of the year, therefore, there were sixteen (16) licensed stockbrokers, including the Central Bank Stockbroker, operating through eleven (11) different firms while the Exchange had posted a Notice regarding the application of another prospective stockbroker,

also nominated by an FSO.

Accredited Representatives

As a result of the setting up of the new stockbroking firms and the increase in business on the Exchange, ten (10) new Accredited Representatives were approved by the Exchange following the successful completion of the requisite training and appropriate written test (which, for the first time this year, was also undertaken by prospective stockbrokers).

At the end of the year over 30 individuals were approved as Accredited Representatives representing all the stockbroking firms and the Central Bank of Malta.





Financial Intermediaries

Two (2) new Financial Intermediaries were included on the Commission Sharing Register during the year under review, while another, Valletta Investment Bank Ltd, was removed from the Register at the end of the year as this institution no longer remained in existence in its present structure.

At the end of the year, therefore, ten (10) institutions and individuals were approved to operate as Financial Intermediaries.

Financial report and audited financial statements



Financial Report

Year ended 31 December 2000

The past twelve months have been a successful and eventful time for the Malta Stock Exchange. During this period, in fact, the Exchange registered an increase in operating income accompanied by a stronger surplus. Both revenue and expenditure continued to grow during the year 2000, the former rising by Lm 187,000 (22%) to reach Lm1,021,000 and the latter from Lm678,000 to Lm815,000 (20%). As a result, the surplus after taxation rose by Lm27,000 (21%) over the 1999 figure to reach Lm155,000. The growth in total revenue during the year under review was mainly attributable to increased listing fees, which ensued as a result of new listings that took place during the year.

A surplus for the year of Lm155,000 after tax

The surplus recorded for the year 2000 shows a slight improvement over the corresponding figure for 1999 (Lm129,000), and is well above the Lm22,000 budgeted for this financial year.

Note 3 to the audited financial statements broadly splits up the Exchange's income for the year 2000 between fees payable by stockbrokers and financial intermediaries, Lm146,000, (1999 - Lm98,000), listing fees Lm556,000, (1999 - Lm448,000) and income generated from services offered by the Central Securities Depository Lm 319,000 (1999 - Lm288,000).

Higher turnover levels during 2000 generated more business for licensed stockbrokers and financial intermediaries resulting in a significant increase in commissions earned. Furthermore, Exchange income was also enhanced as a result of the listing of 154 new investment funds during the year.

Increase in fixed assets during 2000

Total net fixed assets which at the end of 1999 stood at Lm231,000, increased sharply during the year 2000 to reach Lm777,000. Total fixed assets went up by Lm613,000 during the year. Of these, Lm544,000 were spent on the works carried out on the new premises and Lm63,000 on upgrading of the computer system mainly in preparation for the move to remote trading.

The total asset figure includes recognition of a deferred tax asset as required by IAS 12 (revised). This amounts to Lm16,450 (Lm14,888 £ 1999).

Cash flows during the year

As can be seen in the cash flow statement on page (VIII), the net cash generated from Exchange operations reached Lm139,000 in 2000 (1999 - Lm49,649). A total of Lm199,000 were invested in short-term Treasury Bills during the year. By the end of the year, all Treasury Bill holdings had been encashed with the proceeds, Lm347,000 being utilised to partially finance the new Exchange premises project. The project will be mainly financed utilising a loan facility obtained earlier in the year, by the Exchange, from the Ministry of Finance. By the end of the year, Lm200,000 or 20% of this facility had been withdrawn.

Expectations for 2001

The Exchange expects the net operating surplus for 2001 to be in the region of Lm92,000. On the expenditure side, staff costs will increase when six new members of staff join the ranks of the Exchange during the year. The Exchange will also be spending heavily on the new premises project which is expected to be ready by late summer.

Furthermore, during the year 2000, the Exchange invested heavily in the acquisition of computer equipment as part of the Remote Trading Project. One can, therefore, safely assume that expenses in connection with hardware and software maintenance will be higher during 2001.

The year 2001 at the Malta Stock Exchange will be mainly dominated by the move to the Exchange's new premises in

Valletta and the move to remote trading. Various securities are expected to list during the year, including a number of listings on the Alternative Companies` List. It is expected that the year ahead will prove to be another prosperous and challenging year for the Malta Stock Exchange.



M A Guillaumier

General Manager

27 Pietro Floriani Street

Floriana

Malta

30 March 2001



Report of the Council

Year ended 31 December 2000

The Council Members present their report and the audited financial statements of the Exchange for the year ended 31 December 2000.

Activities

The Malta Stock Exchange regulates and maintains facilities to ensure an orderly and efficient market place for securities trading. The Exchange also provides clearing and settlement, depository and related services for securities.

Results

The results for the year ended 31 December 2000 are shown in the income and expenditure account on page VI. The surplus for the year after taxation was Lm155,451.

Council Members

The Council, appointed in terms of Article 5 of the Statute, is as listed below:

A Mallia (Chairman)

Re-appointed 1 February, 2001

G Wells (Deputy Chairman)

Resigned 2 June, 2000

A Galea Salomone (Deputy Chairman as from 3 June, 2000)

Term expired 31 January, 2001

J V Laspina (Deputy Chairman)

Appointed 1 February, 2001

E Cachia Caruana

Re-appointed 1 February, 2001

M Sciortino

Appointed 6 June, 2000 to replace Mr. G Wells and re-appointed 1 February, 2001

R G Saliba

Term expired 12 October,2000

S Briffa

Appointed 13 October, 2000

Committee Members / College of Stockbroking Firms

The following members served on the Committee up to 31 March, 2000 in terms of Article 6 of the Statute.

V J Rizzo (Chairman)

N A Curmi (Deputy Chairman)

I J Burridge

A Calamatta

M A Guillaumier (Malta Stock Exchange Representative)

Legal Notice 124 published on 14 July, 2000 amended the Malta Stock Exchange Act and replaced the Committee by a College of Stockbroking Firms. The first meeting of the College was held on the 31 January, 2001. Stockbroking firms have appointed the following members to represent them on the College.

I J Burridge (Chairman)

J G Bonello (Deputy Chairman)

J P Gaffiero (Secretary)

P V Azzopardi

A Calamatta

N Crossey

N A Curmi

K Farrugia

M Hogg

C J Pace

F Xuereb

These members are to hold office until 31 March, 2002.

Council Members' Responsibility

The Council Members are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Exchange at the end of each financial year and of its surplus for the year then ended. In preparing the financial statements, the Council Members should:

¥ select suitable accounting policies and apply them consistently;

¥ make judgments and estimates that are reasonable and prudent;

¥ state whether applicable accounting standards have been followed, subject to any material departures disclosed

and explained in the financial statements; and

¥ prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Exchange will continue in business.

The Council Members are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Exchange and to enable them to ensure that the financial statements comply with the Malta Stock Exchange Act 1990 (Cap. 345). They are also responsible for safeguarding the assets of the Exchange and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors Deloitte & Touche have intimated their willingness to continue in office.

By order of the Council:



M A Guillaumier

Secretary

27 Pietro Floriani Street

Floriana, Malta.

30 March 2001



Report of the Auditors

We have audited the financial statements of the Malta Stock Exchange on Pages (VI) to (XV), for the year ended 31 December 2000. These financial statements have been prepared under the historical cost convention and the accounting policies set out on Page (IX).

Respective responsibilities of Council Members and auditors

The Council Members are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on the 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 judgments made by the Council Members, in the preparation of the financial statements and of whether the accounting policies adopted are appropriate to the Exchange's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary 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. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Exchange's affairs at 31 December 2000 and of its surplus and cash flows for the year then ended and have been properly prepared in accordance with International Accounting Standards and comply with the Malta Stock Exchange Act, 1990 (Cap. 345).



Stephen Paris

DELOITTE & TOUCHE

Certified Public Accountants

and Auditors

1 Col. Savona Street

Sliema, Malta.

30 March 2001

Income and Expenditure Account

Year ended 31 December 2000

2000 1999

Note Lm Lm

Operating income	3	1,021,126	834,065
------------------	---	-----------	---------

Operating expenditure

Administrative expenses	4
749,635	625,544

Depreciation
65,817 52,700

815,452	678,244
---------	---------

Operating surplus for the year

205,674	155,821
---------	---------

Interest receivable
25,265 32,734

Surplus before taxation	5
230,939	188,555

Taxation	6
(75,488)	(59,906)

Surplus for the year	15
155,451	128,649

2000	1999		Note	Lm	Lm
Non current assets					
Tangible fixed assets		7		766,672	230,704
Financial assets		8		375	-
<u>Deferred taxation</u>		9		16,450	14,888
793,497	245,592				
Current assets					
Debtors		10		472,298	374,062
Investments		11		318,000	466,172
<u>Cash at bank and in hand</u>				70,522	28,123
860,820	868,357				
Creditors: amounts falling due					
within one year					
12	(429,018)	(244,101)			
<u>Net current assets</u>				431,802	624,256
Total assets less current liabilities				1,225,299	869,848
Creditors: amounts falling due					
after more than one year					
13	(200,000)	-			
1,025,299	869,848				
Capital and reserves					
Capital		14			
500,000	500,000				
<u>Accumulated surplus</u>		15		525,299	369,848
1,025,299	869,848				



A Mallia

Chairman



J V Laspina

Deputy Chairman

Cash Flow Statement

Year ended 31 December 2000

2000 1999

Note Lm Lm

Cash flows from operating activities

Surplus before taxation
230,939 188,555

Adjustments for:

Depreciation
65,817 52,700

Interest receivable
(25,265) (32,734)

Gain on disposal of tangible fixed assets **(1,301)** -

Operating profit before
working capital

movement
270,190 280,521

Movement in debtors
(100,218) (105,205)

Movement in creditors
93,115 22,862

Cash flows from operations
263,087 126,178

Taxation paid
(124,579) (76,529)

Net cash flows from operating activities
138,508 49,649

Cash flows from investing activities

Payments to acquire tangible fixed
assets **(473,674)** (190,183)

Payments to acquire financial assets
(198,818) (140,000)

Proceeds from disposal of tangible fixed assets **2,681** -

Proceeds from disposal of
investments **346,615** 241,996

Interest received
27,087 27,707

Net cash flows from investing activities		
(296,109)		
(60,480)		
Cash flows from financing activities		
Drawdown of long-term loan		
200,000		
-		
Net movement in cash and cash equivalents		
42,399		
(10,831)		
Cash and cash equivalents at the beginning		
of the year		
28,123		
38,954		
Cash and cash equivalents at the end		
of the year		
16	70,522	28,123



Notes to the Financial Statements

31 December 2000

1. Principal accounting policies

These financial statements have been prepared in accordance with International Accounting Standards. The more important accounting policies are set out below.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation

Depreciation on tangible fixed assets is calculated on a 'straight line' basis so as to write off the cost, less estimated residual values, over their expected useful lives. A full year's depreciation is provided for in the year of acquisition. The following annual rates apply:

Improvements to leasehold premises	-----	over the term of the lease
Motor vehicles	-----	20%
Furniture, fittings and other equipment	-----	15 - 25%
Computer systems	-----	33.33%

Depreciation is not charged on tangible fixed assets which have not yet been brought into use.

Financial assets and current asset investments

Financial assets are stated at cost less adequate provision to reflect permanent diminution in their value. Those held for short-term investment purposes are classified as current assets and are stated at the lower of cost and market value.

Debtors

Debtors are presented at their net realisable value after deducting provision for uncollectable amounts.

Settlement of deals

The Malta Stock Exchange provides the services of a clearing house to facilitate the settlement of deals made during the trading session. The financial transactions emanating there from are not included in the financial statements of the Exchange.

Revenue recognition

(i) Turnover

Listing and registration fees are recognised on an accruals basis.

(ii) Interest receivable

Interest is recognised on an accruals basis.

Taxation

The tax expense is the aggregate amount included in the determination of the net surplus for the year in respect of current tax and deferred tax.

Deferred taxation is determined under the liability method in respect of all material temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

Retirement benefit costs

The Exchange contributes towards the government pension scheme in accordance with prevailing legislation, on an accruals basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits repayable on demand less advances from banks repayable within three months of the date of the advance.

2. 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, 1990 (Cap. 345). This Fund has been set up to ensure the security of Exchange transactions in the event of financial difficulties of any member to meet his obligations towards the investing public.

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

3. Operating income

Operating income comprises membership and other fees receivable from stockbrokers and financial intermediaries together with fees receivable in respect of the listing, clearing, registration and trading of quoted securities and related services. The income from the main activities was as follows:

2000	1999
Lm	Lm
Fees payable by stockbrokers and financial intermediaries	
145,961	97,957
Listing fees	
556,165	447,807
Central clearing, settlement and depository fees	
and other income	
319,000	288,301

1,021,126	834,065
------------------	---------

4. Administrative Expenses

2000	1999		
		Lm	Lm
Staff costs		322,490	264,674
<u>Other administrative expenses</u>			
427,145	360,870		

749,635 625,544

The average number of persons employed by the Exchange during the year was thirty-six (1999 - twenty-eight). Staff costs for the year comprised:

2000	1999		
Lm	Lm		
Wages and salaries		253,061	205,496
Social security costs		39,323	30,969
<u>Recruitment, uniforms and other staff welfare costs</u>		30,106	28,209

322,490 264,674

5. Surplus before taxation

2000 1999

Lm Lm

This is stated after charging:

Emoluments of the chairman, council members
and committee members inclusive of allowances,

honoraria and remuneration for services given **15,689**
14,144

Auditors` remuneration **1,265**
1,265

6. Taxation

(a) Current taxation			
2000	1999		
Lm	Lm		
Balance brought forward	47,993		
72,322			
Tax charge for the year:			
Malta tax at 35% (1999 - 35%)	73,083		
47,993			
Final withholding tax at 15% (1999 - 15%)	3,967		
4,207			
Deferred taxation (note 9)	(1,562)	7,706	
75,488	59,906		
Sub-total	123,481	132,228	
Tax paid:			
Settlement tax (47,993)	(72,322)		
Provisional tax	(72,779)	-	
Withholding tax on interest received (3,967)	(4,207)		
Transfer from deferred taxation (note 9)	1,562		
(7,706)			
Balance carried forward (note 12)	304		
47,993			

6. Taxation (continued)

(b) The tax expense and the current tax for the year are reconciled as follows:

2000	1999		
Lm	Lm		
Surplus for the year	230,939	188,555	

Tax at the applicable rate of 35% 80,829

Tax effect of:		
Depreciation charges not deductible by way of capital		
allowances in determining taxable income		
-	434	
15% withholding tax on investment income		
	(5,053)	(6,434)
Exempt interest income		
(35)	(198)	
Other permanent differences		
(253)	110	
Tax charge for the year		
75,488	59,906	

7. Tangible fixed assets

		Improvements	Computer	Furniture, fittings and other equipment	Motor vehicles	Total
		to leasehold premises	systems			
Lm	Lm	Lm	Lm			
Cost						
At 01.01.2000		149,255	382,124	67,171	25,004	623,554
Additions		543,835	62,576	6,754	-	613,165
Disposals		-	(2,060)	-		
(15,809)	(17,869)					
At 31.12.2000						
9,195	1,218,850	693,090	442,640	73,925		

Depreciation						
At 01.01.2000		-	310,296	57,550	25,004	392,850
Provision for the year		-	60,708	5,109	-	65,817
Release on disposal		-	(680)	-		
(15,809)	(16,489)					
At 31.12.2000						
62,659	9,195	442,178	370,324			

Net book value				
At 31.12.1999	149,255	71,828	9,621	
-	230,704			

At 31.12.2000	693,090	72,316	11,266	-	776,672
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7. **Tangible fixed assets** (continued)

The improvements to leasehold premises consist of construction and related costs in respect of the new premises of the Exchange located in Castille Place, Valletta. No depreciation has been charged in these financial statements as the construction is still in progress.

8. **Financial assets**

These are stated at cost and comprise:

2000	1999	
Lm	Lm	
Shares in associated undertakings		375
		-

Associated undertakings

This represents the Exchange's 30% share of equity capital in Bell Med Limited, the registered office of which is

1 Col. Savona Street, Sliema, Malta. The Exchange's share of the aggregate of share capital and reserves at 31st December, 2000 and of the profit and loss for the seven month period then ended was as follows:

Share of			
of	Share of	aggregate	
profit for		share capital	
reserves	the year	&	
Lm	Lm		
		12,841	
	12,466		

9. **Deferred taxation**

			Movement
year	1999	2000	for the
		Lm	
Lm	Lm		

Arising on:

Differences between the net book

tangible fixed assets	17,140
(1,371)	15,769
Other temporary differences	(690)
(191)	(881)
	16,450
(1,562)	14,888

2000 1999 Lm Lm

Fees receivable		
392,564	313,888	
<hr/>		
Prepayments and accrued income		
79,734	60,174	
<hr/>		
		472,298
	374,062	
<hr/>		

2000	1999		
		Lm	Lm
Listed Investments		318,000	318,000
Treasury Bills			
-	148,172		
		318,000	
466,172			

12. Creditors: amounts falling due within one year

2000	1999		
Lm	Lm		
Prepaid listing fees	156,513	69,427	
Compensation fund	10,608	10,000	
Taxation (note 6)	304		
47,993			

Accruals and deferred income	29,803	34,977
Other creditors	231,790	
81,704		
	429,018	244,101

13. Creditors: amounts falling due after more than one year

	2000	1999
--	------	------

Lm Lm

Amounts repayable within five years:

Loan	200,000	-
------	---------	---

At 31 December, 2000 the Exchange had a loan facility of Lm1 million from the Ministry of Finance of which Lm200,000 has been withdrawn. This loan is unsecured, and will bear interest at 5% per annum with effect from 30 June, 2001.

14. Capital

This represents the initial capital contribution by the Government of Malta as specified by Section 27 of the Malta Stock Exchange Act, 1990 (Cap. 345).

15. Accumulated surplus

2000	1999
------	------

Lm Lm

At 1st January	369,848	241,199
----------------	---------	---------

Surplus for the year	155,451	
128,649		

At 31st December	525,299	369,848
------------------	---------	---------

16. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2000	1999
--	------	------

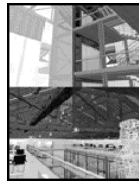
Lm Lm

Cash at bank and in hand	70,522	28,123
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17. Capital commitments

	2000	1999
	Lm	Lm
Contracted but not provided for	313,413	162,039
Authorised but not contracted for	264,282	-
Telecommunication expenses	29,979	26,341
Water and electricity	3,017	2,309
	815,452	678,244
Operating surplus for the year	205,674	155,821

Compensation fund



Report of the Auditors

We have audited the financial statements of the Malta Stock Exchange - Compensation Fund on Pages (II) to (V) for the year ended 31 December 2000. These financial statements have been prepared under the historical cost convention and the accounting policies set out on Page (V).

Respective responsibilities of Council Members and auditors

The Council Members are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Fund. It is our responsibility to form an independent opinion, based on our audit, on these statements and to report our opinion to you.

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 judgments made by the Council Members in the preparation of the financial statements and of whether the accounting policies adopted 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 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. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the affairs of the Fund at 31 December, 2000 and of its surplus and cash flows for the year then ended.



Stephen Paris

Deloitte & Touche

Certified Public Accountants

and Auditors

1 Col. Savona Street

Sliema

Malta

30 March 2001

Income and Expenditure Account and Other Movements

Year ended 31 December 2000

2000 1999

Lm Lm

Income

Investment income	7,600	6,074
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Taxation deducted at source	(1,137)	(911)
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Operating surplus for the year	6,463	5,163
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Accumulated fund at 1st January	127,059	99,896
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Contribution due in terms of Chapter 7

of the Bye-Laws

Stock Exchange contribution	10,000	10,000
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Stockbrokers contribution	14,000	12,000
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Accumulated fund at 31st December	157,522	127,059
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Balance Sheet

31 December 2000

2000	1999		
	Note	Lm	Lm
Assets			
Investments	3	125,800	100,800
Debtors	4	26,514	23,586
Cash at bank and in hand	5,208	2,673	
		157,522	127,059
Accumulated fund		157,522	127,059

Approved by the Council and signed on its behalf on 30 March, 2001 by:





A Mallia

J V Laspina

Chairman

Deputy Chairman

Cash
Flow Statement

Year ended 31
December 2000

2000	1999		
Note	Lm	Lm	
Cash flows from operating activities			
Interest received	7,600	6,074	
Movement in debtors	(2,928)	(2,237)	
Cash flows from operations	4,672	3,837	
Tax paid	(1,137)	(911)	
Net cash flows from operating activities	3,535	2,926	
Cash flows from investing activities			
Purchase of investments	(25,000)	(24,000)	
Cash flows from financing activities			

Contributions received in
terms of

Chapter 7 of the Bye-laws

24,000	22,000
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**Net movement in cash and cash
equivalents**

2,535	926
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Cash and cash equivalents
at the

**beginning of the
year**

2,673	1,747
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Cash and cash equivalents
at the

end of the year

5,208	2,673
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5



Notes to the Financial Statements

31 December 2000

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, 1990 (Cap. 345) for the purpose of ensuring the security of Exchange transactions in the event of financial difficulties of any member to meet his obligations towards the investing public.

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

2. Principal accounting policies

These financial statements have been prepared in accordance with International Accounting Standards. The more important accounting policies are set out below.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Investments

Investments are stated at the lower of cost and market value.

Debtors

Debtors are presented at their net realisable value after deducting provision for uncollectable amounts.

Contributions

Contributions in terms of Chapter 7 of the Malta Stock Exchange Bye-laws are accounted for in the year to which they relate.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits repayable on demand less advances from banks repayable within three months of the date of the advance.

3. Investments

These represent holdings of short and medium term Malta Government Stocks. The market value of these investments at

31 December, 2000 amounted to Lm131,250 (1999 - Lm108,029).

4. Debtors

	2000	1999
	Lm	Lm
Due from Contributors	24,607	21,997
Accrued income	1,907	1,589

26,514	23,586
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5. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2000	1999
	Lm	Lm
Cash at bank	5,208	2,673



The Malta Stock Exchange

(as at 31 December 2000)

The Council

Alfred Mallia	Chairman
Arthur Galea Salomone	Deputy Chairman
Saviour Briffa	Member
Edward Cachia Caruana	Member
Michael Sciortino	Member
Mark A Guillaumier	Secretary

Sub-Committees set up by Council

- Central Securities Depository
- Information Technology
- Legal - Act & Bye-laws
- Listing
- Management & Administration

Premises

Trading and Compliance

Executive Committee

Paul J Spiteri	Chief Executive
Mark A Guillaumier	General Manager
Eileen V Muscat	Assistant General Manager