

Malta Stock Exchange



Annual

Report 2001

The Garrison Chapel, Castille Place

Valletta CMR 01, Malta

Tel: (356) 2124 4051 Fax: (356) 2569 6316

E-mail: borza@borzamalta.com.mt

Website: www.borzamalta.com.mt

the **malta** stock exchange (as at 31 December 2001)

The Council

Alfred Mallia	Chairman
Joseph V Laspina	Deputy Chairman
Saviour Briffa	Member
Edward Cachia Caruana	Member
Michael Sciortino	Member
Eileen V Muscat	Secretary

Listing Committee

Alfred Mallia	Chairman
Saviour Briffa	Member
Joseph V Laspina	Member

Executive Committee

Mark A Guillaumier	Chief Executive
Eileen V Muscat	General Manager

letter of **transmittal**

The Chairman
Malta Stock Exchange
Garrison Chapel
Castille Place
Valletta

29 March 2002

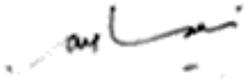
The Hon J Dalli FCCA CPA MBIM MP
Minister of Finance

Valletta

Dear Minister

In accordance with Section 28 (1) of the Malta Stock Exchange Act (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 2001.

Yours sincerely



Alf Mallia

Chairman

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Chairman's Report

chairman's report

If, as I said in my report last year, the year 2000 marked the coming of age of the Malta Stock Exchange, today I can proudly say that the year 2001 was characterised by the culmination of two long-awaited developments, namely the introduction of remote trading and the relocation to new premises.



In this age dominated by technology, the move to remote trading can be seen as a natural development, envisaged as far back as 1995 when the Exchange switched over from manual to electronic trading. This latest development has changed the face of the local trading scene as we have known it since 1992. The trading floor has disappeared and stockbrokers can now trade directly from their offices, enabling them to provide a better and more immediate service to their clients.



The move to remote trading paves the way for the Exchange to look for international business, allowing for the possibility of foreign members and the listing of international companies on the Exchange.

Even when the Malta Stock Exchange was set up in 1990, the late Alfred S Camilleri, the first Chairman of the Exchange, had realised the potential of the Garrison Chapel as premises for the Exchange. Today, a full decade after the start of its operations, Mr Camilleri's dream has been realised and the Exchange finally has a suitable home, which like the Institution it houses, is modern and dynamic but which nevertheless retains all those features which have made this building a prominent landmark for well over a century. This historic building now houses an Institution which, in its short history, has also managed to become a prominent focal point on the local financial skyline.

As part of the premises project, the Exchange has also undertaken to restore the Main Gate to the Barrakka Gardens situated behind the Exchange building. We are sure that in future the Exchange can continue to contribute to the enhancement of its surroundings in this beautiful and historic area of Valletta.

We are indeed proud that our Institution has returned within the walls of Valletta and that we have contributed in our small way to preserve part of the heritage of this centuries old city.

During the past twelve months, despite a marked decline in the value of listed equities, market turnover exceeded last year's levels due to the continued buoyancy of both the corporate and the Government bond markets. A number of companies from various sectors of the economy have successfully approached the market for their capital requirements and obtained a listing on the Exchange. The past year has also been another successful one insofar as the listing of Collective Investment Schemes is concerned. There was, in fact, a considerable increase in the number of primary listings of these funds while secondary listings rose steadily throughout the year. The number of licensed stockbrokers increased from 15 up to 20 with another four financial intermediaries being authorised by the Council for a total of 14 by the end of the year.

The Exchange has also taken the lead in the field of local corporate governance with the publication of the Code of Principles of Good Corporate Governance, issued as part of the Bye-laws. Whilst the Code is applicable to listed companies, it is hoped that these principles will be used as a model even for unlisted companies. The Federation of European Securities Exchanges (FESE) recognised this initiative and invited the Exchange to become a founder member of the European Corporate Governance Institute, an academic cum business think tank set up to improve corporate governance through independent scientific research and related activities.

Successive Councils of the Exchange have always put great emphasis on the Exchange's international relations and I am proud to say that during 2001 the Exchange obtained Associate Membership of the Federation of European Securities Exchanges after undergoing a rigorous evaluation process by the Federation itself covering, in particular, regulatory and trading operations as well as compliance with EU Directives.

Furthermore, the Exchange has also become a member of the Capital Markets Regulatory and Supervisory Consultative Group composed of regulators of capital markets from countries currently in accession talks with the EU. The Exchange has been very active at the meetings of this Consultative Group, primarily set up to monitor developments in EU legislation and how these could be adopted and implemented as expeditiously as possible by the Members of the Group.

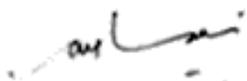
The Council of the Exchange has also actively sought to foster closer ties with other operators and regulators of securities markets, particularly within the Mediterranean region. In fact during 2001 the Exchange signed Memoranda of Understanding with the Cairo and Alexandria Stock Exchange, the Capital Markets Board of Turkey and the Cyprus Securities and Exchange Commission. The Exchange does not consider these Memoranda as an end in themselves, but as a first step, to more formal agreements leading to the possibility of cross listing and trading based on a common trading platform.

Investor Education is considered by the Exchange to be an integral part of its responsibilities as regulator of the capital market and in this light, it has undertaken a number of initiatives in this area. One such initiative is the setting up of a number of lectures aimed at the general body of investors, giving an overview of the functions and operations of the Exchange and the investment opportunities it provides. The course also provides information about other areas of the financial sector. I am pleased to say that the response from the public has been overwhelming, so much so that the course had to be repeated a number of times during the year and will again be held during the first quarter of 2002.

The amendments to the Malta Stock Exchange Act and to the Bye-laws continued to be reviewed the year. The re-drafting of the proposed amendments is now in its final stages and we look forward to the enactment of the new legislation early on in 2002. The proposed amendments provide for virtually the complete removal of the Exchange's regulatory functions in particular those concerning admission to listing and licensing of stockbrokers. The new legislation will bring with it new and different challenges for the Exchange, challenges that we are already gearing up for partly by extending the range of services we provide locally but also by looking at new opportunities outside our shores.

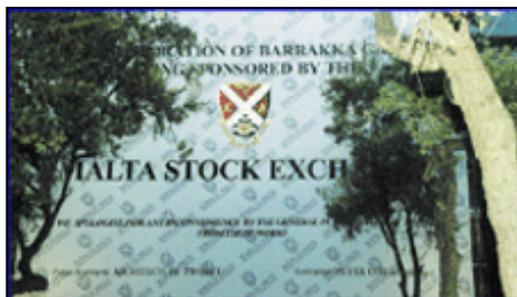
Whilst we look proudly to the past business to consolidate what we have achieved, the Exchange is very much of the present and even more of the future. Our vision is not confined, but spreads beyond our shores and I am sure that, as this year we have seen the birth of a number of

projects, some of which have taken years to come to life, we will also succeed in our plans for the future. My conviction is based on the commitment, hard work and perseverance which all my fellow Council Members, as well as the management and staff of the Exchange have unfailingly shown in the past and which I feel sure, I can continue to count on in the future.



Alf Mallia

Chairman



Administration Report

administration **report**



The Council

Alfred Mallia	Chairman
Joseph V Laspina	Deputy Chairman
Saviour Briffa	Member
Edward Cachia Caruana	Member
Michael Sciortino	Member



Eileen V Muscat

Secretary

The Council

The Chairman and Council Members appointed by the Minister of Finance in terms of Section 4 of the Malta Stock Exchange Act (Cap. 345) and Section 5 of the First Schedule annexed thereto, for a period of two years with effect from 1 February 2001 all continued in office throughout the year.

Mr. Alfred Mallia and Mr. Joseph V Laspina continued as Chairman and Deputy Chairman respectively while Mr. Saviour Briffa, the Central Bank representative on the Council was re-confirmed as Council Member for a further period of one year upon the expiry of his appointment on 12 October 2001.

Dr Arthur Galea Salomone, the former Deputy Chairman of the Exchange was appointed as Legal Adviser to the Exchange at the end of his Council tenure on 1 February 2001.

The Council met eighteen (18) times during the year, holding a number of Ad Hoc Council Meetings in addition to the regular Council Meetings. Such Ad Hoc meetings mainly concerned the review of listing applications.

Following the abolition of the Malta Stock Exchange Committee in July 2000 and the setting up of the College of Stockbroking Firms during 2001, both the Council and the senior executives of the Exchange held several meetings with the College to discuss matters of mutual interest including among other matters, the move to remote trading.

The Council was assisted by several sub-committees covering all the operations and functions of the Exchange. The Listing Committee continued with its endeavours in respect of listing applications, while at the same time both the IT and Premises sub-committees were fully occupied respectively, with the move to remote trading and relocation of the Exchange to its new premises in Valletta. Both these sub-committees met very frequently to ensure that both projects were concluded smoothly and in due time.

The Working Group set up by the Council to consider the introduction of a Model Code of Good Corporate Governance met on a monthly basis and by July had presented the first draft Model Code for consideration by the Council. The Code was then eventually issued as part of the Bye-laws in October 2001 following final approval by the Council.

The Exchange's Annual Special Meeting convened in terms of Section (iv)(a) of the First Schedule of the Malta Stock Exchange Act (Cap. 345) was held at the Victoria Hotel, Sliema on 30 March 2001. The Annual Report and Audited Financial Statements of the Exchange and the Compensation Fund for 2000 were presented to licensed Members of the Exchange during this meeting.

In his address, the Chairman gave a brief account of the new listings which had taken place in 2000 and also spoke about the work on the new premises which was well underway. Mr. Mallia also made reference to the validation exercise being undertaken by the Exchange to become an Associate Member of the Federation of European Securities Exchanges (FESE) and to the co-operation agreements being negotiated with various overseas Exchanges and regulatory authorities. The Chairman also spoke of the importance of investor education and the various initiatives undertaken by the Exchange in this regard including the launching of an 8 lecture course in Maltese aimed at the general public and the introduction of the Alfred Camilleri Prize for the best dissertation on capital markets. Mr. Mallia concluded by referring to the setting up of the Working Group on Corporate Governance and what it aimed to achieve during the coming months.

Human Resources

The recruitment exercise commenced in 2000 was concluded at the beginning of 2001, with the recruitment of another three (3) junior staff and, later on in the year, another non-clerical.

The restructuring and re-organisation of the Exchange's set up is an on-going process undertaken to better reflect and satisfy the ever-changing requirements of the organisation. Therefore, although the number of Exchange staff did not increase significantly throughout the year, several internal movements were effected.

In August 2001, Mr. Paul J Spiteri, Chief Executive retired and was subsequently appointed as Consultant to the Chairman for a period of 18 months. Mr. Mark A Guillaumier, General Manager, was appointed Chief Executive while Ms Eileen V Muscat was appointed General Manager and Secretary to the Council. Mr. Simon Zammit and Dr Robert Vella Baldacchino were, at the same time, appointed as Assistant General Managers.

As a result of these appointments within senior management there were also a number of promotions and movements





in all the ranks of Exchange staff. The organisation was also further streamlined, taking into account the changes effected in senior management and the logistic changes brought about by the move to the much larger new premises.

Throughout the coming year it is envisaged that there will be significant developments within the Exchange that will necessitate some further increases in staff members as well as a diversification and strengthening of particular skills.

Envisaged developments are mainly as a result of the implementation of new legislation which will largely remove the Exchange's regulatory function and make it

a more business oriented entity and further increases in IT functions.

The Exchange has taken heed of these envisaged changes and is already actively working to ensure that the set-up will be in place once these changes are implemented.

Staff Development

International Conferences and Seminars

The Exchange has always endeavoured to keep its staff up-to-date on developments in capital markets and related fields. To this end it has ensured that Exchange staff are given the opportunity to exchange ideas and discuss such developments by supporting them to participate in international conferences and seminars as well as to attend training overseas. In particular, the Exchange has laid great emphasis on staff members attending such events organised by the international organisations of which it is a Member as these are the organisations which set both operational and regulatory standards that are accepted and implemented world-wide.

Some of the events attended by Exchange staff during 2001 included :

- EU related meetings.
- SEC workshop on Securities' Markets Development
- ECMI Seminar on Regulation of European Securities' Markets

- The Future of Stock Exchanges and Securities' trading in Europe
- MIT Workshop on IT developments in Securities' Markets
- Seminar on Globalisation of Securities' Markets
- FESE Workshop on statistical Reporting
- World Bank Workshop for Non-Financial Institutions

Local Seminar and Training

At the same time, Exchange officials were also encouraged and supported to attend local seminars relating to financial and EU matters. Among the subjects covered at events attended by Exchange officials were :

- Malta and the EU
- Corporate Governance
- IT Developments
- Changes in the income tax regime

Exchange staff also continued to broaden their knowledge of financial markets and related subjects by participating in training courses both organised internally by the Exchange itself and by other institutions.

International Relations

Associate Member of the Federation of European Securities Exchanges (FESE)

The Malta Stock Exchange was admitted as an Associate Member of FESE on 14 June 2001, during the General Assembly of the Federation held in Paris. The General Assembly approved the application by the Malta Stock Exchange for Associate Membership after the Exchange had attained Corresponding Member status the previous year and after the Exchange had successfully undergone a rigorous validation process including a visit by an evaluation team composed of representative's from FESE's General Secretariat and representatives from other stock exchanges who are already full members of FESE. The validation visit involved a thorough over-view of the operations and functions of the Exchange with particular emphasis on regulatory and trading matters and in particular efforts made to achieve the requirements of the *acquis communautaire*.

In a short address upon admittance to Associate Membership, Mr. J V Laspina, Deputy Chairman, said that “... *the MSE has always striven to set up the structures and regulations necessary to operate on internationally accepted standards. We see FESE’s acceptance of our Exchange as an Associate Member as a confirmation of our success in this respect*”.

FESE is the Brussels-based association of regulated securities markets in Europe. Having recently extended its membership conditions, it counts today 25 full members from the countries of the EU plus Iceland, Norway and Switzerland, as well as six Associate Members and several Corresponding Members from EU accession candidate countries.

Associate Membership is open to exchanges from those countries of Central, Eastern and Southern Europe that are in accession negotiations with the EU. Candidates must fulfill a number of quality criteria set up by the Federation and the legislative and regulatory framework in their countries must show a clear “rapprochement” towards the contents of EU financial markets legislation. Associate Membership is granted following an evaluation process by the Federation, carried out by representatives from Member Exchanges.

In 1992 the Malta Stock Exchange became a founding member of the Emerging Markets Forum of FESE and in 1996 the Exchange had the honour of hosting the Autumn Meeting of this Forum.

To coincide with the official opening of its new premises, the Malta Stock Exchange again had the pleasure of hosting the Autumn Meeting of the Forum on 5 October 2001. The Forum was attended by both the Secretary General and the Deputy Secretary General of FESE with participants from numerous EU and Eastern European countries.

The Minister of Finance officially opened the Forum and gave a short address. Prof J V Bannister, Chairman of the Malta Financial Services Centre and Mr. Paul J Spiteri, Consultant, both gave presentations at this meeting where matters relating to emerging European Securities Markets were discussed.



The Capital Markets Regulatory and Supervisory Consultative Group

Following an initiative set in motion by the Polish Securities Commission representatives from Securities Commissions, Stock Exchanges and Financial Market Authorities from the countries seeking to join the European Union met in Warsaw and subsequently in Stockholm

and established the Capital Markets Regulatory and Supervisory Consultative Group. The Malta Stock Exchange was represented at these meetings by Mr. Paul J Spiteri, Consultant.

The objectives of the Consultative Group set out are :

- to exchange information on the respective experience of the authorities in implementing and understanding the European Union regulations and Directives;
- to provide a forum for consultations towards full harmonisation with regulations and standards of the European Union; and
- to focus the activities of the Group on getting access to the regulatory work being under taken within the European Union.

It was also agreed to open the Group to other securities authorities from the countries seeking to join the European Union which are willing to adopt the Resolution and the Statement on the establishment of the Group.

The Group shares the view that globalisation is an important tendency in world economy, especially in the financial markets and European Union enlargement is a part of this process. All parties undertake efforts aiming at accession to the European Union. The Group agrees that



they should watch closely the developments of the European Union legislation and that they should adopt and implement the new elements expeditiously. Due attention should be paid in particular to the on-going implementation of the Financial Services Action Plan of the European Union, and more specifically to the actions decided in relation to the European securities markets on the basis of the recently adopted Lamfalussy Report in Stockholm.

In that respect they consider the co-operation and the exchange of information with bodies elaborating European Union regulations and standards as an important instrument to achieve their objectives.

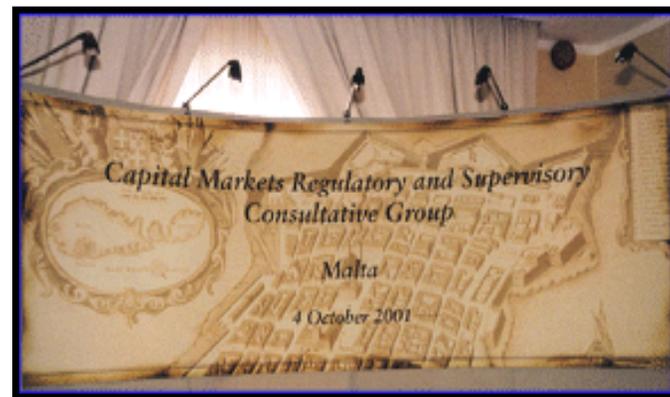
Regular consultations with European Union Member States' competent authorities may contribute to more efficient implementation of these regulations, standards and practices internally.

The Group also believes that close co-operation is an efficient way to improve standards of their securities markets regulations, supervision and to accelerate preparations in this particular field for European Union accession.

In order to implement its objectives the Group agreed to meet regularly and to organise seminars, workshops and conferences on specific topics to further the better understanding of current issues and disseminate professional information and knowledge.

It was also agreed that the Chair of the Group would rotate on a yearly basis and for the first year the Chair would be held by the Polish Securities Commission.

The third meeting of the Group was held in Malta on 4 October 2001, also to co-incide with the celebrations in connection with the official opening of the new premises of the Exchange. Representatives from ten countries, including Malta, currently in negotiation talks with the EU attended the meeting which was also attended by the Deputy Secretary General of FESE. Items on the Agenda included the Capital Adequacy Directive and the role and place of securities regulators in the applicant countries.



European Corporate Governance Institute (ECGI)

The Federation of European Securities Exchanges (FESE) recognised the initiative taken by the Malta Stock Exchange to introduce a Code of Principles of Good Corporate Governance for locally listed companies and invited the Malta Stock Exchange to become a founder member of the European Corporate Governance Institute (ECGI).

The ECGI was set up to advance research and policy related to corporate governance practices in Europe. The ECGI is an academic cum business think tank and its mission is *“To improve corporate governance through independent scientific research and related activities”*.



The ECGI will draw on the expertise of scholars from numerous countries and bring together a critical mass of expertise and interest to produce high quality independent scientific research while remaining close to the concerns and interest of corporate, financial and public policy makers. The ECGI intends to contribute to the debate on the formulation of policy and development of best practice based on the Institute's established collective know-how and its impartial and objective research.

The ECGI was formally launched in Brussels on 15 January 2002. Mr. Alfred Mallia, the Chairman of the Malta Stock Exchange and Mr. Paul J Spiteri, Chairman of the Working Group setting up the Code of Principles for locally listed companies were invited to attend this event.

The Launch commenced with Mr. Antonio Borges, Managing Director, Goldman Sachs, corporate governance specialists and Chairman of the Board, ECGI giving background briefings on the status of corporate governance in Europe. Andre' Sapir, of the European Commission and the Centre for European Policy Research presented a paper on "How International are European Boards?" and Marco Becht, Executive Director, ECGI, Executive Coordinator of the European Corporate Governance Network, ECGN and co-editor of "The Control of Corporate Europe", published by the Oxford University Press, presented findings of this recent study. The background briefings were followed by a debated entitled "Do Large Shareholders make for Good Corporate Governance".

The Launch event brought together over 200 participants from companies, the European Institutions, National Governments, Corporate Governance Committees, Institutional Investors, Academics and the Media.

Meetings

During the year under review, the Malta Stock Exchange was represented at the regular meetings of the international organisations of which it is a member.

For the first time, during 2001 representatives from the Malta Stock Exchange attended a General Assembly Meeting of FESE when Associate Membership was conferred on the Exchange. The Exchange was also represented at both the Spring and Autumn Meetings of the FESE Forum, this year held in Brussels and Malta respectively.

In March, the Chairman attended the Working Committee of the International Federation of Stock Exchanges (FIBV) held in Chicago. During the General Assembly of FIBV held in October in Spain it was agreed that henceforth this organisation would be known as the World Federation of Exchanges (WFE).

At the end of April 2001 the then Chief Executive, Mr. Paul J Spiteri, represented the Exchange at the first meeting of the Capital Markets Regulatory and Supervisory Consultative Group held in Warsaw. The second and third meetings of this Group were held in Stockholm and Malta respectively and both were attended by the Chief Executive. Mr. Spiteri also participated in the Annual General Meeting of the International Organisation of Securities Commissions (IOSCO) held in May in Sweden.

Following its admittance to Associate Membership of FESE, the Malta Stock Exchange was also invited to attend meetings of its Legal and Regulatory Committee. The purpose of this Committee is to discuss matters regarding EU Directives in respect of securities markets.

Memoranda of Understanding

Ever since it commenced operations, the Exchange has given due importance to international relations. It has actively sought membership of standard setting global organisations in securities markets and has continually sought to foster closer ties and collaboration with other stock exchanges and securities markets regulators. In particular as part of its strategy, the Exchange has sought the strengthening of ties with Exchanges and regulators in the Mediterranean region.

During 2000 the Exchange had started a series of discussions with these countries leading in 2001 to the signing of a number of Memoranda of Understanding to provide a mechanism for long term co-operation to facilitate the development of channels of communication and to cater for greater collaboration between the two parties for the respective benefit of the financial services in the countries concerned and to assist in the maintenance of orderly securities markets.

In February, the Exchange signed a Memorandum of Understanding with the Cairo and Alexandria Stock Exchange (CASE) to encourage and facilitate co-operation between it and the Exchange in the areas of communications, exchange of information, investor education, regulation and other matters of mutual interest.

In June a similar Memorandum of Understanding was signed with the Capital Markets Board of Turkey, laying particular emphasis on the exchange of information. Later on in the year in October, a third Memorandum was signed with the Cyprus Securities and Exchange

Commission. Currently, discussions relating to a Memorandum of Understanding are taking place with the Polish Securities Commission and it is hoped that this will be concluded and signed during the first quarter of 2002.

Premises

One of the highlights for the Exchange during the year 2001 was without doubt the move to its new premises in the capital, Valletta.

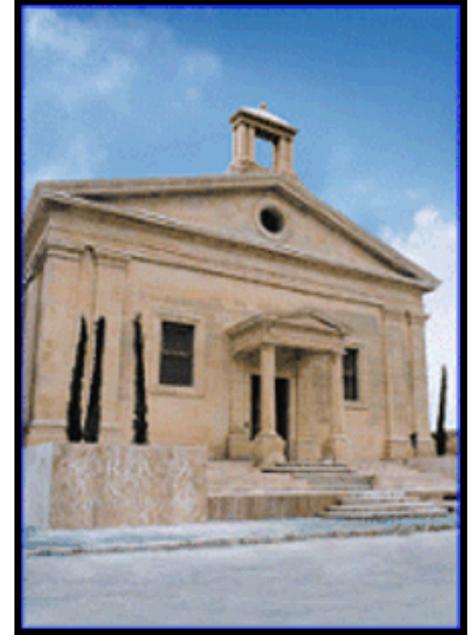
The final transformation of the 150-year old building into an ultra-modern Exchange took just under 24 months to complete, with the Exchange moving all its operations to the new building in mid-August.

Being a historic building situated in one of the most prominent sites of an even more historic city, the restoration and refurbishment process into a modern day financial institution was fraught with difficulties, however, with the assistance and co-operation of all concerned – architects, consultants, contractors – and most of all the Exchange staff – the Exchange could finally realise its dream of having a premises worthy of its status in the local financial scene.



Central to the design of the new premises was the need to preserve and restore all the historical features of the existing site including the outer shell of the building itself, the remains of part of a bastion wall running right through the main axis of the building, as well as the beautiful timber truss supporting the pitched roof, which is unique to Malta and which had been concealed for several decades.

The resulting design based on contemporary materials including steel, glass and timber, allows attention to be focused on the superb ceiling while, at



the same time, it has succeeded in creating a modern, light and airy working space extending from deep within the bastion walls with interventions that are sympathetic to and enhance the historical fabric of the existing building itself.

The design of the building also allows for the use of innovative technology with regard to environmental control. Traditional technology used for cooling has been exploited by the use of the latest methods for environmental control based on the circulation of fresh air resulting in improved working conditions besides also saving on the use of artificially generated energy.

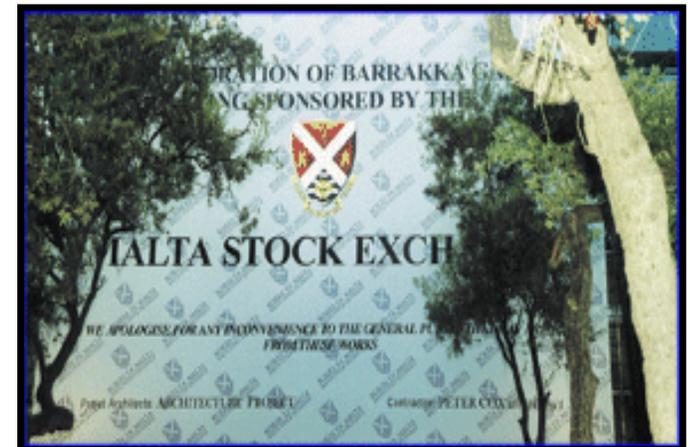


The use of the latest restoration technology and procedures by leading specialists in the field has ensured the retention of almost all the original timber and masonry which have been strengthened and enhanced to prevent further damage and to ensure that the building can function for the purpose for which it has been destined.

The Exchange's new premises has become one of the capital's most visited sites and the Exchange is indeed proud that even, in a small way, it has helped to preserve a part of the heritage of this beautiful city.

The Exchange is indeed conscious of the need of institutions and organisations such as itself to lead the way in assisting to preserve the heritage of our islands. To this end, besides refurbishing and restoring the Exchange's premises itself, the Exchange has also undertaken to finance the restoration of the main portico of the Upper Barrakka Gardens, Valletta's premier public gardens with fabulous views of the Grand Harbour and onto which the Exchange's premises overlook. The Exchange is also financing the restoration of Le Gavroches, one of the most magnificent statues by a prominent local artist, situated within the Barrakka Gardens.

The Exchange hopes to become more involved with the preservation of its surrounding historic environment and is seeking ways how this can be done and how to revitalise this lovely corner of our capital city.



Official Opening



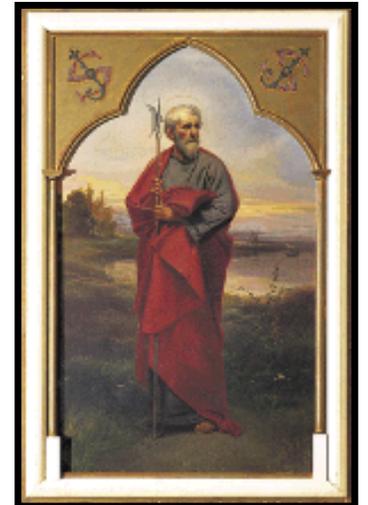
The Exchange organised a number of activities to celebrate the culmination of a decade old dream of moving to its new premises.

The Exchange invited representatives from Exchanges all over the world to join in these celebrations which culminated in the Official Opening Ceremony on 6 October 2001 when the Hon John Dalli, Minister of Finance, declared the building officially opened.

Several local dignitaries also attended these celebrations including H.E. Prof Guido De Marco, President of Malta, Cabinet Ministers, Chairmen of listed companies, stockbrokers etc. H.E. the President also hosted an Official Dinner for all the foreign guests attending the celebrations and kindly agreed to loan the Exchange a painting of St Paul for the opening ceremony - one of several life-size paintings of the Apostles and Old Testament Prophets by Giuseppe Cali' (1846-1930) which had originally hung in the Garrison Chapel (now the Exchange premises) and now were housed at the Russian Chapel, San Anton Palace, the President's official residence.

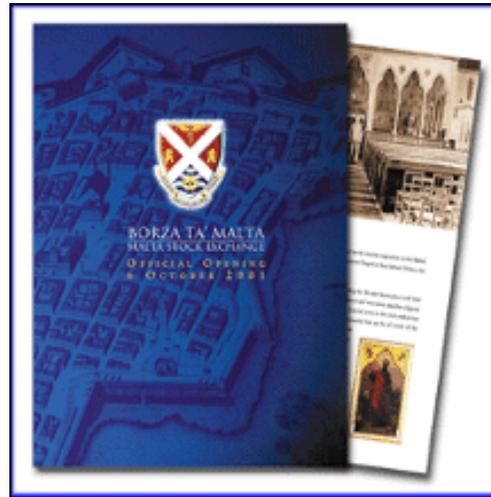


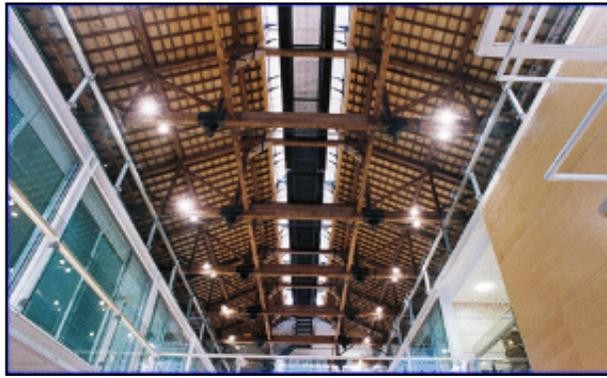
To coincide with the Official Opening celebrations, as has already been mentioned earlier in this Report, the Exchange hosted the Autumn Meeting of the Emerging Markets Forum of FESE and third meeting of the Capital Markets Regulatory and Supervisory Consultative Group. Regrettably, the planned meeting, co-hosted with NASDAQ, for Mediterranean and Middle Eastern Stock Exchanges could not take place due to circumstances beyond the control of the Exchange.





The official opening of the new premises on 6 October 2001 was indeed a night to remember not only for the hundreds of guests who thronged the premises but most of all for all those involved in the project and especially all the staff of the Exchange. This was indeed a time of celebration for them. Without their support, patience and total commitment to the Institution for which they work, this project could not have been possible. They should be justifiably proud of what they have achieved.





Exchange Operations and other activities

exchange operations

Market Performance during 2001

Market turnover on the Malta Stock Exchange reached a value of Lm169.5 million, an increase of almost 14% on the turnover value registered the previous year. This increase reflected a sharp rise in corporate bond business and in Government Stock business which exceeded the weaker equity market.

Thus, whereas in 2000 equity turnover accounted for a value of Lm81.2 million (or 54% of the total), 2001 saw this figure decrease drastically to Lm20.9 million, that is, 12% of the year's total market trading value.

Security	Number of Deals		Volume/No. of Shares		Market Turnover (Lm)	
	2001	2000	2001	2000	2001	2000
	Equities					
Bank of Valletta	1,398	3,151	1,278,095	3,549,887	4,692,306	18,190,815
HSBC Bank Malta	350	1,389	611,389	2,360,976	3,153,463	16,984,695
Lombard Bank	122	431	392,222	1,102,688	1,593,859	5,315,597
Middle Sea Insurance	382	386	969,713	492,258	2,453,307	2,118,224
SFC Ord	111	572	223,100	821,768	207,415	735,078
6% SFC Pref. Shares	42	121	4,752	8,865	47,407	87,900
Suncrest Hotels	14	82	70,030	117,094	33,262	80,367
Maltacom	2,752	6,487	3,720,138	10,243,862	6,577,588	30,266,000
International Hotel Investments	456	232	924,332	5,602,853	825,559	5,578,358
Plaza Centres	87	177	935,442	1,935,379	696,778	1,845,401
Globe Financial Mgt	158	-	1,179,560	-	326,840	-
FIM Bank	7	-	263,280	-	150,979	-
Datatrak Holdings	181	178	224,399	173,718	189,895	187,388
Total Equity	6,060	13,206	10,796,452	26,409,348	20,948,658	81,389,823
Corporate Bonds						
7.25% MMB/HSBC 2005	216	246	3,376,700	484,200	3,489,882	516,734
8.25% Suncrest Bonds	86	57	307,800	87,900	302,321	91,663
6.15% GFC 2003/4	24	32	252,000	163,000	249,572	165,623
6.5% GFC 2006/9	40	72	829,000	201,000	818,401	204,609
6.7% Corinthia 2009	117	192	1,140,100	650,400	1,119,732	662,405
6.15% BOV 2010	198	257	5,679,600	2,291,800	5,558,074	2,292,446
5% Int. Hotel Invest. 2010	7	16	124,100	32,500	121,572	32,106
8% BOV 2010 (US\$)	209	97	1,998,500	733,500	931,078	340,710
6.75% Utd Finance 2008	60	15	801,100	230,500	800,243	230,745
6.7% Eden Finance 2010	32	1	1,382,500	500	1,373,246	501
MG Priv. Plc Bonds 2005	23	-	165,500	-	159,171	-
6.5% CC Car Park 2006	27	-	96,800	-	97,166	-
Total Corporate Bonds	1,039	985	16,153,700	4,875,300	15,020,458	4,537,542
Malta Government Stocks						
Total MGS's	2,427	2,866	124,862,500	57,781,300	133,524,369	63,084,889

Total MGS's	2,427	2,866	124,862,500	57,781,300	133,524,369	63,084,889
Total all Securities	9,526	17,057	151,812,652	89,065,948	169,493,485	149,012,25

In contrast, business in the corporate bond market resulted in a market turnover value of Lm15 million, more than three times the turnover value of Lm4.5 million registered in these securities during 2000.

Business in Government stocks during 2001 also registered a considerable increase when compared to 2000 figures. Turnover in these securities in fact registered a total market value of Lm133.5 million, up from Lm63 million the previous year.

Comparative Trading Figures					
	Holdings in Lm Millions		Change in Lm Millions	% of Total	
	Dec-01	Dec-00		Dec-01	Dec-00
Central Bank	9.7	6.3	3.4	1.2	0.9
Commercial Banks	399.7	335.4	64.3	49.2	47.1
Non-Bank Sector*	403.3	371.0	32.3	49.6	52.0
TOTAL	812.7	712.7	100.0	100.0	100

* Including Collective Investment Schemes

The sharp decrease in equity business was reflected in the number of deals concluded on the market. During 2001 the number of deals effected totaled 9,526 as compared to the 17,057 concluded in the year 2000. The number of deals effected in Corporate Bonds increased slightly when compared to the previous year while those concluded in Government Stocks decreased slightly. However, in the equity market only 6,060 deals were concluded as compared to 13,206 the previous year.

In the equity market trading was heaviest in Maltacom plc shares, with 2,752 deals being struck involving 3,720, 138 shares for a market value of almost Lm6.6 million. Also heavily traded were bank of Valletta plc shares – 1,278,095 shares transacted, spread over 1,398 deals and resulting in a market turnover value of almost Lm4.7 million.

Comparative Trading Figures					
Isin No:	Security Type:	Deals	Volume	% Volume	

Isin No:	Security Type:			Deals	Volume	% Volume
10224	3%	LDRS	2001	2	2,000	0.002%
10513	6.50%	MGS	2001	5	10,500	0.008%
10554	6.50%	MGS	2001 (II)	30	619,000	0.496%
10646	6.75%	MGS	2001 (III)	13	37,300	0.030%
10679	6.75%	MGS	2001 (IV)	10	226,500	0.181%
10836	6.15%	MGS	2001 (V)	4	136,700	0.109%
10406	7.75%	MGS	2002	130	737,600	0.591%
10596	6.90%	MGS	2002 (II)	45	296,200	0.237%
10620	6.90%	MGS	2002 (III)	41	297,600	0.238%
10760	6.90%	MGS	2002 (IV)	29	1,712,100	1.371%
10448	7%	MGS	2003	38	13,135,600	10.520%
10463	7%	MGS	2003 (II)	116	8,906,100	7.133%
10489	6.70%	MGS	2004	75	1,186,400	0.950%
10802	6.80%	MGS	2004 (II)	35	1,106,200	0.886%
10737	7.25%	MGS	2005	54	6,132,700	4.912%
10877	5.60%	MGS	2005 (II) A	53	5,470,100	4.381%
10562	7%	MGS	2006	66	634,900	0.508%
10653	7.25%	MGS	2006 (II)	89	2,055,800	1.646%
10687	7.25%	MGS	2006 (III)	42	1,051,900	0.842%
10778	7.35%	MGS	2007 (I)	58	6,859,400	5.494%
10851	5.90%	MGS	2007 (II)	11	345,600	0.277%
10935	5.60%	MGS	2007 (III)	28	418,700	0.335%
10794	7.20%	MGS	2008	32	6,165,100	4.938%
10810	7.20%	MGS	2008 (II)	77	10,549,600	8.449%
10893	5.90%	MGS	2009 (II)	59	4,939,000	3.956%
10968	5.90%	MGS	2009 (III)	6	63,500	0.051%
11024	5.90%	MGS	2009 (III) FI	2	150,000	0.120%
10919	5.90%	MGS	2010	10	203,000	0.163%
10927	5.75%	MGS	2010 (II)	6	160,500	0.129%
10711	7.50%	MGS	2011	48	1,313,400	1.052%
11008	6.25%	MGS	2011 (II)	52	1,810,500	1.450%
10745	7.80%	MGS	2012	93	11,131,500	8.915%
10786	7.80%	MGS	2013	111	10,308,000	8.255%
11016	6.35%	MGS	2013 (II)	20	289,000	0.231%
10976	6.60%	MGS	2014	139	2,020,400	1.618%
10992	6.45%	MGS	2014 (II)	59	1,012,500	0.811%
10943	6.10%	MGS	2015	169	4,678,300	3.747%
10984	6.65%	MGS	2016	144	1,435,500	1.150%
10828	7.80%	MGS	2018	165	12,042,900	9.645%
10901	6.60%	MGS	2019	261	5,210,900	4.173%

10901	6.60%	MGS	2019	261	5,210,900	4.173%
Totals: (2001)				2,427	124,862,500	100
Totals: (2000)				2,866	57,781,300	100

The Corporate Bond market was very active during 2001 with 1,039 deals being concluded resulting in a market turnover value of over Lm15 million. The 7.25% HSBC 2005 bond and the 6.15% Bank of Valletta 2010 bonds were the most actively traded in during the year under review. Business in these two bonds resulted in a turnover of Lm3.5 million and Lm5.6 million respectively.

Turnover in the Government Stock market reached a value of Lm133.5 million as compared to Lm63 million in 2000. This significant increase was not reflected in the number of deals concluded which declined from 2,866 in 2000 to 2,427 in 2001. During 2000 market turnover had been concentrated in one of the longest terms bonds, the 7.8% MGS 2018. This bond remained very popular with both large and small investors, however, the longest term bond, the 6.6% MGS 2019 was the most heavily dealt in by the smaller investor (average deal just under Lm20,000) during 2001. At the same time business was also fairly evenly distributed between some short and medium term bonds, such as the 7% MGS 2003 (I) and (II) issues; the 7.2% MGS 2008 (II) issue; the 7.8% MGS 2012 and the 7.8% MGS 2013.

The Malta Stock Exchange Share Index

The Malta Stock Exchange Share Index (the Index) includes all ordinary shares listed on the Official List, weighted according to the number of shares in issue for each company. The prices taken in the computation are the trade weighted moving average price for each equity recorded on a daily basis.

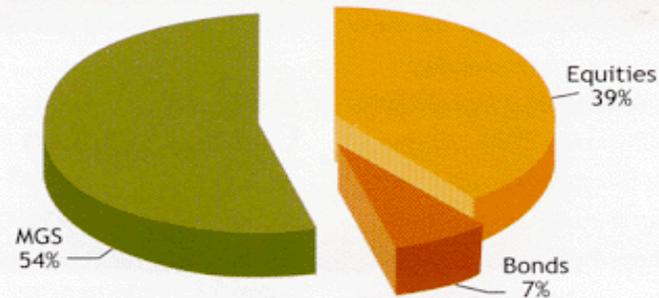


The overall decline in equity price levels during 2001 was reflected in the value of the Index which ended the year at a value of 2200.134 compared to 3375.72 the previous year, a decrease of just over 30%.

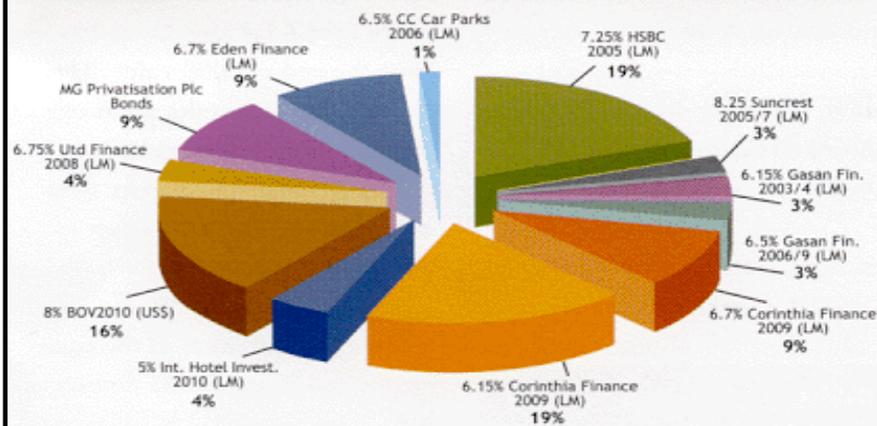
Market Capitalisation

At the end of December 2001 the market capitalisation of securities (excluding Collective Investment Schemes) listed on the Malta Stock Exchange stood at a value of just under Lm1.6 billion, down 9% from the end of 2000 value. This negative effect was the result of the overall decline in equity prices during the year which more than offset the expansionary effect of the new listings.

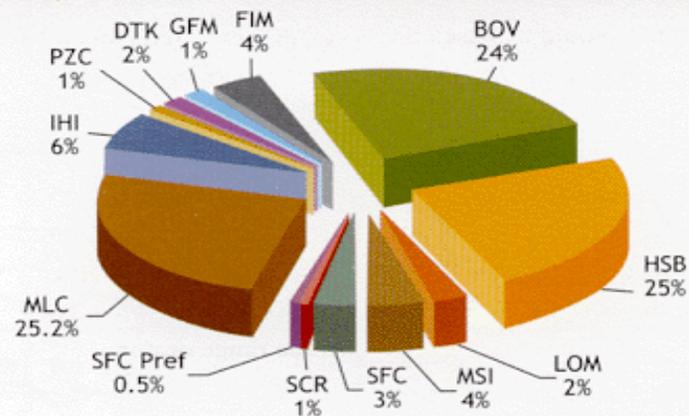
Total Market Capitalisation by Instrument



Market Capitalisation - Corporate Bonds



Market Capitalisation - Shares



Market capitalisation of the equity market fell from Lm882 million at the end of 2000 to Lm610 million at the end of 2001. At the same time, the market capitalisation of the Corporate Bond market increased marginally from Lm106 million to Lm108 million whilst that of the

Malta Government Stock market went up from Lm742 million to Lm853 million at the end of 2001.

By the end of the year fifty (50) local Collective Investment Schemes had been granted a primary listing on the Malta Stock Exchange having a market capitalisation of just over Lm249 million.

Trading

Remote Trading

The trading session of Friday,

7 September 2001 was the end of an era as it was the last trading session of the Malta Stock Exchange to take place on the Floor of the Exchange.

The following trading session, on Monday, 10 September 2001 marked the beginning of another phase in the development of trading in the Malta Stock Exchange, when the Minister of Finance launched remote trading.

This means that the trading floor, which previously provided the market place where stockbrokers could meet to deal in securities on behalf of their clients, ceased to exist because through the electronic trading system stockbrokers can now trade directly from their offices utilising up to



date communication channels. However, the implementation of remote trading has in fact involved no changes in trading procedures other than minimal ones in administrative procedures. Therefore, no re-training of Exchange staff or stockbrokers was necessitated by this changeover.

This is another natural development in this day and age of advancement in technology. Indeed, remote trading was envisaged as far back as 1995 when the Exchange changed over from manual to electronic trading. At the time, it was borne in mind, when selecting the electronic trading system, that this was the

first step towards remote trading and the chosen application needed to have this capability. Indeed, with this development also in mind, the new premises of the Exchange was in fact designed without a trading floor. For the few weeks between the move to the new premises and the launch of remote trading, a temporary floor was in fact set up in the Exchange's conference room.

This new development in the trading system offers an opportunity for stockbrokers to operate like a retail outlet and provide immediate service

to investors. It also paves the way for an eventual extension of trading hours and the possibility of foreign brokers, when the legislation permits, to trade directly on the Malta Stock Exchange.

In his address when inviting the Hon Minister of Finance to officially trigger remote trading the Chairman of the Exchange, Mr. Alfred Mallia stressed the importance of this development saying that “...*this system puts the Malta Stock Exchange in the international class bracket ...*”.

The first deal traded remotely was deal of 1,000 Globe Financial Management Shares traded through Epic Stockbrokers Ltd on both sides of the deal.

Trade Weighted Average Moving Price (TWAMP)

Ever since trading operations commenced, the Exchange has been concerned about the significant fluctuation in prices that very small deals sometimes bring about. In an effort to dampen such effect, the Exchange had, therefore, introduced the trade weighted average price; i.e. the average price of all deals effected in a specific security on a particular trading day.

Daily trading was introduced in 1998. This was not influenced by the increase in the number of transactions registered at the time but primarily because daily trading was a pre-requisite for the Exchange to attain full membership of FIBV. This had the effect of spreading even more thinly already small trading volumes and therefore, negating the corrective effect of the trade weighted price.

In February 2001 the Exchange, therefore, introduced a trade weighted average moving price (TWAMP) based on the aggregate volume /value of the last five trading sessions in which a particular security was last traded in. As a result TWAMP would be based on at least five transactions. Trade ranges, the MSE Share Index and market capitalisation were also to be established in relation to TWAMP. Currently the Exchange is considering new parameters for calculating the average price.

Share Price Trade Ranges

Trade ranges are a tool designed to protect unwary investors from excess fluctuations in price levels taking place at very short time intervals. This tool, in one form or another, is a feature common to many Exchanges around the world.

Trade ranges on the Exchange at the beginning of the year consisted of a band of 10% in which trades can take place. The band is calculated by taking the trade weighted average moving price of the security and calculating an upper limit of 5% and a lower limit, also of 5%, based on

that average price. Trades are therefore, only valid if they take place within the trade range of a particular security.

Following consideration of the market since the introduction of TWAMP, the Exchange agreed to widen the trade ranges . Towards the end of 2001 the trade range band was, therefore, increased to 14%, i.e 7% +/- TWAMP.

Stalemates

A trade will only be concluded at the price level which is agreed to by both the buyer and the seller. In the case of the Malta Stock Exchange, if this price happens to fall with the 14% band of the trade range, the trade will take place. It is clear that if neither the buyers nor the sellers are willing to move from their respective positions, then no trades can take place, whether there is a trade range or not.

However, it is quite possible also that there may be circumstances where trade ranges can inhibit trading such as when both buyers and sellers hold positions outside of the trade range. In such cases it is obvious that, though buyers and sellers may agree on the price outside the range, the deal is frozen because it is not within the range.

Such situations may therefore lead to a “stalemate” in the market for that security. In fact the Exchange has noted that such “stalemate situations” have arisen in the market.

The Exchange examined this situation and decided that when such a situation develops and in order to breach the deadlock a “stalemate” is declared and should no trading take place on the market in a particular security for three consecutive trading sessions following the declaration of the “stalemate” the market in that security will open with a new trade range based on the upper or lower market of the existing range as deemed appropriate in the circumstances.

Listing

New Admissions

During 2001 there were several new listing on the Exchange, in particular there was a considerable increase in the number of Collective Investment Schemes admitted to the Official List. During the year there was also the first listing of an equity denominated in a foreign currency.

New Admissions during 2001

Equities :

40,436	Lombard Bank Ordinary Shares of 50c Nominal (following a bonus issue)
35,000,000	Globe Financial Management plc Ordinary Shares of 2c5 Nominal
46,000,000	First International Merchant Bank plc Ordinary Shares of US\$0.5 Nominal

Corporate Bonds :

Lm1,500,000	6.5% CC Car Parks Plc Bonds 2006
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Government Stocks :

Lm30,000,000	6.65% MGS 2016
Lm30,000,000	6.45% MGS 2014 (II)
Lm40,000,000	6.25% MGS 2011 (II)
Lm27,800,000	5.9% MGS 2009 (III) - Fungible Issue
Lm26,000,000	6.35% MGS 2013 (II)

Collective Investment Schemes - Primary Listing :

10 Sub-Funds	Five Arrows International Managed Portfolio Funds
1 Sub-fund	Edinburgh Unit Trust Managers Ltd
4 Sub-funds	Gasar Funds SICAV plc
4 Sub-funds	Melita International Funds SICAV plc
1 Sub-fund	Vilhena Funds SICAV plc

Collective Investment Schemes - Secondary Listing :

13 Sub-funds	HSBC International Capital Secured Growth Funds plc
3 Sub-funds	Fidelity Funds SICAV
12 Sub-funds	Privilege Portfolio SICAV
2 Sub-funds	Lloyds TSB Offshore Funds Ltd

Market Capitalisation - Local Collective Schemes

Name of Funds	No. of Units	Class	Denom.	Market
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Name of Fund: 30 December 2001	No of Units at month end	Currency	Closing Price	Rate	Market Capitilisation
La Valette Global Fund	1,283,455	Stg	0.9707	1.5328	812,793
La Valette Capital Growth Fund	8,245,798	Stg	1.3171	1.5328	7,085,426
La Valette Malta Fund	10,617,816	Lm	1.8560	1.0000	19,706,666
La Valette Malta Bond Fund	152,862	Lm	137.5760	1.0000	21,030,134
La Valette Developing Country High Yield Fund	526,746	US\$	0.8850	2.2098	210,956
La Valette European Bond Fund	1,437,853	Euro	1.0762	2.5016	618,571
La Valette European Opportunities Fund	16,957,640	Euro	0.8843	2.5016	5,994,420
La Valette International Equity Fund	5,223,565	US\$	0.6999	2.2098	1,654,436
La Valette Far East Opportunities Fund	3,042,153	US\$	0.6740	2.2098	927,872
La Valette Euro Money Fund	442,551	Euro	1.0553	2.5016	186,690
La Valette Sterling Money Fund	544,198	Stg	1.0605	1.5328	376,515
La Valette United States Dollar Money Fund	823,176	US\$	1.0435	2.2098	388,716
Amalgamated Growth & Income Fund	20,695,009	Lm	0.5943	1.0000	12,299,044
Wignacourt Malta Fund	16,765,478	Lm	0.7360	1.0000	12,339,392
Vilhena Malta Fund	60,676	Lm	142.9710	1.0000	8,674,844
Vilhena Malta Government Bond Fund	116,666	Lm	127.0480	1.0000	14,822,127
Vilhena Top 100 Fund	6,241,596	US\$	0.9025	2.2098	2,549,118
Global Bond Fund Plus	10,716,319	Lm	1.0125	1.0000	10,850,273
Malta Privatisation & Equity Fund	13,563,284	Lm	0.6804	1.0000	9,228,458
Tri-Med Malta Accumulator Fund	246,190	Lm	142.1600	1.0000	34,998,401
HSBC No Load - Malta Government Bond Fund	106,651	Lm	114.2600	1.0000	12,185,966
HSBC No Load - Maltese Assets Fund	190,730	Lm	115.6800	1.0000	22,063,592
HSBC International - Universal Fund	28,199	US\$	78.6800	2.2098	1,004,010
HSBC International - Far East Equity Fund	14,329	US\$	51.6100	2.2098	334,658
HSBC International - Pan American General Fund	13,134	US\$	82.0000	2.2098	487,387
HSBC International - European Equity Fund	61,636	Euro	93.3200	2.5016	2,299,277
HSBC International - UK General Fund	12,312	Stg	96.8600	1.5328	778,035
Turkish Garanti DM Capital Growth Fund	741	DM	1449.5000	4.8927	219,527
Melita International - Technology Fund	2,813,147	US\$	0.3058	2.2098	389,293
Melita International - Technology Fund	767,300	Lm	0.3101	1.0000	237,940
Melita International - Equity Fund	1,450,422	US\$	0.6160	2.2098	404,317
Melita International - Equity Fund	226,930	Lm	0.6437	1.0000	146,075
Melita International - China Opportunities Fund	219,461	US\$	0.9279	2.2098	92,152
Melita International - US\$ Bond Fund	587,280	US\$	0.9047	2.2098	240,434
Melita International - LM Bond Fund	126,628	Lm	0.8689	1.0000	110,027
Five Arrows Int Mng Port Fd- UK Cap Growth Port	519,949	Stg	14.4020	1.5328	4,885,377
Five Arrows Int Mng Port Fd- Bal Income & Growth Port	1,191,316	US\$	13.3960	2.2098	7,221,861
Five Arrows Int Mng Port Fd- Bal Income & Growth Port	457,083	Stg	14.3560	1.5328	4,280,978
Five Arrows Int Mng Port Fd- Int Cap Growth Port	614,817	Stg	13.6190	1.5328	5,462,678
Five Arrows Int Mng Port Fd- Int Cap Growth Port	1,213,085	US\$	12.9750	2.2098	7,122,716
Five Arrows Int Mng Port Fd- Asian Capital Growth	164,100	US\$	10.5810	2.2098	785,746
Five Arrows Int Mng Port Fd- European Capital Growth	1,437,200	SF	17.8560	3.7053	6,925,929
Five Arrows Int Mng Port Fd- Eur Bal Income & Growth	484,020	SF	15.8250	3.7053	2,067,205
Five Arrows Int Mng Port Fd- European Capital Growth	220,500	Euro	8.9010	2.5016	784,566
Five Arrows Int Mng Port Fd- Eur Bal Income & Growth	841,500	Euro	9.5390	2.5016	3,208,774
Gasans Funds Sicav PLC - Enterprise Fund	152,203	Lm	1.0278	1.0000	156,434
Gasans Funds Sicav PLC - Int. Equity Growth Fund	306,726	Euro	0.9669	2.5016	118,554

Gasan Funds Sicav PLC - Enterprise Fund	152,203	Lm	1.0278	1.0000	156,434
Gasan Funds Sicav PLC - Int. Equity Growth Fund	306,726	Euro	0.9669	2.5016	118,554
Gasan Funds Sicav PLC - Int. Diversified Growth Fund	331,123	Euro	0.8990	2.5016	118,996
Gasan Funds Sicav PLC - Int. Lower Risk Fund	324,582	Euro	0.9269	2.5016	120,265
Edinburgh Managed Growth Portfolio	n/a	Stg	n/a	1.5328	n/a
Total in Lm					249,007,622
Total in Euros					622,917,467
Total in US\$					550,257,043
Total in Stg					381,678,883

Cancellation of Listing

As a result of developments in Fidelity Funds SICAV, two of its sub-funds were suspended from listing. Subsequently, both these sub-funds – the Selection International Fund and the Selection Europe Fund – had their listing cancelled in February 2001.

Delisting

The following Collective Investment Schemes were delisted during 2001 :

Lazard Global Bond Fund plc – Sterling Reserve Fund

Lazard Global Equity Fund plc – Latin American Fund

Putnam World Trust Fund II – 13 sub-funds

Redemptions

The following nine (9) Government Stock Issues were redeemed during 2001 :

Security	Nominal (Lm)
3% LDRS 2001	500,000
3% LDRS (II)	500,000
3% LDRS (III)	1,000,000
3% LDRS (IV)	700,000
6.5% MGS 2000	12,000,000
6.5% MGS 2001 (II)	10,000,000
6.75% MGS 2001 (III)	9,000,000
6.75% MGS 2001 (IV)	7,500,000
6.15% MGS 2001 (V)	22,600,000
Total	53,800,000

Securities Listed on the Exchange

Following the above changes regarding securities listed on the Malta Stock Exchange at the end of 2001 the following securities appeared on the Official List and the Alternative Companies List of the Exchange at the end of 2001

Equities :
11 Ordinary Shares
1 Preference Share
Corporate Bonds:
12 Corporate Bonds
Government Stocks:
37 Government Stock Issues
Collective Investment Schemes :
50 Funds - Primary Listed
263 Funds - Secondary Listed

Besides the above a further ordinary share is listed on the Alternative Companies List.

Central Securities Depository

The number of accounts held within the Central Securities Depository (CSD) increased from 110,000 at the end of 2000 to over 125,000 at the end of 2001, reflecting the increase in the number of securities listed on the Malta Stock Exchange. These accounts represent 56,000 individual investors across all the registers. The largest number of individual shareholders (32,000) hold equity, while almost 26,000 hold Government Stocks and over 16,000 hold corporate bonds.

CSD Register Amendments for 2001

Amendment Type	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Causa Mortis	56	66	54	98	181	92	105	195	40	151	44	44	1,126
Garnishee Interest	8	6	3	3	2	5	9	7	4	16	7	7	77
Garnishee Release	0	4	2	14	2	2	1	1	7	6	2	2	43
Holder Amendments	217	139	62	67	53	114	65	135	84	151	82	49	1,218
Mandate/Power of Attorney	203	63	45	111	154	117	85	71	33	99	4	4	989
Bought Movements	1,491	828	879	747	954	723	477	464	563	891	564	564	9,145
Sold Movements	1,491	828	879	747	954	723	477	464	563	891	564	564	9,145
Release of Estates	80	59	130	190	141	49	167	80	130	256	132	132	1,546
Off-Market Transfers	24	6	6	4	6	8	3	7	16	2	10	10	102
Pledge Insert	90	64	96	78	81	66	76	73	53	79	79	48	883
Pledge Release	74	72	53	41	57	40	42	59	36	55	56	23	608
Total	3,734	2,135	2,209	2,100	2,585	1,939	1,507	1,556	1,529	2,597	1,544	1,447	24,882

Despite the increase in the number of accounts held within the CSD, the number of amendments effected during 2001 decreased drastically from almost 42,000 during the year 2000 to just under 25,000 effected during the year under review. This decrease was a result of the reduced trading activity during the year which almost halved the number of bought/sold movements registered when compared to the previous year's figures.

During the year under review, the CSD processed almost 132,000 dividend and interest cheques for a value of almost Lm60 million.

Dividend Payment Report for the year 2001		
	Gross Amount (in Lm)	No of Warrants
January	5,199,998	8,838
February	3,953,408	7,168
March	6,578,672	13,763
April	3,960,013	11,688
May	4,259,825	7,247
June	3,184,053	13,060
July	5,214,562	8,758
August	3,945,908	7,086
September	6,084,250	13,865
October	8,512,593	17,731
November	4,977,325	9,759
December	3,184,053	13,021
Total	59,054,659	131,984

Following the introduction of remote trading, in order to facilitate communication with the CSD during trading hours, a CSD trading terminal has been set up. This enables traders to send any queries regarding clients' accounts via their remote trading terminal straight through to the CSD terminal and vice versa.

Throughout the year the CSD processed the applications and undertook all primary issue procedures for the new Government Stock issues and also undertook primary issue procedures for the other newly issued equities and corporate bond. Notification of registration in respect of all new issues was sent to all new holders and at the end of the year Statements of Holdings were issued to all investors registered within the CSD.

Compliance

In December 2001 Compliance Office concluded its programme of inspection visits to all the stockbroking firms. Each stockbroking firm was visited a number of times during the year in order to address all aspects of stockbroking operations including the maintenance of the order log book and accounting practices.

Besides these programmed visits Compliance Office also conducted initial visits to newly set up stockbroking firms in order to ensure that all regulatory procedures had been set up as required.

At the same time Compliance Office also undertook a number of surprise visits to stockbroking firms in order to confirm certain movements that had occurred in the market. In this respect, Compliance Office also requested sight of individual order forms as part of market monitoring investigations.

Market Monitoring

Market monitoring constitutes an important part of the Exchange's surveillance procedures, providing the most immediate information of the market.

In view of the implementation of remote trading, market monitoring has assumed even greater importance. Compliance Office constantly monitors trading not only with a view to ensuring that the market is conducted in an orderly fashion but also to assist brokers trading remotely, should the need arise. Procedures have in fact been put in place in order that communications with regards to trading/CSD between the Exchange and the stockbrokers can take place as much as possible, through the trading terminals themselves.

Continuing Listing Obligations

During 2001 the listed companies and Collective Investment Schemes issued 197 Company Announcements in terms of the Bye-laws as follows :

January	9
February	15
March	18
April	17
May	15
June	17
July	8
August	18
September	44
October	12
November	7
December	17
Total	197

This figure was more than twice the number of Company Announcements issued last year, the increase being largely due to the considerable number of newly listed Collective Investment Schemes.

Listing Procedures

With the increase in the number of listing applications it is imperative that procedures are maintained to ensure the smooth processing of listing applications whilst retaining the highest standards. The Exchange, therefore, feels that adherence to the Bye-laws in respect of listing procedures must be ensured by all parties concerned.

It was with this in mind that in March 2001 the Exchange issued a circular to all sponsoring stockbrokers referring to new listing procedures drawn up in order to facilitate the listing process.

This circular made reference to the documentation required in order for the Exchange to commence the processing of listing applications. These include the Advance Notification Form and the Listing Package consisting of the Formal Application; Declaration by the Sponsor; documents supporting the application and the relevant checklists. A sample of all these documents was included with the circular as guidance to the sponsors.

The principle of “*knowing your customer*” is at the basis of any sound prevention of money laundering legal regime. This principle essentially entails the positive ascertainment of the client’s identity prior to the stockbroker or his stockbroking firm providing any service to that same client.

The Bye-laws issued under the Malta Stock Exchange Act (Cap. 345) repeatedly mention this fundamental requirement expected from licensed stockbrokers and approved stockbroking firms. The Bye-laws list the methods applicable for stockbrokers to receive orders from clients that prescribe the standard of care to be adopted by a stockbroker who remains in doubt about the true identity of a client. In obtaining information on the identity of their clients, licensed stockbrokers are expected to comply with the rules of best practice contained in the “Prevention of Money Laundering Guidance Notes” issued by the Council of the Exchange.

In line with instructions addressed to licensed banks and life insurance and investment service providers with respect to any business or enquiry or transaction with any nominee involvement, the Malta Stock Exchange has, therefore, issued instructions to licensed stockbrokers to require, with respect to any new business or activity, evidence of the identity of the ultimate beneficiaries of any acquisition or disposal of, or request for advice or portfolio management services partly or wholly related to holdings of listed securities in which any nominee company or companies with nominee shareholders or trustees may be directly or indirectly interested.

A licensed stockbroker shall also retain a declaration from the nominee company or other company with nominee shareholders or trustees attesting to and assuming full responsibility for the completeness, accuracy and veracity of the said details of identity. The record of the details of identity of the ultimate beneficiary shall be retained by the licensed stockbroker separately and subject to the requirement of professional secrecy in terms of the Malta Stock Exchange Act (Cap. 345) and the Professional Secrecy Act (Cap. 377).

The Malta Stock Exchange Act (Cap. 345)

In 2000 amendments to the current financial legislation had been announced, among which were proposed amendments to the Malta stock Exchange Act (Cap. 345). The proposed amendments to the Act would be wide-ranging, including the removal of its regulatory powers in particular the granting of admission to listing and the licensing of stockbrokers as well as the removal of the exclusivity of trading on the Exchange for locally listed securities. The amended legislation would, in conjunction with other financial laws, it was envisaged, pave the way for the possibility of multi trading platforms, cross listing and the licensing of foreign stockbrokers to trade locally.

These proposed amendments had been presented to the general public in December 2000. During the following year the Exchange continued to consider and review the proposed amendments while at the same time preparing its organisation and amending current regulations to be in line with the new legislation once this is enacted. It is envisaged that the proposed new legislation would come into force in early 2002.

Amendments to the Bye-laws of the Malta Stock Exchange

Following the introduction of the Trade Weighted Average Moving Price (TWAMP) in February 2001, minor amendments were made to the Bye-laws to amend any reference to TWAP to read TWAMP. At the same time slight amendments were made to the applications (included as appendices to the Bye-laws) with respect to listing on the Official List and the Alternative Companies List.

In August 2001 a new clause was added to the Code of Conduct for Members, also included as an appendix to the Bye-laws, setting out conditions for the operation of web-sites and other electronic networks by licensed members.

Later on the same month, Chapter 5 of the Bye-laws dealing mainly with trading was extensively amended. All bye-laws in this Chapter dealing with trading procedures were removed from the main text of the Chapter and included an appendix for easier reference. At the same time new bye-laws dealing with access to the trading system, installation and termination of access to the trading system and systems failure were included in this Chapter. These amendments came into force during September upon commencement of remote trading.

In October 2001 the Exchange introduced new bye-laws to include a Code of Principles of Good Corporate Governance to provide a concise guide on the obligations of directors of listed companies and how these may be performed.

Adherence to the Code was not made mandatory however, listed companies would be required to include a “Statement of Compliance” in their Annual Report to the extent to which these Principles have been adopted and the effective measures that they have taken to ensure compliance with these Principles. Furthermore, auditors of listed companies are to include a report on the “Statement of Compliance” made by the listed company.

The Council recognises that adherence to the Code may require considerable changes to the corporate structure of listed companies. Listed companies have, therefore, been advised that inclusion of the “Statement of Compliance” would be required as from the Annual Report for 2002.



Council Notice 1 - Fees and Other Charges

As announced early in December 2000, amendments to Council Notice 1 dealing with all fees and charges levied by the Exchange became effective on 1 January 2001. These amendments included the full liberalisation of the fixed brokerage regime in place since 1992 and the basis of calculation of the stockbroking firm fees. Other amendments included the reduction of some of the registry fees levied to listed companies while the waiver on initial listing fees in respect of equity issues remained in force.

Later on in the year, further amendments were made to

Council Notice 1 in respect of fees to be levied in connection with remote trading. These included a connection fee and an annual fee.

Investor Education

The Exchange has always deemed investor education as being an integral part of its responsibilities as regulator of the local capital market. Ever since its inception, therefore, the Exchange has expended considerable effort in endeavouring to educate the general body of investors



through participation in seminars, conventions, newspaper articles etc. Visits by school children in the upper grades of secondary school have been continuous during the Exchange's 10 year history. Exchange staff have also increasingly been asked to lecture during the various courses being held locally.

In its continued efforts to increase public awareness and knowledge about the local capital market in particular and the financial sector in general, in April 2001 the Exchange organised the first course aimed at the general public. This

course consisting of eight lectures, all presented by Exchange executives, covered

all the functions, operations and responsibilities of the Exchange and other general aspects of the local financial sector. Response from the public was overwhelming and a second course was held in May/June of the same year. It is envisaged that these course will start again early in 2002.

Later on in the year, following a recommendation by FESE, the Exchange commenced discussions with listed companies regarding the possibility of holding regular meetings with the public. These meetings, held under the auspices of the Exchange, would serve to maintain contact between the listed companies and their shareholders and prospective shareholders (other than the AGM) and to discuss matters of mutual interest outside

the formality of the AGM. It is envisaged that these meetings would commence early in 2002.

In May 2001, Mr. Alfred Mallia, Chairman, participated in a public discussion organised by the Association of Shareholders while later on in the month the General Manager formed part of a discussion panel in a seminar on Corporate Governance organised by the Malta Financial Services Centre and the Institute of Directors.

Visitors to the Exchange

During the year the Exchange welcomed a number of distinguished visitors both local and foreign.

A Mission headed by the Deputy Secretary General of the FESE, Mr. Gregor Pozniak and including Ms Antonella Amadei from the Borza Italiana and Mr. Mats Wilhelmsson from the Stockholm Stock Exchange, visited the Exchange in April as part of the validation process for the Exchange to become an Associate Member of FESE. During their visit, mission members also had meetings with the EU Directorate, MFSC and Central Bank officials. Particular areas discussed with the Mission were EU Directive compliance and regulation. Subsequently, on 14 June 2001 the Malta Stock Exchange was elected as an Associate Member of FESE during the General Assembly held in Paris.

H.E. Mr. Giancarlo Riccio, Ambassador for Italy to Malta, paid a visit to the Exchange when he met the Chairman to discuss matters of mutual interest primarily the possibility of cross listing. Later on in the year, H. E. Mr. Riccio, again visited the Exchange, this time at its new premises, to visit the new building and to continue discussions commenced

during his previous visit.



During the year the Exchange welcome other members of the Diplomatic Corps including the British High Commissioner to Malta and the Ambassadors of Egypt, Tunisia and China respectively. Discussions covered a variety of topics including technical assistance and the possibility of closer ties between Exchanges in the Mediterranean region.



Following the move to the new premises the Exchange invited all the licensed Members to visit its new offices which was also an opportunity to discuss the imminent introduction of remote trading.

Shortly after, the Media were also invited to visit the Exchange. In his address to the Media on this occasion, the Chairman spoke about the new offices and gave a brief outline of the programme drawn up to celebrate the Official Opening of the new premises.

Mr. Mallia also spoke of remote trading which was due to be implemented shortly and the possibilities and opportunities for closer relationships between capital markets in the Mediterranean region.

On 10 September 2001 the Minister of Finance, Mr. John Dalli, officiated at the first official occasion to be held at the new Exchange building when he launched the first trading session to take place remotely.



Less than a month later Minister Dalli officially inaugurated the new building in the presence of several local dignitaries and representatives from various Exchanges and Capital Market Regulators from around Europe.

In mid-October Dr Edward Fenech Adami, Prime Minister paid an official visit to the Exchange when he had the opportunity to view the new premises and to meet all the staff of the Exchange as well as licensed Members. In a short address, the Prime Minister spoke of the important role that the Exchange had carved for itself in the local financial scene and pledged his support for its continued development. He concluded by expressing his pleasure at seeing the newly refurbished building and the lead taken by the Exchange in concluding such a project.



Members

Membership

The year 2001 saw a further rise in the number of stockbrokers licensed by the Council in terms of the Malta Stock Exchange Act (Cap. 345). Two (2) new stockbrokers were licensed during the year, one of whom was to operate through a firm set up by a Financial Services Organisation (FSO) while the other was to carry on his stockbroking business through a newly set up stockbroking firm. This firm commenced operations during the first half of January 2002. The stockbroker nominated by another FSO and licensed at the end of 2000 commenced operations on the Floor of the Exchange during January 2001.

Towards the end of 2001 three (3) stockbrokers operating through one firm split their operations and at the beginning of January 2002 commenced their stockbroking business through two separate firms. Another broker also ceased operating through an existing firm and would be resuming operations at a later stage once his new firm was set up.

At the end of 2001 the Exchange was also in the process of reviewing another application for a further stockbroker's license. The prospective stockbroker was to operate through an existing firm.

At the end of 2001 therefore, there were twenty (20) licensed stockbrokers including the Central Bank Stockbroker, operating through fourteen (14) different firms and the Central Bank in the case of the Central Bank Broker.

College of Stockbroking Firms

The first meeting of the College of Stockbroking Firms set up in July 2000 following the issue of Legal Notice 124 in the same month was held on 31 January 2001. During this meeting the Members appointed by the stockbroking firms to represent them on the College elected Mr. Ivan J Burrige as Chairman; Mr. Joseph G P Bonello as Deputy Chairman and Mr. Jean P Gaffiero, to act as Secretary. Mr. Joseph G P Bonello resigned as Deputy Chairman of the College later on in the year and was replaced by Mr. Neil Crossey. The officials of the College are to hold office up to 31 March 2002

Accredited Representatives

A number of new Accredited Representatives were approved by the Exchange during the year following the successful completion of the requisite training and examination. The new Accredited Representatives mainly pertain to the new stockbroking firms that commenced operations during late 2000 and 2001.

At the end of the year there were 32 approved Accredited Representatives, one of whom has now applied for a licence as a stockbroker.

Financial Intermediaries

Four (4) new Financial Intermediaries were included on the Commission Sharing Register during the year under review. At the end of the year, therefore, fourteen (14) institutions and individuals had been approved to operate as Financial Intermediaries by the Exchange.

Stockbrokers

Mr. Paul V Azzopardi

Azzopardi Stockbrokers Ltd
Il-Piazzetta, Fourth Floor,
Tower Road, Sliema SLM 16
Tel: (356) 21313100, 21337403, 21320191, 21320404
Fax: (356) 318897

12/15 Vincenti Building
Strait Street, Valletta VLT O8
Tel: (356) 21250890 Fax: (356) 21232820

21 St Mary Street, Victoria, Gozo VCT 08
Tel: (356) 21558793 Fax: (356) 21318897

Mr. Joseph G P Bonello

Ms Elaine Bonello

Mr. Matthew Bonello

Financial Planning Stockbrokers Ltd
4 Marina Court, G Cali' Street, Ta' Xbiex MSD 14
Tel: (356) 21344243/4, 21344255 Fax: (356) 21341202

Mr. Ivan J Burridge

Ivan Burridge Stockbroking Ltd
1 Britannia House, 9 Old Bakery Street
Valletta VLT 09
Tel: (356) 21231492, 21250345 Fax: (356) 21239279

Mr. Alfred Calamatta

Calamatta Stockbrokers Ltd
5th Floor, Valletta Buildings, South Street
Valletta VLT 11
Tel: (356) 21237858, 21239192 Fax: (356) 21220509

3 Gelmus Court, Pope John Paul II Street
Victoria, Gozo

Tel: (356) 21564291 Fax: (356) 21564292

Mr. Neville A Curmi

Mr. David Curmi

Curmi & Partners Ltd
Finance House, Princess Elizabeth Street
Ta' Xbiex MSD 11
Tel: (356) 21347331/2 Fax: (356) 21347333

Mr. Vincent J Rizzo

Mr. Karol F Farrugia

Rizzo, Farrugia & Co. (Stockbrokers) Ltd
Airways House, Third Floor,
High Street, Sliema SLM 15
Tel: (356) 21333125, 21314038
Fax: (356) 21310671

Mr. Mark R Hogg

Hogg Capital Stockbroking Ltd
Regent House, Level 3, Suite 33, Bisazza Street
Sliema SLM 15
Tel: (356) 21322872/3, 21340385 Fax: (356) 21342760

Mr Wilfred Mallia

Charts Investment Management Services Ltd
18A Third Floor, Europa Centre, Floriana VLT 15
Tel: (356) 21224106, 21241121 Fax: (356) 21241101

Mr. Christopher J Pace

Globe Financial (Stockbrokers) Ltd
Suite 14, Portomaso Tower, St Julians
Tel: (356) 21388595/6 Fax: (356) 21388593

191 Merchant Str., Valletta VLT 10
Tel: (356) 21227451/3 Fax: (356) 21227454

Arcadia Commercial Centre, Level 3
Fortunato Mizzi Str., Victoria, Gozo VCT 108
Tel: (356) 21562228, 21565272/5 Fax: (356) 21564418

Mr. Jean Philippe Gaffiero

Atlas Stockbroking Ltd
Abate Rigord Str., Ta' Xbiex MSD 12
Tel: (356) 21322590/1 Fax: (356) 21322584

Ms Nicolette Magri

Epic Stockbrokers Ltd

Regent House, Suite 81, Bisazza Str., Sliema
Tel: (356) 21345859 Fax: (356) 21345853

Mr. Franco Xuereb

BOV Stockbrokers Ltd
Ground Floor,
Development House,
St. Anne Street, Floriana VLT 01
Tel: (356) 21227370/1/4 Fax: (356) 21227375

Mr. Carmel J Farrugia

HSBC Stockbrokers (Malta) Ltd
233 Republic Street,
Valletta VLT 08
Tel: (356) 21245284 Fax: (356) 21252504

Mr. George Dunbar Cousin

Lombard Stockbrokers Ltd
Level 5, The Mall Complex,
The Mall Floriana
Tel: (356) 21220002 Fax: (356) 21243280

Mr. Neil Crossey

21/10 Hever Court
Triq il-Molletta
Swieqi

Financial Intermediaries

APS Bank Ltd

APS House, 24 St Anne Square
Floriana VLT 16
Tel: (356) 21226644 Fax: (356) 21226202

Bank of Valletta plc

Head Office, 5th Floor
BOV Centre, High Street
Sliema SLM 15
Tel: (356) 21333229 Fax: (356) 21333278

FINCO Treasury Ltd

2nd Floor, Level 5, The Mall Complex
The Mall, Floriana VLT 16
Tel: (356) 21233041, 21237640, 21230610
Fax: (356) 21243280

Growth Investments Ltd

Middle Sea House, Floriana VLT 16
Tel: (356) 21226414/7 Fax: (356) 249811

HSBC Bank Malta plc

Head Office, Centru Ruzar Briffa
Mill Street, Qormi
Tel: (356) 21442972 Fax: (356) 21489405

HSBC Fund Management (Malta) Ltd

114 The Strand, Gzira GZR 03
Tel: (356) 21338839, 21338846 Fax: (356) 21338796

Lombard Bank Malta plc

67 Republic Street, Valletta CMR 03
Tel: (356) 21248411/8, 21232631 Fax: (356) 21246600

Valletta Fund Management Ltd

Level 6, The Mall Offices
The Mall, Floriana VLT 16
Tel: (356) 21227311 Fax: (356) 21234565

MZ Investment Services Ltd

MZ House, St Rita Street, Rabat RBT 05
Tel: (356) 21453739 Fax: (356) 21453407

Mr. Michael Grech

1 Mican Court, JF Kennedy Square
Victoria, Gozo VCT 111
Tel: (356) 21554492 Fax: (356) 21559199

Island Financial Services Ltd

44/2 South Street
Valletta VLT 11
Tel: (356) 21223355, 21224225/6 Fax: (356) 21243801

Globe Financial Management Ltd

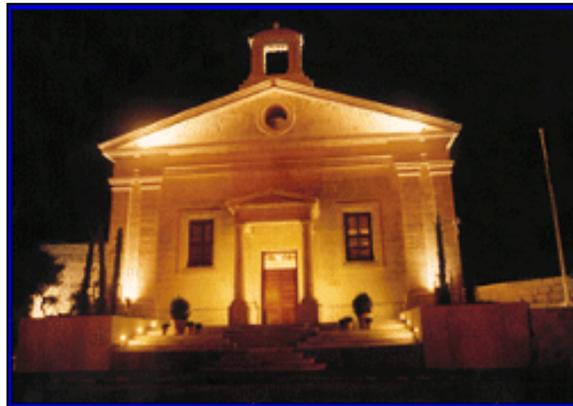
120 The Strand, Gzira
Tel: (356) 21310088 Fax: (356) 21310093

Elmo Investments Ltd

Alfred Craig Street
Ta' Xbiex
Tel: (356) 21347147 Fax: (356) 21347149

Joseph Scicluna Investment Services Ltd

Bella Vista Court, Level 3,
Triq Gorg Borg Olivier,
Victoria, Gozo VCT 111
Tel: (356) 21565707 Fax: (356) 21565706



Financial Report

financial report (year ended 31 December 2001)

The Malta Stock Exchange went through a number of major developments during the financial year ended 31 December 2001. The relocation of the Exchange to new premises in Valletta and the changeover from an onsite to a remote trading environment, were two important projects

which finally came to light during the past year and which had a major impact on the finances of the Exchange.

A surplus for the year of Lm91,000 before tax

A pre-tax surplus of *Lm91,000* was registered by the Exchange during the year 2001. The increase in operating income compared to the year 2000 is analysed in Note 4 to the audited financial statements. Fees paid by stockbrokers and financial intermediaries totalled *Lm120,000* during the year under review compared with *Lm146,000* during the year 2000. This contraction reflects the decline in market turnover during the past year. Listing fees, on the other hand, amounted to *Lm619,000* compared to *Lm556,000* during 2000, an increase of 11.3%. This increase in revenue can be explained by the 53 funds, two equities and one bond that were newly listed on the Exchange in 2001. At the same time, income generated from services offered by the Central Securities Depository remained roughly unchanged at *Lm319,000*.

On the expenditure side, expenses of an administrative nature increased by 16% from *Lm747,000* to *Lm870,000* during the year under review as outlined in Note 5 to the audited financial statements. This increase can be mainly attributed to expenditure related to the official opening of the Exchange's new premises and also an increase in staff costs.

The depreciation charge for 2001 has increased sharply in comparison with the previous year. Expenditure under this heading has, in fact, risen from *Lm66,000* to *Lm104,000* in the year under review, as premises and all related furniture fixtures and electrical fittings started to be depreciated. Note 8 to the audited financial statements provides a breakdown of this depreciation expense.

Increase in fixed assets during 2001

As already stated, investment in the Exchange's new premises in Valletta has been the major factor behind the cash outflows which took place during the year. The net book value of tangible fixed assets, which at the end of 2000 stood at *Lm777,000*, increased sharply during the year 2001 to reach *Lm2.3million*. Note 8 to the financial statements shows additions of *Lm1.6 million* during the year. Most of this increase is related to the actual building and other fixtures, including air conditioning, lifts etc. The Exchange can now be considered to be fully functional and capital expenditure on the premises during 2002 should be minimal.

As can be seen in the cash flow statement on page (IX), the net cash generated from Exchange operations reached *Lm324,000* in 2001 (2000 – *Lm141,000*). During the year *Lm178,000* of the Exchange's government stocks were sold or redeemed and only *Lm35,000* of them were re-

invested, the rest being utilised to partly finance improvements to premises. Capital expenditure payments made reached almost *Lm1.5 million*, which was mainly financed by a loan facility obtained during 2000 from the Ministry of Finance. By the end of 2001, the full *Lm1,000,000* of this facility had been drawn down, *Lm200,000* having been drawn down in 2000.

Expectations for 2002

The Exchange expects a net operating surplus for 2002 to be in the region of *Lm75,000*. Listings expected in 2002 will further increase the income of the Exchange. It is expected that the cash flow situation will improve during the year, since most of the capital creditors related to the premises project have already been paid. It is expected that the year ahead will prove to be another prosperous and challenging year for the Malta Stock Exchange.



Eileen V Muscat

General Manager

Garrison Chapel

Castille Place

Valletta

Malta

6 March 2002

report of the **council** (year ended 31 December 2001)

The Council members present their report and the audited financial statements of the Exchange for the year ended 31 December 2001.

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 2001 are shown in the income and expenditure account on page (VI). The surplus for the year after taxation was *Lm 57,769*.

Council members

The Council, appointed in terms of Article 5 of the Statute is made up as follows:

Alfred Mallia (Chairman)	Re-appointed 1 February 2001
Joseph V Laspina (Deputy Chairman)	Appointed 1 February 2001
Arthur Galea Salomone	Term expired 31 January 2001
Edward Cachia Caruana	Re-appointed 1 February 2001
Michael Sciortino	Re-appointed 1 February 2001
Saviour Briffa	Term expired 12 October 2001, re-appointed 13 October 2001.

Legal Notice 124 published on

14 July 2000 amended the Malta Stock Exchange Act and set up the 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.

Ivan J Burridge (Chairman)

Neil Crossey (Deputy Chairman elected May 2001)

Joseph GP Bonello (Deputy Chairman resigned May 2001)

Jean P Gaffiero (Secretary)

Paul V Azzopardi

Alfred Calamatta

David A Curmi (replaced Neville A Curmi January 2002)

Neville A Curmi (replaced by David A Curmi January 2002)

Carmel J Farrugia

Karol Farrugia

Mark R Hogg

Wilfred Mallia (as from January 2002)

Christopher J Pace

Franco 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 judgements 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 (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

A handwritten signature in black ink, appearing to read 'Eileen V Muscat', written in a cursive style.

Eileen V Muscat

Secretary

Garrison Chapel

Castille Place

Valletta Malta

6 March 2002

report of the auditors

We have audited the financial statements of the Malta Stock Exchange on pages (VI) to (XIX) for the year ended 31 December 2001. These financial statements are the responsibility of the Council. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Council members, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Exchange at 31 December 2001 and of its surplus, changes in equity and cash flows for the year then ended, have been properly prepared in accordance with International Accounting Standards and comply with the Malta Stock Exchange Act (Cap. 345).



Stephen Paris

DELOITTE & TOUCHE

Certified Public Accountants
and Auditors

1 Col. Savona Street
Sliema Malta

income and expenditure account (year ended 31 December 2001)

	<i>Note</i>	2001 Lm	2000 Lm
Operating income	<i>4</i>	1,058,128	1,021,126
<hr/>			
Operating expenditure			
Administrative expenses	<i>5</i>	870,223	747,126
Depreciation		103,919	65,817
<hr/>			
		974,142	812,943
<hr/>			
Operating surplus for the year		83,986	208,183
Profit on disposal of investments		1,011	2,082
Interest receivable		27,094	23,183
Interest payable and similar charges		(20,750)	(2,509)

Surplus before taxation	6	91,341	230,939
Taxation	7	(34,804)	(75,488)
<hr/>			
Surplus for the year		56,537	155,451
<hr/>			

balance sheet (year ended 31 December 2001)

	<i>Note</i>	2001	2000
		Lm	Lm
Non-current assets			
Tangible fixed assets	8	2,286,479	776,672
Financial assets	9	175,625	375
Deferred taxation	10	7,078	16,450
<hr/>			
		2,469,182	793,497
<hr/>			
Current assets			
Debtors	11	379,329	472,298
Investments	12	-	318,000
Cash at bank and in hand		11,429	70,522
<hr/>			
		390,758	860,820

Creditors: amounts falling due

within one year *13* (778,104) (429,018)

Net current (liabilities)/assets (387,346) 431,802

Total assets less current liabilities 2,081,836 1,225,299

Creditors: amounts falling due

after more than one year *14* (1,000,000) (200,000)

1,081,836 1,025,299

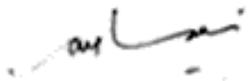
Capital and reserves

Capital *15* 500,000 500,000

Accumulated surplus 581,836 525,299

1,081,836 1,025,299

Approved by the Council and signed on its behalf on 6 March 2002 by:



Alfred Mallia

Chairman



Joseph V Laspina

Deputy Chairman

statement of changes in equity (year ended 31 December 2001)

	Capital	Accumulated surplus	Total
	Lm	Lm	Lm
Balance at 31 December 1999	500,000	369,848	869,848
Surplus for the year	-	155,451	155,451
Balance at 31 December 2000	500,000	525,299	1,025,299
Surplus for the year	-	56,537	56,537
Balance at 31 December 2001	500,000	581,836	1,081,836

cash flow statement (year ended 31 December 2001)

2001

2000

<i>Note</i>	Lm	Lm
Cash flows from operating activities		
Surplus before taxation	91,341	230,939
<i>Adjustments for:</i>		
Depreciation	103,919	65,817
Interest receivable	(27,094)	(23,183)
Interest payable	20,750	2,509
Profit on disposal of investments	(1,011)	(2,082)
Profit on disposal of tangible fixed assets	-	(1,301)
<hr/>		
Operating profit before working capital movement	187,905	272,699
Movement in debtors	117,666	(100,058)
Movement in creditors	70,744	93,115
<hr/>		
Cash flows from operations	376,315	265,756
Taxation paid	(52,013)	(124,739)
<hr/>		
Net cash flows from operating activities	324,302	141,017
<hr/>		
Cash flows from investing activities		
Payments to acquire tangible fixed assets	(1,474,635)	(473,674)
Payments to acquire financial assets	(35,250)	(198,818)
Proceeds from disposal of financial assets	178,000	346,615
Proceeds from disposal of tangible fixed assets	343	2,681
Interest received	29,685	27,087
Interest paid	(2,000)	(2,509)
<hr/>		

Net cash flows from investing activities	(1,303,857)	(298,618)
Cash flows from financing activities		
Drawdown of long-term loan	800,000	200,000
Net movement in cash and cash equivalents	(179,555)	42,399
Cash and cash equivalents at the beginning of the year	70,522	28,123
Cash and cash equivalents at the end of the year	<i>16</i> (109,033)	70,522

notes to the financial statements (31 December 2001)

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, except for the valuation of certain financial instruments.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

(i) 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 remaining term of the lease
<u>General electrical equipment</u>	<u>6.67%</u>
<u>Computer systems</u>	<u>33.33%</u>
<u>Furniture, fittings and other equipment</u>	<u>15 - 25%</u>
<u>Motor vehicles</u>	<u>20%</u>

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

(ii) Borrowing costs

Borrowing costs which include the costs incurred in obtaining external financing, are capitalised to the extent that expenditure on these assets and borrowing

costs are being incurred on activities that are necessary to prepare the assets for their intended use and these activities are in progress.

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 therefore 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. Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available, against which unutilised losses and unutilised tax credits can be utilised.

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.

Financial instruments

Financial assets and liabilities are recognised on the Exchange's balance sheet when the Exchange has become a party to the contractual provisions of the instrument.

(i) Debtors

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

(ii) Investments

Investments in securities are recognised on a settlement date basis and are initially measured at cost.

Investments in securities that have been purchased at original issuance are classified as originated loans, unless the intention is to sell the instrument in the short term, in which case the instrument would be classified as Held-for-Trading.

Investments in securities that the Exchange has the expressed intention and ability to hold to maturity are classified as Held-to-Maturity investments.

Originated loans and Held-to-Maturity investments are measured at subsequent reporting dates at amortised cost (if applicable), less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a Held-to-Maturity investment or a subscription to an originated loan is aggregated with other investment income receivable, over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Any other investments are classified as Available-for-Sale and are measured at subsequent reporting dates at fair value. When the fair value of Available-for-Sale investments cannot be reliably measured they are measured at cost. Where investments are Available-for-Sale (and the fair value can be reliably measured) unrealised gains and losses are included in the net profit or loss for the period.

(iii) Borrowings

Interest-bearing loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Impairment

At each balance sheet date, the Exchange reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss and the carrying amount of the asset is reduced to its recoverable amount, as calculated. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment losses/reversals are recognised in the income statement immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss/reversal is treated as a revaluation movement.

2. Adoption of International Accounting Standards

In the current year, the Exchange has adopted International Accounting Standard 39, Financial Instruments: Recognition and Measurement. Revisions to a number of other IAS also took effect in 2001. Those revisions concerned matters of detailed application which have no significant effect on amounts reported for the current or prior accounting periods.

IAS 39 has introduced a comprehensive framework for accounting for all financial instruments. The Exchange's detailed accounting policies in respect of such instruments, are set out in note 1 above.

The principal effects of the adoption of IAS 39 have been that the majority of the Exchange's investments have been classified as "originated loans" where these were purchased at original issuance. Any other investments have been classified as

"Available-for-Sale" and are now carried at fair value where this can be reliably measured.

These changes have been recognised with effect from 1 January 2001.

3. Compensation Fund

The Malta Stock Exchange maintains a Compensation Fund established in terms of Section 12 of the Statute contained in the First Schedule to the Malta Stock Exchange Act (Cap. 345). This Fund has been set up to ensure the security of Exchange transactions in the event of

financial difficulties of any member to meet 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.

4. 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:

	2001	2000
	Lm	Lm
Fees payable by stockbrokers and financial intermediaries	120,271	145,961
Listing fees	619,033	556,165
Central clearing, settlement and depository fees and other income	318,824	319,000
	1,058,128	1,021,126

5. Administrative expenses

	2001	2000
	Lm	Lm
Staff costs	413,414	322,490
Other administrative expenses	456,809	424,636

870,223747,126

The average number of persons employed by the Exchange during the year was thirty nine (2000 – thirty six). Staff costs for the year comprised:

	2001	2000
	Lm	Lm
Wages and salaries	342,906	253,061
Social security costs	45,495	39,323
Recruitment, uniforms and other staff welfare costs	25,013	30,106
	413,414	322,490

6. Surplus before taxation

	2001	2000
	Lm	Lm
<i>This is stated after charging:</i>		
Emoluments of the chairman and council members inclusive of allowances, honoraria and remuneration for services given	14,309	14,689
Emoluments of committee members	-	1,000
Depreciation	103,919	65,817
Auditors' remuneration	2,875	1,265

7. Taxation

(a) Current taxation

2001

2000

	Lm	Lm
Balance brought forward	304	47,993
<hr/>		
<i>Tax charge for the year:</i>		
Malta tax at 35%	21,821	73,083
Final withholding tax at 15%	3,611	3,967
Deferred taxation (note 10)	9,372	(1,562)
	34,804	75,488
<hr/>		
Sub-total	35,108	123,481
<i>Tax paid:</i>		
Settlement tax	(304)	(47,993)
Provisional tax	(48,098)	(72,779)
Withholding tax on interest received	(3,611)	(3,967)
Transfer from deferred taxation (note 10)	(9,372)	1,562
	(26,277)	304
<hr/>		
Balance carried forward (note 11/13)	(26,277)	304

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

	2001	2000
	Lm	Lm
Surplus for the year	91,341	230,939
<hr/>		
Tax at the applicable rate of 35%	31,969	80,829

Tax effect of:

Depreciation charges not deductible by way of capital

allowances in determining taxable income	5,307	-
15% withholding tax on investment income	(4,815)	(5,053)
Exempt interest income	(1,411)	(35)
Disallowable expenses	4,684	-
Other permanent differences	(930)	(253)
<hr/>		
Tax charge for the year	34,804	75,488
<hr/>		

8. Tangible fixed assets

equipment	vehicles	Total	Improvements to leasehold premises	General electrical equipment	Computer systems	Furniture, fittings and other	Motor
Lm	Lm	Lm	Lm	Lm	Lm		
Cost							
At 01.01.2001			691,450	1,640	442,640		
73,925	9,195	1,218,850					
Additions	996,207		396,608	62,118			
152,886	-	1,607,819					
Interest capitalised			6,250	-	-		
-	-	6,250					
Disposals			-	-	(1,030)		
-	-	(1,030)					
<hr/>							
At 31.12.2001			1,693,907	398,248	503,728		

226,811	9,195	2,831,889			
Depreciation					
At 01.01.2001			-	-	370,324
62,659	9,195	442,178			
Provision for the year			6,770	11,066	66,622
19,461	-	103,919			
Release on disposal			-	-	
(687)	-	-	(687)		
At 31.12.2001			6,770	11,066	436,259
82,120	9,195	545,410			
Net book value					
At 31.12.2000			691,450	1,640	72,316
11,266	-	776,672			
At 31.12.2001			1,687,137	387,182	67,469
144,691	-	2,286,479			

9. Financial assets

	2001	2000
	Lm	Lm
Listed originated loans	168,000	-
Other unlisted Available-for-Sale investments	7,250	-
Shares in associated undertakings	375	375
	175,625	375

Listed originated loans

This represents the Exchange's investments in Malta Government Stocks which have been classified as originated loans, since these were purchased on original issuance, and are measured at cost.

The market value of the listed investments held at 31 December 2001 was *Lm169,23*.

Other unlisted Available-for-Sale investments

This represents the Exchange's 10% interest in the equity of Malta International Training Centre Limited, which is registered in Malta. Since the fair value of this investment cannot be reliably measured it is appropriately measured at cost.

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 the unaudited share capital and reserves at 30 November 2001 and of the unaudited profit and loss for the 6-month period then ended was as follows:

	Lm
Share of aggregate of share capital & reserves	10,790
<hr/>	
Share of profit after tax for the period	3,237
<hr/>	

10. Deferred taxation

	Movement for	
2001	the year	2000

	Lm	Lm	Lm
<i>Arising on:</i>			
Fixed assets	7,078	(10,062)	17,140
Other temporary differences	-	690	(690)
	7,078	(9,372)	16,450

11. Debtors

	2001	2000
	Lm	Lm
Fees receivable	284,521	392,564
Prepayments and accrued income	68,531	79,734
Taxation (note 7)	26,277	-
	379,329	472,298

12. Investments

	2001	2000
	Lm	Lm
Short term listed investments	-	318,000

The market value of the listed investments held at 31 December 2000 was *Lm320,149*.

As illustrated in note 9 the Exchange's investments have been classified as originated loans.

13. Creditors: amounts falling due within one year

	2001	2000
	Lm	Lm
Bank overdraft (secured)	120,462	-
Prepaid listing fees	156,806	156,513
Compensation fund	20,000	10,608
Taxation (note 7)	-	304
Accruals	61,685	29,803
Other creditors	419,151	231,790
	778,104	429,018

The bank overdraft bears interest at the rate of 7% and is secured by a pledge on listed securities with a nominal value of *Lm168,000*.

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

	2001	2000
	Lm	Lm
<i>Amounts repayable within five years:</i>		
Unsecured loan	1,000,000	200,000

At 31 December 2001 the Exchange had a loan facility of *Lm1 million* from the Ministry of Finance, which has now been completely drawn down. This loan is unsecured and bears interest at 5% per annum with effect from 30 June 2001. The loan repayments may commence by not

later than January 2004 and the balance is to be fully repaid by not later than 30 June 2006.

On 7 January 2002 the Exchange also obtained a bank loan facility of *Lm500,000* secured by a guarantee issued by the Malta Government for *Lm500,000*. The loan facility bears interest at the rate of 6.5% per annum and is to be fully repaid by 13 June 2002.

15. Capital

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

16. Cash and cash equivalents

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

	2001	2000
	Lm	Lm
Cash at bank and in hand	11,429	70,522
Bank overdraft	(120,462)	-
<hr/>		
Net balance	(109,033)	70,522
<hr/>		

17. Capital commitments

	2001	2000
	Lm	Lm
Contracted but not provided for	-	313,413



Compensation Fund

report of the auditors

We have audited the financial statements of the Malta Stock Exchange - Compensation Fund on pages (II) to (VII) for the year ended 31 December 2001. These financial statements are the responsibility of the Council. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Council members, as well as an evaluation the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund at 31 December 2001 and of its surplus, changes in equity and cash flows for the year then ended and have been properly prepared in accordance with International Accounting Standards.



Stephen Paris

DELOITTE & TOUCHE

Certified Public Accountants

and Auditors

1, Col. Savona Street

Sliema

Malta.

6 March 2002

income and expenditure account and other movements (year ended 31 December 2001)

	2001	2000
	Lm	Lm
Income		
Investment income	9,456	7,600
Taxation deducted at source	(1,417)	(1,137)

Operating surplus for the year	8,039	6,463
Accumulated fund at 1 January	157,522	127,059
Contribution due in terms of Chapter 7 of the Bye-laws		
Stock Exchange contribution	10,000	10,000
Stockbrokers contribution	16,000	14,000
	26,000	24,000
Accumulated fund at 31 December	191,561	157,522

balance sheet (31 December 2001)

	<i>Note</i>	2001 Lm	2000 Lm
Non-current assets			
Financial assets	4	147,800	103,800
Current assets			
Debtors	5	38,394	26,514
Investments	6	-	22,000
Cash at bank		5,367	5,208
		43,761	53,722
		191,561	157,522

Accumulated fund

191,561

157,522

Approved by the Council and signed on its behalf on 6 March 2002 by:



Alfred Mallia
Chairman



Joseph V. Laspina
Deputy Chairman

cash flow statement (year ended 31 December 2001)

	2001	2000
<i>Note</i>	Lm	Lm
Cash flows from operating activities		
Interest received	9,456	7,600
Movement in debtors	120	(928)
Cash flows from operations	9,576	6,672
Taxation paid	(1,417)	(1,137)
Net cash flows from operating activities	8,159	5,535

Cash flows from investing activities

Payments to acquire financial assets	(44,000)	(25,000)
Proceeds on redemption of investments	22,000	-

Net cash flows from investing activities	(22,000)	(25,000)
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Cash flows from financing activities

Contributions received in terms of Chapter 7 of the Bye-laws	14,000	22,000
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Net movement in cash and cash equivalents	159	2,535
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Cash and cash equivalents at the beginning of the year	5,208	2,673
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Cash and cash equivalents at the end of the year	7	5,367	5,208
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notes to the financial statements

1. The Compensation Fund

The Malta Stock Exchange maintains a Compensation Fund established in terms of Section 12 of the Statute contained in the First schedule to the Malta Stock Exchange Act (Cap. 345) for the purpose of 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 except for the valuation of certain financial instruments.

Revenue recognition

(i) Contributions

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

(ii) Investment income

Investment income is recognised on an accrual basis.

Financial instruments

Financial assets are recognised on the Fund's balance sheet when the Fund has become a party to the contractual provisions of the instrument.

(i) Debtors

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

(ii) Investments

Investments in securities are recognised on a settlement date basis and are initially measured at cost.

Investments in securities that have been purchased at original issuance are classified as originated loans, unless the intention is to sell the instrument in the short term, in which case the instrument would be classified as Held-for-Trading.

Investments in securities that the Fund has the expressed intention and ability to hold to maturity are classified as Held-to-Maturity investments.

Originated loans and Held-to-Maturity investments are measured at subsequent reporting dates at amortised cost (if applicable), less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a Held-to-Maturity investment or a subscription to an originated loan is aggregated with other investment income receivable, over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Any other investments are classified as Available-for-Sale and are measured at subsequent reporting dates at fair value. When the fair value of Available-for-Sale investments cannot be reliably measured they are measured at cost. Where investments are Available-for-Sale (and the fair value can be reliably measured) unrealised gains and losses are included in the net profit or loss for the period.

Cash and cash equivalents

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

3. Adoption of International Accounting Standards

In the current year, the Fund has adopted International Accounting Standard 39, Financial Instruments: Recognition and Measurement. Revisions to a number of other IAS also took effect in 2001. Those revisions concerned matters of detailed application which have no significant effect on amounts reported for the current or prior accounting periods.

IAS 39 has introduced a comprehensive framework for accounting for all financial instruments. The Fund's detailed accounting policies in respect of such instruments, are set out in note 1 above.

The principal effects of the adoption of IAS 39 have been that the Fund's investments have been classified as "originated loans" where these were purchased at original issuance.

These changes have been recognised with effect from 1 January 2001.

4. Financial assets

	2001	2000
	Lm	Lm
Listed originated loans	147,800	103,800

Listed originated loans

This represents the Fund's investments in Malta Government Stocks which have been classified as originated loans, since these were purchased on original issuance, and are measured at cost.

The market value of the listed investments held at 31 December 2001 was *Lm154,914* (2000 – *Lm108,981*).

5. Debtors

2001	2000
Lm	Lm

Other debtors	36,000	24,607
Accrued income	2,394	1,907
	38,394	26,514

6. Investments

	2001	2000
	Lm	Lm
Short-term listed investments	-	22,000

The market value of the listed investments held at 31 December 2000 was *Lm22,271*.

7. Cash and cash equivalents

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

	2001	2000
	Lm	Lm
Cash at bank	5,367	5,208
