

Securities Trading Floor



Monthly Report



April 2002



Photo: The first transaction, BML shares trading.

Call Us to Buy & Sell Shares

Securities Trading Floor
Capital Market Development Section
Maldives Monetary Authority
4th Floor, MTCC Tower
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As a first step towards the development of a Stock Exchange, the "Securities Trading Floor" is opened within the premises of the Capital Market Development Section, MTCC Tower, 4th floor on the 14th April 2002. Shares of public companies are traded in the Securities Trading Floor. So far the experience of the trading floor is very positive and reflects the scope for a stock market development in the Maldives.

HOW TO BUY AND SELL SHARES

The Securities Trading Floor is established to help you buy and sell shares. The procedures are as follows:

1. Buyers and sellers may come to the Securities Trading Floor or give the orders by phone.
2. The orders are posted to the Trading Board.
3. Securities Trading Floor offers assistance to execute transactions, by giving relevant information to the buyer and seller.
4. The buyer and seller could decide on the price and the transaction will be completed at the Securities Trading Floor, where an official of the company that issued the securities will be present to assist change of ownership.

Daily Share Transactions

As at 30th April 2002.

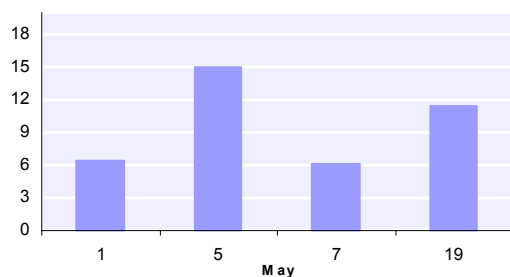
Company Name:	Face Value/ Share (Rf)	No. of Share Trades	Share Transactions		Value (Rf)	Date
			Opening Price (Rf)	Closing Price (Rf)		
BML	300	20	650	650	13000	4/14/2002
STO	50	10	400	400	4000	4/16/2002
STO	50	10	400	400	4000	4/23/2002
STO	50	15	400	400	6000	4/25/2002
BML	300	60	600	700	41000	4/29/2002
BML	300	10	600	600	6000	4/30/2002

Source: Securities Trading Floor, CMDS / MMA

1share of MTCC and 10 shares of BML were also transferred on the 14th of April 2002.

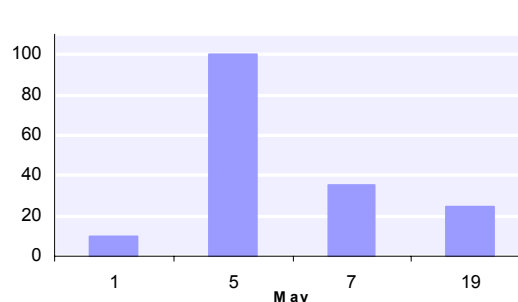
Daily Turnover

In thousands Rufiyaa



Daily Share Trades

no. of shares



PUBLIC COMPANIES

Public companies in Maldives are required to publish their annual accounts and annual reports under the Companies Law. It is important that shareholders monitor the performance of the companies in which they own shares by studying these reports.

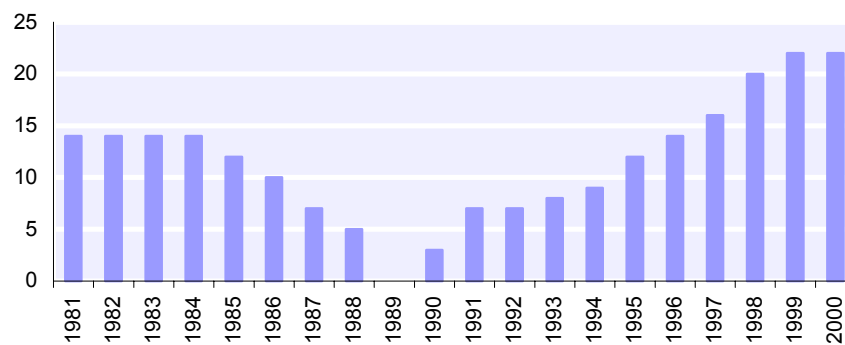
Given below is a brief profile of share holding patterns of public companies and the dividends paid in the past.

Maldives Transport and Contracting Company Plc. (MTCC)

MTCC was registered as a public company on December 18, 1980. The company has issued 250,000 shares out of which 52.5% is held by the government of Maldives, 40% by the general public and 7.5% by the Maldives National Shipping Limited. The company has been paying dividends from 1981 – 2000 except for 1989.

Dividend Per Share

in Rufiyaa



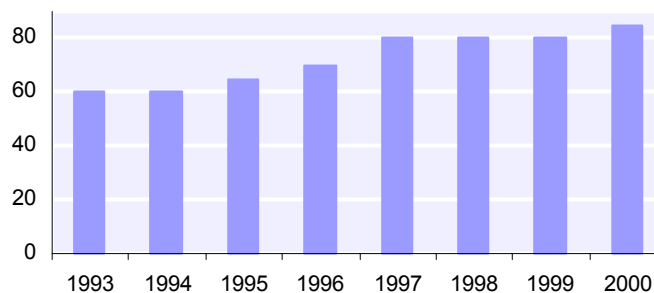
Source: Maldives Transport and Contracting Co. Plc

Bank of Maldives Plc. (BML)

BML was registered as a public company on 11 November 1982. Bank of Maldives has issued 121,720 shares out of which 51% is held by the government, 5 % by the STO, MTCC holding 5%, Government Employees Provident Fund holding 9%, Accounts of Raiyathun 5% and 25% by the general public. The company has been paying dividends from 1983 – 2000.

Dividend Per Share

in Rufiyaa



Source: Bank of Maldives Plc.

State Trading Organization Plc. (STO)

STO was registered as a public company in August 2001 and has issued 26,040 shares to the general public. STO has maintained a healthy trend of consistently declaring dividends in the past, before issue of shares to the public. The annual report and annual accounts of STO is expected to be published in the near future.

Securities Trading Floor

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Monthly Report



May 2002

INTRODUCTION

As a first step towards the development of a Stock Exchange, the "Securities Trading Floor" is opened within the premises of the Capital Market Development Section, MTCC Tower, 4th floor on the 14th April 2002. Shares of public companies are traded in the Securities Trading Floor. So far the experience of the trading floor is very positive and reflects the scope for stock market development in the Maldives.

The value of share transactions amounted to Rf 116,675.00 during the period of 14th April 2002 to 31st May 2002. Furthermore, on an average basis, 6 shares per day were traded in the Securities Trading Floor during this period.

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SHARE TRANSACTIONS

As at 31st May 2002.

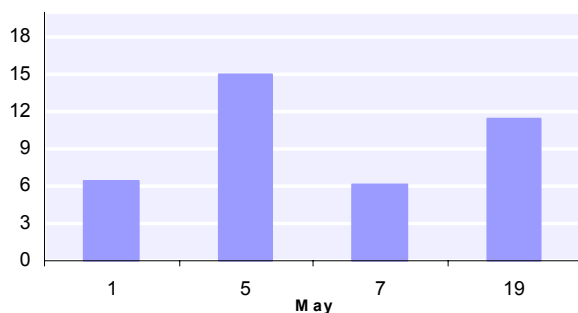
Company Name:	Face Value/ Share (Rf)	No. of Share Trades	Share Transactions		Value (Rf)	Date
			Opening Price (Rf)	Closing Price (Rf)		
BML	300	20	650	650	13000	4/14/2002
STO	50	10	400	400	4000	4/16/2002
STO	50	10	400	400	4000	4/23/2002
STO	50	15	400	400	6000	4/25/2002
BML	300	60	600	700	41000	4/29/2002
BML	300	10	600	600	6000	4/30/2002
BML	300	10	650	650	6500	5/01/2002
MTCC	50	100	150	150	15000	5/05/2002
MTCC	50	35	175	175	6125	5/07/2002
MTCC	50	15	300	300	4500	5/19/2002
BML	300	10	700	700	7000	5/19/2002

1share of MTCC , 10 shares of BML and 10 shares of STO were also transferred as at 31st May 2002 which amounted to Rf 3550.00

Source: Securities Trading Floor, CMDS / MMA

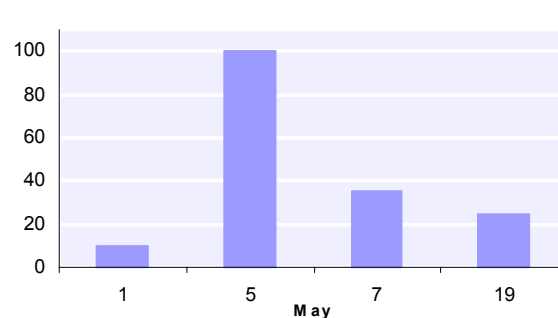
Daily Turnover

in thousands Rufiyaa



Daily Share Trades

no. of shares



PUBLIC COMPANIES

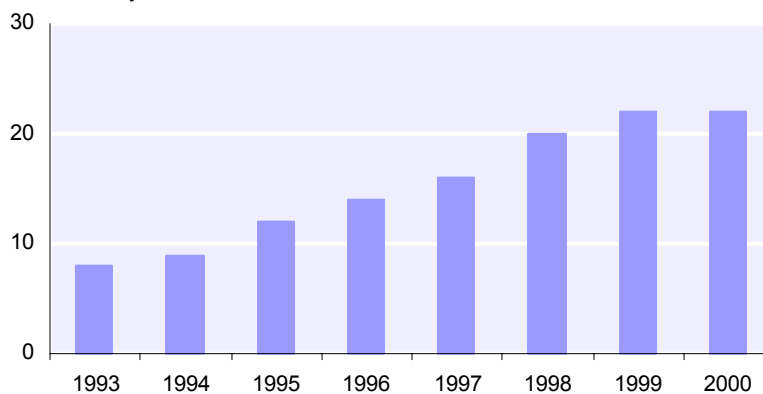
Public companies in Maldives are required to publish their annual accounts and annual reports under the Companies Law. It is important that shareholders monitor the performance of the companies in which they own shares by studying these reports.

Given below is a brief profile of the dividends paid per share of public companies.

Maldives Transport and Contracting Company Plc. (M.T.C.C)

Dividend Per Share

in Rufiyaa

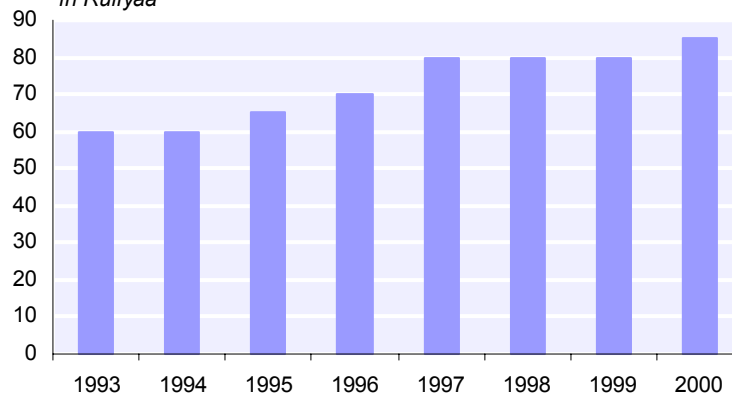


Source: Maldives Transport and Contracting Co. Plc

Bank of Maldives Plc. (B.M.L)

Dividend Per Share

in Rufiyaa



Source: Bank of Maldives Plc.

State Trading Organization Plc. (S.T.O)

STO has maintained a healthy trend of consistently declaring dividends in the past, before issue of shares to the public. The annual report and annual accounts of STO will be published in the near future.

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Monthly Report



June 2002

Introduction

As part of our ongoing awareness program, a seminar was conducted on Corporate Governance on 26th June 2002. The seminar was well attended and there was immense interest shown by the participants. The subject of corporate governance is new to Maldives and this is the first seminar on the subject of corporate governance. A brief of the seminar is included in this report.

The activities of the Trading Floor continued as usual, although the cumulative trading turnover increased only marginally.

The value of share transactions amounted to Rf 149,175.00 during the period of 14th April 2002 to 30th June 2002.

Trading

Those who wish to buy and sell securities may please call 336620 to place their orders.

Share Transactions

As at 30th June 2002.

Company Name	Face Value/ Share (Rf)	No. of Share Trades	Share Transactions		Value (Rf)	Date
			Opening Price (Rf)	Closing Price (Rf)		
BML	300	20	650	650	13000	14/4/2002
STO	50	10	400	400	4000	16/4/2002
STO	50	10	400	400	4000	23/4/2002
STO	50	15	400	400	6000	25/4/2002
BML	300	60	600	700	41000	29/4/2002
BML	300	10	600	600	6000	30/4/2002
BML	300	10	650	650	6500	01/5/2002
MTCC	50	100	150	150	15000	05/5/2002
MTCC	50	35	175	175	6125	07/5/2002
MTCC	50	15	300	300	4500	19/5/2002
BML	300	10	700	700	7000	19/5/2002
BML	300	50	650	650	32500	24/6/2002

1share of MTCC , 10 shares of BML and 10 shares of STO were also transferred as at 30th June 2002 which amounted to Rf 3550.00
Source: Securities Trading Floor, CMDS / MMA

From the seminar on corporate governance

As part of the initiative to develop a capital market in the Maldives, a seminar on corporate governance was held at Nasandhura Palace Hotel on 26th June 2002.

The objective of the seminar was to sensitize the public on the ways in which, a good corporate governance culture could best be promoted within companies and other organizations. This is important for companies with plans to 'go public' in terms of internal restructuring as this has a relevance for proposed stock exchange listing.

Good corporate governance is about efficiency, integrity, responsibility, transparency and accountability of companies. It is particularly concerned with corporate performance and corporate accountability. Good corporate practices will facilitate efficient operations and better accountability of the company to its stakeholders including its shareholders, employees and creditors.

Furthermore, effective corporate governance and risk management practices are essential for the promotion of financial stability. In Maldives there is a need to develop a good corporate governance culture and to develop sound corporate practices, which will enhance efficient and successful private sector development. There is also need to adopt good governance in the financial sector to increase transparency, and build confidence in the financial system.

The discussions at the seminar can be broadly categorized under the following headings:

1. Boards of Directors and Corporate Secretary

- Boards of Directors that include non-executive directors who are independent of management and who are subject to rules dealing with conflicts of interest can contribute to greater profit expectations and higher share values.
- Investors want the governance of corporations to promote a focus by the board and the officers on generating long term value.
- The importance of competent record keeping by companies and the role of the corporate secretary cannot be underestimated.

2. Shareholder Rights

- The basic shareholder rights are to participate at meetings, hold directors accountable for their actions and to provide remedies in instances where minority shareholders are discriminated.

3. Financial Accountability

- Preparation of audited financial statements in accordance with recognized accounting standards.

4. Regulatory Framework

- The extent to which the existing legislation in Maldives and the Companies Act reflect good corporate governance.
- Additional matters to be addressed through the regulatory framework and the proposed Securities Law to promote good governance were also addressed.

The seminar was well attended and there was a lively question & answer session that followed. Important areas of corporate governance issues in the Maldives were discussed.

After the seminar, a summarized list of corporate governance matters was dispatched to seminar participants. This list may also be downloaded from CMDS website www.maldivesstockexchange.com.mv.

Conclusions

To provide a conducive environment for good corporate governance, in terms of capital market development, the following steps which are already undertaken by the CMDS should be further emphasized and improved where necessary:

- Awareness and development of a culture of good governance.
- Encourage establishment of public companies
- Facilitate issue of debt and equity instruments to deepen the market
- Encourage and assist private enterprises to develop good governance codes, principles and practices

Recommendations

The ways in which sound corporate governance and risk management practices can be encouraged include:

- The development of effective corporate law and the legal infrastructure to enforce it.
- Measures to promote a corporate governance culture by the development of principles and guidelines and capacity building initiatives.
- Promoting good accounting and auditing standards.
- Effective enforcement of corporate disclosure requirements of enterprises.
- Effective policies to strengthen market disciplines and supervisory techniques to encourage the adoption and maintenance of sound corporate governance and risk management practices.

Securities Trading Floor



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Monthly Report



July 2002

Introduction

The activities of the Securities Trading Floor continued as usual, although the cumulative trading turnover increased only marginally. The value of share transactions amounted to Rf 149,775 during the period of 14th April 2002 to 31st July 2002. Total ⁽¹⁾market capitalization as at 31st July 2002 was Rufiyaa 655,534,000 (eq. US\$ 51 million).

To assist the development work, an international capital markets practitioner, assigned by the Commonwealth Fund for Technical Corporation was employed for a term of one year starting July 2002. The service of the advisor is available to companies and other interested parties wishing to participate in stock market activities, i.e. buying and selling shares, going public, general awareness etc.

If you need to buy and sell securities, you may contact the Securities Trading Floor, Tel no: 336620 to place your orders.

Trading Report

Company	Last Traded			⁽²⁾ Highest Traded price (Rf)	⁽³⁾ Lowest Traded Price (Rf)	⁽⁴⁾ Closing Quotes		⁽⁵⁾ EPS	⁽⁶⁾ Dividend Yield	⁽⁷⁾ Net Assets / Share
	Date	No. of Shares	Price (Rf)			Buy (Rf)	Sell (Rf)			
BML	24/06/02	50	650	700	600	660	800	491	13 %	1,550
STO	25/04/02	15	400	400	400	500	-	128	26 %	447
MTCC	24/07/02	01	600	600	150	400	650	77	3 %	420

Source1: Securities Trading Floor, CMDS / MMA.

Source2: Annual reports BML(2000), STO (2001), MTCC (2000). Calculations have been computed only on company performance and not the group performance.

Explanatory notes:

- (1) **Market Capitalization:** $\text{Market Capitalization} = \text{no. of shares issued} \times \text{last traded price}$
Market capitalization is the market value of the company i.e. the total Rufiyaa value of all issued shares of the company. This term is often referred to as "market cap".
- (2) **Highest Traded Price:** This column shows the highest price at which the shares were traded.
- (3) **Lowest Traded Price:** This column shows the lowest price at which the shares were traded.
- (4) **Closing Quotes:** Buy column shows highest price at which investors are willing to buy shares while the Sell column shows the lowest price at which investors wish to sell.
- (5) **Earnings per Share (EPS):** $\text{EPS} = \text{net profit after tax} / \text{number of shares issued}$
EPS shows earnings available to each share. It is a useful element in judging the value of a share. A multiple of the EPS figure is an approximate indicator of share value. As a rule of thumb a multiple of 5-10 may be used.
- (6) **Dividends Yield:** $\text{Dividends Yield} = \text{dividend per share} / \text{last traded price} \times 100$
Dividend yield shows annual rate of return based on dividends. It is expressed as a percentage.
- (7) **Net Assets per Share:** $\text{Net Assets per Share} = \text{net assets} / \text{number of shares issued}$
Net assets per share shows the value of a share based on the net worth of the company.

Company Information

The annual general meeting of the STO was held on the 15th of July 2002. The annual report (2001) of STO was published and made available to the public.

With the publishing of the STO annual report, annual reports of the three public companies (MTCC, STO and BML) are now available to the investors. The annual reports of public companies need to be reviewed by the investors as it gives valuable information to the investors in making an informed investment decision.

What to look for in an annual report

A typical annual report of a company includes :

- 1- The company's philosophies or comments on how it does business;
- 2- Companies operations revealing the strength and weakness in management and products and services
- 3- Audited financial information including profit and loss statement, balance sheet and statement of cash flows for the last financial year.

Investors should pay much emphasis in evaluating annual reports;

Management: Know the people in charge. Are they technically qualified ? Are the directors well regarded? Do they provide active management?

History: How old is the company? Does it have a history of consistent performance? Has it stayed in the same line of business or diversified? If diversified, is it successful in its new business?

Dividends: Has the company regularly paid dividends and how much?

Debt: Company's debt levels in comparison to its equity and reserves ?

Competition: Look for companies that dominate the market or fill a niche in the bigger market. Large, established companies usually win out over smaller or new companies. Compare how the company is performing against its competitors.

Financial Statements: Examine the figures in the financial statements to get an overall impression of the company's performance. Read what management has to say about the figures and the company's performance, go back and re-look at the figures and consider all the information to make your own evaluation.

Some questions to consider include:

- ◆ Did the company make a profit or loss last year? Is this better or worse than the previous year? What were the reasons for the changes?
- ◆ What is the dividend going to be? How does it compare to the previous year and the current year's profit.
- ◆ What is happening to the company's cash flow in the Statement of Cash flows? Is it generating cash flows from its operations? Compare this to the net profit figure reported. e.g. if cash flows are lower than reported profits the company may be having problems with debt collection.
- ◆ Is the company using cash flow for investing activities? Is it replacing important assets? Check the trends.
- ◆ Look at the balance sheet. What does the company own and owe? Will there be trouble in meeting commitments?

Assess all this information and use it to decide whether you should buy, sell or hold the company's shares.

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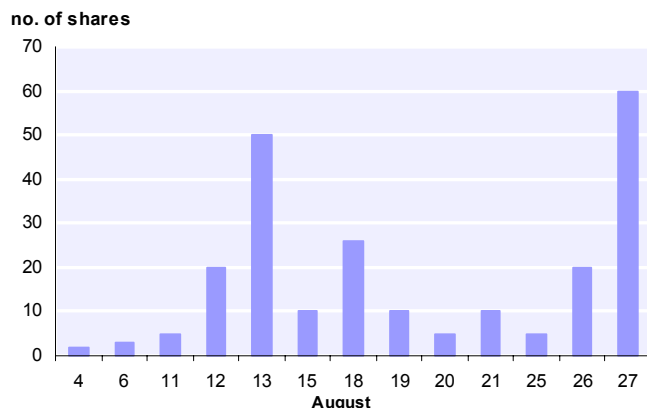
Monthly Report



August 2002

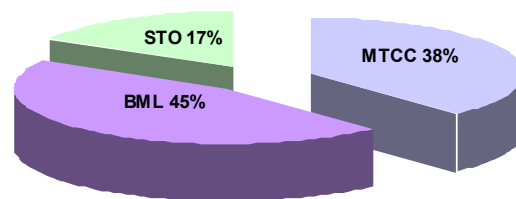
The month of August recorded the highest level of trading activity on the Securities Trading Floor so far. A total of 17 trades were concluded during the month with an average daily turnover of Rf 5,201.4 and a total turnover of Rf 109,230.

Shares traded



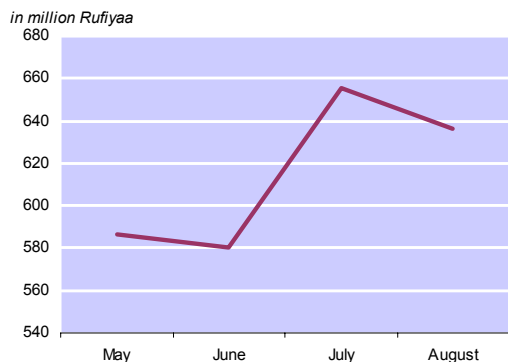
Source: Securities Trading Floor

Percentage Value of shares traded



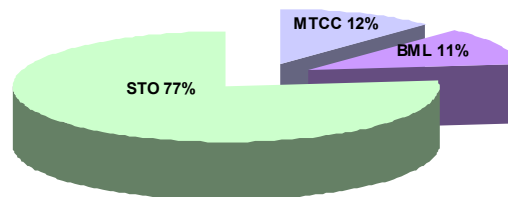
Market capitalization as at end of August 2002 decreased to Rf 636,584,600 compared to Rf 655,534,000 in July 2002, a decrease of 2.9%. The decrease in market capitalization was due to a marginal decrease in prices of securities.

Movement in total market capitalization



Source: Securities Trading Floor

Percentage break up of market capitalization



Trading Statistics

Company	Last traded Price (Rf)	Highest Traded price (Rf)	Lowest Traded Price (Rf)	Weighted Average Traded price	Closing Quotes (as at 29/08/02)	
					Buy (Rf)	Sell (Rf)
BML	585	700	585	619	700	750
STO	460	600	400	517	476	450
MTCC	300	600	150	375	300	300

Source: Securities Trading Floor, CMDS / MMA.

We note that the overall buy sell spread is narrowing gradually. This is a positive signal that the market is becoming more efficient and investors are becoming more price sensitive.

Some tips for investing in shares

1. Never buy a share just because it has a low price

Price can be one factor to consider, but it should not be the only one reason. Buy shares that you think will gain a high profit or good return. It would be better to own 200 shares of Rf.50 each that has good earnings behind it, than 2000 shares of a Rf.5 stock that has nothing but a story behind it.

2. Past record

This means, you can identify the companies that have a good track record of past earnings so that it could be expected that the company will do well in the future. Buying shares in companies that consistently do well is a way of minimizing your risk.

3. Don't take tips from your friends

Unless, of course, your friend has a financial background. But most of your friends may not be qualified. Most likely your friend is just repeating something he heard from someone else. Do your own research, study companies' annual reports, call the company for more information or get advice from a professional before you invest.

6. Diversification

This is the proverbial "don't put all your eggs in one basket," rule. Don't put so much money in shares of one company. Buy shares in different companies i.e. BML, STO, MTCC so that even if one company does not do well you may be able to compensate from the other companies you have invested in.

7. Consider buying when there is a good opportunity

It is a fact that the share price goes up, the share price goes down and then it goes back up again. When the share prices are low at certain times buy the shares that you believe would be a good investment in future as these opportunities are rare and you may not have the chance to buy shares at a cheaper price.

8. Find your comfort level

This means you should not invest all your money on shares and wait for a good return. One should have a reasonable income and only invest that amount of money on shares which one can afford to risk.

9. Set price limits

Set yourself price limits for selling shares when you first buy the investment. Then stick to the limits. For example if you buy a share of BML for Rf.500, then at the time you invest make a decision to sell it if the price increases to Rf.600 or if the price goes down to Rf.400 which ever happens first.

10. Don't be sentimental

Don't invest in a share of a company for sentimental reasons. For example because your father was employed in the company in the past. You should invest only if you expect a good return from your investment. Not for any other reason.

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Monthly Report

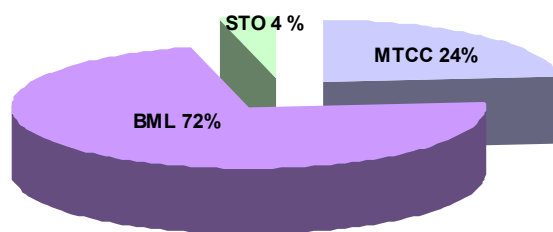


September 2002

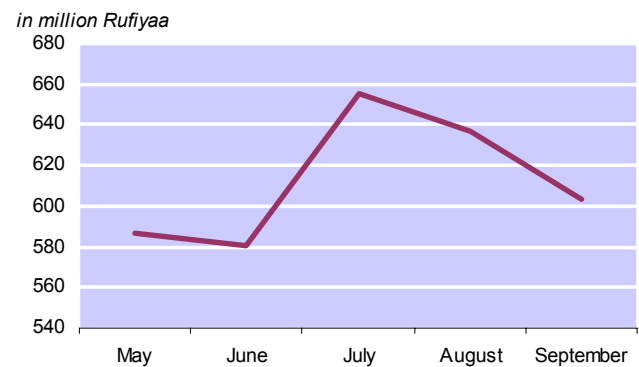
The performance of the Trading Floor has been very positive. We note that the overall buy sell spread is narrowing gradually. This is a positive signal that the market is becoming more efficient and investors are becoming more price sensitive. A total of 14 trades were concluded during the month with an average daily turnover of Rf 5,487 and a total turnover of Rf 120,710, which is an increase of 10.5% over the last month.

Market capitalization as at end of September 2002 decreased to Rf 603,836,000 compared to Rf 636,584,600 in August 2002, a decrease of 5%. The decrease in market capitalization was due to a marginal decreases in prices of securities.

Percentage Value of shares traded



Movement in total market capitalization



Market Statistics

	Dividend Yield	PE Multiple	Price to Book Value	Market Capitalization (Rf)
BML	13.0%	1.3	0.4	79,118,000
STO	23.3%	3.5	1.0	479,718,000
MTCC	12.2%	2.3	0.4	45,000,000
Market	21.2%	2.8	0.8	603,836,000

Dividend yield = (Dividend per share / Last traded price) x 100

Price to book value = Last traded price / Net assets per share

PE multiple = Last traded price / EPS

Trading Statistics

Company	Last traded Price (Rf)	Highest Traded price (Rf)	Lowest Traded Price (Rf)	Weighted Average Traded price (Rf)	Closing Quotes (as at 30/09/02)	
					Buy (Rf)	Sell (Rf)
BML	650	750	585	672	662	750
STO	450	600	400	475	476	550
MTCC	180	600	150	212	250	300

Note: Source of all data is from the Securities Trading Floor.

Do you know what a debenture is?

A debenture is an instrument where the issuing company undertakes to pay the holders interest periodically at a specified rate known as **the coupon rate**. This rate will depend on the prevailing interest rates in the market for securities with similar risk features. Unlike shares debentures usually have a limited life of say 3 to 5 years. The principal amount is repaid at the end of the life of the debenture which is known as **maturity**. **Maturity** refers to the date on which the issuer has promised to redeem the issue by repaying the principal value. The number of years until the date of redemption is referred to as **the term, the term- to- maturity or the maturity period**. A graph which shows the relationship between the coupon rate and maturity is known as the **Yield curve**. The securities which are used in the construction of a yield curve are similar in all respects, except maturity. A debenture is similar to a share in the sense that it can be traded on the Securities Trading Floor. However, unlike a shareholder, a debenture holder is not an owner of the company.

The rights of the debenture holders are specified in a document known as a **Trust Deed**. Therefore if the issuing company fails to honor periodic interest payments or the repayment of the capital at maturity, then the debenture holders will represent matters to the Trustee who will act on behalf of the debenture holders to protect their interests in accordance with the terms of the trust deed. If the company does not pay interest or repay the principal value, the debenture holders may, as a last resort, force the company into liquidation to recover their capital and interest.

The debentures differ in type depending mainly on the protection afforded to holders. The common types are as follows:

A **secured debenture** is a debenture in which the promised obligations are secured by specific assets. The investors will have recourse to the assets in the event of default.

A third party, usually a financial institution, may guarantee the payment of interest and/or principal in the event the issuer fails to honor payment. Such debentures are known as **guaranteed debentures**.

A **convertible debenture** gives the investor the option to convert it into a specified number of common shares of the issuer at a specified time.

A **subordinated debenture** is an issue in which, in the event of winding-up, the claims of debenture holders rank after all claims of secured and unsecured creditors of the issuer but in priority to the claims and rights of shareholders. Otherwise the claims of debenture holders will rank equally with claims of other creditors.

Some issuers of debentures may choose to obtain a credit rating for the debenture. **Credit rating** is an assessment of the issuers ability to service the interest and principal on a timely basis. This work is carried out by independent companies known as **credit rating agencies**.

Some issuers may wish to have the right to retire the debenture, fully or partly, at a pre-specified price before maturity. This is known as a **call option**. Some other issuers may give the investor the right to sell the debentures back to the issuer at a specified price and time. This is known as a **put option**.

A debenture holder need not wait till maturity to get back his investment. He may sell the debenture on the Securities Trading Floor. The investor will make a capital gain or loss depending on the interest rates of the bank deposits and the government securities. If the interest rate have moved down, then the investor will make a capital gain. Otherwise he will make a capital loss. The sale price will be determined by the **yield to maturity** which is a measure of the total rate of return of a debenture. This yield is calculated assuming the debenture is held to maturity and the interim cash flows are reinvested at the same rate as the coupon rate.

To buy and sell shares, you may contact the Securities Trading Floor, Tel no: 336620. You may also visit the website www.maldivesstockexchange.com.mv or visit the Trading Floor for the latest information on the share prices.

Securities Trading Floor



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Monthly Report

October 2002

The activities of the Securities Trading Floor continued during the month but the number of trades and turnover declined compared to the previous month. One reason could be due to the closure of share register for two weeks of one of the most active companies, namely MTCC, to hold their Annual General Meeting. However, market capitalization as at end of October 2002 increased by 12% to Rf 676,098,640 compared to Rf 603,836,000 in September 2002.

Company information

A new managing director for **MTCC**, Mr. Mohamed Ibrahim was appointed on the 1st of October.

MTCC held its Annual General Meeting on 15 October 2002. Some new directors were appointed to the board. Mr. Hassan Rasheed is the new director elected by the shareholders. In addition, the government appointed Mr. Mohamed Wajeed, Ms. Rasheeda Ali and Mr. Aslam Rasheed as directors. Hence the new board constitutes: Hon. Umar Zahir (Chairman) Mr. Mohamed Ibrahim (Managing Director), Dr. Mohamed Munawwar, Mr. Mohamed Wajeed, Ms. Rasheeda Ali, Mr. Aslam Rasheed, Mr. Mohamed Ahmed, Ms. Fathimath Sheereen Abdulla, Mr. Hassan Rasheed and Mr. Abdulla Zameer.

It was also decided that PricewaterhouseCoopers be appointed as external auditors for the company. Ernst & Young were appointed as internal auditors.

The Annual General Meeting of **BML** is to be held on November 8, 2002.

BML, STO, MTCC have released their audited annual accounts for 2001. A summary of the accounts is as follows.

	B M L	S T O	M T C C
Profit after tax (Rf)	56,111,938	133,565,000	21,817,433
Dividend per Share (Rf)	85	105	25
Last Traded Price (Rf)	662	500	250
EPS (Rf)	461	128.18	87.27
Net Assets per Share (Rf)	1,927.25	447	482.98
Dividend Yield	12.84%	21%	10%
Price to Book Value	0.34	1.12	0.52
PE Multiple	1.44	3.90	2.86

Market values: Dividend yield = 19%, Price to book value = 0.81, PE multiple = 3.20.

Dividend yield = (Dividend per share / Last traded price) x 100

Price to book value = Last traded price / Net assets per share

PE multiple = Last traded price / EPS

Trading Statistics

Company	Last Traded Price (Rf)	Highest Traded Price (Rf)	Lowest Traded Price (Rf)	Weighted Average Traded price	Closing Quotes (as at 31/10/02)	
					Buy (Rf)	Sell (Rf)
BML	662	750	585	662	661	785
STO	500	600	400	500	500	550
MTCC	250	600	150	297	206	250

Source: Securities Trading Floor, CMDS / MMA.

What are Shares?

A share is a security which represents a portion of the owner's capital in a business. Shareholders are the owners of the business. They share in the success or failure of the business. This can be measured by the amount of dividends that they receive and by the price of the share, quoted on the stock market.

The different types of shares that are traded include:

1. Ordinary Shares

Also called equity shares (in the US ordinary shares are referred to as common stock) and this is the risk capital of a company. Ordinary shares give holders the rights of ownership in the company, such as the right to share in the profits, the right to vote in general meeting and to elect and dismiss directors. Holders receive dividends which vary in amount in accordance with the profitability of the company and recommendations of directors. Obligations of ownership are also conferred and this may result in the loss of an investor's money if the company is unsuccessful. Ordinary shares usually form the bulk of a company's capital and have no special rights over other shares. In the event of liquidation, ordinary shares rank after all other liabilities of the company.

2. Preference Shares

As an alternative to ordinary shares, companies may issue preference shares. Holders have certain preferential rights, mainly relating to the entitlement to the rate of dividend, voting and distribution of surplus assets.

Preference shares generally carry no voting rights, but voting rights may be made contingent upon failure to pay dividends on preference shares for a certain period of time.

In the unlikely event of a large company not being able to pay a dividend to all shareholders, the preference shareholders get paid first. That's why they are called preference shares. Dividends are payable at a fixed rate and therefore offer more certainty than dividends from ordinary shares. But since well-run companies tend to increase their dividends faster than the rate of inflation, preference shareholders still get the same fixed income. As a result they do not share in the long-term growth of the company. Preference shares are low-risk.

There are various types of preference shares:

- i. **Participating preference shares** are entitled to participate in the profits beyond the fixed dividends, by way of an additional fluctuating dividend if the company is successful.
- ii. **Cumulative preference shares** are preference shares which, apart from having a preferential right to receive a fixed dividend ahead of ordinary shares, also carry the right of any arrears of the preference dividends which may have built up.
- iii. **Non-cumulative preference shares** are preference shares which are not entitled to any arrears in dividends.
- iv. **Redeemable preference shares** may be redeemed by the company at a stated redemption price on advance notice of a period of time. It is usual to set a redemption price above the par value to compensate the owner for the involuntary loss of his investment.
- v. **Convertible preference shares** are preference shares which carry the right to be made convertible, at the option of the holder, into another class of shares, normally into ordinary shares.

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Monthly Report

November 2002

More companies to go public

His Excellency Maumoon Abdul Gayoom, the President, in his address to the nation on the occasion of the Republic Day 2002, reiterated the importance of a strong partnership between the private sector and the public sector in developing the economy. H.E the President pointed out that over the years some of the government-owned companies namely MTCC, Bank of Maldives and STO has sold shares to the general public, and said that some other public enterprises would do the same in the year ahead in order to increase private ownership.

Company information

BML held its Annual General Meeting on November 8, 2002.

New directors were appointed to the bank's Board. Mr. Abdul Shukoor, Mr. Mohamed Ismail Fulhu and Mr. Ibrahim Muththalib are the new directors appointed by the shareholders. No new directors were nominated by the government. Therefore the new board constitutes of: Hon. Abdulla Hameed (Chairman), Hon. Ahmed Abdulla, Hon. Dr. Mohamed Munawwar, Mr. Keith L.Brown (ex-officio director), Mr. Mohamed Ahmed Didi, Mr. Mohamed Maniku, Mr. Mohamed Ahmed, Mr. Ibrahim Mohamed, Mr. Abdul Shukoor, Mr. Mohamed Ismail Fulhu and Mr. Ibrahim Muththalib.

A new public company

Investment Partners Private Limited (IP) has been converted to a public company recently. IP is the first private sector company converted to a public company under the new Companies Act 10/96.

Investment Partners PLC intends to sell shares to the public at a future date.

Market Statistics

	BML	STO	MTCC
Profit after tax (Rf)	56,111,938	133,565,000	21,817,433
Dividend per share (Rf)	85	105	25
Last traded price (Rf)	658	500	206
EPS (Rf)	461	128.18	87.27
Dividend cover	5.42	1.22	3.49
Dividend payout ratio (%)	18.4	81.9	28.6
PE ratio	1.43	3.90	2.36

Trading Statistics

Company	Last Traded Price (Rf)	Highest Traded Price (Rf)	Lowest Traded Price (Rf)	Weighted Average Traded price	Closing Quotes (as at 30/11/02)	
					Buy (Rf)	Sell (Rf)
BML	658	750	585	658	670	725
STO	500	600	400	500	500	550
MTCC	206	600	150	206	240	250

4 shares of MTCC and 10 shares of BML amounting to Rf.7,404.00 were traded during the month.

How to make a good investment in the share market

Investing in shares like investing in any other business is to get a good return. This could be either to get a regular income by way of dividends or to get a profit by way of capital appreciation of the shares or both.

An investor who is interested in getting regular dividends from the company must look at the company's dividend policy carefully. Where a company has not declared a dividend policy he could make an informed decision on this by analysing the company's past dividend record and its pattern of payment.

There are several ratios that may be used in investment analysis. Most commonly used ratios are as follows:

Calculating and analyzing the **dividend yield** on the basis of the last annual dividend can give an investor an idea of what the dividend could be ($\text{Dividend yield} = \text{dividend per share} / \text{market price of a share} \times 100$). The **dividend cover** is a guide to the company's financial background indicating the total dividends covered with respect to available earnings ($\text{dividend cover} = \text{profit} / \text{dividends}$). **Dividend payout ratio** is also useful to ascertain whether the company is retaining sufficient funds for future development and growth. A high ratio indicates that a shareholder is receiving a large part of the earnings and that the company is not retaining much by way of reserves. This may mean that a shareholder cannot expect much by way of capital appreciation ($\text{Dividend payout ratio} = \text{dividend per share} / \text{earnings per share} \times 100$).

The **earnings per share** ($\text{EPS} = \text{profit of the company} / \text{total number of shares issued}$) may be calculated for the last five years and should ideally show an upward trend (or an overall trend that is continuing to rise). An increase in earnings should ideally be accompanied by an increase in dividend when analysed over a period of five years. The **price earnings ratio** indicates the expectation about the future of the company. It is a measure of investor confidence. Higher the PE ratio the more popular the share. ($\text{PE ratio} = \text{market price per share} / \text{earnings per share}$).

Risks

All investors must be aware of the risks attached to investing in shares. The shares of a company could fluctuate in value due to the business risks as well as financial risks.

Business risk may arise from fluctuation of profits due to changes in demand (new and better products coming into the market, competitors increasing its strength, the overall economic activities) or supply (new methods of production, varying costs of labour or raw materials). Diversification could reduce the business risks of a company.

Financial risks can be measured by the return to shareholders and the probability of the company having to go into liquidation brought about by the inefficient use of borrowed funds or by borrowing more than what the company could service. The higher the proportion of borrowed funds the higher the capital gearing. This **gearing ratio** ($\text{gearing ratio} = \text{borrowed funds} / \text{total funds}$) must be considered along with the **current ratio** ($\text{current ratio} = \text{current assets} / \text{current liabilities}$). If this is also high then the risk is greater.

If the company has not made profits the Directors will not be able to declare a dividend.

An investor may minimise the risks by making a fully informed decision. He could obtain the advice of his broker or else he could make a decision himself by reading the annual reports of the company carefully and in addition considering these factors: economic factors of the country and future trends, performance of the industry, quality of the company's management, reputation of the board of directors, company's current trading position, strengths and weaknesses of the company and the business risks involved. An investor must not be guided by rumors.

To minimise risk, he may invest in shares of several companies, preferably operating in different industries.

Investors should invest in shares only after having considered all of the above factors. By investing in shares traded on the stock market there is a possibility of getting a higher return by way of dividends and/or capital appreciation. Therefore to increase your income, trading in shares on the stock exchange would be advantageous.

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Monthly Report

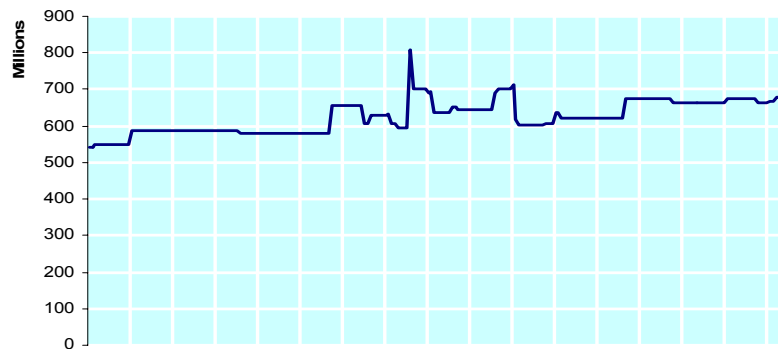
December 2002

There was much activity during December in the Securities Trading Floor. The number of trades, number of shares traded and trading turnover increased considerably when compared to the previous month of November. The details are as follows:

	December	November
Number of trades	13	3
Number of shares traded	119	14
Trading turnover (Rf)	62092	7404
Trading days	22	17

Market capitalization as at end of December 2002 decreased marginally to Rf 662,638,000 compared to Rf 664,611,760 in November 2002.

Movements in daily total market capitalization



Market Statistics

	BML	STO	MTCC
Profit after tax (Rf)	56,111,938	133,565,000	21,817,433
Dividend per share (Rf)	85	105	25
Last traded price (Rf)	650	500	202
EPS (Rf)	461	128.2	87.3
Dividend cover	5.42	1.22	3.49
Dividend payout ratio (%)	18.4	81.9	28.6
PE ratio	1.43	3.90	2.36

Trading Statistics

Company	Last Traded Price (Rf)	Highest Traded Price (Rf)	Lowest Traded Price (Rf)	Weighted Average Traded price	Closing Quotes (as at 31/12/02)	
					Buy (Rf)	Sell (Rf)
BML	650	750	585	654.50	650	700
STO	500	600	400	500	550	550
MTCC	202	600	150	219.78	202	300

Listing on the stock Exchange

What is a listing?

Listing is synonymous to giving an official recognition that a company's shares can be transacted on a Stock Exchange.

The official recognition or approval of a company's listing is given by a Stock Exchange, a Securities Exchange Commission, a Capital Market Authority or a Securities Investment Bank as the case may be, depending on each country. In Maldives the proposed Capital Market Regulatory Authority will approve the listing when the Stock Exchange is formed.

What are the instruments listed on a Stock Exchange?

The following instruments are defined as securities which embrace a whole range of financial products:

- i. Company's shares – ordinary
– preference
- ii. Company's debentures
- iii. Convertible debentures (debentures that can be converted into shares)
- iv. Gilts (Government bonds, Treasury Bills, Treasury Certificates etc.)

What benefits can a company gain from a listing?

- ✓ A listing provides the basis for a company to develop its shareholder base and for enhancement of communications with that shareholder base.
- ✓ Through a listing, a company makes its name, its products and its services more familiar not only to home investors but also to international investors. The information services of an Exchange normally must disseminate information concerning the company for the benefit of investors through its information services.
- ✓ Newspapers also generate a large amount of free publicity. In addition, research reports written by stockbrokers usually further this effect.
- ✓ A listing provides better opportunities for companies wishing to take advantage of capital raising facilities. Though there is no requirement for a company to raise finance on the occasion of its initial listing, there is comfort to know that when extra capital is required, this company will have access to the market for its capital raising needs.
- ✓ Another important advantage which a listing gives to the shareholders of a company is the ability to dispose of their shares at a fair and reasonable price. Major shareholders can even realize part of their investment without necessarily losing control of it and without having to lock their investment in one company.
- ✓ However, a listing also means (a) public accountability, (b) the supply of information on a regular basis to shareholders, and (d) the need to pay dividends in order to support share price and to establish a good stock market rating.

To buy and sell shares, you may contact the Securities Trading Floor, Tel no: 336620. You may also place your orders online through our website www.maldivesstockexchange.com.mv or visit the Trading Floor for the latest information on the share prices.