

Securities Trading Floor



M.T.C.C Tower, 4th Floor, Male'
Tel: 336620, Fax: 336624
www:maldivesstockexchange.com.mv

Monthly Report

January 2003

The total number of trades on the Securities Trading Floor in January saw a 28% decline compared to the previous month, down from 14 trades to 10 trades. The value of these trades (turnover) decreased by 5% from Rf 62,294 in December 2002 to Rf 58,700 in January 2003. There were 22 trading days in December 2002 compared with 21 in January 2003.

Market capitalization as at end of January 2003 increased marginally to Rf 720,374,400 compared to Rf 663,611,760 in December 2002.

CFTC mission

The Commonwealth Fund for Technical Cooperation mission to Maldives will arrive in Male' on 16 February 2003. The mission will consist of Mr. Makbul Rahim, Chief Programme Officer (Legal), Commonwealth Secretariat and Professor Peter McKenzie QC, Advisor, Commonwealth Secretariat. During their visit to the Maldives, the mission will discuss Mutual Fund Regulations with the Maldives Monetary Authority, various government officials and other interested parties.

CMDS staff news

Ms. Fathimath Shafeega, Deputy Manager, Capital Market Development Section of the Maldives Monetary Authority left for New Zealand to follow a Ph D programme at Lincoln University, Canterbury.

Shafeega made a valuable contribution in spearheading the work of the CMDS.

We wish her the very best and every success in her studies.

Market statistics

The market statistics for 2002 are shown overleaf. This was the first year of formal share trading in Maldives. As the facility was commenced only on 14 April 2002 the statistics do not cover a full year. The market performance for 2002 is encouraging if we are to take into account the fact that the first year necessarily is the most difficult year. This is because share trading is a new concept in Maldives.

Trading statistics

Company	Last Traded Price (Rf)	Highest Traded Price (Rf)	Lowest Traded Price (Rf)	Weighted Average Traded price	Closing Quotes (as at 31/01/03)	
					Buy (Rf)	Sell (Rf)
BML	670	750	585	630.33	661	800
STO	550	600	400	550	475	650
MTCC	210	600	150	209.27	202	205

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Market statistics 2002

	MTCC	BML	STO	TOTAL
Number of trades	29	27	12	68
Number of shares traded	475	470	93	1,038
Value of shares traded (Rf)	116,733	308,400	43,350	468,483

Highest traded price (Rf)	600	750	600
Lowest traded price (Rf)	150	585	400
Weighted average traded price (Rf)	45.66	656.17	466.13

(+) Average daily turnover (Rf) 303

Market capitalization as at 31.12.2002 (Rf) 662,638,000

Number of Investors 94

Male 81

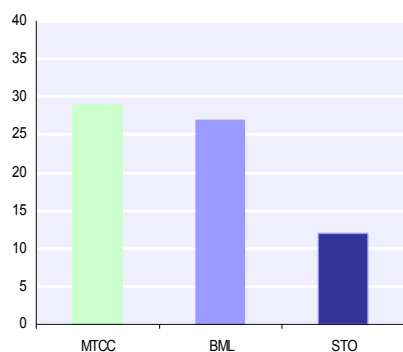
Female 13

Investors from Male' 73

Investors from the Islands 21

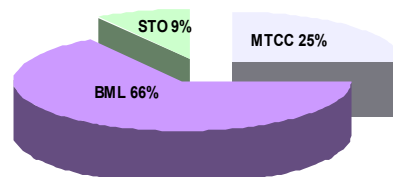
Age distribution:	under 20	4
	20 - 30	20
	30 - 40	32
	40 - 50	23
	50 & above	15

Number of trades

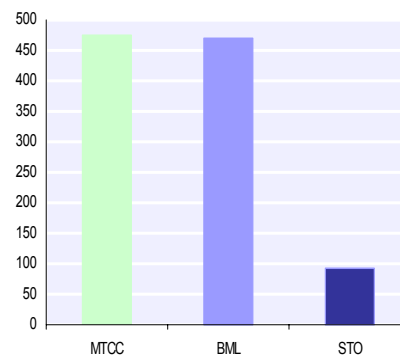


Source: Securities Trading Floor.

Total value of share traded



Number of shares traded



* calculated for 8.5 months, ie. 14 April (when STF was opened) - 31 December 2002

(+) calculated for 182 days (14 April to 31-December 2002)

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Monthly Report

February 2003

The activities on the Securities Trading Floor in February was less than in the previous month. This was mostly due to the Eid-Holidays. There were only 15 trading days in February. The number of trades was reduced to 5 compared to 10 trades in January 2003.

Commonwealth Fund for Technical Cooperation Mission

The Commonwealth Fund for Technical Cooperation (CFTC) Mission to Maldives arrived in Male' on 16 February 2003. The Mission consisted of Mr. Makbul Rahim, Chief Programme Officer (Legal), Commonwealth Secretariat and Professor Peter McKenzie QC, Advisor, Commonwealth Secretariat. During their visit to the Maldives, the Mission discussed Collective Investment Schemes with the Maldives Monetary Authority, various government officials and other interested parties.

Mr. Makbul Rahim and Prof. Peter McKenzie QC conducted a seminar during their visit to Maldives. Mr. Makbul Rahim explained the essential characteristics of Collective Investment Schemes and the advantages of establishing such schemes in Maldives. He also explained the difference between an open-ended investment company and a closed-ended investment company as well as the difference between an investment company and a unit trust. Mr. Makbul Rahim also explained the regulatory aspects of Collective Investment Schemes.

Prof. Peter McKenzie QC addressed the issues involved in the creation of Collective Investment Schemes in Maldives. The issues that he addressed were as follows:

- The advantages and disadvantages of creating Collective Investment Schemes in Maldives.
- The legal form or structure best suited for Collective Investment Schemes in Maldives.
- The need for regulation of Collective Investment Schemes.

Prof. Peter McKenzie QC in his address also discussed the possibility of establishing a Maldives Country Fund.

CFTC will prepare an issues paper on the establishment of the regulatory regime for Collective Investment Schemes. They will undertake a further visit to Maldives to discuss the issues paper and drafting instructions for the Collective Investment Schemes Bill.

Trading statistics

Company	Last Traded Price (Rf)	Highest Traded Price (Rf)	Lowest Traded Price (Rf)	Weighted Average Traded price	Closing Quotes (as at 28/02/03)	
					Buy (Rf)	Sell (Rf)
BML	670	750	585	670	661	-
STO	475	600	400	475	500	650
MTCC	210	600	150	204	202	200

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Mutual Funds (Collective Investment Schemes)

Small investors who invest in securities are sometimes not able to diversify their portfolio of investments because of limited funds available to them. Mutual Funds also known as Collective Investment Schemes offer a solution to such investors. They can benefit by holding a portion of a diversified portfolio if they invest in mutual funds. Moreover, the mutual funds use experienced professionals to manage the funds. Mutual Funds offer the investor the facility to require the fund to re-purchase the investment at anytime. Because of these benefits mutual funds have grown at a rapid pace. Some financial intermediaries such as saving banks and pension funds also invest in mutual funds and have recently increased their holdings in them.

Management of Mutual funds

The primary responsibility of the portfolio managers hired by the mutual funds are to invest in a portfolio of securities that satisfy the desires of investors. A successful portfolio will become attractive to other investors and thus grow over time. To cover managerial expenses, mutual funds charge management fees of typically less than one percent of the total assets per year. Besides the compensation for portfolio managers, management expenses of a mutual fund include record-keeping and clerical fees. These expenses can be significant as any given fund may represent ownership by several thousand investors.

Like other portfolio managers, the managers of funds analyse economic and industry trends and forecasts and assess the potential impact of various conditions on companies. They adjust the composition of their portfolio in response to changing economic conditions.

Returns and risks of Mutual funds

Mutual funds can generate return to their shareholders in three ways. First, they can pass on any earned income (from dividend or coupons payments) as dividend payment to the shareholders. Second, they can pass on capital gains through the sale of securities within the fund. Shareholders can choose either to accept any dividend payment and capital gains distributions or reinvest such amounts in the fund, thereby representing a purchase of additional shares. A third type of return to shareholders is through appreciation of the share price of the mutual fund.

While investors in a mutual fund directly benefit from any returns generated by the fund, they are also directly affected if the portfolio generates losses. Because they own the share of the fund, there is no other group of shareholders to which the fund must be accountable. This differs from commercial banks which obtain their deposits from one group of investors and sell shares of the bank to another.

Types of Mutual funds:

1. **Growth funds:** these funds are typically composed of stock of companies that have not fully matured and are expected to grow at a higher than average rate in the future.
2. **Capital appreciation funds:** This is composed of stocks that have potential for very high growth but may also be unproven. These funds are suited for investors who are more willing to risk a possible loss in value.
3. **Income funds:** Bonds that offer periodic coupon payments and vary in exposure to risk. Some income funds composed of only corporate bonds are susceptible to default risk, while those composed of only Treasury bonds are not.
4. **Growth and Income Funds:** Funds, which contain a unique combination of growth stocks and fixed-income bonds. Those funds that emphasize greater investment in growth stock rather than bonds, there is greater potential for capital appreciation but a lower amount of fixed income generated from the fund.
5. **High-yield (junk bond) funds:** The bonds in this portfolio were typically issued by highly leveraged firms. The issuing firm's ability to repay these bonds is very sensitive to economic conditions.
6. **International Funds:** International funds were created to allow foreign investment in securities without incurring excessive costs.

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Monthly Report

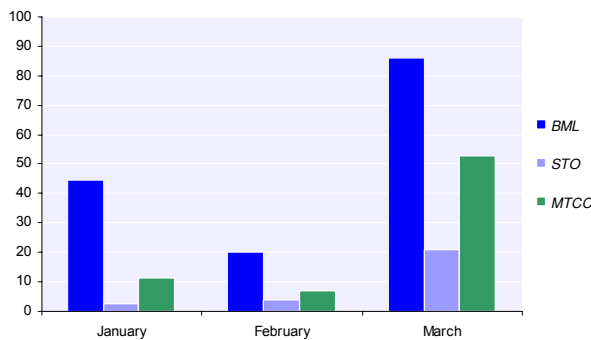
March 2003

The month of March 2003 recorded the highest level of trading activity since the formation of the Securities Trading Floor. There was a huge increase in total number of trades compared to the previous month, up from 5 trades to 14 trades. The turn over increased from Rf 32,000 in February 2003 to Rf 160,030 in March 2003.

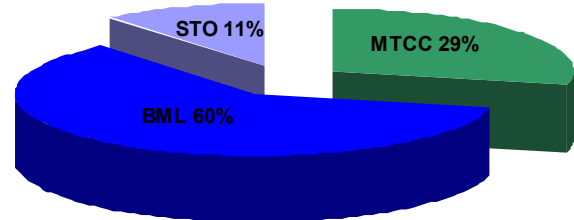
Statistics – First Quarter 2003

	Total	March	February	January
Number of trades	29	14	05	10
Number of shares traded	629	424	75	130
Trading turnover (Rf)	250,730	160,030	32,000	58,700
Trading days	58	21	16	21

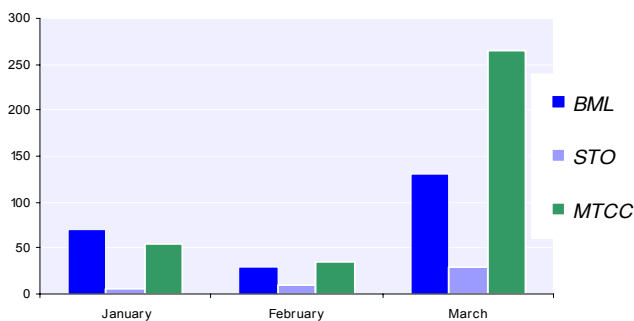
Monthly Turnover
in thousands Rufiyaa



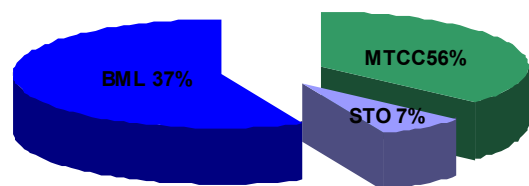
Percentage Breakdown of turnover



No. of Shares Traded



Percentage breakdown of shares traded



Trading Statistics

Company	Last Traded Price (Rf)	Highest Traded Price (Rf)	Lowest Traded Price (Rf)	Closing Quotes (as at 31/03/03)	
				Buy (Rf)	Sell (Rf)
BML	662	750	585	675	-
STO	700	700	400	650	-
MTCC	200	600	150	200	250

Stock Market Index

What is a stock market index?

A stock market index should capture the movement in prices of the overall equity market. Movement of the index may also represent the returns obtained by a “typical” portfolio of traded securities in a country.

What do the ups and downs of an index mean?

They reflect the changing expectations of the stock market. When the index goes up, it is because the stock market thinks that the future prospects will be better than previously expected. When future prospects become pessimistic the index drops. The ideal index gives us instant-to-instant readings about how the stock market perceives the future of country's corporate sector.

What is the basic idea of an index?

Every stock price moves for two possible reasons: news about the company (eg. a product launch, or the closure of a factory, etc.) or news about the country (eg. budget announcement). The job of an index is to capture the second part, the movements of the stock market as a whole (i.e. the news about the country). This is achieved by averaging. Each stock contains a mixture of these two elements – stock news and index news. When we take average of returns on many stocks, individual stock news tends to cancel out. On any one day, there would be good stock-specific news for a few companies and bad stock-specific news for others. In a good index, these will cancel out, and the only thing left will be news that is common to all stocks. The news that is common to all stocks is news about the country. This is what the index will capture.

Calculation of index

Stock market index is a weighted average index. For technical reasons, it turns out that the correct method of averaging is to take a weighted average, and give each stock a weight proportionate to its market capitalization. Suppose an index consists of two stocks A and B. A has a market capitalization of Rf.1 million and B has a market capitalization of Rf.3 million. Then we attach a weight of $\frac{1}{4}$ to movements in A and $\frac{3}{4}$ to movements in B.

In developed markets, the prices are taken from the stock exchange automated quotation system and the calculation of the index is automated, each minute of the day. The base value is recalculated when ever a constituent company issues more shares. This ensures that only a price movement and not an increase in the number of shares, has a direct effect on the index value.

World stock market indices

FT-SE 100 the Financial Times – Stock Exchange (FT-SE) 100 Share Index – popularly known as the ‘footsie’ Index. This index is based on the performance of the leading 100 companies listed on the London Stock Exchange.

Dow Jones the oldest and most widely used index measures the overall condition of the stock market, each of the four averages is price-weighted and includes a few dozen widely held stocks. There are four Dow Jones Averages: Industrial, Transportation, Utilities and Composite (the other three together).

Nikkei consist of 225 leading stocks traded on the Tokyo Stock Exchange.

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Monthly Report

April 2003

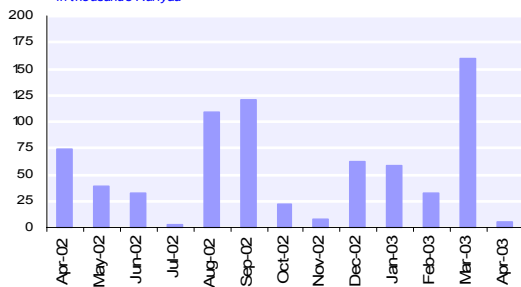
One year of successful share trading.

The month of April 2003 completed one year of successful share trading since the opening of Securities Trading Floor. The first year was a very successful year. We concluded 102 trades valued at Rf.724,508. 124 investors participated in share trading. In previous years, prior to the establishment of a share trading facility, very few share transactions took place in public companies. The second year of operation of the share trading facility is expected to see a further increase in share trading activity.

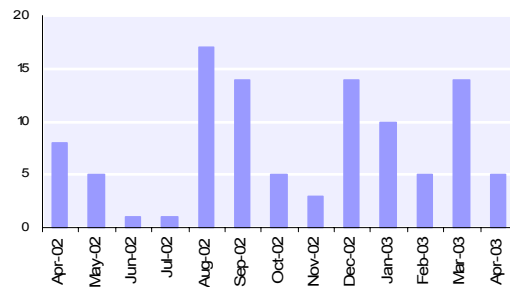
Statistics – First Year (14 April 2002 – 13 April 2003)

	MTCC	BML	STO	Total
Number of trades	44	42	16	102
Number of shares traded	835	705	138	1,678
Trading turnover (Rf)	189,363	463,295	71,850	724,508
Trading days				249

Turnover of the year
in thousands Rufiyaa



Number of trades of the year



April 2003 Performance

The trading performance in April 2003 was satisfactory. This was despite the lack of sellers for both STO and BML. There was not a single trade of STO as there were no sellers. A turnover of Rf. 61,415 was recorded from 10 trades.

Statistics - April 2003

	MTCC	BML	STO	Total
Number of trades	6	4	-	10
Number of shares traded	126	45	-	171
Trading turnover (Rf)	31,290	30,125	-	61,415
Trading days				22

Trading Statistics

Company	Last Traded Price (Rf)	Highest Traded Price (Rf)	Lowest Traded Price (Rf)	Closing Quotes (as at 30/04/03)	
				Buy (Rf)	Sell (Rf)
BML	650	825	585	675	-
STO	700	700	400	610	-
MTCC	270	600	150	250	300

THE NEED FOR REGULATING THE CAPITAL MARKET

A capital market to be successful requires the development of a regulatory structure which instills confidence among investors in the market. The essential features of such a regulatory structure are as follows:

- **Protection of Investors**

Investors should be protected from misleading, manipulative or fraudulent practices, including *front running* (trading ahead of customers), the misuse of client assets and insider trading. An *insider* is a person who is prohibited from trading in a company's stock because he /she has access to privileged information by the virtue of his/her position in relation to the company. Full disclosure of information is necessary for an investor to make a fully informed investment decision and is important for ensuring investor protection. Investors are, thereby, better able to assess the potential risks and rewards of their investments and thus, to protect their own interests.

Investors in securities markets are particularly vulnerable to losses as a result of improper trading practices of dealers and others. The capacity of individual investors to take action in such situations is enhanced by the establishment of a regulatory structure.

- **Ensuring that Markets are Fair, Efficient and Transparent**

The *fairness* of the market is closely linked to investor protection and, in particular, to the prevention of improper trading practices. Regulation should detect, deter and penalize market manipulation and other unfair trading practices.

In an *efficient market*, the dissemination of relevant information is timely and wide spread and is reflected in the price formation process. Regulation should promote market efficiency.

Transparency may be defined as the degree to which information about trading (both for pre-trade and post-trade information) is made publicly available on a real-time basis. Pre-trade information concerns the posting of firm bids and offers as a means to enable investors to know, with some degree of certainty, whether and at what price they can deal. Post-trade information is related to the prices and the volume of all individual transactions actually concluded. Regulation should ensure the highest level of transparency.

- **The Reduction of Risk of Failure**

Although regulation cannot be expected to prevent the financial failure of dealers, it should aim to reduce the risk of failure (through capital and internal control requirements).

Dealers should, therefore, be subject to adequate and ongoing capital and other prudential requirements. If necessary, a dealer should be able to wind down its business without loss to its customers and counter parties.

Risk taking is essential in an active market and regulation should not unnecessarily stifle legitimate risk taking. Rather, regulators should promote and allow for the effective management of risk and ensure that capital and other prudential requirements are sufficient to address appropriate risk taking, allow the absorption of some losses and check excessive risk taking.

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Monthly Report

May 2003

May 2003 Performance

The trading performance in May 2003 was low compared to the previous months in 2003. This could possibly be due to the fact that there were no sellers for BML and STO shares though there was significant buying interest in these stocks. A turnover of Rf.22,119 was recorded from 7 trades for the month. All trades during the month were in MTCC shares.

Company Information

Some changes have been made to the senior management of the Bank of Maldives during the month of May 2003. These changes include the following:

1. Appointment of Mr. Abdul Ghafoor as Acting Chief Executive Officer, and former department managers, Ms. Aishath Nooradhdeen, Ms. Fathimath Manike and Ms. Naadhiya Hassan as Assistant General Managers.
2. Transfer of Mr. Mohamed Ahmed (AGM) to another government office.

Brief analysis of the securities traded in the market

MTCC is the most frequently traded share in the market. There are many buyers and sellers all the time.

STO offers a good dividend yield of usually 15% or more depending on the price at which the share is purchased.

Bank of Maldives has a high net asset value according to the audited financial statements. The net asset value per share is about Rf.1900.

Market Statistics - May 2003

	MTCC	BML	STO	Total
Number of trades	7	-	-	7
Number of shares traded	79	-	-	79
Trading turnover (Rf)	22,115	-	-	22,119
Trading days				19

Trading Statistics

Company	Last Traded Price (Rf)	Highest Traded Price (Rf)	Lowest Traded Price (Rf)	Closing Quotes (as at 31/05/03)	
				Buy (Rf)	Sell (Rf)
BML	650	825	585	675	-
STO	700	700	400	600	-
MTCC	250	600	150	250	350

The benefits created by a capital market

An effective capital market will be beneficial for the economic development of any country. The benefits of a well managed and effective capital market would include the following:

- Providing long-term financing for projects: A company which is expanding may need an injection of new capital to supplement the funds generated from operations. The need may arise in connection with plant replacement, R&D or intensified marketing. The banking system is not always willing to meet this need in terms of long term lending.
- Providing finance for expansion: Realisation of a company's commercial potential requires an adequate capital base which often exceeds the financial capabilities of the owners. A stock exchange listing will create greater access to unlimited capital resources. If required, the company may subsequent to the initial listing, raise further capital through the issue of new shares
- Facilitating medium and long-term savings: A stock exchange listing brings a company a better opportunity to form strategic alliances when a well-defined price of the company's shares is available and the ability to trade the company's shares is established. It also provides an opportunity for a wide cross-section of the population to finance public and private investments, as well as assisting the banking system in securitizing its assets.
- Promoting private enterprises: This is by providing intermediary services to raise funds for corporate investment and expansion and in changing the ownership structure of companies from family-owned to publicly-owned.
- Reducing the debt burden of businesses: Private enterprises may improve their debt-equity ratios by substituting equity capital for bank borrowings.
- Provides succession of ownership: In family companies succession of ownership often requires a share sale. It may be difficult to attract investors as the public awareness of the family company is limited. A stock exchange listing gives the owners easy access to a potential market. The shares of a company listed on the stock exchange are priced higher than the shares of a similar company which is unlisted.
- Higher public profile for listed companies: A stock exchange listing inevitably means that the company and its activities will attract more public interest. Also the daily official quotations and the stock exchange disclosure requirements mean that the public gain an insight to the company. This will help sustain interest in the company and strengthen the company's trustworthiness.
- Means of reducing external borrowings for businesses: A company may act more freely and make the right decisions if it is not burdened with mounting debts. Many companies use the equity market to raise new capital instead of incurring new debt.
- Provides means of acquisition of another company: In connection with takeovers it may be advantageous if the shares of the company which is making the acquisition are listed on the stock exchange. The company may then use liquid quoted shares as payment in full or in part to the shareholders in the company which is being acquired. The shareholders of the company which is being acquired will be able to make a more informed assessment of an exchange offer if the values are fixed through a trustworthy marketplace such as a stock exchange.

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Monthly Report

June 2003

June 2003 Performance

Trading turnover when compared to the previous month was lower. A turnover of Rf.3,201 was recorded from 5 trades this month compared to the last month turnover of Rf.22,115 from 7 trades. All trades recorded were in respect of MTCC shares. Like in the previous month there were no trades in shares of BML and STO. The share transfer books of STO were closed from 15 to 29 June prior to the Annual General Meeting. Therefore no trades of STO shares could have been executed during this period.

STO Information

Company's Performance

State Trading Organization published its 2002 financial report in the newspapers on 22nd June and their Annual General Meeting was held on 29th June at Nasandhura Palace Hotel. Mr. Mohamed Ahmed was re-elected as a director by the shareholders.

According to the company's financial statements, STO generated a turnover of Rf 1,339 million and made a net profit of Rf 146 million. This is approximately a 10 percent increase over STO's 2001 profit which was Rf 133 million. In the year 2002 earnings per share was Rf 137 which is a Rf 9 increase over the previous year when the earnings per share was Rf 128. The dividend declared by the board of directors for 2002 is Rf 118 which is 12 percent increase over the previous year's dividend of Rf 105.

PricewaterhouseCoopers was re-elected as Auditors of STO.

Statistics – Second Quarter 2003

	Total	June	May	April
Number of trades	22	5	7	10
Number of shares traded	261	11	79	171
Trading turnover (Rf)	86,731	3,201	22,115	61,415
Trading days	62	21	19	22

Trading Statistics

Company	Last Traded Price (Rf)	Highest Traded Price (Rf)	Lowest Traded Price (Rf)	Closing Quotes (as at 30/06/03)	
				Buy (Rf)	Sell (Rf)
BML	650	825	585	675	2025
STO	700	700	400	600	900
MTCC	350	600	150	350	250

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Market Intermediaries

The expression “market intermediaries” generally include persons or institutions who intermediate between buyers and sellers such as, investment advisors, portfolio managers and others involved in the distribution and trading of securities. The market intermediaries provided for in the Securities Bill are Dealers, Dealers Representatives, Investment Advisers, Underwriters and Custodians.

Capital market intermediaries play a key role in the performance of corporate governance functions. Analysts and credit rating agencies, for example, provide information and analysis to investors while securities firms make stock and bond recommendations to their customers. Portfolio managers buy and sell these securities for their retail and institutional customers. Commercial banks and other lenders review the credit worthiness of potential borrowers, structure loan agreements to encourage appropriate business practices, and monitor their customers over time. Investment banks perform a corresponding role as they underwrite security issues. Regulatory bodies such as the SEC and FASB provide rules and sanctions to guide corporate and investor behaviour on behalf of shareholder and public interests. The business media watch over these governance processes and provide commentary on practices and trends.

Types of Market Intermediaries:

Dealers: An individual or entity, such as a securities firm, when it acts as a principal and stands ready to buy and sell for its own account. More generally, an individual or entity which buys and sells products and holds an inventory. That entity should meet minimum financial requirements and should have in its employment a licensed dealer’s representative.

Dealers Representative: An individual who having passed the required examinations is licensed to buy and sell on behalf of the client. He/she usually works for a brokerage licensed by the authority.

Underwriters: These are financial institutions with sufficient capital to undertake underwriting of issues of securities. A dealer or a bank, may underwrite a securities offering without holding an underwriting license. A contract between members of a syndicate, appointing the originating investment bank as the lead underwriter, defining the members’ proportionate liability, and authorizing the manager to allocate units to a selling group. Underwriting agreement is an agreement between a corporation issuing new securities and the lead underwriter of the syndicate.

Custodians and Providers of other specific services: *Custodians* are agents, banks, trust companies, or other organizations which hold and safeguard the assets of an individual, mutual fund, or investment company.

The regulation of market intermediaries should address such matters as entry criteria, capital and prudential requirements, ongoing supervision and discipline of market intermediaries and the consequences of default and financial failure. The oversight of market intermediaries should primarily be directed to the areas where their capital, client money and public confidence may most be put at risk. These include the following risks:

- ✓ Incompetence may lead to a failure of due execution, a failure to obtain due settlement or a failure to provide adequate advice.
- ✓ Breach of duty may lead to misappropriation of client’s funds or property, the misuse of client instructions for the intermediary’s own trading purposes such as “front running” (or trading ahead of customers), manipulation and other trading irregularities or fraud on the part of the intermediary or its employees.
- ✓ The insolvency of an intermediary may result in loss of client money, securities or trading opportunities and may reduce confidence in the market in which the intermediary participates.

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July 2003

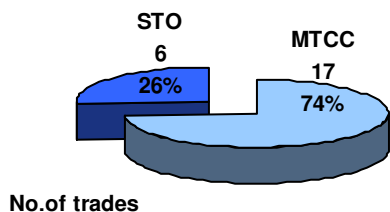
July 2003 Performance

The month of July 2003 was another record month. It recorded the highest number of trades since the opening of the Securities Trading Floor. The number of trades that were executed during the month of July 2003 was 23. August 2002 was the month that previously recorded the highest number of trades, which was 17. The turnover of the month also increased from Rf 3,201 in June 2003 to Rf 70,706 in July 2003. No trades on BML shares were recorded this month.

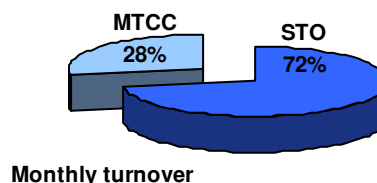
Trading Statistics

	Accumulative 2003	July	June
Number of trades	74	23	5
Number of shares traded	1032	142	11
Trading turnover (Rf)	408,167	70,706	3,201
Trading days	142	22	21

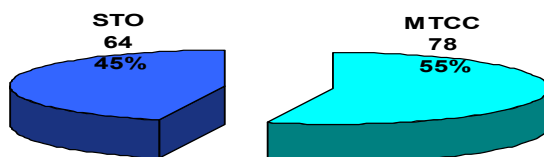
No. of trades



Monthly turnover



No. of shares traded



Company News

STO declared a dividend of Rf. 118 per share on 29th June, 2003. This was an increase compared to last year when the dividend declared was Rf. 105 per share.

Market Statistics

Company	Last Traded Price (Rf)	Highest Traded Price (Rf)	Lowest Traded Price (Rf)	Closing Quotes (as at 31/07/03)	
				Buy (Rf)	Sell (Rf)
BML	650	825	585	750	2025
STO	750	800	400	625	750
MTCC	250	600	150	210	250

Who are stakeholders?

Stakeholders are people who have an interest in a business enterprise and who are affected by it. They may be those who have an interest in a particular decision either as individuals or representatives of a group. This includes people who influence a decision as well as those affected by it. Stakeholders should be able to participate meaningfully in decision making.

Nearly two centuries of social reforms have already brought many responsibilities within a firm's legal operation, but the outer boundaries of responsibilities are still blurred. All firms have a responsibility towards their shareholders but they also have a social responsibility towards:

- Employees
- Suppliers
- Consumers
- Local Government
- Investors
- Directors and Managers

These groups are often referred to as *Stakeholders*. This means that they have a stake in the outcome of the firm's decision making. A more radical interpretation suggests that all stakeholders have a right to influence the management and that shareholders represent only one stakeholder among others. In practice, the extent to which firms accept responsibility towards the different stakeholder groups vary widely. Some companies stress only their commitment to profitability and shareholder return. Others acknowledge the need for profitable trading but stress their commitment to a range of stakeholder interests.

A socially responsible firm will honour its responsibility to its shareholders but will also accept the need to act responsibly towards other stakeholders. This means acting in a fair way towards customers, financiers and suppliers. For example, prompt payment of bills, producing quality products, honest dealing, and reliability. Socially responsible behaviour clearly requires obeying the law and paying taxes, but it also means operating in an ethical way, concern for the environment, the undertaking of philanthropic activity on behalf of the disadvantaged and to aid the cultural life of the community.

Stakeholders and their interests

Employees: Workers have the most to gain and lose. They are concerned with actual threats to job security, future employability, pensions, and medical benefits.

Suppliers: These are creditors of the business. They are concerned with the credit period as well as the amount of profit generated from operations. They also look to the sustainability of the business.

Consumers: People's demand depends upon the quality of the product. So production should be carried out in such a way that consumer needs are fulfilled.

Local Government: The local government has a strong interest in protecting the interests of the workers in the community.

Investors: Investors are interested in profitability and sustainability of the business. They need their money to be safe and depend on the growth of the business in order to get a higher return out of the investment.

Managers and Directors: They are the senior management of the business. They are managers who are elected by the owners (shareholders) of the business to safeguard their investment and operate the business in such a way that will yield sustainable and maximum profit to them.

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.

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Monthly Report

August 2003

August 2003 Performance

The trading activities of the Securities Trading Floor (STF) declined during the month. The trading turnover declined from Rf. 70,706 in July to Rf. 32,930 in August. Of the 3 trades recorded, two were from MTCC and one from STO. No trades on BML shares have been recorded since April 2003.

New Trading Procedure

Effective from 01 September, 2003 the present trading procedure will be changed. Under the proposed procedure the concerned parties to a trade need not be present on the trading floor at the same time to effect a trade. The investor may send his representative if he is unable to attend the Trading Floor. The proposed procedure is as follows:

Sell order

1. The seller may give orders to the Securities Trading Floor in person, by phone, by fax or through the website.
2. The seller is required to fill Sell Order Information Form 1 and 2. The share certificate and I.D. Card should be sent to the Securities Trading Floor along with the forms duly filled.
3. If the seller sends the forms through a representative, then a letter from the seller and his ID card and authorized person's ID Card should be presented to the Securities Trading Floor. Once the trade is matched the seller cannot change any particulars stated in the sell order form.
4. The Capital Market Development Section (CMDS) will make payment to the seller by cheque.

Buy order

1. The buyer may give orders to the Securities Trading Floor in person, by phone, by fax or through the website.
2. The buyer needs to fill Buy Order forms 3 and 4. The forms shall then be sent to the STF with the buyer's ID Card.
3. If the buyer sends the forms through a representative then a letter from the buyer with ID card and the authorized person's ID card should be presented to the Securities Trading Floor. Once the trade is matched the buyer cannot change any particulars stated in the buy order form.
4. When a trade is matched STF will inform the buyer to deposit money in the "Maldives Monetary Authority /CMDS Trading a/c", and the deposit slip should be handed over to the CMDS.
5. Upon the receipt of the share certificate from the company CMDS shall inform the buyer to collect the share certificate from CMDS.
6. If the buyer sends a representative to collect the share certificate, then the authorized person's ID card should be presented to the Securities Trading Floor.

Market Statistics

Company	Last Traded Price (Rf)	Highest Traded Price (Rf)	Lowest Traded Price (Rf)	Closing Quotes (as at 31/08/03)	
				Buy (Rf)	Sell (Rf)
BML	650	825	585	750	900
STO	750	800	400	600	700
MTCC	215	600	150	215	250

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

STO public offering of shares

STO had its first public offering in 2001. In this offering the general public subscribed for 26,040 shares. STO is having their second public offering in September 2003. This is the first public offering of shares since the Trading Floor was started on 14 April, 2002. Therefore, we envisage a new kind of investor subscribing to this new share issue ie; the speculative type of investor who wants to buy and sell shares and make a profit. The new share issue will also address the question of the shortage of STO shares available for trading. This is a welcome move because we need to increase the supply of securities available for trading and also we need more investors to further activate share trading.

Since the start of the Trading Floor, STO have declared dividends which have offered a good dividend yield (return) of usually 15% or more depending on the price at which shares are sold on the trading floor. There is a huge decline in the number of STO trades during this month compared to the previous month. The reason may be the announcement of the new issue from STO. The lowest sell quote for STO shares on the Trading Floor is more than Rf.400, which is the price at which new shares are being offered in the STO public offering of shares.

Bank of Maldives Plc. is acting as managers of the new public offering of shares of STO. The details of the issue are as follows:

- No. of shares offered: 50,000
- Price per share: Rf: 400
- Minimum number of shares to be allocated (individuals and companies): 05
- Maximum number of shares to be allocated to any individual: 500
- No maximum limit for companies.
- All allotments shall be made in multiples of 5.

How to apply:

- Obtain an application from any branch of BML or from STO.
- Perfect the application form and submit it to any branch of BML together with the funds for the purchase of shares.
- Subscription period: (1st September - 30th September, 2003)

Securities Trading Floor (Market Statistics of STO as at 31.08.2003)

- Last traded price: Rf: 750
- Weighted Average Traded Price (from 14.04.02 to date): Rf: 631.60
- Number of shares traded (from 14.04.02 to date): 149
- Total value of transactions (from 14.04.02 to date): Rf 109,496

**Before you buy STO shares, study the STO share prospectus and latest STO annual report.
For more information call STO direct on 322150**

Securities Trading Floor

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ



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“RAISE FINANCE BY TAKING
YOUR COMPANY PUBLIC”

Stock Market Monthly Report

September 2003

September 2003 Performance

The trading activities of the Securities Trading Floor (STF) decreased during the month compared to the last month. The trading turnover decreased by around 66 percent during the month, from Rf. 32,930 in August to Rf.11,265 in September. The average daily trading turnover for the month was Rf 512. During the month there were 7 trades of MTCC comprising of 46 shares. There were no trades of BML and STO during the month.

Trading Statistics

Company	Last Traded Price (Rf)	* Highest Traded Price (Rf)	* Lowest Traded Price (Rf)	Closing Quotes (as at 30/09/03)	
				Buy (Rf)	Sell (Rf)
BML	650	825	585	875	900
STO	750	800	400	476	500
MTCC	235	600	150	235	250

* Since 14th April 2002 to date

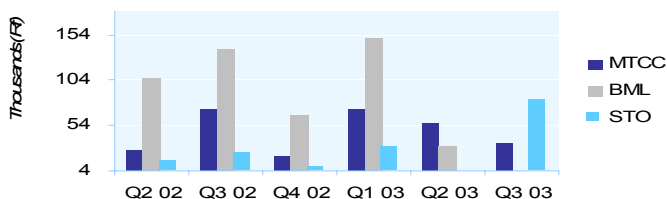
Third Quarter Review (Quarter ending 30 September 2003)

The securities market activity recorded an increase in trading turnover during the quarter under review compared to the 2nd quarter of this year. The trading turnover peaked during this quarter in the month of July 2003. The total trading turnover for the quarter was Rf 114,901 with an average daily trading value of Rf 1,767.

	Q2 02	Q3 02	Q4 02	Q1 03	Q2 03	Q3 03
Number of trades	14	32	22	29	22	33
Number of shares traded	345	502	191	629	261	240
Trading turnover (Rf)	145,625	230,540	92,318	250,730	86,731	114,901

During the quarter under review MTCC was the most frequently traded security. STO has the highest value of shares traded. There were no sales of BML during the quarter possibly due to the wider spread between buy and sell quotes.

Trading Turnover

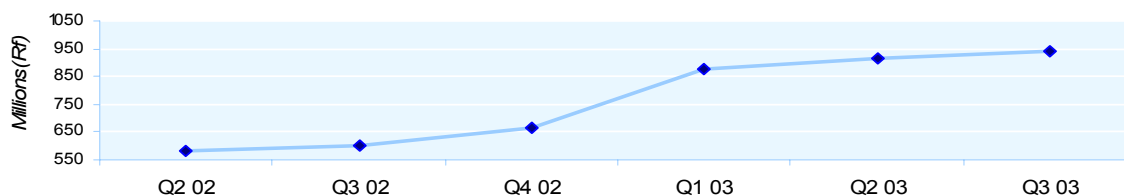


Number of trades



The overall share prices have continued to rise within the last three quarters of this year and followed a bull market trend. In tune with the increase in share prices, a marginal growth in the market capitalization was witnessed. The market capitalization as at 30th September 2003 was around Rf 937 million.

Movement in Market Capitalisation



Face value or market value – what is important?

The face value of a share is usually the worth of a share at the time it was issued when the company was first formed. This is the value printed on the share certificate in monetary units. In the case of the three public companies that have issued shares to the public, the face value of a STO share is Rf 50, a BML share is Rf 300 and a MTCC share is Rf 50.

To illustrate an example from the local stock market, the case of STO will be analyzed. When STO was registered as a public company the share capital was Rf 52,000,000 divided into 52 ordinary of shares Rf 1,000,000 each. In August 2001 when STO made the first public offering, each share (52 ordinary shares) was split into 20,000 shares making a total 1,040,000 shares. The face value of STO shares decided at the time of the public offering was Rf 50 (52,000,000 / 1,040,000). Subsequently 26,040 shares were issued to the public and the total issue of STO shares is now 1,066,000. The face values of these shares decided at the time is not reflective of the market value, of STO shares now. The STF values of STO shares are now 15 times higher than the face value. This is because investors are taking into consideration, the fact that since the formation of STO it has made profits and accumulated reserves over the years.

Conversely if STO has made heavy losses in the past then the accumulated losses will erode the initial share capital with which STO was formed. The effect will be that a share in the company will be worth less than the face value.

The market value of a share like everything else is determined by demand and supply and would be based upon a variety of factors, some of which are as explained below.

1. Net assets per share is the value of the assets minus liabilities of the company which is attributable to a share. This is shown by the following formula: (Assets – Liabilities divided by the number of shares) The net assets per share of an STO share as at 31/12/2002 is 479.73 ($762,327,000 - 250,913,000 / 1,066,040 = 479.73$)
2. Earnings per share is the annual profit of the company which is attributable to a share. This is shown by the following formula: (Annual profit divided by the number of shares). The market value of a share is usually a multiple of the earnings per share. The earnings per share of an STO share as at 31/12/2002 is 137.04 ($146,088,000 / 1,066,040 = 137.04$)
3. Dividend per share is the dividend paid by the company on a share. The percentage rate of return on a share is measured by the following formula: (Dividend per share divided by Market price of a share X 100). Dividend per share of an STO share as at 31/12/2002 is Rf 118 ($125,792,720 / 1,066,040 = \text{Rf } 118$). The percentage rate of return of an STO share as at 31/12/2002 is 15.73% ($118 / 750 \times 100 = 15.73\%$)

Based on the above analysis, it is observed that face value has no bearing on the real value of shares. Hence, it is important that investors understand the concept of face value versus the market value or real value of a share in their investment decisions. Moreover, in modern company law the concept of face value has been removed and the concept of no par value shares has been introduced as face value is a historical fact.

Before you decide to buy or sell shares study all the relevant information about the share. Buying – and selling shares is about making informed investment decisions. The final investment decision must be taken based on all the information you have received. For more information on individual stocks call the issuing companies direct or you may call the STF.

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“DARE TO RAISE DEBT OR
EQUITY THROUGH THE
CAPITAL MARKET?”

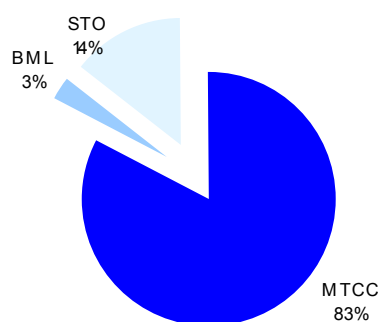
Stock Market Monthly Report

October 2003

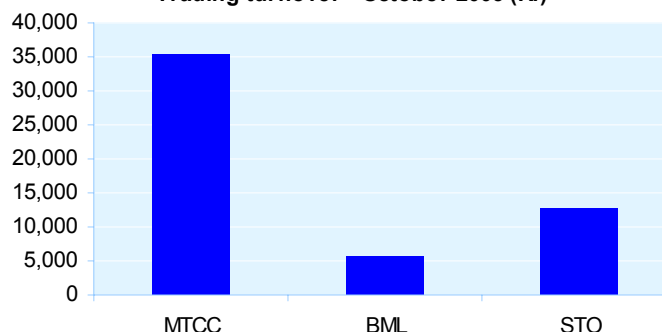
October 2003 Performance

The trading activities of the Securities Trading Floor (STF) increased during the month compared to the last month. The trading turnover increased by around 373 percent during the month, from Rf 11,265 in September to Rf 53,385 in October. The average daily trading turnover for the month was Rf 2,542. During the month the number of shares traded increased by around 336 percent from 46 shares in September to 201 shares in October. The market capitalization as at 31 October 2003 was Rf 662,392,800.

No. of shares traded- October 2003



Trading turnover - October 2003 (Rf)



Market Statistics - October 2003

	MTCC	BML	STO	Total
Number of trades	13	2	3	18
Number of shares traded	166	6	29	201
Trading turnover (Rf)	35,245	5,590	12,550	53,385
Trading days				21

Trading Statistics

Company	Last Traded Price (Rf)	* Highest Traded Price (Rf)	* Lowest Traded Price (Rf)	Closing Quotes (as at 31/10/03)	
				Buy (Rf)	Sell (Rf)
BML	1090	1090	585	675	1090
STO	450	800	400	400	500
MTCC	200	600	150	201	240

* Since 14th April 2002 to date

Company News

The Annual General Meeting (AGM) of MTCC and BML will be held on 5 November 2003 and 19 November 2003 respectively. The share register of MTCC is closed from 29 October to 16 November 2003 and the share register of BML will be closed from 16 - 19 November 2003. There will be discontinuation of trading of MTCC and BML shares on the STF during that period. MTCC proposed a dividend of Rf 25 per share for 2002 and BML proposed a dividend of Rf 85 per share for 2002.

COMPANY ANNUAL GENERAL MEETINGS

A company is required by the provisions of the Companies Act (10/96) to have once in each year a meeting of its members. This meeting is known as the Annual General Meeting (AGM) of the company. Not more than fifteen months shall elapse from the date of one AGM to the date of the next AGM.

The usual business that is carried out at the AGM is as follows:

1. Presentation of the audited financial statements of the company for the previous year.
2. Election of directors.
3. Declaration of a dividend (if any)
4. Appointment of auditors.

Any other matter relating to the business of the company may be included in the agenda of the AGM in addition to the matters stated above.

Every member of a company has a legal right to attend the AGM and to vote thereat. If a member is unable to attend the AGM, he may appoint by proxy another person to attend and vote instead of him. Voting at the AGM is on a show of hands where every member shall have one vote. Members who among them hold not less than 10% of the share capital may however demand a poll according to the provisions of the Companies Act. On a poll each shareholder shall have one vote for every share that he holds. Sometimes it is necessary to adjourn the meeting for the purpose of taking a poll.

In addition to attending and voting, a member has the right to speak at an AGM. This would mean to propose or second a resolution or to speak on a resolution. Usually following the conclusion of the business of the AGM, the chairman may open the floor for questions. At this time any share holder who is present at the meeting may address to the chairman any questions relating to the business of the company. The chairman shall respond to such questions.

Public companies are required to give 14 days notice of the AGM by public announcement in terms of the Companies Act. The announcement should state the venue, date and time of the meeting. The minimum number of members that should be present to conduct the business of the AGM is known as the quorum. If a valid quorum is not present at the commencement of the meeting the chairman should adjourn the meeting.

Every company should maintain a record of the proceedings of the AGM which are referred to as 'minutes' of the AGM. The AGM shall be chaired by the chairman of the board of directors. If for any reason he is unable to attend any other director may chair the AGM.

If a company does not hold its AGM as required by the Companies Act, any member may request the registrar of companies to direct the company to hold the AGM. If the company fails to hold the AGM on the direction of the registrar of companies the registrar may convene the AGM himself and shall chair such meeting or appoint someone else to do so. The valid quorum for such a meeting shall be one in person or proxy.

If a company has two general meetings for the year then one meeting would be the Annual General Meeting and the other meeting would be known as an Extraordinary General meeting.

Share holders are encouraged to attend and participate at AGMs. By doing so they are exercising their rights as shareholders. Directors are accountable to shareholders for the performance of the company. The questions that shareholders ask and the views that they express may help in raising the standards of Corporate Governance in the company and strengthening of the company's management.

Exercise your shareholder rights by attending and voting at AGM's. For more information about AGM's call the companies direct.

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“STF celebrates one million Rufiyaa trading value”

Stock Market Monthly Report

November 2003

Total Trading Turnover has reached a million Rufiyaa mark

With a market capitalization of Rf772,675,000 as at 30th November 2003 STF is gaining impetus in terms of size and value. It is remarkable to note that the total trading turnover of STF has reached a million rufiyaa mark on 24th November 2003 following a trade comprising of 2 shares of STO executed at the rate of Rf600 per share. This was the 177th trade since STF commenced its trading activity on 14th April 2002. To mark this jubilation, a commemorative certificate from the Maldives Monetary Authority and a prize from STO were awarded to the investor.

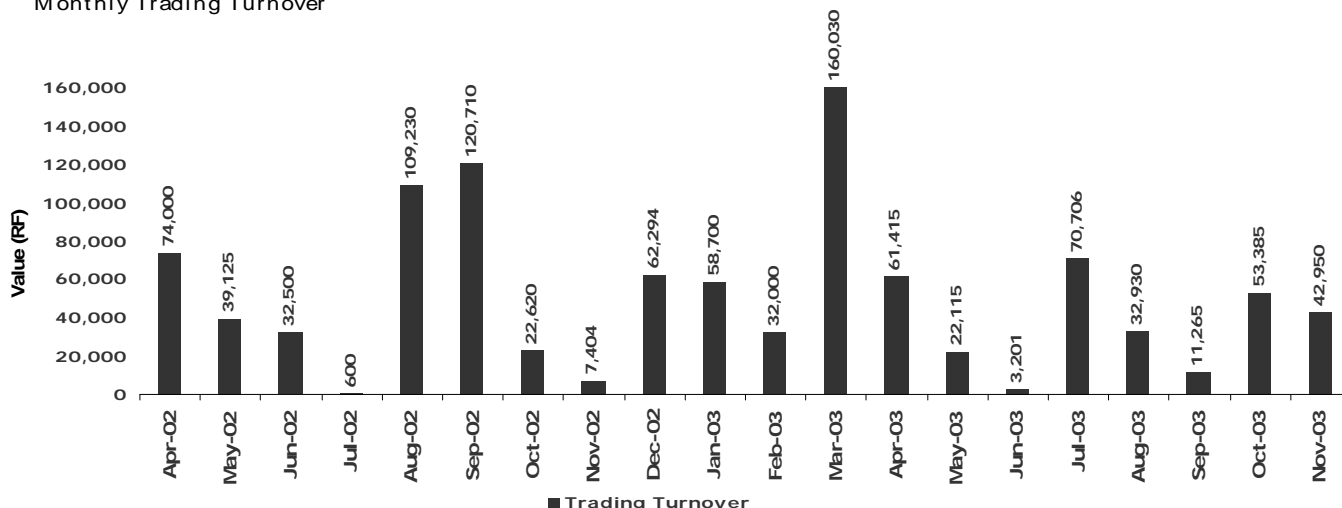
November 2003 Performance

The trading performance of STF in November 2003 declined by around 20 percent compared to the previous month. During the month under review, 20 shares of BML, 38 shares of STO and 13 share of MTCC were traded through the STF. A trading turnover of Rf42,950 was recorded from the 11 trades. Including the months trading the total trading turnover since the STF was established on 14th April 2002 to 30th November 2003 recorded to Rf1,017,180.

Market Statistics - November 2003

	MTCC	BML	STO	Total
Number of trades	3	2	6	11
Number of shares traded	13	20	38	71
Trading turnover (Rf)	4,400	20,900	17,650	42,950
Trading days				16

Monthly Trading Turnover



Trading Statistics

Company	Last Traded Price (Rf)	* Highest Traded Price (Rf)	* Lowest Traded Price (Rf)	Closing Quotes (as at 30/11/03)	
				Buy (Rf)	Sell (Rf)
BML	1000	1090	585	1000	1100
STO	500	800	400	400	600
MTCC	350	600	150	211	370

- Since 14th April 2002 to date

Share Issues

A Share Issue is a means whereby a company issues shares to the general public or to the existing shareholders. Some of the common types of share issues are as follows:

1. Initial Public Offering (IPO)
2. Bonus issues
3. Rights issues

A brief explanation of each one of them follows.

Initial Public Offerings (IPO's)

An initial public offering is an offer of shares by a company to the members of the public. There are two types of IPO's.

The first type is where new shares are issued by a company to raise capital for its own purposes. For example, if a company wants to expand and develop its business they may require additional capital to do so. This additional finance may be raised by launching an IPO. The recent issue of STO shares to the public falls into this category.

The second type of IPO is commonly referred to as an 'Offer for Sale'. This is where one or more of the shareholders of a company offer the shares held by them in the company to the public by way of an IPO. In this case the company will not issue new shares. The proceeds of sale of shares by an Offer for Sale shall accrue to those shareholders who sold their shares and not to the company.

In both these cases a prospectus has to be published and the procedure that is followed is similar.

Bonus issues

A bonus issue is an issue of free shares to the existing shareholders of a company in proportion to their shareholdings. For example, a company may issue one new share for every three shares held. Bonus shares may be issued by a company which has accumulated reserves. The process of issuing bonus shares involves the conversion of reserves to share capital. A prospectus is not required in the case of a bonus issue because the shares are issued free of charge.

Bonus issues are also known as capitalization issues or scrip issues.

Rights issues

A rights issue of shares, like a bonus issue of shares, is an issue of shares by a company to its existing shareholders in the proportion of shares presently held by each shareholder. However the difference in a rights issue is that, unlike in the case of a bonus issue, the shares are offered to shareholders at a price. It is usual for the shares in a rights issue to be issued at a discount to the market price. Any shares which remain unsubscribed are usually offered to other shareholders who may want to purchase them. It is usual for the shareholders to be given the right of renunciation whereby a shareholder may elect another person to take up the entitlement to subscribe shares instead of him. This right to subscribe may also be traded on the secondary market, i.e. the Securities Trading Floor.

By having a rights issue of shares a company may raise fresh funds for its business. A company having a rights issue of shares is usually required to publish an abridged prospectus as the existing shareholders are deemed to have knowledge of the company.

In the Maldives the three publicly traded companies, STO, MTCC and BML have only had IPO's in the past.

For More information on different type of share issues call STF, Tel no: 336620

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“STF WISHES A
PROSPEROUS AND A
HAPPY NEW YEAR
TO THE INVESTORS”

Stock Market Monthly Report

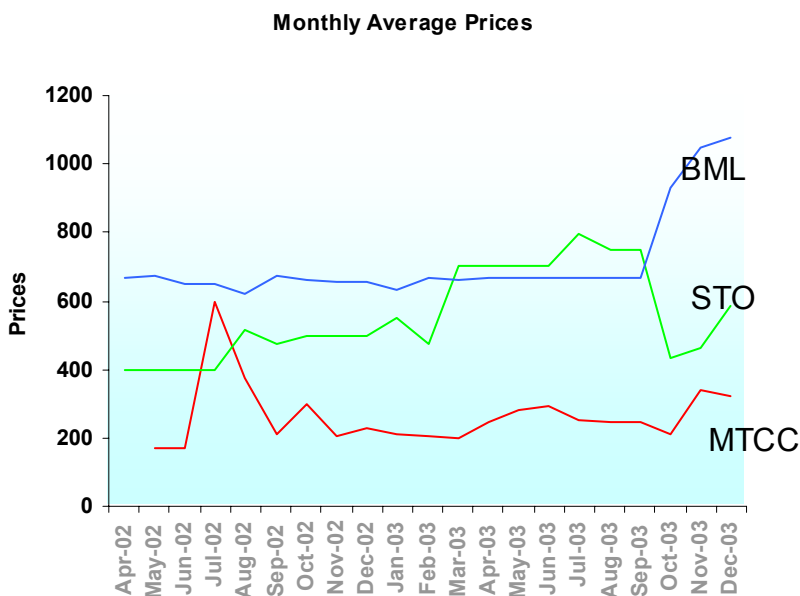
December 2003.

December 2003 performance

In terms of trading turnover, the month under review witnessed an increase of around 91 percent compared to the previous month's turnover. A total of 15 trades comprising 111 shares of MTCC, 33 shares of STO and 25 shares of BML were executed during the month. From these trades, a total turnover of Rf82,150 was recorded which was on average around Rf3,734 on a daily basis. The total trading turnover since the inception of STF to December 2003 has now reached Rf 1,099,330.

Share price movements – from 14th April 2002 to 31st December 2003.

Share prices of the three companies continued to rise on average and a 'bullish trend' was observed for the year 2003. The rise in market prices seems to be stabilizing at the current levels.



MTCC share trading pattern shows more volatility in the year 2002 compared to the year 2003. MTCC share prices peaked at Rf600, the highest ever MTCC trading price in July 2002, which dropped almost by half in August 2002. Thereafter, the price continued to stabilize at around a price over Rf200 up to October 2003. The price then increased from Rf200 to over Rf300 in December.

BML's share price remained at around Rf600 up to September 2003, after which it jumped over Rf900 in November 2003. The prices

continued to rise despite a drop in BML's 2002 profits compared to the previous year due to the same dividend level as the previous year resulting in investor confidence in BML. The share prices of BML reached its highest ever trading level of Rf1200 in December 2003.

STO share price trend was more volatile and fluctuated within a price band of Rf400 to Rf500 up to February 2003, after which the prices shot up to Rf700 during June 2003 and peaked to its highest ever trading price of around Rf800 during July 2003. A slight downward price trend was seen from July 2003 which continued to September 2003 up to the time STO announced the offer of new shares. STO share prices dropped by around half its trading price in September 2003 to around Rf400 as the market reacted in anticipation to a fall in STO share prices with the new share offer and increased supply. However, the STO prices never went below the public offering price of Rf400. The trend started reversing in November 2003 after the new investors started selling the shares allocated from the public offering and the prices continued on an upward trend towards the end of this year.

Note: All prices are on a weighted average basis unless otherwise specified. Where no trades were recorded for a month the last available traded price was considered to calculate the weighted average share prices.

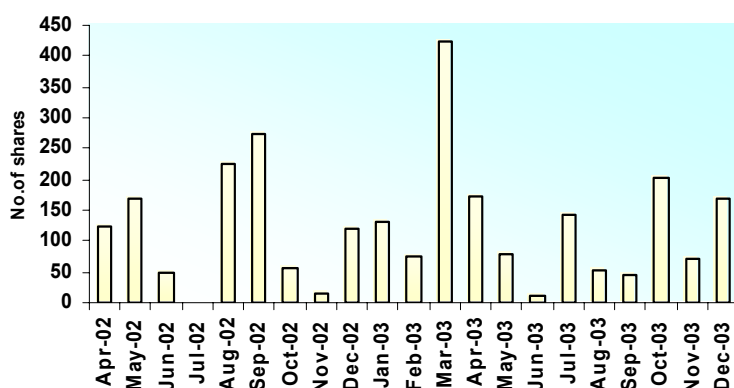
2003 review

The year 2003 was a successful year for the stock market as the first public offering of shares since the trading floor was established was launched by STO. The share issue of STO was a significant step in the right direction towards addressing the shortage of securities available for trading. The market response to STO offering was very positive and the issue was over subscribed by around 25 percent.

To better facilitate and expand trading activities, a new trading procedure was adopted during the second half of last year. The introduction of the new procedure resulted in a very positive outcome reflected by the increased trading volume. The trading volume reached one million Rufiyaa value target during November 2003 which was much earlier than expected.

In terms of trading turnover, the first half of the year 2003 represented around 53 percent of the total transactions effected with a monthly average of around Rf52,571. Turnover for the second half of the year 2003 showed a reduction in activity compared to the first half of the year registering a decline of around 13.1 percent. An average monthly turnover of around Rf48,898 was recorded for the second half of the year. Total number of shares transacted of the three listed companies for the review year were 1571 shares against 1038 shares in the preceding year registering an increase of 51.3 percent. The highest number of shares were traded during the month of March 2003 while the second highest number of shares were traded during September 2002.

Number of shares executed



The number of trades executed during the second half of the year reflected an increase of around 51 percent. A total of 51 trades were executed in the first half of the year while 77 trades were executed in the second half of the year under review. These trades contributed a total trading turnover for the review year of Rf 630,847 while the total trading turnover for the 8 months of the preceding year was as Rf468,483. In comparison to the preceding year this is an increase of around 35 percent.

Although the turnover for the second half of the year reflected a modest decrease the share prices continued to rise on average which resulted a simultaneous increase in market capitalization. Market capitalization for the review year increased from Rf662,638,000 million as at 2nd January 2003 to Rf860,366,000 at the end of year representing an increase of around 30 percent. A breakdown of the market capitalization demonstrated that STO accounts for around 79 percent while BML and MTCC contributes to 14.1percent and 7.3 percent respectively.

STF looks back at 2003 with great satisfaction for having had the opportunity to facilitate substantial share trading. STF would continue to strive and improve trading activities in the year 2004. Our main limitation continues to be the extremely small number of shares available for trading. Three listed share are far too few for any celebrations.

It is our sincere wish that more companies would offer their securities for public investment in the New Year 2004. We also hope that the market fundamentals will continue to be good for the year 2004 and more investors will reap the benefits of investing in the stock market.