Investing in Shares

• A BASIC GUIDE TO INVESTING IN SHARES •

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Capital Markets Development Authority
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Buying and selling shares in a company allows you to benefit from the success of its business. But how do you go about it and who is there to guide you? The following information is brought to the public with the compliments of the Capital Markets Development Authority.

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The Fiji Islands growing share market

You've read about companies that offer shares to the public, which are then traded on the Suva Stock Exchange (SSE). The people who buy these shares and become shareholders do so because they see an opportunity to invest to make their money grow and to guard against inflation. Many get a regular income from these investments and make a profit when they sell these shares.

History shows that buying shares and then holding on to them for a number of years while their value increases is one of the best ways of investing. Such shares can then be sold for a profit. This is one of the main reasons for investing in shares.

This will be good for the country. Local investments in shares allow Fiji Islanders to gain financially from the earnings of the companies they buy shares in.

More companies will in time be listing on the SSE so more shares will be available for sale. The Government has announced its intentions to sell some of its shares in certain companies to the citizens of the Fiji Islands. So far around 5000 Fiji Islanders have invested in companies listed on the SSE. More will do so as the stock market grows and people become more aware of the opportunities offered in stock market investments. This will be good for the country. Local investments in shares allow Fiji Islanders to gain financially from the earnings of the companies they buy shares in. These investments also put more local money to work in developing the economy. It is companies that mainly create the economic activity that leads to more jobs and greater prosperity.

It is the job of the Capital Markets Development Authority (CMDA) to supervise the share market so it works fairly, honestly and openly. All companies listed on the stock exchange for instance must make information available about their business operations, financial situation and management. Share prices are published daily in the news media for the information of the public.

This brochure provides basic information on shares - the benefits and risks of investing in shares and how you can buy and sell shares. It also discusses the mechanisms that arein place to safeguard investors.

Raising finance for investment

A listing on the SSE makes it easier for investors to buy and sell shares.

Companies raise money in a number of ways to set up, operate or expand their businesses. The owners of a company put their own funds into it. They can apply to a commercial bank for a loan. They can also decide to sell some shares in the company to the public to raise part of the money needed. This is called a share float. After the float, the company can list on the stock exchange and once listed, it is easier for investors to buy and sell the shares. Shares are bought and sold regularly in listed companies. The buyers and the sellers trade in the share market to get the best return on their investment in shares. A listing on the stock exchange makes it easier for investors to buy and sell a company's shares.

Shareholders' rights

When you buy shares in a company, you become a shareholder in that company. Shareholders have a direct interest in the companies whose shares they buy, and benefit from their success. However, despite this direct interest, they do not have the responsibility or the worry of managing the companies. That is left to a board of directors and a group of professional managers.

When you buy shares, you receive a share certificate, showing the name of the company you have invested in, along with your name and the number of shares you have bought.

If you own ordinary shares, which are the most common kind, you can vote at annual meetings of the company and so have a say over some of the business decisions that affect the value of your shares. How much of say you have will depend on the size of your shareholding that is, the number of shares you have.

Smaller shareholders do not have as big an influence on a company as those who have more shares, but they still have rights. They are entitled to dividends in proportion to the amount of their shares.

A shareholder with a large number of shares, say over 51 per cent of the total, has a large amount of control over the business. A shareholding of that size is called a controlling interest meaning that the shareholder has enough shares to control the way the company operates. A shareholder with 51 per cent or more of the shares can control appointments to the board of directors, decide on who should manage the firm and on such things as the size of dividend or share of profits to be paid to the shareholders.

Smaller shareholders do not have as big an influence on a company as those who have more shares, but they still have rights. They are entitled to dividends in proportion to the amount of their shares. They can attend annual meetings, vote on appointments to the company's board of directors and discuss and vote on resolutions. At the annual general meeting all shareholders also have the right to ask questions about decisions of the company management, especially when they feel those decisions may affect the value of their shares.

What happens when a listed company does not do well and cannot continue in business? Will the shareholders have to pay its debts? Shareholders will only lose the money they invested provided that the shares they own are fully paid and not partly paid. (Whilst most shares are issued fully paid, sometimes a company may issue shares and the price is paid in two or more instalments) The shareholders are not liable for the company's debts. In the language of the market, their "exposure" is limited to the amount they invested.

Why do people buy shares?

Shares generally produce higher returns in the long term than other types of investments, which is why people buy them. The money a person makes from an investment is called a return, and, in the case of shares, this comprises of both dividend income, paid out of the profits of the company, and capital gains which come from increases in the price or value of the shares. However, you must be patient and be prepared to hold the shares over several years and the share price may rise and fall over this period.

Importance of dividends

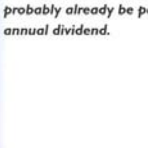
In addition to the possibility of making capital gains from the increase in the value of the shares, shareholders may also get paid a regular dividend. When a company is progressing well and making a good profit, its directors will often set aside an amount of money every year from its earnings to be distributed as a dividend to shareholders. Shareholders receive a payout in proportion to their percentage of shares. A company's record in paying dividends and the amount it pays is one way of judging its success and is one of the key factors investors look at when deciding to buy a company's shares. However, at the same time remember that a company's past performance is no guarantee that similar dividends will be paid in the future.

Tax advantages

Shareholders resident in the Fiji Islands do not pay tax on dividends received from companies listed on the SSE. When you sell shares there is no tax payable on the capital gains (or profit) you make.

The Fiji Islands provide tax advantages for shareholders. Shareholders resident in the Fiji Islands do not pay tax on dividends received from companies listed on the SSE. There is no capital gains tax. This means that when you sell shares, there is no tax payable on any profit you make. When a private company is organising itself to become publicly owned and listed on the SSE, it may issue bonus shares. Bonus shares awarded to shareholders, to the extent to which the shares have been paid up by means of profit arising from the reconstruction or reorganisation of the company to list, is tax-free. Stamp duty is not payable when ownership of shares in companies listed on the SSE is transferred.

Be patient



Don't expect to make quick gains when you buy into a new company. If you buy shares in a company that is well established, then you may get a benefit quickly because it will probably already be paying out an annual dividend.

Don't expect to make quick gains when you buy into a new company. It takes time for such a company to grow and to start making regular profits. In fact a lot of companies make losses at first. This is planned for because of the high costs associated with setting up a company.

If you buy shares in a company that is well established, then you may get a benefit quickly because it will probably already be paying out an annual dividend.

Share investments generally produce high returns in the long term compared to other investments but you must be patient.

What do you expect from an investment?

Before you decide to buy shares you should ask yourselves some questions which will help you identify your investment objectives. What do you want from an investment? Income? Capital growth? Or both? Do you have enough money saved to buy shares? (It is not wise to invest in shares if you have no money saved and it may not be a good idea to borrow to buy shares). Do you want to see the value of your money grow? Would you like a supplement to your income from dividends? Are you prepared to be patient about getting a return? Are you ready to take a risk for the opportunity of getting higher returns? What happens if you make a loss? Can you afford this? The answer to these questions will help you decide whether you should become a shareholder and join the stockmarket.

Share investments generally produce higher returns in the long term compared to other investments but you must be patient. You must know your investment objectives.

Making your choice

When investing in shares you should make your share decisions carefully to ensure that you get reasonable returns. We outline here the kind of information you should be looking for when you are deciding which company to invest in and how much you want to pay for its shares. Remember that share prices are a crucial factor in share investments. Valuing businesses and shares is an important part of the share market. This is done through a combination of personal opinion and judgements based on the returns that can be expected, a company's performance record, the degree of uncertainty involved, profit levels and many other matters.

You will want to know whether a company's business is well managed. Because a company has done well previously, is no guarantee that it will be successful in the future.

Find out who the directors are and members of the management. Do you think they have the skills and experience to run the company properly? Does the company have good products or services and is there a demand for them? Is it profitable? Have its profits and sales been increasing? Is it already paying a dividend? How much competition is there in its marketplace and is it handling the competition well? How much debt does the company have?

Can the market get bigger? Is the economy of the country progressing or are there too many problems that could affect business?

Get further details on a company from audited sets of accounts in annual reports and from authoritative articles in the media. The most complete information a company provides is in its annual report, which is sent to shareholders.

Don't make a decision to buy or sell based on emotion. Think about what you want to do and why, study all the relevant information, get advice if you can and then decide. Buying and selling shares is about informed individual choice and responsibility.

You can get a copy from a company's head office. A half-yearly report, with an update on a company's current performance, is also made available to shareholders and the SSE. A typical annual report includes:

A section outlining the company's philosophy or comment on how it does business;

Details on each section of its operations; these reveal strengths and weaknesses in management and products and services;

Financial information, including profit and loss statement for the year, the balance sheet, with assets and liabilities.

Talk to a financial professional who should be able to give you further background and advice, especially on a company's balance sheet.

Share prices change. Because a share sells at a certain price one day, does not mean it cannot be sold for a higher price shortly afterwards. It might also go down in value. The information published regularly in the newspapers and available from the SSE about the prices shares are selling for will be very helpful. If you are not sure, you can get advice from a financial adviser with experience in this area.

How to read a stock market report

The newspapers publish a daily stock market report. The report will provide you with some useful information on the shares available and traded on the stock exchange. The information reflects the trading that occurred at the last call session.

	①	②	③	④		⑤		⑥	⑦	⑧	⑨
Securities	Movement	Last Sale Price	Volume Traded	Closing Quotes Buy	Sell	52 Weeks Low	High	Price Earning Ratio	Dividend Per Share	Dividend yield	Market Cap ($)
Company A (Par Value = $0.50)	$0.00	$0.072	-	-	$0.72	$0.70	$0.72	0.00	0.00	0.00	$5,760,000.00
Company B (Par = $1.00)	$0.00	$1.95	-	-	-	$1.86	$1.98	78.98	$0.13	6.67	$35,700,978.30
Company C (Par = $1.00)	$0.00	$17.00	-	$16.34	-	$15.50	$16.32	12.50	$1.25	7.35	$34,000,000,00
Company D (Par = 1.00)	$0.00	$1.03	-	-	$1.04	$0.75	$1.03	100.16	$0.00	0.00	$10,509,000.00
Company E (Par = 1.00)	$0.00	$3.30	2824	$3.70	$4.00	$2.15	$3.25	593	$0.15	3.95	$22,800,000.00
Company F (Par = $0.50)	+$0.02	$0.52	500	$0.52	-	$0.35	$0.90	-3.49	$0.0375	7.21	$23,087,998.96
Company G (Par = $0.50)	$0.00	$1.10	-	-	$1.20	$0.60	$1.20	15.13	$0.05	$4.55	$6.600,000.00
Company H (Par = $1.00)	$0.00	$3.37	-	$3.64	$4.00	$3.10	$3.63	11.53	$0.10	2.58	$8,140,448.25
Company I (Par = $1.00)	$0.00	$1.95	-	-	$1.90	$1.80	$2.00	$2.50	$0.20	10.26	$20,406,067.50

① MOVEMENT indicates the change in price from the previous "last sale" price. A positive movement indicates that the share price has increased e.g. Company F shares have increased by 2 cents. A negative movement indicates that the price has fallen, while zero means there was neither a loss nor gain in price e.g. 2,824 Company E shares were sold at the same price as the last trade.

(2) LAST SALE PRICE indicates the last price at which shares were traded.

(3) VOLUME TRADED refers to the number of shares traded at the last call session.

(4) CLOSING QUOTES indicate the current buying & selling interest for each share. The BUY column shows the price at which buyers are currently willing to buy and the SELL column shows the price at which the sellers are currently willing to sell. If there are no quotes this means that there was no interest in buying or selling that day e.g. Company B. If there was a "buy quote" but no "sell quote", this means that there was no willing seller.

(5) 52WEEK HIGH/LOW indicates the highest & lowest prices for the past 52 weeks. It is useful to see if the last sale price is closer to the high or low price to help you decide on buying or selling and at what price. The range between the prices is a measure of the stock's volatility or price movement. The more volatile a stock is, the more you can make or lose within a relatively short time.

(6) PRICE EARNINGS RATIO (PER), expressed in units of "times", is a market value measure which indicates the number of years required for an investor to cover the current market price of the shares. It shows the relationship between a stock's price & the company's earnings for the last four quarters.

PER = Current Market Price Per Share÷EPS.

Earnings per share (EPS) shows the proportion of a company's earnings that a shareholder is entitled to for every share he/she holds. This, however, only indicates potential, as the company may not distribute all of its earnings preferring to retain some for reinvestment in the company.

EPS = Net Profit After Tax attributable to Ordinary Shareholders÷No. Ordinary Shares x 100÷1

The PER's of companies in the same industry are often used for comparative purposes.

(7) DIVIDEND is that part of a company's earnings which is distributed or paid to the shareholders in proportion to their shareholding.

DIVIDEND PER SHARE (DPS) is the payment or distribution of a company's annual profits to its shareholders on a per share basis e.g. Company I paid $0.20 on every share held by shareholders. Some companies pay an interim dividend and a final dividend. The interim dividend is usually announced when the company reports its results for the first six months and the final dividend after the company reports on its results for the full financial year. DPS includes both the interim and final dividends.

DPS = Interim Dividend Per Share + Final Dividend Per Share

(8) DIVIDEND YIELD (DY) is the latest annual dividend payout as a % of the last sale price. It might not indicate the likely payout in future. This is the theoretical income return on the share. It is, theoretical because it assumes the continuation of the existing dividend rate.

DY = DPS÷Current Market Price Per Share x 100÷1

A bull market is when share prices tend to rise consistently over a long period, say six months or a year. There is a lot of trading in shares and values go up. This happens when people are optimistic and positive. They are influenced by expectations of high returns.

A prolonged decline in a market, with little share trading and low values, is called a bear market. It is caused when investors are wary about risks and lack confidence. It is difficult to predict these contrasting market conditions. The occurrence and likely length of a bull market is as uncertain as the development and duration of a bear market.

⑨ MARKET CAPITALISATION is the market value of a company, calculated by multiplying the number of ordinary shares on issue by the market price (i.e. the last sale price) of the shares. The numbers of ordinary shares issued are available in the company's annual report.

PARVALUE or face value relates to the nominal or stated value of shares. It has no relation to the real value of the share.

Don't make a decision to buy or sell based on emotion. Think about what you want to do and why, study all the relevant information, get advice if you can and then decide. Buying - and selling - shares is about informed individual choice and responsibility.

The final investment decision must be yours, based on all the information and advice you have received.

Timing

Investment conditions can change; company's management can change so it is wise to review your shareholdings regularly. The information you gather will also help you to decide on the timing not just for buying, but for selling shares as well. Timing is very important in share dealings. You would try, for instance, to buy shares in a company before others have decided that they too might want to invest. By getting in early, you may have a better chance of buying shares for a lower price. In the same way, you might decide to sell before a lot of other shareholders do the same thing. This could help you to get a higher price. The timing will depend on a number of things about the company, the economy and the marketplace. Some of these are mentioned in other parts of this brochure.

Timing is very important in share dealings. Buy before others decide to buy, sell before others decide to sell.

Timing is very important when buying and selling shares. Buy before others decide to buy, sell before others decide to sell.

Deciding to sell

We've already said it is usually best to buy shares and then to hold on to them for a while before selling. This gives the shares a chance to increase in value.

Shareholders decide to sell for a number of reasons. One of the most important, of course, is that they wish to make money by selling their shares for a higher price than they bought them. If they bought their shares for $1 each and feel that the company has done well, they might feel that the value of their investment has increased and will offer to sell their shares for, say, $1.50, $2 or even $3 or more. If someone is willing to buy their shares for a better price than the original cost, they will make a capital gain on the original amount they invested. In other words they have made a profit as the result of a sale between a willing seller and a willing buyer. That is how the market works. Investors generally sell their shares if they think it will fall in value in the future.

Other shareholders might want to sell because they need to get back the cash they invested to use it for other purposes. Or they may not be happy with the way a company is being managed or they might think it would not be successful in the future. Again they will want to sell their shares for the best price they can get. If they cannot get what they think is a fair price they might then be prepared to sell for the price they paid or even at a loss.

In most cases of buying and selling, shareholders should be able to do quite well if they are properly informed and take the right advice.

Managing the risk

Although share investments offer opportunities for capital gains, you must be aware that they also carry some risk. These include the risk of a company's failure to earn profits due to such things as poor management, competition or a depressed economy. Risk is increased if a company has borrowed too much money. High repayments on its borrowings become a costly burden, which affect the ability to meet commitments to shareholders.

You can limit your share investment risk by spreading your investments over more than one company. We have already mentioned the importance of buying shares in companies with good management, profitability and prospects for growth.

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As an investor you should do everything possible to protect yourself against investment risk. It would not be wise, for instance, to invest all your available funds in shares. Remember that wise saying about not keeping all your eggs in one basket?

You can also limit your share investment risk by spreading your investments over more than one company. We have already mentioned the importance of choosing the right company, with good management, profitability and prospects for growth.

If you make your share decisions carefully, you have a very good chance of getting reasonable returns.

Investors are sensitive

In general terms, if a company is successful and investors believe it will make good profits in the future, they will want to buy its shares. This can push the price of the shares up, creating a gain for shareholders. If investors think a company will not do well, the price of its shares will fall as many people try to sell them.

As mentioned, the condition of a country's economy affects share prices. Investors become nervous if they think an economy is not doing well or they don't like certain economic policies. They believe that if an economy is not successful and a Government's policies are wrong, the companies in which they have bought shares will have difficulty making a profit. They might then decide that the safest thing to do is to sell shares to get back as much of their investment money as they can. Again, this can lead to a drop in share prices.

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The condition of a country's economy affects share prices. Investors become nervous if they think an economy is not doing well or they don't like certain policies.

A country's political stability also has an affect on shares. Investors are concerned when Governments change a lot, when policies change abruptly and when there is confusion, uncertainty and social disorder. These things create a lack of confidence. So do rising prices due to inflation, which reduces the value of money. Rapid changes in interest rates and tax laws, which can have an impact on the share values, also reduce confidence in the share market.

Using a Stockbroker

To buy or sell the shares of companies listed on the SSE you must use a stockbroker licensed by the Capital Markets Development Authority (CMDA). The broker will charge you a commission, or brokerage fee, for providing this service. The CMDA licenses brokers taking into account their integrity and financial standing, the qualifications of the directors and representatives of the stockbroking company and their ability to provide the appropriate services. To keep their licence, brokers must obey the rules and regulations and follow a professional code of conduct and standards of financial management.

Before seeing the stockbroker you should know what your investment objectives are. If you take advice from a stockbroker offering an advisory service, be aware that the final decision is yours. The broker cannot make the decision for you.

Under CMDA regulations, brokers and their representatives must, by contract, be the agents of the customer. If you become a client, as your agent, your broker representative has a duty to act in good faith and in your best interests. As such, they:

Must be honest and fair

Must exercise due skill, care and diligence

Must have and effectively employ the resources and procedures that are needed to adequately provide broker services.

Must follow your instructions and provide best completion of your orders.

Must execute transactions only when you have given, and they have accepted a legally valid authority over your account.

May recommend only suitable investments to you taking into account your investment experience, objectives, risk tolerance, financial situation and needs.

Must not share in your profits or losses.

Must not make guarantees.

Must not compete with your orders.

Must give your orders priority and must fill all orders in the sequence received.

Must comply with all regulatory requirements.

The CMDA, or officials of the SSE, can provide you with the names of the stockbrokers and additional details of the services they provide and the regulations governing their work.

Licensed stockbrokers provide different services. Some may be able to do the research you need to help you make an investment decision. They may also recommend whether you should buy or sell shares. Other stockbrokers will only offer a trading service, that is they only buy and sell shares for you.

Before seeing a broker, you should know what your investment objectives are. We have touched on this in another section of this brochure. You should also be aware of potential rewards and have an understanding of the risks already mentioned. Then you may decide on which shares you want to buy.

Under CMDA regulations, brokers and their representatives must, by contract, be the agents of the customer. If you become a client, as your agent, your broker representative has a duty to act in good faith and in your best interests.

If you take advice from a broker offering an advisory service, be aware that the final investment decision is yours. The broker cannot make the decision for you.

When they are giving advice, brokers have to be diligent and careful at all times so they do not misinform customers. A broker is not allowed to make recommendations not suited to your financial circumstances or your objective.

In your dealings with a broker, you have the right to either accept the current market price, or to wait for the price you think is right.

You must give your stockbroker an order to buy or an order to sell. An order identifies the shares, records the quantity to be bought or sold, and the price and the length of time the order lasts.

For a buying order you will have to sign a buying order form which becomes a legal contract. It authorises your broker to sign settlement and transfer forms on your behalf. Your broker may require you to pay a deposit when placing your order.

With a sell order you may have to submit your share certificate to your broker when placing the order. You will be requested to sign a selling order form that also becomes a legal contract and gives the broker authority to sign settlement and transfer forms for you.

When you place your order to buy or sell, inform the broker of the price or price range acceptable to you. You might also place a limit order which is the highest price you are prepared to pay. Also, when you give a sell order, you can indicate a limit on the lowest price you are willing to accept.

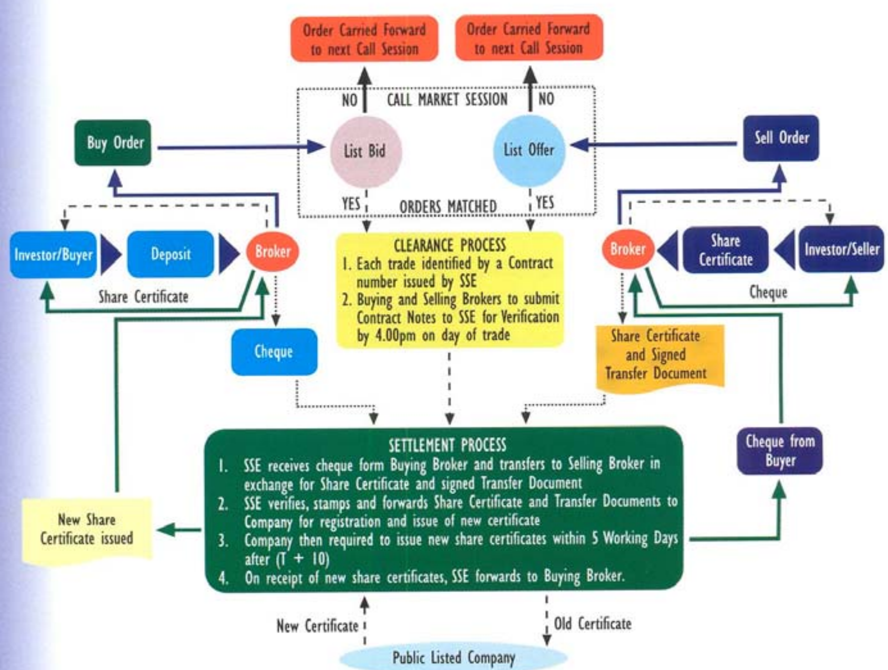
Once the trade is matched in the market, a contract note will be prepared confirming the trade and the total consideration including the broker's commission and the SSE facility fees and CMDA levies. There is a 10 day settlement period for payment by the buyer and delivery of the relevant share certificate by the seller.

Please ensure your instructions to your broker are given clearly, because there are contractual obligations involved.

When you receive your certificate share, ensure that you keep it in a safe place.

Buying and selling transactions take place and are reported on the trading floor of the SSE at regular call market sessions. These sessions are described as call sessions because the shares of companies listed on the stock exchange are called out in alphabetical order by the market caller and brokers call out their buying and selling orders. The shares traded at each call session are reported daily in the newspapers.

What happens to your order



Regulating the market

The capital markets are very important in developing the economy of a nation. The markets assist in the creation and expansion of businesses by channelling surplus funds from savers to businesses, which require funds for investment. This in turn increases employment opportunities and creates wealth.

One of the primary components of capital markets is the stock market and its participants. Because investor confidence in the integrity of the market is the cornerstone of its success in raising capital, numerous rules and regulations governing market activities are in place to ensure a fair and orderly stock market.

Some of the more substantial rules require that brokers maintain all customer monies in a separate trust bank account and comply with financial responsibility rules to ensure the financial ability to serve their customers.

There are also rules and regulations prohibiting certain practices that are deemed unfair, such as:-

Buying and selling stocks based on information not available to the public ("insider trading");

Inducing people to invest using false or misleading or deceptive statements, claims or forecasts;

Engaging in fictitious transactions to create the appearance of trading activity;

Stock price manipulation.

These are just a few of the many regulations market participants must observe. The CMDA conducts routine and special inspections of the market "intermediaries", such as brokers, dealers, investment advisors and their representatives to review compliance with the rules and regulations and enforce the provisions of the CMDA Act. By enforcing these provisions, the CMDA helps to protect investors, encourage market confidence and integrity and to ensure an orderly market.

An Investor Compensation Fund will also be established to grant compensation to any investor who suffers pecuniary loss resulting from the malfeasance, defalcation or fraud on the part of a licensed broker or dealer.

Would you like to know more?

We've told you something about shares and what you must do to become a shareholder in the growing Fiji Islands market. But don't just rely on the information contained here. We repeat that you should take advice from a financial adviser. More background information is available at our office.

Frequently used terms explained

Bear Market	A market in which prices are declining and sentiment is pessimistic (opposite of a bull market).
Bid Price	The price offered to buy shares or other investment instruments.
Bull Market	A market in which prices are rising and sentiment is optimistic (opposite of a bear market).
Bonus Shares	Shares issued free by a company to its shareholders on a pro rata basis according to the number of shares owned. The bonus issue usually reflects the improved value of the company's assets.
Call Market	The trading sessions at the Suva Stock Exchange when buying and selling orders for shares and other securities are matched based on an "open outcry" system.
Capital	A term used by both individuals and companies to mean a supply of money e.g. a company's loan capital refers to money borrowed and its share capital refers to money raised by issuing shares.
Capital Gain/Loss	The difference between the sale price of an asset and its cost.
Capital Gains Tax	A tax payable on the capital gain made when an asset is sold for more than it cost.
CMDA	The Capital Markets Development Authority established by Government under the Capital Markets Development Act of 1996 to develop and regulate Fiji's capital markets.
Company	A legal entity under company law and as such can enter into contracts and can sue or be sued. Companies can take different forms; including a company limited by shares where shareholders liability is limited to the amount of unpaid shares, a company limited by guarantee where liability is limited up to an amount specified in the Memorandum of Association and private companies that restricts the number of shareholders and the transferability of shares.
Director	A person elected by the shareholders to be responsible for the management and operation of the company.
Dividend	The amount a company pays to its shareholders from its after tax earnings. Dividends are typically paid by the company yearly or on a half yearly basis. For shareholders, this is a means of income from their investment. Dividends paid to shareholders of companies listed on the Suva Stock Exchange are tax-free.
Dividend Yield	The return on a share investment calculated by dividing the dividend rate (in cents per share) by the market price of the shares.

Earnings Per Share A measure of performance for a company calculated by dividing the after tax operating profit of the company by the number of ordinary shares issued. The actual amount paid out of the earnings per share to the shareholder is the dividend per share.

Equities Another name for company shares.

Limit Order An investor's instruction to his or her broker on the highest price that they are prepared to pay for a listed share or the lowest price they are willing to accept when selling shares.

Listed Company A public company listed on the stock exchange.

Liquidation The winding up of the affairs of a company including the sale of its assets, settlement of its liabilities (if possible) and payment of any remaining cash to its shareholders.

Offer Price The price at which a person is willing to sell shares.

Order A written or verbal instruction given to a broker to buy or sell shares in specified listed companies with details of number of shares and price.

Ordinary Shares The most common type of share issued by a company representing an ownership interest in the company. Ordinary shareholders assume the greatest risk in the company but generally exercise the greatest control and may gain the greater reward in the form of dividends and capital appreciation. If the company is wound up, ordinary shareholders generally rank behind secured creditors in the liquidation process. Ordinary shareholders have voting rights on matters of management and company policy at shareholders meetings.

Par Value The face value of a share set at the time of issue.

Price Earnings Ratio A way of measuring how highly investors value the earnings a company produces. It is derived by dividing the market price of the share by the earnings per share or EPS. The amount a company earns ultimately determines what dividend it will pay. If earnings are growing there is a good chance dividends will grow. Investors will pay more for the shares if they think earnings will grow. The price paid by an investor today reflects what income he/she thinks they will earn in future. The way of quantifying this is by relating EPS to price.

Profit The surplus money gained in business transactions after expenses involved have been accounted for.

Preference Shares Shares that pay a fixed rate of dividends. Preference shares rank ahead of ordinary shares in the payment of dividends and on liquidation of the company.

Return The money a person makes from an investment expressed as a percentage of the cost of the investment. In the case of shares, this includes both dividend income and capital gains/ losses.

Rights Issue	An offer made to existing shareholders to buy new shares in the company at a discount to the prevailing market price of the shares. The shares are offered to existing shareholders in proportion to the number of shares already held. Those rights not taken up by shareholders are sold on the open market.
Risk	A measure of the variability of returns i.e. it may be higher or lower than you expect. The higher the variability of returns, the greater the risk of the investment, the greater the return that investors expect, to compensate them for this greater risk and vice versa.
Share Certificate	A document showing legal evidence of ownership of a stipulated number of shares in a company. Also known as a Scrip.
Share Float	The decision to offer a company's shares to the public for the first time. Also known as an initial public offering or IPO.
Shareholder	The owner of shares in a company who is normally entitled to dividends declared by directors and voting power in proportion to the shares they hold and if the company is dissolved, a claim upon the assets remaining when all debts have been paid.
Shares	The ownership of part of a company, a contract between the issuing company and the owner of the share giving the owner of the share an interest in the management of the company, the right to participate in profits and if the company is dissolved, a claim upon the assets remaining when all debts have been paid.
Stockbroker	A licensed professional who acts as agent to buy and sell shares on behalf of members of the public for a commission (or brokerage fee).
Stock Exchange	A trading facility through which shares may be bought and sold by professional stockbrokers according to fixed rules and operated under the strict supervision of the CMDA.
SSE	Suva Stock Exchange
Transaction	The successful completion of a buying or selling order.
Uncalled Capital	That part of a company's issued capital, which has not been paid for by the shareholders.
Yield	The return on an investment usually expressed as an annual percentage over the initial investment.

The Capital Markets Development Authority (CMDA) was established under the Capital Markets Development Authority Act 1996.

The broad purpose of the Authority is to develop efficient and viable capital markets in Fiji and to regulate and supervise the activities of the various market participants.

This brochure is one of the publications and educational materials distributed by the Authority as part of its continuing programme of creating a suitable environment for the supply of good marketable securities and undertaking appropriate educational and public awareness campaigns to increase the demand for these securities. Further inquiries may be addressed to The Chief Executive Officer, CMDA,

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