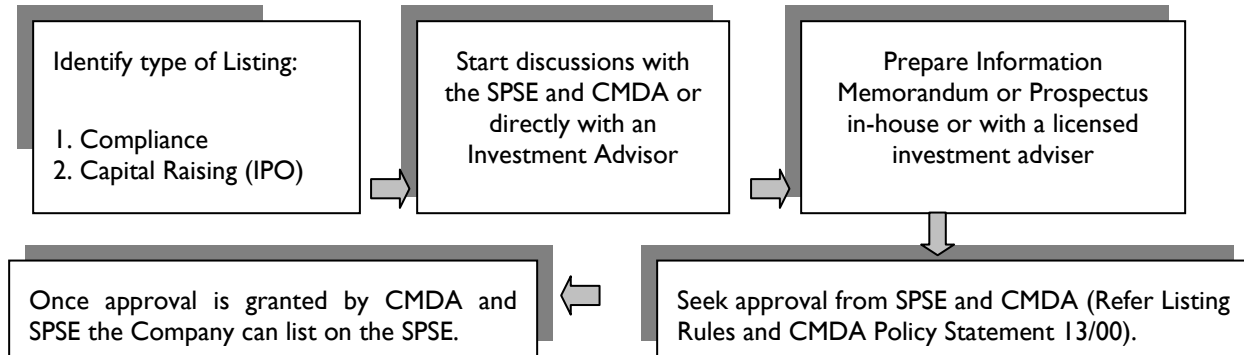


The Listing Process – What is involved?

The flowchart below is a broad guide on the process a company needs to follow to list securities on the SPSE.



Companies usually seek the services of licensed investment advisory firms to facilitate the listing process, including the underwriting of share sale, the preparation of prospectuses or information memorandums etc.

Tax Benefit for Listing on the SPSE

Getting the right advice is crucial for a successful stock exchange listing. The services of investment bankers, accountants, tax experts, underwriters, and the like are therefore necessary. These advisers will help you to structure the appropriate listing entity, value the securities, write the offer document i.e. the prospectus and underwrite the offer to ensure that it is a success. Although the benefits will often outweigh the costs, this can nevertheless be a lengthy and costly exercise.

Companies are eligible to claim as a tax deductible expense, one and a half times (150%) the amount of costs associated with preparations for listing on the South Pacific Stock Exchange.

The following costs have been classified as those associated with listing on the South Pacific Stock Exchange for which this 150% deduction can be claimed:

A. investment advisory fees including advice on-

- ✓ suitability for listing;
- ✓ business establishment, business re-organization and restructuring;
- ✓ overall management of the public offer and listing process;
- ✓ due diligence;
- ✓ securities valuation;
- ✓ preparation of offer documents; and
- ✓ road show costs;

- B. **legal fees** involving cost associated with vetting of offer documents and general advice during restructure, offer and listing on the Stock Exchange;
- C. **accounting fees** for services relating to preparation of independent accountants' reports and financial statement summaries;
- D. **company administration and management costs including-**
 - ✓ stamp duties;
 - ✓ printing costs relating to the prospectus;
 - ✓ marketing costs;
 - ✓ South Pacific Stock Exchange application fee
 - ✓ first year listing fee;
 - ✓ costs associated with business establishment, business reorganization and restructuring;
- E. **underwriting fees;**
- F. **brokers' fees for public or private placement of the securities; or**
- G. **costs of any other special reports required for listing for the company on the Stock Exchange.**

Creating your Competitive Advantage

Maximizing shareholders wealth and having access to capital is the vision of many business managers and executives. It therefore is essential to know your strengths and weakness and is imperative in developing winning strategies and creating that competitive advantage.

Does your business have that competitive advantage? What is the difference between your business and your competitors?

Studies have shown that many public listed companies have been able to harness and capitalize on winning strategies largely through their ability to access cheaper capital.

How can this be so when the cost of debt is generally cheaper than equity? Public companies have several options available to them in raising capital, and therefore carry that advantage

when it comes to negotiating better deals with their bank manager and shareholders.

These are important points that make a favorable impression on the bank manager during the credit assessment process, and securing the best deal.

Why wait around until interest rates start rising and then look for other options. Listing today may be the competitive advantage that will enable your company to reach for new heights.

Thinking about listing! Contact a licensed investment adviser for corporate finance advice and the SPSE for more information on listing.

Public Listing Unlocks Value

Changing a private company into a public listed company can result in substantial increase in a company's market value. Typically buyers of private companies pay between 3 to 5 times of a company's earnings, whilst investors pay a multiple of 8 to 20 times of a public company's earnings.

Assume your private company earns \$1 million in a year. If a purchaser is found, at a multiple of 3 times earnings, it is likely to be sold at \$3 million. If your company went public and listed on the stock exchange, it may be worth \$12 million, given the public premium of 12 times the earnings.

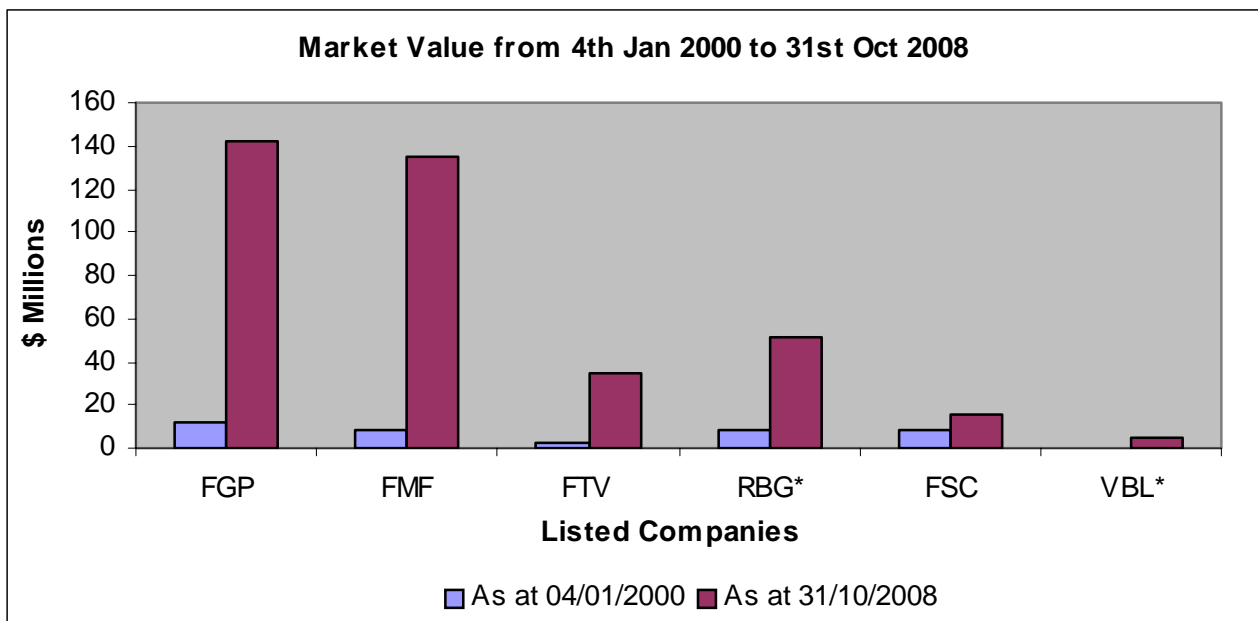
There are several reasons why investors are willing to pay a premium for public listed companies and some of them are:

- ✓ public companies benefit from enhanced financial and managerial discipline, due to the increased public scrutiny

- ✓ public companies are able to benefit from enhanced branding and market image
- ✓ public companies can increase efficiency and profitability
- ✓ increased liquidity in the buying and selling of public listed company shares thereby creating a fair market value.

Majority of the companies that have listed on the South Pacific Stock Exchange (SPSE) have experienced a substantial increase in their market values.

The bar chart below provides the market value of some of the companies listed on the SPSE.



*: Market Capitalization for RBG & VBL as at 04/01/2000 was not available so Market Capitalization as at their respective dates of listing have been used.

So is staying private really worth it?