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THE SHORT- RUN EQUITY UNDERPRICING PUZZLE IN SOUTH AFRICA WITH AN EMPHASIS ON THE WINNER'S CURSE HYPOTHESIS

by

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ABSTRACT

THE SHORT- RUN EQUITY UNDERPRICING PUZZLE IN SOUTH AFRICA WITH AN EMPHASIS ON THE WINNER'S CURSE HYPOTHESIS

by Brandon Craig Lattimer

One of the puzzles regarding IPO's is that the issuers rarely get upset about leaving substantial amounts of money on the table due to underpricing. The cost of underpricing is the number of shares sold multiplied by the difference between the first-day closing price and the offer price. The research sample of IPOs and JSE databases comprised, respectively, 160 and 321 new applicants for the years 1995-1999. New applicants comprising the research sample raised R12.55 billion with an underpricing cost exceeding R2.85 billion i.e., 22.71 percent of the IPO capital raised. This cost was found to be nearly 10 times greater than the R295 million paid in fees to the corporate advisors by the issuing companies. The prime beneficiaries of this discount were a select grouping of private placement investors at the discretion of the corporate advisors and directors. Mean unadjusted initial first day returns amounted to 55.04 percent. Public Offer IPO's (solely or as a component of a Hybrid Offer) follow UK influenced corporate legal systems– both in legislative norm and empirical results. First day initial returns were presented per issuer List Board, Method and Type of Listing, IPO capital raised and disclosed use of proceeds. Internationally many theories have been raised as to what has become to be known as the short-run underpricing puzzle. The winner's curse hypothesis is directly tested flowing from and the unique data availability. It was shown that South African Public and Hybrid IPO Offer methods bear an exceptionally close correlation to UK influenced corporate legal systems and as such proved a reliable empirical testing ground for the winners curse phenomena using the same methodology and equations as their international counterparts hereunder. The UK based corporate law and institutional arrangements in South Africa allow a direct test of the empirical implications of the winner's curse hypothesis in pricing unseasoned new issues.

Keywords: Initial public offers, South African IPO, underpricing, winner's curse hypothesis, placements, hybrid offer, listing, UK legal system sponsoring brokers, underwriters, new issues, JSE.

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Declaration

I hereby declare that this is own unaided work, the substance of or any part of which has not been submitted in the past or will be submitted in the future for a degree in to any university and that the information contained herein has not been obtained during my employment or working under the aegis of, any other person or organization other than this university.

_____

Brandon Craig Lattimer

Signed this _____ day of _____ 2008 at Sandton, South Africa

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CHAPTER ONE

THE INITIAL UNPRICING PHENONEMA

I. INTRODUCTION

The decision to go public and list securities on a bourse is truly a milestone in a company's life – it marks a major transition in the relationship between the firm and its owners (Brigham and Gapenski 1990). The market for stock that is in the process of going public is often called the new issue market, and the issue is called an initial public offer or 'IPO' (Brigham and Gapenski 1990).

This first public issue by a company is also known as an "unseasoned" issue (Brealey and Myers 1996, Bradfield and Hampton 1989). An IPO occurs when a security is sold to the general public for the first time, with the expectation that a liquid market will develop (Ritter 1998). The objective of any IPO is to achieve the highest value for the issuing company while ensuring a buoyant start to secondary trading and strong aftermarket performance.

In practice equity is underpriced if its IPO offer price is lower than the closing price on the first day of trade. The problem of underpricing has been extensively researched and clearly indicates a measurable loss of value to the company. However, underpricing can act as a positive signal and thereby support secondary market trading and aftermarket performance.

Endemic to the IPO process, occurring on the Johannesburg Stock Exchange (JSE) [1] is the phenomena of IPO initial underpricing. IPO underpricing, or high initial returns, is a phenomena common to most stock markets – both in developed and emerging economies (Loughran, Ritter and Rydqvist 1994).

[1] Renamed the Johannesburg Securities Exchange from Johannesburg Stock Exchange in 2000 (Ananzi 2000)

Grossman (1976) showed that if one class of investor has superior information about the terminal value of an asset, the information can be read by anyone from the equilibrium price. This result produces a paradox. If anyone can infer private information from the equilibrium price, no one pays to collect information. Yet if no one collects information, the price reveals none, and an incentive emerges to acquire it.

The key to the assumption is a noiseless environment. If noise is present the equilibrium price, privileged information is secure. For the uninformed cannot be sure whether a high price reflects favourable information or extraneous factors, such as risk aversion or a need for liquidity. If price, which is observable, does not correspond to a unique level of demand, which is unobservable, then the main channel by which inside information is communicated to the market is destroyed. Until the channel is re-established, the informed investor has an opportunity to profit from his knowledge by bidding for 'mispriced' securities. In this way, the investor is compensated for his costly investigations into the asset's value, and obtains some remuneration for showing where capital should best be allocated.

The setting for this model is the new issues IPO market, in particular, the market for 'firm commitment offerings' (United States) and Fixed Price offerings (UK influenced corporate legal systems; such as South Africa). In such offerings, the firm and its investment bank agree on a price and quantity for the firm's first issuance of equity. Once the price is set, typically on the morning of the offer, no further adjustments are allowed. If there is excess demand, the underwriter rations the shares. If there is an excess supply, the offer concludes with unsold shares. The investment bank pays the firm for the surplus shares and disposes of them later at market prices. Each condition – excess supply or demand – is not observed until the 'offering date'. Only then does the presence or absence of informed trading become apparent.

In UK influenced legal systems, such as South Africa, the new issue equity price is not determined by the bidding of investors. In particular, the investor with the highest valuation need not obtain the shares, even if the valuation exceeds the issuer's offer price. That investor may simply not receive an allocation of rationed shares from the underwriter (Rock 1986).

Barlow and Sparks (1986) investigated the price setting methodologies for IPOs and found that 96% of practitioners and 60% of management used the "two-step" approach in setting prices; firstly, estimating the value of the company, and secondly, setting the issue price at a discount to the estimated share value.

Company valuation typically used methods based on net asset value, dividend stream valuations, and present values of future cash flows, economic value added, and price: earnings

ratios or the Capital Asset Pricing Model (CAPM). The planned discounts to estimated value used for the pricing of new listings were examined for both managers and practitioners. The management sample's planned average was 16.5% versus a practitioner planned sample average of 19.8%. Actual initial premia averaged 32.1%. There are thus two components to underpricing:

1. the planned discount; and

2. an unplanned return in excess of the planned discount.

The reasons most prominent amongst those identified by Barlow and Sparks (1986) for the discount were the risks of a failed issue and the risk of the share subsequently trading at a price lower than issue price.

II. THE SIGNIFICANCE OF THIS STUDY

1. the JSE plays the single most significant role in capital allocation in South Africa;

2. the JSE has, at March 1997, a market capitilisation of US$ 275 billion

3. the JSE was rated at the same date as the twelfth largest stock-market in the world; and

4. Equity capital raised through new listings, rights issues and scrip dividends during 1995 alone was almost R20 billion, indicating that research into the efficiency of the market in pricing new listings is important (Lawson and Ward 1998)

At the root of the underpricing paradigm is the simple fact that UK influenced corporate legal systems, such as South Africa, the equity issue price is not determined by the bidding of investors. In particular, the investor with the highest valuation need not obtain the shares, even if the valuation exceeds the issuer's offer price. That investor may simply not receive an allocation of rationed shares from the underwriter (Rock 1986).

This study examines international and measures South African initial equity underpricing phenomena and the short term issuer IPO performance as well as the theories that bring it to bear.

III. ARRANGEMENT OF THE STUDY

This study is arranged as follows:

Chapter Two	South African and International Initial Public Offering Procedures, Criteria and Contractual Constraints
Chapter Three	The Short - Run Underpricing Phenomena – A Review of International and South African Empirical Studies
Chapter Four	Theories as to the Initial Underpricing Puzzle – Rational Pricing Strategies
Chapter Five	Data Collection Methodology
Chapter Six	Empirical Results and Findings

Chapter 2 examines the contractual forms and institutional constraints and arrangements for issuers orchestrating an IPO on the US and the UK equity markets. Particularly, emphasis is placed on the English corporate legal system since it forms the core of South African corporate law. This chapter analyses in great detail South African institutional constraints as encompassed in both legislation and the rules and regulations of the JSE. Once again particular emphasis is placed on the comparison with the UK corporate legal system.

Finally, this Chapter sets out in great detail the procedures, process and precedents in bringing South African new or additional securities to a listing, focusing on the costs associated with listings and IPOs, the corporate advisory team, the regulations pertaining to the issuance of a prospectus and/or pre listing statement as well as the application, allotment and payment for the shares.

Chapter 3 starts out by defining and examining the various models used in measuring 'initial underpricing'. Empirical studies typically employ one or more of four models to estimate security-specific abnormal returns. This study makes use of the Market Model encapsulating the Market Adjusted[2]and Unadjusted Initial Returns Models[3].

Further, Chapter 3 extensively reviews empirical studies measuring the short run IPO underpricing phenomena in South Africa and internationally, with particular emphasis being placed on the United States and the United Kingdom.

Chapter 4 examines in detail the tenets and arguments of three 'irrational' and eleven 'rational' pricing strategies. The rational strategy theorems argue that initial IPO underpricing is undertaken deliberately; the opposite view would hold true for irrational underpricing strategy theorists.

It becomes patently apparent that whilst there is considerable debate concerning the underlying rationale of 'skewed' returns, the majority of the academic studies are unanimous in their conclusion that their presence constitutes evidence of deliberate underpricing. This study too endorses the tenet of a rational or deliberate underpricing strategy, most notably that of the 'winner's curse' model propagated by Ibbotson and Jaffe (1975) and Rock (1986). This most significant underpricing model, also known as Rock's Model, will form the basis of directly and indirectly testing a sample of South African IPOs with a view of ascertaining not only the degree of IPO initial underpricing but forming the basis hypothesising that such underpricing is deliberate and as a consequence of the winner's curse.

Finally, this Chapter examines the phenomena of 'hot issue' markets, both internationally and in South Africa. Significantly, as with the winner's curse theory, these markets were first documented in the academic literature by Ibbotson and Jaffe (1975). There is a series of patterns and cycles which exist in both the volume and the average initial returns of IPOs and is empirically tested per Chapter 6 of this study for a sample of new issuers orchestrating an IPO on the JSE per Hanley and Ritter (1992), Ritter (1984), and Ritter (1998).

[2] Equation 3.1
[3] Equation 3.3

Chapter 5 sets out the data base collection methodology assimilated and agglomerated in order to inter alia empirically test the eleven null hypotheses per:

1. JSE list types and methodologies;
2. new issuer initial underpricing;
3. existence of hot issue markets;
4. the winners curse (both directly and indirectly); and
5. the proxies for issuer risk for new issues listing (with or without the simultaneous IPO of stock) on the JSE for the calendar years 1995 through 1999 (the sample period).

Two operating databases and matrices were constructed:

Firstly the Total Sample Population database comprising 321 new applicants orchestrating a listing of a new issue on the JSE, either via the 'front' or 'back door', irrespective of whether the listing was an IPO or an Introduction, for the five-year sample period.

Secondly, the Research Sample Population database comprises 161 new applicants orchestrating a primary 'front door' listing and IPO on the JSE in the sample period for which a prospectus and/or a pre-listing statement were available for the sample period. Most importantly, the process of establishing the RSP was to primarily exclude those new applicants listing on the JSE not accompanied by an offer of equity also known as Introductions.

This study relies very heavily on the availability of information pertaining to the new applicant comprising the TSP and RSP databases and matrices. Previous South African IPO studies did not account for whether the new applicant is orchestrating an IPO, the Method and Type of offer, the quantum of the issue, minimum subscription, the cost of the listing (JSE costs as well as the corporate advisory team) and the use of proceeds. This studies RSP and TSP databases account for these variables and shortcomings and are thus arguably among the most thorough and unique data sets agglomerated in the series of similar South African studies pertaining to initial underpricing of new listings on the JSE.

IV. FINDINGS

Chapter 6 empirically examines measures and tests the initial underpricing phenomena as pertains to the RSP and TSP databases of new issuer IPOs. The following three null hypotheses are tested:

1. *Investors in new listings do not receive significant Adjusted Initial Returns ("AIR")*

   It was concluded that initial returns were significantly greater than zero and that the phenomenon of under-pricing of new issues exists on the JSE. $\mathbf{H_0}$ was strongly rejected at the 95% confidence level.

2. *Investors in new listings do not receive significant Unadjusted or Raw Initial Returns ("RIR")*

   The RIR results were very similar to that of the above AIR results in that the sample maximum RIR was 460% with a sample minimum of -98.48%. Accordingly, it was concluded that initial returns were significantly greater than zero and that the phenomenon of under-pricing of new issues exists on the JSE. $\mathbf{H_0}$ was strongly rejected at the 95% confidence level (14.96).

3. *Investors in IPOs, who maintain their share holdings for a period after listing, do not receive significant excess returns.*

   The $\mathbf{H_0}$ was accepted at the 95% confidence level and therefore it was concluded that, on average, insignificant relative returns accrue to investors for at least the period up to four weeks after listing. Significantly, it was found that RIRs dramatically peak on the first day of listing on the JSE (day 1) for the majority of new issuers.

Part III of Chapter 6 also empirically compares the South African IPO Methods of Offer (Public Offer, Placements and Hybrid Offers) and Listing with the UK model, and by inference, countries with UK influenced corporate legal systems. This section also examines the proxies for ex ante uncertainty as one cannot directly examine the implication of Rock's model that "riskier" i.e., harder to value, issues will be underpriced more than less risky issues, without also

using a proxy for risk. The following seven null hypotheses are tested as an adequate measure of risk:. Part IV investigates the existence of both hot and cold issuer markets on the JSE using the RSP database of new issuers, 1995 through 1999, as a proxy thereof.

1. *The returns on new issuers are independent of the List Method through which that IPO occurred*

   As discussed in Chapter 2, there are two main methods in which issuers, or new applicant, can raise equity finance within the ambit of UK contractual mechanisms (IPO) i.e., Offers of Sale (at a fixed price or tender) and Placements. Both methodologies have the 'fixed price method' as the dominant approach (Levis 1993, Bank of England 1986). As was noted in Chapter 2, it was nor uncommon for a UK issuer to simultaneously use both IPO methods simultaneously when orchestrating an IPO i.e. a Hybrid Offer (Loughran, Ritter and Rydqvist 1994).

2. *Returns on IPOs are independent of the board on which granted*

   The empirical results rejects the $\mathbf{H_0}$ and empirically demonstrates that RIR premia on listing date (day 1) differs significantly depending on the respective List Board on which the IPO was orchestrated. The mean (median) RIR premia on the DCM board were highest at 106.55 (50.00) %, followed by the VCM board at 68.83% (18.03%) and, lastly, the Main board at 41.67% (18%). The empirical results are similar to those found with the Lawson and Ward (1998) study in rejecting the $\mathbf{H_0}$ and that the DCM list board had the greatest initial return premia (40.1%), however, their study indicated that the Main board had the second highest initial return premia (23.8%) and thereafter the VCM board (7.6%).

   It can thus be concluded that, using List Boards as a proxy for new issuer risk, the more risky new issue IPOs are orchestrated on the DCM list board followed by the VCM and Main List Boards. This makes sense if one considers that the listing criteria and corporate reporting requirements are far more lenient in the former list boards as opposed to the stringent Main Board requirements.

This finding was consistent with that of Lawson and Ward (1998) study, in that the pattern in the returns was correlated with the risk of the investment: higher returns were received in response for higher risks in any given sample. Figure 6.14 adequately illustrates the dramatic rise in the new issuer ex ante risk profile using the respective new issuer List Boards as a proxy for risk.

3. *Returns on IPOs are independent of the level expended on professional advisors fees by new issuer*

In all cases the correlation coefficient between the level of initial underpricing and IPO advisors expenditure is weakly inversely correlated, such that we could say that there is insignificant correlation between the two. With the exception of Hybrid offers, $\mathbf{H_0}$ is rejected at the 95% level for RSP sample of new issuers (irrespective of the Method of Offer) as well as for Placements. We can thus conclude that there is a relationship, albeit weakly correlated, between the quantum of professional advisors IPO expenditure and the level of initial underpricing irrespective of the method of offer.

4. *Returns on IPOs are independent of the new issuer capital value calculated at offer price*

The sample distributions were for all Offer Methods distribution were seen to be asymmetrically skewed (2.29, 2.00 and 2.14). $\mathbf{H_0}$ was rejected at the 95% confidence level for the RSP database of 160 issuers and Placements but accepted for Hybrid Offers (108 and 48 new issuers respectively). This means that the new issuer capital value, as calculated using the offer price, is a good indicator of issuer ex ante risk for the RSP database as a whole and Placements, not so for Hybrid Offers. The correlation coefficient between RIRs and Issuer capital value (at offer price) were negative and very weak for the RSP database and Placements, with the Hybrid Offers being weakly positively correlated.

5. *Returns on IPOs are independent of the percentage of shares issued during the IPO relative to the issued share capital*

The RSP database results were surprising and similar to Ljungqvists (1997) conclusions in that they differ remarkably from Wasserfallen and Wittleder (1994) and Carter et al (1998) viz. Wasserfallen and Wittleder's 'appealing' hypothesis that higher retention rates lower underpricing by signaling a "higher willingness of the former owners to carry the risk of the firm after the IPO" is strongly rejected (Ljungqvist 1997). Per the descriptive statistics for the Method of Offer and IPO equity issue (inverse of insider retention rate) we find a significant rejection of $\mathbf{H_0}$ i.e. 95.63% (RSP database of 160 new issuers), 97.22% (Placements) and 62.50 (Hybrid Offers). Simply put, the greater the insider retention rate (the smaller the IPO issue of shares), the greater is the level of initial underpricing at levels and Methods of Offer.

6. *Returns on IPOs are independent of the new issuers previous years sales (revenues)*

The $\mathbf{H_0}$ was rejected in all instances at the 95% confidence level meaning that the greater the new issuers previous years sales (revenues) the less the initial underpricing. It seems that the utilization of previous years revenues is a good proxy for ex ante risk, and indeed this makes common sense-good historical performance/revenues is a good indication of the new issuer as a 'going concern'.

7. *Returns on IPOs are independent of the new issuers disclosed use of IPO proceeds*

The descriptive statistics strongly rejects the $\mathbf{H_0}$ at the 95% confidence level for the RSP database, Placements and Hybrid Offers (0.42, 0.47 and 0.83 respectively). In all cases, the correlation coefficient was weak and positive with both the RSP database and Hybrids being negatively skewed (-0.05 and -0.12), Placements being positively skewed (0.16). It was interesting to note that mean (median) use of proceeds declared by the new issuer RSP database, Placements and Hybrid Offers were 9,9 and 8 (8,9 and 8) respectively. This implies a relatively high ex ante risk associated with the RSP database of unseasoned new issuers (Habib and Ljungqvists 2001).

The existence of both hot and cold issuer markets on the JSE was investigated in Part IV of Chapter 6 using the RSP database of new issuers as a proxy thereof. $\mathbf{H_0}$ was formulated viz., *"Hot and Cold Issue Markets Periods do not exist on the JSE".*

$\mathbf{H_0}$ was strongly rejected at the 95% level and thus confirmed the emergence of a hot issue market during the course of the 1997 year (a dramatic increase of 109.38 % in new listings relative to the last year, viz., 1996) and 'cooling' during the latter part of the 1999 year (a relative decrease of some 19% from the 1998 year).

Further, the results show that approximately 72% of RSP IPOs during the sample period occurred in the latter years of the sample, viz. 1998 and 1999, 39.38% and 32.5% respectively. These two years, based upon the greatly increased volume of IPOs if compared to the previous three years, fulfill the criteria of a hot issuer market (period) and as such will be deemed for the purposes of this study to be hot issue markets.

Finally, Part V examines the winner's curse hypothesis as a possible explanations as to the RSP database underpricing puzzle. Segmentation of Rock's (1986) model is used as the proxy for the winner's curse and empirically applied to the RSP database of Public Offers (solely or as a component of a Hybrid Offer). The findings are reflected

1. As per Rock's model, the RSP database of new issues with the highest oversubscription rate had, on average, the highest RIRs (converse for lowest subscription rates).
2. We can conclude that South African Public Offer IPOs, per the RSP database of new issuers, do indeed fulfill the oversubscription criteria implicit to Rock's model.
3. Once again, the RSP database of Public Offers adequately demonstrates this UK Public Offer rationing phenomena.
4. The RSP sample of IPOs as pertaining to Public Offers (and the Public Offer component of a Hybrid Offer) concurs with Rock's model inasmuch as new issuer rationing. We can thus conclude that the winner's curse is strongly evident.
5. The RSP database of new issuers fulfils the Rock's model criteria as pertains to the allocation bias in favour of the 'small' investor and accordingly, the winner's curse is strongly evident.

CHAPTER TWO

SOUTH AFRICAN AND INTERNATIONAL INITIAL PUBLIC OFFERING PROCEDURES, CRITERIA AND CONTRACTUAL CONSTRAINTS

I. INTRODUCTION

An IPO can comprise any debt or equity security, this thesis focuses solely on equity issues by operating companies. IPO announcements and market entry statistics are perceived by some media commentators as being primary indicators of economic or market health (Berman 1998).Firms going public, especially young growth firms, face a market that is subject to sharp swings in valuations. The fact that the issuing firm is subject to the whims of the market makes the IPO processes a high-stress period for entrepreneurs (Ritter 1998).

Part II of this Chapter examines the contractual forms and institutional constraints and arrangements for issuers orchestrating an IPO on the US and the UK equity markets. Particular emphasis is placed on the UK institutional constraints in that the English corporate legal system forms the core of South African corporate law as pertains to new listings and IPOs.

Part III analyses South African institutional constraints as encompassed in both legislation and the rules and regulations of the JSE. Once again particular emphasis is placed on the comparison with the UK system. Part IV sets out in great detail the procedures, process and precedents in bringing South African new or additional securities to a listing – governed by legislation and the JSE rules and regulations. This section then focuses on the costs associated with listings and IPOs as well as the appointment of the corporate advisory team. This section provides the key to understanding the Methods and Types of Offers utilised in the South African IPO viz., Offers to the Public, Placements, Hybrid Offers, and Offers for Sale and Subscription. Finally, Section IV minutely examines regulations pertaining to the issuance of a prospectus and/or pre listing statement as well as the application, allotment and payment for

the shares in a JSE IPO. In conclusion this section also examines minimum subscriptions and the underwriting of IPOs (where applicable).

II. CONTRACTUAL FORMS AND INSTITUTIONAL CONSTRAINTS

A company may issue shares with a stock exchange listing. It must however comply with both the requirements laid down by legislation (typically encompassed within that country's Companies Act) as well as the relevant rules enacted by the particular stock exchange.

IPO contracts can be characterised by whether institutional constraints (e.g., government regulation of the offering price) are binding or not. Contracts that are voluntary in nature can be characterised by the amount of information available when the offering price is set, and whether there is discrimination in the allocation of shares (Loughran, Ritter and Rydqvist 1994).

It is important to note at this juncture that the acronym 'IPO' is not ever referred to in South African academic publications (e.g., Bhana 1989 – 'new listings', Lawson and Ward 1998, Bradfield and Hampton 1989 – 'newly listed shares'), the South African Companies Act nor the JSE Listing Requirements. The term 'IPO' certainly appears to be an "Americanism" more particularly in its interspersed usage in English influenced legal systems e.g., Levis (1990 and 1993), Bank of England (1990) and Brennan and Franks (1997). In the study conducted on the Hong Kong new listings market, Koh and Walter (1987) refer to IPOs as 'unseasoned new issues'.

A. Contractual Forms and the Going Public Process in the United States

In the United States of America (US), firms issuing use either a 'Firm Commitment' or 'Best Efforts' contract (Ritter 1998, Sherman and Titman 2000).

1. Firm Commitment Contracts

Firm Commitment contract IPOs in the US are typically priced following the process of discovery (known as 'Bookbuilding'). During and immediately after a road show period, the lead investment banker canvasses potential buyers and records who is interested in buying how much and at what price. In other words, a demand curve is constructed. The offering is then

priced based upon this information. In contrast, in many countries (and in the US with the Best Efforts offerings), the number of shares to be sold and the offer price are set before information about the state of demand is collected (Ritter 1998, Busaba, Benveniste and Guo 2001a, Benveniste and Guo 2001b, Sherman and Titman 2000).

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With a Firm Commitment contract a preliminary prospectus is issued containing a preliminary offering price range. After an issuer and its investment banker have conducted a marketing campaign and acquired information about the investor's willingness to purchase the issue, a final offer price is set (Ritter 1998, Sherman and Titman 2000). Thus the issuer does not commit to issuing shares at whatever price later proposed by the investment banker. The issuer's commitment is conditional on the proposed offer price and, hence, can be delayed until after the conclusion of the Bookbuilding process (Benveniste and Guo 2001a, Benveniste and Guo 2001b). The final prospectus is then issued, and when the Securities Exchange Committee ("SEC") clears the offering, the IPO goes "effective". This Fixed-Price feature constrains the ability of the investment bankers to price discriminate among the various classes of investors. If demand for the issue is weak, the investment banker is permitted to sell any unsold shares at a lower price. This determination of price and trading restrictions is commonly referred to as "breaking the syndicate", for normally the co-managing investment bankers have formed a syndicate that attempts to "stabilize" or "support" the market price by buying shares that investors are immediately reselling (Ritter 1998).

Partly as a result of more accurate pricing, many countries have moved in recent years to Bookbuilding, at least in the case of large offerings. Denmark, Finland and Japan are amongst these countries (Ritter 1998, Sherman and Titman 2000). Bookbuildings are not without critics, however. Bookbuilding typically results in some offerings being underpriced, these investment bankers allegedly allocating a disproportionate number of shares in hot issues to their favoured clients (Ritter 1998).

In the US, when taking a company public using a Firm Commitment contract, the investment bankers will typically presell more than 100 percent of the shares offered. Almost all IPOs include an 'overallotment option', in which the issuing firm or selling shareholders give the investment banker the right to sell up to 15 percent more shares than guaranteed. The advantage of preselling extra shares is that if many shares are "flipped" that is, immediately sold in the aftermarket by investors who had been allocated shares, the investment bankers can buy them back and retire the shares, just as if they had never been issued in the first place (Ritter 1998, Sherman and Titman 2000).

2. Best Efforts Contracts

With a Best Efforts contract, the issuing firm and its investment banker agree on an offer price as well as a minimum and maximum number of shares to be sold. A "selling period" then commences, during which the investment banker makes its "best efforts" to sell the shares to investors. If the minimum numbers of shares are not sold at the offer price within a specified period of time, usually ninety days, the offer is withdrawn and the investor's monies are refunded from an escrow account, with the issuing firm receiving no money. Exclusively smaller, more speculative issuers use best efforts offerings. Essentially larger IPOs (raising more than 10 million USD) use firm commitment contracts (Ritter 1998).

B. Contractual Forms and the Going Public Process in the United Kingdom and English Influenced Legal Systems

1. Initial Offer Methods

There are two main methods by which companies (issuers) can raise equity finance in the UK and seek admission to the LSE- an Offer for Sale (at a Fixed Price or Tender) or a Placement (Levis 1993, Bank of England 1986).

The Fixed Price method has also historically been the dominant approach in the UK and its former colonies, such as South Africa, India, Singapore, Malaysia, Hong Kong and Australia (Bhana 1989, Bradfield and Hampton 1989, Benveniste and Busaba 1997, Koh and Walter 1987, Chowdhry and Sherman 1996, Rock 1986, Benveniste and Wilhelm 1990, Dawson1987, Finn and Higham 1988, Loughran et al 1994, McGuinness 1992).

The South African contractual forms and the process of going public are discussed in far greater depth in Part III hereunder.In all cases, the LSE requires that a minimum of 25 percent of the issuer's post-IPO shares must be in the hands of the 'general public'[4] (Ritter 1998). It should be noted that a company may also obtain quotation, or listing, for its existing equity without issuing new shares to the market – this is known as an Introduction[5]. Accordingly, Introductions are not included within the definition or ambit of an IPO (Bank of England 1990).

[4] Refer to Addendum 8
[5] Refer to paragraph IV.G (4) hereunder for a detailed description of Introductions

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a) An Offer for Sale or Offers to the Public

In an Offer for Sale at a Fixed Price, equities are usually offered to the public at a Fixed Price by an issuing house ('sponsor' or investment banker) on behalf of the issuer about two weeks before dealings in the issue begin (Bank of England 1990, Levis 1993).

Once the price of the issue is fixed, it can neither be changed in response to emerging demand nor can it be withdrawn. While applications for the issue at a Fixed Price are invited from the public, the issue is sub-underwritten, at the same price, by a group of financial institutions. Enormous over subscription is characteristic of countries using the UK Fixed Price method under which the price is set well in advance of the issue date in contrast to the US Bookbuilding method (Rock 1986, Ruud 1993). If there is excess demand, the issuing bank must allocate the shares according to some "fair scheme" (Levis 1993, Rock 1986).

The LSE as well as countries having UK-influenced legal systems require that this allocation rule discriminate only on the basis of the size of the application and not according to the identity of the applicant (Levis 1990, Koh and Walter 1987). The application rule is published after the applications have been received so the rule may reflect discrimination against particular applicants. This rule does not prevent the issuing firm from allocating shares to Preferential investors prior to the issue (such Preferential allocations are disclosed in the issuers prospects). Chowdhry and Sherman (1986) cite a possible advantage of the UK Fixed Price offering over the US Bookbuilding mechanism in that bidding investors are required to pay for their shares in advance and thus the information demand for the issue is more credible. Further, one of the important reasons for choosing the UK type of contractual mechanism might be that a non-discretionary allocation mechanism or an allocation mechanism that favours smaller investors could be employed (Chowdhry and Sherman 1996). This is one of the hallmarks of English Influenced legal systems compared with IPOs made in the US in that English Influenced legal systems allows explicit observation of rationing and discrimination between investors in the allocation of shares in the offering (Ritter 1998).

Koh and Walter (1987) aptly describe the uncanny similarities between the Singaporean and UK contractual mechanisms. As mentioned above, Singapore operates under the general principles of British company law. New shares can be issued to the public when accompanied by a prospectus registers with the relevant Singaporean statutory authority. The prospectus details, inter alia, the number of shares to be issued and the issue price – neither of which can

be changed during the course of the issue. A prospectus in Singapore is typically issued three to four weeks before the application's closing date and there are a further three to four weeks before the initial stock exchange listing. Thus the issue is committed to a price decided upon in advance over a lengthy period.

With an Offer for Sale by Tender, the investors are required to place bids for the shares specifying both the quantity and the price. The shares are usually underwritten at a price, which is usually the minimum Tender price, and a single-issue price is struck (Ritter 1998). Chowdhry and Sherman (1986) argue that higher information leakage and the costs associated with the bidding of shares in advance in the UK open (Tender) offering type of contractual mechanism makes it less attractive compared to the Bookbuilding type of mechanism employed in the US.

b) Placings

In a Placing, the issuing house also technically underwrites the entire issue for a short period but its main economic function is not to bear risk but to act as a distributor. Normally, the issuing house buys all the issue from the issuing company, subject to listing, and arranges to place the majority of the shares with investors.

The most striking trend in the UK in the methods of making IPOs has been the increasing use of the Placement Method of Offer. During the three year period, 1987 through 1989, eighty percent of all private sector issues have been Placings albeit these accounted for less than twenty percent of funds raised (Bank of England 1990). Since the 1986 raising of the limit on Placings in the UK, there has been a strong trend for small IPOs to be by Placing. In fact, by 1989 no offer of less than 10 million pounds was by an offer for sale.

For small issues, Placings are more economical than Offers for Sale (as well as faster) because of the large element of fixed costs in the latter (the costs of preparing the offer document, advertising the offer widely and the processing of applications)[6]. In the UK, offers for sale typically entail underwriting costs of 2 percent of the IPO capital raised (Bank of England 1990).

[6] Refer to paragraph IV. C for a detailed description of Costs

c) Hybrid offers

It is however, not uncommon for an issuer to use both methods simultaneously when orchestrating the listing of securities with a view of simultaneously raising capital i.e., a Placing in conjunction with an Offer for Sale. These are also known as Hybrid Offers or Mixed Offerings and are especially prevalent for privatisations in the UK (Loughran, Ritter and Rydqvist 1994, Brennan and Franks 1997).

Ritter (1998) summarizes the 'determination of offer price' as between US and UK influenced contracts in Figure 2.1. Based on the allocation of shares in the UK can either be discretionary (Placings or non-discretionary

Ljungqvist, Jenkinson and Wilhelm, Jr. (2000) found that the direct costs of Bookbuilding are around twice as high as in fixed-price offerings and that US banks rarely participate in the latter offerings.

Determination of the Offer Price

Allocation of Shares	**Before Information Acquisition**	**After Information Acquisition**
Discretionary	Fixed Price	Bookbuilding Placing (UK)
Non-discretionary	Offer for Sale (UK)	Auctions

Figure 2.1 – average initial returns and selling mechanisms
Source: Based upon Loughran, Ritter and Rydqvist (1994)

III. SOUTH AFRICAN INSTITUTIONAL CONSTRAINTS

The process of listing a new issue of securities, with or without the simultaneous raising of capital on the JSE is certainly a complex one and necessitates an in depth understanding of the Stock Exchange Control Act[7], the JSE Listing Requirements, and the South African Companies Act[8].

At all stages it must be borne in mind that the overriding Act governing the promotion, issuance and allocation of securities is the Companies Act, whereas the JSE Listing Requirements are a set of Rules to be adhered to by applicants wishing to have their securities quoted (and hence listed) on the JSE.

A. The Stock Exchange Control Act

The JSE is regulated by the Stock Exchange Control Act[9] governing the parameters within which any South African stock exchange and stockbroker may operate. It also sets out the manner in which companies may be listed on the exchange as well as all aspects of membership, trading, brokerage, settlement methods and protocol.

Although there is only one stock exchange in South Africa, the Stock Exchange Control Act does allow for the existence and operation of more than one exchange. Each year the JSE must apply to the Minister of Finance for an operating license which vests external control of the exchange in the South African Financial Services Board[10].

In 1992 the JSE formed a research sub-committee, under the chairmanship of Professor Michael Katz, in anticipation of the subsequent significant changes in the South African political and economic environment. Significant changes, referred to in the press as “Big Bang” - a term initiated when the London Stock Exchange deregulated in 1986, to the existing Stock Exchange Control Act were deemed necessary and implemented via the Stock Exchange Control Act Amendment Bill[11] [Johannesburg Stock Exchange. (1999). The restructured Johannesburg

[7] Act 1 of 1985 (as amended) consolidating the Stock Exchanges Control Act of 1947 (as amended).
[8] Act 61 of 1973 (as amended).
[9] Act 1 of 1985 (as amended) consolidating the Stock Exchanges Control Act of 1947 (as amended).
[10] Sections 7 and 8 of the Stock Exchange Control Act.
[11] Promulgated in October 1995

Stock Exchange, Johannesburg Stock Exchange. (1999). An investors guide to the restructured Johannesburg Stock Exchange].

The restructuring implemented to achieve these aims included:

(a) allowing limited liability companies to become members;
(b) allowing non-stockbrokers to own part or all of a member;
(c) revision of capital requirements for member firms to bring the JSE more in line with international norms, which will facilitate reciprocity with overseas markets;
(d) Introduction of dual trading capacity;
(e) allowing stockbrokers to negotiate charges with their clients;
(f) automated trading via computer terminals;
(g) making it possible for South African stockbrokers to compete with international stockbrokers;
(h) revision of listing requirements for companies which are quoted on the JSE to be in line more closely with those of international stock exchanges.

B. The JSE Listing Requirements

The JSE Listings Requirements apply to both applicants for listing and presently listed companies. The contents of the JSE Listing Requirements, comprising seventeen Sections and associated Schedules, reflect inter alia the rules and procedures governing new applicants, proposed marketing of securities and the continuing obligations of issuers. The rules embodied within JSE Listing Requirements (as amended from time to time) are aimed at ensuring that the business of the JSE, as set out in the Stock Exchange Control Act, is carried on with due regard to the public interest.

Under the provisions of the Stock Exchange Control Act a company, which desires to have its securities dealt with on a stock exchange, must apply for a listing and before it will be granted such a listing it must comply with the listing requirements of the stock exchange. These listing requirements are currently embodied in the JSE Listing Requirements.

The JSE Listings Review Committee comprising corporate advisors, auditors, the South African Institute of Chartered Accountants and representatives from listed companies set out annually to review the current JSE Listing requirements. The aim of the JSE Listings Review Committee is to improve company reporting practices through the adoption of Generally Accepted

Accounting Practices that in turn will boost international confidence in the South African equities market[12]. It is an integral function of the JSE to provide facilities for the listing of the securities of companies (domestic and foreign) in South Africa and to provide its users with a regulated and orderly market place for trading in such securities in terms of the JSE Listing Requirements Johannesburg Stock Exchange (1995), Strate (1999).

Certain "General Principles" embodied in the JSE Listing Requirements are expected to be observed in all transactions and submissions pertaining to securities listed and to be listed on the JSE[13]. The JSE General Principles are as follows:

(a) to provide a market for raising of primary capital, an efficient mechanism for the trading of securities in the secondary market, and to protect investors;

(b) securities will be admitted to the List only if the Committee is satisfied that the applicant is suitable and that it is appropriate for those securities to be listed;

(c) full, equal and timeous public disclosure shall be made to all holders of securities and the general public at large regarding the activities of an issue that are significant;

(d) holders of relevant securities shall be given full information and afforded adequate opportunity to consider in advance and vote upon substantial changes in the issuer's business operations and matters affecting the company's constitution and shareholders rights;

(e) all parties involved in the dissemination of information into the market place, whether directly to holders of relevant securities or to the public, shall observe the highest standards of care in doing so;

(f) all holders of the same class of securities of an issuer shall enjoy fair and equal treatment in respect of their securities; and

(g) the listings requirements and in particular the continuing obligations, should promote investor confidence in standards of disclosure, in the conduct of issuers' affairs and in the market as a whole.

[12] JSE Listing Requirements: J.H. Burke, Director Listings Division, Preface (v).
[13] JSE Listing Requirements 'Introduction', page 1.

Subject to the provisions contained in the Stock Exchange Control Act, the JSE Listings Committee is empowered by the JSE Listing Requirements to have the sole power to grant, review, suspend or terminate the listing of securities on the JSE (Strate 1999). Further, the JSE Listings Committee can prescribe the Listings Requirements which an applicant must comply with before each security issued by the applicant is granted a listing[14].

C. The South African Companies Act

The Companies Act serves to consolidate and amend the law relating to all companies, public or otherwise, and to provide for matters incidental thereto. Accordingly, the Companies Act is arranged into seventeen Chapters comprising some 443 sections and five accompanying Schedules.

Until the enactment of the Companies Act 61 of 1973, it was, in general, legislative policy in South Africa to follow the example set in English company law. No real assistance was to be derived from the Roman-Dutch law, whereas the English company law had undergone extensive examination and development. It followed that when South Africa decided to model its legislation on that of England, it in a sense inherited also it's personal and rather intriguing history (Beuthin and Luiz 1998).

The Union Companies Act 46 of 1926, which was based on the Transvaal Act of 1909, was repeatedly amended, generally on the lines of the latest English legislation. The Companies Act of 1973, result of the labours of the Van Wyk de Vries Commission[15], effectively cut the umbilical cord with English company law.

With the promulgation of the English European Communities Act of 1972 and its successors, the gulf between English and South African company law has been steadily widening. While in many areas English cases continue to be referred to as persuasive authorities in our courts, "the days when South African company law was a mirror image of English company law have gone forever" (Pretorius, Delport, Havenga and Vermaas 1997).

[14] Section 1 "Authority of the Committee".
[15] Van Wyk de Vries Commission Main Report RP 45/70.

English law has, however, always been important in the interpretation of our own Companies Acts. Indeed, in the past our courts have treated the decisions of the higher English courts on the similar English Companies Acts as "persuasive authority" of great weight. In 1984 the English Court of Appeal and Chancery Division were both praised and followed as a source of highly persuasive company law material before our courts. [16]

As we delve further into the criteria, procedures and the legislative norms to be adhered to in order to orchestrate an offer shares to the public by the promoters of a public company, it will become increasingly apparent that the South African Companies Act still has its roots deeply imbedded within the English corporate legal system (Beuthin and Luiz 1998). As such, the relevance of the English influence on the South African corporate legal system cannot be understated (Meskin and Kunst 1999) - it is the hallmark which distinguishes the listing of new issues within the ambit of English influenced legal systems from that of the United States (Koh and Walter 1989).

IV. PROCEDURES IN BRINGING SECURITIES TO A LISTING IN TERMS OF THE JSE LISTING REQUIREMENTS

A. Defining The Nature Of The Applicant

The first question to be raised in the listing of securities is "does the issuer already have securities listed on the JSE"? The JSE Listing Requirements defines an issuer as:

> *"Any company, any class of whose securities has been admitted or is, or is proposed to be, the subject of an application for admission."*

[16] Case: Partnership in Mining Bpk v Federale Mynbou Bpk (1984).

It is important to differentiate between a “new applicant” issuer seeking to list a “new issue” of securities for the first time (also known as an unseasoned issue in the United States), or an “applicant” issuer, already listed, seeking list a “new” or “additional” issue of securities. This distinction will dictate the listing methodology to be followed in the listing of a “new issue” by either type of applicant.

The JSE Listing Requirements defines an “applicant” as

> *“an issuer that is proposing to apply (or is applying) for admission of any of its securities to the List.”*

The JSE Listing Requirements defines a “new applicant” as an “applicant” that has no class of securities already listed, in other words, the “new applicant” has yet to have any of its securities admitted to the List (and hence listed). The definition “applicant” would, by the specific inclusion in the JSE Listing Requirements of the definition “new applicants” apply to all issuers already listed seeking to list a “new issue”. In turn, the “List” is defined as

> *“the list maintained by the JSE of companies whose securities it has admitted to listing.”*

A “listing” is defined as the admission of a security (not issuer) to the List, in other words, the official granting of a quotation of a company’s shares on the JSE. A “listing” of securities can occur irrespective of whether the issuer is a “new applicant” seeking to list securities for the first time, or an “applicant” seeking to list additional and/or new securities.

Example 2.1 The listing of a “new issue” by an “applicant”

Advanced Technical Systems Limited, a company admitted to the List in 1987 (when it then as a “new applicant” listed a “new issue” of 39 473 956 ordinary shares). In 1997 Advanced Technical Systems Limited listed, as an “applicant”, an additional class of securities called “N” shares (non-voting ordinary shares). Clearly the “N” shares constituted a further “new issue” of securities for the “applicant” (as opposed to “new applicant”).

01/09/97: Circular to Advtech ordinary and "N" ordinary shareholders 1 September 1997

ADVANCED TECHNICAL SYSTEMS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 87/04735/06)

("Advtech")

The purpose of this circular is to inform Advtech shareholders of the merger of the education interests and the acquisitions, as well as the financial implications thereof, in accordance with the Listings Requirements of the JSE and to convene a general meeting to pass such resolutions as are necessary to give effect to the proposed merger, to grant the directors of Advtech the authority to issue shares for cash and release the vendors of the business trading as the Global School of Business from certain warranties given in the acquisition agreement dated 25 August 1996.

Example 2.2 The listing of a "new issue" by a "new applicant"

In this example AM Moolla Group Limited, a "new applicant", was admitted to the List by the JSE for the first time in 1997 by concurrently listing a "new issue of 77, 5 million securities.

AM MOOLLA GROUP LIMITED - PROSPECTUS

A M MOOLLA GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 94/08600/06)
("AMM Group" or "the company")

The JSE has approved the listing of 77 500 000 ordinary shares of 1 cent each in the share capital of the AMM Group in the Industrial - "Clothing, Footwear & Textiles " sector of the JSE lists under the abbreviated name "AMMGROUP" with effect from Wednesday, 8 October 1997

B. The Decision to List New or Additional Securities

Issuers, including those currently listed, seeking to list new or additional securities on the JSE are strictly governed by the JSE Listing Requirements. Before we embark upon an analysis of the key conditions encapsulated in the JSE Listing Requirements, notably Section 4 thereof, it is important at this juncture to ascertain reasons as to why an issuer seeks to list new or additional securities on a bourse.

Brigham and Gapenski (1990) state that there are no hard-and fast rules regarding if or when a company should go public. The decision to list, this would also include the listing of additional securities for companies already listed, should be made on the basis of the companies and its shareholders' own unique requirements (or reasons). Though not exhaustive, some of the reasons for an "applicant" or a "new applicant" listing a "new issue" are detailed hereunder:

1. Capital funding requirements

The primary objective of a listing, according to Oliver (1997), is to enable entrepreneurs to raise capital for their companies by offering shares to the public within a properly regulated market. It is often cheaper to raise equity capital rather than to rely on debt finance or capital from existing shareholders, to fund the expansion of a company's business Brigham and Gapenski (1990). This argument would apply to any company already listed faced with additional capital funding requirements.

A listing will better enable the company to obtain other forms of finance since the company and providers of the finance will be comforted by the fact that its financial information and directors will be subject to JSE and public scrutiny. It is cheaper for a company to use listed equity to fund acquisitions, and sellers are more likely to accept such equity as consideration. Once the stock is publicly traded, this enhanced liquidity allows the company to raise capital on more favourable terms than if it had to compensate investors for the lack of liquidity associated with a privately-held company (Ibbotson and Ritter 1995) On this point, one market analyst noted disparagingly,

> *"Fledgling listings are hammering at the door, desperate for acquisitions to boost profits. Directors of these new companies, with investors peering over one shoulder and the Receiver over the other, are discovering that leading a listed company isn't always fun. For investors, this realisation could be expensive"* – Anonymous.

2. Shareholder wealth

A listing will better enable the existing shareholders of the company to establish a market price for the company, thus making it a more attractive investment. The establishment of a market value of the company enhances the carrying value of the company in the balance sheet of the existing shareholders. A listing will give the company a wider shareholder base and broaden its exposure.

Directors have fiduciary duties in terms of the Companies Act toward the company; however, it is the directors and not the public shareholders, who (more often than not in smaller capitalised listings) are reaping the benefits of a listing.

> *"I've been asked twice this week why I seem to be uninterested in new listings. I am interested in new listings. I read avidly what my colleagues have to say about them. Sometimes I am moved enough to wish I'd been in on the ground floor and had been offered a pre-listing allocation. I'm terribly envious of those entrepreneurs who, as founders and managers of their companies, are allocated millions of shares at, say, 1c per share. They then place new shares at, say, R1 per share with persons anxious to share in the company's fortunes and when, on listing, the shares open at R1,50 they become instant millionaires. The lucky allottees are happy to make a 50 percent profit. The return for the even luckier founders is astronomical "*– Anonymous.

3. Employee share incentive schemes

The establishment of an employee share incentive scheme enables the company's management and employees to have a direct interest in the business and thus attract and retain suitably skilled and experienced personnel. The retention of personnel through a share incentive scheme will allow employees to participate in future company growth.

4. Enhancement of corporate awareness

Listings can enhance investor, public and corporate entities' awareness of the company, products and services, and promote the company within its industry and principal target market.

C. Cost Associated with the Listing of Securities on the JSE

Most companies start out by raising capital from a small number of investors, with no liquid market existing if these investors wish to sell their stock. If a company prospers and needs additional equity capital, at some point the firm generally finds it desirable to "go public" by selling stock to large numbers of diversified investors. Once the stock is publicly traded, this enhanced liquidity allows the company to raise capital on more favourable terms than if it had to compensate investors for the lack of liquidity associated with a privately held company. Existing shareholders can sell their shares on the open-market. With these benefits, however, come costs (Ritter 1998).There are substantial one-time costs associated with IPOs that can be categorized as direct and indirect costs. These direct and indirect costs affect the costs of capital for firms going public (Ritter 1998).

1. Direct Costs

The direct cost of initiating a listing of new or additional securities upon the JSE will depend upon the Method[17] of listing adopted as well as the complexity of the listing. The direct costs of listing on the JSE can be differentiated into 'initial' (once off) and 'annual' listing fees and are prescribed by Section 17 of the JSE Listing Requirements. These fees are subject to an annual review by the JSE Committee.

a) Initial Listing fees

i) Monetary value of securities listed

Until otherwise determined by the Committee, the fees (excluding value-added tax) for listing of securities as at March 2000 was as follows[18]:

[17] Referred to in paragraph IV.H below
[18] Section 17.1 of the JSE Listing Requirements

	Monetary Value of Securities Listed	Listing Fee (Rand)
Not exceeding	500,000	462
Not exceeding	2,500,000	2 242
Not exceeding	5,000,000	4 752
Not exceeding	25,000,000	14 718
Not exceeding	50,000,000	20 064
Not exceeding	125,000,000	30 162
Not exceeding	250,000,000	44 154
Not exceeding	375,000,000	54 846
Not exceeding	500,000,000	68 508
Not exceeding	750,000,000	84 876
Not exceeding	1,000,000,000	102 828
Not exceeding	1,250,000,000	123 024
Not exceeding	2,500,000,000	147 576
Not exceeding	3,750,000,000	174 372
Not exceeding	5,000,000,000	201 234
Not exceeding	7,500,000,000	214 434
Not exceeding	10,000,000,000	254 958
Exceeding	10,000,000,000	308 748

Table 2.1: The March 2000 JSE listing fees based on the monetary value of securities listed

The monetary value of securities will be determined as follows:

(1) number of securities listed multiplied by the issue price per security;

(2) in respect of vendor considerations, the number of securities listed multiplied by the higher of the issue price on the date of signature of the agreement; and

(3) in respect of Introductions where no price is attributable to the securities, they will be deemed to have a value calculated by multiplying the number of securities listed by the closing price on the first day of trading

(ii) Professional advisors' fees

The teams of professional advisors to a company provide an essential service to a company wishing to list. This is more especially so when the issuer seeks to raise list capital and embarks upon a Public Offer with the issuance of a prospectus[19]. Part I of Schedule 3 of the Companies Act (paragraphs 11 and 15) require that these fees (in cash or otherwise) be disclosed in the prospectus.

[19] Referred to in paragraph IV.H below

Description	Basis of Fee
Sponsoring Broker	Negotiable, depending on the size and complexity of the listing
Corporate advisor	Negotiable, depending on the size and complexity of the listing
Legal advisor	Fee based on time
Auditor	Fee based on time
Transfer secretary	Variable, depending on the size of the listing
Public Relations	Negotiable, depending on the size of the listing
Printing and design	Negotiable, depending on the size of the listing
Underwriting fees	Negotiable, depending on the size of the listing (approximately 2,5 percent of value underwritten)
Bank charges	Variable, depending on the size of the listing
Brokerage	Variable, depending on the size of the listing

Table 2.2: Schedule of the professional advisors initial listing fees

(iii) Documentation fees

The prescribed minimum documentation fee (excluding value-added tax) that will be charged by the JSE is set out in Table 2.3 hereunder. Should the complexity of a document be such that it requires greater than normal attention, the Committee may impose an additional charge.

Except in the case of a company reconstruction, the aggregation of fees indicated will be payable in cases where a combination of topics are being proposed simultaneously. No fees are payable in respect of inspection of share or debenture certificates.

(iv) Statutory fees

These duties and fees are in terms of the Stamp Duties Act (Act 77 of 1968 as amended to Act 37 of 1996) and Marketable Securities Tax Act of 1948.

The Stamp Duties Act provides that unless Market Securities Tax ("MST") is payable, stamp duty is payable upon registration of transfer of securities into the name of a purchaser. Stamp duty is calculated at the rate of five cents per R 20,00[20] (or part thereof) provided such registration takes place within six months of the execution of the relevant instruments of transfer. Transfers registered after this period of six months will pay three times the normal duty. MST at a rate of 0, 25[21] percent is payable in respect of every purchase of marketable securities through the agency of or from a member of the stock exchange. The purchase of marketable securities on the JSE by a person who is not ordinarily resident in South Africa, Lesotho, Namibia or Swaziland is exempt from MST, but if registration of transfer is sought, stamp duty becomes payable unless a specific exemption applies.

[20] As at March 2000
[21] Ibid

Prescribed Inspection Fees	Rand
Articles of association	
Per new company listed	1 206-14
Per subsidiary of a listed company	607-89
Re-examination fee per company	607-89
Minor amendments	120-62
Debenture trust deed	
Per trust deed	1206-14
Re-examination fee per deed	607-89
Minor amendments	120-62
Share incentive/option scheme	
Salient feature circular	1206-14
Re-examination fee per deed	607-89
Minor amendments	120-62
Main board listing	15 129-83
Includes pre-listing statement and Part II documentation. Excludes articles of association, debenture trust deeds and share incentive/option schemes.	
Development capital listing	7 256-15
Includes circular or pre-listing statement, letter of allocation and underwriting agreement; if offer is in conjunction with a listing of a new company by way of a renounceable offer, the fees payable as per above will be in addition to this fee.	
Venture capital listing	7 256-15
Includes circular or pre-listing statement, letter of allocation and underwriting agreement; if offer is in conjunction with a listing of a new company by way of a renounceable offer, the fees payable as per above will be in addition to this fee.	
Rights offers and claw-back offers	6 078-95
Includes circular or pre-listing statement, letter of allocation and underwriting agreement; if offer is in conjunction with a listing of a new company by way of a renounceable offer, the fees payable as per above will be in addition to this fee.	
Company reconstruction	15 129-83
Includes circular and pre-listing statement; excludes re-examination of articles of association, debenture trust deeds, and share incentive/option schemes.	
Acquisition/disposal	
Circular	3 029-83
Capital restructure	
Circular	3 029-83
Issue for Cash	
Circular	1 206-14
Odd lot offer	
Circular	1 206-14
Transfer of sector	1 206-14
Consolidation/sub-division	
Circular	1 206-14
Change of name	
Circular	1 206-14
Capitalisation issues (including scrip dividends)	
Circular (ordinary)	607-60
Circular (fractional entitlement)	1 206-14

Table 2.3: Schedule of prescribed documentation fees charged by the JSE as at March 2000

b) Annual Listing Fees

In particular, there are certain ongoing costs associated with the need to supply information on a regular basis for publicly traded firms (Ritter 1998). In South Africa, in respect of each class of security listed, an annual listing fee in terms of Section 16 (d) of the Stock Exchange Control Act shall be paid in February each year except during the calendar year in which the listing is granted and which shall be calculated as follows[22]:

(a) in respect of equity securities listed, an amount equal to 0,03 percent of the market value of all the securities in the company listed calculated at the average middle market price of such securities on the last business day before the end of January, April, July and October of the previous year on which such securities were dealt in, subject to a minimum fee of R 5 800 (excluding VAT) and a maximum fee of R 58 000 (excluding VAT) in each year calculated to the nearest R 50;
(b) in respect of issuers with preference shares listed, an amount of R 1 000 (excluding VAT); and
(c) in respect of issuers with debentures or loan stock, an amount of R 500 (excluding VAT).

Securities may be removed from the List unless fees due and unpaid are paid within one month after written notice of demand has been given under authority of the Committee.

2. Indirect Costs

The indirect costs are the management time and effort devoted to conducting the offering, as well as the dilution associated with selling the shares at an offering price that is, on average, below the price prevailing in the market shortly after the IPO (Ritter 1998)[23].

D. Appointment of the Corporate Advisory Team

Boivin (1995) recommends choosing the "right team" of professionals to guide the issuer through the listing process. The appointment of professional advisors, the team composition, includes a sponsoring stockbroker, a corporate advisor, a legal advisor, an accountant, transfer secretaries, public relations consultants, printers and technical consultants, where necessary

[22] Ibid
[23] The indirect costs associated with IPO initial underpricing is examined extensively in Chapters 3 and 4.

(Johannesburg Stock Exchange 1997). Of these advisor's, the reporting accountants, sponsoring brokers and listing attorneys form an essential part of any listing and are required by inter alia the Companies Act and the JSE Listing Requirements, for prospectuses and pre-listing statements respectively (refer to Table 2.4).

1. Sponsoring Broker

The JSE Listing Requirements require the appointment of a sponsoring broker. Until the amendments to the JSE Listing Requirements in August 2000, the sponsoring broker had to be a member of the JSE. The amendment to the JSE Listing Requirements has replaced the term "sponsoring broker" with "sponsor". This is because the traditional role of a sponsoring broker is no longer limited to JSE members. Sponsors have been extended to corporate, legal and other advisors (Ananzi 2000).

In South Africa, it is the sponsoring broker who directly and indirectly fulfils the most important functions pertaining to an issuer wishing to list on the JSE (Johannesburg Stock Exchange 1997). The responsibilities of the sponsoring broker are described in detail per Addendum 7. The sponsoring broker's functions would include inter alia:

a) to ensure that the criteria for listing are met and that the company is suitable to list;
b) the company is guided as to the application of the listings requirements;
c) ensuring that the directors have had explained to them the nature of their responsibilities and obligations as directors of a listed company;
d) submission of all listing documentation to the JSE; and
e) to act as a liaison between the JSE and the company.

2. Corporate Advisor

It is advisable, but not a legal requirement, for the company to also appoint a corporate advisor. Corporate advisors are usually the corporate finance divisions of member firms, merchant banks or auditing firms. There is often an overlap between the functions of the corporate advisor and the sponsoring stockbroker and where a merchant bank or member firm provides both corporate financial and stockbroking services, the roles are frequently combined (Johannesburg Stock Exchange 1997).

The corporate advisor's main responsibilities include inter alia:

a) advising the company as to the application of the listings requirements and the directors as to the nature of their responsibilities and obligations as directors of a listed company;
b) advising on the method of listing, the marketing , the size and terms of the offer, the timing and pricing of the offer;
c) advising on market conditions and the potential demand for the company's shares;
d) co-ordination of the listing process;
e) drafting the listings documentation, with the assistance of the company and the company's legal advisor, accountant and sponsoring stockbroker;
f) approaching the investment community with a view to generating a demand for the company's shares;
g) if the method of listing to be adopted is a placing, arranging the placing;
h) if the method of listing to be adopted is a public offer and the offer is to be underwritten, underwriting or arranging the underwriting of the offer.

3. Listing Attorney

Companies are also obliged to appoint a listing attorney. The listing attorney's main responsibilities include:

a) assisting with the drafting of the listing documentation to ensure that all legal requirements are complied with;
b) if there is an underwriting or a placing, drafting the necessary agreements; and
c) preparing share option schemes for the company.

4. Listing Accountant

The JSE requires an independent accountant (a registered accountant and auditor) to report in the prospectus or pre-listing statement, inter alia, on the profits of the company over the previous five years and the financial position of the company over the previous two years.

5. Transfer Secretaries

Transfer secretaries are responsible for setting up the company's register of members, the issuing of share certificates, and the registration of transfers and the mailing of company circulars. The complete list of listing transfer secretaries was obtained from the sources alluded to below.

6. Public Relations Consultant

Public relations consultants are frequently used to assist with promoting a positive image of the company before a listing.

7. Technical Advisor

In the case of mineral companies, the JSE requires the prospectus or pre-listing statement to contain a competent person's (technical advisor's) report on the company and its exploration and/or mining activities.

8. Printers

The company should contract with a firm of printers to print the share certificates and prospectus or pre-listing statement.

ROLE PLAYER	REQUIRED DISCLOSURE PROSPECTUS	REQUIRED DISCLOSURE PRE-LISTING STATEMENT
Commercial Banker	Part I, Schedule 3, Paragraph (d) 1	None
List Attorney	Part I, Schedule 3, Paragraph (d)	Section 7.B.8
Corporate Advisor	None	Section 7.B.8
Printers	None	None
Technical Advisor	Part I, Schedule 3, Paragraph (x)	Section 7.B.8 Section 7.F.5
Sponsoring Broker	Part I, Schedule 3, Paragraph (d)	Section 7.B.8
Transfer Secretary	None	None
Public Relations Consultant	None	None
Investment Banker	Part I, Schedule 3, Paragraph (d)	Section 7.B.8
Reporting Accountant	Part I, Schedule 3, Paragraph (c)	Section 7.B.8

Table 2.4: The corporate advisory team involved in the IPO and Listing process as well as relevant required disclosures in the prospectus and/or pre-listing statements

E. JSE Listing Condition Precedents

Section 4 of the JSE Listing Requirements governs the Conditions for Listing. All applications for listing are to be submitted to the Committee through a sponsoring broker in terms of paragraph 4.2 thereof.

It must be emphasised that, notwithstanding these requirements, the Committee may, in its overriding discretion, grant a listing to an applicant which does not fulfill the requirements set out below or refuse a listing to an applicant which does comply with these listings requirements.

F. JSE Listings - Relating to the Applicant

1. Applicant to be duly constituted

The applicant must be duly incorporated or otherwise validly established under the law of the country of incorporation or establishment, and must be operating in conformity with its memorandum and articles of association and all laws of its country of incorporation or establishment[24].

2. Listing of subsidiary companies

Whenever a holding company intends making an offer of securities in a subsidiary, or procures the subsidiary issues securities, in order to obtain a listing in respect of such subsidiary, those securities to be issued which are not retained must be renounced in favour of its shareholders[25].

3. Financial information

The following are the requirements relating to financial information[26]:

a) the financial statements must be drawn up in accordance with the applicant's law and must be prepared in accordance with standards regarded by the Committee as appropriate for

[24] Paragraph 4.6 of the JSE Listing Requirements
[25] Paragraph 4.7 of the JSE Listing Requirements
[26] Paragraph 4.8 of the JSE Listing Requirements

listed companies. Indications of compliance with this requirement would be financial statements prepared, in all significant respects, in accordance with GAAP or International Accounting Standards;

b) the auditors must have reported on the financial statements without any qualifications which in the opinion of the Committee is significant for the purposes of listing; and

c) any profit forecast of an applicant must be accompanied by a report complying with JSE Listing Requirements[27], by the applicant's auditors or reporting accountants.

4. Relating to the Securities

a) Status of the securities

The securities for which a listing is sought must be issued in conformity with the law of the applicant's country of incorporation or establishment, memorandum and articles of association and all the authorisations needed for their creation and issue under such law or documents must have been duly given. Where a new applicant already has securities listed on another stock exchange, it must be in compliance with the requirements of that exchange and the relevant laws of that country[28].

b) Transferability of securities

The securities for which the listing is sought must be fully paid up and freely transferable. The Committee will not grant a listing in respect of issues of non-voting equity securities[29].

c) Undertakings

An applicant must give a general undertaking, complying with Schedule 7 of the JSE Listing Requirements[30]. Schedule 7 of the JSE Listing Requirements contains the provisions, which should be contained in the general undertaking by the issuer. The general undertaking should be in the form of a resolution of directors and certified by the Chairman. The paragraphs of Schedule 7 provide, inter alia:

[27] Paragraph 8.31'Profit forecast and estimate'
[28] Paragraph 4.9 and 4.10
[29] Paragraph 4.11 and 4.12

(i) that in the event of a further issue being underwritten, the issuer will disclose with the issue the information which is required under paragraph 7.B.10 (commissions paid or payable in respect of underwriting);

(ii) that the issuer agrees that in the event of the application for listing being granted, such listing shall be subject to the listings requirements which are in force.

5. Schedule 7 of the JSE Listing Requirements

Schedule 7 of the JSE Listing Requirements contains the provisions, which should be contained in the general undertaking by the issuer. The general undertaking should be in the form of a resolution of directors and certified by the Chairman. The paragraphs of Schedule 7 provide, inter alia:

a) that in the event of a further issue being underwritten, the issuer will disclose with the issue the information which is required under paragraph 7.B.10 (commissions paid or payable in respect of underwriting);

b) that the issuer agrees that in the event of the application for listing being granted, such listing shall be subject to the listings requirements which now are or hereafter in force.

All applications for a JSE listing are to be submitted to the Listings Committee through a sponsoring broker[31]. Notwithstanding these Listing Condition Precedents, the Committee may, in its overriding discretion, grant a listing to an applicant who does not fulfill the requirements or refuse a listing to an applicant which does comply with these requirements.

G. The Process of Listing Securities by an Applicant

A new applicant seeking to initiate a listing of a new issue on the JSE has to have approval by the Committee of all Section 16 documentation in terms of the JSE Listing Requirements. All applicants seeking 'new listings' and 'backdoor listings', per Section 16.2 (m) and (d) respectively, must submit Part I, II and III documents to the Listings Division of the JSE through the medium of a sponsoring broker[32]. It is important to note that Part I, II and III documentation, once submitted to the Committee, becomes a matter of public record.

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[30] Paragraph 4.20 and 4.21
[31] Now termed "Sponsor" Refer to Addendum 7
[32] Refer to Addendum 1 "Documents to be Submitted to the Committee"

1. The List Boards available to the new applicant

When a new applicant applies to the JSE for a listing, it may qualify for one of the three possible boards: the Main Board, the Development Capital Market ("DCM") or the Venture Capital Market ("VCM"). The listing criteria for the three markets enable companies at different stages of development to obtain a listing on the board which best suits them and to allow the JSE to create an orderly open market for trading and ensure a consistent minimum level of disclosure. However, the need to balance restrictions of entry to the JSE with the requirements for protection of investors means that these rules cannot of themselves protect investors from poor investment decisions.

The JSE created the DCM in 1984 to encourage the growth of small to medium sized businesses and companies which were not able to list on the Main Board. While demanding quality and stability of a DCM company, the criteria to be met are less onerous than those of the Main Board are. It is expected that DCM companies will use the capital raised to expand to a level where they meet the requirements for a Main Board listing.

The DCM was specifically established to give the smaller entrepreneurial companies, which could not meet the normal stringent rules for listing, an opportunity to raise capital for new development (Bhana 1989). The DCM attracted a new type of investor who was prepared to accept higher risks for the possibility of large returns. The spate of new issues in the DCM sector was largely responsible for the re-emergence of small investors who had avoided the JSE as a result of huge losses suffered in 1969 and 1976. A major feature of the 1985 through 1987 new issue market was that for the first time since its creation in August 1984, investors showed interest in the DCM (Bhana 1989).

An applicant seeking a listing in the Main Board, DCM and VCM must satisfy the listing criteria detailed in paragraphs 4.25, 4.27 and 4.26, respectively, of the JSE Listing Requirements[33]. Table 2.5 provides a summary and comparison of the JSE listing criteria in respect of each of these list boards (italics refer to relevant paragraphs contained in the JSE Listing Requirements – refer to Addendum 19).

CRITERIA	MAIN BOARD	DEVELOPMENT CAPITAL MARKET	VENTURE CAPITAL MARKET
Subscribed Capital	**R 2,000,000** *Paragraph 4.25 (a)*	**R 1,000,000** *Paragraph 4.27 (c)(I)*	**R 500,000** *Paragraph 4.26 (f)(I)*
Minimum Shares in Issue	**1,000,000 shares** *Paragraph 4.25 (b)*	**1,000,000 shares** *Paragraph 4.27 (c)(ii)*	**1,000,000 shares** *Paragraph 4.26 (f)(I)*
Profit History	**3 years** *Paragraph 4.25 (c)*	**2 years** *Paragraph 4.27 (c)(iii)*	**None** *Paragraph 4.26 (f)(ii)*
Previous Years Profit before taxation	**R 1,000,000** *Paragraph 4.25 (c)*	**R 500,000** *Paragraph 4.27 (c)(iii)*	**None** *Paragraph 4.26 (f)(ii)*
Public Shareholder Spread	**10 percent** *Paragraph 4.25 (d)*	**10 percent** *Paragraph 4.27 (c)(iv)*	**5 percent** *Paragraph 4.26 (f)(iii)*
Public Shareholder Spread (Number)	**300 shareholders** *Paragraph 4.25 (e)(i)*	**75 shareholders** *Paragraph 4.27 (c)(v)*	**75 shareholders** *Paragraph 4.26 (f)(iv)*
Public Preference Share Spread (Number)	**25 shareholders** *Paragraph 4.25 (e)(ii)*	**25 preference shares** *Paragraph 4.27 (c)(v)*	**25 preference shares** *Paragraph 4.26 (f)(iv)*
Public Debentures Spread (Number)	**10 debenture holders** *Paragraph 4.25 (e)(iii)*	**10 debenture holders** *Paragraph 4.27 (c)(v)*	**10 debenture holders** *Paragraph 4.26 (f)(iv)*
Minimum Issue Price	**100 cents** *Paragraph 4.25 (f)*	**50 cents** *Paragraph 4.27 (c)(vi)*	**50 cents** *Paragraph 4.26 (f)(v)*

Table 2.5: Summary and comparison of the JSE listing criteria in respect of the List Boards (relevant paragraphs of the JSE Listing Requirements in italics).

The JSE regulations, more especially the market entry requirements, have recently come under strong criticism following the dramatic "fallout" from the 1998 listings boom (Enslin 2000).

In August 2000, the JSE unveiled, inter alia, new (and amended) listing rules for new applicants seeking to list new issues of unseasoned securities (Ananzi 2000). Whilst these amendments fall outside the ambit of this study (i.e., new listings orchestrated after December 1999) it is worth noting that the Main Board listing criteria have now been dramatically enhanced.

New applicants seeking to list new issues on the Main Board must now have a profit history of R 8 million before tax, subscribed capital of R 25 million; and a 20 percent shareholder spread (having at least 500 public shareholders). The same communiqué stated that the JSE is investigating the feasibility of a secondary board. If successful, the secondary board will be launched in 2001 with separate sectors based on a company's business focus. Furthermore, each sector will have its own entrance requirements (Ananzi 2000).

[33] Refer to Addendum 19 for a detailed synopsis thereon

2. ‘Front Door’ and ‘Back Door’ listings

A listing on the JSE can be obtained either through the Front Door or through the Back Door (also know as a “reverse listing”). A Front Door listing refers to a listing that is achieved without the use of a company already listed. The term Back Door listing refers to the reverse takeover of a listed company (usually a cash shell) by an unlisted company, and thereby a subsequent listing of the purchaser (Oliver 1997). The assets reversed into such a listed company must comply with the JSE’s initial listing requirements as well as submitting the relevant Section 16 documentation through the medium of a sponsoring broker to the Committee[34].

The method of a Back Door listing can be advantageous to shareholders of a company wishing to list in that they effectively obtain all the potential advantages of a listing without disposing of a large portion of their company or giving away a ‘stagging’ profit. This is usually followed by a change in the name of the listed company, although this may not always be the case. Other such benefits can include tax advantages, should the target company have an assessed tax loss, which can be used to offset otherwise taxable income in the acquiring company.

Other than the benefits of whatever synergies may result from the takeover, (a consideration minimised in the case of a cash shell) this listing method offers the advantages of easier pricing and circumventing of the normal costs and requirements for listing. In such an instance, the listed company which is the subject of the takeover is obliged to publish a transmuted listing statement detailing the constitution of the new company and how the principal business of the company has changed (as a result of the acquisition). Furthermore, the Back Door mechanism is less affected by short-term changes in market conditions at the time of listing (Oliver 1997).

It should be noted that the Back Door listing mechanism can be more expensive than that of the Front Door mechanism because of the share transfer and issue duties payable on the injected business[35], as well as the potential premium paid for the listed company.

An ancillary reason for issuers favouring a ‘Back Door listing is that the JSE requirements of obtaining the necessary share spread are achieved with the existing shareholders of the listed vehicle. The method of achieving a listing will be determined primarily by the ability of the company to obtain a spread of shareholders, which meets the requirements of section 4 of the JSE Listing Requirements (Oliver 1997).

[34] Refer to Addendum 1

It should be noted at this juncture that the utilisation of either mechanism bears no relevance to the need to raise list capital or not i.e., the applicant may pursue a listing in conjunction with the raising of list capital (an IPO) or a listing without the raising of list capital (an Introduction[36]).

3. The JSE Sector Classification System

The primary purpose of the JSE Sector Classification System and its related rules is to construct homogeneous sub-sectors into which companies listed on the Main Board can be divided. Ideally, the share prices of these Main Board companies, within a certain sub-sector, can be expected to react similarly to major economic and political trends and events (The Johannesburg Stock Exchange, Sector classification system of the Johannesburg Stock Exchange, October 1999).

The listings division may recommend changes to the Classification rules. The JSE Listings Division is responsible for determining the individual classification of a company acquiring a new listing.

The prospectus and/or the pre-listing statement disclose the sector the issuer is to be listed[37]. The company to be listed is responsible for submitting a detailed memorandum to the Listings Division, which will act as a guideline for its list sector application. It is worth noting that over time the issuer could be instructed by the Listings of Companies Sub-Committee to change sectors (especially if the issuer effected a reverse listing ab initio and/or the main objects of the companies business changed).

The primary consideration when classifying companies will be the audited proportion of profits before tax from each key business activity. The Listings of Companies Sub-Committee is ultimately responsible for maintaining the Classification Rules, hearing of appeals and changes to the Classification Rules.

The list sector is only applicable to issuers listing on the Main Board and was arranged, pre 1999 revision[38], as follows:

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[35] Per Addendum 2
[36] Refer to paragraph 4 below
[37] The Companies Act, Part I of Schedule 3, paragraph (w) and Section 7 of the JSE Listings Requirements
[38] Comprising the ambit of this study (the Sample Period January 1995 through December 1999)

a) Development Stage
b) Financial
c) Gold
d) Industrial
e) Metals and Minerals
f) Mining Finance
g) Cash Companies
h) Mining Producers

During the course of the 1999 financial year additional and revised Main Board list sectors were introduced:

a) Mining Exploration
b) Insurance
c) Mining Holdings and Houses
d) Mining Producers
e) Mining Resources
f) Property
g) Property Loan Stock
h) Real Estate
i) Short-term Insurance

4. Admitted to the JSE List when no IPO capital is raised - Introductions

Should the "reasons" for a new applicant orchestrating a listing (and hence admitted to the "list") exclude the raising of list capital, the new applicant will be admitted, subject to section 4 of the JSE Listing Requirements , to the list as an Introduction.

The JSE Listing Requirements define an Introduction as a method of bringing securities to listing not involving an issue of new securities or any marketing of existing securities because the spread of shareholders already complies with the conditions for listing.[39] It is the quickest and cheapest means of listing, as there is no offer to the public and minimum formalities are required (Johannesburg Stock Exchange 1997).

H. The "Method" of the Offer

Section 5 of the JSE Listing Requirements describes the different Methods and Types of offers whereby securities may be brought to listing with the simultaneous raising of List Capital by new applicant. This will now be classified as an IPO hence the exclusion of Introductions. The distinction between the Methods of the offer and the Type of offer is of paramount importance.

The new applicant can use two Methods of raising capital in the Listing on the JSE (hence the orchestrating of an IPO by the new applicant), either an Offer to the Public or a Placement.[40] A new applicant can use both IPO methods in conjunction with one another, this is known as a Hybrid (or Mixed) Offering (refer to example 2.3 below). Section 5 of the JSE Listing Requirements also sets out the Types of offer the may be used by a new applicant irrespective of the Method of the offer. This study will only focus on the Types of offers typically used by new applicants i.e., Offers for Sale and Offers for Subscription[41].

In order to more fully understand the difference between the Method and Type of offer we need to turn to the Companies Act for guidance. It is important to note that the "Methods of Offer" are very similar to that of English based corporate legal systems (the relevance will become crucially apparent in the study of the short-run underpricing phenomena and the 'winners curse hypothesis')[42]

As in the UK, a company seeking admission to the JSE will normally choose between one of the following methods of obtaining a listing and issuing new equity capital: an Introduction, Public Offer, Placing or a Hybrid Offer, the latter three Listing Methods being IPO Methods of Offer (Levis 1990 and 1993).

1. An Offer to the Public

An 'Offer to the Public' means any offer to the public and include an offer of shares to any section of the public, whether selected as members or debenture-holders of the company concerned or as clients of the person issuing the prospectus concerned or in any other manner[43].

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[39] "An Introduction" definition, The JSE Listing Requirements at 5
[40] A 'placing' is also known as a 'Private Placement'
[41] Refer to section I "Types of Offers"
[42] Refer to Paragraph III C supra
[43] Refer to Addendum 8, Part II (A) "Meaning of 'Offers to the Public'" for a detailed synopsis thereon

Below is a brief overview an Offer to the Public with under-scored key terms and procedures analysed in greater detail.

Shares are offered[44], usually at a specified price[45], to the public [46]via the issue of a prospectus[47] and application by members of the public to purchase[48] or subscribe for these shares.

New shares can be issued to the public only when accompanied by a prospectus, which must be approved and registered with Registrar of Companies. The prospectus details inter alia the number of share to be issued and the issue price, neither of which can be changed during the course of the issue irrespective of the demand for the new issue[49]. The inability to adjust the price for a new issue is a hallmark of English based legal systems (Koh and Walter 1987, Ritter 1998).

In terms of the JSE rules, all shares must be taken up either by the investing public or the institution underwriting[50] the offer prior to trading of the shares on the secondary market. Furthermore, any company intending to raise new capital through listings of its shares by means of a Public Offer is obliged to publish a pre-listing statement[51] in which at least the JSE prescribed levels of disclosure are provided for review by potential investors

The public will have a certain period of time within which to submit their applications[52] and payment[53]. The company will have to decide on the basis of allocation[54] if there is an over-subscription[55].

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[44] Refer to Addendum 8, Part II (C) "Meaning of the word 'offer'" - section 142 of the Companies Act
[45] The alternative to the offer at a "specified price" would be the "tender method"
[46] Refer to Addendum 8, definition of the word 'public' per Corporate Affairs Commission (South Australia) v Australian Central Credit Union
[47] Refer to paragraph J below and Addendum 3 'The Prospectus and its Contents'
[48] This is also known as an "offer for sale"
[49] Refer to Addendum 3, Part II (A)(t) and Part IV
[50] Refer to paragraph F below
[51] Refer to paragraph C below and Addendum 4 'The Pre-listing Statement and its Contents'
[52] Refer to paragraph D hereunder
[53] Ibid
[54] Ibid
[55] Refer to paragraph G (1) and (2) hereunder

If the offer is over-subscribed, the company (issuer) earns interest on the payments received until the date of refund. It is important to note that the applicant does not earn interest on the over-subscribed allotment; this is typical of English based corporate legal systems (Levis 1990, Koh and Walters 1987, Ritter 1998, Ibbotson and Ritter 1995).

An alternative, and seldom used, method of Public Offer pricing is that of the Tender method. This requires tenderers to submit bids for purchase of shares at a price of their choosing. The strike price at which the issue is prices is then the minimum price, which must be accepted to ensure full take-up of the offer.

2. Placings

A 'Placing' or 'Private Placement' is the marketing of securities already in issue but not listed, or not yet in issue, to specified persons or to clients of the sponsoring broker or any securities house assisting in the placing, that does not involve an offer to the public or to existing holders of the applicant's securities generally and that takes place immediately before the applicant is listed. A Placing includes a Preferential Placing[56].

A company can obtain the spread of shareholders required by the JSE and raise listing capital by undertaking a Placement of existing shares and/or an issue of new shares at an agreed price among selected members of the investing community, suppliers and customers. This has proved to be the most common method of obtaining a listing on the JSE (Johannesburg Stock Exchange 1997). In this instance, shares in the company are Placed or offered to prospective shareholders through private negotiation. Usually this will be done through a sponsoring stockbroker or a merchant bank. They arrange for private clients or institutions to take up parcels of shares, subject to a fee, to ensure a sufficient spread of shareholders (Oliver, 1997).

The Placing usually occurs through the sponsoring broker placing shares with clients. There is therefore some control over whom the shareholders will be. The JSE stipulates that at least 30 percent of the securities to be placed must be offered to the sponsoring broker who must, in turn, offer a reasonable proportion of his allocation to other broking members (usually 30 percent of its allocation). The method of distribution is at the sponsoring broker's discretion.

[56] "Placing" definition, The JSE Listing Requirements at 7

In a Placement, the sponsor also technically underwrites the entire issue for a short period but the sponsor's main function is to act as a distributor. Normally the sponsor buys the issue from the issuing company and arranges to Place the majority of the shares with investors. The price is set about five days before the shares start trading. Placing of the shares is normally completed by the end of the first day of trading.

A Preferential Offer is an offer by an applicant to directors, employees, pensioners and direct business associates (including customers with whom there is a direct and enduring contractual relationship) of the applicant by means of a non-transferable application form bearing the name of a specific party and stating a maximum number of securities that may be subscribed for in the application[57].

If a Preferential Offer is made by the applicant, in conjunction with any other Method(s) of issue such that the Preferential Offer amounts to more than 70 percent of the total number of securities which were to be issued then securities must be offered to the sponsoring broker to reduce the number of securities that are subject to the Preferential Offer to 70 percent to the total number of securities to be issued.

The sponsoring broker must, in turn, offer a reasonable proportion of his allocation to other broking members, the method of distribution to be at the sponsoring broker's discretion. The Preferential Offer may be made in conjunction with a Public Offer (hence becoming a Hybrid Offer), but it may be at a price different from that made to the general public. This is the only time in which the same class of shares may be offered at different prices in the same IPO i.e., a Preferential Offer combined with a Public Offer and not a Placement (albeit a Placement includes as Preferential Offer) combined with a Public Offer.

In summary, the new issuer upon the decision to list a new issue would simultaneously issue a prospectus and/or a pre-listing statement and allocate a percentage of the new issue to predetermined allottees (of which 30 percent must be allotted to the sponsoring broker). Because a Placement is not construed as an Offer to the Public, the issuer need not issue a prospectus in terms of the Companies Act. It must however, in terms of the JSE Listing Requirements issue a pre-listing statement. What is of fundamental importance (and hence the critical difference with an Offer to the Public) is that the shares are allocated to the allottee (potential shareholders) prior to the offer being made to said allottees. Typically the shares are allocated to the sponsoring broker (who in turn will allocate the shares to the broking

community and selected allottees) and, in the case of a Preferential Offer, to selected staff, management and business associates.

One will find that in a Placement the requisite shareholder spread and minimum subscription has already been met prior to the allotment of the securities. This is, however, dependent upon the acceptance of the offer by the allottees.

The allottee, to which the allocation has been made, is then 'offered' the shares. This offer can either be in the form of an offer for sale or subscription. Should the allottee accept the offer; the shares so allocated are now allotted. Should this allotment fulfill the requirements for listing, both minimum shareholder spread and minimum subscription, the new issue will be listed.

3. A Hybrid Offer

Many companies choose to list using a Hybrid Offer in order to achieve the objectives of generating public interest, obtaining the spread of shareholders and meeting the aspirations of special interest groups. Example 2.3 illustrates the utilisation of both an Offer to the Public and a Private Placement (including the Preferential Offer) for an IPO by the new applicant Datacentrix Holdings Limited.

4. A Private Placement viz- a-viz an Offer to the Public

The decision on which method to adopt to raise capital and obtain a spread of shareholders will depend to a large degree on what the controlling shareholders wish to achieve for their company (Oliver 1997). Some of the issues to be considered could include:

a) The amount of capital to be raised. In most instances large amounts of capital will be raised by Public Offers;
b) Spread of shareholders. Where it may be difficult to obtain sufficient spread of shareholders by offering to placees, a Public Offer will typically be used;
c) Marketing. A Public Offer generally solicits more press commentary than a Placement. Therefore if the company wishes to have a high public profile a Public Offer would be preferable. IPOs as breaking news enjoy extensive coverage across the world, in the financial press and popular media, a well as on the internet (Berman 1998); and
d) Accommodating the aspirations of business associates. A Placing enables management to offer shares to customers, staff and business associates.

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[57] The JSE Listing Requirements at 7

Example 2.3

DATACENTRIX HOLDINGS LIMITED

DATACENTRIX HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Formerly Newshelf 358 (Proprietary) Limited)
(Registration number (98106413106))
("Datacentrix Holdings" or "the company")

PROSPECTUS

Relating to an offer for subscription by way of:

- **a private placement of 13 000 000 ordinary shares of 0, 01 cent each in the share capital of Datacentrix Holdings at an issue price of 100 cents per share;**
- **a preferential offer of 3 000 000 ordinary shares of 0, 01 cent each in the share capital of Datacentrix Holdings at an issue price of 100 cents per share; and**
- **a public offer of 4 000 000 ordinary shares of 0, 01 cent each in the share capital of Datacentrix Holdings at an issue price of 100 cents per share.**

Opening date of the offer (09:00)	Wednesday, 26 August 1998
Closing date of the offer (12:00)	Wednesday, 16 September 1998
Proposed listing date	Wednesday, 23 September 1998

I. The "Type" of Offer

As discussed under Method of Offer, section 5 of the JSE Listing Requirements sets out the Types of offer the may be used by a new applicant irrespective of the Method of the offer. Under this section we will examine Offers for Sale and Offers for Subscription as the Types of offers open to new applicants seeking to orchestrate a listing on the JSE with a simultaneous raising of list capital (hence IPO).

1. Offers for Sale

An 'Offer for Sale' is an invitation to the public by, or on behalf of, a third party to purchase securities of the issuer already in issue or to be issued and may be in the form of an invitation to Tender at or above a stated price [58].

[58] "Offer for sale" definition, The JSE Listing Requirements at 7

It should be noted that in an Offer for Sale, existing shareholders invite subscribers to purchase their shares and therefore the proceeds accrue to the shareholders i.e., it is the shareholders and not the new applicant who benefits from the sale of shares and in turn assists the new applicant in the obtaining of the requisite shareholder spread.

A less usual procedure will be for the company to allot, or agree to allot, shares to some financial concern part of whose business at least is the handling of new issues. The intention will be that this intermediary should thereafter sell the shares to the public at some price, which will be higher than the amount paid by it to the company. This will give them their remuneration. They will do this by publishing an Offer for Sale, which will be accompanied by a prospectus to which an application form is attached. In practice the company will issue renounceable letters of allotment to the intermediary. When in due course the intermediary renounces its rights to the shares to the purchasers, the latter will be able to call upon the company to allot the shares to them (for example a Placing). If the issuer uses this method it not only saves itself the entire administration attendant upon a new issue, but also makes sure that the whole issue is taken.

a) Documents to be submitted to the Committee

The Part I and all available Part II documents must be submitted by new applicants and approved by the Committee at least 48 hours before the listing date[59].

b) Timetable

The JSE Listing Requirements sets out the timetable for Offers for Sale. It should be noted that the dates after the closing of the offer are indicative and may be advanced as long as the sequence of events is not disturbed:

[59] Refer to Addendum 1 Part E

DAY	EVENT
(D + 0)	Publication of an announcement and/or pre-listing statement.
	Pre-listing statement available
	Offer opens
	All Part I documentation must have been submitted to and approved by the Committee
(D + 21)	Offer closes (earliest date)
	All Part II documentation must have been submitted to and approved by the Committee
(D + 23)	Results of offer submitted to Listings Division
(D + 27)	Results announcement published by applicant giving date of commencement of dealing in securities if listing has been granted or negative statement
(D + 28)	Latest date for refund cheques to be returned and documents of title posted
(D + 33)	Securities listed (if listing granted)
(D + 61)	Final documents submitted to Listings Division

Table 2.6: Listing timetable for Offers for Sale and Offers for Subscription

2. An Offer for Subscription

An Offer for Subscription is an invitation to the public by, or on behalf of, an issuer to subscribe for securities of the issuer already not yet in issue or allotted and may be in the form of an invitation to tender at or above a stated price[60].

In an Offer for Subscription, members of the public are invited to subscribe for unissued shares and the proceeds accrue to the company, while in an Offer for Sale, existing shareholders invite subscribers to purchase their shares and therefore the proceeds accrue to the shareholders. In the case of Offers for Subscription the public are invited to take up unissued shares (issued shares are not subscribed for, they are sold and purchased). Furthermore the word 'subscription' means taking the shares for cash.

[60] "Offer for subscription" definition, The JSE Listing Requirements at 7

Having examined the prospectus after it has been published; the investor will apply for shares in reliance upon the picture, which has been painted. The investor will make an Offer for Subscription by completing the application form attached to the prospectus, and stating the number of shares he is prepared to take. He will then send this document together with his cheque for the full issue price to the company. If the company decides to accept this offer, it will allot shares to the subscriber and send him his share certificates (Beuthin and Luiz 1998).

a) Documents to be submitted to the Committee

The documents to be submitted to the Committee are as per an Offer for Sale[61] .

b) Timetable

The timetable for an Offer for Subscription is as per an Offer for Sale[62].

J. The Prelisting Statement and Prospectus

A prospectus or a pre-listing statement may be published, depending on whether the new issue is accompanied by the raising of capital (IPO) by means of an Offer to the Public. Many companies have chosen to list using both a Public Offer and a Placing in order to achieve the objectives of generating public interest (i.e., a Hybrid Offer), obtaining the required spread of shareholders and meeting the aspirations of special interest groups. In this case the company will be required to publish a prospectus (Oliver 1997).

[61] Paragraph 1 (a) supra

1. The Pre-listing Statement

When a company applies for a listing, it must produce a pre-listing statement containing certain prescribed information concerning the company, its business and its prospectus. While the pre-listing statement may promote investment in the company's shares, it is not an invitation to the public to subscribe for shares, but rather aimed at enabling potential investors to make an informed investment decision regarding the company's shares (Johannesburg Stock Exchange 1997). If the pre-listing statement contains a Public Offer, it will also have to comply with the prospectus provisions contained in section 148 and Schedule 3 of the Companies Act[63]. Refer to Addendum 4 (The Pre-listing Statement and its Contents) for a more detailed synopsis thereon. All pre-listing statements require prior scrutiny and approval by the Committee[64].

2. The Prospectus

Promoters of South African public companies, who wish to approach the public with a view to their applying for shares in the company, do so through the medium of a prospectus[65]. From the potential investors' point of view, the prospectus is the only access to the information they require enabling them to decide whether to apply for shares in the company. It is for this reason that legislation is necessary in order to ensure that when the public is invited to subscribe, the necessary information is in fact disclosed in the prospectus is an accurate, and not a misleading way[66].

K. Application, Payment and Allotment of Shares

What is termed an allotment is often merely the acceptance by the company of an offer to take shares. It can arise as the result of an offer by the company to the allottee and accepted by him, as in the case of a placing, but normally it will be the applicant who will make the offer.

The Offer for the Sale or Subscription for shares usually effected by the applicant completing an application form for shares and sending it to the company together with the payment for the

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[62] Paragraph 1 (b) supra - Table 2.6
[63] See also Addendum 3
[64] Addendum 1, paragraph D 'Documents requiring approval'
[65] The Companies Act, Act 61 of 1973 amended to Act 82 of 1992 and by Government Notices.
[65] Section 168 (1) (a) of the Companies Act

shares. In terms of the Companies Act[67], no allotment or issue may take place unless the full issue price or other considerations has been paid to and received by the company. The making of an offer by the applicant and the simultaneous payment thereof prior to the allocation (if any) of securities is inherently fundamental to English influenced corporate legal systems.

The offer will usually be to take a certain number of shares, or such lessor number of shares as may be allocated. This is necessary in order to cope with the case where the issue of shares is oversubscribed, and to prevent the attempted allotment of any scaled-down number of shares being construed as a counter offer which would in turn require the acceptance (or rejection) by the applicant.

No allotment of shares or acceptance of an offer in respect of shares may be made in pursuance of a prospectus until the beginning of the third day after that on which the prospectus is first issued or any later time specified in the prospectus. During this period there may be press comment in the financial news and potential investors will be given an opportunity to 'look before they leap' (Beuthin and Luiz 1998).

Any amounts paid on application must be placed in a separate bank account and may not be used by the company either to pay debts or otherwise until the minimum subscription has been made up[68].

If the minimum subscription is not subscribed and the amount stated received by the company within 60 days of the issue of the prospectus, all moneys received from the applicants must forthwith be repaid to them without interest. If any issue of shares is oversubscribed, the directors must immediately repay to the applicants the amounts oversubscribed[69].

In terms of the Companies Act, every company is obliged to keep a register of allotments of shares at its registered office or where it is made up, and immediately after any allotment enter therein[70]:

a) the names and address of the allottees;
b) the number of shares allotted to each; and

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[66] Refer to Addendum 3 (The Prospectus and its Contents)

[67] Section 92
[68] Section 165(4) of the Companies Act
[69] Section 169(3)(b) of the Companies Act

c) the amount paid for them, or if the allotment was otherwise than for cash, that is paid with goods or services, full particulars of the consideration received and of the transaction concerned.

Within one month of any allotment, the company must lodge, inter alia, the aforementioned with the registrar. Thus, when applying for shares in a new issue, applicants must in South Africa, effect an actual payment for the shares (effectively a 'pay in advance system'). In a 'pay in advance system' ordering twice as many shares means paying 'in advance' for twice as many shares (Chowdhry and Sherman 1996).

In terms of Section 16 of the JSE Listing Requirements letters of application and allotment must be submitted to the Listings Division for approval prior to the closing of the transfer registers of the company from which the issue accrues[71].

Furthermore, an application for shares made in pursuance of a prospectus may not be revoked until after the expiration of the third day after the time of the opening of the subscription lists or offer. The object of this provision is to prevent the operation of 'stags'. Such persons could apply for shares in the hope that the new issue would be oversubscribed. If the shares went to a premium when dealing commenced, they would be in a position to sell any shares, which might have been allotted to them for more than the price of the issue. If it looked as if the issue was going to fail, they could immediately seek to withdraw their applications. They would therefore have been in a position to gamble on the immediate success of the issue and have been able to sell their shares right away at a profit if they so desired (Beuthin 1998).

L. Minimum Subscription

Section 165 of the Companies Act imposes a very important restriction on the allotment of shares. It provides that:

> *"no shares may be allotted on any application made in pursuance of a prospectus for subscription unless the minimum subscription stated in that prospectus has been subscribed and the amount so stated in the prospectus has been subscribed and the amount so stated has been paid to and received by the company."*

[70] Section 93(1) and section 93(2) respectively
[71] Refer to Addendum 1, paragraph G (1) 'Letters of application and letters of allotment'

Any amounts paid on application must be placed in a separate bank account and may not be used by the company either to pay debts or otherwise until the minimum subscription has been made up. If the minimum subscription is not subscribed and the amount stated received by the company within 60 days of the issue of the prospectus, all moneys received from the applicants must be repaid without interest. If any issue of shares is oversubscribed, the directors must immediately repay to the applicants the amounts oversubscribed[72].

M. Underwriting

Whether any new issue of shares will meet with an enthusiastic reception from the public is always somewhat problematical for the new applicant. In order to ensure that the new issue is fully subscribed (or sold) the new applicant may decide to have the issue underwritten. An Offer for Sale or Subscription need not be underwritten. However, if an Offer for Subscription is not underwritten, the offer must be conditional upon the minimum subscription being received that will fulfill the purpose of the offer. Typically, the underwriter will agree to take the number of shares specified in the underwriting letter if members of the public do not subscribe for them. The consideration for undertaking to underwrite the issue will usually take the form of a commission which will be payable whether or not the underwriter becomes obliged to take up any of the shares. The underwriter can also assist in the obtaining of the necessary spread of shareholders required for a listing (Oliver 1997).

The underwriter can, in terms of the underwriting agreement, subscribe absolutely or conditionally. An absolute subscription is an undertaking to take up all the shares in a new issue unconditionally at a particular price and disposing of them to the public at a higher price. A conditional subscription is an agreement to take up the balance of the shares in a new issue that are not taken up by the public.

In a Placement, the sponsor[73] also technically underwrites the entire issue for a short period but the sponsor's main function is to act as a distributor. Normally the sponsor buys the issue from the issuing company and arranges to place the majority of the shares with investors.

[72] Section 169 (3) (b) of the Companies Act.
[73] Until the JSE Listing Requirements amendment (August 2000) the term 'sponsor' was known as the 'sponsoring broker'.

N. General Provisions Regulating the of Bringing Securities to Listing

1. Over-subscriptions

In the event of an over-subscription the formula for the basis of allotment must be calculated in such a way that a person will not, in respect of his application, receive an allocation of a lessor number of securities than any other subscriber who applied for a lessor number.

2. Over-allotment options and stabilisation

When taking a firm public using a Firm Commitment contract in the United States, the investment bankers will typically presell more than 100 percent of the shares offered. Almost all United States IPOs include an overallotment option in which the issuing firm or selling shareholders (in an Offer for Sale) give the investment banker the right to sell up to 15 percent more shared than originally offered. If the investment bankers expect aftermarket return to be 'hot', they will typically presell 115 percent of the issue, with the expectation that they will exercise the overallotment option. If they expect aftermarket demand to be weak, they will typically presell 135 percent of the offering, with the shares above the overallotment option representing a naked short position in the stock. The advantage of preselling extra shares is that if many shares are "flipped" that is, immediately sold in the aftermarket by investors who had been allocated shares, the investment banker can buy them back and retire the shares, just as if they had never been issued in the first place (Ritter 1998).

While it is generally illegal in the United States to manipulate a stock price, manipulation is permitted directly after a securities offering. Investment bankers have legal authority to post a "stabilising" bid, at or below the offer price, at which they stand ready to buy shares once trading has commenced. Stabilising the stock is also referred to as supporting the stock. The existence of this floor price stabilisation in the United States allows investors to get out of an offer before the price declines, and may also head off a larger price drop if no stabilisation occurred (Ritter 1998).

Whilst the JSE has supported the future Introduction of price stabilisation mechanisms, known in the United States as “greenshoes” or, more appropriately, “over-allotment options” (Ananzi 2000), currently such practices will only be permitted by South African registered companies whose primary listing is on the JSE under the following conditions[74]:

a) *the securities involved are the subject of an international offering under which securities are to be listed on a foreign exchange that properly regulates over-allotment options; and*
b) *any price stabilisation is effected on the foreign exchange.*

The current legal rationale for not permitting over-allotment options on the JSE is as follows[75]:

a) *it is in conflict with the Committee’s general regard to shareholders’ pre-emptive rights; and*
b) *it may be used as a mechanism for price manipulation in the securities of a listed company.*

[74] Paragraph 5.109 of the JSE Listing Requirements
[75] Paragraph 5.110 of the JSE Listing Requirements

CHAPTER THREE

THE SHORT- RUN UNDERPRICING PHENOMENA – A REVIEW OF INTERNATIONAL AND SOUTH AFRICAN EMPIRICAL STUDIES

I. INTRODUCTION

The best-known empirical anomaly associated with the process of going public is the frequent incidence of large initial returns accruing to investors in IPOs of common stock at the time of the offering (Ibbotson and Ritter 1995). That unseasoned new issues are underpriced and are followed in the immediate aftermarket by sizeable increases in stock prices on average have attracted a great deal of attention in the empirical and theoretical literature of finance is well documented (Koh and Walter 1987, Barry and Jennings 1993).

Most practitioners point out that subscriber's to an IPO need to expect there to be some premium in the aftermarket in order to persuade them to subscribe during the primary issue period. In the sense the IPO is discounted for risk. If this were not the case investors would avoid the risk of buying a flop by purchasing shares in the secondary market (Bank of England 1990).

Since Ibbotson in 1975 first rigorously documented the large underpricing of IPOs many international empirical studies, over the past decades, have reported that initial public offerings achieve sizeable average returns over very short, suggesting that the offerings may be underpriced (Ibbotson 1975, Ruud 1993). This short-run underpricing has puzzled researchers “contentment at selling an article for one-third of its subsequent value is a rare quality” (Brealey and Myers 1996, 389).

Ritter (1987) recognized that the underpricing itself is a cost borne by issuing firms, and he explicitly includes that cost as one of the costs of a public offering. Hanley and Ritter (1992) associate IPO underpricing as an indirect cost. These indirect costs include the management time and effort devoted to conducting the offering, and the dilution associated with selling

shares at an offering price that is, on average, below the price prevailing in the market shortly after the IPO.

Dawson (1987) states that initial returns can understate the severity of underpricing. Because underpricing has a dilution effect akin to that of a rights offering made at a price below market value. Dawson shows that the aftermarket price commonly used in calculating initial returns is lower than the aftermarket price that would have been achieved if underpricing had not occurred. Dawson's "issuer-orientated underpricing" is appropriate only for secondary shares sold in the offering (Barry 1989).

II. INITIAL UNDERPRICING

A. Definition of Initial Equity Underpricing

Underpricing refers to the initial trading of IPOs above the offer price in the immediate aftermarket (Aggarwal 2000).

Initial returns of IPO issues and IPOs are said to be "underpriced" because of their large initial returns. Ritter (1998) defines initial returns as:

> *"The price change measured from the offering price to the market price on the first trading day accruing to investors in IPOs of common stock".*

Levis (1993) defines the first day 'market adjusted return' for an issue as:

> *"The percentage change in (offer) price from the offering date to the close at the first day of trading less the equivalent change in an appropriate benchmark".*

The total cost of underpricing to the company and selling shareholders is referred to by practitioners as the 'amount of money left on the table (Brennan and Franks 1997).

B. Measuring Initial Equity Underpricing

Empirical studies typically employ one or more of four models to estimate security-specific abnormal returns.

1. Market Models

a. Market Adjusted Model

The equation used to determine market adjusted initial returns, per Levis (1993) can be expressed as follows:

$$\mathbf{ar_i = r_i - r_m} \qquad (3.1)$$

Where:

$\mathbf{ar_i}$	=	First day market adjusted return for an issue ***i***
$\mathbf{r_i}$	=	Percentage change in offer price from the offering date to the close at the first day of trading for issue ***i***
$\mathbf{r_m}$	=	the equivalent change in an appropriate benchmark issue ***i***

McGuinness (1992), (1993) used the market-adjusted return with the Hang Seng Index as an appropriate benchmark Ritter (1991) finds that the measurement of the long-run performance of IPO's is sensitive to the benchmark employed.

Ritter (1984) weights the raw returns by compiling a 'month's initial return'. For each month in the sample period, an equally weighted average initial return is calculated by taking the simple arithmetic average of the initial returns of all unseasoned new issues having offering dates in that calendar month.

b. The Market Model

One useful procedure is to estimate parameters of the Sharpe-Lintner-Mossin capital asset-pricing model developed by Bowman (1983). According to this model, the residual in each period, is the 'abnormal return' for issue ***i***:

$$ar_{it} = \alpha_i + \beta_i r_{mt} + e_{it} \qquad (3.2)$$

Where:

α_i and β_i are market model parameter estimates obtained by regressing monthly returns for share ***i*** on the equally weighted market index returns.

Measures of monthly abnormal returns used in the Levis (1993) study do not explicitly adjust for systematic risk. The assumption, however, of a β coefficient equal to 1.00 is unlikely to affect the essence of the results (Levis 1993). A number of studies both in the US and UK have demonstrated that the average β of newly listed firms is higher than 1.00 (for example Ibbotson 1975 and Affleck-Graves et al 1991). Thus on the assumption of a positive market risk premium, measures of abnormal return based on IPO β equal to 1.00 are likely to provide conservative estimates of IPOs' underperformance (Levis 1993).

As data files (typically) contain very few observations of price for each new issue, estimation of coefficients α_i and β_i for each security was not practicable (Bhana 1989). As a useful ad hoc adjustment for the market effects on new issue returns, the difference between security and market returns is computed per equation (3.1), where the relevant index is representative of the entire population from which new issues are drawn.

If for each new issue share, α_i equals zero and β_i equal 1.00 in equation (3.2), that is if the non-diversifiable risk of each new issue is the same as that of the market average, then equation (3.1) is consistent with the capital asset pricing model (Bhana 1989).

One would expect, however, that inter-company differences in β_i exist among recent offerings and that the average βi_j of new issues exceeds one, i.e., that most new issues are 'riskier' than the market average. The result, then, is that the transformation of share returns to excess

returns in equation 3.1 serves to adjust roughly for the market effects on new issue returns to investors.

Equation 3.1 measures initial trading returns in excess market return form. Such a measurement form, commonly used in prior studies of IPO underpricing, implicitly assumes that the **β**'s, on the newly listed stock returns, are insignificantly different from unity. This assumption has received some support in the empirical literature (Buckland et al, 1981) and suggests that the excess return measure has some appeal as a useful 'risk adjusted' measure for IPO returns post-listing. This is helpful given that betas, for newly listed Hong Kong stocks, cannot be directly computed due to the absence of pre-listing market prices on such stocks (McGuinness 1992 and 1993)

The price movements of these shares are observed from the time of issue to the close of the first day trading. The analysis is presented on a non risk-adjusted basis because of the difficulty of applying risk-adjusted models to new issues in view of the absence of prior data (Bhana 1989).

The expression of initial return in an "adjusted market return" format to account for the percentage change in the market index between the opening and closing trading on the first day of listing in IPO shares has typically a negligible effect upon the initial returns recorded (Beatty and Ritter 1986).

Significantly, the South African study conducted by Bradfield and Hampton (1989) also investigated the relationships between several factors relating to IPOs and suggested that opening premia were not in any way affected by systematic risk as measured by **β.**

c) Unadjusted Initial Returns

Using the basis of Levis's equation 3.1, we could state that the unadjusted initial return for an issue is the percentage change in offer price from the offering date to the close price at the first day of trading.

$$r_i = (p_l - op_i) / p_l \quad (3.3)$$

Where:

r_i	=	**the raw initial return for an issue i**
p_l	=	**close price at the end of the first day trading for issue i**
op_i	=	**offer price for issue *i***

The expression of initial returns in an 'adjusted market return' format (using a benchmark) to account for the percentage change in the market index (benchmark) between the opening and closing of trading on the first day of listing in IPO shares has typically negligible effect upon the initial returns recorded (Beatty and Ritter 1986). Ritter (1984) also uses unadjusted initial returns for this reason when measuring initial returns

McGuiness (1993) notes, however, that the initial return equations (both market adjusted and unadjusted) provide only a superficial insight into the pricing of IPOs. He states that it is only relevant to investors who receive shares in an IPO. These initial returns measures from an investors point of view is weak since it takes no account of the rationing procedures involved in the over subscription of stock. Given this, profitability of random applications of shares should be markedly lower than suggested by the simple initial return form.

With respect to McGuiness, not all shares are rationed – in fact the vast majority of issuers orchestrating an IPO on the JSE utilise the private placing mechanism and as such there cannot be any rationing per se. Further, the second most populous mechanism utilised on the JSE is the Hybrid (or mixed offering) where the public offer component – where typically rationing occurs, comprise approximately only 10 percent of the entire hybrid offer. Thus, whilst his criticisms are noted, it is on this basis that these 'simple' initial return equations should *adequately* measure initial returns.

2. The Capital Asset Pricing Model

The Capital Asset Pricing Model ("CAPM") abnormal return is given by the equation:

$$AR_{it} = R_{it} - R_{ft} - \beta_i [R_{mt} - R_{ft}] \quad (3.4)$$

Where:

β_i is the slope of a regression of $(R_{it} - R_{ft})$ on $(R_{mt} - R_{ft})$ for the estimation period with the regression line going through the origin and R_{ft} is the risk free return[76].

3. The Fama – French Three-Factor Model

The Fama – French three- factor abnormal return model is given by the expression[77]:

$$AR_{it} = R_{it} - R_{ft} - \beta_{i1} [R_{mt} - R_{ft}] - \beta_{i2} HML_t - \beta_{i3} SMB_t \quad (3.5)$$

Where:

β_{i1}, β_{i2} and β_{i3} are estimated by regressing share i monthly returns against excess returns on the monthly market returns for the estimation period;
HML_t is the high minus low book-to-market portfolio return in month t; and
SMB_t is the small minus big size portfolio return in month t.

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[76] It should be noted that this model is more suitable for long term underpricing studies - refer to the M'kombe and Ward (2002) study

[77] Ibid

III. LITERATURE REVIEW OF INTERNATIONAL SHORT-RUN IPO UNDERPRICING EMPIRICAL STUDIES

The phenomenon of average initial returns being positive and economically significant exists in every nation with a stock market, although the amount of underpricing varies from country to country (Hanley and Ritter 1992).

This section serves to review empirical studies measuring the short run IPO underpricing phenomena for the following international stock markets for the last four decades:

A. The United States
B. The United Kingdom
C. Other International Studies
D. South Africa

A. The United States

1. Review of empirical studies undertaken in the 1970's

McDonald and Fisher (1972) reported an average excess return of 28, 5 percent for a sample of 142 issues listing in 1969. Ibbotson (1975), using risk-adjusted returns, finds average excess returns of a sample of IPOs occurring during the period January 1960 through December 1969 to be 11,4 percent. Using a simpler model than the Ibbotson (1975) study and a larger sample, Ibbotson and Jaffe (1975) report average excess IPO returns of 16, 8 percent on a sample of all unseasoned common stock issues offered during the period from 1 January 1960 through 31 October 1970.

Ying, Wilbur, Lewellen, Schlarbaum and Lease (1977) found the average combined impact for the six-month period beginning with the listing was 17 percent above that enjoyed concurrently by the general run of comparable-systematic-risk securities in the market. The sample consisted of 248 new listing IPOs between January 1, 1966 and December 31, 1968.

UNITED STATES – 1970'S EMPIRICAL STUDIES	SAMPLE SIZE	TIME PERIOD	AVERAGE INITIAL RETURN (%)	NOTE
McDonald and Fisher (1972)	142	1969	28.5	1
Ibbotson (1975)	2650	1960-1969	11.40	2
Ibbotson and Jaffe (1975)	-	1960-1970	16.80	
Ying, Wilbur, Lewellen, Schlarbaum Lease (1977)	248	1966-1968	17.00	3

Table 3.1: Average initial returns and evidence of short-run underpricing in the United States for empirical studies conducted during the 1970's

Notes:

1. Not adjusted for market returns
2. Adjusted for market returns
3. Initial return measured 6-months *ex post* listing

2. Review of Empirical Studies undertaken in the 1980's

For over 5,000 IPOs occurring from 1960 to 1982, Ritter (1984) reports the initial return to be 18, 8 percent higher than its offering price shortly after public trading started. Further, during the 15-month period commencing in January 1980, the mean return on IPOs of common stock purchased at the offering price and sold at the closing bid price on the first day of public trading was 48, 4 percent. This is in contrast to a mean return on IPOs of 16, 3 percent during the remainder of the 6-year period 1977 through 1982.

There have been a number of periods over the last two decades in which IPOs of common stock have had extremely high returns. These periods of extremely high IPO returns are also known as "Hot issue markets"[78]. Ritter's study comprised 1028 new issues in the 1977 through 1982 period of common stock listing in the US. Ritter weights the raw returns by the 'month's initial return'[79]. Ritter (1984)[80] reports that for the approximately 5000 firms that went public during 1960 through 1982 in the US, the average IPO was trading at a price 18,8 percent higher than its offering price shortly after public trading started. The 1977 through 1982 returns were not, however, adjusted for market movements.

[78] Hot Issue Markets are discussed in Chapter 4
[79] Refer to Part II, B (1) above
[80] Pages 216-218

While on average IPO have positive initial returns, a large fraction of them have price declines. The offerings that shoot up in price are much more commonly oversubscribed than those that decline in price (Beatty and Ritter 1986).

Miller and Reilly (1987) state that many of the studies into the IPO mispricing address the implication of their results for the efficient market hypothesis. The general conclusion has been that, consistent with the efficient market hypothesis, prices adjust rapidly to the underpricing, and investors who purchase the new issues in the aftermarket (i.e., a week or a month after the initial offering) do not experience excess returns. Miller and Reilly conducted a study with a sample of 739 US IPOs for the period 1982 through 1983. The data reveal that the adjustment to mispricing takes place during the first trading day, with no significant return occurring on any of the subsequent days. The average net return for the first day trading (degree of underpricing) was 9, 87 percent. It is worth noting that 356 stocks in the sample had an average return of 15, 39 percent whilst 154 stocks had initial average returns of *negative* 2.88 percent.

Tinic (1988) examined the initial excess returns of individual IPOs across pre-SEC (70 issues) and post-SEC (134 issues) samples (The United States Securities Act of 1933). The excess returns of the pre-SEC IPOs i.e., from the date of offering to the after-market price one-week later- averaged 5, 17 percent. The corresponding average for the IPOs in the post-SEC sample was 11, 06 percent. The proportions of the IPOs that had positive excess returns are virtually identical in the two samples: 68, 57 percent and 65, 67 percent, respectively.

Research into initial premia on United States equity markets is well summarised by Ibbotson and Sindelar (1988) who examined 8 668 new issues on SEC registered markets over the period 1960 to 1987.

Welch (1989) provides evidence suggesting that the existence of average initial returns of up to 22 percent has been a persistent feature of the US new issues market.

UNITED STATES – 1980'S EMPIRICAL STUDIES	SAMPLE SIZE	TIME PERIOD	AVERAGE INITIAL RETURN (%)	NOTE
Ritter (1984)	5000	1960-1982	18.80	2
Miller and Reilly (1987)	739	1982-1983	9.87	
Tinic (1988)	70	1923-1930	5.17	1
	134	1966-1971	11.06	1

Table 3.2: Average initial returns and evidence of short-run underpricing in the United States for empirical studies conducted during the 1980's

Notes:

1. Not adjusted for market returns
2. Adjusted initial returns calculated using the Months Initial Return as a benchmark

3. Review of Empirical Studies undertaken in the 1990's

Ritter (1991) found that the measurement of the long-run performance of IPO's is sensitive to the benchmark employed. The Hanley and Ritter (1992) study empirically proved that in the US smaller IPO offerings are underpriced by more, on average, than larger IPO offerings. Furthermore they find that the common practice of computing average initial returns using equal weights on all IPOs tends to overstate the amount of short-run underpricing that exists in the US, since smaller and lower-priced issues tend to be underpriced by more in the short run.

Schultz and Zaman (1994) find that the entire first day initial returns in IPOs occur in the first ten minutes of trading. In their sample of 72 IPOs (March 31, 1992 through June 1, 1992), the mean return from the offering price to the first trade is 3, 9 percent, while the additional return for the first ten minutes of trading averages 3 percent. The findings of a positive offer-to-open return is consistent with Barry and Jennings (1993) who report a mean offer-to-open return of 7, 77 percent for a sample of 229 IPOs over a two-year period from December 1988 through December 1990. Barry and Jennings (1993) compute six rates of return for various subsets of data. The return in previous IPO studies has been the offer-to-close return, computed from the closing price on the first trading day and the offering price. Two new return measures are used in this study. The offer-to-opening return compares the first day's opening price (rather than closing price). They also compute the intraday return, which is computed, from the opening and closing prices on the first day of trading. They compute the second day returns in a similar manner, starting from the first day's closing price.

Affleck-Graves, Shantaram, Hegde, Miller and Reilly (1993) found that the average first day returns for the NYSE, AMEX, NASDAQ/NMS and NASDAQ/ non-NMS IPOs were 4,82%, 2,16%, 5,56% and 10, 41%, respectively. Each of these averages first day returns is significantly different from zero (*t*-values of 3.91, 2.24, 7.04, and 17.39, respectively) indicating that significant underpricing, on average, exists in each of the trading systems examined. The study begins with January 1983 and covers IPOs on the NYSE, AMEX and NASDAQ markets through December 1987. This resulted in a sample of 95 IPOs that were listed on the NYSE and 50 IPOs on the AMEX. Over the same five-year period, they found 158 NMS and 824 non-NMS firm commitment IPOs that were listed on the NASDAQ system.

Michaely and Shaw (1994) in a sample of 947 new issues listing in the US for the period 1984 through 1988 found the level of underpricing positively correlated with the number of offerings in that year. For example, the average underpricing in 1984, the year with the lowest number of IPOs, is 4.51 percent, compared with average underpricing of 8.13 percent in 1986, the year with the most IPOs[81] .

Ibbotson, Sindelaar and Ritter (1994) report that for 2439 US IPOs in 1975 through 1984, the average initial return on IPOs with an offering price of less than $3.00 is 42.8 percent, whereas the average initial return on IPOs with an offering price of $3.00 or more is only 8.6 percent. These findings are consistent with the Hanley and Ritter (1992) study in that smaller IPOs are underpriced by more than larger IPOs in the United States.

Ibbotson, Sindelar and Ritter (1994) who examined 10,626 new issues which occurred during the thirty-three year period from 1960 to 1993 found that underpricing averaged 16, 37 percent with the highest annual average excess return varied from a high of 55, 68 percent in 1968 to a low of *negative* 17, 82 percent in 1973. Although annual averages showed overpricing for only 5 of these 28 years underpricing was severe, with some prices doubling on the day of listing. The number and volume of IPO's also varied cyclically, and lagged cycles of underpricing by 6 to 12 months. Ibbotson, Sindelar and Ritter (1994: 67) concluded:

> *"… the persistence of underpricing has shown no signs of abating: the average initial return for the decade of the 1960's was 21,3 percent; for the 1970's it was 9 percent; for the 1980's it was 15,2 percent and for the early 1990's it has been 10,9 percent".*

[81] Refer to Hot Issue markets in Chapter 4

Ibbotson and Ritter (1995), commenting on the Ibbotson, Sindelar and Ritter (1994) study, confirm that the amount of short-run IPO underpricing was 15.3 percent over the 1960 through 1992 period using equally weighted averages of initial returns.

A recent study conducted by Loughran and Ritter (1999) of some 3,025 IPOs from 1990 through 1998 reported an average percentage unadjusted first-day return of 14, 07 percent. This average first-day return of 14 percent “is in line with the underpricing reported in other studies” conducted in the US. Empirically most money left on the table comes from a minority of IPOs. These are IPOs where the offer price is revised upwards from what had been anticipated at the time of distributing the preliminary prospectus. Price increases as the strong demand for the equity increases. Loughran and Ritter (1999) state the first day returns on IPOs are predictable based on market movements in the three weeks prior to issue. Average first-day return is measured from the offer price to the closing market price.

The Prabhala and Puri (1998) study focused on a large sample 2,723 US IPOs brought to market between 1985 and 1994. They found that most IPOs opened above the offer price and that average initial returns ranged between 5, 85 and 10, 19 percent. The mean return always exceeded the median return and the distributions are positively skewed for all holding periods.

Ljungqvist *et al* (2000) where surprised to find that average underpricing associated with Bookbuilding and fixed-price methods where remarkably similar, at around 20 percent. Furthermore, Ljungqvist *et al* (2000) were even more surprised that European IPOs were in fact more underpriced than fixed-price offerings.

UNITED STATES – 1990'S EMPIRICAL STUDIES	SAMPLE SIZE	TIME PERIOD	AVERAGE INITIAL RETURN (%)	NOTE
Schultz and Zaman (1994)	72	1992	3.90	1
	72	1992	3.00	2
Barry and Jennings (1993)	229	1988-1990	7.70	
Affleck-Graves et al (1993)	95	1983-1987	4.82	3
	50	1983-1987	2.16	4
	158	1983-1987	5.56	5
	824	1983-1987	10.41	6
Michaely and Shaw (1994)	947	1984-1988	4.51	7
	947	1984-1988	8.13	8
Ibbotson, Sindelar and Ritter (1994)	2439	1975-1984	42.80	9
	2439	1975-1984	8.60	10
	10626	1960-1993	15.26	
	2661	1960-1969	21.25	
	1658	1970-1979	8.95	
	5155	1980-1989	15.18	
	1152	1990-1992	10.85	
Prabhala and Puri (1998)	2723	1985-1994	10.19	
Loughran and Ritter (1999)	3025	1990-1998	14.07	

Table 3.3: Average initial returns and evidence of short-run underpricing in the United States for empirical studies conducted during the 1990's

Notes:

3. First 10-minutes of trading
4. Second 10-minutes of trading
5. NYSE
6. AMEX
7. NASDAQ/NMS
8. NASDAQ/non-NMS
9. 1984 initial returns
10. 1986 "hot issue market" initial returns
11. Offering price of less than $3.00
12. Offering price of $3.00 or more

B. The United Kingdom

Long run IPO aftermarket returns on the London Stock Exchange (LSE) by Davis and Grant (1972) showed that new listings of 1965 to 1970 had a positive return for their first twelve months in five out of six years of the study (Lawson and Ward 1998). Vaughan, Grinyer and Birley (1977) found that new listings of the period 1966 through 1974 showed returns over their first four years which were on average double those of seasoned issues on a non-risk adjusted basis (Lawson and Ward 1998).

Studies conducted by Dimson (1979), Levis (1993), Buckland et al (1981) and the Bank of England (1986) indicate average first day returns ranging from 8.5 percent to 17 percent. Levis (1990) found, in a sample 123 new issue Offers for Sale which started trading on the LSE Official List and the Unlisted Securities Market during the period January 1985 to December 1988 that the new issues have been offered at an average market adjusted discount of 8.6 percent. Levis (1990: 82) comments that such a level of underpricing is in line with previous UK empirical evidence, but lower than the first day returns prevailing in the US market.

The Bank of England (1990) study examined the costs, direct and indirect (due to underpricing), incurred by 227 companies going public through an IPO on the main market in London over the period 1985 through 1989. The study found that the sample IPOs tend to jump in price on the first trading day, and thereafter move on average with the overall market. The average discounting of new issues was around 12 percent for the sample as a whole. The standard deviation of the first week discount is 16, 4 percent, and the distribution is positively skewed. While the 10 percent most overpriced issues fell in price, on average, by 12.6 percent by the end of the first week, the 10 percent most underpriced issues rose in the after market by 46 percent on average over the same period. Almost half of all new issues rose in price by more than 10 percent within the first week. It was further found in this study that Placings appear to have had somewhat higher discounts than offers for sale. Placings seem to offer investors higher risk-adjusted rates of return. Further, the size of the issue does not appear to have been a major influence on the extent of discounting.

Levis (1993) reports average first day returns and first partial month returns for the entire sample of 712 IPOs and for Offers for Sale and Placements separately. The sample mean first day return is 14, 3 percent with an associated *t*-statistic of 18, 2. The first partial month returns are essentially the same as first day returns. Thus in spite of the differences in the institutional framework, the level of initial returns of UK IPOs is virtually identical to the 14, 1 percent reported in the United States study conducted by Ritter (1991).

Levis (1993) finds that initial returns are, however, significantly higher for Placements (15, 28 percent) in comparison to Offers for Sale (11, 5 percent). Only 13, 4 percent of the total Placements (71 issues) started trading below their offer price as opposed to the 28, 3 percent of the total number of Offers for Sale (52 issues). Given that Placements are mainly available to institutional investors, the presence of some, albeit reduced, overpricing may be considered as rather surprising. The differences in average initial returns between Offers for Sale and Placements may also be related to the degree of uncertainty about the true value of an issue. As a Placement is traditionally the method is issuance used by smaller companies, it could be argued that the differences in initial returns between the methods are related to the market value of the offerings.

A number of studies have documented a negative and significant relation between market value (gross proceeds from the issue) and initial returns. The Levis (1993) study shows significant differences in initial returns when categorized according to the gross proceeds of the issue. No significant differences in initial returns are observed for Offers for Sale. The average first day returns of 18, 43 percent for the 37 largest Offer for Sale issues is predominately due to the high first day returns recorded for privatization issues.

The Levis (1993) sample is also categorized in quintiles according to the proportion of equity offered (defined as the ratio of gross proceeds over market value). The results suggest significant differences in average first day returns depending on the proportion of equity released to the market in Placement issues. For example, the average first day return is 10,47 percent when more than 32,9 percent of the equity is offered via a Placement, whereas the equivalent return when less than 20 percent is offered is 16,32 percent. A similar, but not statistically significant, pattern is observed for Offers for Sale.

In contrast to the US findings, however, the annual distribution of IPOs in the UK provide no clear evidence of a positive relationship between the volume of issues and average first day returns (Levis 1993: 35).

Brennan and Franks (1997) cast new light on the underpricing phenomena by analyzing the costs and benefits to the different contracting parties. The IPOs in their study consist of UK Offers for Sale by Tender or Fixed Price Offerings listed on the LSE for the years 1986-1989. Most of the samples were offers for sale at a Fixed Price, 4 by Tender and 1 Mixed (Hybrid) Offering. The average market adjusted underpricing was fond to be 9.5 percent, measured as

the difference between the issue price and the price at the end of the first 5 days of dealings. These findings compare favourably with the 11, 5 percent initial returns found by Lewis (1993)

UNITED KINGDOM - EMPIRICAL STUDIES	SAMPLE SIZE	TIME PERIOD	AVERAGE INITIAL RETURN (%)
Merrit *et al* (1967)	391	1959-1963	14.00
Davis and Grant (1972)	172	Not Specified	7.50
Williams (1972)	268	1966-1970	11.00
Rothman (1973)	187	1970-1972	9.00
Vaughan, Grinyer and Birley (1977)	39	1966-1974	11.00
Dimson (1979)			
Buckland *et al* (1981)			
Bank of England (1986)			
Levis (1990)	123	1985-1988	8.60
Bank of England (1990)	227	1985-1989	12.00
Levis (1993)	712		14.30
			15.28
			11.50
Ibbotson and Ritter (1995)	2133	1959-1990	12.00
Brennan and Franks (1997)		1986-1989	9,50

Table 3.4: Average initial returns and evidence of short-run underpricing in the UK modified from Ritter (1995) and Lawson and Ward (1998)

C. Other International Studies

Loughran, Ritter and Rydqvist (1994) documented that IPOs of common stock, for 28 countries for which data was available[82], are underpriced. Loughran et al (1994) notes that underpricing is smaller when the offer price is set after ascertaining information about the state of demand for a firm's shares. For instance in the United States the offer price for Firm Commitment offers is "determined only at the pricing meeting, which usually occurs the day before the offer" (Ritter 1987). In contrast, in many countries, such as Hong Kong, Singapore, Thailand and the United Kingdom (Offers for Sale), the offer price is set two weeks to two months in advance, before

much information is collected about the demand for a firm's shares (Chowdry and Sherman 1996a)[83].

Koh and Walter (1987) examined 66 Singaporean IPOs from the 1973 to 1987 period and find that the equally weighted-average initial return is 8, 7 percent[84].

McGuinness (1992), (1993) undertook research into 80 IPOs initial returns on the Hong Kong Stock Exchange over the period 1980-1990. Initial returns were computed using the market-adjusted return with the Hang Seng Index as an appropriate benchmark. Per McGuinness (1992) and (1993), the excess market return measure can also be averaged, on an equally weighted basis, across the IPOs scrutinized to produce a measure Average Excess Market Return (AVR). This analysis is helpful in determining the extent to which IPOs are underpriced and also the period over which any, or most, of the underpricing is eliminated in early trading. His results show that most IPO underpricing (some 17.6 percent) is eliminated during the first day of trading in the newly listed stocks.

Keloharju (1993) study examined the initial underpricing phenomena for Finnish IPOs. Keloharju adjusted initial returns for market movements to compensate both for the tied-up capital and the risk in this intermediate period. Since for most new issuers the last payment date for the shares is after the first day of issue, Keloharju added a risk-free interest rate for the intermediate period to the return. Keloharju also takes into account transaction costs for acquiring shares from an IPO and selling them in the aftermarket. Keloharju (1993) evidence from 80 IPOs in Finland has average initial excess return, unadjusted for the bias in allocation, is 8, 7 percent[85].

It should be noted that the length of this period varies from study to study, with one day to several weeks being the usual time frame. The studies using only a day or two generally report raw returns, whereas those using a week or more generally adjust for market movements during the measurement interval.

Su and Fleischer (1997) conducted a study on Chinese IPOs. This study was of interest primarily because of the extreme magnitudes that have been observed since Chinese market trading of stocks began in late 1990. The study was conducted for the years 1990 through 1996 on a sample of 308 class 'A' and 57 class 'B' share firm commitment IPOs. The Chinese multi-

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[82] See Table 3.5
[83] As discussed in Chapter 2, Part II 'Contractual Forms and Institutional Constraints'
[84] This paper is discussed in depth in Chapter 4, 'The winner's curse hypothesis'
[85] Ibid

tiered equity system of, inter alia, class 'A' and 'B' shares are offered, strictly without exception, to domestic Chinese citizens and foreign investors respectively. The mean initial return premia for the sample of Chinese class 'A' shares was a staggering 948, 59% compared to the foreign investor class 'B' shares 37, 13%[86]. It is worth noting that the average time elapsed between the announcement of an IPO and first day market trading is 260 days for class 'A' shares and 72 days for class 'B' shares.[87]

D. South Africa

Barlow and Sparks (1986) investigated 105 unseasoned equity issues on the JSE during the period 1972 to 1986. They found a simple weighted mean initial return of 32, 1 percent, with individual maxima and minima of 166, 7 percent and –27, 7 percent respectively. They also presented evidence that the opening premia on the JSE had been substantially larger than those on in the UK, USA, France and Japan (Lawson and Ward 1998, Bradfield and Hampton 1989). Further, Barlow and Sparks (1986) found a significant difference between the premia offered on shares in differing sectors. They concluded:

> *"It is thus shown when taking (the list) sector as a proxy for risk, that premia and risk are significantly related…DCM companies have higher premia than mining companies which in turn have higher premia than industrial companies."*

It should be noted that no consideration was given to the VCM, which was not then in existence.

Bradfield and Hampton (1989) found average opening premia of 48 percent in hot issue markets[88] and 25 percent in cold issue periods from May 1975 to August 1986 (some 77 unseasoned issues). The overall average premium for this period was 27 percent. Bradfield and Hampton (1989) found that risk adjusted aftermarket excess returns to first-day purchasers who held their position for a year thereafter averaged 29 percent. Returns were positive for both 'cold' and 'hot' issue periods, with the exception of a short period around and six-month mark during which under-performance was noted. A significant positive correlation between opening premia and aftermarket gains existed. These findings conflicted with Ritter (1991) and Ibbotson, et al (1994).

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[86] Unadjusted Initial Returns calculation

[87] Refer to Chapter 4, Paragraph G 'Regulatory Restraint Hypothesis' for an overview of the multi-tiered Chinese new issue market

[88] Refer to Chapter 4

INTERNATIONAL EMPIRICAL STUDIES	AUTHOR(S) OF ARTICLE(S)	SAMPLE SIZE	TIME PERIOD	AVERAGE INITIAL RETURN (%)
Australia	Lee, Taylor & Walter	156	1966-1985	26.80
Australia	Lee, Taylor & Walter	266	1976-1989	11.90
Austria	Aussengg	67	1964-1996	6.50
Belgium	Rogiers, Manigart & Ooghe	28	1984-1990	10.10
Brazil	Aggarwal, Leal & Hernandez	62	1979-1990	78.50
Canada	Jog & Riding; Jog & Srivastava	258	1971-1992	5.40
Chile	Aggarwal, Leal & Hernandez	19	1982-1990	16.30
China	Datar & Mao	226	1990-1996	388.00
	Su & Fleisher	308	1990-1996	948.59[89]
		57	1990-1996	37,13[90]
Finland	Keloharju	85	1984-1992	9.60
France	Husson & Jacquillat; Leleux & Muzyka; Paliard & Belletante	187	1983-1992	4.20
Germany		97	1977-1987	21.50
Germany	Ljungqvist	170	1978-1992	10.90
Greece	Kazantzis & Levis	79	1987-1991	48.50
Hong Kong		34	1979-1985	10.50
Hong Kong	McGuinness; Zhao & Wu	334	1980-1996	15.90
India	Krishnamurti & Kumar	98	1992-1993	35.30
Israel	Kandel, Sarig & Wohl	28	1993-1994	4.50
Italy	Cherubini & Ratti	75	1985-1991	27.10
Japan		303	1979-1989	31.90
Japan	Fakuda; Dawson & Hiraki; Hebner & Hiraki	472	1970-1991	32.50
Korea		275	1984-1990	79.00
Korea	Dhatt, Kim & Lim	347	1980-1990	78.10
Malaysia		34	1979-1984	149.30
Malaysia	Isa	132	1980-1991	80.30
Mexico	Aggarwal, Leal & Hernandez	37	1987-1990	33.00
Netherlands		46	1982-1987	5.10
Netherlands	Wessels; Eijgenhuiisen & Buijs	72	1982-1991	7.20
New Zealand	Vos & Cheung	149	1979-1991	28.80
Portugal	Alpalhao	62	1986-1987	54.40
Singapore		66	1973-1987	27.00
Singapore	Lee, Taylor & Walter	128	1973-1992	31.40
Spain	Rahnema, Fernandez & Martinez	71	1985-1990	35.00
Sweden		55	1983-1985	40.50
Sweden	Rydqvist	251	1980-1994	34.10
Switzerland	Kunz & Aggarwal	42	1983-1989	35.80
Taiwan		68	1981-1988	30.00
Taiwan	Chen	168	1971-1990	45.00
Thailand	Wethyavivorn & Koo-smith	32	1988-1989	58.10
United Kingdom	Dimson; Levis	2,133	1959-1990	12.00
United States	Ibbotson, Sindelar & Ritter	13,308	1960-1996	15.80

Table 3.5: Average initial returns for 28 countries (adapted from Loughran, Ritter and Rydqvist 1994, Ibbotson and Ritter 1995, Ritter 1998)

[89] Chinese resident class 'A' share IPOs
[90] Foreigner class 'B' share IPOs

Bradfield and Hampton (1989) also investigated the relationships between several factors relating to IPOs and found that issues with higher opening premia had higher aftermarket returns and opening premia were found to be positively related to volumes traded in the after market. Further, opening premia was not in any way affected by systematic risk as measured by β.

Bhana (1989), using a sample of 80 new listings over the period 1985 through 1987 found the average initial premia to be 69,7 percent. Bhana (1989) found support for the theory of high opening premia, but showed that risk-adjusted long term performance of IPO's was below average. He concluded that the market for new issues was based more on "speculation and rumours than on investment fundamentals". In this he is consistent with Ritter (1991) and Ibbotson, et al (1994:66).

No listing-event risk estimation methodology has been published in South Africa and so initial returns could not be adjusted for listing-event risk (Lawson and Ward 1998). The Lawson and Ward study analysed 535 new listings of ordinary shares from the start of 1975 to the end of 1995 (identified from JSE monthly bulletins). Shares listed through a combination of methods, for example, a simultaneous issue of preference shares accompanied by a private placing of ordinary shares and a public offer of ordinary shares were analyzed as three separate, simultaneous issues. Preference share and debenture issues were excluded.

EMPIRICAL STUDY	SAMPLE SIZE	TIME PERIOD	AVERAGE INITIAL RETURN (%)	NOTE
Barlow & Sparks (1986)	105	1972-1986	32.10	
Bradfield and Hampton	77	1975-1986	48.00	1
			25.00	2
			27.00	3
Bhana (1989)	80	1985-1987	69.70	
Lawson and Ward (1998)	535	1975-1995		

Table 3.6: Average initial returns and evidence of short-run underpricing in South Africa (the Johannesburg Stock Exchange)

In summary, initial premia on the JSE have on balance, been found to be higher than those on the LSE and American markets. On the JSE, annual average initial premia have ranged from 27 percent to 69, 7 percent (Bradfield and Hampton 1989, Bhana 1989 respectively). Corresponding figures on the LSE have ranged from 7, 5 percent to 14, 0 percent and, for American markets, from 10, 9 percent to 21, 3 percent.

CHAPTER FOUR

THEORIES AS TO THE INITIAL UNDERPRICING PUZZLE – RATIONAL PRICING STRATEGIES

I. INTRODUCTION

A common perception is that underpricing of IPOs is a contradiction to market efficiency and may hurt emerging firms (issuers) from trying to raise capital for expansion. Therefore it has spurred a number of theories to explain this apparent financial anomaly (Su and Fleischer 1997). These different theories focus on various aspects of the relations between investors, issuers and the investment bankers taking the firms public. In general, these theories are not mutually exclusive.

Previous research shows that, on average, the difference between the IPO subscription price and the first secondary market price is greater than a "reasonable" risk premium would require. Thus it appears that issuing firm and underwriters are deliberately underpricing their IPOs (Carter and Manaster 1990).

Furthermore, a given reason can be more important for some IPOs than for others (Ritter 1998). All of the explanations advanced for new issues underpricing in this chapter primarily involve rational (deliberate) underpricing strategies by buyers. Several other explanations involving irrational strategies by investors have been proposed. These irrational strategies, examined briefly in Part III hereunder, attempt to explain the phenomena of the long-run underperformance of IPOs

II. RATIONAL PRICING STRATEGIES

Most current academic theories hold that the underpricing of IPOs is undertaken deliberately (Ruud 1993). Deliberate underpricing strategies are known as 'Rational Pricing Strategies'. While there is considerable debate concerning the underlying rationale of such returns the literature is almost unanimous in its conclusion that their presence constitutes evidence of deliberate underpricing (Levis 1993). While hardly a cause for compliant from investors, such underpricing might hurt emerging firms trying to raise capital for expansion (Ruud 1993). Eleven theories (hypotheses), being rationale underpricing strategy theories (hypotheses), are examined in this Chapter i.e.:

A. The winner's curse hypothesis
B. The market feedback hypothesis
C. The signaling hypothesis
D. The bandwagon hypothesis
E. The investment banker's monopsony power hypothesis
F. The lawsuit avoidance hypothesis
G. The regulatory restraint hypothesis
H. The reduced monitoring hypothesis
I. The improved liquidity hypothesis
J. The market incompleteness hypothesis
K. The stabilisation hypothesis

A. The Winner's Curse Hypothesis (Rock's Model)

Rock's (1986) model is directed toward an explanation of an anomaly in the new issue market. New shares appear to be issued at a discount. This discount is a natural consequence of the present model, which incorporates asymmetric information and rationing.

An important rationale for the underpricing of IPOs is the "winner's curse" explanation Ritter (1998). Since a more or less fixed number of shares are sold at a fixed offering price, rationing will result if demand is unexpectedly strong. Rationing in itself does not lead to underpricing, but if some investors are at an information disadvantage relative to others, some investors will be worse off. If some investors are more likely to attempt to buy shares when an issue is

underpriced, then the amount of excess demand will be higher when there is more underpricing. Other investors will be allocated only a fraction of the most desirable new issues, while they are allocated most of the least desirable new issues. They face a winner's curse: if they get all of the shares that they ask for, it is because the informed investors do not want the shares. Faced with this adverse selection problem, the less informed investors will only submit purchase orders if, on average, IPOs are underpriced sufficiently to compensate them for the bias in the allocation of new issues.

The winner's curse hypothesis, developed by Rock (1986) is a most convincing model for UK influenced corporate legal systems (such as South Africa). The winner's curse hypothesis depends upon the existence of a group of investors whose information is superior to that of the firm as well as that of the other (uninformed) investors. Consequently asymmetry of information the core of Rock's model as well as derivatives thereof such as Beatty and Ritter (1986) who show that the greater the uncertainty about issue value, the greater the degree of underpricing.

Ibbotson and Jaffe (1975) noticed that underpriced shares could be severally rationed. They mention that it is not uncommon for underwriters to receive, prior to the effective date, 'indications of interest' for five times the number of shares available. This phenomenon has an effect upon the uninformed investor. If an investor finds that he receives none of the underpriced issues due to rationing brought on by informed demand, and all of the overpriced issues, then the investor revises downwards his valuation of new shares. He does not participate in the new issue market until the price falls enough to compensate for the 'biases' in allocation.

If new shares are priced at their expected value, these informed investor's crowd out the uninformed investors when good issues are offered and they withdraw from the market when bad issues are offered. Consequently uninformed investors suffer from a winner's curse and the offering firm must price the shares at a discount in order to induce uninformed investors to purchase the issue. The rationale for enticing the uninformed investor includes the need to obtain the required listing shareholder spread and restrictions, placed on new issuers, not to unfairly bias small investors.

Rock's asymmetrical information model assumes that there are two groups of potential investors in the IPO market:

a) ‘informed’ investors, those prepared to incur evaluation costs to assess the after-market performance of the offering; assuming noiseless information, informed investors would only apply for IPOs they expect to be traded at a premium over the offering price; and

b) ‘uninformed’ investors do not commit resources to acquire information and apply for every new issue coming into the market indiscriminately.

While all investors receive only a limited number of shares in underpriced issues, if any at all, poor market response to an IPO effectively guarantees allocation of the full amount of application; such issues, however, are likely to start trading below the offer price. Consequently, uninformed investors end up holding a disproportionably large portion of overpriced IPOs. Thus, the average initial return on a portfolio of IPOs depends not only upon the after-market price, but also upon the probability of receiving an allocation of underpriced issues. According to Rock’s model an uninformed investor would be enticed to participate in the market only of IPOs are offered at discounts from their expected after-market prices. Consequently firms are forced to underprice their IPOs in order to compensate uninformed investors for this adverse selection. For informed investors the excess returns earned from underpriced IPOs should be sufficient to compensate for the costs of acquiring information.

Enormous oversubscription is characteristic of countries, such as South Africa, using the UK fixed price method under which the price is set well in advance of the issue date, in contrast to the American Bookbuilding method. In Rock’s model rationing per se is insufficient to explain underpricing; it is also necessary to show that rationing occurs more often for ‘good’ than for ‘bad’ shares. The basis for Rock’s model is that the underpricing of IPOs is undertaken deliberately (Ruud 1993). A key feature of this (UK legal influence) is that the basis used for rationing when issues are oversubscribed is disclosed publicly. An empirical test of this model on the JSE is imminently possible whereas, in the United States it is impossible because information on the rationing process adopted by underwriters and issuers are not observable.

It is at this juncture that we must remember that allocation bias is a feature of the Offer for Sale model and not Placings (in the UK influenced legal systems that is). This observation is of paramount importance because rationing only occurs in Offer for Sale IPOs and not Placing IPOs and hence the Winner’s curse hypothesis could only be applicable as in the former type of IPO than the latter.

Referring back to Chapter 2, the UK underwriter, in an Offer for Sale IPO, must allocate the shares in an even-handed fashion. In the U.S., however, the underwriter has more discretion. This latitude leads to a common compliant that U.S. underwriters tend to favour their more established customers (similar to the UK Placing IPO methodology).

To the extent that these customers are better informed than the rest, this arrangement exacerbates the bias against the uninformed and leads to larger discounts. The discretionary power of the underwriter, however, holds some benefit for the uninformed investor. If underwriters deny allocations to customers whom quickly traded out of their positions at a large gain in the past, they diminish the bias against the uninformed and decrease the size of the discount. Indeed, one might speculate that the successful underwriter is the one who can best discriminate among potential investors, giving first priority to the uninformed and second place to informed customers of longstanding who can rebate some of their profits via commissions on future trades. As we shall discover, the bias in allocation to the uninformed investor is a key attribute to the Winner's curse hypothesis.

Rock (1986) asserts that 'the crucial test of the model involves observing the degree to which shares are rationed on the offer date'. Unfortunately, since such information on allocation details is not readily available in the U.S. market, only indirect implications of the model have been tested (Levis 1990). If the model is correct, weighting the returns by the probabilities of obtaining an allocation should leave the uninformed investor earning the riskless rate of interest. In the U.S., evidence on the degree of rationing is however hard to obtain for several reasons. First, underwriters are sensitive to the question of allocation fairness and are generally hostile to the suggestion that shares are rationed in a preferential way, or, indeed, rationed at all. Second, the degree to which shares are rationed reflects directly on the underwriter's ability. If the shares are undersubscribed, the underwriter is either negligent in pricing them or lax in promoting and distributing the offer. If, however, the shares are heavily oversubscribed, the underwriter appears to be underpricing the issue to make it easier to sell (Rock 1986, Levis 1990).

The equilibrium offer price includes a finite discount to attract uninformed investors. This result is not a forgone conclusion. It is not immediately clear what advantage accrues to the issuer from uninformed participation. Nor is it clear if any discount is sufficient to attract them to the offering (Rock 1986).

Ritter (1984) developed an implication of the current model and applied it to the 'hot issue' market of 1980[91]. In general, the greater the uncertainty about the true prices of new shares, the greater the advantage of the informed investors and the deeper the discount the firm must offer to entice uninformed investors to the market.

Numerous studies have attempted to test the winner's curse model (Rock's model), both for the US and other countries. A cross-sectional implication of the model, developed by Beatty and Ritter (1986), is that riskier issues should have greater underpricing on average. While the evidence is consistent with the existence of a winner's curse, other explanations of the new issues underpricing phenomenon exist (Ibbotson and Ritter 1995).

Chowdhry and Sherman (1996) argue that a higher information leakage and the costs associated with bidding for shares in advance in the UK open offer type of contractual mechanism makes it less attractive compared to the book-building type of mechanism employed in the US. Chowdhry and Sherman (1996) site a possible advantage, since investors are required to pay in advance for the shares they bid; the information about market demand for the issue is more credible. This reduces the adverse selection problem faced by uninformed investors. One of the important reasons for choosing the UK type of contractual mechanism might be that a non-discretionary allocation mechanism or an allocation mechanism that favours smaller investors could be employed.

Rock's theory is not without its critics, however. Ruud (1993) finds that some aspects of Rock's theory are difficult to reconcile with rational issuers' preferences. First, the motivation for issuers to under price to attract uninformed investors is not obvious. The extensive over subscription reported in several studies and anecdotally suggests that underpricing to attract uninformed capital is unnecessary.

While Koh and Walter claim support for Rock's theory, finding that the uninformed investor should earn the risk-free rate conditional on the rationing process (using first-day initial returns), the fact that rationing is so pervasive and so large casts doubt on Rock's basic assumption that issues need to be under priced to attract uninformed capital into the market Ruud (1993).

[91] Refer to Chapter 6

1. Direct Empirical Tests of Rock's Model

The direct test on the winner's curse hypothesis, given the public availability of information, is to simulate the returns produced by applying for various lots of scrip in each new issue Koh and Walter (1987) and Keloharju (1993). The aim is to test Rock's implication that weighting the short-term returns by the probabilities of obtaining an allocation should leave the uninformed investor earning the riskless rate (Rock 1986, p.205). The fixing of the price and the role the sponsoring broker plays in the rationing process is important in the asymmetry of information between the informed and uninformed investor (Levis 1993).

Rock's (1986) model of the pricing of new issues predicts that the difference between subscription price and the first-day listing price should yield uninformed investors the risk-free rate of return. Empirical tests in the United States impossible because information on the rationing process adopted by underwriters and issuers is not observable. Koh and Walter (1987) presume that underwriters are reluctant to release these data because they may show bias in the allocation process.

a) The Koh and Walter (1987) Direct Test

Such direct tests have not been conducted previously because the necessary data are generally not available (especially in the US). The unique institutional arrangements governing the new issues market in Singapore, however, which make evidence on rationing publicly available, permit a direct test Koh and Walter (1987). Remember that the UK corporate legal systems require the 'advertisement' of the allocation method used in Offers for Sale as a statutory requirement.

The new issues market in Singapore is unbiased in the sense that all investors applying for the same number of shares have an equal chance of success. Further, the method of allocation adopted on an issue-by-issue basis is publicly disclosed. Singapore thus provides the opportunity to test the predictions of Rock's model (Koh and Walter 1987).

In Rock's model rationing per se is insufficient to explain underpricing; it is also necessary to show that rationing occurs more often for 'good' than for 'bad' shares. This winner's curse causes the uninformed investor to lower his valuation of new issues because informed demand makes the probability of receiving an allocation lower for underpriced than for overpriced new issues. Accordingly, uninformed investors withdraw from the market until the issue price falls

sufficiently to compensate them for the bias in allocation. This model predicts an equilibrium offer price that includes a finite discount to attract uninformed investors to the issue Rock 1986 (at 195).

Issues in Singapore may require uninformed participation to meet SE listing requirements. A key feature of this market is that the basis used for rationing when issues are oversubscribed is disclosed publicly. The balloting of issues (i.e., a random selection from all applications) takes place in public and is evenhanded in the sense that all applications of a particular size have an equal probability of being accepted. These procedures ensure that applicants for a particular number of shares face a fair game.

Singapore operates under the general principles of British company law. New shares can be issued to the public when accompanied by a prospectus registered with the relevant statutory authority. The prospectus details, inter alia, the number of shares to be issued and the issue price, neither of which can be changed during the course of the issue. A prospectus in Singapore is typically issued three to four weeks before the applications closing date and there are a further three to four weeks before initial stock-exchange listing. Thus the issuer is committed to a price decided upon in advance over a lengthy period. In addition, the prospectus sets out information to enable an investor to evaluate the offer, including the purpose of the issue, historical accounting and other information related to the issuing company, forecasted earnings (by directors), auditor comments, other statutory information (for example, details of material contracts, prescribed reports (i.e., the directors', the accountants', valuers' and auditors').

Koh and Walter (1987) database comprises 66 new issues listing on the Singapore Stock Exchange for the period 1973 through June 1987. Their method was to simulate the returns produced by applying for various lots in each new issue. A lot is 1,000 shares and their results model the returns for application strategies in the range of 1 to 1,000 lots. Their aim was to test Rock's implication that the uninformed investor should earn the risk-free rate, conditional on the rationing process associated with various issues and ranges of application. They assume that a mechanical strategy of applying for *n* lots in each issue is consistent with being uninformed.

Koh and Walter's (1987) empirical tests confirmed the major empirical implications of Rock's theory:

a. Uninformed investor's returns on the difference between subscription and the first-day listing prices are not statistically different from the riskless rate. Rationing of new issuers explains the unseasoned new issues' anomaly;
b. The winner's curse is strongly evident;
c. Results show that there is a significant positive correlation between oversubscription levels and first-day returns;
d. If the size of an application is a reasonable proxy for the distinction between informed and uninformed investors, additional results consistent with the model are obtained. Informed investors are found to respond to greater expected underpricing by expanding demand. This demand expansion is consistent with rationality in the new-issues market, and is contrary to the frequently expressed view that this is market driven by fads; and
e. Their results hold when the new issues are categorised by underwriter and size.

Empirically, Koh and Walter (1987) find that the average returns are in the range of 3.12 percent (one lot) to 0.49 percent (999 lots). The jumps in the average returns are caused by changes in the probability of allocation at certain round size lots that issuing companies frequently use to ration shares in over-subscribed issues. No application strategy produces returns significantly different from zero. Only one *t*-statistic exceeds one: the *t*-statistic on the return associated with the strategy of applying for 1,000 shares in each new issue is 1.51. Adopting this strategy would have produced 54 positive returns and only 12 negative returns. Furthermore, given that, in this study, the probability is approximately three times that of receiving an allocation in underpriced securities, and thus statistical significance would be overstated by using a binomial test on the sign of the initial return.

If the size of the investor's application is a reasonable proxy for his information, Rock's analysis suggests there should be a negative correlation between underpricing and the proportion of an issue subscribed for and allocated to small (uninformed) investors. This association is caused where informed investors withdraw from overpriced (negative initial-listing-day excess returns) and thus cause a high proportion of the issue to go to the uninformed, but swamp the underpriced issues with applications (positive initial-listing-day excess returns) and thus cause a low proportion of the issue to be allocated to the uninformed investor. Conversely, the large (informed) investors should dominate the underpriced 'hot' issues, leading to a positive correlation between underpricing and the proportion of the issue they apply for and receive. Finally, general market response to underpricing should be evidenced by a strong correlation between oversubscription levels and underpricing.

Further, Koh and Walter (1987) find that the average underpricing for 38 issues (for which sufficient data exists to determine both application and allotment) is 34.7 percent. These issues are on average oversubscribed some 40 times with a range of 2.2 to 248.1. There is a negative correlation of –0.088 between the proportion of an issue applied for by small investors and initial-day returns. This negative correlation is more pronounced and is statistically significant for medium/small investors. Small investor's application strategies tend to be inversely related to the success of the issue. Recall however there is a systematic preference in the allocation system for small investors and that on average new issues are underpriced. These factors produce a lower negative correlation (-0.064) for small investors between allocated proportions and returns than between application proportions and returns. The allocation process cushions small (naive) investors' application strategies (Koh and Walter 1987).

The applications of large investors are positively and significantly correlated (0.275) with the issues outcome, as expected. Large investors follow wealth-increasing application strategies at the small investors' expense (Koh and Walter 1987). They find that although small investors are responsive to greater underpricing (the estimated coefficient, 10.102, is positive and significant, *t*=4.582), they are less responsive than larger investors (coefficient of 93.408, *t*=5.195). Returns in these regressions are defined as the natural log of the first-day price over the subscription price; thus a coefficient of 10.102 implies that small investors will increase their applications by 10.102 percent for each 1- percent underpricing. This evidence is consistent with demand expansion by uninformed investors (Rock 1986, p.185).

The sensitivity with which large investors respond (93.408 percent for each 1- percent overpricing) is evidence consistent with rational behaviour in the IPO market. This contrasts with the position of many commentators, such as Ritter (1991) who view the IPO market as being dominated by 'fads'[92] .

These regression results can be used to estimate a subscription price, which is sufficiently low to ensure that uninformed demand alone will fully subscribe the issue (Rock's 'full-subscription' price). In the Rock model, a rational issuer would not price an issue below the price at which uninformed demand alone will fully subscribe the issue, so the analysis can be seen as an additional test of the descriptive validity of the Rock model in Singapore.

Koh and Walter's (1987) tests confirm Rock's major empirical implications (**note**: for Offers for Sale only). Uninformed investors' returns are not statistically different from the risk-free rate of return. Rationing is the major reason for the apparent excess returns on unseasoned new

[92] Refer to Chapter 5 - Irrational Pricing Strategies hypothesis 'Fads'

issues. Rationing is shown to be applied far more stringently in underpriced than in overpriced (negative initial-listing-day excess returns) issues. Rock argues that this bias in rationing produces an equilibrium offer price with a finite discount sufficient to attract uninformed investors to the issue. Their results are consistent with this proposition for both the total sample and for subdivisions based on underwriter identity and issue size. Additional analysis suggests that issuing companies price new issues rationally in the sense that the actual issue price is set above an estimate of the price at which uninformed demand alone would subscribe an issue.

b) The Keloharju (1993) Direct Test

In an attempt to explain the short-run underpricing puzzle, many academic researchers have looked to asymmetric information among the agents involved in IPOs. One of the most convincing models is one developed by Rock (1986), who applies the concept of the winner's curse to the new-issue market. In his model, uninformed investors most often bid successfully for overpriced new issues, since informed investors crowd them out of underpriced new issues. If new issues were not, on average underpriced, uninformed investors would realize negative returns and withdraw from the new-issue market. To prevent that result, the investment banker underprices new issues so that uninformed investors earn normal returns Keloharju (1993).

This paper provides additional evidence that the winner's curse decreases considerably the initial returns available to an uninformed investor. The Finnish allocation rules are public information, so investors can easily and accurately estimate the average allocation-weighted initial returns. Keloharju (1993) is able to gather an almost exhaustive sample of Finnish IPOs, which frees the results from most sources of potential bias. In contradistinction to Koh and Walter's (1987) study of Singaporean IPOs or to Levis's (1990) study of U.K. IPOs, he finds the proportion of Finnish IPOs with negative initial returns closer to the proportions documented in studies using U.S. data, such as Ibbotson (1975) and Tinic (1988). It is an important feature of the Finnish market in as circumstances where the legal liability hypothesis is unlikely to have an important impact on initial returns (refer to paragraph 6 below).

The Keloharju (1993) study encompasses 80 IPOs orchestrated on the Finnish Stock Market for the years 1 January 1984 through July 31, 1989 and supports Rock's (1986) model. It is worth noting that the average time between the offering date and the first trading date in Finland is some three months. This 'opportunity cost' period incurred by the uninformed

investor is longer than in most IPO markets. This time factor could have significantly impacted the adjusted initial returns using Rock's model (refer to Levis 1990).

Unlike Koh and Walter (1987), who take into account only the risk-free opportunity cost of the part of the capital tied up in the subscription but not given any allocation, Keloharju (1993) adjusts initial returns for market movements to compensate both for the tied-up capital and the risk in this intermediate period. He also takes into account transaction costs for acquiring shares from an IPO and selling them in the aftermarket. This paper finds that the winner's curse is clearly evident; on average, uninformed investors obtain large allocations from the IPOs with negative initial returns and small allocations from those with positive returns. Moreover, small investors tend to receive a greater than proportional share of offerings with positive initial returns. The average allocation-weighted returns are in general negative and clearly lower than the average returns that have not been adjusted for the bias in rationing. This implies that the winner's curse substantially decreases the average returns available to an uninformed investor. The curse would seem to be less severe in Finland than in Singapore, where Koh and Walter (1987) report that the difference between the unconditional return and the allocation-weighted return is approximately 26 percentage points. Keloharju (1993) study shows average initial excess returns, unadjusted for the bias in allocation is 8,7 percent, whereas average allocation-weighted returns range from –5,3 to 5,1 percent.

c) The Levis (1990) Direct Test

In the general absence of rationing data, most empirical literature on new issues has not taken into account the bias in rationing. Exceptions include studies by Levis (1990) who finds evidence of a winner's curse in the British IPO market. Moreover, Koh and Walter (1987) find that the equally-weighted average initial return is 27 percent. Uninformed investors, however, could not have realised that return because of their disproportionally large purchases of overpriced shares: when Koh and Walter weight the individual returns by the respective allocations, the average initial return falls to 1 percent. This suggests that, despite the seemingly high initial returns, uninformed IPO investors essentially break even (earn the risk-free rate of return).

Because British IPOs must be allocated on a pro-rata basis and data are available on the extent of the over-subscription and the actual allocation details, this paper is able to present the first direct test of Rock's model (in the United Kingdom, that is). Levis (1990) states that this model on its own, however, is not sufficient to account for the full extent of IPOs underpricing.

This statement makes great sense in as much as the Rock model can only apply to Offer for Sale (or similar international IPO practices and methodologies) i.e., where rationing can feasibly occur. No rationing can occur in Placements per se simply because the allocation to selected investors is predetermined to the absolute exclusion of all other 'investors'.

Under the British institutional framework an investor faces the possibility of accelerated interest rate costs when applying for new issues; this is the result of the requirement for immediate cash settlement on application and the way that oversubscribed IPOs are allocated by issuing houses. The evidence demonstrates that when these two factors- winner's curse problem and interest rate costs- are taken into account, the emerging first day net returns are on average markedly lower than the actual level of underpricing (Levis 1990). There is an incentive to underprice IPOs because of the distinct contractual mechanism in the UK and most Asian countries, investors are required to send in a check in advance for all shares for which they bid (Chowdhry and Sherman 1996).

In contrast to Rock's model, the settlement mechanism of the UK institutional framework imposes an additional cost – interest rate charges – on both informed and uninformed investors. Levis (1990) concludes that it is the combined effect of Rock's winner's curse problem and the interest cost, due to the settlement mechanism, which accounts (partly) for the underpricing of IPOs. An investor would have an incentive to participate in the market only if new issues are sufficiently underpriced to compensate for both of these factors.

The Levis (1990) study encompasses 123 Offers for Sale issues which started trading on the London Stock Exchange Official List and the Unlisted Securities Market during the period January 1985 to December 1988. Levis (1990) finds that the gross expected return to the investor increases directly with the size of the application. The equivalent returns for smaller applications indicate that on average the allocation methods adopted by the issuing houses were systematically biased against the smaller investor. Taking into account interest costs, but without accounting for the probability of obtaining any shares, i.e. the net return, the pattern of the emerging estimates is reversed. For small applications interest costs are relatively immaterial. However, given the drastic scaling down of large applications, interest costs could amount to more than 5 percent of the offer price. This surprisingly high interest rate cost is the direct result of the severe rationing procedures operating for large applications in the case of over-subscription.

Levis (1990) noted that this measure of return is only just significant from zero for very small and very large applications. This net expected return at different levels of applications follow a

bell shaped pattern. It appears, therefore, that the average underpricing of new issues by 8.64 percent is probably just sufficient to entice investors to participate in the new issues market. An average level of underpricing below 3.5 percent would in fact mean a negative return for all applications and thus be no incentive for investors to apply. Levis (1990) concludes that the results of this study support the proposition that the underpricing of IPOs can be account for by the combined effect of the winner's curse problem and the particular nature of the cash settlement mechanism on the London Stock Exchange,

The estimated effective first day returns are conditional on the assumption that an investor is applying for every single new issue since there is no cost free means of weeding out issues that are likely to be over-subscribed. Assuming there is a direct positive relationship between the degree of subscription and first day market-adjusted returns, any ability to forecast the market's response to an offering could result in a marked improvement in the average net expected return. Levis (1990) shows that of the 123 issues under consideration, 19 were under-subscribed (104 being over-subscribed). The average subscription level was about 14 times the amount of shares offered; the mean subscription levels were 0.41 and 16.3 for the respective groups of under and over-subscribed issues.

Levis notes that while none of the under-subscribed issues opened at a positive market-adjusted return, 19 of the 104 over-subscribed issues started trading 3.04 percent lower than the offer price. Levis finds this surprising since it indicates that not even issues that are firmly over-subscribed cannot be guaranteed to start at a premium. The 19 under-subscribed issues started trading at a market-adjusted return of –12.04 percent, while the 85 over-subscribed issues reached a 15.9 percent premium on the first day of trading.

Further, Levis (1990) finds evidence to indicate a strong and positive relationship between the degree of subscription to the new issue and the level of first day return. Furthermore, these results suggest that the ability to forecast the direction and magnitude of first day returns is more important than merely assessing the markets response to the new issue. The regression results of the first day rate of market-adjusted return against the degree of subscription confirm the above findings. Levis finds the level of public response to the new issue accounts for about 51 percent of the variability of the first day returns in the log-linear specification of the model, while the regression coefficient is highly significant.

Levis (1990) concludes that attempts to circumvent the winner's curse problem and interest rate costs by judicious selection of offerings to apply for are unlikely to be successful if one is relying entirely on publicly available information. Over-subscription, however, always results in

rationing of shares; thus, the monetary gain on the number of shares received may be lower than the fixed information costs.

c) Direct Test of Winner's Curse in South Africa

There has to-date been no academic studies conducted on the JSE as to the winner's curse hypothesis; however in a local study conducted by Bhana (1989) massive IPO oversubscription was noted. The 1985 through 1987 period witnessed share prices rising to record levels on the JSE. During this period the investing public displayed a massive appetite for investing in new issues. Many new issues were oversubscribed in excess of three hundred times (Bhana 1989). Massive over-subscriptions guaranteed large-scale stagging profits for those investors and speculators who were allocated shares of the new issues.

Those investors who did not receive sufficient allocations of new issues were prepared top pay huge premiums in the secondary market. However, the market crash in 1987 resulted in the end of the new listing boom and investors in new issues incurred huge losses when they liquidated their investments.

Bhana (1989) states that the appropriate measure of risk in Rock's model of underpricing is not systematic beta-type risk, but the uncertainty uninformed investors have regarding the after-market price.

2. Indirect Empirical Tests of Rock's Model

Circumvention of the winner's curse problem requires price predictive ability. A number of studies have attempted to identify cross-sectional variations in underpricing. Dimson (1979) and Beatty and Ritter (1986) suggest that underpricing is the result of the uncertainty about the value of the issue. This latter study using two types of proxies for uncertainty, both broadly related to the size of the issue, presents empirical evidence supporting the proposed hypothesis – the use of proxies naturally implies an 'indirect test' of the model.

Since most theories of new issue underpricing imply that firms with greater uncertainty about the value per share will be underpriced more, issuing firms (may) have incentives to reduce the amount of uncertainty (Ibbotson and Ritter 1995). One method by which an issuer may reduce the degree of information asymmetry surrounding its IPO is to hire agents who, because they

have reputation capital at stake, will have the incentive to certify that the offer price is consistent with inside information. A growing body of literature examines the role of the underwriter and/or the investment banker (often known as the 'sponsoring broker' or 'sponsor' in South Africa) as a certifying agent. Beatty and Ritter (1986), and Booth and Smith (1986) argue that the need to have repeat business gives underwriters the incentive (both from an investor and issuer perspective) to price IPOs accurately. Michaely and Shaw (1994) make a similar argument and present evidence those less-prestigious underwriters underprice their offerings to a greater extent than do the more prestigious underwriters. Carter and Manaster (1990) document a significant inverse relationship between the reputation of the underwriter and the level of initial returns. Reputation in this case, is measured by the location of the underwriter's name in advertisements about the offerings, known as tombstones. Investment bankers that are listed highest in announcements are considered to have the highest prestige or reputation (Ibbotson and Ritter 1995).

In addition to the certification role, Titman and Trueman (1986) argue that auditors play a similar role. Beatty (1989) empirically examines the relation between auditor reputation and initial returns, and Balver, McDonald and Miller (1988) examine the relation between initial returns and both the auditor and investment banker reputation. In a related fashion, Barry, Muscarella, Peavy and Vetsuypens (1990) and Megginson and Weiss (1991) find evidence that venture capitalists can also serve to credibly convey information about the issuing firm and lower the level of initial returns. James and Wier (1990) examine the role of commercial banks as monitoring and certifying agents as well.

Bhana (1989) states the obvious without giving reasons as to why:

> *"The fact that the new issues yield positive excess returns in the short-term does not signify market inefficiency, merely that the issues were underpriced by the merchant bankers/brokers when they first went to the market.*

The indirect test on the Rock's model (Beatty and Ritter 1986) examines the relationship between ex ante uncertainty and the expected initial return. The greater the ex-ante uncertainty about the value of an issue, the greater is the expected underpricing. Underwriters whose offerings have average initial returns that are not commensurate with the uncertainty of their offerings lose subsequent market share. Investment bankers and underwriters who have a reputation at stake enforce the resulting equilibrium. An underwriter who "cheats" on the underpricing equilibrium will lose either potential investors (if it does not underpriced enough) or issuers (if it underprices too much), and thus forfeit the value of its reputation capital. They extend Rock's analysis and show that equilibrium for informed investors occurs when the cost

of information search equals the expected gain from applications for underpriced new issues. Uninformed investor's equilibrium exists when the expected losses associated with applications for overpriced issues equal the expected gains from applications for underpriced issues.

a) The Beatty and Ritter (1986) Indirect Test

The Beatty and Ritter 1986 results are crucially dependent upon the fact that, while many IPOs shoot up in price, many other issues decline in price once they start trading. Consequently, even though on average IPOs are underpriced, an investor submitting a purchase order cannot be certain about an offering's value once it starts publicly trading. They call this uncertainty about the value per share '*ex ante* uncertainty'. They argue that the greater the *ex ante* uncertainty, the greater the (expected) underpricing. They also consider how this underpricing equilibrium is enforced, arguing that an issuing firm, which will go public only once, cannot make a credible commitment by itself that the offering price is below the expected market price once it starts trading. Instead, an issuing firm must hire an investment banker to take the firm public. An investment banker is in a position to enforce the underpricing equilibrium because it will be involved in many IPOs over time. Beatty and Ritter (1986) argue that any investment banker who 'cheats' on the underpricing equilibrium by persistently underpricing either by too little or by too much will be penalised by the marketplace.

The most salient feature of the IPO market is that, once the issuing firm and its managing underwriter (investment banker) set an offering price, any excess demand for the new issue creates a situation of quantity rationing, rather than further adjustment of the offering price. The majority of IPOs are subject to this quantity rationing.

While on average IPOs have positive initial returns, a large fraction of them have price declines. The offerings that shoot up in price are much more commonly oversubscribed than those that decline in price. Consequently, an investor submitting purchase orders for all issues will find that one is allocated shares in the offerings that go up less frequently than in the offerings that decline in price. In other words, an investor faces a 'winner's curse'. In equilibrium, the investors incurring security analysis costs will earn sufficient profits to cover their costs. But this is what creates the winner's curse problem for the investors who are attempting to free ride (termed representative investors).

Faced with this winner's curse problem, a representative investor will only submit purchase orders if, on average, IPOs are underpriced. The magnitude of the difference between the conditional returns, and thus the degree of underpricing, is directly related to the ex ante uncertainty about the value of an issue. This is because, as the ex ante uncertainty increases, the winner's curse problem intensifies. Roughly speaking, there is more to lose as *ex ante* uncertainty increases. Consequently, in order to be willing to submit a purchase order for shares in an offering with greater ex ante uncertainty, a representative investor will demand that more money to be 'left on the table', in an expected value sense, via underpricing.

Beatty and Ritter's Proposition 1:

> *The greater is the ex ante uncertainty about the value of an issue, the greater is the expected underpricing.*

Beatty and Ritter 1986 formally prove Proposition 1 using Rock's (1986) model of the underpricing of IPOs. They emphasise that the *ex ante* uncertainty, which leads to the underpricing, does not correspond to the CAPM concept of systematic risk. A representative investor who diversifies by submitting purchase orders for many IPOs in the face of the winner's curse problem merely guarantees that the realised average initial return will be less than the unconditional average initial return on the issues for which purchase orders were submitted.

A question concerning how this equilibrium is enforced naturally arises. Why doesn't an issuing firm 'cheat' and set a too high an offering price? How is it that on average, a representative investor is compensated for the winner's curse risk that one faces? If investors were not able to somehow be assured that an issuing firm was leaving money on the table, in an expected value sense, the IPO market might indeed be subject to a 'lemons' problem (Beatty and Ritter 1986). This is because each issuing firm, which will go public only once, has no incentive to leave money on the table. However, if there is an intermediary with an incentive to appropriately price issues, then it is possible to overcome this potential problem. In the market for IPOs, this intermediary is the managing underwriter for an issue. The role for investment bankers is possible because an investment-banking firm underwrites many offerings over time. Because of the repeat business with potential purchasers, an investment banker can develop a reputation and earn a return on this reputation. For an investment banker to find that it is in its interest to enforce the underwriting equilibrium when setting an offering price there are three necessary conditions.

The first condition is that the investment banker is uncertain what the market price of the stock once it starts trading will be, for otherwise the underwriter could perfectly price each and every issue, and there would be no winner's curse problem facing investors. Beatty and Ritter 1986 state that it is not unusual to see an underwriter misestimate the aftermarket price by 20 percent or more.

The second condition is that the investment banker has a *non*-salvageable reputation capital at stake, on which it can earn a return.

The third condition is that the ability to earn a return on this non-salvageable reputation capital drops if the underwriter 'cheats' by underwriting too much or too little. This willingness to not behave opportunistically is what having a good reputation means. An investment banker will find that it is not in its interest to behave opportunistically if it has a stock of reputation capital ('goodwill') built up, on which it is earning a return.

This argument produces Beatty and Ritter's (1986) second proposition. If on average, an investment banker does not underprice its offerings enough, the average initial return will be too low, and investors subject to the winner's curse problem will cease doing business with this underwriter. On the other hand, if an investment banker underprices its offerings too much, so that the average initial return is too high, potential issuers will cease using this underwriter.

Beatty and Ritter's Proposition 2:

> *Underwriters whose offerings have average initial returns that are not commensurate with their ex ante uncertainty lose subsequent market share.*

To test whether there is a positive relation between initial return and ex ante uncertainty, as predicted by Proposition 1, Beatty and Ritter (1986) regress initial returns on two proxies for ex ante uncertainty using 545 firms in the sample IPOs. They use the weighted least squares because of the hetroscedasticity that is present in an ordinary least squares regression. This hetroscedasticity should be present, since higher ex ante uncertainty should be reflected in a greater dispersion of initial returns. Issuing firms with no operating histories are thus given less weight in the regressions than more established firms for which ex ante uncertainty is likely to be less.

Their results confirm Proposition 1 i.e., there is a positive relation between ex ante uncertainty and expected underpricing. Beatty and Ritter (1986) note that R^2 is quite low (at 0.07). This is to be expected since if the R^2 were high, it would imply that the actual return on an offering is predictable. The theory states that there is a positive relation between ex ante uncertainty and expected initial return. The reason for this positive relation is that it is difficult for investors to predict the actual initial return on a high-risk issue, giving rise to the winner's curse problem.

To test Proposition 2, Beatty and Ritter have computed the market shares of all underwriters of four or more IPOs during the sample period (some 49 underwriters). They rank the underwriters in terms of their absolute standardised average residuals. The 24 underwriters with the largest absolute standardised average residuals are referred to as pricing 'off the line'. The other 25 underwriters are referred to as pricing 'on the line'. For the 24 underwriters off the line, their market share fell from 46.6 percent in the first sub-period to 24.5 percent in the second sub-period (a 47 percent decrease). The 25 firms pricing on the line saw their market share fall by only 23 percent. It is also worth noting the fact that 20.8 percent of the underwriters pricing off the line in the first sub-period ceased operations during the second sub-period (contrasted with 4 percent of those underwriters pricing on the line).

Beatty and Ritter regress the percentage change in market share on absolute standardised average residuals for the 49 underwrites. The slope coefficient of –10.83 in this regression implies that as the value of the explanatory variable changes from one standard deviation below the mean to one standard deviation above, the expected market share drops by 27.3 percent. This change in market share is an economically meaningful change.

A criticism initially raised by Tinic (1988) is that market share changes may arise due to changes in the IPO market over time. For example, an investment bank that specialises in small offerings could have a large market share in one year if there are relatively more small offerings markets, and a lower market share in the following year if there are fewer smaller offerings. The reduction in market share would not necessary be due to mistakes made in the initial year.

In support of Beatty and Ritter's underwriter reputation hypothesis or investment bank certification hypothesis (not necessarily in support of the Winner's curse hypothesis per se) Carter and Sing (1998) find that the better the reputation of the underwriter, the less is the short-term underpricing. Michaely and Shaw (1994) find that IPOs managed by high prestige investment bankers tend to have smaller initial returns and less negative long-run returns than do IPOs handled by lower reputation underwriters. Michaely and Shaw use the investment

banks as a proxy for prestige and IPO risk[93]. In further support of Beatty and Ritter's investment bank certification hypothesis, Chemmanur and Fulghieri (1994) argue that investors use the investment banks' past performance, as measured by the quality of firms in which they have previously sold equity, to assess their credibility.

It should be noted that Dunbar (2000), to account for this possibility (per Tinic 1988), considers alternative definitions of the market for IPOs – he classifies different market segments based on offering size, a commonly used risk proxy.

b) The Carter and Manaster (1990) Indirect Test

The Carter and Manaster (1990) model is most similar to the model of Rock (1986) and its extension by Beatty and Ritter (1986). In the Carter and Manaster (1990) model, the greater the proportion of informed investor capital participating in an IPO, the greater is the equilibrium underpricing. Since informed investor capital migrates to the highly uncertain IPOs, the underpricing and subsequent price run-up for these firms is greater.

Underpricing is costly to the firm. Therefore, low risk firms attempt to reveal their low risk characteristic to the market. One way they can do this is by selecting underwriters with high prestige.

Carter and Manaster (1990) provide empirical evidence that supports their theoretical result that underwriter prestige is associated with the marketing of low risk IPOs. The empirical analysis is facilitated by the development of an observable underwriter reputation variable.

Underwriters are identified by their reputations (in this study underwriter reputation is taken to exogenous). The types of issuing firms each underwriter brings to the IPO market measures reputation. The distribution of IPOs brought to the market by the underwriter is written as σ (standard deviation). The more highly reputable firms tend to offer IPOs with lower values of σ than their low prestige rivals.

The Carter and Manaster (1990) model predicts that the price run-up for issuing firms will be less for underwriters with greater prestige. Implicit in this model is the supposition that

[93] Proxies for Risk is dealt with in Chapter 5

investment-banking firms choose to develop reputations and that the issuing firm will employ underwriters with a reputation appropriate for the level of their IPO.

One economic environment that supports specialisation of underwriters with respect to σ levels is similar to, and motivated by, Titman and Trueman (1986) analysis. In this environment, information asymmetries play a major role. The σ of the issuing firm is private information to the firm, and the ability of underwriters to estimate the values of σ and communicate this information via the prospectus varies with their skill endowment.

Prestigious underwriters are adept at identifying this σ. They avoid high σ firms in order to increase the precision of estimates of issuing firm particulars, to minimise participation of informed investors, and to maintain their reputation. As a result, they charge higher fees but are able to offer their low risk corporate clients relatively less underpricing. Additionally, the maintenance of relations with low σ firms increases the expected present value of future offerings. Prestigious underwriters earn economic rents in equilibrium. Non-prestigious underwriters undertake IPOs of those issuing firms that are unsuitable for their prestigious counterparts.

As in Titman and Trueman (1986), investors are provided information about σ and, therefore, the level of informed investors, through the issue prospectus and the reputation of the marketing underwriter. Public information about the firm and its σ level is more precise for issues marketed by prestigious underwriters. Because more prestigious underwriters charge higher fees while more precisely revealing σ, only low σ firms find it worthwhile to use their services. Even in the presence of higher fees, the increase in the relative offering price (a decrease in underpricing) makes the choice of a prestigious underwriter worthwhile for low σ firms.

As in the Titman and Trueman (1986) analysis, attempts by high σ firms to falsely signal by employing prestigious underwriters are not beneficial. The prestigious underwriter will identify the firm's σ level; assess the appropriate level of underpricing, and charge a higher underwriting fee than if the firm had gone to a non-prestigious underwriter. Conversely, low σ firms cannot be lured to the lower fee structures of non-prestigious underwriters. In order to preserve their investor base, non-prestigious underwriters must maintain their usual levels of underpricing. The lower fees are not enough to offset the increased costs of underpricing.

Carter and Manaster (1990) state that from the view of IPO underpricing, all scenarios that result in underwriter reputations being correlated with σ are observationally equivalent. The

model as Carter and Manaster (1990) have presented it allows for empirical verification with the following hypotheses:

Hypothesis 1:

> *On average, prestigious underwriters are associated with IPOs of low dispersion of possible firm values.*

Hypothesis 2:

> *On average, prestigious underwriters are associated with IPOs that experience less price run-up.*

The tests on the Carter and Manaster (1990) model were conducted on a sample of IPOs of equity. These IPOs were issued between January 1, 1979 and August 17, 1983 (consisting of some 501 new issues sold on a firm commitment basis). The IPO price run-up was calculated as the rate of price appreciation between the offering price and a secondary market trading price two weeks later. The managing underwriter and co-managing underwriter(s), if any, for each issue were identified.

The rankings of the underwriter(s) are determined by examining the tombstone announcements, one at a time. And assigning an integer rank, zero to nine, for each underwriter in the announcement (tombstone) according to its position. The result is a measure of underwriter prestige on a scale from zero (least prestigious) to nine (most prestigious).

Carter and Manaster (1990) use a linear regression to test the hypothesis that prestigious underwriters bring to the market IPOs that are associated with low dispersion in possible firm values. The dependent variable in the regression is the standard deviation of this price run-up for the IPOs of each of the underwriters in the sample.

As predicted, the coefficient of reputation is negative and significant. This indicates that the σ's of price run-up were higher for IPOs handled by less prestigious underwriters. Empirical evidence supports the hypothesis that the price run-up variance is inversely related to reputation. As predicted, the price run-up variance of the non-prestigious group is greater than

that of the prestigious group at a five-percent level of significance. The Spearman rank correlation coefficient between the reputation variable and the price run-up variable is calculated. The value of this correlation coefficient is –0.5608. The *t*-statistic is –3.249, which is significant at a one-percent level. This result provides additional support for the parametric findings.

The result of the test that the price run-up is negatively related to reputation yielded a mean return for the prestigious underwriter group of 0.1316. For the non-prestigious underwriter group, the mean was 0.1950. As predicted, the means are significantly different at the five-percent level. Carter and Manaster (1990) empirically show that IPOs handled by non-prestigious underwriters have more price run-up than those of the prestigious underwriters do.

Moreover Carter and Manaster (1990) showed that there was an inverse relationship between underwriter reputation and the extent of IPO underpricing, suggesting that prestigious underwriters reduce the asymmetry of information.

c) The Dunbar (2000) Indirect Test

Investment banks compete aggressively for new underwriting business. This behaviour is particularly true in the market for IPOs, since the underwriting fees as a percentage of proceeds raised are greater for IPOs than for seasoned equity or debt offerings Dunbar (2000).

Dunbar (2000) identifies all unique investment banks that act as book managers in at least one offering in that year for the years 1984 through 1994. The market share for each bank in a given year is defined as the sum of the gross proceeds raised in offerings where the bank acts as book manager, divided by the sum of the gross proceeds raised in all offerings in that year.

The empirical evidence in this paper can be summarized as follows. For investment banks with established reputation, initial overpricing has a negative effect on market share changes, consistent with Booth and Smith's (1986) reputation theory. Very positive first-day returns also have a negative effect on market changes. Future issuers appear to avoid banks that leave too much money on the table. Withdrawals have a negative effect on market share changes for established investment banks. These factors have an insignificant effect on market share changes for less established banks, consistent with the notion that less reputation is placed at risk.

Reputation, therefore should be damaged any time inaccurate information is produced which results in inaccurate pricing (Chemmanur and Fulghieri 1994). Like investment bank reputation, analyst reputation should also play a role in certifying to potential investors that the offering is not overpriced. This certification is desirable to issuers since more fully certified issues are generally priced at higher levels (Booth and Smith 1986).

According to Dunbar (2000), the possibility of failure has severe repercussions for issuers. Ritter (1987) finds that failed offerings rarely return to the public marketplace. Less than 8 percent of issues that have previously failed ever are completed, and these successful IPOs generally occur several years after the failed initial attempt. Dunbar's (2000) findings are consistent with banks losing market share if they leave too much money on the table. The minimum abnormal first-day return of IPOs underwritten by an established bank has a positive effect on its subsequent market share changes. Banks lose market share if they are associated with overpriced IPOs, consistent with Booth and Smith's (1986) certification theory.

Taken together, these results suggest that investment bank market share is enhanced when neither clientele, issuers nor investors, are harmed by the pricing of past deals. The minimum abnormal one-year return of IPOs underwritten by an established bank in any one year has a positive effect on its subsequent market share changes. This finding is consistent with either accurate investment bank screening of clients (per Chemmanur and Fulghieri 1994), or aftermarket price support.

B. The Market Feedback Hypothesis

The purpose of underpricing is to induce informed investors in the bookbuilding pre-selling period to truthfully reveal positive information i.e., underpricing induces market feedback. Such information is rewarded with underpriced allocations (Benveniste and Spindt 1989).

Investment bankers, where Bookbuilding is used, may underprice IPOs to induce regular investors to reveal information during the pre-selling period, which can be used to assist in pricing the issue. In order to induce regular investors to truthfully reveal their valuations, the investment banker compensates investors through underpricing (Ritter 1998). Furthermore, in order to induce truthful revelation for a given IPO, the investment banker must underprice

issues for which favourable information is revealed by more than those for which unfavourable information is revealed. This leads to a prediction that there will only be a partial adjustment of the offer price from that contained in the preliminary prospectus to that in the final prospectus. In other words, those IPOs for which the offer price is revised upwards will be more underpriced than those for which the offer price is revised downwards. This pattern is in fact present in the data, as documented by Hanley (1993), (Ibbotson and Ritter 1995).

It is worth noting that this theory would breach section 159 of the South African Companies Act in that no company (issuer) may, within a year after the date of registration of the prospectus, vary or agree to vary the terms of any contract referred to in the prospectus[94]. As such, this theory cannot credibly explain initial underpricing for those issuers orchestrating IPOs on the JSE.

A final criticism against this hypothesis is levelled by Booth and Cau (1996), who state that disguising demand is unlikely to influence the offer price if there is no collusion among investors.

C. The Signaling Hypothesis

Underpriced new issues "leave a good taste" with investors, allowing the firms and insiders to sell future offerings at a higher price than would otherwise be the case (Ritter 1998). This reputation argument has been formalised in several signaling models by Allen and Faulhaber (1989), Welch (1989), and Grinblatt and Hwang (1989).

In these models, issuing firms have private information about whether they have high or low values. They follow a dynamic issue strategy, in which the IPO will be followed by a seasoned offering. There is some probability that investors will become aware of the true value before the seasoned offering, which case any actions undertaken at the time of the IPO will have little consequence for the seasoned offering (Ibbotson and Ritter 1995).

Welch (1989) presents evidence that roughly one-third of the firms going public conduct a seasoned equity issue within the next few years, a proportion that is much higher than one would find among a random sample of New York Stock Exchange firms. Vast empirical studies,

[94] Refer to Addendum 3 'The Prospectus and its Contents'

however, find that the hypothesized relation between initial returns and subsequent seasoned new issues is not present, casting doubt on the empirical relevance of signaling as a reason for underpricing (Ritter 1998 and Ibbotson and Ritter 1995).

A fundamental argument of these theories is that high-quality firms can afford to signal their type by underpricing their IPOs. Low-quality firms do not signal by underpricing their IPOs because they cannot recoup the cost of the signal. The motivation for signalling is based on the assumption that the present value of the future benefit of IPO underpricing is greater than the immediate loss. This assumption, however, lacks empirical support Ruud (1993).

Refutation makes sense. As Smith (1992) notes:

> *"Most firms issue infrequently so that investment in reputation sufficient to protect against overpricing of a give issue would tend to be under-utilised on future issues. In contrast, the reputational capital of an investment banker can be used intensively over time by different firms"*

D. The Bandwagon ('Cascades') Hypothesis

Welch (1992) presents an equilibrium model in which he argues that the IPO market is subject to 'cascades'. In the model, potential investors pay attention not only to their own information about a new issue, but also whether other investors are purchasing (Ibbotson and Ritter 1995).

The IPO market may be subject to bandwagon effects. If an investor sees that no one else wants to buy, he or she may decide not to buy even when there is favourable information. To prevent this from happening, an issuer may want to underprice an issue to induce the first few investors to buy, and induce a bandwagon, or cascade, in which all subsequent investors want to buy irrespective of their own information Ritter (1998).

An interesting implication of the Benveniste and Spindt (1989) dynamic market feedback explanation, in conjunction with Welch (1992) cascades (or bandwagons), is that positively-sloped demand curves can result. In the market feedback hypothesis, the offering price is adjusted upwards if regular investors indicate positive information (Benveniste and Spindt 1989). Other investors, knowing that this will only be a partial adjustment, correctly infer that these offerings will be underpriced. These other investors will consequently want to purchase

additional shares, resulting in a positively sloped demand curve. The flip side is also true: because investors realise that a cut in the offering price indicates weak demand from other investors, cutting the offering price might actually scare away potential investors. And if the price is cut too much, investors might start to wonder why the firm is so desperate for cash. Thus, an issuer faced with weak demand may find that cutting the offer price will not work, and its only alternative is to postpone the offering, and hope that the market conditions improve (Ritter 1995).

The bandwagon hypothesis appears to be compatible with the UK fixed price method, but incompatible with the American Bookbuilding methodology (for firm commitment offerings).

E. The Investment Banker's Monopsony of Power Hypothesis

Baron and Holmstrom (1980) hypothesise that investment bankers take advantage of their superior knowledge of market conditions to underprice offerings, which permits them to expend less marketing effort and ingratiate themselves with buy-side clients for new issues. This theory focuses on information asymmetries between issuing firms and their investment bankers (Ibbotson and Ritter 1995). Baron argues that the discount is due to the superior information of the investment banker who sets the price and distributes the issue.

While there is undoubtedly some truth in this, especially with less sophisticated issuers, when investment banking firms go public, they underprice themselves as much as other IPOs of similar size (Ritter 1998 and Ibbotson and Ritter 1995).

F. The Lawsuit Avoidance Hypothesis

Ibbotson (1975) and Tinic (1988) have suggested that the issuing firm may underprice to reduce legal liability arising from any false or inadequate information in the prospectus. They hypothesize that the issuing firms may underprice their respective IPOs to reduce their vulnerability to such lawsuits.

Tinic argues that several testable propositions attend the lawsuit-avoidance hypothesis: for example, IPOs issued in the US after the passage of the 1933 Securities Act should show larger initial returns than IPOs brought to the market before; experienced investment bankers should discount their offerings less than less knowledgeable competitors; and small and riskier firms going public should tend to discount their IPOs more than firms less likely to face legal liabilities. Since the introduction of the US Securities Act of 1933, all participants in the offer who sign the prospectus are liable for any material omissions, one way of reducing the frequency and severity of future lawsuits is to underprice.

The critics of this theory, such as Ritter (1998) muse that underpricing the IPO seems to be a very costly way of reducing the probability of a future lawsuit. Furthermore, other countries in which securities class actions are unknown, such as Finland, have just as much underpricing as in the US (Keloharju 1993).

Problems arise in testing these predictions, however (Keloharju 1993). As documented by Ibbotson, Sindelar, and Ritter (1988), for example, average initial returns show large periodic variations, so it is difficult to isolate the effect of the Securities Act. Moreover, similar predictions arise from different theoretical models. For instance, the models of Beatty and Ritter (1986) and Carter and Manaster (1990) share some of the predictions of the lawsuit-avoidance hypothesis. Therefore, it is difficult to devise a clean test of the hypothesis, or to estimate the extent to which potential legal liabilities affect the observed initial returns (Keloharju 1993).

Whilst no studies of this theory have been conducted on the JSE, it is noted more especially for VCM listings the ‘risk of investment’ and that potential investors are urged to seek independent financial and legal advice before committing themselves[95]. Thompson (1987) reported that the prospectuses of several companies seeking a listing on the JSE, during the listing boom of 1985 to 1987, contained numerous errors and inconsistencies. Furthermore, these errors had a material bearing on the price of the securities offered. It was also revealed that companies seeking a listing on the DCM sector were often guilty of inadequate disclosure in their prospectuses. The directors are legally responsible for ensuring that information contained in a prospectus is both accurate and sufficiently complete so as not to be misleading (Bhana 1989 and Thompson 1987).

[95] Refer to Addendum 4 ‘Pre-listing statements’, paragraph 6.15 and Addendum 5 ‘The Prospectus and its contents’

Keloharju (1993) notes that in Finland, evidence that litigation typically results from some unfavourable company-specific news in the aftermarket and not from IPO overpricing on the first trading day.

G. The Regulatory Restraint Hypothesis

Underpricing in IPOs may be caused by regulators who require offer prices to be set lower than they otherwise would be. This argument has limited relevance for the U.S. (Ibbotson and Ritter 1995).

In some other countries, however, regulators require that offer prices be set based upon book values (for example Japanese IPOs prior to the introduction of reforms in 1989). For companies with valuable growth opportunities that are not reflected in their book values, this results in underpricing. Ibbotson and Ritter (1995) maintain that the extremely high average initial returns that exist in some countries (refer to Table 3.5.) are due to government regulation of offering prices.

Su and Fleischer (1997) provide convincing facts as pertaining to the Chinese IPO market, which clearly supports, too a greater degree, the regulatory constraint hypothesis for this market. The aggregate amount of new shares to be issued each year is determined by a quota system set up by the Chinese State Planning Committee, the central banks and the Chinese Securities Regulatory Committee. The equity quota is then distributed to the individual provinces. Within each regional quota, the local security regulatory authorities invite enterprise to request a listing and make a selection based upon strict criteria.

There are five types of equity classifications within the Chinese multi-tier system (Su and Fleischer 1997):

a. Government shares, which are retained in the State Institutions and government departments. These shares are strictly non-tradable;
b. Legal entity, or class ‘C’ shares which are held by the state-owned enterprises and cannot be listed nor traded on either of the two official exchanges, being the Shanghai and Shenzhen Securities Exchanges;
c. Employee shares, which are non-tradable until the firm allows convertibility;

d. Ordinary domestic individual, class 'A', shares which can only be purchased and traded by private Chinese citizens; and
e. Foreign individual shares, which can only be purchased and traded by foreign investors, either in China, Hong Kong and NYSE - class 'B', 'H' and 'N' shares respectively.

Furthermore Su and Fleisher (1997) report that the Chinese government maintains control, in varying degrees, over most issuers IPOs – ranging from 10% to 88% ownership of an issuers ordinary issued share capital.

Whilst there are no restrictive nor legislative norms governing the pricing of IPOs in South Africa (hence this theory has very limited applicability) the closing remarks of Ibbotson and Ritter (1985) could hold some truth for IPOs listing on the JSE. Issuers wishing to list on the JSE can do so utilising one of three boards as discussed in Chapter 2. It is well worth remembering that the JSE Listing Requirements (governing all listings on the JSE) have set minimum list issue prices for these respective list boards. The minimum list issue prices for the Main Board is R1.00, the Development Capital Market and Venture Capital Market R0.50 (per paragraphs 4.25 (f), 4.27(c)(vi) and 4.26 (f)(v) of the JSE Listing Requirements respectively).

H. The Reduced Monitoring Hypothesis

Brennan and Franks (1997) argue that firms may want to underprice in order to have a diffused ownership base. They do not assume that this is necessarily in shareholders' best interest; however, entrenched management may result in a lower firm value. Presumably, the managers of some firms are willing to underprice for these control reasons, to the detriment of shareholders. Other managers may want to underprice in order to enhance liquidity, to the benefit of shareholders (Ibbotson and Ritter 1995).

Another reason, suggested by Brennan and Franks is that a small offer price and the consequent large oversubscription level may be because of a deliberate attempt by the issuing firm to create a widespread ownership of the firm (Chowdhry and Sherman 1996).

This would appear not to be a general explanation to the initial underpricing phenomena and compatible with countries where there is separation of ownership and control and where hostile takeovers are possible (Chowdry and Sherman 1996b).

I. The Improved Liquidity Hypothesis

Issuing firms may intentionally underprice their shares in order to generate excess demand and be able to have large number of small shareholders. This dispersed ownership will both increase the liquidity of the market for the stock, and make it more difficult for outsiders to challenge management (Ibbotson and Ritter 1995).

Booth and Chua (1996) argue that investors will be willing to price stock using a lower discount rate if they expect a liquid market for their shares. Thus, the aftermarket price depends upon the dispersion of ownership.

However, Booth and Cau (1996), admit that the improved liquidity hypothesis is:

> *"…not mutually exclusive of previous explanations of underpricing based on adverse selection, information collection, or signaling".*

J. The Market Incompleteness Hypothesis

Another explanation first proposed by Mauer and Senbet (1992), which may have some relevance for companies in new industries, is that investors in IPOs may have to be compensated for 'market incompleteness'. If there is some segmentation between the market for IPOs and the broader capital market, purchasers of IPOs may receive some premium to compensate them for bearing diversifiable risk Ibbotson and Ritter 1995.

Mauer and Senbet (1992) provide a model with segmented markets in which this occurs. They also present evidence that is consistent with their model, although in common with most empirical work on IPOs, the evidence is also consistent with alternative explanations.

K. The Stabilisation Hypothesis

Ruud (1993) argues that the practice of 'stabilisation' by investment bankers results in average initial returns that are substantially overstated. Stabilisation is the practice of buying large number of shares in the immediate aftermarket in an effort to prevent the price from falling. As stabilisation causes supported IPOs to trade above their free market prices, it appears to be a form of stock price manipulation. Indeed, in the US, the SEC itself has long recognised stabilisation as a manipulative practice, for example SEC Release No. 2446 (Prabhala and Puri 1998).

Nevertheless, stabilisation is specifically exempt from anti-manipulative provisions of the 1934 United States Securities Act, providing it is carried out within certain parameters specified with in the Act. For instance, stabilisation can only last for a reasonable time, and issues cannot be stabilised above the offer price. Additionally, the law requires underwriters to explicitly disclose the possibility of price support in the pre-IPO prospectus (Prabhala and Puri 1998).

New issues typically include (in the US.) overallotment options whereby an investment banker can sell 115 percent of the issue size, and then retire the incremental 15 percent if these shares are immediately resold ('flipped') by investors without other buyers being willing to pay a price at or above the offer price. Direct evidence, however, does not support Ruud's hypothesis that, after adjusting for the effect of underwriter support, the average initial return is close to zero (Ibbotson and Ritter 1995)

Using a sample of 510 firm commitment IPOs from 1982 through 1983, Miller and Reilly (1987) report that 30 percent of the sample has non-positive market –adjusted one-day returns. These issues underperform by an average of 3.9 percent during the next four weeks, whereas the other 70 percent of the issues outperform the market by 1percent. Given that the average initial return for this sample was 9.9 percent, the effect of the stabilisation activities is to decrease the average initial return to about 9 percent at worst (Ibbotson and Ritter 1995). Ruud uses a virtually identical sample of 463 firm commitment IPOs from 1982 through 1983. She also uses logarithmic returns, which given the skewness of initial return distributions, results in a lower mean than when more conventional return computations are used (Ibbotson and Ritter 1995).

The stabilisation hypothesis presented by Ruud (1993) is based upon the fact that researchers have largely ignored the influence of underwriter price support on IPOs. This article reassesses that evidence by examining not just the mean but also the distribution, of initial returns of IPOs. Instead of forming a symmetric curve centered over a positive mean, the distribution of one-day

returns is found to peak steeply around zero and includes very few observations in the negative tail. In contrast to the current view that IPO underpricing is undertaken deliberately, the findings here suggest that the apparent underpricing (that is, high average initial returns) may be largely attributed to the frequent market practice (in the US) of underwriter price support or stabilization.

When prices are actively supported in the aftermarket, observations that would have occurred in the left tail of the distribution (that is, negative returns) may be propped up to a zero or slightly negative return by a standing purchase order either at or slightly below the offer price. Ruud (1993) finds that the shapes of the distributions of one-day, one-week, two-week, three-week, and four-week initial returns suggest the initial impact and gradual withdrawal of underwriter price support in a number of respects. Particularly convincing is the fact that a quarter of one-day returns are zero, most of which subsequently exhibit zero or negative returns. Furthermore, when the artificial suppression of the left tail of the distribution at zero is taken into account through *Tobit* analysis, the adjusted mean one-day return is close to zero and the underlying distribution of returns is found to be nearly symmetric, consistent with the behaviour of ordinary daily returns.

Statistical analysis provides a means of evaluating whether IPO underpricing is a deliberate strategy or a consequence of underwriter price support. If IPO underpricing were done deliberately across the board, the distribution of a sample of IPO initial returns would approximate a bell-shaped curve with the peak of the distribution centered on a greater than zero. In fact, however, relatively few IPOs sink much below their offering price immediately. Instead of forming a bell shaped curve with a positive mean, the distribution of one-day returns peak steeply around zero and the tail of the distribution is significantly curtailed (Ruud 1993).

Underwriter price support affords a plausible explanation for the positively skewed distribution of initial IPO returns. If investment bankers are actively supporting prices in the after market, observations that would have occurred in the left tail of the distribution (i.e., negative returns) are propped up to a zero or slightly negative return by a standing purchase order either at or slightly below the offer price. The statistical term for this effect is censoring. A sample is said to be censored if there is some threshold level beyond which actual values are not observed, it is only known that the true values are at or beyond the threshold level. In the case of initial IPO returns, the threshold is zero. Initial returns of zero are observed in instances that would have yielded negative returns in the absence of underwriter price support. Thus, systematic price support allows the right tail (positive returns) to be observed, but not the true left tail (Ruud 1993).

Many theories rest on the premise that the observed positive mean initial IPO returns result from deliberate underpricing or what might be termed price shaving, but these theories do not explicitly model the process (Ruud 1993). It is shown in this paper that if offering prices were unbiased forecasts of the true market price then the mean of the distribution of initial returns would be zero. If price shaving occurs, the distribution of initial returns should have the same shape (normal, if the forecast errors are normally distributed) but should be shifted by the degree of price shaving. Thus the mean of the distribution would change, but not the shape.

The assumption of log-normal distribution of the errors is justified by the nature of the pricing process and, in turn, by the central limit theorem. The pricing process involves the collection of many pieces of information, such as indications of interest from prospective buyers, company fundamentals, and stock prices of comparable firms. The central limit theorem states that the sum of a large number of independent random variables is approximately normally distributed.

The actual data yield a distribution that is not normal or symmetric but may plausibly be explained as a result of underwriter price support. Further support for the notion that underwriter price support may be sufficient to explain high mean initial returns of IPOs is provided by price support simulations which yield distributions closely approximating the actual data (Ruud 1993).

The data collected to analyse the distribution of initial returns consist of all the firm-commitment IPOs of common stock occurring in 1982 and 1983 with two-week and four-week aftermarket stock price data.

The extreme peakedness at zero and the asymmetry of the one-day initial return distributions are clearly seen. In a symmetric distribution, the mean and median coincide and the Ruud study shows a large disparity between the mean and median that decrease as the time interval of the return measurement increases, an indication of positive by decreasing skewness.

The minimum observation in the left tail (price declines) drops from –0.288 on the first day to –0.429 at the end of the first week. The maximum on the upside changes considerably less, from 0.626 to 0.658. These observations suggest the removal of price support in the first week or two.

Maximum observations are similar for each distribution, since there is no price intervention on the upside. The marked drop in the lower range accords with the substantial removal of price

support between the first day and the end of the first week. The standardised skewness measure based on the third moment of a distribution is found to be significantly positive but decreasing over longer holding periods. This pattern occurs when price support initially prevents the true left tail of the distribution from being observed. Positive skewness would decrease as price support was withdrawn.

The censoring effect of underwriter price support would also cause the distribution of returns to be excessively around zero. The reported kurtosis of the distributions, which helps describe the extent to which a distribution is peaked or flat, provides further indication of the influence of price support. The kurtosis decreases as the holding period lengthens, and the four-week initial returns distribution's kurtosis not significantly different from that of a normal distribution. The kurtosis tests for normality are confirmed by chi-square goodness-of-fit tests, which find that the null hypothesis of normality for the one-day, one-week, two-week, and three-week distributions can all be rejected at the 1- percent level of significance. However, the null hypothesis that the four-week distribution is normal cannot be rejected. High initial kurtosis that decreases as the holding period lengthens suggests that underwriters may at first intervene to support IPO prices and then withdraw their support over time. The extreme positive skewness of the one-day IPO initial returns distribution is a strong indication of underwriter price support.

In the case of initial returns of IPOs, underwriter price support may cause the sample to be censored at zero. The *Tobit* method is employed here to estimate the censored sample's true mean, given the assumption of censoring at zero. *Tobit* analysis uses the method of maximum likelihood to estimate the mean of a sample, conditional on the information that the sample is censored. In contrast to the simple mean of 0.064, the *Tobit* estimate is found to be 0.015.The *Tobit* mean is not significantly different from zero, and 95 percent confidence intervals for the simple mean and the *Tobit* mean do not overlap. Furthermore, the *Tobit* mean is quite close to the median of 0.020. The close coincidence of the mean and median is in keeping with a symmetric distribution. Thus, conditional on the information that the sample of one-day returns is left-censored at zero, we find that the implied underlying distribution is nearly symmetric, consistent with findings for ordinary daily returns, and the mean return is a modest 1.5 percent. Such a small return would typically be within the bid-ask spread range for over-the-counter stocks, and as such would not represent a tradable profit opportunity.

The shapes of the observed distributions of IPO initial returns over successively longer holding periods suggest that underwriter price support plays a significant role. Furthermore, the *Tobit* estimate of the mean of the on-day distribution of initial returns accords quite well with the

hypothesis those positive mean initial returns are largely due to underwriter price support. 59 percent of the one-day initial returns range between –5 percent and 5 percent.

In 25 percent of the one-day initial return observations, the closing price is the same as the offering price (a return of zero). The concentration of the observed distribution of initial one-day returns around zero indicates the potentially strong influence of price support. The tendency for most of those stocks with one-day returns in the zero return range to fall in price, thus yielding negative one- and two-week returns, is also consistent with the gradual withdrawal of price support. The distinct migration of those observations in the 0-5 percent return range at the one-day interval to the negative tail for the one-week initial return interval is consistent with the finding that most stabilisation is terminated within one week.

In comparison, the subsequent returns of those IPOs with positive one day returns divided evenly between increasing and decreasing and a smaller percentage of them remain unchanged. Specifically, of those IPOs with strictly positive one-day returns, 43 percent increase in price, 45 percent decrease in price, and 12 percent are unchanged by the end of the first week.

The Prabhala and Puri (1998) empirical study focused on a large sample 2,723 US IPOs brought to market between 1985 and 1994. Consistent with the theory, they found that underwriters tend to support IPOs with low initial returns and hence, low *ex ante* price risk[96]. Furthermore, they provide evidence to reject the Law Suit Avoidance Liability hypothesis put forward by Ibbotson (1975) and Tinic (1988)[97].

In conclusion, the theory of underwriter price support, whilst legal in the United States (known as stabilisation), moves away from the information asymmetry between informed and uninformed investors. This is as a result of the fact that this stabilisation is public domain knowledge (in terms of the United States Securities Act of 1934). Underwriter price support (or stabilisation) involves transactions that prevent or retard a decline in the market price of a security and is intended to facilitate a distribution. Given the crucial role investment bankers play in IPOs (Beatty and Ritter (1986), Carter and Manaster (1990)) it is a rational theory that could provide a credible answer to the short-run underpricing puzzle.

[96] Refer to Chapter 5
[97] Refer to Paragraph F *supra*

Although such underwriter stabilisation is illegal in South Africa (a manipulative stock practice), and given the role investment bankers and (notably) the sponsoring broker play it is not unfeasible that such practices enhance their reputations.

Statistical analysis provides a means of evaluating whether IPO underpricing is a deliberate strategy or a consequence of underwriter price support. Ruud (1993, 140) asserts that if IPO underpricing were done deliberately across the board, the distribution of a sample of IPO initial returns would approximate a bell-shaped curve with the peak of the distribution centered on a return greater than zero.

However, Ibbotson and Ritter (1995) argue that the evidence of Miller and Reilly (1987) refutes Rudd's hypothesis. They criticise the hypothesis in that:

> "…*she uses logarithmic returns, which, given the skewness of initial return distributions, results in a lower mean than are used."*

Further, Asquith et al (1998) find that the distribution of IPO returns is a mixture of two normal distributions, one centered on zero, consistent with Rudd's stabilisation hypothesis and one centered on a positive mean, consistent with underpricing.

III. IRRATIONAL PRICING STRATEGIES

Ritter (1991) examines aftermarket returns for up to three years for 1,526 IPOs issued between 1975 and 1984. He lists three possible reasons for his findings: fads and over market optimism, risk mis-measurement, and bad luck. Whilst the purpose of this study is to examine the short-run underpricing puzzle, briefly, three theories have been proposed to explain the phenomena of the long-run underperformance of IPOs (Ibbotson and Ritter 1995).

A. The Divergence of Opinion Hypothesis

One argument is that investors who are most optimistic about an IPO will be the buyers. If there is a great deal of uncertainty about the value of an IPO the valuations of the optimistic investors will be much higher than those of pessimistic investors. As time goes on and more information

becomes available, the divergence of opinion between optimistic and pessimistic investors will narrow, and consequently, the market price will drop. This hypothesis predicts that IPOs will underperform in the long run (Ritter 1998).

B. The Impresario ('Fads') Hypothesis

The "impresario" hypothesis argues that the market for IPOs is subject to fads and that IPOs are underpriced by investment bankers (the impresarios) to create the appearance of excess demand, just as the promoter of a rock concert attempts to make it an "event". This hypothesis predicts that companies with the highest initial returns should have the lowest subsequent returns. There is some evidence of this in the long run, but in the first six months, momentum effects seem to dominate. One survey of individual investors in IPOs found that 26 percent of the respondents did any fundamental analysis of the relation between offer price and the firms underlying value (Ritter 1998).

C. The Window of Opportunity Hypothesis

If there are periods when investors are especially optimistic about the growth potential of companies going public, the large cycles in volume may represent a response by firms attempting to "time" their IPOs to take advantage of these swings in investor sentiment. Of course, due to normal business cycle activity, one would expect to see some variation through time in the volume of IPOs. The window of opportunity hypothesis predicts that firms going public in high volume periods are more likely to be overvalued than other IPOs. This has the testable implication that high-volume periods should be associated with the lowest long-run returns. This pattern indeed exists (Ritter 1998).

Bhana (1989) contends that the huge premiums accompanying a listing during the study period can be regarded as an overreaction to the favourable news associated with the market listing. The pattern of security prices around the listing dates, in which shares earn positive excess returns immediately upon listing and negative excess returns for a period up to 12 months, is on average, consistent with the 'overreaction' hypothesis. Bhana (1989) concludes that the market for new listings was based more on speculation and rumours than on investment fundamentals.

Brav and Gompers (1997) investigate the long-run underperformance of IPOs in a sample of 934 venture-backed IPOs for the period 1972 through 1992 and 3407 nonventure-backed IPOs from 1975 through 1992. They find that venture-backed IPOs outperform non-venture backed IPOs using equal weighted returns. Value weighting significantly reduces performance differences and substantially reduces underperformance for nonventure-backed IPOs. In tests using several comparable benchmarks and the Fama-French (1993) three-factor asset-pricing model, venture-backed companies do not significantly underperform, while the smallest nonventure-backed firms do. Underperformance, however, is not an IPO effect. Similar size and book-to-market firms that have not issued equity perform as poorly as IPOs.

IV. HOT ISSUE MARKETS

'Hot issue' markets were first documented in the academic literature by Ibbotson and Jaffe (1975) who defined 'hot issue' markets as:

> *"Periods in which the average first month performance (or aftermarket performance) of new issues is abnormally high".*

This is a pattern in that cycles exist in both the volume and the average initial returns of IPOs (Hanley and Ritter 1992, Ritter 1984, and Ritter 1998).

Ritter (1984) found that there had been three or four periods during 1960 through 1982, in the US, in which monthly average initial returns on unseasoned new issues had been extremely high for prolonged periods. This period included the hot issue market of 1980, a 15-month period during which the average initial return was 48.4 percent, as contrasted with an average initial return of 16.3 percent during the rest of the 1977 through 1982 period.

Inspection of Ritter's figures shows that high initial returns tend to be followed by rising IPO volume. The periods of high average initial returns and rising volumes are known as hot issue markets. The volume of IPOs both in the US and other countries, show a strong tendency to be high following periods of high stock market returns, when stocks are selling at a premium to book value (Ritter 1998).

A. Explanations as to Hot Issue Markets

Rational explanations for the existence of hot issue markets are difficult to come by. One reason that the average initial return changes over time is that the type and quality of companies going public changes. This “changing risk composition” might be able to account for some of the dramatic swings in average initial returns, since cross-sectionally; riskier issues tend to be underpriced to a greater extent. If there are some periods in which the firms going public are riskier than in other periods, the periods with the riskier firms will have higher average initial returns. Although there is some evidence that riskier issues characterize the hot issue periods, the amplitude of the cycles in average initial returns is far greater than can be accounted for by the changing risk composition hypothesis (Ritter 1984 and 1998).

A second possible explanation for the existence of hot issue markets is that some investors follow strategies in which they assume that there is positive autocorrelation in the initial returns on IPOs. These investors are willing to bid up the price of an issue once it starts trading of other recent issues have risen in price. If enough investors follow such a strategy, they may induce the positive autocorrelation of initial returns that they assumed (Ritter 1984 and 1998).

A third possible explanation is that mutual funds are more willing to buy IPOs in periods when they have a net inflow of cash than when there is a net outflow. Since many of these money managers are making the same decisions, these sharp swings in demand for IPOs might lead to under- or over-valuations, depending on whether money is flowing in or out. Companies observing this might attempt to take advantage of a period of high valuations by timing their issues for these periods. This does not explain, however, why they would set the offer price far below where they expect the stock to trade (Ritter 1984 and 1998).

Hot issue markets exist in other countries as well as the US. For example there was a hot issue market in the UK between the “Big Bang” in October 1986 and the crash a year later. In South Korea, there was a hot issue market in 1988 that coincided with a major bull market.

B. Existence of Hot Issue Markets in South Africa

Lawson and Ward (1998) found that in South Africa, hot/cold cycles have taken approximately 10 years to complete and that two complete cycles occurred in the 20 year period from 1975 to 1995, one of which was apparent in the ten-year period from 1986 to 1995.

Average initial returns in hot periods, cold periods and the entire period were 34 percent, 12 percent and 27 percent respectively. The hot issue sample size was 209 issues, which occurred over a total period of two years; the cold issue sample size was 99 issues. Initial returns in hot periods were found to be significantly greater than initial returns in cold returns periods using a *t*-test. Lawson and Ward (1998) concluded that the aftermarket performance of shares is significantly different for hot and cold periods. These results are reported per Table 5.1 below.

Bhana (1989), as with Ibbotson *et al* (1994), showed that whilst significantly higher initial returns could be identified for hot periods, this was not the case with aftermarket returns. Lawson and Ward (1998), however, concluded hot period shares continued to outperform cold period shares in the aftermarket.

YEAR	NUMBER OF LISTINGS	AVERAGE INITIAL RETURN (PERCENT)	LISTINGS IN HOT PERIODS	LISTINGS IN COLD PERIODS
1975	4	24	-	4
1976	0	-	-	-
1977	1	26	-	1
1978	4	25	4	-
1979	10	26	10	-
1980	7	26	-	7
1981	10	25	-	10
1982	7	9	-	7
1983	7	38	-	7
1984	13	23	-	13
1985	16	56	-	16
1986	67	36	67	-
1987	211	34	211	-
1988	41	6	-	41
1989	21	13	-	21
1990	23	0	-	23
1991	16	15	-	16
1992	14	13	-	14
1993	15	3	-	15
1994	23	29	-	23
1995	15	12		15
Total	**525**	**-**	**292**	**233**
Mean	**25**	**21.95**	**73.00**	**14.56**
Median	**14**	**24.50**	**38.50**	**14.50**

Table 4.1: Occurrence of Hot Issue markets in South Africa for the twenty years 1975 – 1995 (adapted from Lawson and Ward 1998)

CHAPTER FIVE

DATA COLLECTION METHODOLOGY

I. INTRODUCTION

In order to empirically test JSE list types and methodologies, initial underpricing, the winners curse (both directly and indirectly) and the proxies for issuer risk for new issues listing (with or without the simultaneous IPO of stock) on the JSE for the calendar years 1995 through 1999, the following data sets were required:

A. The Research Sample
B. Prospectus and Pre-listing Statement Data
C. Daily Share Price Data for the Research Sample
D. Johannesburg Stock Exchange Member Firms
E. JSE List Boards and Sector Classification Data
F. Interest Rates, Market Indices and Dividend Yields
G. Consumer Price Indices
H. Results of Public and Preferential Offers.

A. The Research Sample

For the purposes of this study, the sample of new applicants comprised two population's viz., a 'Total Sample Population' and a 'Research Sample Population'.

1. The Total Sample Population ("TSP")

The TSP comprised 321 new applicants orchestrating a listing of a new issue on the JSE, either via the 'front' or 'back door'[98], irrespective of whether the listing was an IPO or an Introduction[99], for the five-year period March 1995 through December 1999 (hereafter the "sample period").

The first reference source of data for the TSP was the JSE Listing Division. A database was obtained from the JSE Listing Division in the form of a Microsoft Office 2000 Excel spreadsheet (hereafter "Excel"). On closer inspection it was found that this database contained only new applicants that had listed new issues during the sample period and were concurrently listed on the JSE as at June 2000. Alternative sources of data were sought to supplement the JSE database for those new applicants that had listed new issues during the sample period and subsequently de-listed, been placed under suspension or had effected a name change[100].

This supplementary data was manually inputted from the Financial Mail Top Companies, Financial Mail Special Survey (1996, 1997, 1998, 1999 and 2000); The Investors Guide, The Investors Guide: The Johannesburg Stock Exchange (1996, 1997, 1998, 1999 and 2000); Finance Week, The F&T 200 (2000), Profile's Stock Exchange Handbook (1997, 1998, 1999, 2000_a and 2000_b) and Profile Media, Share Data: Delisted Companies (1999).

Addendum 9 contains a detailed schedule of the TSP, comprising the 321 new applicants – with their respective JSE codes and listing dates. The summary of the TSP for the respective years comprising the sample period is reflected in Figure 5.1 below.

[98] Refer to Chapter 2, Part IV, Section G, Paragraph 2
[99] Refer to Chapter 2, Part IV, Section G, Paragraph 4
[100] Refer to Addendum 11 for detailed schedules of Name Changes

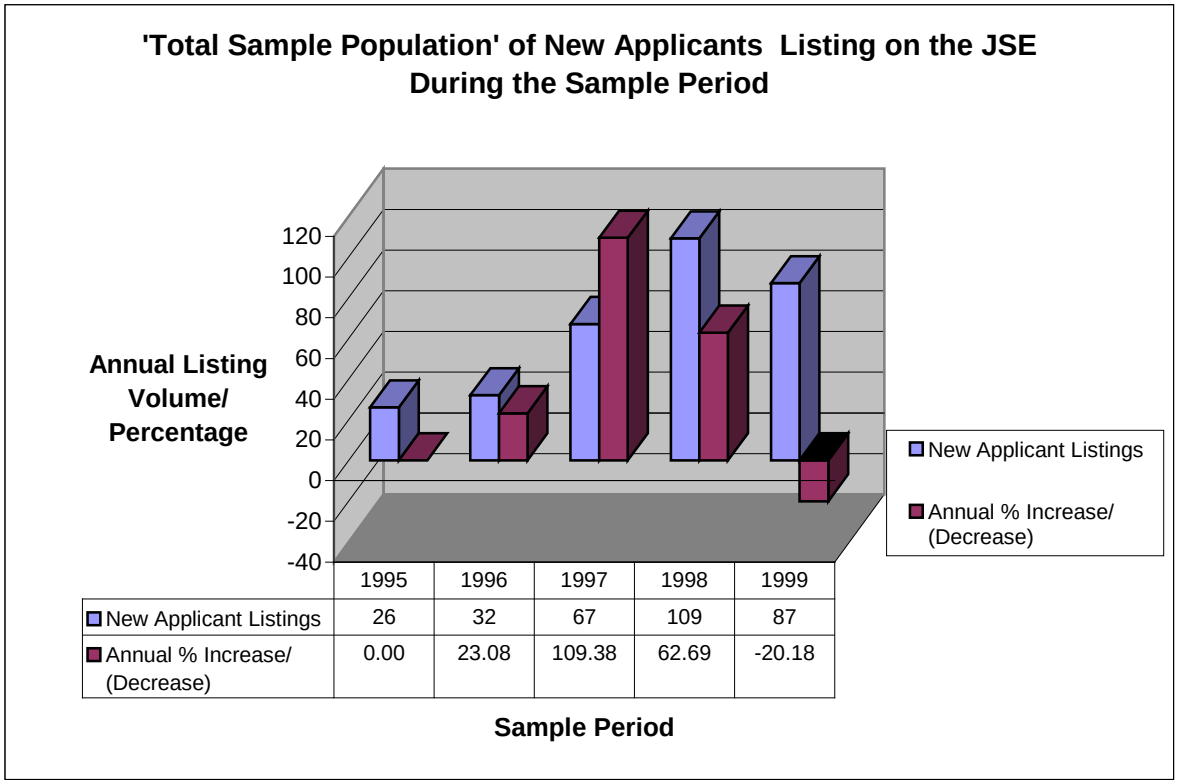


Figure 5.1: Total sample population of new applicants orchestrating the listing of new issues on the JSE for the five-year sample period

2. The Research Sample Population ("RSP")

The RSP comprises 161 new applicants orchestrating a primary 'front door' listing and IPO on the JSE in the sample period for which a prospectus and/or a pre-listing statement were available.

The process of establishing the RSP was to primarily exclude from the TSP those new applicants listing on the JSE not accompanied by an offer of equity also known as Introductions. The exclusion of Introductions from the RSP is similar to the methodology used by Ljungqvist (1997).

Thus, the RSP, by the exclusion of Introductions from the TSP, comprises new applicants orchestrating an IPO on the JSE for the sample period. For the purposes of this study it was decided to further exclude from the RSP those new applicants:

a) having their primary listing on a foreign bourse (hence orchestrating a secondary listing on the JSE);
b) implementing a reverse (or back door) listing; and
c) those new applicants for which no prospectus and/or pre-listing statement was available.

Table 5.1 sets out the RSP of new applicants taking into account (and enumerating) the exclusions per (a) through (c) supra. The addition of the RSP, Introductions and exclusions (a) through (c) yields the TSP.

Year of Listing	IPO Research Sample Population	New Applicants Listing as Introductions	Missing Prospectus/Pre-listing Statements Paragraph (c)	Foreign Bourse Primary Listings paragraph (b)	Back Door (Reverse) Listings paragraph (a)
1995	**2**	3	21	0	0
1996	**17**	7	6	0	2
1997	**26**	20	12	1	8
1998	**64**	27	11	1	6
1999	**52**	17	7	5	6
Total	**161**	74	57	7	22

Table 5.1: The RSP and exclusions of new applicants orchestrating the listing of new issues on the JSE for the five-year sample period

The decision to exclude from the sample population all new applicants utilising the method of back door listings on the JSE was based as follows:

a) the majority of back door listings were in fact Introductions; and
b) it was found that the daily share price data of the new applicant was quoted on the JSE as the closing share price of the target firm for some time after the new applicant reversed into the target company. This caused serious data anomalies when calculating initial returns (for up to four weeks ex post listing date). A good example of this anomaly was the backdoor listing of Oxbridge Limited into Bivec Limited. Whilst the effective date of listing Oxbridge was 24 March 1998 (Oxbridge simultaneously placing equity at some

50 cents per share) the closing price of 'Oxbridge' was reflected as the Bivec closing share price of some R 10, 50 for the first day and some three weeks thereafter. This obviously yielded a trite initial return on the Oxbridge IPO of in excess of 2,000 percent.

This study relies very heavily on the availability of information pertaining to the new applicant, for example, whether the new applicant is orchestrating an IPO, the Method and Type of offer[101], the quantum of the issue, minimum subscription, the cost of the listing (JSE costs as well as the corporate advisory team) and the use of proceeds. This information is primarily obtained from a prospectus and/or pre-listing statement and as such new applicants for which the prospectus and/or pre-listing statement were unavailable were excluded from the research sample population. Paragraph B hereunder sets out, inter alia, the data required from the prospectus and/or pre-listing statement.

It is worth noting that previous South African academic studies concerning themselves with the pricing of new equity issues on the JSE and the marketing thereof did not account for the aforementioned shortcomings in their data sample viz., Allan (1986), Barlow and Sparks (1986), Berman (1998), Bhana (1989), Bradfield and Hampton (1989), Hackner (1982), Lawson (1996), Lawson and Ward (1998) and Snyman (1991).

B. Prospectus and Pre-listing Statement Data

The TSP and RSP data matrix so created is arguably among the most thorough and unique data sets agglomerated in the series of similar South African studies pertaining to initial underpricing of new listings on the JSE.

This data matrix relied heavily upon inter alia examining each prospectus and/ or pre-listing statements of the 321 new applicants from the TSP for which a prospectus and/or pre-listing statement was available[102].

The primary source of prospectus and pre-listing statements was obtained from the McGregors Raid Internet Application System (hereafter "RAID System") subscribed to by Nedcor Investment Bank. The RAID System, in MS-Word format, comprises (for all listed companies from the third quarter of 1995 through to the current date) press releases, interim reports,

[101] See Paragraphs B (11) and (12) below

annual results, circulars to shareholders, quarterly reports, annual reports, prospectuses and pre-listing statements.

Some 2, 4 billion bytes of prospectus and pre-listing statement information in MS-Word format was backed up onto compact discs (CD-ROMS). It was noted that certain prospectuses and pre-listing statements were not available on the RAID System. This was primarily due to the fact that the RAID System contained data from the latter months of 1995 onwards.

The missing RAID System prospectuses and/or pre-listing statements were sought from the original listing share registrars. This was complex task in as much as one has to look up the listing share registrar for each issue, only to find that over the period under review, certain registrars ceased operating and/or were merged with other share registrars[103].

It is also worth noting that a limited number of prospectuses and pre-listing statements are printed and as such it was found that for certain older listings (especially those issuers listing in the 1995, 1996 and 1997 calendar years) no further copies could be obtained from registrars. For future research it should be noted that in general sponsoring brokers do not necessary have such copies and/or are very uncooperative in this regard.

The content and disclosure requirements of prospectuses and pre-listing statements are governed respectively by the Companies Act[104] and the JSE Listing Requirements[105]. The data set obtained from the pre-listing statements and prospectus comprised the following:

1. Issuer Detail
2. List Date
3. Use of proceeds
4. Revenues for the previous financial year
5. Application open, close and refund dates
6. Total Listing and Advisors Expenses
7. Minimum Subscription
8. The Corporate Advisory Team
9. Sponsoring Brokers
10. Underwriter

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[102] Refer to Table 5.1
[103] Refer to Addendum 16, Part F
[104] Section 148
[105] Section 6

11. Method of Offer
12. Type of Offer
13. Issue Detail
14. Pre-issue Detail

1. Issuer Detail

The 'issuer' is the company orchestrating a listing with a simultaneous IPO on the JSE irrespective of the 'Method' or 'Type' of offer (referred to in paragraphs (11) and (12) respectively). The issuer data matrix comprised those issuers of the TSP, not being Introductions, for which prospectuses and/or pre-listing statements were available. The issuer data matrix comprised the name of the issuer, the JSE list code (at the date of listing) and the list date (the date the issuer was admitted to the JSE List).

It was important in the creation of the issuer matrix to record for each issuer the original JSE list code. In order to be able to match the issuer with, for example, the daily share trade data subsequent to listing. Further, the JSE list codes were used as a source of reference in matching the various databases created during this study. It was not uncommon for the issuer's JSE list code to change over time (especially as a result of a reverse listing and/or merger with another company or name change) and as such the JSE list code was tracked for each list year subsequent to listing. If indeed the issuers JSE list code changed, the database was amended accordingly to account for this change and match the new JSE code to the issuer and ex post listing share trade data. Addendum 9 contains the data matrix of the issuers, original JSE list code and the date of admission to the list for the 261 issuers.

2. List Date

The 'list date' is the date at which the security is admitted to the list and is thus "listed". The list dates for TSP of new applicants were manually inputed into the data matrix in alphanumerical sequence[106].

The list dates were sourced primarily from the prospectus and pre-listing statements. Where the prospectus and/ or the pre-listing statements were not available, list dates were obtained from the Financial Mail Top Companies (1996, 1997, 1998, 1999 and 2000), Finance Week The F&T 200 (2000) and The Investors Guide The Investors' Guide: The Johannesburg Stock Exchange (1995_a, 1995_b, 1995_c, 1995_d, 1996_a, 1996_b, 1996_c, 1996_d, 1997 1998_a, 1998_b, 1998_c, 1998_d, 1999_a, 1999_b, 1999_c and 2000).

Upon examining the data it was often found that the issuer's list date contained in the prospectus and/or the pre-listing statement did not always coincide with the actual date of the issuer listing. This is because the prospectus and/or pre-listing statement discloses the 'anticipated date of listing'. Where anomalies of this nature existed, the alternative sources of data were examined (above) and the 'actual' list date was accordingly captured into the database.

3. Use of proceeds

In South Africa, the term used in prospectuses and pre-listing statements is known as the "purpose of the offer or issue" and is a disclosure required in both prospectuses and pre-listing statements[107].

The purpose of the issue or offer is a statement of the purpose of the issue giving reasons why it is considered necessary for the applicant to raise the capital offered, or if it is a sale, the reasons therefore[108]. Refer to Addendum 3 and Addendum 4 for the respective disclosures in terms of the Companies Act[109] and the JSE Listing Requirements[110].

The content of the uses of proceeds section in a prospectus and/or pre-listing statement can range from no mention of specific uses to detailed cost allocations for the firm's expected production-investment decisions (Beatty and Ritter 1986).

Figure 5.2 graphically sets out the range of the 'use of proceeds' (if any) disclosed by 262 new applicants as a sub-section of the TSP for which a prospectus and/or pre-listing statement was

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[106] Refer to Addendum 9
[107] Part I of Schedule 3, paragraph (g) of the Companies Act and paragraph 7.C.1 of The JSE Listing Requirements respectively
[108] Paragraph 7.C.1 of The JSE Listing Requirements
[109] Paragraph II A
[110] Paragraph IX

available. The methodology of obtaining this data was simply a question of totalling the *unique* uses of proceeds disclosed by the issuer in the prospectus and/or pre-listing statement. It should be noted that whilst prospectus and/or pre-listing statements were available for 264 new applicants, two prospectuses were incomplete and hence were excluded. The weight to be placed on the purpose of the issue or offer could be questionable considering the controversy with certain DCM IPOs during the JSE listing boom of 1985 through 1987. Many companies did not specify the intended use of the capital raised in their offer documents and, furthermore, some companies reported in their prospectuses that the capital was raised for the general development of the company but the funds were used to repay loans from shareholders (Bhana 1989).

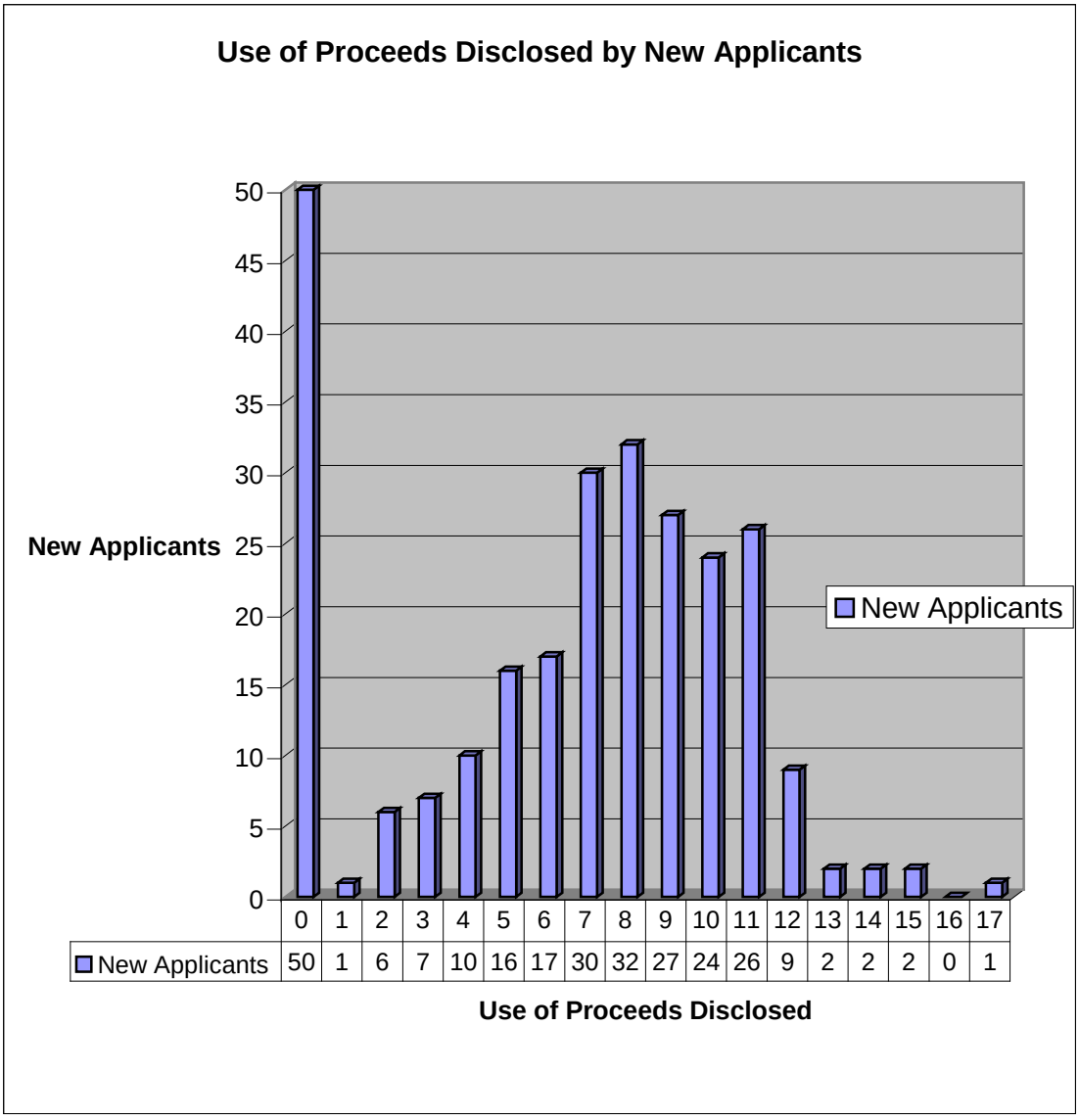


Figure 5.2: Summary of the 'use of proceeds' disclosed in prospectus and/or pre-listing statements for the TSP of 262 new applicants for which prospectuses and/or pre-listing statements was available

4. Revenues for the Previous Financial Year

The South African Companies Act requires that all firms required issuing a prospectus[111] need to disclose, in the auditor's report, financial statements for each of the last five years of operations. Companies issuing a pre-listing statement are also required in terms of the JSE Listing Requirements to disclose, inter alia, 'General Financial Information'[112].

This study has used the issuers previous financial years audited financial statements in order to ascertain revenues or sales for the previous 12 months of the issuer going public. It should be noted that those firms listing on the VCM *do not* need a profit history[113] as opposed to the requirements for firms listing on the Main Board and DCM[114].

The range of the issuer's previous 12months revenues for the 264 new applicants, comprising the total population for which a prospectus and/or pre-listing statement was available, ranged between nil sales (revenues) in the previous 12 months to in excess of R 4 billion. Figure 5.3 graphically illustrates out the quantum of the previous years revenues as disclosed by the new applicants in their prospectus and/or pre-listing statements.

Whilst the previous years earnings were disclosed in the prospectus and/or the pre-listing statement, many newly listed companies have used the 'continued' and 'discontinued' accounting convention which ignores adverse events and presents only favourable business activities which are to be continued (Bhana 1989).

Carte (1986) indicated that to avoid paying tax, several unlisted companies understate earnings as much as they can. Once they are listed and the high earnings multiple gives them the motive, they can draw on a reserve of understated profits accumulated over several years to produce excellent performance immediately after listing.

[111] Part II of Schedule 3 - refer to Addendum 3
[112] Section 7.C - refer to Addendum 4
[113] Paragraph 4.26 (f)(ii) of the JSE Listing Requirements
[114] Refer to Chapter 2 and Addendum 19, Section III

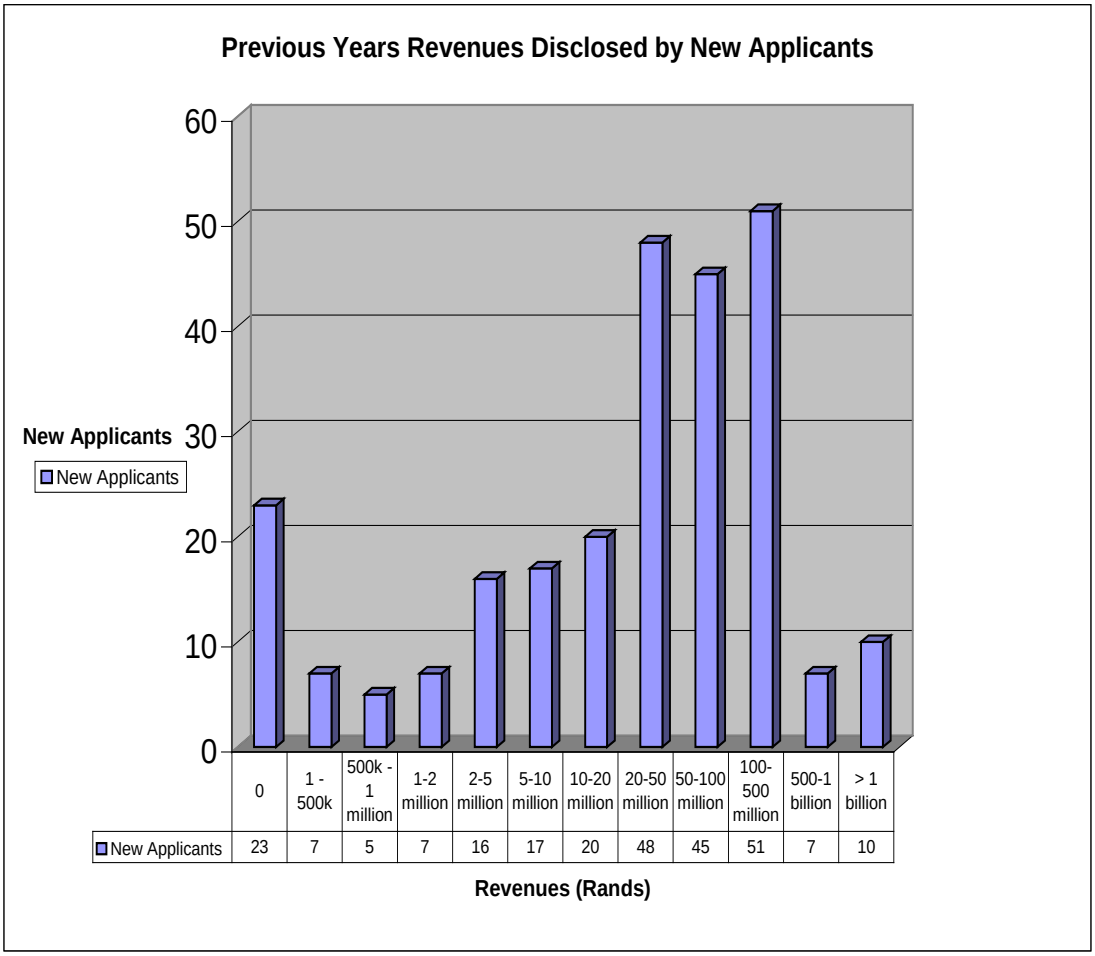


Figure 5.3: Previous years revenues disclosed by new applicants for which prospectuses and/or pre-listing statements were available

5. Application open, close and refund dates

Three critical dates in the application and allotment of shares, as well as the refund (if any) of funds for shares not allotted are evident. These dates are as follows:

a. the application open date;
b. application close date; and
c. the refund date.

These dates are crucial in, inter alia, testing Rock's model in as much as the holding costs (opportunity costs) incurred by an investor in applying for shares in an issue due to the timing differences of payment for the shares and actual allocation thereof (Rock 1986, Levis 1993, Levis 1992, Keloharju 1993).

The period for which funds are tied up depends on the size of the application, the pattern level of subscriptions received, and the speed of the postal service and the efficiency of the underwriter (Koh and Walter 1987).In South Africa it is the listing share registrar of the new applicant who is responsible as agent (hence acting on the instructions of the new applicant and/or its advisors) for the allocation of shares and the refund of monies paid to unsuccessful (or partially successful) applicants. The IPO application open and application close date, as well as the refund dates was manually inputed into a data matrix for the 161 new applicants comprising the IPO RSP. Table 5.2 is an example of the formats used for each issuer in respect to these three dates.

Issuer	IPO Application Open Date	IPO Application Close Date	Refund Date
Abacus Technology Holdings Ltd	29-Oct-96	07-Nov-96	12-Nov-96
ABC Cash Plus Ltd	09-Feb-99	16-Feb-99	18-Feb-99
Accord Technologies Ltd	01-Jun-98	22-Jun-98	26-Jun-98
Acuity Group Holdings Ltd	17-May-99	21-May-99	26-May-99
Acumen Holdings Ltd	03-Jun-99	24-Jun-99	30-Jun-99
Advanced Software Technologies Ltd	27-Aug-98	05-Sep-98	09-Sep-98
Afribrand Holdings Ltd	08-Jul-97	30-Jul-97	05-Aug-97

Table 5.2: Sample of the IPO application open, close and refund dates for new applicants Orchestrating an IPO on the JSE during the sample period

6. Total Listing and Advisors Expenses

These expenses relate to the costs of listing a particular company. The expenses relate to amounts payable to promoters, commissions payable in respect to underwriting, preliminary expenses and issue expenses. These expenses are disclosed in prospectus and pre-listing statements as a requirement of the Companies Act [115] and the JSE Listing Requirements[116] respectively.

Investment banks compete aggressively for new underwriting business. This behaviour is particularly true in the market for IPOs, since underwriting fees as a percentage of proceeds raised are greater for initial public offerings than for seasoned equity or debt offerings (Dunbar 2000).

The expense data for promoters commissions payable in respect to underwriting, preliminary expenses and issue expenses was manually inputed (where available) for 239 issuers in the sample that had disclosed in the prospectuses and/or pre-listing statements.

The Total Listing Expenditure, payable in cash or shares, for the issuers ranged from R 25,000 to R 21million , with Total Listing Expenditure for all the 239 issuers being in excess of R 500 million. The Advisors Expenses, payable in cash or shares, totalled some R 343 million - a staggering 69 percent of the total listing expenditure incurred by new applicants.

Refer to section E of Addendum 2 for the schedule of Total Listing Expenditure and Advisors Expenses for the 239 issuers.

[115] Part I of Schedule 3, paragraphs (m)(n) and (o)
[116] Sections 7 B9, B10, B11 and B12

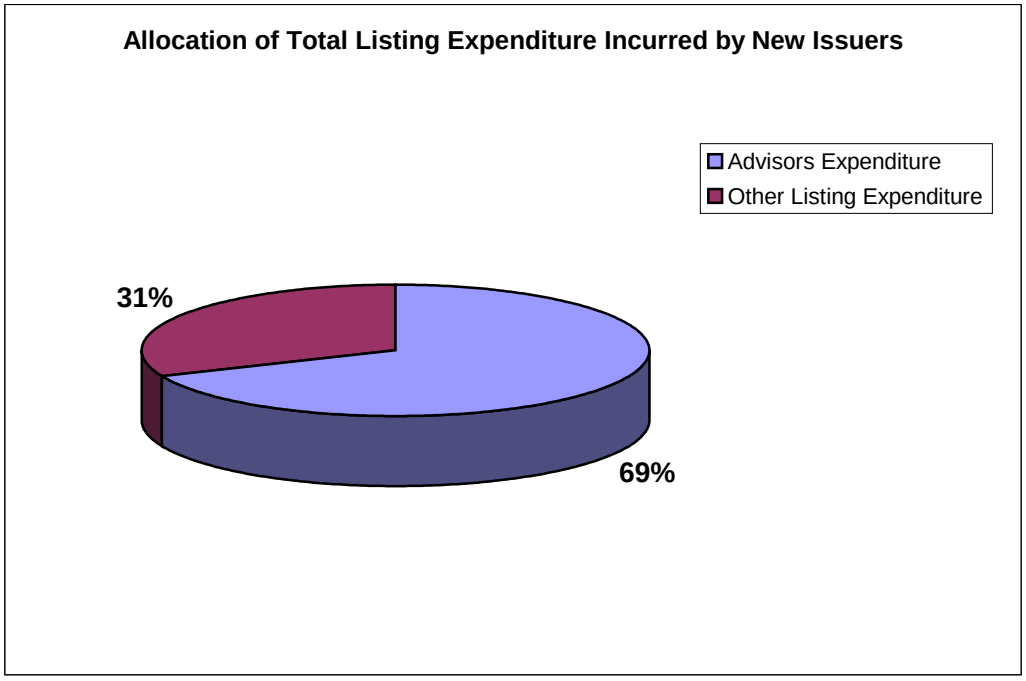


Figure 5.4: Chart of Total listing expenditure incurred by new applicants expressing the Percentage of Advisors and Other listing expenditure

The total listing expenditure, referred to in Addendum 2, excludes the 'cost of underpricing'. The 'cost of underpricing' is defined as the number of shares sold multiplied by the difference between the first-day closing price and the offer price. Typically the cost of underpricing was twice as large as the investment banker fees paid by the issuing companies (Loughran and Ritter 1999).

7. Minimum Subscription

The South African Companies Act[117] provides that no shares may be allotted in terms of any application made in pursuance of a prospectus for subscription of shares unless the minimum subscription stated in that prospectus (if any) has been subscribed for and the corresponding payment received by the company.

[117] Section 165

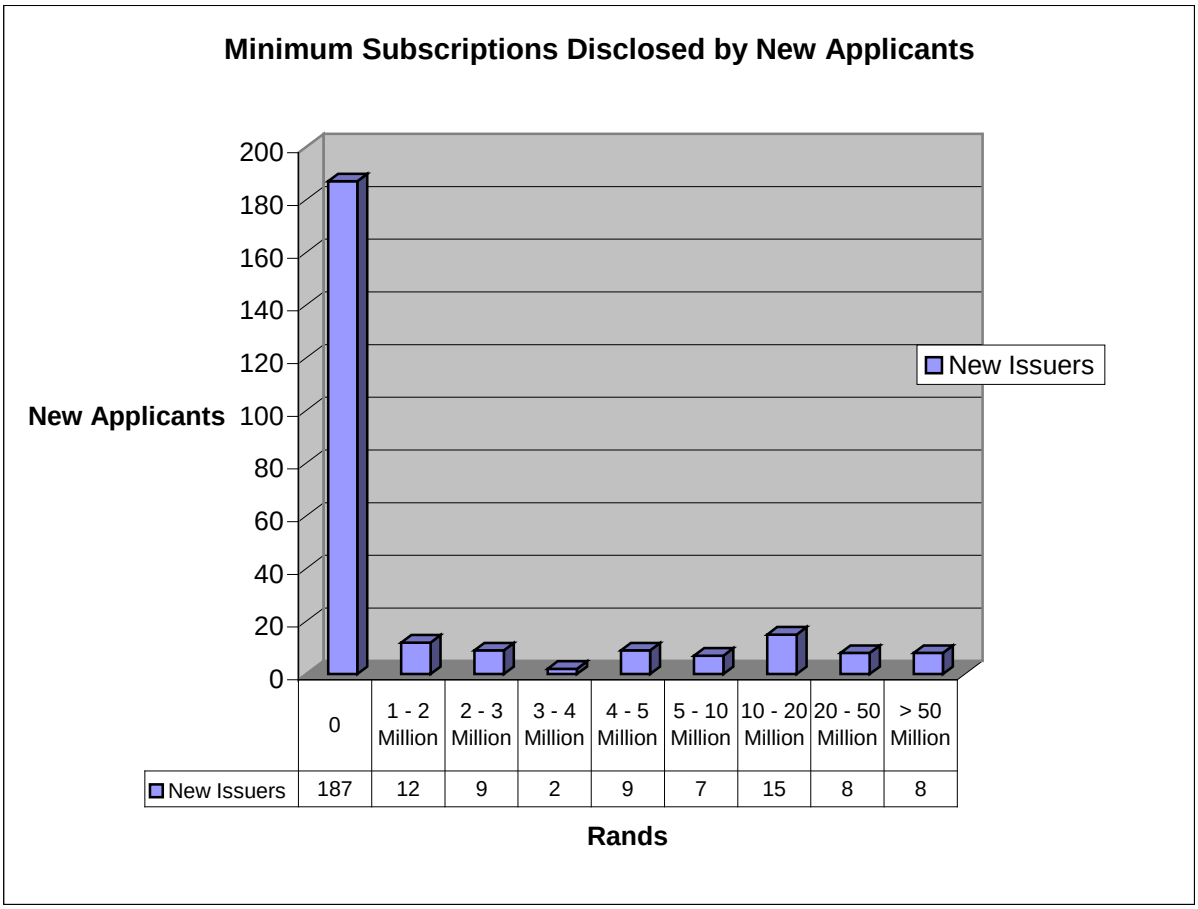
If the minimum subscription is not subscribed and the amount stated received by the company within 60 days of the issue of the prospectus, all moneys received from the applicants must forthwith be repaid to them without interest[118]. This institutional arrangement is typical of legal systems operating within the ambit of English corporate law (Levis 1990, Levis 1993, Koh and Walter 1987, Chowdhry and Sherman 1996). The time delay in subscription, payment and the applications close date may exceed 6 weeks. The minimum subscription must be disclosed in both the prospectus[119] and pre-listing statement[120].

The minimum subscription is typically used to satisfy the cash requirements alluded to in the 'reasons for listing' or 'use of proceeds' per paragraph 3 above. The minimum subscription relative to total IPO proceeds could also be seen as a measure of ex ante risk with the listing (Beatty and Ritter 1986).

The 'minimum subscription' database comprises the disclosed minimum subscriptions for 257 of the new applicants in the total population in the period for which prospectus and/ or pre-listing statements was available. The minimum subscriptions range from no disclosure to R 150 million. This data was manually inputed into the database from the varying sources. Addendum 15 contains a detailed schedule of all the minimum subscriptions for the issuers.

[118] For a more detailed synopsis on the Companies Act 'minimum subscriptions', refer to Addendum 3
[119] Part I of Schedule 3, paragraph (u) of the Companies Act
[120] Section 7.C.8 of the JSE Listing Requirements

Figure 5.5: Minimum subscriptions required by new applicants listing on the JSE during the sample period



8. The Corporate Advisory Team

The reason for the agglomeration of data for the corporate advisory team is that they assist by regulating, advising and reporting to the issuer, shareholders and ultimately the JSE. Just as the sponsoring broker and/or the investment banker have a reputation at stake in listings (Beatty and Ritter 1986), so should other role players (Booth and Smith 1986, Michaely and Shaw 1994, Carter and Manaster 1990). Beatty (1989) empirically examines the relation between auditor reputation and initial returns, and Balver, McDonald and Miller (1988) examine the relation between initial returns and both the auditor and investment banker reputation. In a related fashion, Barry, Muscarella, Peavy and Vetsuypens (1990) and Megginson and Weiss (1991) find evidence that venture capitalists can also serve to credibly convey information about the issuing

firm and lower the level of initial returns. James and Wier (1990) examine the role of commercial banks as monitoring and certifying agents as well.

Data was collected for each issuer disclosing in either the prospectus and/or pre-listing statement the corporate advisory team utilised in its listing and/or IPO.

Addendums 14, 16 and 17 contain the detailed schedules of the corporate advisory team for each of the issuers comprising the TSP and RSP databases, disclosures permitting. It should be noted that some of the issuers had more than one reporting accountant, listing attorney, corporate advisor and commercial banker.

The reporting accountants, listing attorneys, corporate advisors and commercial bankers for issuers during the sample period were manually inputed from the following sources:

(a) Available prospectuses and/or pre-listing statements;
(b) The Investors Guide The Investors' Guide: The Johannesburg Stock Exchange (1995_a, 1995_b, 1995_c, 1995_d, 1996_a, 1996_b, 1996_c, 1996_d, 1997 1998_a, 1998_b, 1998_c, 1998_d, 1999_a, 1999_b, 1999_c and 2000);
(c) The Financial Mail Top Companies (1996, 1997, 1998, 1999 and 2000);
(d) Profile's Stock Exchange Handbook (1997, 1998, 1999, 2000_a and 2000_b);
(e) McGregor's RAID Internet Application (MS-Word Format); and
(f) ABN-Amro New Listings Archive (1999).

9. Sponsoring Broker

In South Africa, it is the sponsoring broker who directly and indirectly fulfils the most important functions pertaining to an issuer wishing to list on the JSE. The responsibilities of the sponsoring broker are described in detail per Addendum 7 hereto.

As a result of an amendment to the JSE Listing Requirements, the traditional role of a sponsoring broker is no longer limited to JSE members and has been extended to corporate, legal and other advisors (Ananzi 2000). This amendment does not, however, affect this study in as much as promulgation into the JSE Listing Requirements occurred ex post the sample period.

In a Placement the sponsor also technically underwrites the entire issue for a short period but the sponsor's main function is to act as a distributor. Normally the sponsor buys the issue from the issuing company and arranges to place the majority of the shares with investors. The price is set about five days before the shares start trading. Placing of the shares is normally completed by the end of the first day of trading (Levis 1993, 1992).

The sources of the sponsoring broker data was obtained from:

(a) Prospectuses and/or pre-listing statements;
(b) McGregor's RAID Internet Application (MS-Word Format);
(c) Hard copy prospectuses and pre-listing statements;
(d) ABN-Amro New Listings Archive (1999); and
(e) The Financial Mail Top Companies (1996, 1997, 1998, 1999 and 2000).

Addendum 17 hereto contains the schedule of all the sponsoring brokers involved in the listing of new applicants where the data source (above) permitted. It was very common for issuers to have more than one sponsoring broker involved in the listing and/or IPO.

10. Underwriter

Should a new applicant require the services of an underwriter in the listing of a new issue, disclosure thereof must be made in both the prospectus[121] and/or the pre-listing statement[122].

Addendum 14 sets out the schedule of 61 new applicants who contracted the services of an underwriter in underwriting new issues during the sample period.

The data collected comprised the name of the issuer, the name of the underwriting firm(s) and the volume of equity underwritten by each underwriter. As discussed in paragraph 9 above, the sponsoring broker in Private Placements (which includes Preferential Offers) technically 'underwrites' the issue in English influenced legal systems (Levis 1992, Levis 1993). It was not uncommon for issuer's to contract with more than one underwriter in the listing of new issues.

[121] Requirements of Part I of Schedule 3 of the Companies Act, paragraphs (d) and (n)
[122] Sections 7.B.8, 10 and 11of the JSE Listing Requirements

11. The Method of Offer

As discussed in Chapter 2, the new applicant can use two principle Methods of raising capital in the IPO, either an Offer to the Public or a Placement. Further, a new applicant can use both IPO methods in conjunction with one another i.e., the IPO of unseasoned securities for a new applicant can simultaneously comprise both an Offer to the Public and a Placement i.e., a Hybrid Offer.

The details of the method of offer were obtained from the new applicant's prospectus[123] and/or pre-listing statement[124]. The creation of the data matrix for the method of offer comprised examining the prospectus and/or pre-listing statement for each of the new applicants comprising the research sample population and identifying offers to the public and placements. Furthermore, each of these data matrices comprised not only the method of offer, but also the new applicants 'issue detail'[125].

Table 5.3 summarises the frequency and types of IPO methods used, as well as the IPO capital raised for each method by new applicants comprising the RSP. The average annual IPO capital raised by the issuers comprising the RSP for each of the methods of offer is graphically represented by Figure 5.6 hereunder.

It is interesting to note that Placements were the most frequently used IPO method, and accounted for the greatest amount of IPO capital raised. The average IPO capital raised in the 1998 'hot issue' market year increases significantly for Offers to the Public and rapidly 'cools off' in the subsequent year.

Since Placements comprise both Preferential Offers as well as Private Placements, a separate data matrix was created to account for this. Table 5.4 provides an annual comparison of the occurrence of Private Placements and Preferential Offers for the RSP, utilising the placement method of offer per Table 5.3, as well as the IPO capital raised from said methods of offer. It should be noted that both the Figure 5.6 and Table 5.3 have not accounted for Hybrid Offers per se, but segmented the Hybrid Offer into its Public Offer and Placement components (hence the greater amount of offer Methods than actual issuers comprising the RSP).Addendum 21 sets out the method(s) of offer for each of the new applicants comprising the RSP.

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[123] Part I of Schedule 3 of the Companies Act
[124] Sections 7.C.2 and 3 of the JSE Listing Requirements
[125] Referred to in paragraph 13 hereunder

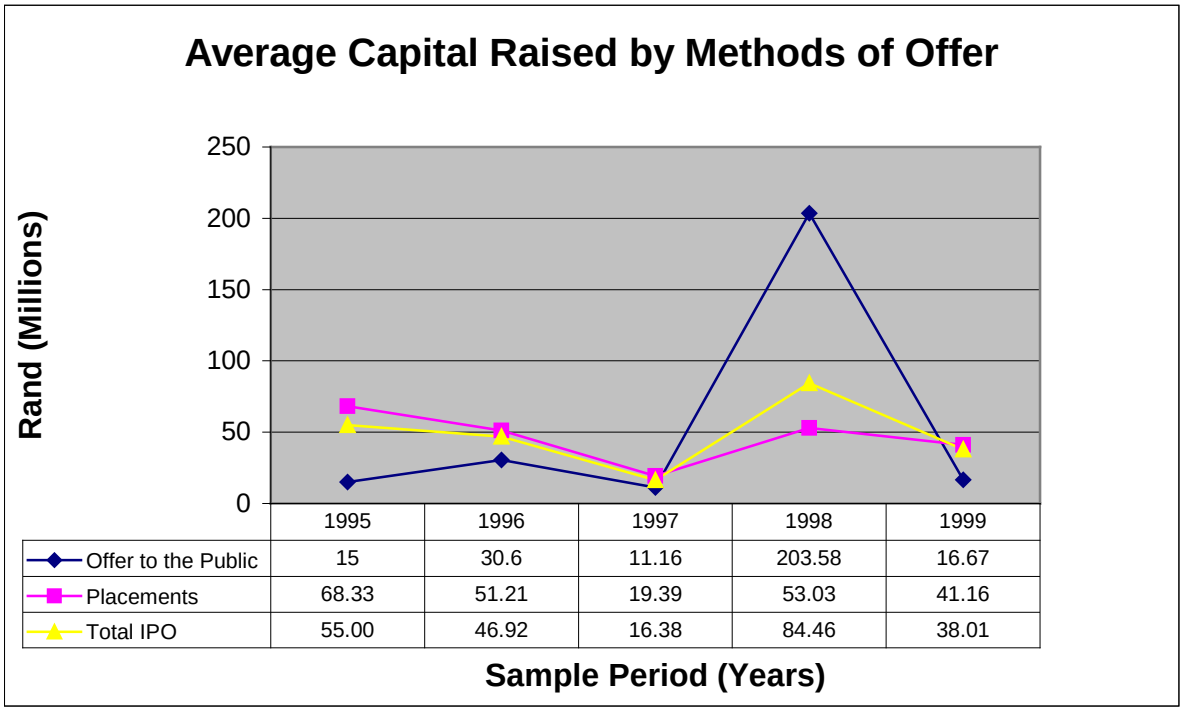


Figure 5.6: Average IPO capital raised (millions) per Offer Method for new issuers comprising the RSP

List Year	Offers to the Public			Placements		
	Frequency	**IPO Capital Raised Rand (Million)**	**Average Capital Raised (Rand Million)**	**Frequency**	**IPO Capital Raised Rand (Million)**	**Average Capital Raised (Rand Million)**
1995	1	15	15.00	3	205	68.33
1996	5	153	30.60	19	973	51.21
1997	19	212	11.16	33	640	19.39
1998	19	3,868	203.58	72	3,818	53.03
1999	9	150	16.67	61	2,511	41.16
Total	53	4,397	277.01	188	8,147	233.12

Table 5.3: Annual RSP frequency of Public Offers and Placements and IPO capital raised for each offer method during the sample period

List Year	Private Placement			Preferential Offer		
	Frequency	IPO Capital Raised Rand (Million)	Average Capital Raised Rand (Million)	Frequency	IPO Capital Raised Rand (Million)	Average Capital Raised (Rand Million)
1995	2	200	100.00	1	5	5.00
1996	14	879	62.79	5	94	18.80
1997	15	381	25.40	18	259	14.39
1998	55	2,612	47.49	17	1,207	71.00
1999	51	2,394	46.94	10	117	11.70
Total	137	6,465	47.19	51	1,682	32.98

Table 5.4: Frequency and IPO capital raised by issuers comprising the RSP utilising the Placement method of offer comprising Private Placements and Preferential Offers for the research sample population

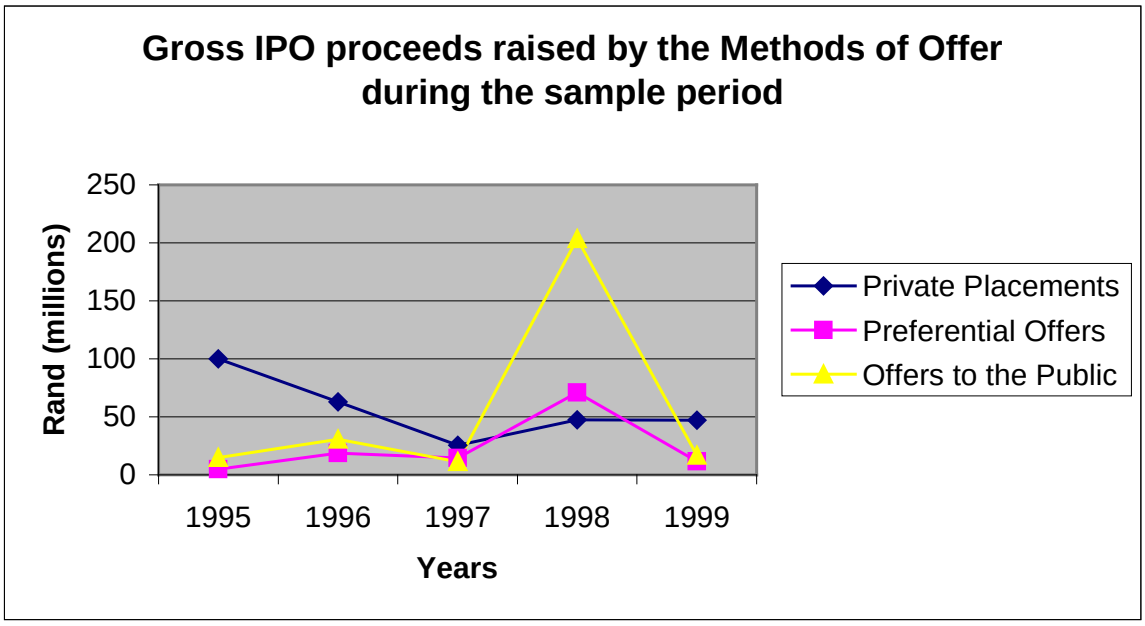


Figure 5.7: Gross IPO capital raised (millions) per Offer Method for new issuers comprising the RSP during the sample period

12. Type of offer

Within the method of offer, new applicants must utilise one or more 'types of offer'. The types of offer are the actual mechanism by which the companies share capital is subscribed and/or sold.

The types of offer that may be utilised are offers for sale and subscription. As with the 'method of offer', it was not uncommon for new applicants to combine offers for sale and subscription within one of the IPO methods (including Hybrid Offer).For example a new applicant orchestrating a Hybrid IPO often would combine a Placement, an Offer to the Public and a Preferential Offer and utilise both Offers for sale and Subscription (the latter being the 'types of offer').

A data matrix was created for each of the new applicants of the RSP comprising the type of offer used when orchestrating their respective IPOs. The data was sourced from the mandatory disclosures in the prospectus[126] and/or pre-listing statements[127].

Table 5.5 sets out the frequency of the types of offer occurring in the RSP. Table 5.6 illustrates the frequency of the types of offer occurring within the methods of offer i.e., the number of new applicants, comprising the RSP, using offers for sale and subscription with the IPO method of placing and offers to the public.

	Type of Offer	
List Year	**Offers for Sale**	**Offers for Subscription**
1995	0	4
1996	0	24
1997	3	49
1998	1	90
1999	5	65
Total	9	232

Table 5.5: Frequency of the types of offer utilised by RSP new applicants when listing on the JSE

[126] Part I of Schedule 3 of the Companies Act
[127] Section 7.C of the JSE Listing Requirements

List Year	Placements		Offers to the Public	
	Offers for Sale	Offers for Subscription	Offers for Sale	Offers for Subscription
1995	0	3	0	1
1996	0	19	0	5
1997	2	31	1	18
1998	1	71	0	19
1999	4	57	1	8
Total	7	181	2	51

Tables 5.6: The frequency of the types of offer occurring within the methods of offer for new applicants comprising the RSP

It should be noted that, in terms of the JSE Listing Requirements[128], only applicants with equity securities already listed may bring securities (whether or not in a class already listed) to listing by any of the methods referred to in the JSE Listing Requirements.

Addendum 21 sets out the type(s) of offer for each of the new applicants comprising the RSP.

13. Issue Detail

For the purposes of this study, 'issue detail' comprises the volume of equity listed on the JSE (i.e., the total issued share capital of the new applicant), the offer price and the amount of equity placed and/or offered in the IPO (hereafter, IPO volume).

Each issuer orchestrating an IPO has to disclose in its prospectus and/or the pre-listing statement its 'issue detail'. The 'issue detail' database comprised the disclosed volume of equity listed on the JSE[129], the offer price[130] and the IPO volume[131] for the RSP.

[128] Section 5 'Methods and Procedures of Bringing Securities to Listing'
[129] Part I of Schedule 3, paragraph (h) of the Companies Act; and Section 7. C.2 to C.3 of the JSE Listing Requirements
[130] Part I of Schedule 3, paragraph (t) of the Companies Act; and Section 7. C.6 to C.7of the JSE Listing Requirements

Addendum 21 sets out the issue detail for the RSP sorted by the issuer's JSE code. It should be noted that if issuers listed through a combination of 'methods' and/or 'types' of offer, then the issue detail was analysed as separate, simultaneous issues and there would be more than one entry for the 'issue detail' for that issuer.

As discussed previously, it was not uncommon for Preferential Offers to be issued at a discount to Private Placements and/or offers to the public and as such Addendum 21 accounted for such as separate simultaneous issues. Further, if an issuer simultaneously orchestrated an IPO with a Private Placing (with an offer for subscription and sale), a Preferential Offer (at a discount to the Private Placing offer price) and an Offer to the Public, there will be four entries in Addendum 21 'issue detail' for that issuer. This methodology was also followed in the South African study undertaken by Lawson and Ward (1998).

14. Pre-Issue Detail

The 'pre-issue detail' data was obtained for new applicants, comprising the TSP, for which a prospectus and/or pre-listing statement was available. The pre-issue data comprises all the issues of equity occurring prior to the new applicant's prospectus and/or pre-listing statement being compiled and hence, the new applicant listing. This information needs to be disclosed and is a requirement for both the prospectus and/or pre-listing statements[132].

The pre-issue database comprises the name of the issuer, the type of pre-list issue, the transaction date, the offer price and the volume issued. Upon analysis of the available prospectuses and/or pre-listing statements it was noted that 19 of the 264 issuers, for which a prospectus and/or pre-listing statement was available, had incomplete information as pertaining to this disclosure. This was ascribed to database inconsistencies in the RAID system and as such these issuers were excluded from the pre-issue detail database. Addendum 22 sets out the disclosed pre-issue detail for the research sample population.

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[131] Part I of Schedule 3, paragraph (r) of the Companies Act; and Section 7. C.2 to C.3of the JSE Listing Requirements

[132] "Alterations to share Capital and premium on share issues" paragraphs 6(a)(ii) and 20(a) of the JSE Listing Requirements

It should be noted that since the new applicant, at the date of the pre-issue, was not listed (and hence not constrained in terms of Section 5 of the JSE Listing Requirements). The 'types' of *pre-list* issues included:

(a) offers for sale;
(b) offers for subscription;
(c) issues with participating or conversion rights;
(d) renounceable offers;
(e) rights offers;
(f) clawback offers;
(g) capitilisation issues;
(h) issues for cash;
(i) acquisition/merger Issues;
(j) vendor consideration Placings; and
(k) the exercise of options.

C. Daily Share Price Data for the Research Sample

A daily quoted share price database was purchased from Profile Media (Pty) Limited in Microsoft Excel format copied onto a CD-ROM. The Profile Media database comprises the JSE abbreviation of the issuer, dates[133] and the respective high, low and close prices[134] for all companies listed on the JSE for ten years ended March 2000.

The Profile Media Excel spreadsheet data was converted into a Sequel-7 database format. Sequel-7 database tools were used to link the Profile database, using the JSE abbreviations, to the data matrices of both the TSP and RSP.

Due to inconsistencies, spelling errors and/or database input errors 28, 8 percent of the sample issuers could not be linked. Profile Media (Pty) Ltd data input errors were primarily ascribed to incorrect JSE codes and/or spelling errors occurring in the issuer JSE abbreviation.

[133] The date format being 'yyyy/mm/dd'
[134] The respective daily high, low and close share prices being quoted in cents

As a result of these errors and inconsistencies, a supplementary daily share price database was purchased online from P.L. Financial Services (Pty) Ltd[135]. This database comprised the daily quoted close price and JSE codes, in a comma delimited Excel spreadsheet format, for all issuers comprising the TSP. The linking of this database, once again using Sequel-7 reporting tools, yielded a more satisfactory result.

The P.L. Financial Services database had errors and inconsistencies of only 8, 3 percent. This exception was primarily attributable to the JSE codes of issuers orchestrating a reverse listing onto the JSE being reported in the database as the target firm.

It was also at this stage of linking the Profile Media and P.L. Financial Services databases to the various database matrices that it was decided to exclude from the research sample population all reverse listings. It was found that, during the database linking process, the JSE code that had been allocated to the issuer continued to be coded on the List (for up to four weeks post 'list date') as the target firms JSE code.

For future research it is not recommended to use the JSE abbreviation as the method of linking issuer data. It was found that the transposition errors occurring (more especially the spelling) as reported in financial publications and electronic databases yields an exceptionally high level of exceptions i.e., inability to link using database tools.

For each new applicant the linked database was constructed so as to reflect:

a. the new applicant (both JSE code and the issuer name);
b. the list date;
c. the daily ex post list date share price data (quoted in cents) until March 2000[136]. The daily share price data comprised:
   i. the daily close-price;
   ii. daily low;
   iii. daily high; and
   iv. the volume of shares traded for the day.

The RSP database was now created from this linked database. The closing trade price for the issuer was used as the ruling price for the day.

[135] http://www.sainvestor.com

The closing price for each issuer, comprising the RSP, was reported for the eight 'research dates'. The eight 'research dates' comprised the list date (Day 1 price), the following three days trading (Days 1 through 4) and the close prices for Week 1 (which is effectively the 5th trading day ex post list date) through Week 4 ex post list dates.

The linked database of quoted share prices however included the quoted closing prices for shares over weekends and public holidays. In other words, the closing price of the share was quoted daily (irrespective of weekends and South African public holidays) until a trading day whereby a new closing price would be reported. This necessitated a report to be written in order to obtain the closing prices for the eight research dates i.e., exclude weekends and South African public holidays. For example, if a new applicant listed on Wednesday 23rd of December, the 'research dates' would be as follows:

1. Day 1 (list date) Wednesday 23rd December (end trade for the first day)
2. Day 2 Thursday 24th December (effective calendar day 2)
3. Day 3 Monday 28th December (effective calendar day 6)
4. Day 4 Tuesday 29th December (effective calendar day 7)
5. Week 1 Wednesday 30th December (effective calendar day 8)
6. Week 2 Wednesday 6th January (effective calendar day 15)
7. Week 3 Wednesday 13th January (effective calendar day 22)
8. Week 4 Wednesday 20th January (effective calendar day 29)

The report was written in Visual Basic with all South African public holidays for the sample period being inputed as 'non-trade days' for the five-year sample period. The reason for the necessity of writing a Visual Basic report was as a result of Sequel-7 database tools, whilst being able to recognising (and hence exclude) weekends, does not recognise South African public holidays.

The result of the report would be to dynamically include the closing trade price for all JSE trading days thereby excluding all weekends and South African public holidays for the five-year sample period. Previous South African studies have not disclosed how they accounted for this 'anomaly' in their respective database design.

[136] If the new applicant had been suspended and/or delisted prior to March 2000, the daily share price data would be reflected until the latter date. Refer to Addendum 11, Part II and III

Given the correct treatment, and exclusion of these non-trading days, the Sequel-7 database was updated to now include only JSE trading days. The Sequel-7 report would now effectively take the listing date for a new applicant and match it to the corresponding trade date and download the quoted close price. The report would then 'count' list date plus one and repeat the process for the three successive days. Upon matching the close price for Weeks one though four, given that Sequel-7 reporting tools is able to discern weekends (for the five year sample period) it was a question of obtaining the list date for the issuer and 'counting' seven, fourteen, twenty-one and twenty-eight calendar days. Once again if any of the 'counted days' fell on a public holiday, the very next trade date was obtained. The next research date would be obtained from counting from this trade date.

In order to ensure accuracy and completeness of the research sample initial underpricing database, each issuer's quoted closing daily share price was manually verified from the JSE historic archives of share prices. It should be noted that the JSE was unwilling and/or unable to forward this data in electronic format in the first instance.

D. JSE Member Firms

In order to test investment banking reputation and the underpricing of initial public offerings (Beatty and Ritter 1986, Carter and Manaster 1990), lists of the registered JSE member firms, also known as stock broker brokers, were required. Until the revision of the JSE Listing Requirements in August 2000, only registered JSE membership firms could act as sponsoring brokers

Due to the changing market conditions, "hot issue markets" of 1998 and 1999 as well as the influx of international banking institutions into South Africa, JSE membership firms are continually changing. In fact, as a result of the listing frenzy that gripped the JSE in 1998 and 1999, a myriad of new JSE member firms swelled the already highly competitive listings market.

The lists of the JSE membership firms were obtained from three sources; the quarterly publication The Investors Guide, The Investors Guide: The Johannesburg Stock Exchange (1995_a, 1995_b, 1995_c, 1995_d, 1996_a, 1996_b, 1996_c, 1996_d, 1997, 1998_a, 1998_b, 1998_c, 1999_a, 1999_b, 1999_c and 2000), the annual publication The Johannesburg Stock Exchange Handbook, The Johannesburg Stock Exchange (1994 and 1995) and the biannual publication The

Johannesburg Stock Exchange Handbook, A Complete Investors Guide to the Johannesburg Stock Exchange (1996_a, 1996_b, 1997_a,1997_b, 1998_a, 1998_b, 1999_a, 1999_b, 2000_a and 2000_b). The decision to supplement the Investors Guide, The Investors Guide: The Johannesburg Stock Exchange was that certain issues were missing from the respective University of the Witwatersrand Libraries and the publishers did not have any back copies available.

The Stock Exchange Handbook, The Johannesburg Stock Exchange (previously an annual publication) was subsequently published biannually as The Johannesburg Stock Exchange Handbook, A Complete Investors Guide to the Johannesburg Stock Exchange. A complete set of these latter two publications was readily available from both the University Libraries and / or was purchased.

Addendum 10 contains the twelve biannual lists of all the JSE Member firms, from August 1994 through August 2000. A report was written in Visual Basic whereby the respective biannual lists were compared to the previous period's list thereby identifying new registrations, deregistrations and member firm name changes.

E. JSE List Boards and Sector Classification Data

The primary purpose of the JSE Sector Classification System and its related rules is to construct homogeneous sub-sectors into which listed companies can be divided. Ideally, the share prices of these companies, within a certain sub-sector, can be expected to react similarly to major economic and political trends and events (The Johannesburg Stock Exchange, Sector classification system of the Johannesburg Stock Exchange, October 1999).

The listings division may recommend changes to the Classification rules. The JSE Listings Division is responsible for determining the individual classification of a company acquiring a new listing.

The prospectus and/or the pre-listing statement disclose the sector the issuer is to be listed[137]. The company to be listed is responsible for submitting a detailed memorandum to the Listings Division, which will act as a guideline for its list sector application. It is worth noting that over

[137] The Companies Act, Part I of Schedule 3, paragraph (w) and Section 7 of the JSE Listings Requirements

time the issuer could be instructed by the Listings of Companies Sub-Committee to change sectors (especially if the issuer affected a reverse listing ab initio and/or the main objects of the companies business changed). The primary consideration when classifying companies will be the audited proportion of profits before tax from each key business activity. The Listings of Companies Sub-Committee is ultimately responsible for maintaining the Classification Rules, hearing of appeals and changes to the Classification Rules.

The data for issuers listing during the sample period was arranged as follows:

a) List Board

(i) Main Board;
(ii) Venture Capital Market
(iii) Development Capital Market

b) List Sector

This is only applicable to issuers listing on the Main Board and is arranges as follows:

i) Development Stage
j) Financial
k) Gold
l) Industrial
m) Metals and Minerals
n) Mining Finance
o) Cash Companies
p) Mining Producers

During the course of the 1999 financial year additional and revised list sectors were introduced:

a) Mining Exploration
b) Insurance
c) Mining Holdings and Houses
d) Mining Producers
e) Mining Resources
f) Property
g) Property Loan Stock
h) Real Estate
i) Short-term Insurance

As a result of the possible change in sector classification and to correctly measure market performance with the relevant issuers ex post listing price the sector of each issuer listing was compared with the list sector in the following year.

Obviously if an issuer, subsequent to listing, was reallocated to another sector by The Listings of Companies Sub-Committee, then that new sectors relevant index would become the new measure of market performance. The source of this data was manually captured for every listing and compared with the previous years list sector (Alexander, Ernie and Nic Oldert (1997, 1998, 1999 and 2000) and The Investors Guide, The Investors Guide: The Johannesburg Stock Exchange (1996$_d$, 1997, 1998$_c$, 1999$_c$ and 2000). The sector mapping for each of the annual issues through the period is documented in Addendum 12.

1. List Board

The List Boards, upon which the issuers orchestrated a listing, for each of the years comprising the sample period, is reflected per Table 5.7. If one examines the increase in listings over the five year sample period, it is worth noting that the dramatic increase in year-on-year new listings is weighted towards the more risky DCM and VCM boards.

Whilst the JSE overall saw a dramatic increase in listings in 1997 through 1999, the percentage of Main Board listings (as a constituent of total listings for the years) showed a 8, 82 percent decline in 1997 (from 1996 showing a record 96, 88 percent of all listings being orchestrated on the Main Board for the sample period), and an annual of decline of 24 percent in 1997 (a cumulative decrease of 33, 58 percent from 1996). A marginal increase in listings being orchestrated on the Main Board happened in the 1999 year (3, 49 percent) although the cumulative decline from the 1996 year was some 31, 37 percent. The weighted average percentage of listings on the JSE attributed to Main Board listings was 76, 31 percent for the five year sample period.

LIST YEAR	MAIN BOARD LISTINGS	EXPRESSED AS A CENTAGE OF TOTAL LISTINGS FOR THE YEAR	PERCENTAGE INCREASE OR DECREASE I.R.O PREVIOUS YEAR
1995	22	84.61	-
1996	31	96.88	14.50
1997	59	88.06	-9.10
1998	69	63.30	-28.12
1999	57	65.51	3.49

Tables 5.7: Main Board listings for the sample period for those issuers comprising the TSP

The decline of issuers listing on the Main Board was largely attributed to the dramatic increase in listings of companies unable to meet the stringent Main Board requirements[138] – typically smaller capitalisation companies. Hence the increase in the listings being orchestrated on the more speculative DCM and VCM list boards. The dramatic increase of issuers orchestrating a listing on the VCM and DCM list boards are set out per Tables 5.8 and 5.9 respectively.

LIST YEAR	VCM LISTINGS	EXPRESSED AS A PERCENTAGE OF TOTAL LISTINGS FOR THE YEAR	PERCENTAGE INCREASE / DECREASE I.R.O PREVIOUS YEAR
1995	3	11.54	-
1996	1	3.13	-72.88
1997	6	8.96	186.26
1998	24	22.02	145.76
1999	21	24.14	9.63

Table 5.8: Venture Capital Market listings for the sample period for those issuers comprising the TSP

[138] Refer to Table 2.5, Chapter 2 for a comparison of the listing criteria for each List Board

LIST YEAR	DCM LISTINGS	EXPRESSED AS A PERCENTAGE OF TOTAL LISTINGS FOR THE YEAR	PERCENTAGE INCREASE OR DECREASE I.R.O PREVIOUS YEAR
1995	1	3.85	-
1996	0	0.00	-100.00
1997	2	2.99	299.00
1998	16	14.68	390.97
1999	10	11.49	-21.73

Table 5.9: Development Capital Market listings for the sample period for those issuers comprising the TSP

2. Distribution of new listings on the Main Board for the Sample period

The issuer's relevant list sectors for the Main Board listings are reflected in Table 5.10 (list sectors 1995 through 1998) and Table 5.11 (revised list sectors for 1999).

LIST CATEGORY	1995	1996	1997	1998
Financial Sector	7	3	12	21
Gold Sector	2	1	1	1
Industrial Sector	11	26	39	48
Cash Companies	0	0	2	0
Mining Producers	0	0	1	0
Metals & Minerals	0	0	0	1
Mining Financial Sector	2	1	4	1

Table 5.10: List sectors upon which new issuers orchestrated new Main Board listings for the years 1995 through 1998

LIST CATEGORY	1999
Financial Sector	15
Insurance Sector	1
Industrial Sector	28
Property	1
Property Loan Stock	1
Real Estate Sector	2
Short-term Insurance	1
Mining Exploration	1
Mining Holding & Houses	1
Mining Producers	1
Mining Resources	5

Table 5.11: List sectors upon which new issuers orchestrated new Main Board listings for the 1999 year

F. Interest Rates, Market Indices and Dividend Yields

1. Interest Rates

In order to test Rock's (1986) model, the prime rate of interest of interest and the risk free rate of interest prevailing during the listing lag (i.e., applications close date to the date of listing) is required.

If Rock's model is correct, weighting the returns by the probability of obtaining an allocation should leave the uninformed investor earning the riskless rate (Rock 1986, Levis 1992, Koh and Walter 1987).

a) Prime Rate of Interest

Intrinsic to Rock's model is the cost of borrowing associated with the application of shares by an uninformed investor. The cost of borrowing funds to pay for IPO equity by the uninformed investor is of particular significance within English influenced legal systems (Levis 1992) whereby investors must accompany their applications for equity with an up front payment.

The daily prime rate of interest from 3 January 1994 through 31 March 2000 was obtained in a comma delimited Excel spreadsheet format from Nedcor Investment Bank.

b) Risk Free Rate of Interest

Rock's model predicts that weighting the initial returns by the probabilities of obtaining an allocation should leave the uninformed investor earning the riskless rate of interest (Levis 1992).

Two measures of the daily risk free rates of interest were obtained from Nedcor Investment Bank, namely the 12 and 6-month Negotiable Certificate of Deposit rates ("NCD rates"). Both daily NCD rates of interest were obtained in a comma delimited Excel spreadsheet format for period 3 January 1994 through 31 March 2000.

2. Indices

The first day market adjusted return for an IPO issue is defined as the percentage change in price from the offering date to the close at the first day of trading less the equivalent change in an appropriate benchmark (Levis (1993), op cit. 30)[139].

The measurement of the long-run performance of issuers is sensitive to the benchmark (index) employed (Ritter 1991). The appropriate benchmark is determined as the index of the sector in which the issue is listed. The appropriate benchmark for all the issues is the All Share Index (ALSI 100) as well as the relevant sector index in which the issuer listed.

The following daily index data was collected for the period 3 January 1994 through 31 March 2000. These files were obtained in a comma delimited Excel spreadsheet format from Peregrine Structuring (Pty) Limited:

i. All Share Index (ALSI 100) Spot;
ii. Industrial Index (INDI 100) Spot;
iii. Gold Index Spot; and
iv. Financial Index Spot.

[139] Refer to Chapter 3

Date	ALSI 100 Spot Index	INDI 100 Spot Index	Gold Spot Index	Financial Spot Index
3/1/94	4909.0	5367.8	2043.1	4041.8
4/1/94	5088.0	5466.6	2217.4	4173.7
5/1/94	5086.0	5443.8	2210.7	4131.9
6/1/94	5062.0	5465.5	2157.8	4151.3
7/1/94	5082.0	5500.0	2189.9	4139.0

Table 5.12: Sample of the daily indice spots for the sample period

3. Dividend Yields

Daily dividend yields for the indices in paragraph 2 supra was obtained for the period 3 January 1994 through 31 March 2000 in a comma delimited Excel spreadsheet. This data was obtained from Peregrine Finance (Pty) Limited. The dividend yields for these respective indices are listed hereunder:

i. ALSI 100 Dividend Yield;
ii. INDI 100 Dividend Yield;
iii. Gold Dividend Yield; and
iv. Financial Dividend Yield.

Date	ALSI100 Index Dividend Yield	INDI100 Index Dividend Yield	Gold Index Dividend Yield	Financial Index Dividend Yield
3/1/94	2.4	2.0862	3.1813	2.3967
4/1/94	2.3	2.0485	2.9312	2.3209
5/1/94	2.3	2.0571	2.9401	2.3444
6/1/94	2.3	2.0489	3.0122	2.3334
7/1/94	2.3	2.0333	2.9680	2.3404

Table 5.13: Sample of the daily Indice Dividend Yields for the period 3 January 1994 through 31 March 2000.

G. Consumer Price Index

To measure inflation, one needs some yardstick of the general level of prices in the economy. The most popular such yardstick is the consumer price index (“CPI”), which is an index of the prices of a representative "basket" of consumer goods and services. The CPI thus represents the cost of the "shopping basket" of goods and services of a typical or average South African household (ABSA 2000).

The South African CPI is constructed by Statistics South Africa. There are five steps:

a) the selection of goods and services to be included in the basket;

b) the assignment of weights to each good or service to indicate its relative importance in the basket;

c) the choice of a base year for calculating the CPI;

d) the choice of a formula for calculating the CPI; and

e) the collection of prices each month to calculate the value of the CPI for that month

The total South African CPI basket consists of about 1 500 different consumer goods and services which are classified into more than 40 groups and subgroups, for which separate indices are constructed. Additional CPIs are also published each month for five expenditure groups, for pensioners, for the nine provinces and for the 14 main urban areas in South Africa. Statistics South Africa collects the price information each month mainly by sending questionnaires to about 3 600 retailers. Some prices are collected directly by officials of Statistics South Africa and the information supplied by the retailers is checked for consistency and possible errors. The compilation of the CPI for each month thus takes some time and the CPI for each month (based on the prices during the first seven days of the month) is published during the second half of the following month.

Once a set of CPI figures are available, an *inflation rate* can be calculated. This is done by calculating the percentage change from one period to the next. The inflation rate is always expressed as an annual rate. In other words, if we say that the inflation rate is 10 percent, this means that prices are increasing at a rate of 10 percent per year.

The most common method of calculating the inflation rate is to compare the latest month's CPI with the CPI of the corresponding month of the previous year. For example, if the CPI for December 1999 is 132, 3 (with 1995=100) and the CPI for December 1998 was 129, 4, and then the inflation rate is calculated as:

(132,3 - 129,4) / 129,4 x 100	=	2,9/129,4 x 100
	=	0,022 x 100
	=	2,2%

When the inflation rate has to be calculated for a calendar year, the usual procedure is to compare the average of all the monthly indices in a particular year with the corresponding average for the previous year. For example, in 1999 the average monthly CPI was 131, 1 (1995=100) and for 1998 the average was 124, 6. By comparing the two figures an annual inflation rate for 1999 can be calculated as follows:

(131,1 - 124,6) / 124,6 x 100	=	6,5/124,6 x 100
	=	0,052 x 100
	=	5,2%

During the second half of the 1990s Statistics South Africa started publishing a *core inflation rate* in addition to the unadjusted or *headline inflation rate*. The main objective of estimating core inflation is to capture the underlying inflationary pressures in the economy by excluding goods from the CPI basket on the basis that their prices are highly volatile, subject to temporary influences or affected by government intervention and policy. Among the items excluded are: fresh and frozen meat, fish, vegetables, fresh fruit and nuts, interest rates or bonds and overdrafts or personal loans, value-added tax (“VAT”) and municipal assessment rates. The core inflation rate is usually much more stable than the headline rate.

The inflation statistics was obtained from Statistics South Africa (Pty) Ltd and was essential in computing the CPI adjusted figures for each of the relevant data fields during the sample period. For example one has to adjust for CPI in comparing the relative values of IPO’s so as to compare ‘apples with apples.

H. Results of Public and Preferential Offers

A key feature of the JSE is that the basis used for rationing when issues are oversubscribed is disclosed publicly. The degree and method of scaling down is entirely at the discretion of the issuing house and may involve any form or pattern that best suits the particular circumstances of the company involved (Levis 1990).

The balloting of issues (i.e., a random selection from all applications) takes place in public and is even-handed in the sense that all applications of a particular size have an equal probability of being accepted. These procedures ensure that applicants for a particular number of shares face a 'fair game' (Koh and Walters 1987). This public disclosure (typical of British influenced company law) is essential for a direct test of Rock's model and is entrenched in the South African Companies Act 61 of 1973. In terms of this Act, all offers to the public require a prospectus.[140]

Of the Methods of Offer, both Public Offers and Preferential Offers fall into the definition of 'Offers to the Public' (section 142 and section 146(1) of the Companies Act) and hence require a prospectus.

The oversubscription and rationing data for all issuers orchestrating a listing by means of an Offer to the Public on any of the three boards was required. These issuers would have to publicly announce the results of the Public Offer viz., the levels of subscription and the subsequent basis of allotment and rationing of scrip (if any). The difficulty in obtaining the required data was acutely apparent from the outset in as much as the older announcements were discarded and/or share registrars had merged and/or ceased to operate. The results of this database were as follows for Offers to the Public i.e., Public Offers (Table 5.14) and Preferential Offers (Table 5.15):

[140] Refer to Addendum 8 'Public offers of shares in terms of the Companies Act' for a detailed synopsis thereon

LIST YEAR	TOTAL NUMBER OF PUBLIC OFFERS	NUMBER OF PLACING RESULTS OBTAINED
1995	1	0
1996	5	2
1997	19	8
1998	19	10
1999	9	4
Total	53	24

Table 5.14: A comparison of the number of public offers orchestrated in the sample period for which share allocation data was available

YEAR	TOTAL NUMBER OF PREFERENTIAL OFFERS	NUMBER OF PLACING RESULTS OBTAINED
1995	1	0
1996	5	1
1997	18	5
1998	17	9
1999	10	4
Total	51	19

Table 5.15: A comparison of the number of preferential offers orchestrated in the sample period for which share allocation data was available

Once the post-offer results were obtained (primarily cuttings from newspapers), a data matrix was created for each issuer. The data matrix comprised 'allotment ranges' ('from shares applied' and 'to shares applied' by applicant), the 'application percentage' (what percentage of applicants for the application range were granted shares) and the 'allotment amount' (quantum of shares granted to successful applicants). Some issuers, in conjunction with the aforementioned balloting, also used 'application percentage' (instead of a fixed amount of shares per allotment amount) rounded to the nearest hundred (or thousand) shares.

Table 5.16 is an example of the data matrix for the Afribrand Holdings Limited public offer and Table 5.17is the data matrix for a preferential offer orchestrated by Mercantile Lisbon Bank Holdings Limited (having the same data fields as the preferential offer).

ISSUER	FROM SHARES APPLIED	TO SHARES APPLIED	APPLICAT PERCENT	ALLOT AMOUNT	ALLOT PERCENT	ROUNDED	MIN
Afribrand Holdings Limited	100	101	0.013	100	-	-	-
Afribrand Holdings Limited	102	1,000	0.100	200	-	-	-
Afribrand Holdings Limited	1,100	2,500	0.167	300	-	-	-
Afribrand Holdings Limited	2,600	5,000	0.200	500	-	-	-
Afribrand Holdings Limited	5,100	500,000	1.000	-	0.019	100	
Afribrand Holdings Limited	500,001	10,000,000	1.000	-	0.01005	100	9500

Table 5.16: The data matrix of the results of the Afribrand Holding Limited Public Offer illustrating the allocation mechanism and quantum of shares so allocated

ISSUER	FROM SHARES APPLIED	TO SHARES APPLIED	APPLIC PERCENT	ALLOT AMOUNT	ALLOT PERCENT	ROUNDED	MIN
Mercantile Lisbon Bank Holdings Limited	1,001	5,000	1	-	0.095	100	200
Mercantile Lisbon Bank Holdings Limited	5,001	10,000	1	-	0.08	100	600
Mercantile Lisbon Bank Holdings Limited	10,001	20,000	1	-	0.08	100	1,000
Mercantile Lisbon Bank Holdings Limited	20,001	100,000	1	-	0.055	100	1,800
Mercantile Lisbon Bank Holdings Limited	100,001	500,000	1	-	0.046	100	6,100
Mercantile Lisbon Bank Holdings Limited	500,001	1,000,000	1	-	0.04	100	26,200
Mercantile Lisbon Bank Holdings Limited	1,000,001	7,000,000	1	-	0.0285	100	46,200
Mercantile Lisbon Bank Holdings Limited	7,000,001	18,000,000	1	-	0.02	100	217,200

Table 5.17: The data matrix of the results of the Mercantile Lisbon Bank Holdings Limited Preferential Offer illustrating the allocation mechanism and quantum of shares so allocated

In conjunction with the methods of allocation (and rationing) disclosed by issuers, the public disclosure also comprised (for each of the issuers in the sample) statistics of the subscription. These statistics were interpreted and a further data matrix was created. This data matrix comprised the issuer, the percentage over/ (under) subscribed, the volume of equity subscribed for (in shares), the volume placed (the amount of shares offered in the placing) and the times oversubscribed (if any). Table 5.18 and Table 5.19 are examples of the data matrix for Public Offers and Preferential Offers, respectively.

ISSUER	OVER SUBSRIBED (PERCENT)	VOLUME SUBSCRIBED	VOLUME PLACED	TIMES OVERSUBSCRIBED
Accord Technologies Limited	0.00	-	10,000,000	0.00
Acumen Holdings Limited	0.00	-	7,500,000	0.00
Afribrand Holdings Limited	7,464.91	746,490,650	10,000,000	74.65
Amalgamated Appliance Holdings Limited	3,896.26	370,145,000	9,500,000	38.96
AMB Holdings Limited	4,555.16	56,939,537	1,250,000	45.55
AMB Private Equity Partners Limited	213.10	1,278,620	600,000	2.13

Table 5.18: An example of the data matrix of the statistics of public offers orchestrated by issuers

ISSUER	OVER SUBSRIBED (PERCENT)	VOLUME SUBSCRIBED	VOLUME PLACED	TIMES OVERSUBSCRIBED
Accord Technologies Limited	0.00	-	5,000,000	0.00
Acumen Holdings Limited	0.00	-	2,500,000	0.00
Afribrand Holdings Limited	100.00	3,000,000	3,000,000	1.00
African Harvest Limited	0.00	-	15,000,000	0.00
AMB Holdings Limited	100.00	11,250,000	11,250,000	1.00
Aquila Growth Limited	0.00	-	4,250,000	0.00
Astrapak Limited	0.00	-	1,735,000	0.00
Astrapak Limited	0.00	-	575,000	0.00

Table 5.19: An example of the data matrix of the statistics of preferential offers orchestrated by issuers

CHAPTER SIX

EMPIRICAL RESULTS AND FINDINGS

I. INTRODUCTION

Part II of this Chapter empirically examines the initial underpricing phenomena as pertains to the RSP and TSP [141]databases of new issuer IPOs created in this study as well as the quantification of the cost associated with this phenomenon. The following three null hypotheses are accordingly tested:

1. Investors in new listings do not receive significant Adjusted Initial Returns ("AIR") using the Market Adjusted Model;
2. Investors in new listings do not receive significant Unadjusted or Raw Initial Returns ("RIR"); and
3. Investors in IPOs, who maintain their share holdings for a period after listing, do not receive significant excess returns.

Part III examines the proxies for ex ante uncertainty as one cannot directly examine the implication of Rock's model that "riskier" i.e., harder to value, issues will be underpriced more than less risky issues, without also using a proxy for risk. The additional seven null hypotheses are tested as an adequate measure of risk:

1. The returns on new issuers are independent of the list method through which that IPO occurred;

2. Returns on IPOs are independent of the board on which granted;

3. Returns on IPOs are independent of the level expended on professional advisors fees by new issuers;

[141] Research and Total Sample Databases (refer to Chapter 5)

4. Returns on IPOs are independent of the new issuer capital value calculated at offer price;

5. Returns on IPOs are independent of the percentage of shares issued during the IPO relative to the issued share capital;

6. Returns on IPOs are independent of the new issuers previous years sales (revenues); and

7. Returns on IPOs are independent of the new issuers disclosed use of IPO proceeds.

Part III also empirically compares the South African IPO Methods of Offer (Public Offer, Placements and Hybrid Offers) and Listing with the UK model, and by inference, countries with UK influenced corporate legal systems.

Part IV investigates the existence of both hot and cold issuer markets on the JSE using the RSP database of new issuers, 1995 through 1999, as a proxy thereof. The eleventh null hypothesis of the Chapter viz., hot and cold issue markets periods do not exist on the JSE, was tested.

Finally, Part V examines the winner's curse hypothesis as a possible explanations as to the RSP database underpricing puzzle. Segmentation of Rock's (1986) model is used as the proxy for the winner's curse and empirically applied to the RSP database of Public Offers (solely or as a component of a Hybrid Offer).

II. THE INITIAL UNDERPRICING PHENOMENA – RSP DATABASE EMPIRICAL STUDY

The total cost of underpricing to the company and selling shareholders is referred to by practitioners as the 'amount of money left on the table (Brennan and Franks 1997). Ritter (1987) recognized that the underpricing itself is a cost borne by issuing firms, and he explicitly *includes* that cost as one of the costs of a public offering (or for that matter an IPO). Hanley and Ritter (1992) associate IPO underpricing as an indirect cost. These indirect costs would include the management time and effort devoted to conducting the offering, and the dilution associated

with the selling of shares at an offering price that is, on average, below the price prevailing in the market shortly (the immediate aftermarket[142]) after the IPO.

A. HYPOTHESIS 1: Investors in new listings do not receive significant adjusted Initial Returns ("AIRs") using the Market Adjusted Model

$$H_0: ar_{i(0-1)} = 0$$

$$H_a: ar_{i(0-1)} \neq 0$$

where

$ar_{i\ (0-1)}$ is first day (initial) market adjusted return for an issue ***i***

H_0 is the null hypothesis

H_a is the alternate hypothesis

The equation used to determine market adjusted initial returns is expressed, per Equation 3.1, as follows:

$$ar_{i(0-1)} = r_i - r_m$$

where

r_i = the percentage change in offer price from the offering date to the close at the first day of trading for issue ***i***

r_m = the equivalent change in the ALSI 100 benchmark index

The sample comprised the RSP database of 160 new issuers orchestrating an IPO on the JSE during the sample period, 1995 through 1999. The maximum AIR was 464.19% with a sample minimum of -98.43%. The median AIR was 29.11%, and the distribution was seen to be asymmetrically skewed (2.29) with a kurtosis of 5.92. The mean AIR was found to be 54.99% with a standard deviation of 96.14%. It was concluded that initial returns were significantly greater than zero and that the phenomenon of under-pricing of new issues exists on the JSE.

[142] Aggarwal 2000

H_0 was strongly rejected at the 95% confidence level (15.01). The AIR summary statistics are reported in Table 6.1.

B. HYPOTHESIS 2: Investors in new listings do not receive significant Unadjusted or Raw Initial Returns ("RIR")

$$H_0: r_{i(0-1)} = 0$$

$$H_a: r_{i(0-1)} \neq 0$$

where

$r_{i(0-1)}$ is the first day (initial) RIR for an issue ***i***

H_0 is the null hypothesis

H_a is the alternate hypothesis

Per **Equation 3.3**, we could state that the RIR for an issue is the percentage change in offer price from the offering date to the close price at the first day of trading:

$$r_{i(0-1)} = (p_l - op_i) / p_l$$

where

p_l = closing price at the end of the first day trading for issue ***i***

op_i = offer price for issue ***i***

The RIR sample was the same 160 new issuers as that used in the AIR calculation above. The RIR results were very similar to that of the AIR results in that the sample maximum RIR was 460% with a sample minimum of -98.48%. The median RIR was 29%, and the distribution was seen to be asymmetrically skewed (2, 29) with a kurtosis of 5.9. The mean RIR was found to be 54.04% with a standard deviation of 95.80%. Accordingly, it was concluded that initial returns were significantly greater than zero and that the phenomenon of under-pricing of new issues exists on the JSE. The null hypothesis, H_0, was strongly rejected at the 95% confidence level

(14.96). The RIR summary statistics are reflected per Table 6.1. As with the Michaely and Shaw (1994) study, we the level of underpricing is positively correlated with the number of offerings in that year. Per Table 6.2, the mean and median underpricing in 1995, the year with the lowest number of RSP IPOs, is -49.24, compared with the mean (median) underpricing of 85.11% (34%) percent in 1998, the year with the most RSP IPOs. Figure 6.1(a) gives a good graphic illustration of this IPO volume/return phenomenon.

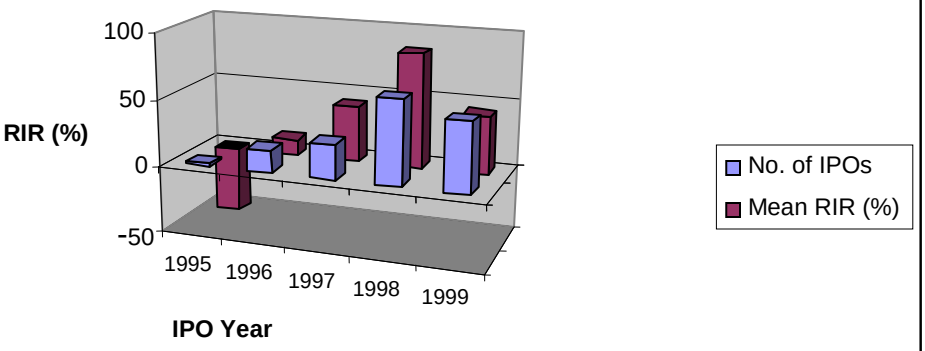
Table 6.1: **Summary statistics for RIR and AIR for new issuers comprising the RSP database**

Description	RIR Results	AIR Results
Mean	55.04	54.99
Standard Error	7.57	7.60
Median	29.00	29.11
Standard Deviation	95.80	96.14
Sample Variance	9,178.44	9,243.06
Kurtosis	5.90	5.92
Skewness	2.29	2.29
Range	558.48	562.62
Minimum	(98.48)	(98.43)
Maximum	460.00	464.19
Sum	8,806.38	8,797.89
Count	160	160
Confidence Level (95.0%)	14.96	15.01
Conclusion	Reject H_0	Reject H_0

Table 6.2: Annual RSP initial returns and IPO volume

IPO Year	No. of IPOs	Mean RIR (%)	Median RIR (%)	Std. Dev	Skewness
1995	2	(49.24)	(49.24)	69.64	-
1996	17	11.83	14.00	27.35	(1.65)
1997	26	41.77	40.00	42.49	0.50
1998	63	85.11	34.00	129.66	1.67
1999	52	43.39	30.00	67.59	1.23
Total	160	55.04	29.00	95.80	2.29

Figure 6.1(a): RSP annual RIR and IPO volume



It was further observed, as per the Prabhala and Puri (1998) that the mean return always exceeded the median return and the distributions are positively skewed for all but the 1996 IPO year.

Whilst this study confirms the existence of significant initial returns, as with the UK research conducted by Dimson (1979), Levis (1993), Buckland et al (1981), Bank of England (1986) and Levis (1990, 1993), the RSP RIR are some 5 to 10 times greater. The Bank of England (1990) study standard deviation of the first week discount is 16, 4 % compared with that the RSP, being a staggering 106,98% , and the distribution is positively skewed in both cases. This applies also to the US studies of Ljungqvist et al (2000), Loughran and Ritter (1999) and Ibbotson and Ritter (1995) albeit the size and standard deviations of the RSP RIR are significantly greater. The returns in US and UK IPO markets are far less volatile than the mean initial returns experienced in South Africa. However, it was interesting to note that the median RSP database initial return of 29% has a far greater correlation with both the US and UK market returns.

Given that Placements are mainly available to institutional investors, the presence of some, albeit reduced, overpricing may be considered as rather surprising. The differences in average initial returns between Public Offers, Hybrid Offers and Placements may also be related to the degree of uncertainty about the true value of an issue.

Bradfield and Hampton (1989) found average opening premia of 48 % in hot issue markets and 25 % in cold issue periods from May 1975 to August 1986 (some 77 unseasoned issues). The overall average premium for this period was 27 %. Bhana (1989), using a sample of 80 new listings over the period 1985 through 1987 found the average initial premia to be 69,7 %.. The RSP results once again confirm the existence of high (very high) list day initial premia for JSE new issues. These findings are summarised and compared with this current RSP database study per Table 6.3(a).

Table 6.3(a): South African initial return empirical studies

Empirical study	Sample size	Time period	Mean Initial Returns (%)
Barlow & Sparks (1986)	105	1972-1986	32.1
Bradfield and Hampton	77	1975-1986	48.0
			25.0
			27.0
Bhana (1989)	80	1985-1987	69.7
RSP database (Lattimer)	160	1995-1999	55.0

We can conclude this section with following food for thought:

> Given that the total cost of underpricing to the company (new issuer) and selling shareholders is referred to by practitioners as the 'amount of money left on the table' (Brennan and Franks 1997).

and

> Ritter (1987) recognized that the underpricing itself is a cost borne by issuing firms, and he explicitly includes that cost as one of the costs of a public offering

The amount of money left on the table viz., underpricing, collectively cost the RSP database of new issuers a total of R 2.85 billion (CPI unadjusted) at the close of day 1. The Rand value of the 'money left on the table' was calculated as follows for the RSP database of 160 new issuers:

$$\chi_{RSP} = (p_{RSP} - op_{RSP}) * \alpha_{RSP} \qquad \textbf{Equation (6.1)}$$

Where

χ_{RSP} = Indirect cost of underpricing for new issuers comprising the RSP database

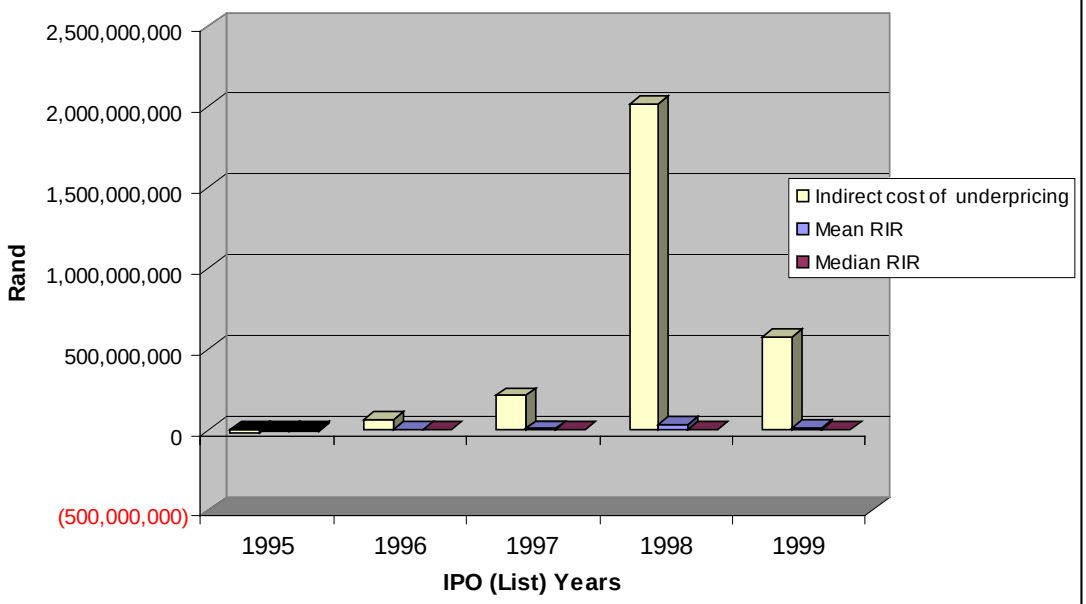
p_{RSP} = closing prices at the end of the first day trading for the RSP database

op_{RSP} = offer prices for new issuers comprising the RSP database

α_{RSP} = the IPO equity offered for new issues comprising the RSP database

The annual cost of underpricing really becomes startlingly apparent if we convert the mean annual initial return premia (underpricing), per Figure 6.1(b), into Rands – "money you can buy beer with".

Figure 6.1(b) : "Money left on the table"



C. HYPOTHESIS 3: Investors in IPOs who maintain their share holdings for a period after listing, do not receive significant excess returns

$$H_{0:} = r_{i\,(0\text{-}2)} = r_{i\,(0\text{-}3)} = r_{i\,(0\text{-}4)} = r_{i\,(0\text{-}wk1)} = r_{i\,(0\text{-}wk2)} = r_{i\,(0\text{-}wk3)} = r_{i\,(0\text{-}wk4)} = 0$$

$$H_{a:} = r_{i\,(0\text{-}2)} \neq r_{i\,(0\text{-}3)} \neq r_{i\,(0\text{-}4)} \neq r_{i\,(0\text{-}wk1)} \neq r_{i\,(0\text{-}wk2)} \neq r_{i\,(0\text{-}wk3)} \neq r_{i\,(0\text{-}wk4)} \neq 0$$

where

$r_{i\,(0\text{-}y)}$ is the second day through week 4 relative to the initial day 1 RIR for an issue ***i***

H_0 is the null hypothesis

H_a is the alternate hypothesis

The equation used in calculating the $r_{i\,(0\text{-}y)}$ for an issue ***i***, comprising the RSP database, is per equation 3.3 and the new issue initial return (r_i) is per Hypothesis 2 calculation.

The results are shown in Table 6.4 and in all cases H_0 was accepted at the 95% confidence level and therefore it was concluded that, on average, insignificant relative returns accrue to investors for at least the period up to four weeks after listing. Figure 6.2 graphically illustrates the RSP database having a dramatically peaked day 1 RIR, with the subsequent days (relative to day 1RIR) as a relatively smooth plateau.

Those investors who immediately upon the new issuer listing disposed their holdings in IPOs purchased at the offer price received significant mean first day excess RIR of 55.04 %, with a standard deviation of 95.80 %. The aftermarket mean excess return component of this return, for a period of four weeks was -0.32%. The majority of this return was therefore the initial premia on listing (day 1). The short term, four week, aftermarket returns were not all significant. The market was therefore reasonably efficient with respect to the pricing of new listings ex post the first day of listing on the JSE.

INTERNATIONAL EMPIRICAL STUDIES	AUTHOR(S) OF ARTICLE(S)	SAMPLE SIZE	TIME PERIOD	AVERAGE INITIAL RETURN (%)
Australia	Lee, Taylor & Walter	156	1966-1985	26.80
Australia	Lee, Taylor & Walter	266	1976-1989	11.90
Austria	Aussengg	67	1964-1996	6.50
Belgium	Rogiers, Manigart & Ooghe	28	1984-1990	10.10
Brazil	Aggarwal, Leal & Hernandez	62	1979-1990	78.50
Canada	Jog & Riding; Jog & Srivastava	258	1971-1992	5.40
Chile	Aggarwal, Leal & Hernandez	19	1982-1990	16.30
China	Datar & Mao	226	1990-1996	388.00
	Su & Fleisher	308	1990-1996	948.59[143]
		57	1990-1996	37,13[144]
Finland	Keloharju	85	1984-1992	9.60
France	Husson & Jacquillat; Leleux & Muzyka; Paliard & Belletante	187	1983-1992	4.20
Germany		97	1977-1987	21.50
Germany	Ljungqvist	170	1978-1992	10.90
Greece	Kazantzis & Levis	79	1987-1991	48.50
Hong Kong		34	1979-1985	10.50
Hong Kong	McGuinness; Zhao & Wu	334	1980-1996	15.90
India	Krishnamurti & Kumar	98	1992-1993	35.30
Israel	Kandel, Sarig & Wohl	28	1993-1994	4.50
Italy	Cherubini & Ratti	75	1985-1991	27.10
Japan		303	1979-1989	31.90
Japan	Fakuda; Dawson & Hiraki; Hebner & Hiraki	472	1970-1991	32.50
Korea		275	1984-1990	79.00
Korea	Dhatt, Kim & Lim	347	1980-1990	78.10
Malaysia		34	1979-1984	149.30
Malaysia	Isa	132	1980-1991	80.30
Mexico	Aggarwal, Leal & Hernandez	37	1987-1990	33.00
Netherlands		46	1982-1987	5.10
Netherlands	Wessels; Eijgenhuiisen & Buijs	72	1982-1991	7.20
New Zealand	Vos & Cheung	149	1979-1991	28.80
Portugal	Alpalhao	62	1986-1987	54.40
Singapore		66	1973-1987	27.00
Singapore	Lee, Taylor & Walter	128	1973-1992	31.40
South Africa	**RSP Database Study**	**160**	**1995-1999**	**55.04 (RIR)** **54.99 (AIR)**
Spain	Rahnema, Fernandez & Martinez	71	1985-1990	35.00
Sweden		55	1983-1985	40.50
Sweden	Rydqvist	251	1980-1994	34.10
Switzerland	Kunz & Aggarwal	42	1983-1989	35.80
Taiwan		68	1981-1988	30.00
Taiwan	Chen	168	1971-1990	45.00
Thailand	Wethyavivorn & Koo-smith	32	1988-1989	58.10
United Kingdom	Dimson; Levis	2,133	1959-1990	12.00
United States	Ibbotson, Sindelar & Ritter	13,308	1960-1996	15.80

Table 6.3(b): Average initial returns for 31 countries, including this RSP database study-South Africa (adapted from Loughran, Ritter and Rydqvist 1994, Ibbotson and Ritter 1995, Ritter 1998)

[143] Chinese resident class 'A' share IPOs

Further, a comparison between AIR and RIR was made for the period of up to four weeks after listing. A strong positive correlation of 99.9% existed between the two market models. This is consistent with the findings of Beatty and Ritter (1986) and Ritter (1984) viz., the expression of initial return in an "adjusted market return" format to account for the percentage change in the market index between the opening and closing trading on the first day of listing in IPO shares has typically a negligible effect upon the initial returns recorded. Accordingly the remainder of this study expresses initial returns in a RIR format. Further, it was decided in this study, per Bhana (1989), not to employ **β** weighting.

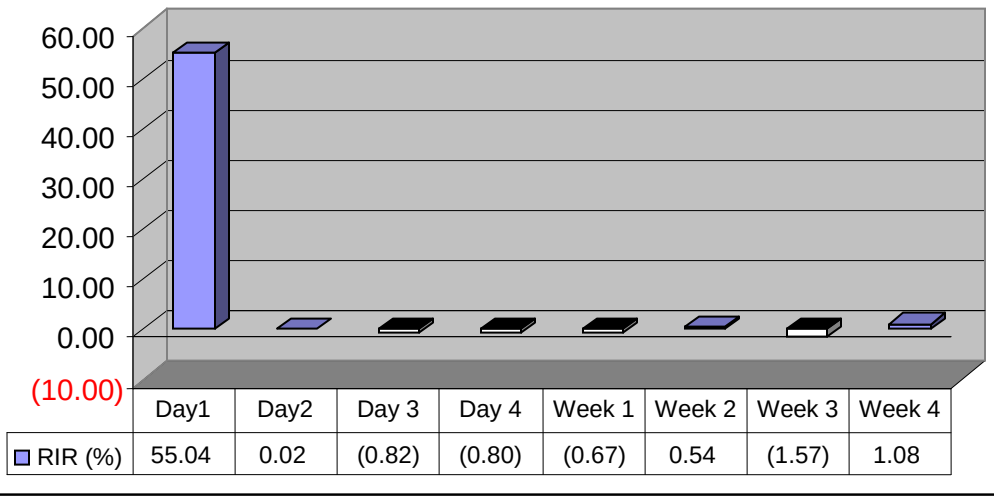
This study corroborates the efficient market hypothesis findings of Miller and Reilly (1987) and the McGuinness (1992), (1993) Hong Kong studies. Their overall conclusion was that, consistent with the efficient market hypothesis, prices adjust rapidly to the underpricing, and investors who purchase the new issues in the aftermarket (i.e., a week or a month after the initial offering) do not experience excess returns. It was found in this study that investors who purchase equity in the new issuer from day 2 do not receive significant returns at all. It can be concluded that the JSE is indeed efficient in as much as the adjustment to mispricing takes place during the first trading day, with no significant return occurring on any of the subsequent days.

[144] Foreigner class 'B' share IPOs

Table 6.4: Relative RIR *ex post* list day

Descriptive Statistics	Relative RIR *ex post* list day						
	Day2	Day 3	Day 4	Week 1	Week 2	Week 3	Week 4
Mean	0.02	(0.82)	(0.80)	(0.67)	0.54	(1.57)	1.08
Standard Error	0.75	0.56	0.60	0.58	1.61	1.01	1.25
Median	(0.76)	(0.70)	(0.68)	(0.76)	(1.73)	(1.66)	(1.30)
Mode	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Standard Deviation	9.54	7.14	7.61	7.32	20.30	12.74	15.84
Sample Variance	90.98	50.99	57.98	53.59	412.27	162.42	250.78
Kurtosis	6.94	6.72	23.76	3.25	28.25	2.93	22.05
Skewness	1.63	0.30	3.31	1.01	4.46	1.00	3.73
Range	81.82	64.54	75.09	48.33	187.14	80.47	141.01
Minimum	(31.82)	(35.59)	(16.67)	(17.29)	(37.14)	(31.82)	(31.91)
Maximum	50.00	28.95	58.42	31.03	150.00	48.65	109.09
Sum	3.84	(131.65)	(128.37)	(107.57)	86.41	(250.47)	172.68
Count	160	160	160	160	160	160	160
Confidence Level (95.0%)	1.49	1.11	1.19	1.14	3.17	1.99	2.47
Conclusion	Accept H_0	Accept H_0	Accept H_0	Accept H_0	Accept H_0	Accept H_0	Accept H_0

Figure 6.2: First day RIR and 4 week relative aftermarket Performance



III. PROXIES FOR EX ANTE UNCERTAINTY

One cannot directly examine the implication of Rock's model that "riskier" i.e., harder to value, issues will be underpriced more than less risky issues, without also using a proxy for risk. In other words, one can only test the joint hypothesis that there is a positive relationship between risk and expected initial return and that one has an adequate measure of risk (Ritter 1984).

This risk proxy should be as highly correlated with ex ante uncertainty as possible. The Ritter (1984) study uses two measure of risk:

1. ex ante observable accounting information; and
2. ex post stock market returns.

Newly listed companies might be expected to have higher risk than average market risk. Therefore, the risk needs to be taken into account when measuring share performance in order to avoid over stating performance results. Ibbotson (1975) showed that the systematic risk of new issues is greater than the market risk and that this systematic risk reduces as the issues become seasoned. Bradfield & Hampton (1989) found that the opening premia on the JSE were not affected by systematic risk as measured by ß.

Since the issuer's ex ante uncertainty is unobservable, it needs to be proxied. However, it can be argued that the proxy may induce simultaneity bias due to failure of strict exogeneity.

A. Method of Offer

1. Empirical Analysis of List Methods

Before testing the any hypotheses, it is worth examining the List Method empirical results and findings as pertaining to the RSP database of new issuers. As discussed in Chapter 2, there are two main methods in which issuers, or new applicant, can raise equity finance within the ambit of UK contractual mechanisms (IPO) i.e., Offers of Sale (at a fixed price or tender) and

Placements. Both methodologies have the 'fixed price method' as the dominant approach (Levis 1993, Bank of England 1986). As was noted in Chapter 2, it was nor uncommon for a UK issuer to simultaneously use both IPO methods simultaneously when orchestrating an IPO i.e. a Hybrid Offer (Loughran, Ritter and Rydqvist 1994).

Further, new listings on the LSE can be orchestrated in conjunction with the raising of list capital, the IPO, or by means of an Introduction - where no list capital is raised. Introductions are thus not included within the definition or ambit of an IPO (Bank of England 1980). As in the UK, a South African company seeking admission to the JSE will normally choose between one of the following methods of obtaining a listing and issuing new equity capital: an Introduction, Public Offer, Placing or a Hybrid Offer.

Section 5 of the JSE Listing Requirements describes the different Methods and Types of Offers whereby securities may be brought to listing with the simultaneous raising of capital by the new Applicant – the IPO.

2. South African List Methods compared with UK Influenced Legal Systems

a. Offers for Sale at a Fixed Price (Public Offers)

1. In an offer for sale at a fixed price, the new applicants equities are usually offered to the public at a fixed price by the issuing house (sponsoring broker) on behalf of the issuer (new applicant) about 14 days before dealings in the issue begin (Bank of England 1990, Levis 1993). Koh and Walter note that the Singaporean prospectus is typically issued three to four weeks before the applicants closing date and there are a further three to four weeks before the bourse listing. It was noted that in South Africa the prospectus issue date (offer) is made, on average, 13.3 days before the application (offer) close date.

2. Enormous oversubscription is a characteristic of countries using the UK fixed price method under which the price is set well in advance of the issue date (Rock 1986, Ruud 1993). The research results adequately demonstrated the exceptionally large oversubscription of those issuers utilising the Public Offer as an IPO method, either a

single IPO Method or as a component of a Hybrid Offer. The RSP database annual oversubscription means are per Table 6.5. The maximum and minimum RSP oversubscription was 86.56 and 0.30 times respectively for 20 new issuers. The RSP mean subscription rate was 24.42 (median 5.90) with a standard deviation of 28.90. It was interesting to note that the new issuers with the highest oversubscription had, on average, the highest RIR (converse for lowest subscription rates).

Table 6.5: Times Public Offer oversubscribed as a List Method or Component of a Hybrid Offer

Year	Sample	Mean	Median	Std dev
1996	3	4.30	4.50	3.90
1997	9	20.00	2.85	25.40
1998	7	29.85	12.22	29.50
1999	1	86.56	86.56	-
1996-1999	20	24.42	5.90	28.90

3. If there is indeed excess demand, the issuing bank (sponsoring broker) must allocate the shares according to some "fair scheme" (Levis 1993, Rock 1986). UK influenced legal systems require that the allocation rule discriminate only on the size of the application and not according to the identity of the applicant (this being the hall mark difference between an Offer to the Public and a Placement where in the latter the allocation rule discriminates on the identity of the person or class of personae). The application rule is published after the applications have been received so that the rule can reflect discrimination against particular applicants.

The RSP adequately demonstrates this UK Public Offer nuance and indeed South Africa follows the UK methodology of allocation very closely; refer to Table 6.6 hereunder, for IPO orchestrated by means of a Public Offer being, either as a single IPO Method or as a component of a Hybrid Offer. A good example of the UK allocation mechanism, as applied for Public Offer IPOs comprising the RSP is illustrated per Example 6.1- the Hybrid Offer IPO of The Business Bank Limited.

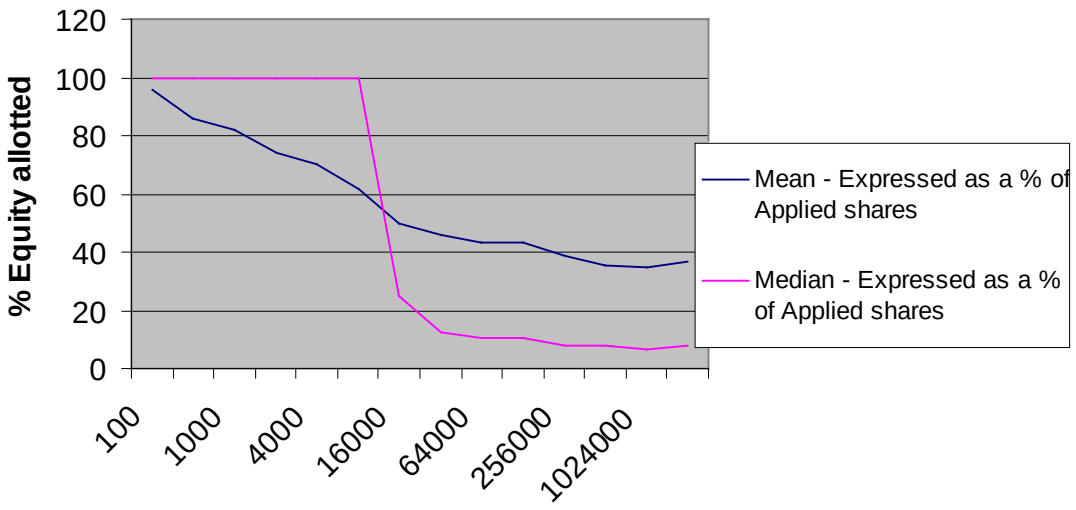
4. Chowdhry and Sherman (1996) cite that one of the important reasons for choosing the UK type of contractual mechanism is that a non discretionary allocation mechanism favours smaller investors.

Upon immediate examination of Table 6.6 one can conclude without a doubt that the South African Public Offer methodology too unequivocally favours the small investor. Investors applying for 16,000 shares or less have a mean successful application of 50% rising to in excess of 80% for applications of a 1,000 shares or less. The median successful application and staggering 'bias' of the small investor is 100% of applications of 8,000 shares or less. This is compared to the large institutional median allotment of 8% of applications greater than 250,000 shares. This UK small investor allocation bias is extensively examined in Part (IV) hereunder (winners curse). This small investor 'bias' is dramatically apparent upon examining Figure 6.3.

Table 6.6: Public Offer discretionary allocation for 20 new issuers comprising the RSP

	Mean		Median		
No. of Shares Applied for	**No. of Shares Received (Allotted)**	**Expressed as a % of Applied shares**	**No. of Shares Received (Allotted)**	**Expressed as a % of Applied shares**	**Standard Deviation**
100	96	96	100	100	20
500	428	86	500	100	166
1000	819	82	1000	100	365
2000	1479	74	2000	100	840
4000	2809	70	4000	100	1742
8000	4954	62	8000	100	3725
16000	7943	50	3980	25	7664
32000	14655	46	3920	12	15171
64000	27731	43	6784	11	30145
128000	55462	43	13568	11	60291
256000	99392	39	20787	8	117741
512000	179707	35	41574	8	226749
1024000	356552	35	67686	7	462627
2048000	746076	36	166298	8	934765

Figure 6.4: Public Offer discretionary equity allocation for the mean & issuer comprising the RSP



5. Application, Payment and Allotment of Shares is a further hallmark of UK influenced corporate legal systems is that no allotment of shares may be made in pursuance of a prospectus until such time as may be specified in terms of the prospectus (Beuthin and Luiz 1998). No shares may be allotted in pursuance of a prospectus for subscription unless the minimum subscription (if any) started in the prospectus has been subscribed and paid to and received by the company. If the minimum subscription is not subscribed and the amount so stated not received by the company within 60 days of the issuance of the prospectus, all moneys received (if any) must be refunded without interest to the relevant applicants[145]. An offer for sale or subscription need not be underwritten, and if so, the offer must be conditional upon the minimum subscription being received that will fulfil the purpose of the offer.

   The empirical data supports this UK Corporate legal legacy in South Africa in as much as the inclusion of unsuccessful equity applications refund dates for Public Offer IPOs and Hybrid Offer IPOs in the prospectus and/or pre-listing statements.

Conclusion

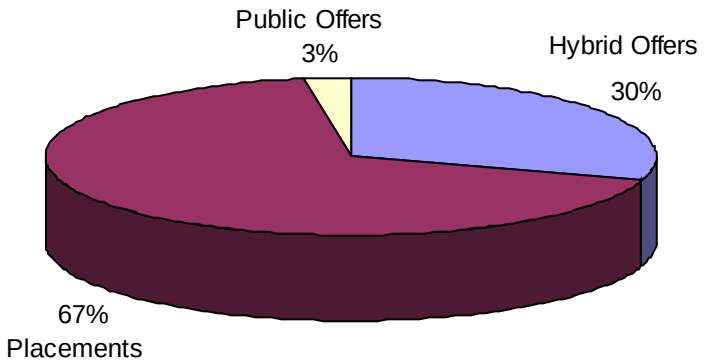
Public Offer IPOs (solely or as a component of a Hybrid Offer) follow UK influenced corporate legal systems to the minute detail – both in legislative norm and empirical results. South African Public Offer and Hybrid IPO Methods bear an exceptionally close correlation to UK influenced corporate legal systems and as such should prove a fruitful empirical testing ground for the winners curse phenomena using the same methodology and equations as their international counterparts per Part (IV) hereunder.

b. Placements (Private Placements and Preferential Offers) and Hybrid Offers

As discussed in Chapter 2, in a Placing the issuing house typically underwrites the entire issue for a short period but, its main economic function is not to bear risk but to act as a distributor.

a) A most striking trend in the UK in the methods of making IPOs has been the increasing number and use of Placing. During the three year period, 1987 thorough 1989, 80% of all private sector issues have been Placings (Bank of England 1990).

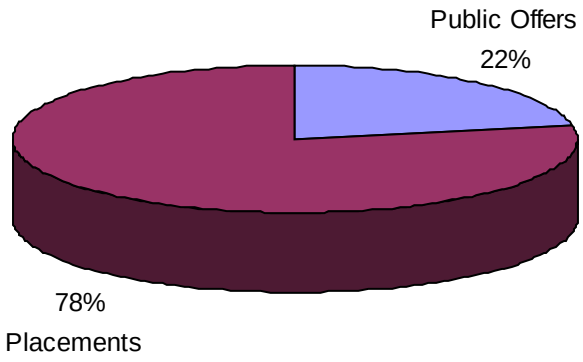
Figure 6.5: Composition of RSP database: IPO Methods



[145] Section 169(3)(b) of the Companies Act

Figure 6.5 graphically illustrates the overwhelming proportion of IPOs, comprising the RSP database for the sample period 1995 through 1999, utilising the Placement Method (67%) within the RSP. Hybrid Offers, the utilisation of Public Offers and Placements, is less than half of Placements, with Public Offers forming a mere 3% of the IPO Methods. If Hybrid Offers are in turn decomposed into its constituent Placements and Public Offer methodologies (per Figure 6.6), Placements comprise 78% of all IPO Methods as compared with the 22% Public Offer methodology.

Figure 6.6: Public Offers & Placements as constituents of RSP IPOs & decomposed Hybrid Offers

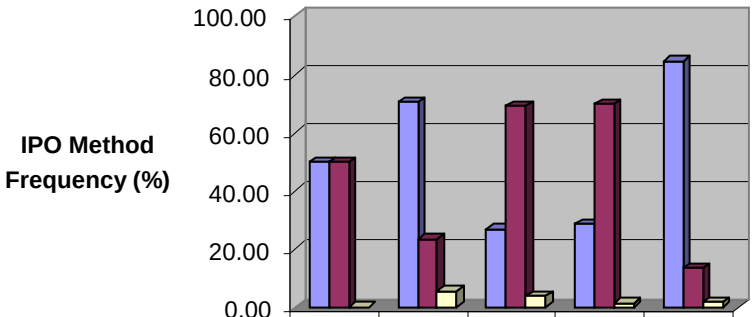


The South Africa follows the UK (LSE) trend of having the vast majority of IPOs orchestrated utilising the Placement methodology (78% and 80% respectively). We could conclude that the South African IPOs indeed mirror those of the UK private sector as the most popular means of implementing an IPO with a simultaneous listing, albeit the RSP database comprises IPOs from 1995 through 1999 compared with the Bank of England Study (1990) sample period of 1987 though 1989.

On closer examination of Figure 6.7(a), we note that whilst Placements are indeed the most 'popular' IPO methodology, Placements as the sole IPO Method dramatically decrease during the 1997 and 1998 IPO years to 26.92% and 28.57% respectively. However, if one considers that the Placement 'market share' was lost to Hybrid Offers during this two year period and that Hybrid Offers comprise Placements, and the dramatic swing back to the usage of Placements as the IPO Method of choice in 1999

(comprising 84.62% of IPO Methods), we can conclude that South Africa is indeed following the same trend as that experienced in the UK.

Figure 6.7(a): Frequency distribution of IPO Methods for the RSP Database, 1995 - 1999



	1995	1996	1997	1998	1999
Placements	50.00	70.59	26.92	28.57	84.62
Hybrid Offers	50.00	23.53	69.23	69.84	13.46
Public Offers	0.00	5.88	3.85	1.59	1.92

IPO Year

b) During the same period, Placings accounted, however, for less than 20% of IPO funds raised (Bank of England 1990).

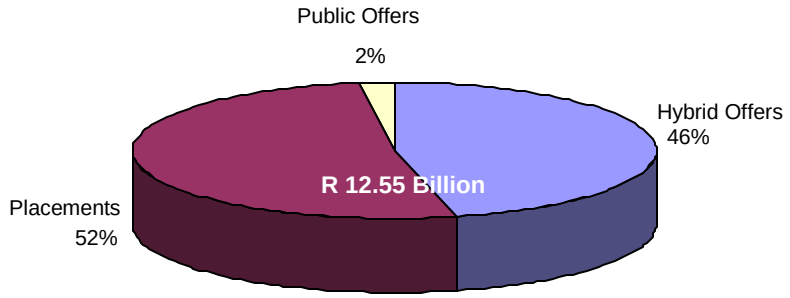
The mean annual IPO capital raised by the issuers comprising the RSP for each of the Methods of Offer is graphically represented by Figure 6.7(b) hereunder. Placements accounted for 52% of the R 12 billion IPO funds raised, with Hybrid Offers accounting for 46% thereof. It was very interesting to note that Public Offers, as a sole IPO Method, accounted for a mere 2% of RSP IPO capital raised. According to Oliver (1997), in most instances large amounts of capital will be raised by Public Offers. This finding is intriguing in that, whilst Public Offers as a sole IPO Method account for a very small percentage of both the IPO Methods used as well as the quantum of IPO fund raised, in comparison to Placements and Hybrid Offers, in 1998 a dramatically large

upswing in Public Offer IPO capital was documented – Figure 6.8. This was as a result of a single very large Offer to the Public and this supports Oliver's (1997) finding. Table 6.7 summarises the frequency and types of IPO methods used, as well as the IPO capital raised for each method by new applicants comprising the RSP.

List Year	Offers to the Public			Placements		
	Frequency	IPO Capital Raised Rand (Million)	Average Capital Raised Rand (Million)	Frequency	IPO Capital Raised Rand (Million)	Average Capital Raised Rand (Million)
1995	1	15	15	3	205	68.33
1996	5	153	30.6	19	973	51.21
1997	19	212	11.16	33	640	19.39
1998	19	3,868	203.58	72	3,818	53.03
1999	9	150	16.67	61	2,511	41.16
Total	53	4,397	277.01	188	8,147	233.12

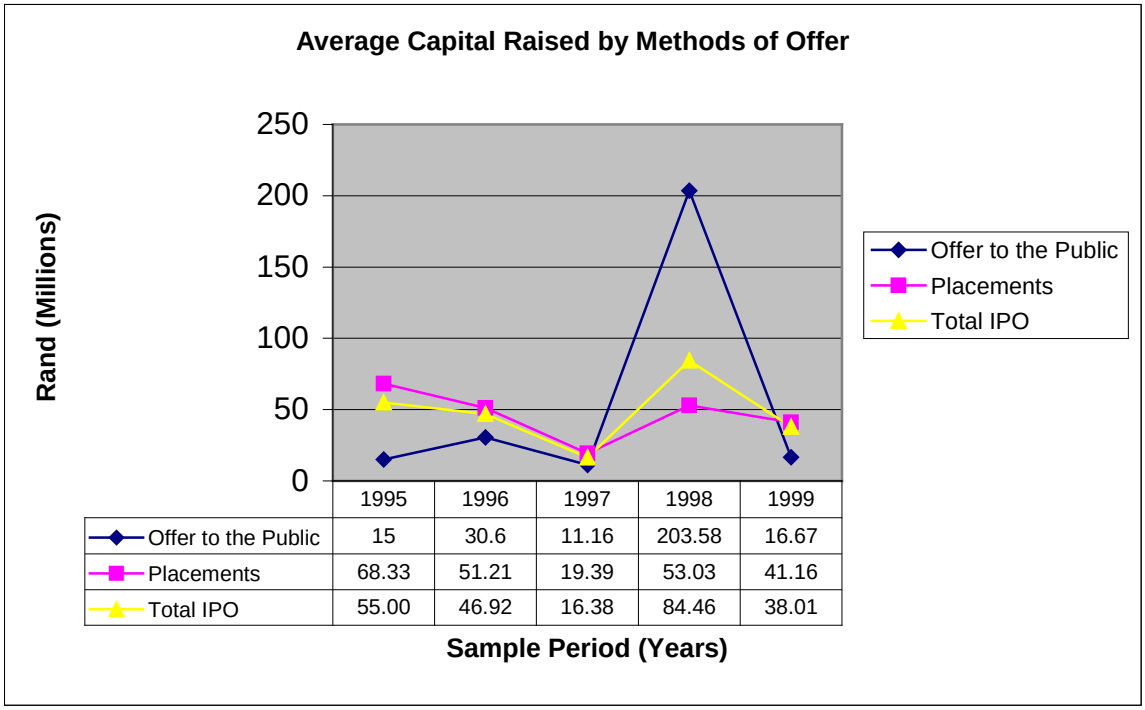
Table 6.7: Annual RSP frequency of Public Offers and Placements and IPO capital raised during the sample period including the Public Offer / Placement component of Hybrid Offers

Figure 6.7(b): CPI adjusted IPO funds raised for the RSP database per IPO Method



List Year	Private Placement			Preferential Offer		
	Frequency	IPO Capital Raised Rand (Million)	Average Capital Raised Rand (Million)	Frequency	IPO Capital Raised Rand (Million)	Average Capital Raised (Rand Million)
1995	2	200	100	1	5	5
1996	14	879	62.79	5	94	18.8
1997	15	381	25.4	18	259	14.39
1998	55	2,612	47.49	17	1,207	71
1999	51	2,394	46.94	10	117	11.7
Total	137	6,465	47.19	51	1,682	32.98

Table 6.8: Frequency and IPO capital raised RSP issuers utilising the Placement method of offer comprising Private Placements and Preferential Offers for the RSP



	1995	1996	1997	1998	1999
Offer to the Public	15	30.6	11.16	203.58	16.67
Placements	68.33	51.21	19.39	53.03	41.16
Total IPO	55.00	46.92	16.38	84.46	38.01

Figure 6.8: Gross IPO capital raised (millions) per Offer Method for new issuers comprising the RSP during the sample period

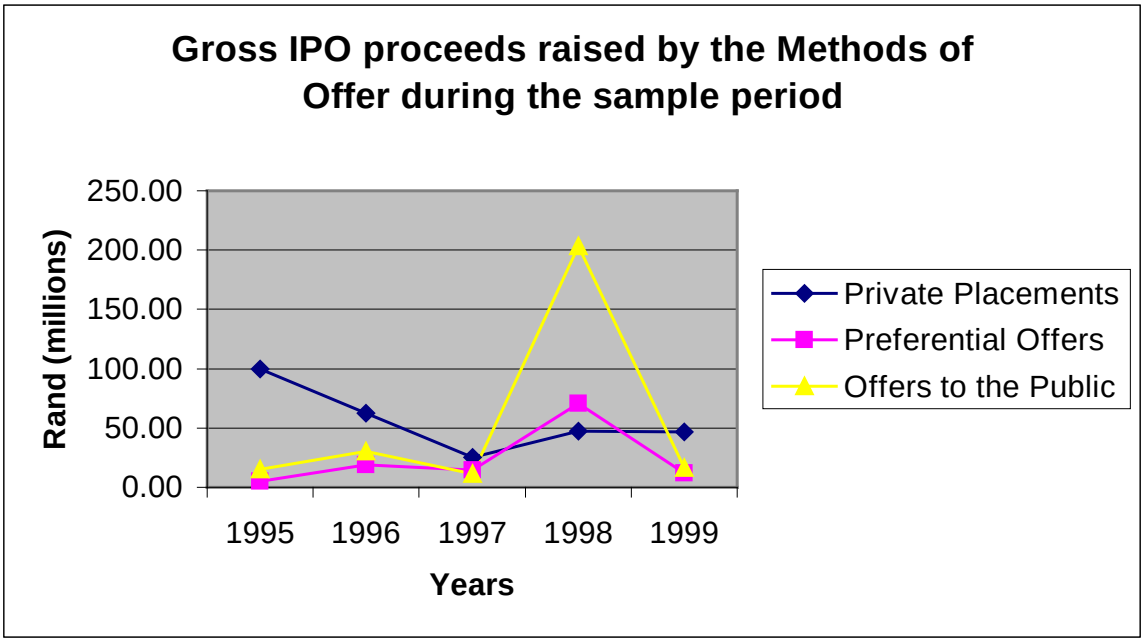


Figure 6.9: Gross IPO capital raised (millions) per the Placement Method of Offer comprising Private Placements and Preferential Offers for new issuers comprising the RSP

Placements were the most frequently used IPO Method, and accounted for the greatest amount of IPO capital raised. The average IPO capital raised in the 1998 'hot issue' market year increases significantly for Offers to the Public and rapidly 'cools off' in the subsequent year[146].

Table 6.8 provides an annual comparison of the occurrence of Private Placements and Preferential Offers for the RSP, utilising the Placement Method of Offer per Table 6.7, as well as the IPO capital raised from said methods of offer. It should be noted that both the Figure 6.8 and Table 6.9 have not accounted for Hybrid Offers per se, but segmented the Hybrid Offer into its Public Offer and Placement components (hence the greater amount of offer Methods than actual issuers comprising the RSP).

We conclude that RSP Placements account for more than 50% of IPO funds raised, not to mention their component in Hybrid Offers, unlike the UK where they account for 20% of IPO funds raised. It could be argued that this marked difference in Placements as an IPO capital raising mechanism is as a result of almost a ten year difference in the respective sample periods.

c) In the UK, there has been a strong trend for small IPOs to be orchestrated by means of a Placing (typically offers of £10 million or less).

Upon examination of both Table 6.9 and Figure 6.10, it is immediately apparent that Placements are indeed the IPO Method of choice for the relatively medium to smaller IPO (typically R37m or less). It is apparent that Hybrid Offers are more frequently used in IPOs of R 37m or more. Once again we find support for Oliver (1997) in that Public Offers are more frequently used in larger IPOs, albeit Hybrid Offers are more predominant.

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Table 6.9: IPO Method frequency and IPO Capital raised

Quintiles	Hybrid Offers Count	Hybrid Offers % of Total IPOs	Placement Count	Placement % of Total IPOs	Public Offer Count	Public Offer % of Total IPOs	Total
R0 - R7m	1	3.13	31	96.88	0	0.00	32
R8m - R18m	8	25.00	23	71.88	1	3.13	32
R19m - R37m	7	20.59	27	79.41	0	0.00	34
R38m - R67m	14	45.16	16	51.61	1	3.23	31
R69m - R1,587m	18	58.06	11	35.48	2	6.45	31

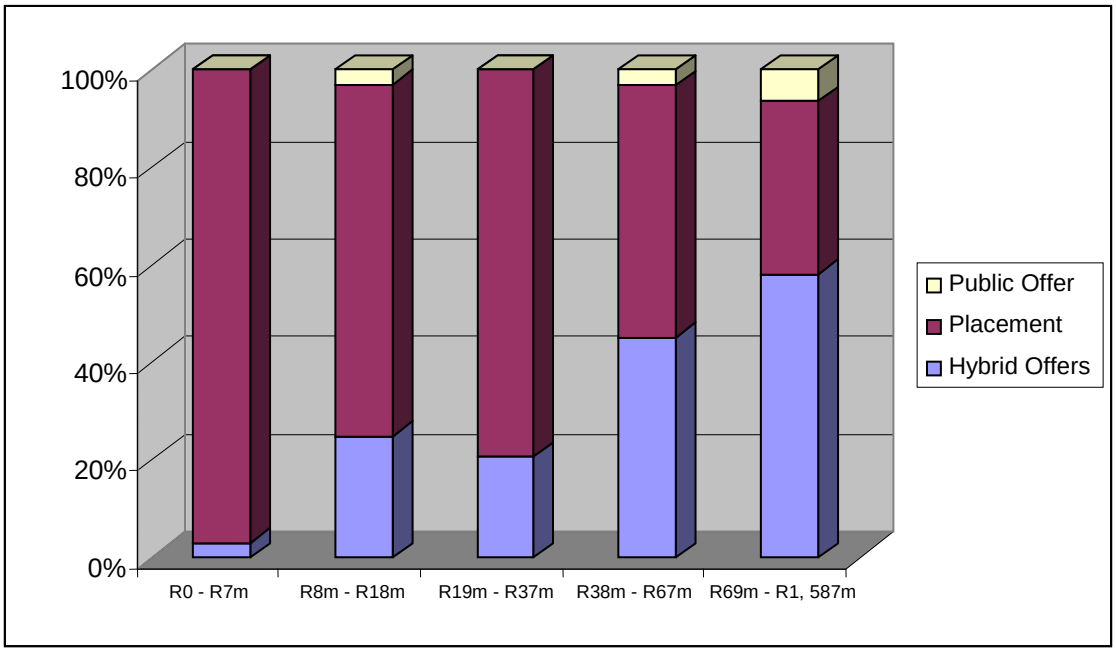


Figure 6.10: IPO Method frequency and IPO Capital raised for the RSP database of new issuers, 1995 - 1999

HYPOTHESIS 4: The returns on new issuers are independent of the list method through which that IPO occurred

$H_0: r_{i(1)} = r_{i(2)} = r_{i(3)}$

$H_a: r_{i(1)} \neq r_{i(2)} \neq r_{i(3)}$

where

$r_{i\,(1)}$ is the RIR for an issue ***i*** orchestrating an IPO by means of a Placement

$r_{i\,(2)}$ is the RIR for an issue ***i*** orchestrating an IPO by means of a Hybrid Offer

$r_{i\,(3)}$ is the RIR for an issue ***i*** orchestrating an IPO by means of a Public Offer

and

H_0 is the null hypothesis

H_a is the alternate hypothesis

Table 6.10: RIR grouped by listing method

Statistical Analysis	**Hybrid Offers** $r_{i(1)}$	**Placements** $r_{i(2)}$	**Public Offers** $r_{i(3)}$
Mean RIR (%)	34.04	65.68	19.74
Standard Error	10.16	10.13	11.97
Median RIR (%)	14.67	33.80	11.72
Standard Deviation	70.39	105.30	23.93
Sample Variance	4954.27	11088.17	572.82
Kurtosis	4.79	4.75	2.07
Skewness	2.00	2.14	1.51
Range	371.00	558.48	52.50
Minimum RIR (%)	(73.00)	(98.48)	1.50
Maximum RIR (%)	298.00	460.00	54.00
RSP Sample Size	48.00	108.00	4.00
Confidence Level (95.0%)	20.44	20.09	38.08
Conclusion	Reject H_0	Reject H_0	Reject H_0

Per the results reflected in Table 6.10, the H_0 was rejected at the 95% confidence level for all Methods of Offer viz., Hybrid Offers (20.44), Placements (20.09) and Public Offers (38.08). The respective RIR means where very interesting in that Placements had a RIR of almost double that of Hybrid Offers, which in turn, were almost double that of Public Offers i.e., 65.68, 34.04 and 19.74 . One could immediately note that the Public Offer component of Hybrid Offers tempered its RIR. When one examines the median RIR for each of the respective Methods of

Offer, a more 'conservative' result is obtained – Placements 33.8, Hybrid Offers 14.67 and Public Offers 11.72. Indeed the median RIR is very much in line with the initial returns experienced in the UK and indeed the US. All the Methods of Offer had initial returns that were positively skewed – Hybrid Offers (2.00), Placements (2.14) and Public Offers (1.51). The rejection of the $\mathbf{H_0}$ conflicts with Lawson and Ward (1998), who showed the $\mathbf{H_0}$ to be acceptable and they concluded that initial returns did not vary significantly by listing method.

B. Type of Offer

Section 5 of the JSE Listing Requirements sets out the Types of Offer that may be used by a new applicant irrespective of the Method of Offer (per above). Table 6.11 sets out the frequency of the types of offer occurring in the RSP. It should be noted that the incidence of Offers for Subscription (232) is greater than the RSP database of 160 new applicants because of the fact Hybrid Offers typically comprise an Offer for Subscription for Placements and Public Offers (even the occurrence of Offers of Subscription for Preferential Offers). This phenomenon of having a disproportionate number of Offers for Subscription relative to the RSP is reported in Figures 6.11(a) and (b) i.e., the frequency of the types of offer occurring within the Methods of Offer i.e., the number of new applicants, comprising the RSP, using offers for sale and subscription with the IPO method of Placements and Offers to the Public.

It makes logical sense that the vast majority of Types of Offer comprise Offers for Subscription as opposed to Offers for Sale is that in an Offer for Sale, the proceeds accrue to the seller of equity which is typically not the issuer but an external shareholder. In an Offer for Subscription, the proceeds accrue to the issuer – refer to Chapter 2 for a detailed synopsis thereon.

Table 6.11: Frequency of the types of offer utilised by RSP new applicants when listing on the JSE

	Type of Offer	
List Year	**Offers for Sale**	**Offers for Subscription**
1995	0	4
1996	0	24
1997	3	49
1998	1	90
1999	5	65
Total	9	232

Figure 6.11 (a): Occurrence of the Types of Offer within the Placement Method, solely or as a component of a Hybrid Offer for the RSP database

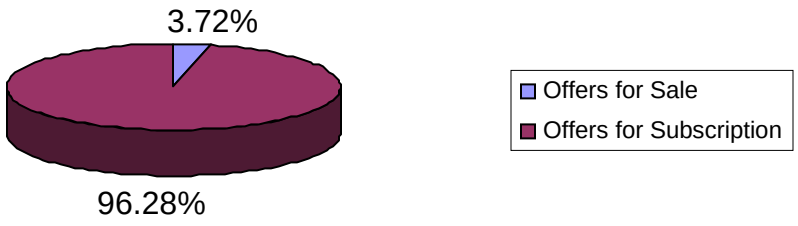
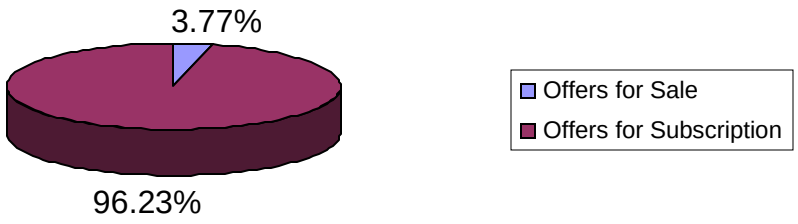


Figure 6.11 (b): Occurrence of the Types of Offer within the Public Offer Method, solely or as a component of a Hybrid Offer for the RSP database



C. JSE List Boards and List Sectors

1. JSE List Boards

The List Boards, upon which the issuers orchestrated a listing, for each of the years comprising the TSP database for the sample period is reflected per Table 6.12. If one examines Figure 6.12, it is immediately apparent that the dramatic increase in year-on-year new listings is weighted towards (away) the more 'risky' ('conservative') DCM and VCM (Main) boards.

Whilst the JSE overall saw a dramatic increase in listings in 1997 through 1999, the percentage of Main Board listings (as a constituent of total listings for the years) showed a 8, 82 % decline in 1997 (from 1996 showing a record 96, 88 % of all listings being orchestrated on the Main

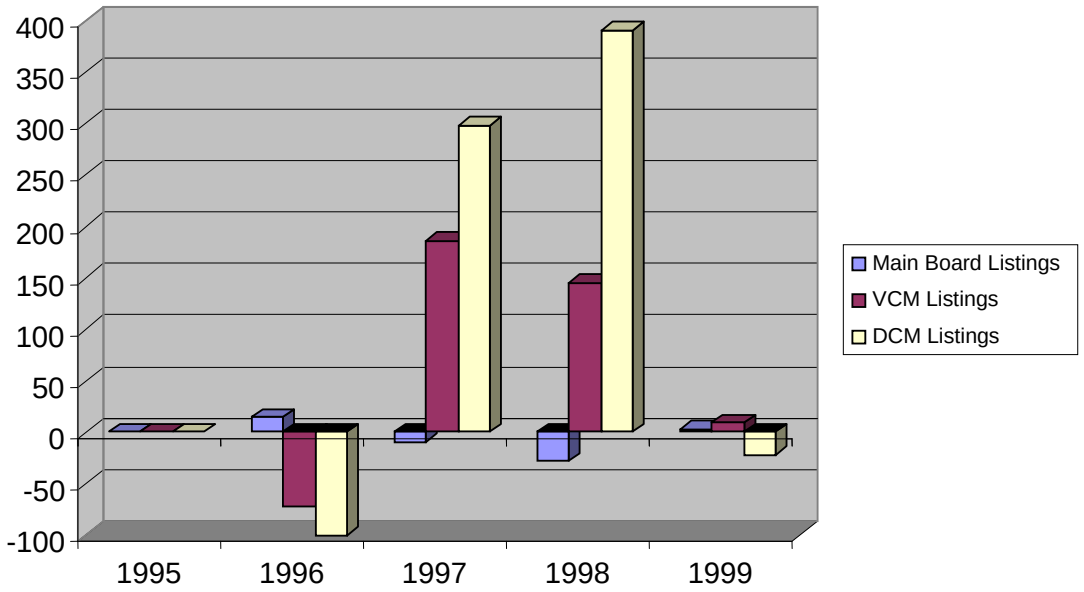
Board for the sample period), and an annual of decline of 24 % in 1997 (a cumulative decrease of 33, 58 % from 1996). A marginal increase in listings being orchestrated on the Main Board happened in the 1999 year (3, 49 %) although the cumulative decline from the 1996 year was some 31, 37 %. The weighted average percentage of listings on the JSE attributed to Main Board listings was 76, 31 % for the five year sample period.

The decline of issuers listing on the Main Board was largely attributed to the dramatic increase in listings of companies unable to meet the stringent Main Board requirements (refer to Chapter 2) – typically smaller, riskier companies. Hence the increase in the listings being orchestrated on the more speculative DCM and VCM list boards. The dramatic relative increase in issuers orchestrating a listing on the VCM and DCM list boards are too reflected per Table 6.12 and Figure 6.12.

Tables 6.12: Frequency of Board listings for the sample period for those issuers comprising the TSP (322 new issuers)

	Main Board Listings			VCM Listings			DCM Listings		
List Year	**Count**	**% of Total listings per List Year**	**Relative increase i.r.o previous year (%)**	**Count**	**% of Total listings per List Year**	**Relative increase i.r.o previous year (%)**	**Count**	**% of Total listings per List Year**	**Relative increase i.r.o previous year (%)**
1995	22	84.61	-	3	11.54	-	1	3.85	-
1996	31	96.88	14.5	1	3.13	-72.88	0	0	-100
1997	59	88.06	-9.1	6	8.96	186.26	2	2.99	299
1998	69	63.3	-28.12	24	22.02	145.76	16	14.68	390.97
1999	57	65.51	3.49	21	24.14	9.63	10	11.49	-21.73

Figure 6.12: Relative increase (decrease) in the List Boards for new 322 issuers Comprising the TSP



HYPOTHESIS 5: Returns on IPOs are independent of the board on which granted

$$H_0: r_{i(1)} = r_{i(2)} = r_{i(3)}$$

$$H_a: r_{i(1)} \neq r_{i(2)} \neq r_{i(3)}$$

where

$r_{i\,(1)}$ is the RIR for a RSP issuer ***i*** orchestrating an IPO on the JSE Main Board

$r_{i\,(2)}$ is the RIR for a RSP issuer ***i*** orchestrating an IPO on the JSE VCM Board

$r_{i\,(3)}$ is the RIR for a RSP issuer ***i*** orchestrating an IPO on the JSE DCM Board

and

H_0 is the null hypothesis

H_a is the alternate hypothesis

The results per Table 6.13 decisively rejects the H_0 and empirically demonstrates that RIR premia on listing date (day 1) differs significantly depending on the respective List Board on which the IPO was orchestrated. The mean (median) RIR premia on the DCM board were highest at 106.55 (50.00) %, followed by the VCM board at 68.83% (18.03%) and, lastly, the Main board at 41.67% (18%). The empirical results are similar to those found with the Lawson and Ward (1998) study in rejecting the H_0 and that the DCM list board had the greatest initial return premia (40.1%), however, their study indicated that the Main board had the second highest initial return premia (23.8%) and thereafter the VCM board (7.6%).

Notwithstanding that the overall empirical results of this study are very similar to that of the Lawson and Ward (1998) study, it is apparent that the quantum of the initial return premia, especially the VCM and DCM list boards, are more than double. This could be ascribed, in part, to the existence of a hot issue market within the RSP database, refer to Part (). A very close correlation however does exist with the median RSP initial premia and the Lawson and Ward mean initial premia. No comparison could be made with the Lawson and Ward median initial returns as none were reported.

It can thus be concluded that, using List Boards as a proxy for new issuer risk, the more risky new issue IPOs are orchestrated on the DCM list board followed by the VCM and Main List Boards. This makes sense if one considers that the listing criteria and corporate reporting requirements are far more lenient in the former list boards as opposed to the stringent Min Board requirements (refer to Chapter 2). This finding was consistent with that of Lawson and Ward (1998) study, in that the pattern in the returns was correlated with the risk of the investment: higher returns were received in response for higher risks in any given sample. Figure 6.14 adequately illustrates the dramatic rise in the new issuer ex ante risk profile using the respective new issuer List Boards as a proxy for risk.

Table 6.13: Statistical analysis of RIR on RSP IPOs on each of the JSE boards

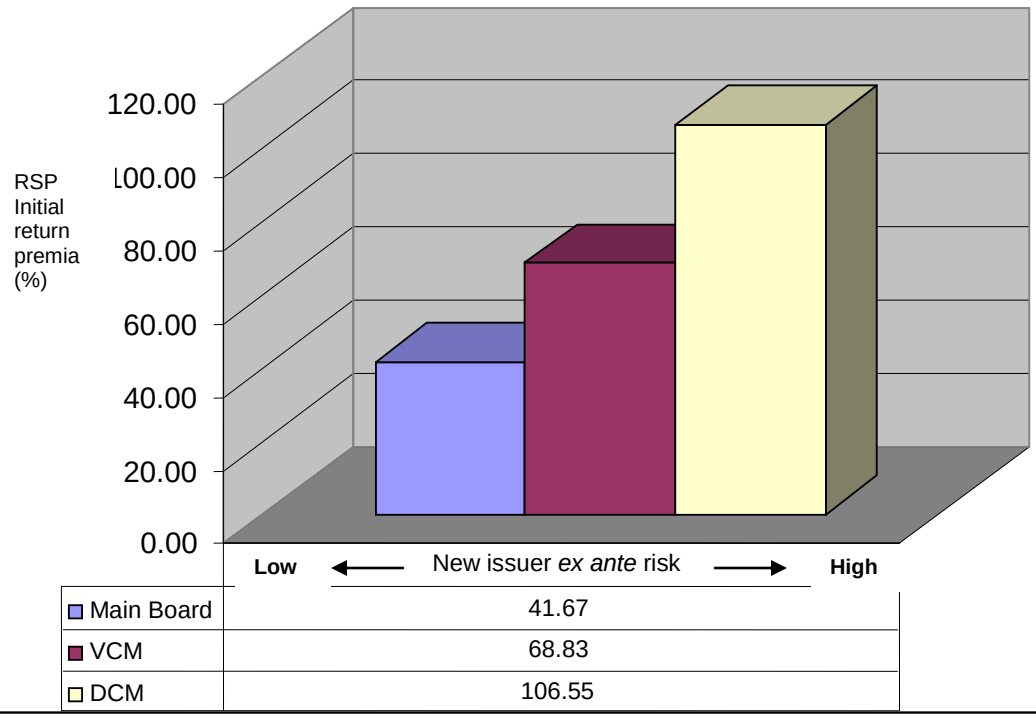
Statistical Analysis	Main Board $r_{i\ (1)}$	VCM $r_{i\ (2)}$	DCM $r_{i\ (3)}$
Mean RIR	41.67	68.83	106.55
Standard Error	7.61	18.03	32.33
Median	18.00	37.00	50.00
Mode	0.00	170.00	50.00
Standard Deviation	79.44	100.37	144.57
Sample Variance	6311.11	10073.24	20900.89
Kurtosis	7.47	4.97	1.56
Skewness	2.39	2.00	1.62
Range	532.48	460.00	476.00
Minimum	(98.48)	(30.00)	(16.00)
Maximum	434.00	430.00	460.00
Sum	4541.62	2133.75	2131.00
Count	109	31	20
Confidence Level (95.0%)	15.08	36.81	67.66
Conclusion	Reject H_0	Reject H_0	Reject H_0

In support of this study's RSP findings, Barlow and Sparks (1986) found a significant difference between the premia offered on shares in differing sectors. They concluded:

> *"It is thus shown when taking 'sector' as a proxy for risk, that premia and risk are significantly related … DCM companies have higher premia than mining companies which in turn have higher premia than industrial companies".*

It should be noted that no consideration was given to the VCM List Board in the aforementioned study as it was not yet in existence.

Figure 6.14: New issuer *ex ante* risk using List Boards as a proxy



Main Board	41.67
VCM	68.83
DCM	106.55

2. JSE List Sectors

The dispersion and frequency of the TSP database of new issuer's list sectors for the Main Board listings is reflected in Table 6.13 (a) (TSP list sectors 1995 through 1998) and Table 6.13 (b) (TSP revised list sectors for 1999). As discussed inter alia in Chapter 2, only the Main Board is subdivided into List Sectors, as opposed to the VCM and DCM Boards; and the Main Boards List Sectors were in turn reclassified during the course of the 1999 financial year.

Table 6.13 (a): List Sectors upon which new issuers orchestrated new Main Board listings for the years 1995 through 1998

1995 – 1999 List Sectors	1995 Frequency	1996 Frequency	1997 Frequency	1998 Frequency
Financial Sector	7	3	12	21
Gold Sector	2	1	1	1
Industrial Sector	11	26	39	48
Cash Companies	0	0	2	0
Mining Producers	0	0	1	0
Metals & Minerals	0	0	0	1
Mining Financial Sector	2	1	4	1
TSP new issuers	22	31	59	72

Table 6.13 (b): List Sectors upon which new issuers orchestrated new Main Board listings for the 1999 year

1999 LIST SECTORS	1999 FREQUENCY
Financial Sector	15
Insurance Sector	1
Industrial Sector	28
Property	1
Property Loan Stock	1
Real Estate Sector	2
Short-term Insurance	1
Mining Exploration	1
Mining Holding & Houses	1
Mining Producers	1
Mining Resources	5
TSP new issuers	57

D. Listing and IPO Expenditure – Direct Costs

There are substantial one time costs associated with IPOs that can be categorised as direct and indirect costs (Ritter 1998). As discussed in Chapter 2, the direct costs associated with a new applicant listing new securities upon the JSE will depend upon whether there is an IPO or Introduction associated with the listing as well as the IPO Methods; as well as the List Board.

Direct Costs inter alia comprise:

1. Statutory and JSE prescribed fees:

    a. Statutory fees (in terms of the Stamp Duties Act[147] and Marketable Securities Act of 1948)
    b. JSE initial listing fees[148];
    c. JSE annual listing fees;
    d. JSE documentation fees[149]; and

2. Professional advisors fees[150]

Remember, indirect costs are associated with the level of underpricing multiplied by the number of shares issued (per Part II above) and are thus ignored for the purpose of this analysis (direct costs).

Table 6.14(a) sets out, respectively, the direct costs (comprising professional advisors fees and the statutory/JSE fees), and descriptive statistics for each of the 239 issuers comprising the TSP. What is immediately apparent is the weighted fee/cost spread in favour of the professional advisors as a component of direct costs i.e., professional advisors fees make up 68.6% of the total direct costs. The professional advisors and statutory fees collectively (direct costs) amounted to some R 501 million.

[147] Act 77 of 1968 as amended to Act 37 of 1996, refer to Chapter 2, IV, C (iv)
[148] as determined by the JSE Committee from time to time
[149] Ibid
[150] Refer to Table 2.4, page

The same exercise was performed for the 154 new issuers comprising the RSP database (six new issuers had data inconsistencies and were accordingly removed from this particular RSP analysis) and the results are reflected in Table 6.14 (b) and graphically represented per Figure 6.15(a).

If one considers that the professional advisors fees exceed some R 343 million Rand and yet they are directly or indirectly responsible for the new issuer incurring indirect costs (initial underpricing premia) of an additional R 2.85 billion, there is something seriously amiss or remiss! We can calculate RSP total costs as comprising the sum of both RSP indirect and RSP direct costs i.e., R 3.23 billion. Figure 6.15 (b) shows that the total costs of an IPO typically comprise in excess of 88% attributable to indirect costs, the non value added cost of initial (first day) underpricing borne by selling shareholders and the new issuer!

Habib and Ljungqvist (2001) predict that issuers rationally decide to spend more when going public, the more they plan to sell at the IPO viz., owners care about underpricing to the extent that they stand to lose from it, and that any such losses are proportional to the number of primary (new) and secondary (old) shares being sold. Further, issuers can affect the level of underpricing by promoting their issues. Total promotional costs include fees paid to underwriters, auditors and lawyers; the cost of road shows; listing fees but exclude management time, which cannot easily be measured (Allen and Faulhaber (1989), Booth and Smith (1986), Carter and Manaster (1990), Welch (1989)).

Table 6.14 (a) : CPI adjusted direct costs (Rands) for 239 new issuers comprising the TSP database

Statistical Analysis	Direct Costs	Professional advisors fees	Statutory & JSE prescribed fees
Mean	2,094,637	1,436,956	657,680
Standard Error	171,353	118,373	104,781
Median	1,384,421	973,960	255,104
Mode	2,000,000	400,000	300,000
Standard Deviation	2,649,046	1,830,010	1,619,872
Kurtosis	22.32	26.56	68.02
Skewness	4.22	4.62	7.51
Range	21,675,000	14,660,000	17,400,000
Minimum	25,000	0	0
Maximum	21,700,000	14,660,000	17,400,000
Sum	500,618,170	343,432,600	157,185,570

Table 6.14 (b) : CPI adjusted direct costs (Rands) for 154 new issuers comprising the RSP database

Statistical Analysis	Direct Costs	Professional advisors fees	Statutory & JSE prescribed fees
Mean	2,463,575	1,701,487	762,089
Standard Error	237,320	175,052	125,814
Median	1,604,285	1,151,821	375,497
Standard Deviation	2,945,063	2,172,335	1,561,313
Kurtosis	22.60	29.31	68.20
Skewness	4.17	4.80	7.26
Minimum	211,416	133,404	0
Maximum	23,677,675	18,347,424	16,491,860
Count	154	154	154

Figure 6.14(a): JSE listing & professional advisors fees expressed as a % of Total listing costs incurred by new issuers comprising the RSP database

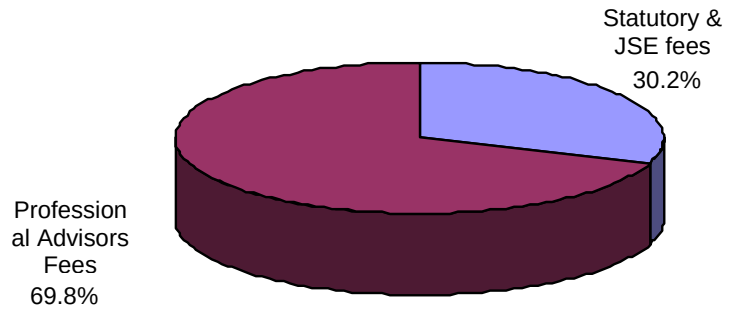
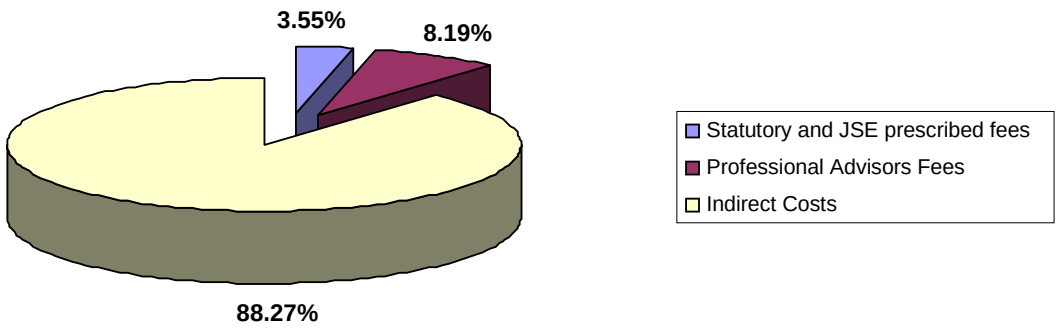


Figure 6.14 (b): Total listing costs expressed as a total of indirect costs, JSE Listing & Professional advisors fees for the RSP database



Internationally, Ljungqvist, Jenkinson and Wilhelm, Jr. (2000) found that the direct costs of Bookbuilding are around twice as high as in fixed-price offerings and that US banks rarely participate in such offerings. Ljungqvist et al (2000) where surprised to find that average underpricing associated with Bookbuilding and fixed-price methods where remarkably similar, at around 20 percent. Furthermore, Ljungqvist et al (2000) were even more surprised that European IPOs were in fact more underpriced than fixed-price offerings. Habib and Ljungqvists 2001 empirical study found that underpricing decreases in promotion costs and promotion costs increase in the number of shares sold.

Table 6.15 (a) sets out in quintiles the direct costs of IPOs for the RSP database of 154 new issuers, six being excluded for lack of data, Placements and Hybrid Offers. The fact that Public Offers had only four observations and accordingly yielded a trite quintile result and was been defaulted to as" not applicable" in this sizing study. Given that Placements comprise the majority of all IPO listings Methodologies (68.1%) the RSP Database results are very similar to that of Placements. Hybrid Offers, however have a far greater expense cost associated with them. This makes sense in as much as the Public Offer component of a Hybrid Offer entails the printing and distribution of relatively expensive prospectus and associated media and advisory expenses.

Table 6.15 (a): Quintile Sized CPI Adjusted Total IPO Expenditure and Day 1 Raw Initial Returns

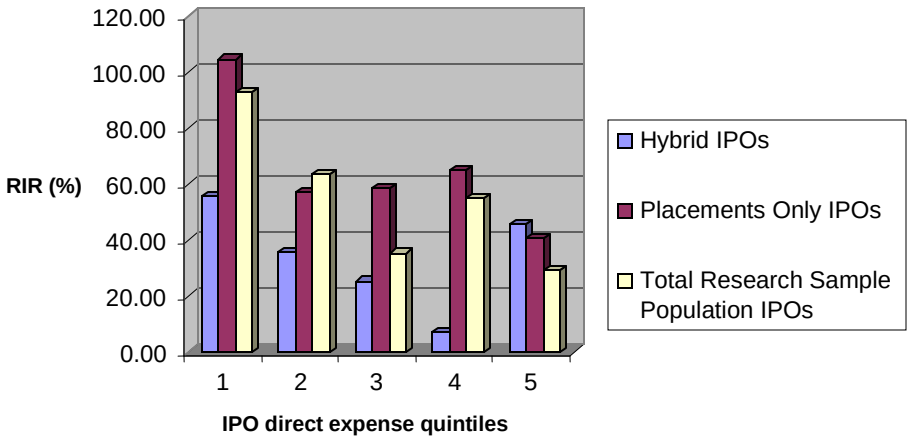
	Total IPO Expenditure Quintile Rank	1	2	3	4	5
RSP Database of IPOs 154	Mean Rank Total IPO Expenditure	R 576,836	R 1,154,285	R 1,708,608	R 2,443,489	R 6,452,639
	Median	R 570,431	R 1,160,343	R 1,607,717	R 2,422,043	R 4,514,673
	Standard deviation	R 570,431	R 1,160,343	R 1,607,717	R 2,422,043	R 4,514,673
	Mean Rank 1-Day RIR	93.11	63.66	35.32	55.23	29.24
	Median	50.83	34.50	20.00	17.39	8.33
	Standard deviation	R 193,198	R 165,227	R 193,026	R 265,024	R 4,639,013
	% IPOs with Negative 1st Day Returns					
	% of IPOs in Each Quintile	20.78	19.48	20.13	19.48	20.13
	Rank Sample Size	32	30	31	30	31
Placements IPOs 105	Mean Rank Total IPO Expenditure	R 479,887	R 907,599	R 1,370,430	R 1,910,478	R 4,003,929
	Median	R 452,810	R 841,220	R 1,363,903	R 1,945,321	R 3,611,971
	Standard deviation	R 152,095	R 126,035	R 149,074	R 239,392	R 1,974,050
	Mean Rank 1-Day RIR	104.80	57.20	58.57	65.25	40.80
	Median	50.00	35.00	35.17	30.00	7.50
	Standard deviation	135.06	88.35	95.47	100.33	104.20
	% IPOs with Negative 1st Day Returns					
	% of IPOs in Each Quintile	20.95	20.00	19.05	20.00	20.00
	Rank Sample Size	22	21	20	21	21
Hybrid IPOs 45	Mean Rank Total IPO Expenditure	R 1,307,077	R 1,983,096	R 2,507,224	R 3,647,597	R 9,051,329
	Median	R 1,309,718	R 1,997,586	R 2,465,166	R 3,703,704	R 6,626,083
	Standard deviation	R 270,606	R 247,577	R 131,653	R 652,027	R 4,370,823
	Mean Rank 1-Day RIR	55.50	35.92	25.21	7.08	45.48
	Median	30.28	1.50	19.00	13.23	8.33
	Standard deviation	80.06	94.52	43.57	37.09	72.62
	% IPOs with Negative 1st Day Returns	20.00	40.00	28.57	33.33	22.22
	% of IPOs in Each Quintile	22.22	22.22	15.56	20.00	20.00
	Rank Sample Size	10	10	7	9	9

Table 6.15(b) sets out the quintile size adjusted total IPO expenditure and day 1 RIR for the sample of new issuer comprising the RSP (less the six new issuers for which data was not forthcoming) as well as 105 new issuers orchestrating an IPO using Placements and 45 Hybrid Offers, respectively.

Table 6.15 (b): Quintile Sized CPI Adjusted Total IPO Expenditure and Day 1 Raw Initial Returns

	Total IPO Expenditure Quintile Rank	1	2	3	4	5
RSP	**Mean Rank Total IPO Expenditure**	R 576,836	R 1,154,285	R 1,708,608	R 2,443,489	R 6,452,639
Database	**Median**	R 570,431	R 1,160,343	R 1,607,717	R 2,422,043	R 4,514,673
IPOs						
154	**Standard deviation**	R 570,431	R 1,160,343	R 1,607,717	R 2,422,043	R 4,514,673
	Mean Rank 1-Day RIR	93.11	63.66	35.32	55.23	29.24
	Median	50.83	34.50	20.00	17.39	8.33
	Standard deviation	R 193,198	R 165,227	R 193,026	R 265,024	R 4,639,013
	% IPOs with Negative 1st Day Returns					
	% of IPOs in Each Quintile	20.78	19.48	20.13	19.48	20.13
	Rank Sample Size	32	30	31	30	31
Placements	**Mean Rank Total IPO Expenditure**	R 479,887	R 907,599	R 1,370,430	R 1,910,478	R 4,003,929
IPOs	**Median**	R 452,810	R 841,220	R 1,363,903	R 1,945,321	R 3,611,971
105						
	Standard deviation	R 152,095	R 126,035	R 149,074	R 239,392	R 1,974,050
	Mean Rank 1-Day RIR	104.80	57.20	58.57	65.25	40.80
	Median	50.00	35.00	35.17	30.00	7.50
	Standard deviation	135.06	88.35	95.47	100.33	104.20
	% IPOs with Negative 1st Day Returns					
	% of IPOs in Each Quintile	20.95	20.00	19.05	20.00	20.00
	Rank Sample Size	22	21	20	21	21
Hybrid	**Mean Rank Total IPO Expenditure**	R 1,307,077	R 1,983,096	R 2,507,224	R 3,647,597	R 9,051,329
IPOs	**Median**	R 1,309,718	R 1,997,586	R 2,465,166	R 3,703,704	R 6,626,083
45						
	Standard deviation	R 270,606	R 247,577	R 131,653	R 652,027	R 4,370,823
	Mean Rank 1-Day RIR	55.50	35.92	25.21	7.08	45.48
	Median	30.28	1.50	19.00	13.23	8.33
	Standard deviation	80.06	94.52	43.57	37.09	72.62
	% IPOs with Negative 1st Day Returns	20.00	40.00	28.57	33.33	22.22
	% of IPOs in Each Quintile	22.22	22.22	15.56	20.00	20.00
	Rank Sample Size	10	10	7	9	9

Figure 6.15: Quintile sized CPI adjusted direct Expenses and day 1 RIRs



At first glance, Figure 6.15 is very revealing in as much as it appears that IPOs that expend less on the direct costs, particularly professional advisors fees, have an increasingly high day 1 RIR i.e., underpricing certainly appears to be more prevalent in the first quintile than in the latter ones, particularly the fifth. The quintile sizes for each of the IPO Methods as well as the detailed analysis are reflected in Table 6.15. It is at this juncture we can test the following hypothesis:

HYPOTHESIS 6: **Returns on IPOs are independent of the level expended on professional advisors fees by new issuers**

$$H_0: r_{i(1)} = r_{i(2)} = r_{i(3)} = 0$$

$$H_a: r_{i(1)} \neq r_{i(2)} \neq r_{i(3)} \neq 0$$

where

$r_{i\,(1)}$ is the RIR for a RSP issuer ***i*** for all Methods of Offer

$r_{i\,(2)}$ is the RIR for a RSP issuer ***i*** for Placements

$r_{i\,(3)}$ is the RIR for a RSP issuer ***i*** for Hybrid Offers

and

H_0 is the null hypothesis

H_a is the alternate hypothesis

Testing the hypothesis yields the following interesting results, in all cases the correlation coefficient between the level of initial underpricing and IPO advisors expenditure is weakly inversely correlated, such that we could say that there is insignificant correlation between the two. With the exception of Hybrid offers, H_0 is rejected at the 95% level for RSP sample of new issuers (irrespective of the Method of Offer) as well as for Placements. We can thus conclude that there is a relationship, albeit weakly correlated, between the quantum of professional advisors IPO expenditure and the level of initial underpricing irrespective of the method of offer.

Table 6.16: Descriptive statistics for the Method of Offer and professional advisors fees with day 1 RIR

Descriptive Statistics	All Methods	Hybrid Offers	Placements
Mean	55.34	34.75	65.43
Standard Error	7.75	10.43	10.30
Median	28.00	14.49	33.80
Mode	0.00	0.00	0.00
Standard Deviation	96.48	69.99	106.07
Sample Variance	9,308.34	4,899.13	11,250.19
Kurtosis	5.89	5.32	4.70
Skewness	2.32	2.20	2.14
Range	558.48	363.00	558.48
Minimum	-98.48	-65.00	-98.48
Maximum	460.00	298.00	460.00
Sum	8,578.01	1,563.77	6,935.30
Count	155	45	106
Correlation Coefficient	-0.13	-0.10	-0.13
Confidence Level (95.0%)	15.31	21.03	20.43
Conclusion	Reject H_0	Accept H_0	Reject H_0

E. Size of Offering

Here, following Beatty and Ritter (1986) and Ritter (1987), ex ante uncertainty will instead be proxied by use of the inverse of offer size viz., the smaller an issue, the more risky it is perceived to be. Aggarwal (2000) reports that Prabhala and Puri (1998) use the issuers IPO offer price as a proxy for risk in their model viz., the lower the IPO offer price the greater the new issuer risk (initial underpricing percentage). Prabhala and Puri (1998) include the size of the offering as a proxy for ex ante risk (Aggarwal 2000). Carter et al (1998) compute the gross proceeds for each offering, and the ratio of the shares offered by current shareholders to the total shares offered. They use CPI numbers to express gross proceeds for each offering for the years of IPOs used

However, no exclusive claim can be made as to the economic meaning of the size of the offering i.e., apart from ex ante uncertainty, the size of the offering may also be a proxy for liquidity/ illiquidity or lower institutional buying (Ljungqvist 1997).

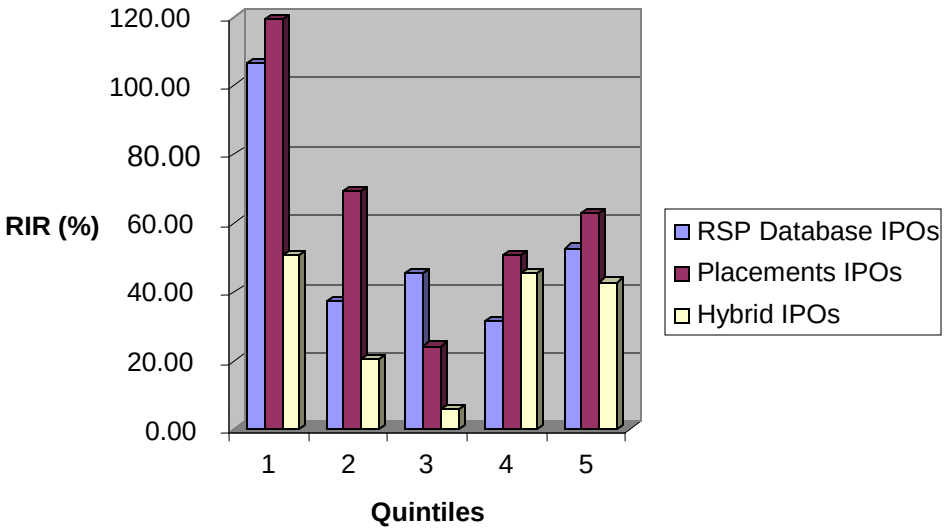
Table 6.17 sets out the quintile size (CPI adjusted) new issuer capital value, calculated at the offer price, and day 1 RIR for the RSP database. Figure 6.16 reports the quintile RIR means (per Table 6.17) for the RSP database of new issuers, Placements and Hybrid Offers respectively. Once again, the Public Offer Method of orchestrating an IPO was ignored due to the sample of four new issuers yielding a trite quintile result.

On reviewing both Table 6.17 and Figure 6.16, with the exception of the 5^{th} quintile, it appears that the lower the capital value of the new issuer (as calculated from the offer price) the greater the level of underpricing, with the first quintile showing the disproportioned underpricing for the RSP database of all IPO methods, Placements and Hybrid Offers.

Table 6.17: Quintile Sized CPI Adjusted IPO Capital Value at Offer Price (Rand millions) and Day 1 Raw Initial Returns

	IPO Capital Value at Offer Price Quintile Rank	1	2	3	4	5
RSP Database IPOs 160	Mean Rank IPO Capital Value (Offer Price)	39.85	80.90	147.27	275.77	1555.64
	Median	38.05	79.23	144.08	263.99	866.43
	Standard deviation	9.66	16.49	23.94	55.30	3277.40
	Mean Rank 1-Day RIR	106.45	37.13	45.62	31.35	52.75
	Median	52.00	34.17	19.00	16.06	17.13
	Standard deviation	136.48	56.36	91.85	59.43	95.70
	% IPOs with Negative 1st Day Returns	9.09	9.38	22.58	31.25	18.75
	% of IPOs in Each Quintile	20.63	20.00	19.38	20.00	20.00
	Rank Sample Size	33	32	31	32	32
Placements IPOs 108	Mean Rank IPO Capital Value (Offer Price)	34.37	57.45	95.55	175.77	704.71
	Median	33.33	58.51	94.47	178.50	414.53
	Standard deviation	6.26	8.01	14.39	36.66	613.10
	Mean Rank 1-Day RIR	119.49	69.15	24.26	50.66	62.82
	Median	71.00	50.83	30.00	29.00	34.00
	Standard deviation	145.26	93.02	49.85	93.30	105.83
	% IPOs with Negative 1st Day Returns	13.64	4.55	14.29	18.18	19.05
	% of IPOs in Each Quintile	20.37	20.37	19.44	20.37	19.44
	Rank Sample Size	22	22	21	22	21
Hybrid IPOs 48	Mean Rank IPO Capital Value (Offer Price)	114.45	199.88	284.05	573.11	3431.81
	Median	115.35	214.74	286.02	550.68	1395.35
	Standard deviation	28.58	37.00	26.40	159.05	5942.61
	Mean Rank 1-Day RIR	50.64	20.35	5.75	45.65	42.86
	Median	40.00	14.85	-1.82	16.85	14.49
	Standard deviation	96.37	38.90	29.30	88.67	67.33
	% IPOs with Negative 1st Day Returns	18.18	33.33	55.56	20.00	22.22
	% of IPOs in Each Quintile	22.92	18.75	18.75	20.83	18.75
	Rank Sample Size	11	9	9	10	9

Figure 6.16: Mean RIR per Offer Method and IPO Capital Value (offer price) quintiles



HYPOTHESIS 7: **Returns on IPOs are independent of the new issuer capital value calculated at offer price**

$$H_0: r_{i(1)} = r_{i(2)} = r_{i(3)} = 0$$

$$H_a: r_{i(1)} \neq r_{i(2)} \neq r_{i(3)} \neq 0$$

where

$r_{i\,(1)}$ is the RIR for a RSP issuer ***i*** for all Methods of Offer

$r_{i\,(2)}$ is the RIR for a RSP issuer ***i*** for Placements

$r_{i\,(3)}$ is the RIR for a RSP issuer ***i*** for Hybrid Offers

and

H_0 is the null hypothesis

H_a is the alternate hypothesis

The CPI adjusted new issuer capital value at offer price is calculated as the product of the number of ordinary issued (listed) shares multiplied by the CPI adjusted new issuer offer price (per the prospectus and/or prelisting statement).

Table 6.18: Descriptive statistics for the Method of Offer and new issuer capital value (offer price) with day 1 RIR

Descriptive Statistics	All Methods	Hybrid Offers	Placements
Mean	55.04	34.04	65.68
Standard Error	7.57	10.16	10.13
Median	29.00	14.67	33.80
Mode	0.00	0.00	0.00
Standard Deviation	95.80	70.39	105.30
Sample Variance	9178.44	4954.27	11088.17
Kurtosis	5.90	4.79	4.75
Skewness	2.29	2.00	2.14
Range	558.48	371.00	558.48
Minimum	-98.48	-73.00	-98.48
Maximum	460.00	298.00	460.00
Count	160	48	108
Correlation Coefficient	-0.04	0.01	-0.06
Confidence Level (95.0%)	14.96	20.44	20.09
Conclusion	Reject H_0	Accept H_0	Reject H_0

The sample comprised the RSP database of 160 new issuers orchestrating an IPO on the JSE during the sample period, 1995 through 1999. The maximum RIRs for the RSP database, Hybrid Offers and Placements was respectively 460%, 298% and 460%; and sample minimums were respectively -98.48%, -73.00% and -98.48%.

The sample distributions were for all Offer Methods distribution were seen to be asymmetrically skewed (2.29, 2.00 and 2.14). $\mathbf{H_0}$ was rejected at the 95% confidence level for the RSP database of 160 issuers and Placements but accepted for Hybrid Offers (108 and 48 new issuers respectively). This means that the new issuer capital value, as calculated using the offer price, is a good indicator of issuer ex ante risk for the RSP database as a whole and Placements, not so for Hybrid Offers. The correlation coefficient between RIRs and Issuer capital value (at offer price) were negative and very weak for the RSP database and Placements, with the Hybrid Offers being weakly positively correlated.

F. Insider Retention Rate

Wasserfallen and Wittleder (1994) relate underpricing to risk and the insider retention rate. Most equilibrium models of underpricing predict a positive relationship between ex ante uncertainty and initial abnormal returns (Rock 1986, Welch 1989). Habib and Ljungqvist (2001) suggest that some IPOs are more underpriced than others because their owners have less reason to care about underpricing i.e., the extent to which owners care about underpricing depends on how much they sell at the IPO.

Carter et al (1998) compute the gross proceeds for each offering (Size), and the ratio of the shares offered by current shareholders to the total shares offered (Second). They use CPI numbers to express Size for the years of IPOs used. The number of shares offered by existing shareholders (Second) is a proxy for pre-offer demand (Hanley 1993). Consistent with Hanley (1993) a strong pre offer demand should result in relatively more underpricing of the IPO. Carter et al *(1998)* expect a positive relation between the initial returns and Second.

Wasserfallen and Wittleder (1994) also hypothesise that underpricing should decrease with insider retention rate: by retaining more equity the original owners signal their commitment to the company and thus reduce its perceived risk. We can define the insider retention rate as:

$$[(I_{SC} - IPO_{SC})/I_{SC}] \text{ X } 100$$

Where:

I_{SC} is the new issuer's total issued share capital; and

IPO_{SC} is the volume of shares offered by the new issuer in terms of the IPO.

The insider shareholders could thus feasibly include directors and staff, financial institutions and founding shareholders; in fact all shareholders remaining after the implementation and conclusion of the IPO offer but before the commencement of secondary market trading ex post the new issuer's list date. Table 6.19 examines the quintile volume of shares offered by the new issuer in terms of the IPO (IPO_{SC}). At first glance it is apparent that the greater the percentage of (IPO_{SC}), the less the initial underpricing, in other words initial underpricing is dramatically more prevalent as the insider retention rate increases except for those issuers orchestrating an IPO by means of a Hybrid Offer. Once again the results of the Hybrid Offer quintile analysis 'bucks' the trend as set out with the RSP database of new issuers per se and Placements. Obviously, the RSP database is primarily made up of Placements (68%) and thus would tend to reflect the latter's Skewness. All Methods of Offer show a greater tendency to have higher negative RIRs as the insider retention rate (IPO_{SC}) increases (decreases). Once again

HYPOTHESIS 8: **Returns on IPOs are independent of the percentage of shares issued during the IPO relative to the issued share capital**

$$H_0: r_{i(1)} = r_{i(2)} = r_{i(3)} = 0$$

$$H_a: r_{i(1)} \neq r_{i(2)} \neq r_{i(3)} \neq 0$$

where

$r_{i\,(1)}$ is the RIR for a RSP issuer ***i*** for all Methods of Offer

$r_{i\,(2)}$ is the RIR for a RSP issuer ***i*** for Placements

$r_{i\,(3)}$ is the RIR for a RSP issuer ***i*** for Hybrid Offers

and

H_0 is the null hypothesis

H_a is the alternate hypothesis

Table 6.19: Quintile Sized Percentage Equity Offered in IPO and Day 1 Raw Initial Returns

	Percentage IPO Equity Offered Quintile	1	2	3	4	5
RSP Database IPOs 160	**Mean Rank IPO Equity Offered**	7.14	11.51	15.78	22.34	50.59
	Median	7.61	11.49	15.53	21.48	42.91
	Standard deviation	2.91	0.58	2.00	2.39	0.20
	Mean Rank 1-Day RIR	71.81	71.62	52.36	39.38	39.38
	Median	33.67	40.00	27.00	39.38	8.61
	Standard deviation	118.57	116.40	83.63	61.02	85.30
	% IPOs with Negative 1st Day Returns	11.90	17.39	16.13	15.63	31.25
	% of IPOs in Each Quintile	26.25	14.38	19.38	20.00	20.00
	Rank Sample Size	42	23	31	32	32
Placements IPOs 108	**Mean Rank IPO Equity Offered**	8.36	11.96	17.08	22.68	47.25
	Median	9.75	11.97	16.41	21.73	40.00
	Standard deviation	2.72	0.94	1.94	2.16	20.38
	Mean Rank 1-Day RIR	107.65	79.21	65.83	37.91	33.82
	Median	48.77	38.89	33.60	29.00	3.93
	Standard deviation	146.05	120.76	91.62	36.19	84.61
	% IPOs with Negative 1st Day Returns	4.55	13.64	17.39	5.00	28.57
	% of IPOs in Each Quintile	20.37	20.37	21.30	18.52	19.44
	Rank Sample Size	22	22	23	20	21
Hybrid IPOs 48	**Mean Rank IPO Equity Offered**	3.89	8.19	13.64	24.62	62.44
	Median	4.81	8.20	12.50	22.27	65.25
	Standard deviation	2.03	1.38	2.60	4.75	14.97
	Mean Rank 1-Day RIR	49.30	9.51	31.80	47.57	31.58
	Median	26.06	1.50	43.00	16.18	13.23
	Standard deviation	64.08	52.75	34.99	83.62	104.79
	% IPOs with Negative 1st Day Returns	20.00	30.00	22.22	30.00	44.44
	% of IPOs in Each Quintile	20.83	20.83	18.75	20.83	18.75
	Rank Sample Size	10	10	9	10	9

However, the RSP database results were surprising and similar to Ljungqvists (1997) conclusions in that they differ remarkably from Wasserfallen and Wittleder (1994) and Carter et al (1998) viz. Wasserfallen and Wittleder's 'appealing' hypothesis that higher retention rates lower underpricing by signaling a "higher willingness of the former owners to carry the risk of the firm after the IPO" is strongly rejected (Ljungqvist 1997). Per the descriptive statistics for the Method of Offer and IPO equity issue (inverse of insider retention rate) Table 6.20 we find a significant rejection of $\mathbf{H_0}$ i.e.

95.63% (RSP database of 160 new issuers), 97.22% (Placements) and 62.50 (Hybrid Offers). Simply put, the greater the insider retention rate (the smaller the IPO issue of shares), the greater is the level of initial underpricing at levels and Methods of Offer.

The RSP results too are in conflict with Lawson and Ward (1998) who find no significant relationship between issue capital raised and returns. They state that "this is an interesting finding as it suggests no supply and demand effect". The RSP database results certainly reflect this 'absent' supply and demand phenomenon. For both the RSP database and Methods of Offer, the returns were again positively skewed with a weak inverse correlation between RIRs and IPO issue percentages for both the RSP database of Issuers (all Methods of Offer) and Placements and a very weak positive correlation with Hybrid Offers (-0.11, -0.20 and 0.02 respectively) . The fact that Hybrid Offers seem to continually differ in results with that of Placements one can assume is as a result of the Public Offer element and would warrant further investigation.

The phenomena of the inverse relationship between the size of the IPO offer and RIRs for both the RSP database for All Methods of Offer and Placements is immediately and startlingly apparent per figures 6.17 (a) and (b) hereunder, as opposed with that of Hybrid Offers as reflected in Figure 6.17(c). These results are essentially a reflection of the correlation coefficient (negative for All Method of Offer and Placements and positive for Hybrid Offers)

Table 6.20: Descriptive statistics for the Method of Offer and IPO issue (inverse insider retention) with day 1 RIR

Descriptive Statistics	**All Methods**	**Placements**	**Hybrid Offers**
Mean	0.227	0.212	0.270
Standard Error	0.018	0.016	0.050
Median	0.156	0.161	0.136
Standard Deviation	0.234	0.164	0.346
Sample Variance	0.055	0.027	0.120
Kurtosis	18.68	8.49	10.55
Skewness	3.57	2.60	2.86
Minimum	0.004	0.006	0.004
Maximum	1.000	0.988	1.000
Sum	36.317	22.855	12.958
Count	160	108	48
Correlation Coefficient	-0.11	-0.20	0.02
Confidence Level (95.0%)	0.036	0.031	0.100
Conclusion	Reject H_0	Reject H_0	Reject H_0

Figure 6.17 (a): Quintile sized % equity offered in an IPO and day 1 RIR for all Methods of Offer

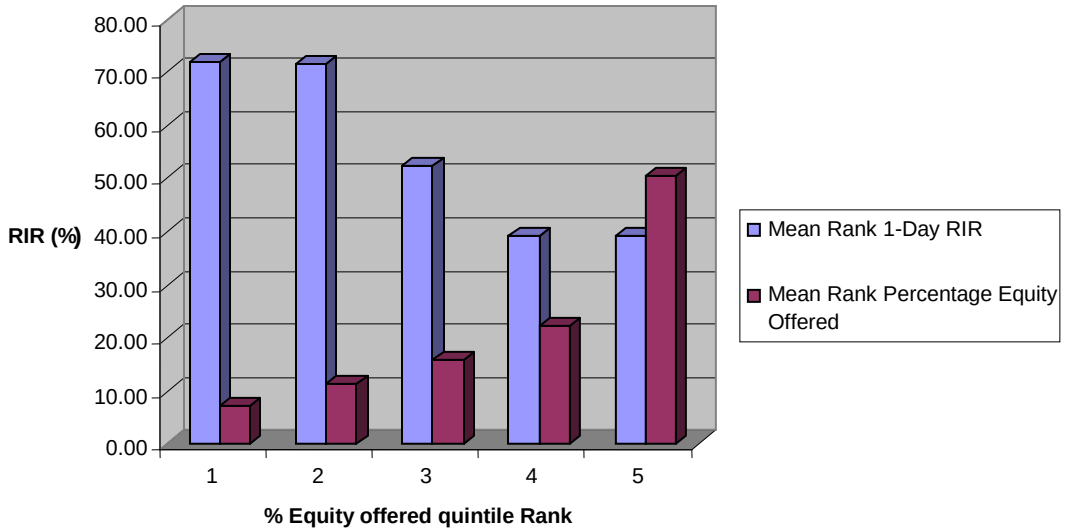


Figure 6.17 (b): Quintile sized % equity offered in an IPO and day 1 RIR for the Placement Method

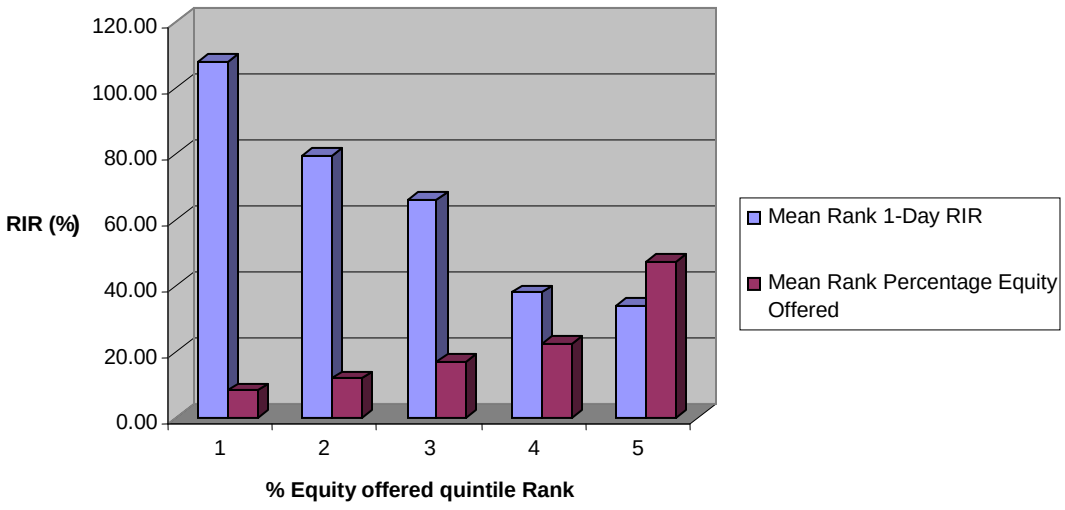
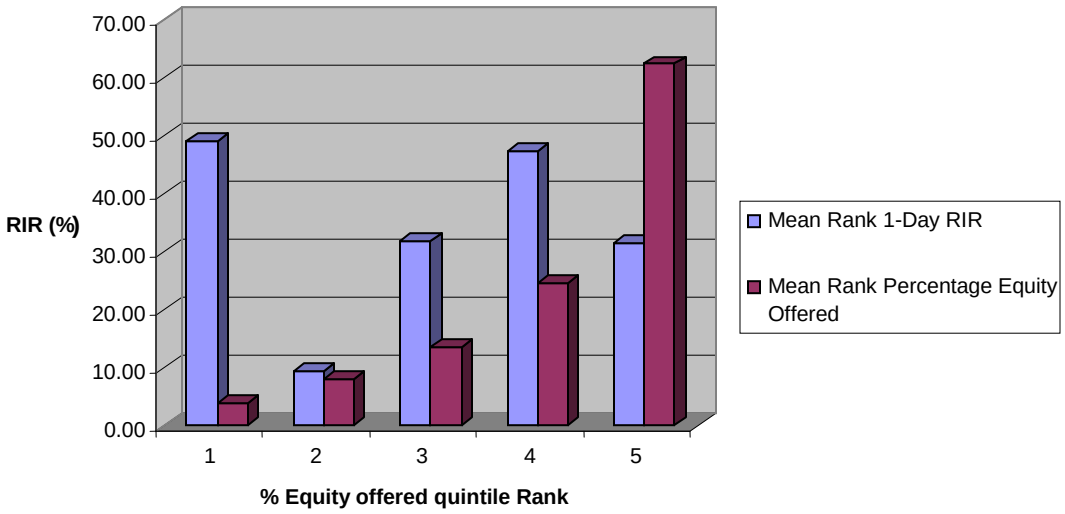


Figure 6.17 (c): Quintile sized % equity offered in an IPO and day 1 RIR for the Hybrid Offer Method



G. Previous Years Annual Sales

"Annual sales" is defined as the new issuers CPI adjusted annual sales in the most recent 12-month period before going public.

Ritter (1998) finds that the higher-risk (lower sales) firms have substantially higher average initial returns than do the larger firms, consistent with Rock's hypothesis. Furthermore, this relation is not sensitive to the categorisation adopted, and holds for other risk proxies, such as the age of the firm. Accordingly, Ritter tests the hypothesis that there is a positive relationship between risk and expected initial return and that the level of a firm's annual sales is an adequate measure if risk. Ritter found that the quantitative relationship between sales (as a proxy for risk) and average initial returns is not the same in both hot and cold issue markets.

Per Figure 6.18, the range of the issuer's previous 12-months revenues for the 264 new issuers, comprising the TSP database for which a prospectus and/or pre-listing statement was available, ranged between nil sales (revenues) to in excess of R 4 billion.

Table 16.21 groups the sample of new issuers per the Method of Offer and the previous year's sales (revenues) into quintiles, also refer to Figure 6.19 for the graphic representation thereof. With the exception of the second quintile, the level of the previous year's sales is inversely correlated with RIRs for the RSP database, Placements and Hybrid Offers (-0.036, -0.118 and -0.011 respectively). It should be noted that the RSP database comprised 156 new issuers due to missing data (previous year's sales) for 4 new issuers.

HYPOTHESIS 9: **Returns on IPOs are independent of the new issuers previous years sales (revenues)**

$$\mathbf{H_0: r_{i(1)} = r_{i(2)} = r_{i(3)} = 0}$$

$$\mathbf{H_a: r_{i(1)} \neq r_{i(2)} \neq r_{i(3)} \neq 0}$$

where

$\mathbf{r_{i\ (1)}}$ is the RIR for a RSP issuer ***i*** for all Methods of Offer in relation to previous years sales

$\mathbf{r_{i\ (2)}}$ is the RIR for a RSP issuer ***i*** for Placements in relation to previous years sales

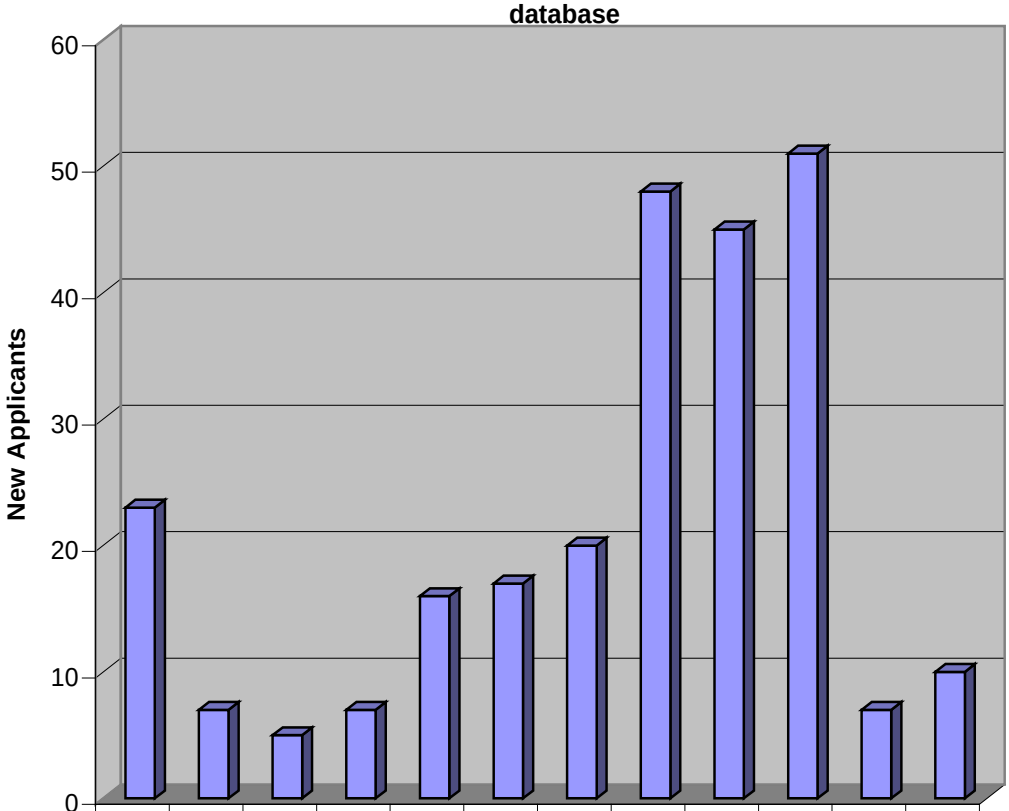
$\mathbf{r_{i\ (3)}}$ is the RIR for a RSP issuer ***i*** for Hybrid Offers in relation to previous years sales

and

$\mathbf{H_0}$ is the null hypothesis

$\mathbf{H_a}$ is the alternate hypothesis

Figure 6.18: Previous years sales disclosed by 264 new applicants comprising the TSP database



	0	1 - 500k	500k - 1 million	1-2 million	2-5 million	5-10 million	10-20 million	20-50 million	50-100 million	100-500 million	500-1 billion	> 1 billion
New Applicants	23	7	5	7	16	17	20	48	45	51	7	10

Revenues (Rands)

Table 6.21: Quintile Sized CPI Adjusted Issuer's Previous Years Sales and Day 1 Raw Initial Returns

	Issuer's Previous Years Sales Quintile Rank	1	2	3	4	5
RSP Database of IPOs	Mean Prev Years Sales	R 886,110	R 13,798,626	R 38,763,150	R 86,248,214	R 1,298,792,838
	Median	R 0	R 12,784,211	R 38,724,653	R 80,595,339	R 297,704,522
156	Standard deviation	R 1,466,999	R 5,999,999	R 10,136,262	R 19,452,456	R 4,785,376,638
	Mean Rank 1-Day RIR	50.40	87.51	65.67	56.02	12.14
	Median	30.00	50.00	30.00	19.00	7.50
	Standard deviation	91.05	111.31	118.57	88.71	25.58
	% IPOs with Negative RIR	28.13	6.45	19.35	9.68	25.81
	% of IPOs in Each Quintile	20.51	19.87	19.87	19.87	19.87
	Rank Sample Size	32	31	31	31	31
Placements	Mean Prev Years Sales	R 358,381	R 8,448,731	R 23,891,649	R 56,593,496	R 398,336,918
IPOs 106	Median	R 0	R 8,202,944	R 23,195,761	R 51,128,844	R 191,318,856
	Standard deviation	R 695,673	R 3,295,001	R 5,072,608	R 17,190,792	R 524,291,694
	Mean Rank 1-Day RIR	34.09	133.71	68.35	62.48	30.00
	Median	30.00	100.00	30.00	35.00	10.00
	Standard deviation	59.72	142.72	124.01	81.68	74.74
	% IPOs with Negative RIR	31.82	4.76	9.52	9.52	14.29
	% of IPOs in Each Quintile	20.75	19.81	19.81	19.81	19.81
	Rank Sample Size	22	21	21	21	21
Hybrid	Mean Prev Years Sales	R 8,719,023	R 51,876,027	R 80,858,497	R 171,975,745	R 3,464,806,556
IPOs 46	Median	R 1,974,260	R 53,977,554	R 71,802,326	R 181,112,791	R 398,015,436
	Standard deviation	R 12,345,097	R 8,994,237	R 16,818,605	R 41,569,195	R 8,819,159,803
	Mean Rank 1-Day RIR	31.25	53.16	60.89	16.98	-3.52
	Median	15.88	43.00	17.50	8.33	-1.82
	Standard deviation	49.48	66.96	99.08	31.81	28.09
	% IPOs with Negative RIR	30.00	22.22	11.11	22.22	55.56
	% of IPOs in Each Quintile	21.74	19.57	19.57	19.57	19.57
	Rank Sample Size	10	9	9	9	9

Figure 6.19: RSP issuer previous year's revenue quintiles RIRs per Offer Method

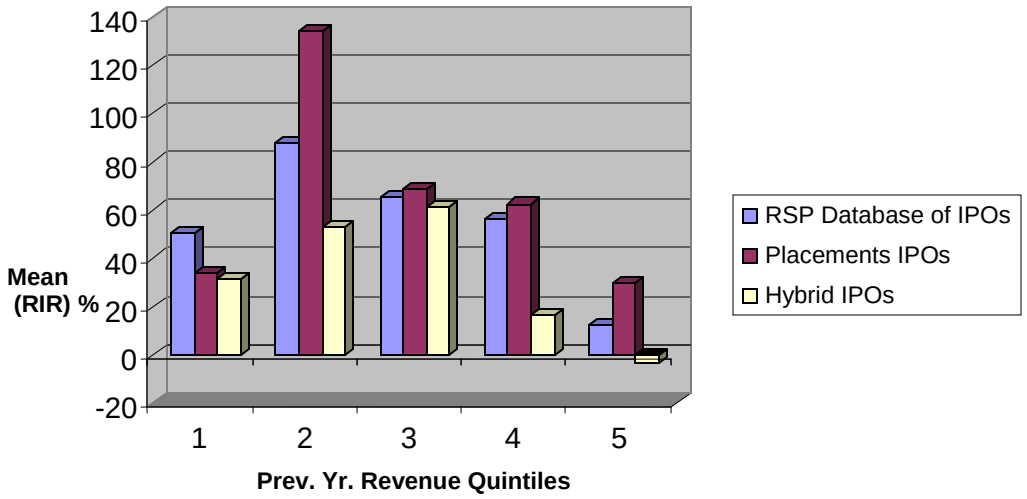


Table 6.22: Descriptive statistics for the Method of Offer and new issuer previous years sales (Revenues) with day 1 RIR

Descriptive Statistics	RSP	Placements	Hybrid
Mean	285,859,251	96,609,161	739,409,601
Standard Error	173,376,757	26,688,819	583,792,070
Median	37,069,885	23,064,289	71,098,837
Mode	0.00	0.00	0.00
Standard Deviation	2,165,474,998	274,778,205	3,959,470,462
Kurtosis	151.55	36.60	45.69
Skewness	12.23	5.74	6.75
Range	26,969,050,160	2,114,189,968	26,969,050,160
Minimum	0	0	0
Maximum	26,969,050,160	2,114,189,968	26,969,050,160
Sum	44,594,043,152	10,240,571,056	34,012,841,657
Count	156	106	46
Confidence Level (95.0%)	342,486,208	52,918,996	1,175,817,570
Conclusion	Reject H_0	Reject H_0	Reject H_0

Per Table 6.22, the $\mathbf{H_0}$ was rejected in all instances at the 95% confidence level meaning that the greater the new issuers previous years sales (revenues) the less the initial underpricing. It seems that the utilization of previous years revenues is a good proxy for ex ante risk, and indeed this makes common sense-good historical performance/revenues is a good indication of the new issuer as a 'going concern'.

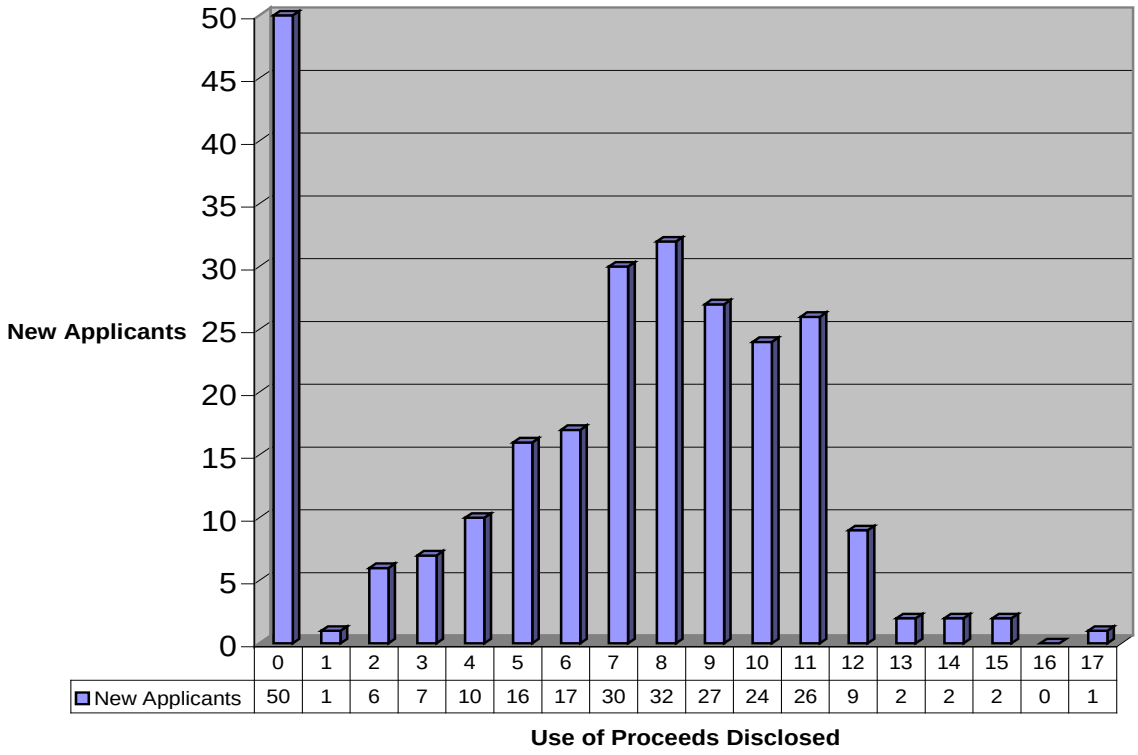
H. Disclosed Use of Proceeds

The weight to be placed on the purpose of the issue or offer could be questionable considering the controversy with certain DCM IPOs during the JSE listing boom of 1985 through 1987. Many companies did not specify the intended use of the capital raised in their offer documents and, furthermore, some companies reported in their prospectuses that the capital was raised for the general development of the company but the funds were used to repay loans from shareholders (Bhana 1989).

Figure 6.20 graphically sets out the range of the 'use of proceeds' (if any) disclosed by 262 new applicants as a sub-section of the TSP for which a prospectus and/or pre-listing statement was available. The range of the use of proceeds attested to by the sample of new applicants ranged from nil to 17.

Table 6.23 sets out the disclosed use of proceeds, per Offer Method, in a quintile format. It has been argued that the greater the disclosed use of proceeds made by an issuer, the greater the perceived ex ante risk (refer to Chapter 3). Once again, the small RSP database of Public Offers precluded the examination thereof in the quintile format. With the exception of Hybrid Offers, the IPOs with the greatest disclosed uses, yielded the greatest number of IPOs with negative initial first day returns, i.e., a greater degree of overpricing. This begs the question of whether indeed the greater the disclosed use of proceeds disclosed, the greater the underpricing and corresponding new issuer ex ante risk?

Figure 6.20: Use of Proceeds Disclosed by 262 New Applicants comprising the TSP database



HYPOTHESIS 10: **Returns on IPOs are independent of the new issuers disclosed use of IPO proceeds**

$$\mathbf{H_0: r_{i(1)} = r_{i(2)} = r_{i(3)} = 0}$$

$$\mathbf{H_a: r_{i(1)} \neq r_{i(2)} \neq r_{i(3)} \neq 0}$$

where

$\mathbf{r_{i\,(1)}}$ is the RIR for a RSP issuer ***i*** for all Methods of Offer in re to disclosed use of IPO proceeds

$\mathbf{r_{i\,(2)}}$ is the RIR for a RSP issuer ***i*** for Placements in re to disclosed use of IPO proceeds

$\mathbf{r_{i\,(3)}}$ is the RIR for a RSP issuer ***i*** for Hybrid Offers in re to disclosed use of IPO proceeds

and

$\mathbf{H_0}$ is the null hypothesis

$\mathbf{H_a}$ is the alternate hypothesis

Table 6.23: Quintile Sized Issuer Disclosed "Use" of Proceeds and Day 1 Raw Initial Returns

	Use of Proceeds Quintile Rank	1	2	3	4	5
RSP	**Mean Rank Use of Proceeds**	6	8	9	10	13
Database	**Median**	6	8	9	10	12
160	**Standard deviation**	2	0	0	1	1
	Mean Rank 1-Day RIR	47.63	22.14	73.59	85.68	34.77
	Median	18.12	13.43	50.00	39.00	19.00
	Standard deviation	100.48	43.49	75.39	125.27	54.82
	% IPOs with Negative 1st Day Returns	21.43	19.23	4.76	17.50	23.53
	% of IPOs in Each Quintile	35.00	16.25	13.13	25.00	10.63
	Rank Sample Size	56	26	21	40	17
Placements	**Mean Rank Use of Proceeds**	6	8	10	11	13
IPOs	**Median**	7	8	10	11	12
108	**Standard deviation**	1	0	1	1	2
	Mean Rank 1-Day RIR	66.34	29.00	86.90	91.47	35.33
	Median	30.00	14.64	50.83	38.00	22.00
	Standard deviation	30.00	14.64	50.83	38.00	22.00
	% IPOs with Negative 1st Day Returns	13.79	11.11	9.38	13.33	28.57
	% of IPOs in Each Quintile	26.85	16.67	29.63	13.89	12.96
	Rank Sample Size	29	18	32	15	14
Hybrid	**Mean Rank Use of Proceeds**	4	7	8	9	12
IPOs	**Median**	5	7	8	9	11
48	**Standard deviation**	2	0	0	1	2
	Mean Rank 1-Day RIR	23.13	36.36	6.70	66.52	35.86
	Median	0.00	16.53	9.93	41.50	0.00
	Standard deviation	50.76	81.62	41.89	92.08	76.61
	% IPOs with Negative 1st Day Returns	46.15	20.00	37.50	10.00	28.57
	% of IPOs in Each Quintile	27.08	20.83	16.67	20.83	14.58
	Rank Sample Size	13	10	8	10	7

Figure 6.21: New issuer use of proceeds quintile RIRs per Method of Offer

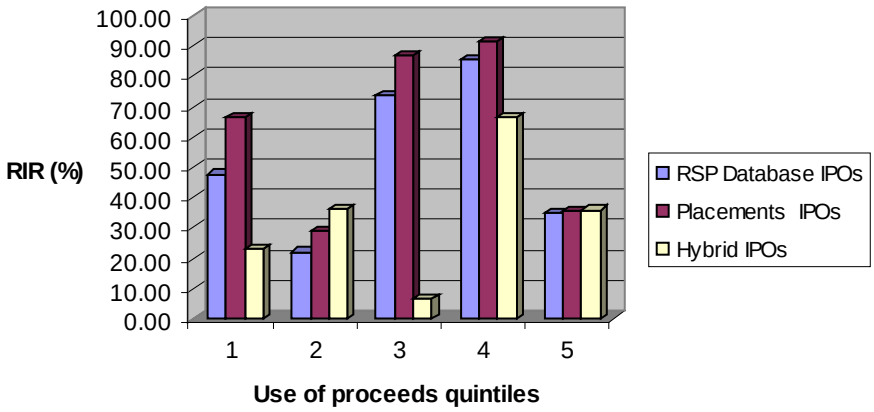


Table 6.24: Descriptive statistics for the Method of Offer and new issuer disclosed use of proceeds with day 1 RIR

Descriptive Statistics	RSP	Placements	Hybrid
Mean	9	9	8
Standard Error	0.21	0.24	0.41
Median	8	9	8
Mode	7	8	7
Standard Deviation	2.67	2.45	2.87
Sample Variance	7.14	6.00	8.26
Kurtosis	0.80	0.69	1.00
Skewness	(0.05)	0.16	(0.12)
Range	17	15	15
Minimum	0	2	0
Maximum	17	17	15
Sum	1363	972	369
Correlation Coefficient	0.09	0.03	0.11
Count	160	108	48
Confidence Level (95.0%)	0.42	0.47	0.83
Conclusion	Reject H_0	Reject H_0	Reject H_0

The descriptive statistics, reflected per Table 6.24, strongly rejects the $\mathbf{H_0}$ at the 95% confidence level for the RSP database, Placements and Hybrid Offers (0.42, 0.47 and 0.83 respectively). In all cases, the correlation coefficient was weak and positive with both the RSP database and Hybrids being negatively skewed (-0.05 and -0.12), Placements being positively skewed (0.16). It was interesting to note that mean (median) use of proceeds declared by the new issuer RSP database, Placements and Hybrid Offers were 9,9 and 8 (8,9 and 8) respectively. This implies a relatively high ex ante risk associated with the RSP database of unseasoned new issuers (Habib and Ljungqvists 2001).

IV. HOT ISSUE MARKETS

Hot or cold issue periods are defined as periods during which returns on new listings are significantly higher as or lower than average Lawson and Ward (1998).

Bhana (1989) argued that whilst significant high initial returns would be identified for hot issue periods, this would not be the case with aftermarket returns. In contrast, Lawson (1996) showed that the aftermarket (up to 1 year) performance of shares for hot issue periods was significantly higher than that observed for cold issue periods on the JSE. Ibbotson, et al (1994:73) concluded that positive returns on new listings were followed by long-run under performance which "lasts for a full five years".

The existence of both hot and cold issuer markets on the JSE was investigated using the RSP database of new issuers, 1995 through 1999, as a proxy thereof.

HYPOTHESIS 11: Hot and Cold Issue Markets Periods Do Not Exist on the JSE

$$\mathbf{H_0}: \mathbf{ar_{i(Hot)}} = \mathbf{ar_{i(Cold)}} = \mathbf{ar_{i(RSP)}} = 0$$

$$\mathbf{H_a}: \mathbf{ar_{i(Hot)}} \neq \mathbf{ar_{i(Cold)}} \neq \mathbf{ar_{i(RSP)}} \neq 0$$

Where

$\mathbf{ar_{i(Hot)}}$ is the mean first day RIR for an issue ***i*** occurring during a hot issue period

$\mathbf{ar_{i(Cold)}}$ is the mean first day RIR for an issue ***i*** occurring during a cold issue period

$\mathbf{ar_{i(RSP)}}$ is the mean first day RIR for an issue ***i*** occurring for the sample of 160 new issuers comprising the RSP database, 1995 through 1999.

and

$\mathbf{H_0}$ is the null hypothesis

$\mathbf{H_a}$ is the alternate hypothesis

The equation used to determine the respective mean hot, cold and RSP database RIRs is expressed per Equation 3.1.

The hot and cold issue markets were based upon the List years having the greatest volume of new applicants listing on the JSE. This method of differentiating hot and cold issue markets is per the definition of a hot issue period (market) by Lawson and Ward (1998) i.e., based on the annual volume of new Listings. Remember, the subtle difference between new issuers Listing as opposed to IPOs orchestrating IPOs is the inclusion of those new applicants that are Listing without the simultaneous raising of capital i.e., Introductions.

Table 6.25 demonstrates the emergence of a hot issue market during the course of the 1997 year (a dramatic increase of 109.38 % in new listings relative to the last year, viz., 1996) and 'cooling' during the latter part of the 1999 year (a relative decrease of some 19% from the 1998 year).

Table 6.26 shows that approximately 72% of RSP IPOs during the sample period occurred in the latter years of the sample, viz. 1998 and 1999, 39.38% and 32.5% respectively. These two years, based upon the greatly increased volume of IPOs if compared to the previous three years, fulfill the criteria of a hot issuer market (period) and as such will bee deemed for the purposes of this study to be hot issue markets.

Table 6.25: TSP volume of Listings per list year

Year	Sample size	Relative Sample % size	% Relative annual increase (decrease)
1995	26	8.07	-
1996	32	9.94	23.08
1997	67	20.81	109.38
1998	109	33.85	62.69
1999	88	27.33	(19.27)
TSP database	322	100.00	

Table 6.26: RSP volume of IPOs per list year

Year	Sample size	Relative Sample % size	% Relative annual increase (decrease)
1995	2	1.25	-
1996	17	10.63	750.00
1997	26	16.25	52.94
1998	63	39.38	142.31
1999	52	32.50	(17.46)
RSP database	160	100.00	

The results, per Table 6.27, show the emergence of a hot issue market during the latter course of 1997 which peaks during the 1998 calendar year, 85.11% mean RIR, with a cooling down toward yet another cold issue market cycle during the latter course of 1999. The duration of the hot issue market for the RSP database study had duration of approximately 24 months. The two year duration of the hot issue market findings are in line with the empirical findings of Lawson and Ward (1998). The results further showed a positive (negative) Skewness for the hot issue (cold issue) market periods.

Table 6.27: Hot vs. cold issue market descriptive statistics

	RSP database	1995	1996	1997	1998	1999
Mean RIR	55.04	(49.24)	11.83	41.77	85.11	43.39
Standard Error	7.57	49.24	6.63	8.33	16.34	9.37
Median RIR	29.00	(49.24)	14.00	40.00	34.00	30.00
Mode	0.00	-	18.00	50.00	0.00	30.00
Standard Deviation	95.80	69.64	27.35	42.49	129.66	67.59
Sample Variance	9,178.44	4,849.16	747.89	1,805.70	16,812.07	4,568.25
Kurtosis	5.90	-	5.62	(0.63)	1.82	1.22
Skewness	2.29	-	(1.65)	0.50	1.67	1.23
Range	558.48	98.48	124.67	149.00	525.00	325.06
Minimum	(98.48)	(98.48)	(73.00)	(23.00)	(65.00)	(78.00)
Maximum	460.00	0.00	51.67	126.00	460.00	247.06
Sum	8,806.38	(98.48)	201.11	1,085.93	5,361.72	2,256.10
Count	160	2	17	26	63	52
Confidence Level (95.0%)	14.96	625.65	14.06	17.16	32.65	18.82
Conclusion		Reject H_0	Accept H_0	Reject H_0	Reject H_0	Reject H_0

An inspection of Table 6.28, adapted from Lawson and Ward (1998), and the breakdown of returns by listing year shown in Table 6.26 indicate that hot/cold cycles have taken approximately 10 years to complete. This concurs with Lawson and Ward's (1998) findings. Two complete cycles occurred in the 20-year period from 1975 to 1995, one of which was apparent in the ten-year period from 1986 to 1995.

Mean RIRs in hot periods, cold periods and the RSP database were 66.24%, 26.41% and 55.04% respectively. The RSP database hot issue sample size was 115 issues which occurred over a total period of two years; the RSP database cold issue sample size was 45 issues. The relative size in the number of new listings for the TSP database of 322 new applicants was 197 for the hot issue market of two years vs. 125 for the cold issue period. Further, the RIRs in hot periods were found to be significantly greater than initial returns in cold periods (Table 6).

The RSP database study supports Ljungqvist's (1997) study in that more favourable market conditions in the run-up to the subscription period significantly increase initial abnormal returns:

a. Issuers would gain from going public in bear (cold) markets (when less money is left on the table); and

b. Investors should concentrate their attention on firms floated in bull (hot) markets.

It was therefore concluded that the aftermarket performance of shares is significantly different for hot or cold issue markets. Hot issue market shares continued to outperform cold issue shares in the immediate aftermarket (day 1).

Table 6.28: Annual no. of listings, average initial returns and hot vs. cold periods

Adapted from Lawson and Ward (1998)

List Year	Number of listings	Average Initial Return	Listings in HOT periods	Listings in COLD periods
1975	4	24%	-	4
1976	0	-	-	-
1977	1	26%	-	1
1978	4	25%	4	-
1979	10	26%	10	-
1980	7	26%	-	7
1981	10	25%	-	10
1982	7	9%	-	7
1983	7	38%	-	7
1984	13	23%	-	13
1985	16	56%	-	16
1986	67	36%	67	-
1987	211	34%	211	-
1988	41	6%	-	41
1989	21	13%	-	21
1990	23	0%	-	23
1991	16	15%	-	16
1992	14	13%	-	14
1993	15	3%	-	15
1994	23	29%	-	23
1995	26 [2]	[-49.24%]	-	26 [2]
1996	32 [17]	[11.83%]	-	32 [17]
1997	67[26]	[41.77%]	-	67[26]
1998	109 [63]	[85.11%]	109 [63]	-
1999	88 [52]	[43.39%]	88 [52]	-
Total	832 [670]	-	489 [407]	343 [263]
Mean	25.50			
Median	13.50			

Note
1 Averages for the period 1975 to 1985 are from Barlow and Sparks (1986)
2 Averages for the period 1986 to 1995 are calculated from I-Net data
3 Figures in [parenthesis] = RSP database
1995 – 1999 TSP database

As per Lawson and Ward (1998) and Barlow and Sparks (1986), hot and cold listing markets were found to exist on the JSE. In the period 1975 through 1999, three hot issue market cycles occurred at a frequency of approximately 9-10 years each. Consequently, the timing of new issues is of significant importance in listing decisions made by management and investment decisions made by the investing public (Lawson and Ward 1998).

IV THEORIES AS TO THE RSP DATABASE INITIAL UNDERPRICING PUZZLE – THE WINNERS CURSE HYPOTHESIS

A. Introduction

The RSP database empirical research has unequivocally shown that, on average, the difference between the IPO subscription price and the first secondary market price is greater than a "reasonable" risk premium would require. It would appear that the issuing firm ands the sponsoring brokers are deliberately underpricing their IPOs. Internationally too, there has been considerable debate concerning the underlying rationale of such returns and the literature is almost unanimous in its conclusion: the presence of abnormal initial returns constitutes evidence of deliberate underpricing (Levis 1993, Carter and Manaster 1990).

The winner's curse hypothesis developed by Rock (1986) is a most convincing model for UK influenced legal systems (Ritter 1998), such as South Africa. Chapter 4 of this study encompasses an extensive review of international academic literature pertaining to the winner's curse (Rock's model) and the empirical testing thereof. Rock's model is directed toward an explanation of an anomaly in the new issue market - new shares appear to be issued at a discount, which is a natural consequence of Rock's model, incorporating asymmetric new issuer information and rationing.

To recap, an important rationale for the underpricing of IPOs is the "winner's curse" explanation viz., a more or less fixed number of shares are sold at a fixed offering price, rationing will result if demand is unexpectedly strong. Rationing in itself does not lead to underpricing, but if some investors are at an information disadvantage relative to others, some investors will be worse off. If some investors are more likely to attempt to buy shares when an issue is underpriced, then the

amount of excess demand will be higher when there is more underpricing. Other investors will be allocated only a fraction of the most desirable new issues, while they are allocated most of the least desirable new issues. They face a winner's curse i.e., if they get all of the shares that they ask for, it is because the informed investors do not want the shares. Faced with this adverse selection problem, the less informed investors will only submit purchase orders if, on average, IPOs are underpriced sufficiently to compensate them for the bias in the allocation of new issues.

In summation, Rock's model depends upon the existence of a group of investors whose information is superior to that of other (uninformed) investors. Consequently asymmetry of information the core of Rock's model as well as derivatives thereof such as Beatty and Ritter (1986) who show that the greater the uncertainty about the issue value, the greater the degree of under pricing (ex ante issuer risk).

We have shown that the RSP database ex ante issuer risk can be measured to a greater or lessor degree by means of proxies (Part III above), but now we need to test the applicability of Rock's model for the South African new issuer environment. It is important, once again, to remember that Rock's model can only be applicable to Public Offers or to the Public Offer component of a Hybrid Offer and not Placings and Preferential Offers.

International winner's curse empirical studies such as Koh and Walter (1987), Levis (1990) and Keloharju (1993) have shown that:

a) Uninformed investor's returns on the difference between subscription and the first-day listing prices are not statistically different from the riskless rate;
b) Rationing of new issuers explains the unseasoned new issues' anomaly;
c) there is a significant positive correlation between oversubscription levels and first-day returns;
d) If the size of the investor's application is a reasonable proxy for his information, Rock's analysis suggests there should be a negative correlation between underpricing and the proportion of an issue subscribed for and allocated to small (uninformed) investors;
e) Informed investors are found to respond to greater expected underpricing by expanding demand;
f) his demand expansion is consistent with rationality in the new-issues market, and is contrary to the frequently expressed view that this is market driven by fads; and
g) Their results hold when the new issues are categorised by underwriter and size.

Habib and Ljungqvists (2001) model shares Rock's (1986) adverse selection rationale for underpricing. Informed investors, who know the quality of an issue and naturally subscribe only to "good" issues, however, uninformed investors cannot distinguish between "good" and "bad" issues and so suffer from the winner's curse.

The fractions of informed and uninformed investors are exogenously fixed in Rock (1986), but in the Habib and Ljungqvists (2001) model they can be endogenously determined by the issuer. Specifically, Habib and Ljungqvists (2001) assume that the issuer can increase the fraction of uninformed investors participating in the offering by incurring greater promotional costs. Therefore, underpricing decreases in promotion costs because promotion costs increase the number of uninformed investors participating in the offering – this was also applicable for the RSP database per Part III above.

1. Rock's Model RSP Database Test 1 – Oversubscription of IPO Public Offers

Rock (1986) asserted that the crucial test of his model is the ability to observe the degree to which shares are rationed on the offer date as a result of oversubscription of IPO common stock. Enormous oversubscription is a characteristic of countries using the UK fixed price method under which the price is set well in advance of the issue date (Rock 1986, Ruud 1993). It is not uncommon for underwriters to receive, prior to the effective date, indications of interest' for five times the number of shares available (Beatty and Ritter 1986).

The RSP database research results, per Part III above, adequately demonstrated the exceptionally large oversubscription rate of those issuers utilising the Public Offer as an IPO method, either a single IPO Method or as a component of a Hybrid Offer. To recap, the RSP database annual oversubscription data is reflected per Table 6.5 (replicated hereunder for ease of reference). The maximum and minimum RSP database oversubscription was 86.56 and 0.30 times respectively for 20 new issuers. Further, the RSP mean subscription rate was 24.42 (median 5.90) with a standard deviation of 28.90.

Table 6.5: Times Public Offer oversubscribed as a List Method or Component of a Hybrid Offer

Year	Sample	Mean	Median	Std dev
1996	3	4.30	4.50	3.90
1997	9	20.00	2.85	25.40
1998	7	29.85	12.22	29.50
1999	1	86.56	86.56	-
1996-1999	20	24.42	5.90	28.90

As per Rock's model, the RSP database of new issues with the highest oversubscription rate had, on average, the highest RIRs (converse for lowest subscription rates).

We can conclude that South African Public Offer IPOs, per the RSP database of new issuers, do indeed fulfil the oversubscription criteria implicit to Rock's model.

2. Rock's Model RSP Database Test 2 – Public Offer IPO Rationing

Ibbotson and Jaffe (1975) noticed that underpriced shares could be severally rationed on the offer date. As discussed in Chapter 4, poor market responses to an IPO, orchestrated by means of a Public or a Hybrid Offer, effectively guarantees an allocation of the full amount of application and as such, such issuers are likely to start trading below their offer price. The converse should be true of well received market responses.

If there is indeed excess demand, the issuing bank (sponsoring broker) must allocate the shares according to some "fair scheme" (Levis 1993, Rock 1986). UK influenced legal systems require that the allocation rule discriminate only on the size of the application and not according to the identity of the applicant (this being the hall mark difference between an Offer to the Public and a Placement where in the latter the allocation rule discriminates on the identity of the person or class of personae). The application rule is published after the applications have been received so that the rule can reflect discrimination against particular applicants.

Once again, the RSP database of Public Offers adequately demonstrates this UK Public Offer rationing phenomena per Table 6.6.

In conclusion, the RSP sample of IPOs as pertaining to Public Offers (and the Public Offer component of a Hybrid Offer) concurs with Rock's model inasmuch as new issuer rationing. We can thus conclude that the winner's curse is strongly evident.

3. Rock's Model RSP Database Test 3 – Public Offer IPO 'Small' Investor Allocation Bias

The allocation bias is a mutual feature of both an Offer to the Public and a Placing, more so in a Private Placing and/or Preferential Offer (refer to Chapter 2), however rationing only occurs in Offers to the Public and thus the chances of receiving an allocation in a Placing is given, but uncertain in an Offer to the Public.

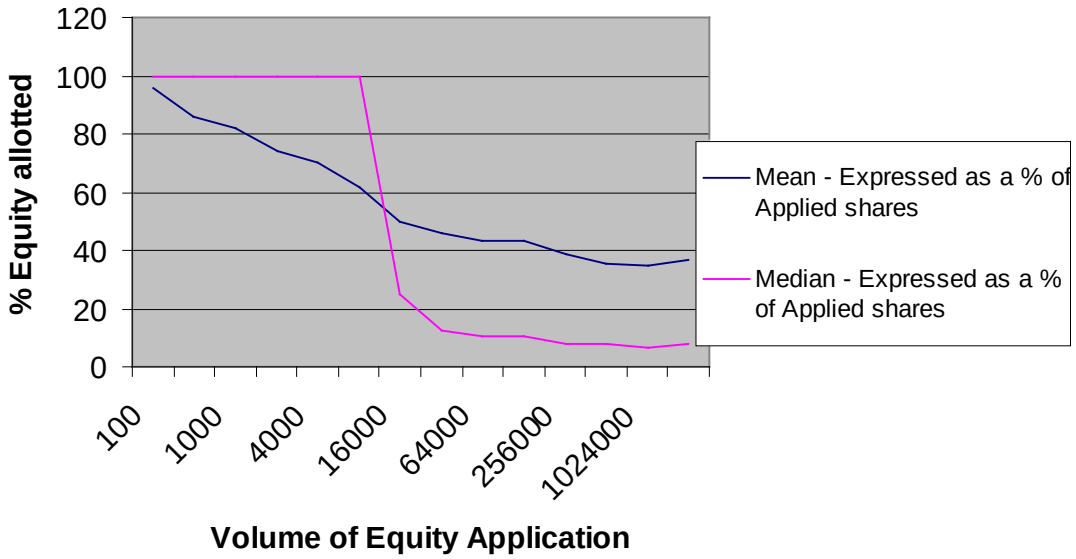
This phenomenon has an effect upon the uninformed investor. If an investor finds that she receives none of the underpriced issues due to rationing brought on by informed demand, and all of the overpriced issues, then the investor revises downwards her valuation of new shares. The uninformed investor will not participate in the new issue market until the price falls enough to compensate for the 'biases' in allocation.

If new shares are priced at their expected value, the informed investor's crowd out the uninformed investors when good issues are offered and they withdraw from the market when bad issues are offered. Consequently uninformed investors suffer from a winner's curse and the offering firm must price the shares at a discount in order to induce uninformed investors to purchase the issue. The rationale for enticing the uninformed investor includes the need to obtain the required listing shareholder spread and restrictions, placed on new issuers, not to unfairly bias small investors.

Promoting the issue serves to increase the fraction of uninformed investors taking part in the offering (Carter and Manaster 1990). Promoting the issue therefore decreases the extent of the adverse selection problem, thereby decreasing the necessary amount of underpricing. In the Rock (1986) model, underpricing is necessary to induce uninformed investors to take part in the offering despite the adverse selection problem induced by the presence of informed investors.

The RSP database study shows that investors applying for 16,000 shares or less have a mean successful application of 50% rising to in excess of 80% for applications of a 1,000 shares or less. The median successful application and staggering 'bias' of the small investor is 100% of applications of 8,000 shares or less. This is compared to the large institutional median allotment of 8% of applications greater than 250,000 shares. The RSP database small (uninformed) investor bias is graphically represented per Figure 6.4, reproduced below, for both the mean and median percentage equity allotted.

Figure 6.4: Public Offer discretionary equity allocation for the mean & issuer comprising the RSP



In conclusion, the RSP database of new issuers fulfils the Rock's model criteria as pertains to the allocation bias in favour of the 'small' investor and accordingly, the winner's curse is strongly evident.

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ADDENDUM 1

DOCUMENTS TO BE SUBMITTED TO THE COMMITTEE

I. INTRODUCTION

This Addendum outlines the documents to be submitted to the Committee in terms of Section 16 of the JSE Listing Requirements. The main headings of Section 16 are as follows:

A. General provisions of section 16
B. Documents to be submitted through a sponsoring broker
C. Procedure for approval
D. Documents requiring approval
E. Documents to be submitted by new applicants
F. Documents to be submitted by listed companies
G. Sundry

A. General Provisions of Section 16

For the guidance and information of companies it should be noted that:

(a) documents submitted by companies must be copies which will become the property of the JSE and therefore are not returnable;
(b) any proposed amendments should be submitted for approval by the Committee before they are published;
(c) if an application for listing is not made within 9 months of the examination of the articles of association then the articles of association will have to be re-submitted for examination for which a further fee will be payable; and

(d) drafts of documents to be sent to shareholders which have been approved by the Committee will not be regarded as final documents until advise is received by the Listings Division that the document dispatched to shareholders was identical to the draft approved by the Committee.

B. Documents to be submitted through a sponsoring broker

Paragraph 16.2

Any documentation pertaining to the following matters, which is subject to the prior approval of the Committee, or requiring action to be taken by the Committee, must be submitted to the Listings Division through the medium of a sponsoring broker:

(a) acquisitions;
(b) announcements;
(c) applications for additional securities/amendments to listings/termination of listings;
(d) “backdoor” listings;
(e) capitalisation issues;
(f) changes of name;
(g) conversion of securities;
(h) debenture issues;
(i) disposals;
(j) explanatory statements;
(k) memorandum and articles of association/amendments;
(l) new classes of securities;
(m) new listings;
(n) notices of general meeting;
(o) pyramid companies/changes of control;
(p) “rescue” operations;
(q) rights and claw-back offers;
(r) schemes of arrangements/reorganisations/restructuring;
(s) share incentive/option schemes/amendments;
(t) “cash companies” operations and reverse take-overs;
(u) standby offers;

(v) sub-division/consolidations of securities;
(w) take-overs and mergers;
(x) termination of listings at the company's request;
(y) transfer of listings;
(z) trust deeds/amendments; and/or
(aa) any other document bearing the logo of a sponsoring broker.

C. Procedure for Approval

Paragraph 16.3

The Committee has delegated authority to examine and approve documentation, subject to certain conditions, to the Listings Sub-Committee, the Listings Operating Committee and the Listings Division. It is the responsibility of practitioners and companies to ensure that the procedure regarding the approval of documents can be accommodated within the timetables set out in the listing requirements. The procedure for approval of documentation is as follows:

1. Informal comments of the Listings Division

(a) A copy of the documentation required to be approved in terms of the listing requirements ("documents") should be submitted to the Listings Division a early as possible for informal comments, together with payment of the appropriate inspection fee.
(b) If the documents are received by the Listings Division on or before 10h00 on a business day, they will be deemed to have been lodged at 10h00 on such business day; and if they are received by the Listings Division after 10h00 on a business day, they will be deemed to have been lodged at 10h00 on the following business day ("the deemed lodgment time").
(c) Within 48 hours of the deemed lodgment time, the Listings Division will provide the relevant sponsoring broker with its informal comments.

2. Informal approval of the Listings Division

(d) Once the informal comments of the Listings Division have been incorporated, the draft documents may be submitted to the Listings Division for informal approval.

(e) Within 48 hours of the deemed lodgment time for informal approval, the Listings Division may:

(i) grant informal approval, if the documents are found to be in accordance with the listings requirements; or

(ii) refuse informal approval and return the documents to the relevant sponsoring broker with comments (if they are not found to be in accordance with the listings requirements) or without comments (if an incomplete set of documents was submitted or the inspection fee was not paid) ("omission").

(f) In the event of paragraph (e) (ii) supra, the sponsoring broker may re-submit the documents after incorporating the Listings Division's comments or rectifying the omission, whereupon paragraphs (d) and (e) supra will again apply.

(g) The procedures under (d) to (f) supra will re-apply until the Listings Division grants informal approval, provided that if the documents are returned to the sponsoring broker after the third submission, the Listings Division may, with the approval of the Listings Operating Committee of the JSE, charge an additional inspection fee amounting to 50 percent of the original inspection fee for every subsequent submission.

3. Formal approval of the Committee

(h) Once the informal approval of the Listings Division has been obtained, eight copies, unless otherwise stated, of the final documents must be submitted to the Listings Operating Committee for formal approval.

(i) Upon submission for formal approval, the Listings Operating Committee may:

(i) within 24 hours of the deemed lodgment time for formal approval, grant formal approval (if necessary, subject to conditions); or

(ii) within 24 hours of the deemed lodgment time for formal approval, refuse formal approval (with comments, if the documents are capable of repair); or

(iii) refer the documentation to the following meeting of the Listings Sub-Committee (with or without recommendation).

(j) In the event of paragraph (i)(iii) supra, the Listings Sub-committee may:

(i) grant formal approval (if necessary, subject to conditions); or
(ii) refuse formal approval (with comments, if the documents are capable of repair); or
(iii) refer the documents to the following meeting of the General Committee, (with or without a recommendation).

(k) In the event of paragraph (j)(iii) supra, the Committee (General) may:

(i) grant formal approval (if necessary, subject to conditions); or
(ii) refuse formal approval (with comments, if the documents are capable of repair).

D. Documents Requiring Approval

Paragraph 16.5

The Committee must approve the following documents:

(a) all announcements by companies other than announcements which are not required to be made in terms of the listings requirements; standard cautionary announcements, and announcements relating to dividends, interest, quarterly reports, interim reports, preliminary reports and annual financial statements (except where such announcements include the declaration of a scrip dividend or a capitalisation award);
(b) Part I, Part II and Part III documents for new applicants;
(c) pre-listing statements;
(d) circulars relating to:

(i) rights issues;
(ii) capitalisation issues;
(iii) Category 1 or 2 transactions;
(iv) reverse take-overs;
(v) related party transactions;
(vi) changes of name; and
(vii) subdivisions and consolidations of securities.

Paragraph 16.6

The documents referred to in paragraph 16.5 *supra* will be scrutinised by the Listings Division in order to ensure, as far as may be possible in the circumstances, that all relevant facts are adequately disclosed in the clearest manner possible, and informal approval of the documents will be granted on this basis.

Paragraph 16.8

Approval of documents by the Committee will not in any way reflect the Committee's views as to whether the underlying transactions (which are the subject of such documents) are fair or reasonable. Neither does such approval constitute a guarantee by the Committee or its officials of the accuracy of the contents of such documents.

E. Documents to be Submitted by New Applicants

Paragraph 16.9

New applicants are required to submit the documents described in paragraphs 16.10 to 16.13 below according to the timetable so outlined in Section 5 of the JSE Listing Requirements. Should the Committee require amendments, the amended document must be submitted and approved, prior to publication (*paragraph 16.11*).

1. Part I documents

Paragraph 16.10

The following documents are classified as Part I documents:

(a) the formal application for listing complying with Schedule 1of the JSE Listing Requirements (The application for listing for new applicants);
(b) an explanation of how the required spread of shareholders is to be achieved;

(c) the proposed pre-listing statement dated and signed by the directors of the company including their respective alternates, or under power of attorney, together with a statement of the proposed date and details relating to this publication in the press;

(d) if the pre-listing statement is a prospectus a certificate from the company's attorneys stating that the requirements of Schedule 3 of the Companies Act (see Addendum 3 "The prospectus and its contents") have been complied with;

(e) if the pre-listing statement contains an accountants' report, a statement from the accountants that the contents of the pre-listing statement are not contradictory with the information contained in the accountants' report;

(f) where an offer is not being made in conjunction with the application for listing, the following information must be submitted:

(i) a list of shareholders; and

(ii) an analysis of shareholders;

(g) where applicable, the underwriting agreement and a statement containing the following:

(i) a statement that the underwriting agreement will become irrevocable no later than 16h30 on the day prior to the pre-listing statement being made available, or the last day to register where a rights offer circular is being made available;

(ii) evidence that the underwriter is in a position, at the date of signing the underwriting agreement, to meet the commitments in terms of the underwriting agreement in conjunction with any other underwriting or similar agreements running concurrently with the present commitment;

(iii) the number of securities offered to the public and the number of securities offered other than to the public;

(iv) the number of securities offered as a preferential right to any other persons. A brief summary of such offer to be given;

(v) the minimum subscription (if any) in terms of the pre-listing statement; and

(vi) confirmation that the underwriting agreement provided that the underwriting consideration will not be paid until the underwriting commitments have been met;

(h) the memorandum and articles of association complying with Schedule 10;
(i) the debenture trust deed, if debentures are to be listed;
(j) a specimen, which must be cancelled by mutilation, of the share certificate, allotment letter, or other document in which it is desired to deal prior to the issue of shares or other security. The share certificate should comply with Schedule 11;
(k) a statement whether the company's securities are listed on any exchange outside the Republic of South Africa and particulars of that listing. In the event of any application for listing on any stock exchange having been refused or deferred details are to be stated;
(l) list of other companies of which directors are also directors and nature of business conducted by such companies; and
(m) the draft placing document, where an issue of securities is being made by means of a placing.

2. Part II documents

Paragraph 16.12

The following documents are classified as Part II documents:

(a) a certificate by the company's attorneys, auditors, merchant bankers or sponsoring brokers certifying that the pre-listing statement published was in accordance with the signed pre-listing statement approved by the Committee or, if not, then in what respects it did not so agree;
(b) a notarially certified copy of any prospectus to be published in connection with the issue, dated and signed by the directors of the company, or in their absence, by their respective alternates, or person(s) making the offer;
(c) one copy of the newspaper(s) in which the pre-listing statement or announcement was published;
(d) two hundred and twenty five copies of the pre-listing statement or circular published are required for circulation to members;
(e) a notarially certified copy of the memorandum and articles of association of the applicant embodying any amendments required by the Committee;
(f) a notarially certified copy of certificate of registration, and certificate to commence business, if the company was registered within the last two years;
(g) a specimen (cancelled by mutilation) of the share or debenture certificates or other security in which it is proposed to deal;
(h) the general undertaking by the company in the form of a resolution of the board of directors, certified by the chairman complying with Schedule 7;
(i) the statutory declaration complying with Schedule 8;
(j) a copy of every prospectus or statement in lieu of a prospectus issued during the past three years;

(k) where the issue of securities was achieved by way of a placing, the sponsoring broker must submit a letter stating that the provisions of paragraph 5.13 have been complied with;
(l) copies of any experts consents appearing in the pre-listing statement.
(m) three copies of a statement by the company's secretary stating:

(i) the registered address and post office box number;
(ii) the address and post office box number of the transfer office;
(iii) the name of the official authorised to deal with all matters relating to the company's listing;
(iv) the date on which the financial year ends;
(v) the approximate date on which the annual financial statements will be issued;
(vi) the approximate date on which the annual general meeting will be held;
(vii) the approximate date on which notices of the annual general meeting will be issued; and
(viii) regarding dividends, the approximate date of declarations, date of closing of transfer registers and date of payment;

(n) cheque in payment of the listing fee (refer to Addendum 2);
(o) details of any dividend recommended or declared, but not yet paid at the date of application;
(p) mechanical signatures on certificates of title; and
(q) requirements for certified deeds and other temporary documents of title.

3. Part III documents

Paragraph 16.13

The following documents are classified as Part III documents:

(a) a certificate signed by the auditors, certifying that the capital and premium thereon, if any, issued since the date of the last annual financial statements presented to shareholders, or if no annual general meeting has yet been held, since the date of incorporation of the company have been subscribed and deposited, for the company's account, with the company's bankers;
(b) an audited list of share and/or debenture holders as at the date listing was granted;
(c) a statement detailing:

(i) the number of securities applied for by the public;
(ii) the number of securities allotted and the basis of allotment; and
(iii) the number of securities taken up by any underwriter, sub-underwriter or placee;

(d) an analysis of securities held by shareholders including:

(i) the number of shareholders in the Republic of South Africa and total number of securities held exclusive of those referred to in paragraphs (iii) and (iv) below;
(ii) the number of shareholders other than in the Republic of South Africa and total number of securities held exclusive of those referred to in paragraphs (iii) and (iv) below;
(iii) the number of shareholders who are employees and are beneficiaries of any trust or scheme for their benefit, and the total number of securities held by them;
(iv) details of securities held by the directors and any controlling shareholder and any associate of such director and controlling shareholder, and any associates of the company. Also the securities held by the vendor(s), promoter(s), and underwriter(s); and
(v) the combined total.

F. Documents to be Submitted by Listed Companies

1. Offers for sale and subscription

Paragraph 16.14

The following information is required to be submitted to and approved by the Committee before such a listing can be granted:

(a) the circular or pre-listing statement;
(b) the information with respect to any underwriting described in paragraph 16.10(g) supra;
(c) the application for listing complying with Schedule 1;
(d) copies of any exchange control approvals required;
(e) copies of any experts' consents appearing in the circular or pre-listing statement; and
(f) the appropriate documentation and listing fee.

2. Rights and claw-back offers

Paragraph 16.15

The following information is required to be submitted to and approved by the Committee before such listing can be granted:

(a) the circular or pre-listing statement;
(b) the information with respect to any underwriting described in paragraph 16.10(g) supra;
(c) the application for listing complying with Schedule 2;
(d) the provisional allotment letter;
(e) copies of any exchange control approvals required;
(f) copies of any experts' consents appearing in the circular or pre-listing statement; and
(g) the appropriate documentation and listing fee.

3. Capitalisation issues and scrip dividends

Paragraph 16.16

The following information is required to be submitted to and approved by the Committee before such listing can be granted:

(a) the circular;
(b) the application for listing complying with Schedule 3;
(c) the form of election which must contain at least:

  (i) a statement that the election may be made in respect of all or part of the shares held or deemed to be held at the close of business on the record date (fractions will be paid out in cash);
  (ii) the ratio of application; and
  (iii) a statement if no late postal elections will be accepted;

(d) copies of any exchange control approvals required;
(e) copies of any experts' consents appearing in the circular; and
(f) the appropriate documentation and listing fee.

4. Issues for cash

Paragraph 16.17

The following information is required to be submitted to and approved by the Committee before listing can be granted when specific approval as contemplated under paragraph 5.82(a), is required:

(a) the circular;
(b) the application for listing complying with Schedule 6;
(c) a statement detailing all issues of securities in the previous three years;
(d) copies of any exchange control approvals required;
(e) copies of any experts' consents appearing in the circular; and
(f) the appropriate documentation and listing fee.

5. Acquisitions and disposals

Paragraph 16.18

The following information is required to be submitted to and approved by the Committee before listing can be granted:

(a) the circular or pre-listing statement;
(b) the acquisition or disposal agreement;
(c) any vendor placing document;
(d) articles of association of the listed company and the company being acquired;
(e) the application for listing, if applicable.
(f) copies of any exchange control approvals required;
(g) an audited analysis of shareholders subsequent to the transaction;
(h) copies of any experts' consents appearing in the circular or pre-listing statement; and
(i) the appropriate documentation and listing fee.

G. Sundry

1. Letters of application and letters of allotment

Paragraph 16.23

Where listing is desired, in respect of letters of application and/or letters of allotment, or other similar documents, the proposed time-table (schedule of dates) should be submitted to the Listings Division for approval prior to the closing of the transfer registers of the company from which the issue accrues. The procedure to be adopted should be discussed with the Listings Division by the sponsoring broker.

2. Extensions of listed options

Paragraph 16.24

The company must submit for approval:

(a) a draft of the announcement announcing the extension and the results of the shareholders' meeting. The announcement announcing the extension should be published at least six weeks prior to the expiry date;
(b) a draft of a circular to registered option holders and to shareholders. The circular should be in the form of a notice to shareholders to obtain their sanction or, if the power of extension has been delegated to the directors, a notification of the extension of the options and the authority under which the extension was made. The circular must also state the procedure for recording the extension on the option certificates;
(c) a copy of the proposed alteration and/or endorsement, to be used on the option certificate;
(d) a written application for the extension of the listing, stating:

(i) the number of options to which the extension applies;
(ii) the period of the extension;
(iii) the amounts of the nominal and issued capital and the number of the securities issued; and
(iv) that all options issued have been granted a listing; and

(e) the application must be accompanied by:

(i) a certified copy of the resolution extending the options;
(ii) a certified copy of the relevant resolution of shareholders, or if extended by the directors, a copy of the resolution empowering the directors to extend the option;
(iii) a copy of the circular, approved by the Committee and issued to registered option holders and shareholders;
(iv) 225 copies of the circular are to be sent to the Listings Division for distribution to broking members.

3. Expiry of listed options on securities or on other conversion rights

Paragraph 16.25

Notice must be given to the Listings Division at least 30 days before the expiry date of the option or conversion rights stating:

(a) the date on which the options or conversion rights expire, and requesting the removal of the options from the list as and from the close of business on the date of expiry; and
(b) that all registered option holders or registered holders of the securities with conversion rights have been notified of the date on which the option or conversion rights expire and that after that date, the option or conversion right will have no value. This notification should be published at least 6 weeks prior to the expiry date.

Paragraph 16.26

Application must be made for the listing of securities issued on the exercise of options.

4. Exchange control approval

Paragraph 16.27

The Exchange Control Department of the South African Reserve Bank has furnished the following instances where copies of the requisite exchange control authority must be given to the Listings Division prior to the Committee approving the transaction. The requisite list is not exhaustive and may be amended form time to time:

(a) the listing of a South African registered company;
(b) capitalisation issues;
(c) backdoor listings;
(d) issues of shares for cash;
(e) the issue of bearer securities;
(f) issues of hedge securities;
(g) rights issues by listed companies;
(h) the acquisition by non-residents of a “cash company”;
(i) the acquisition from or disposal to a non-resident of assets by a listed company;
(j) restructures, mergers and changes in control where non-residents are involved;
(k) the de-listing of a company;
(l) the declaration of a dividend in specie or special dividend, for any purpose;
(m) the listing on another exchange by a JSE listed company;
(n) the listing by an external company; and
(o) the elimination of “odd lot” minority shareholders through the mechanism of consolidations and/or subdivisions of share capital.

5. Change of name of a listed company

Paragraph 16.29

Preliminary approval must be obtained from the Listings Division for the proposed new name and the proposed new abbreviated name to be used on the Jet system (the abbreviated name must not be more than seven letters).

Paragraph 16.30

An application must then be submitted to the Committee together with the drafts of both circulars for approval of:

(a) acceptance of the new name; and
(b) consequent amendment of the listing.

Paragraph 16.31

The application is to embody an undertaking that, for a period of not less than 1 year, the former name of the company will be shown on the document of title (in brackets) under the new name of the company.

Paragraph 16.32

The application must be accompanied by:

(a) a copy of the certificate from the Registrar of Companies giving approval to the new name. If this is not available at the time the application is made, the application should state that the name has been reserved or approved by the Registrar of Companies; and
(b) a specimen of the proposed new share certificates.

6. Executive and staff share schemes

Paragraph 16.33

The following documents pertaining to executive and staff share schemes should be submitted to the Listings Division for prior approval:

(a) a draft copy of the incentive or option scheme.
(b) the trust deed, if applicable; and
(c) a draft of the circular or notice relating to the adoption of or amendment to a scheme.

ADDENDUM 2

LISTING EXPENDITURE INCURRED BY NEW ISSUERS COMPRISING THE TOTAL SAMPLE POPULATION ("TSP")

ISSUERS COMPRISING THE TSP	TOTAL LISTING EXPENDITURE (RAND)	ADVISORS EXPENDITURE (RAND)
A M Moolla Group Ltd	2,000,000	1,932,911
Abacus Technology Holdings Ltd	640,000	310,000
ABC Cash Plus Ltd	540,000	402,500
Absec Ltd	165,000	147,137
Accord Technologies Ltd	2,200,000	1,587,600
Acuity Group Holdings Ltd	4,000,000	3,000,000
Acumen Holdings Ltd	2,600,000	1,495,000
Advanced Software Technologies - Abraxas Ltd	5,000,000	2,000,000
Advanced Software Technologies Ltd	975,000	819,459
Afribrand Holdings Ltd	1,000,000	952,241
Africa Glass Industries Ltd	2,000,000	1,550,000
African Harvest Ltd	2,375,000	1,514,322
African Media Entertainment Ltd	1,500,000	1,449,153
African Partnerships Ltd	1,400,000	1,100,000
All Joy Foods Ltd	825,000	801,820
Amalgamated Appliance Holdings Ltd	631,174	320,000
AMB Private Equity Partners Ltd	3,500,000	3,500,000
Amlac Ltd	513,017	340,000
Appleton Group Ltd, The	2,000,000	1,318,500
APS Technologies Ltd	733,223	535,547
Aquila Growth Ltd	1,000,000	700,000
Astrapak Ltd	3,035,000	1,822,771
Auto Space Age Systems Ltd	500,000	300,000
Avis Holdings Ltd	1,900,000	1,796,358
Awethu Breweries Ltd	15,000,000	817,000
Barnard Jacobs Mellet Holdings Ltd	1,293,368	500,000
Beige Holdings Ltd	1,340,000	1,288,671
Billboard Communications Ltd	4,038,000	2,490,000
Bonatla Property Holdings Ltd	1,400,000	1,386,246
Brandcorp Holdings Ltd	1,300,000	1,256,500
Brimstone Investment Corporation Ltd	2,350,000	1,244,410
Bryant Technology Ltd	1,010,000	681,000
Buildmax Ltd	1,227,103	1,031,300
Business Bank Ltd, The	5,000,000	3,000,000
Bynx Ltd	1,850,000	1,550,000
Cape Empowerment Trust Ltd	2,000,000	1,550,000
Casey Investment Holding Ltd	400,000	225,500
Cedargro Holdings Ltd	1,400,000	1,356,080
Central Information Holdings Ltd	700,000	579,660
Century Carbon Mining Ltd	3,500,000	2,900,000

Continued…/.

ISSUERS COMPRISING THE TSP	TOTAL LISTING EXPENDITURE (RAND)	ADVISORS EXPENDITURE (RAND)
Chariot Holdings Ltd	750,000	694,180
Chester Investment Holdings Ltd	1,100,000	1,035,430
Chillers Group Ltd	442,813	330,000
Clientele Life Assurance Company Ltd	1,100,000	599,730
Comair Ltd	3,600,000	3,439,125
Compu Clearing Outsourcing Ltd	700,000	656,436
Computer Configurations Holdings Ltd	1,500,000	887,000
Consumer Credit Holdings Ltd	4,500,000	4,397,582
Contlan Holdings Ltd	1,500,000	538,250
Convergent Network Ltd	2,758,000	2,699,680
Core Holdings Ltd	477,353	308,721
Corohedge Capital Ltd	3,700,000	600,000
Coronet Capital Ltd	1,950,000	1,872,736
Corpcom Ltd	563,267	250,000
Creditsure Holdings Ltd	2,000,000	1,938,560
Crux Technologies Ltd	1,500,000	1,439,899
CS Computer Services Holdings Ltd	1,500,000	840,500
Cyberhost Ltd	1,100,000	1,070,268
Cycad Financial Holdings Ltd	3,500,000	3,439,510
Datacentrix Holdings Ltd	1,500,000	779,500
Decillion Ltd	1,300,000	750,000
Decomac Holdings Ltd	270,000	228,954
Dectronic Ltd	832,734	515,000
Digicore Holdings Ltd	1,700,000	1,138,760
Discovery Holdings Ltd	12,000,000	11,779,139
DNA Supply Chains Ltd	2,200,000	1,391,200
Dynamo Retail Ltd	25,000	0
EC-Hold Holdings Ltd	1,000,000	970,268
E-Data Holdings Ltd	600,000	570,268
Education Investment Corporation Ltd, The	1,300,000	1,278,050
Elexir Technology Holdings Ltd	500,000	350,000
Elvey Security Technologies Ltd	1,000,000	750,000
Emerald Topbrand Sports Ltd	250,000	170,000
Energy Africa Ltd	17,924,000	13,889,000
Enterprise Outsourcing Holdings Ltd	600,000	400,000
Enviroserv Holdings Ltd	525,357	344,013
Equinox Holdings Ltd	1,600,000	1,200,000
ERP.Com Holdings Ltd	1,500,000	900,000
Essential Beverage Holdings Ltd	1,466,408	1,030,000
Explorer Corporation Holdings Ltd	1,900,000	1,320,000
Faritec Holdings Ltd	1,500,000	400,000

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ISSUERS COMPRISING THE TSP	TOTAL LISTING EXPENDITURE (RAND)	ADVISORS EXPENDITURE (RAND)
Fashion Africa Ltd	1,000,000	400,000
Fe Squared Holdings Ltd	1,770,000	1,386,000
Fedics Group Ltd, The	1,100,000	973,960
Finshare Group Ltd	2,700,000	1,860,000
First South African Food Holdings Ltd	2,250,000	1,675,000
Forbes Group Ltd	3,200,000	2,799,534
Forza Group Ltd	750,000	124,759
Fulcrum Science & Technology Bank Controlling Co. Ltd	3,400,000	1,300,000
Genbel Securities Ltd	1,000,000	597,500
Glenrand M I B Ltd	4,470,000	3,885,000
Global Capital Ltd	6,127,879	3,743,672
Global Technology Ltd	1,976,482	1,703,981
Global Village Holdings Ltd	1,930,000	1,460,000
Gold Edge Holdings Ltd	500,000	453,502
Gold Reef Casino Resorts Ltd	3,000,000	1,813,814
Good Cape Ltd	220,000	182,162
Gray Security Services Ltd	2,817,500	2,731,450
Greenwich Group Ltd	1,384,421	1,095,684
Grinaker Construction Ltd	870,000	806,000
Heritage Collection Holdings Ltd	2,379,430	2,050,000
Hix Technologies Ltd	1,000,000	640,000
Homechoice Holdings Ltd	1,300,000	1,122,920
House of Busby Ltd, The	1,350,000	1,306,080
Howden Africa Holdings Ltd	3,900,000	2,212,084
Idion Technology Holdings Ltd	300,000	138,250
Iliad Africa Ltd	4,000,000	3,125,000
Incentive Holdings Ltd	1,325,000	750,000
Infiniti Technologies Ltd	5,164,000	3,390,000
Infowave Holdings Ltd	1,225,500	900,000
Integrated Consumer Products Ltd	2,000,000	1,755,550
Integrated Health Technologies Ltd	400,000	275,000
Interconnective Solutions Ltd	1,200,000	945,000
Intertrading Ltd	400,000	356,080
Intervid Ltd	1,600,000	930,000
Investment Solutions Holdings Ltd	2,400,000	1,635,078
IST Group Ltd	2,300,000	1,857,200
ITI Technology Holdings Ltd	321,266	284,435
Ixchange Technology Holdings Ltd	389,356	268,000
Jem Technology Holdings Ltd	400,000	230,000
Kalahari Goldridge Mining Company Ltd	900,000	836,060
King Food Holdings Ltd	750,000	700,561

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ISSUERS COMPRISING THE TSP	TOTAL LISTING EXPENDITURE (RAND)	ADVISORS EXPENDITURE (RAND)
Kroondal Platinum Mines Ltd	8,600,000	7,600,000
LA Retail Stores Ltd	1,600,000	1,565,602
Legacy Ventures Ltd	980,000	795,500
Log-Tek Holdings Ltd	1,200,000	1,152,000
Magnum Global Funds S.A. Ltd	1,600,000	950,000
Maranda Mines Ltd	900,000	431,161
Masterfridge Ltd	1,450,000	870,000
Mathomo Group Ltd	550,000	323,060
Maxtec Ltd	1,300,000	682,200
Mazal Mining & Exploration Ltd	2,500,000	1,598,000
MB Technologies Ltd	4,000,000	1,900,000
M-Cell Ltd	1100000	1031960
Mercantile Lisbon Bank Holdings Ltd	6,076,118	2,500,000
Mercury Alpha Capital Ltd	5,000,000	2,800,000
Metboard Properties Ltd	1,652,000	1,120,000
Metorex Ltd	6,000,000	0
Metropolis Transactive Holdings Ltd	3,500,000	3,428,973
MGX Holdings Ltd	700000	648280
Micrologix Ltd	1,200,000	669,962
Millionair Charter Ltd	750,000	600,000
MMW Technology Holdings Ltd	386,306	286,350
Molope Foods Ltd	1,750,000	1,520,000
Money Web Holdings Ltd	800,000	400,000
Money Wise Holdings Ltd	2,000,000	1,170,000
Moresport Holdings Ltd	2,000,000	531,000
Moulded Medical Suppliers Ltd	350,000	313,180
MSI Holdings Ltd	560,000	537,278
Mustek Ltd	450,000	344,440
M-Web Holdings Ltd	2,000,000	1,936,050
Nando's Group Holdings Ltd	2,150,000	1,449,986
National Chick Ltd	1,200,000	865,561
National Sporting Index Ltd	2,225,000	1,624,335
Nedcor Investment Bank Holdings Ltd	21,700,000	4,300,000
NET 1 Applied Technology Holdings Ltd	550,000	416,738
Netactive Ltd	1,300,000	727,000
New Clicks Holdings Ltd	4,700,000	1,969,520
Nimbus Holdings Ltd	2,000,000	1,936,720
Noble Minerals Ltd	1,045,276	1,045,276
O'Hagans Investment Holdings Ltd	2,000,000	1,532,000
Omega Alpha International IT Holdings Ltd	970,000	741,800
OSI Holdings Ltd	1,500,000	977,000

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ISSUERS COMPRISING THE TSP	TOTAL LISTING EXPENDITURE (RAND)	ADVISORS EXPENDITURE (RAND)
OTK Holdings Ltd	1,250,000	800,000
Oxbridge Online Ltd	900,000	544,719
Paracon Holdings Ltd	2,000,000	1,677,250
Paradigm Interactive Media Ltd	3,000,000	2,926,610
Paragon Business Forms Ltd	2,092,500	1,710,000
Pat Cornick Ltd	603,000	339,250
Pennystocks Investments Ltd	1,100,000	1,039,324
Pentacom Holdings Ltd	820,000	785,412
Peregrine Holdings Ltd	1,198,000	727,561
Plasgroup Ltd	1,000,000	731,212
Polifin Ltd	3,400,000	3,198,250
Prada Technologies Ltd	3,200,000	3,000,000
Prima Toy & Leisure Group Ltd	1,000,000	956,080
Primegro Properties Ltd	2,794,663	2,606,000
Prism Holdings Ltd	2,700,000	1,482,000
Privest Group Ltd	2,000,000	985,000
PSG Investment Bank Holdings Ltd	5,000,000	1,000,000
PSG Noble Capital Ltd	14,950,000	14,660,000
Q Mart Holdings Ltd	3,600,000	2,800,000
Qala Group Ltd	1,500,000	1,261,986
Quyn Holdings Ltd	790,000	300,000
Real Africa Durolink Holdings Ltd	6,000,000	1,695,160
Real Africa Holdings Ltd	7,000,000	4,380,000
Rebhold Ltd	1,799,450	1,489,000
Rectron Holdings Ltd	700,000	602,000
REF Finance & Investment Corporation Ltd	400,000	372,990
Ref Marketing & Media Ltd	410,000	250,000
Regal Treasury Bank Holdings Ltd	3,330,006	1,000,000
Renaissance Retail Group Ltd	1,000,000	874,261
Retail Apparel Group Ltd	2,200,000	2,055,341
Savanha Holdings Ltd	1,000,000	964,455
Securedata Solutions Ltd	750,000	670,000
Sekunjalo Investments Ltd	2,400,000	1,180,000
Setpoint Technology Holdings Ltd	2,000,000	1,239,810
Shawcell Telecommunications Ltd	1,100,000	400,000
Skills Accel Ltd	655,000	439,768
Smacsoft Group Ltd	675,000	500,000
Software Connection Ltd	11,000,000	10,942,807
Sotta Securitisation International Ltd	2,000,000	1,961,376
South African Empowerment Fund Investment Trust Co. Ltd	1,000,000	946,105
Southern Mining Corporation Ltd	700,000	595,108

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ISSUERS COMPRISING THE TSP	TOTAL LISTING EXPENDITURE (RAND)	ADVISORS EXPENDITURE (RAND)
Spearhead Property Holdings Ltd	1,583,510	900,000
Specialised Outsourcing Ltd	700,000	656,080
Spur Corporation Ltd	2,200,000	2,137,696
Steinhoff International Holdings Ltd	10,000,000	6,775,000
Stella Vista Technologies Ltd	1,200,000	900,000
Stocks Hotels and Resorts Ltd	3,300,000	3,284,734
Streamworks Group Ltd	680,000	500,000
Sweets From Heaven Holdings Ltd	650,000	394,896
Synergy Holdings Ltd	200,000	138,250
Tallow Industrial Holdings Ltd	400,000	250,796
Taufin Holdings Ltd	975,000	700,000
Technology Communication Holdings Ltd	450,000	285,000
Terexko Ltd	1,559,539	1,021,400
Terrafin Holdings Ltd	300,000	125,000
Thabex Exploration Ltd	700,000	277,000
Thuthukani Group Ltd	1,000,000	1,000,000
Tile Africa Holdings Ltd	1,500,000	1,200,000
Top Info Technology Holdings Ltd	371,456	225,000
UCS Group Ltd	2,200,000	1,770,263
Umbono Investment Corporation Ltd	500,000	458,290
Union Alliance Media Ltd	3,000,000	2,100,000
U-Trade Ltd	1,000,000	769,500
Value Group Ltd	1,000,000	775,000
Valuecom Holdings Ltd	750,000	722,571
Vesta Technology Holdings Ltd	1,500,000	1,300,000
Viking Investments & Asset Management Ltd	300,000	200,000
Wetherlys Investment Holdings Ltd	1,500,000	1,085,860
Whetstone Industrial Holdings Ltd	1,358,000	1,158,000
Women Investment Portfolio Holdings Ltd	2,000,000	1,896,974
Woolworths Holdings Ltd	1,600,000	1,297,294
World Educational Technologies Ltd	1,003,159	351,019
Y2KTec Ltd	2,300,000	1,862,500
Y3K Group Ltd	2,000,000	774,786
Zaptronix Ltd	533,244	417,163
Zeltis Holdings Ltd	945,292	900,000
Total	500,618,170	343,432,600

Table 2.1: Schedule of JSE listing fees and advisors expenditure incurred by new issuers comprising the Total Sample Population

ADDENDUM 3

THE PROSPECTUS AND ITS CONTENTS

I. INTRODUCTION

The Companies Act (hereafter the 'Act') defines a prospectus as[1]:

> *"Any prospectus, notice, advertisement or other invitation offering any shares of a company to the public".*

It is not possible for applicants for shares to waive compliance with the requirements of the Act[2], for the safeguards provided are far too important to be dispensed with. Every prospectus issued must state on its face that a copy thereof has been duly registered and must specify or refer to the statements referred to in sections 151 and 152 of the Act[3]. Unless the contrary is proved, the date of registration is taken to be the date of issue in terms of section 154 (5).

II. CONTENTS OF THE PROSPECTUS

As far as the contents of the prospectus are concerned, it is provided in section 148 that every prospectus must contain a fair presentation of the company's affairs and the shares which are being offered, and must state at least the matters and reports referred to in Part I and Part II of Schedule 3 of the Act. [4]

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Where the intended offer relates to shares which are or are to be in all respects uniform with existing shares previously issued and a stock exchange within the Republic has not in respect of such first-mentioned shares granted or agreed to grant a listing, and such offer is

[1] Section 1(1) sv. 'prospectus'
[2] Section 158 of the Act
[3] Section 149 of the Act

made only to existing members or debenture holders of a company with the right to renounce in favour of other persons, the prospectus may state, instead of the matters referred to in the paragraph above, at least the matters specified in Part III of Schedule 3.

Every prospectus in respect of an offer for the sale of shares under section 146(1) (a) shall state:

a) the net amount of the consideration received or to be received by the company in respect of the shares to which the offer relates; and
b) the place and time at which a contract under which the said shares have been or are to be allotted to the issuer of the prospectus may be inspected.

A. Requirements of Part I of Schedule 3

Part I of Schedule 3 of the Act requires a statement of information relating to the following matters:

(a) name, address and incorporation;
(b) directors and management;
(c) auditor;
(d) attorney, banker, stockbroker and underwriter;
(e) secretary;
(f) history, state of affairs and prospectus of the company;
(g) purpose of the offer;
(h) share capital;
(i) loans;
(j) options or preferential rights in respect of shares;
(k) shares issued or to be issued otherwise than for cash;
(l) property acquired or to be acquired;
(m) amounts paid or payable to promoters;
(n) commissions paid or payable in respect of underwriting;
(o) preliminary expenses and issue expenses;
(p) material contracts;
(q) interests of directors and promoters;
(r) particulars of the offer;
(s) time and date of the opening and closing of the offer;
(t) issue price;
(u) minimum subscription;
(v) statement as to adequacy of capital;
(w) statement as to listing on stock exchange; and
(x) requirements for prospectus of mining company.

[4] Section 148(1)(a)

B. Requirements of Part II of Schedule 3

Part II of the Schedule requires the auditors' reports to be set out. These reports must deal with profits or losses in each of the last five financial years, rates of dividends paid in respect of these years, and assets and liabilities at the last date of the annual financial statements, and must supply similar details with regard to subsidiaries.

If the proceeds of the issue are to be applied in the purchase of any business undertaking, there must be a report by a named auditor on its profits or losses for the last five financial years and its assets and liabilities at the last date of its annual financial statements.

C. Requirements of Part III of Schedule 3

Part III of Schedule 3 provides that where the intended offer:

(a) relates to shares which are or are to be in all respects uniform with existing shares previously issued;
(b) a stock exchange has not in respect of the first mentioned shares agreed to grant a listing; and
(c) the offer is made only to existing members, with the right to renounce in favour of others, the prospectus, instead of stating the above matters, may state at least the matters specified in Part III of Schedule 3. [5]

These matters in the abridged prospectus include, inter alia:

(a) the purpose of the offer;
(b) any options or preferential rights in respect of any shares;
(c) interest of directors;
(d) underwriting commissions;
(e) particulars of the offer;
(f) statement of sources from which the offer is to be financed; and
(g) reports by the auditor.

[5] Section 148(1)(b)

D. Further requirements

In the case of an offer for the sale of shares which have been allotted with a view to their being offered to the public, the prospectus must state in addition to the matters specified in section 148(1) the net amount of the consideration received or to be received by the company, and the place and time at which the contract under which the shares are to be allotted to the issuer of the prospectus can be inspected[6].

III. APPLICATION FORMS

No form of application in respect of shares may be issued or distributed unless it is attached to a duly registered and dated prospectus[7]. If this provision is not complied with the contract of allotment will be voidable at the instance of the allottee unless at the time of his application he was in possession of a copy or was aware of its contents[8]. These provisions do not apply, as the public is not involved, if the application form was issued either[9]:

(a) in connection with a bona fide invitation to enter into an underwriting agreement; or
(b) in relation to shares not offered to the public.

IV. VARIATION OF CONTRACTS

No company may, within a year after the date of registration of the prospectus, vary or agree to vary the terms of any contract referred to in the prospectus unless the variation is specifically authorised or ratified by a general meeting after notice given not earlier than six months after the date of registration. [10]

[6] Section 148 (3)
[7] Section 147(1)
[8] Section 166
[9] Section 147(1)
[10] Section 159

V. OMMISIONS AND UNTRUE STATEMENTS IN THE PROSPECTUS

An 'untrue statement' in relation to a prospectus or portion thereof, includes:

a) statement which is misleading in the form and context in which it is included therein and a statement shall be deemed to be included in a prospectus if it is contained in any report or memorandum which appears on the face of the prospectus or which is by reference incorporated therein or is attached to or accompanies the prospectus on registration; and

b) an omission from a prospectus of any matter, whether such matter is required to be included therein by this Act or not, where such omission is calculated to mislead, and such prospectus shall be deemed in respect of such omission to be a prospectus in which an untrue statement is included.

In relation to civil and criminal liability, in respect of an *untrue statement* in a prospectus, 'promoter' means a person who was a party to the preparation of the prospectus or of the portion thereof containing the untrue statement. This however does not include any person by reason of his acting in a professional capacity for persons engaged in procuring the formation of the company or preparing the said prospectus.

Section 163 specifically provides that nothing in Chapter VI of the Act will limit or diminish any liability, which any other person may incur under the Act apart from Chapter VI, or under any other law, or under the common law.

ADDENDUM 4

THE PRE-LISTING STATEMENT AND ITS CONTENTS

I. INTRODUCTION

This Addendum sets out the requirements in terms of section 6 of the JSE Listing Requirements as pertaining to pre-listing statements. If the pre-listing statement is a prospectus as defined by the Companies Act issuers thereof need also comply with the provisions of section 148 of said Act (refer to Addendum 3).

The Appendix to section 6 of the JSE Listing Requirements sets out the information required and to be included in pre-listing statements. Section 7 of the JSE Listing Requirements sets out items of information to be included in pre-listing statements and circulars relating to rights offers, capitilisation issues and Category 1 or 2 transactions (refer to Addendum 5, paragraph II)

II. REQUIREMENTS FOR PRE-LISTING STATEMENTS

When a company applies for a listing of its securities it must publish a pre-listing statement containing the particulars referred to hereunder. Save that a company whose securities are already listed shall not be so obliged in the circumstances set out in paragraphs 6.18 to 6.20 (refer to paragraph VII hereunder “Issues not requiring pre-listing statements”).

III. RESPONSIBILITY

The pre-listing statement must include a director's responsibility statement, in the form set out in paragraph 7.B.17 of the JSE Listing Requirements. The Committee may require responsibility to be extended to additional persons who have made contributions to the pre-listing statement.

IV. FORMAT AND CONTENT OF THE PRE-LISTING STATEMENT

A. General provisions

Pre-listing statements must contain, inter alia:

Paragraph 6.6

a) the information described in section 7 according to the nature and circumstances of the applicant and the type of security as specified in the Appendix to section 6 of the JSE Listing Requirements (refer to paragraph B "Section 6 Appendix requirements" below); and
b) such additional information as the Committee may reasonably consider investors and their professional advisors to reasonably require for the purpose of making an informed assessment of the prospects and status of the applicant. If the Committee requires additional disclosure, it will inform the applicant of such additional information required.

Paragraph 6.8

There is no prescribed format for pre-listing statements except that:

a) the Committee may require that prominence be given in the pre-listing statement to important information in such manner as it considers appropriate;
b) in the case of pre-listing statements to be published by a new applicant the following information must appear on the first page:

Paragraph	Nature of Statement
7.A.4 or 5	Share capital
7.B.17	Responsibility
7.C.2 or 3	Particulars of issue
7.C.9	Registration by the Registrar of Companies

B. Section 6 Appendix requirements

1. New applicants and issuers issuing a prospectus

New applicants issuing a prospectus and existing listed companies issuing a prospectus are required to provide information in paragraphs 7.A to 7.H in the pre-listing statement.

Section 7 Reference	The Applicant and its capital
A.1 to A.3	Name, address and incorporation
A.4 to A.11	Share capital of the company
A.12 to A.20	Borrowings
A.21 to A.23	Loans receivable
A.24 to A.25	Options or preferential rights in respect of securities
A.26 to A.27	Controlling shareholder
A.28	Major shareholders
Section 7 B	***Directors, Management and Advisors***
B.1 to B.6	Directors and management
B.7	Secretary
B.8	Auditor, attorney, stockbroker, trustee, underwriter and expert
B.9	Amounts paid or payable to promoter
B.10 to B.11	Commissions paid or payable in respect of underwriting
B.12	Preliminary and issue expenses
B.13 to B.14	Interest of directors and promoter
B.15	Directors interests in securities
B.16	Director's interests in transactions
B.17	Responsibility statement
Section 7 C	***Securities for which application is being made***
C.1	Purpose of the issue/offer
C.2 to C.3	Particulars of the issue/offer
C.4 to C.5	Timing
C.6 to C.7	Issue price
C.8	Minimum subscription

Continued…/.

Continued…/.

Section 7 Reference	The Applicant and its capital
C.9	Registrar of companies
C.11 to C.13	Dividends
C.14	Market value of securities
C.15 to C.16	Rights offers and capitilisation issues
C.17	Simultaneous issues
C.18	Over subscriptions
Section 7 D	***Group's activities***
D.1 to D.8	General
D.9	Property acquired or to be acquired
D.10	Disposal of property
D.11	Litigation
Section 7 E	***Financial information***
E.1 to E.2	Accountants' reports
E.3 to E.8	General financial information
E.9 to E.11	Acquisitions made from proceeds
E.12 to E.15	Statement as to adequacy of capital
E.16	Material changes
E.17	Profit forecasts
E.18	Pro-forma statements
Section 7 F	***General Information***
F.1 to F.4	Significant contracts
F.5	Expert's consents
Section 7 G	***Documents and consents available for inspection***
G.1	Documents and consents to be available for inspection
Section 7 H	***Vendors***
H.1 to H8	Vendors

2. New applicants and issuers not issuing a prospectus

a) New applicants not issuing a prospectus are required to provide all the information in paragraphs 7.A to 7.H in the pre-listing statement except the following:

Section 7	Description
B.9 and 13	Directors, managers and advisors
C.9,15 and 16	Securities for which application is being made
D.8	Group's activities
E.12	Financial information

b) Existing listed companies not issuing a prospectus are required to provide all the information in paragraphs 7.A to 7.H in the pre-listing statement except the following:

Section 7	***Description***
A.2,3 and 7	Applicant and its capital
B.1(e),9 and 13	Directors, manager and advisors
C.9	Securities for which the application is being made
D.1	Group's activities
E.1,6,9 and 12	Financial information

c) For existing listed companies only the disclosures required by the following paragraphs are required for the twelve months preceding the issue of the pre-listing statement:

Section 7	***Description***
A.8 D.9 and 10	Applicant and its capital Group's activities (material acquisitions and disposals only)

V. FORMAL APPROVAL

The Committee, before publication, must formally approve pre-listing statements. Such approval will only be given if the Committee considers that the information contained in the pre-listing statement is complete**.**

VI. OMISSION OF INFORMATION

Paragraph 6.15

The Committee may authorise the omission of information, which is applicable, if it considers that:

a) the information is of minor importance only and will not as such influence assessment of the assets and liabilities, financial position, profits and losses and prospects of the applicant.
b) disclosure will be contrary to the public interest and omission is not likely to mislead investors with regard to facts and circumstances, knowledge of which is essential for the assessment of the securities in question; or
c) disclosure would be seriously detrimental to the applicant or would constitute an invasion of the applicant's rights to privacy, and omission is not likely to mislead investors with regards to facts and circumstances, knowledge of which is essential for the assessment of the securities in question.

Paragraph 6.17

The Committee may allow all or part of a significant contract to be withheld from public inspection (requirement per paragraph 7.F.1). The request must:

a) be in writing from the applicant, sponsoring broker or, where appropriate, other advisor;
b) state why in the opinion of the applicant one or more grounds in Paragraph 6.15 applies;
c) enclose a copy of the contract in question or, if the contract is not reduced to writing, a memorandum giving full particulars of its terms; and
d) include confirmation by the applicant that the contract is a significant contract not in the ordinary course of business.

VII. ISSUES NOT REQUIRING PRE-LISTING STATEMENTS

Paragraph 6.18

Pre-listing statements are not required for issues of securities by an applicant whose securities are already listed, which fall into the following categories:

a) securities resulting from the conversion of convertible securities;
b) securities resulting from the exercise of rights under options;
c) securities issued in place of securities already listed (provided that there is no increase in nominal vale of the share capital as a result thereof);
d) securities allotted to employees if securities of the same class are already listed;
e) where the issue relates to the extension of a business contemplated by and previously described in a pre-listing statement, the requirement to issue a pre-listing statement may be waived or the requirements reduced in the sole discretion of the Committee;
f) securities resulting from capitilisation issues; or
g) an issue of securities (including a rights issue) which together with any securities of the same class issued in the previous three months would increase the securities issued by less than 30 percent.

Paragraph 6.19

When a pre-listing statement is not required in terms of paragraph 6.18 (a) to (f), the following information must be announced:

a) where the issue would increase the securities of the relevant class by 30 percent or more, that required by paragraphs 7.B.6 to 17, 7.C.2,3,6 and 7; or
b) where the issue would increase the securities of the relevant class by less than 30 percent but more than 10 percent, the number and type of securities to be admitted and the circumstances of their issue.

Paragraph 6.20

When a pre-listing statement is not required in terms paragraph 6.18(g) supra, further information such as the Committee may reasonably consider investors and their professional advisors to reasonably require for the purposes of making an informed assessment of the prospects and status of the applicant, may be required to be announced and in certain instances a circular may also be required to be sent to shareholders.

VIII. ACQUISITION AND MERGER ISSUES

Paragraph 6.21

In relation to an acquisition or merger where the consideration being offered consists of securities for which listing will be sought, a pre-listing statement may be required. A pre-listing statement may be required either as a result of the original terms of the offer or as a result of a revision of the original terms of the offer or as a result of a revision of terms during the course of an offer. When a pre-listing statement has already been published and the offer is revised, a supplementary pre-listing statement may be required.

IX. Specific provisions of section 7

Below provisions of section 7 of the JSE Listing Requirements that have particular relevance to the disclosure required by the pre-listing statement pertaining to the shareholders and promoters of the applicant.

A. Controlling shareholder

Paragraph 7.A.26

The names of the controlling shareholder(s) so far as they are known to the directors of the applicant, or the appropriate negative statement.

Paragraph 7.A.27

Details in any change in the controlling shareholder(s) as a result of the issue.

B. Major shareholders

Paragraph 7.A.28

In so far as is known to the applicant, the name of any shareholder other than a director who, directly or indirectly, is beneficially interested in five percent or more of any class of the applicants capital, together with the amount of each such shareholder's interest or, if there are no such shareholders, an appropriate negative statement.

C. Interests of directors and promoter

Paragraph 7.B.13

Full particulars of the nature and extent of any material interest, direct or indirect, of every director or promoter in the promotion of the applicant and in any property as referred to in paragraph 7.D.9.

Paragraph 7.B.14

A statement of all sums paid or agreed to be paid within three years preceding the date of the pre-listing statement to any director or to any company in which he is beneficially interested, directly or indirectly, or of which he is a director, or to any partnership, syndicate or other association of which he is a member, in cash or securities or otherwise, by any person either to induce him to become or to qualify him as a director, or otherwise for services rendered by him or by the company, partnership syndicate or other association with the promotion or formation of the applicant.

This section would include the payment of any restraint of trade agreements inter the director(s) and the applicant in cash or securities.

D. Directors' interests in securities

Paragraph 7.B.15

A statement showing the aggregate of the direct and indirect interests of the directors in, and the direct and indirect interests of each director holding in excess of 1 percent of, the share capital of the applicant distinguishing between beneficial and non beneficial interests. The statement should include by way of a note any change in those interests occurring between the end of the financial year and the date of the pre-listing statement or, if there has been no such change, disclosure of the fact.

E. Purpose of the issue or offer

Paragraph 7.C.1

A statement of the purpose of the issue giving reasons why it is considered necessary for the applicant to raise the capital offered, or if it is a sale, the reasons therefor. If the capital offered is more than the amount of the minimum subscription referred to in paragraph 7.C.8, the reasons for the difference between the capital offered and the minimum subscription must be disclosed.

F. Issue price

Paragraph 7.C.6

The amount payable by way of premium, if any, on each security which is to be issued at a premium and other securities at par or at a lower premium, the reasons for the differentiation, and how any such premium is to be dealt with.

Paragraph 7.C.7

Where no par value shares are to be issued, the price at which they are to be issued and the reasons for any differentiation.

G. Over subscriptions

Paragraph 7.C.18

State the relative facts where it is the intention in the event of over subscription to extend a preference on allotment to any particular company or group such as employees and pension funds.

ADDENDUM 5

TRANSACTIONS

I. INTRODUCTION

This Addendum deals with "transactions" in terms of sections 9 and 10 of the JSE Listing Requirements.

Section 9 deals with transactions, acquisitions and disposals by a listed company. It describes how they are categorised and what the requirements are for announcements and circulars (and whether shareholder approval is required).

Section 10 provides certain safeguards against those shareholders, directors and other persons related to a listed company taking advantage of their position. Transactions with parties related to a listed company are known as related party transactions.

II. SECTION 9 TRANSACTIONS

A. CATEGORISATION AND EXPLANATION OF TERMS

Paragraph 9.3

Any listed company considering a transaction must, at an early stage, consider the categorisation of the transaction.

Paragraph 9.4

A transaction is categorised by addressing the size relative to that of the listed company proposing to make it and the listed holding company of such listed company (if applicable).

Paragraph 9.5

The comparison of size is made by the use of the percentage ratios set out in paragraph 9.6. The different categories of transactions are:

a) Category 4 transaction:

a transaction where either of the percentage ratios are less than 10 percent but more than 5 percent.

b) Category 3 transaction:

a transaction where any percentage ratio is 10 percent or more but each less than 20 percent.

c) Category 2 transaction:

a transaction where any percentage ratio is 20 percent or more but each less than 30 percent.

d) Category 1 transaction:

a transaction where any percentage ratio is 30 percent or more; and

e) Reverse take-over

any transaction, or series of transactions, involving an acquisition by a listed company of a business, an unlisted company or assets which would result in a fundamental change in the business or in a de jure change in the board or voting control of the listed company except in the circumstances outlined in paragraph 9.11 hereunder.

B. PERCENTAGE RATIOS

Paragraph 9.6

The percentage ratios are the figures, expressed as a percentage, resulting from each of the following calculations:

a) Consideration to market capitilisation

the consideration divided by the aggregate market value of all the equity securities of the listed company; or

b) Dilution

the number of securities issued by a listed company as consideration for an acquisition compared to those in issue prior to the transaction.

C. CATEGORY REQUIREMENTS

1. Category 4 requirements

Paragraph 9.18

In the case of a Category 4 transaction, the company must include details of the transaction in its next interim report, annual financial statements or other document circulated to shareholders. The company must ensure that said details are kept confidential are not disclosed to any third party prior to this. To avoid a breach of confidentiality, its is suggested that companies should publish an announcement through SENS (in accordance with Schedule 19 of the JSE Listing Requirements) of the details of the transaction as soon as possible after its terms have been agreed. The details of the transaction should include:

a) particulars of the transaction, including the names of:
   i. any company or business, the subject of the transaction; and
   ii. if any acquisition, the vendors;

b) a description of the business carried on by, or using, the net assets the subject of the transaction;
c) the consideration, and how it was satisfied (including the terms of any arrangements for deferred consideration);
d) the value of the net assets which are the subject of the transaction and the effect on the net assets (per share) of the company, if material. For the purposes of this paragraph the Committee will regard 3 percent as being material;
e) the profit attributable to the net assets the subject of the transaction and the effect on the net profit (per share) of the company, if material. For the purposes of this paragraph, the Committee will regard 3 percent as being material;
f) any benefits which are expected to accrue to the company as a result of the transaction;
g) in the case of an acquisition where not all the securities have been acquired state the reason why all the securities were not acquired and whether, and to what extent, anyone associated with the controller of the applicant, its subsidiaries or associates has an interest in the company being acquired;
h) in the case of a disposal, the application of the sale proceeds; and
i) in the case of a disposal, if share or other securities formed part of the consideration received a statement whether such securities are to be sold or retained.

Paragraph 9.19

In addition, if securities have been acquired in a company which, as a result becomes a subsidiary company (as defined in section 1 sv "subsidiary company" of the Companies Act) the listed company must confirm, in writing to the Listings Division that the articles of association of such subsidiary company, will be amended to conform to Schedule 10 of the JSE Listing Requirements.

2. Category 3 requirements

Paragraph 9.20

In the case of a Category 3 transaction, the company must without delay after the terms of the transaction are agreed, publish an announcement giving such details of the transaction as set out in paragraph 9.18 and 9.19 supra.

Paragraph 9.21

The announcement must include those details required in a Category 4 transaction as stated and include such details on all Category 4 transactions made since the last document or circular sent to shareholders.

Paragraph 9.22

The Committee must be advised and a supplementary announcement made without delay if, at any time after the announcement referred to in paragraph 9.20 has been made, the listed company becomes aware that:

a) there has been a significant change affecting any matter contained in that earlier announcement; or
b) a significant new matter has arisen which would have been required to be mentioned in that earlier announcement if it had arisen at the time of the preparation of that announcement.

3. Category 2 requirements

Paragraph 9.25

Upon the terms of a Category 2 transaction being agreed, the company must:

a) immediately comply with the requirements for a Category 3 transaction and state within the announcement that a circular to shareholders will be issued in compliance with (b) below; and
b) within 28 days, dispatch a circular to shareholders.

Paragraph 9.26

The Category 2 circular must comply with the general requirements relating to circulars as set out in Section 11 of the JSE Listing Requirements, and must include:

a) the information required under a Category 4 transaction;
b) details of any service contracts of proposed directors of the listed company;
c) where goodwill is involved, a statement regarding the company's accounting policy towards goodwill as well as the reasons for such goodwill payment;
d) a statement giving the directors; opinions on the transaction;
e) the information required by the Appendix to this section in relation to Category 2 circulars;
f) in the case of an acquisition of an interest in an undertaking which will result in consolidation of the net assets of that undertaking or a disposal of an interest in an undertaking which will result in the net asset no longer being consolidated an accountants' report as set out in Section 8 of the JSE Listing Requirements;
g) in the case of a transaction not falling within section (f) supra, a summary of any relevant financial information together with the confirmation that the directors consider that the value to the company justifies the price paid or received by it; and
h) as an appendix, details of all Category 4 transactions (as specified in paragraph 9.18) and copies of all Category 3 announcements made since the publication of the companies last annual financial statements or interim report, or pre-listing statement, Category 2 or 1 circulars, whichever is the most recent.

4. Category 1 requirements

Paragraph 9.27

In the case of a Category 1 transaction the company must comply with paragraphs 9.25 to 9.26 (the Category 2 requirements). In addition, the company must obtain the approval of its shareholders in a general meeting, and any agreement effecting the transaction must be conditional upon such approval being obtained and the circular should include a statement giving the director's' opinions on the transaction, a recommendation as to how shareholders should vote at the general meeting to approve the transaction and an indication as to how the directors intend to vote their shares, if applicable, at the general meeting.

In addition, if the Category 1 transaction results in an issue of securities which, together with any other securities of the same class issued during the previous three months would increase the securities issued by more than 30 percent, then the company must include in the Category 1 circular the information required to be disclosed for a pre-listing statement.

D. REVERSE TAKE-OVER REQUIREMENTS

Paragraph 9.28

The listed company, as enlarged by the acquisition, must be suitable for listing as if it was a new applicant and satisfies the conditions for listing as set out in Section 4 of the JSE Listing Requirements (Conditions for listing).

The announcement of a reverse take-over must contain adequate warning as to the uncertainty of whether the Committee will allow the listing to continue following the acquisition. The company must prepare a Category 1 circular and listing particulars as though the company were a new applicant. The circular must clearly advise shareholders whether or not the Committee will continue to grant a listing to the listed company if shareholders approve the acquisition.

E. TAKE-OVERS AND MERGERS

Paragraph 9.34

Where an announcement or a cautionary announcement concerning a possible take-over or merger transaction is submitted to the Listings Division for approval, a copy of the announcement must simultaneously be sent to the Securities Regulation Panel (established under the Companies Act) for approval thereof; and vice versa.

F. CONTENTS OF CIRCULARS

Paragraph 9.29

In addition to the requirements of paragraphs 9.26 and 9.28 supra, a Category 1 or 2 Circular must include the information required by the table set out in the Section 9 Appendix (refer to paragraph G below). Where the circular is accompanied by or forms part of a pre-listing statement which in turn contains the information required, such information need not be duplicated.

Paragraph 9.31

Where the listed company is issuing securities for which listing is sought, the information regarding major interests in securities and directors' interests in securities must be given in relation to the share capital both as existing and the share capital as enlarged by the securities for which listing is sought.

Paragraph 9.32

Where this section requires a circular and pre-listing statements are required by Section 6 of the JSE Listing Requirements, a single document may be issued which comprises pre-listing statements provided that:

a) it contains all the information required by this section and Section 6; and
b) the document is submitted to the Committee for formal approval prior to its publication.

Paragraph 9.33

If securities are being issued as consideration for an acquisition and a Category 2 circular is required, the listing will not be granted for those securities until the circular has been dispatched. In the case of a Category 1 transaction, listing will not be granted until shareholders' approval has been obtained.

G. APPENDIX TO SECTION 9

Table5.1 hereunder identifies the information required to be included in a Category 2 or Category 1 circular (in addition to requirements of paragraphs 9.26 or 9.27 supra) in respect of the listed company and the undertaking subject to the transaction by reference to certain paragraphs of Section 7.

Section 7	Category 2		Category 1	
Paragraph	**Listed Company**	**Undertaking the subject of the transaction**	**Listed Company**	**Undertaking the subject of the transaction**
A.1	Required	Required	Required	Required
A.15			Required	Required
A.28	Required		Required	
B.15	Required		Required	
B.16	Required		Required	
B.17	Required		Required	
D.5	Required		Required	Required
D.8			Required	
D.11		Required	Required	Required
E.2		Required		Required
E.13	Required	Required	Required	Required
E.16	Required		Required	Required
E.17			Required	Required
E.18	Required		Required	Required
F.1			Required	Required
F.3	Required		Required	
F.5	Required		Required	
G.1			Required	
H		Required		Required

Table 5.1: Information required for Category 1 and 2 transactions in respect of the listed company

III. SECTION 10 TRANSACTIONS

A. SCOPE OF SECTION 10

Where any transaction is proposed between a listed company (or any of its subsidiaries) and a related party, a circular to shareholders and the approval of the shareholders of the listed company in a general meeting will normally be required.

Any circular sent to shareholders in connection with a related party transaction must provide sufficient information to enable any recipient of the circular to evaluate the effects of the transaction on the listed company.

B. DEFINITIONS

For the purposes of this section, the following definitions apply:

a) a “related party transaction” means a transaction, or any variation or novation of an existing agreement, between a listed company (or any of its subsidiaries) and a related party;

b) “related party” means:

“a material shareholder” - any person who is, or within 12 months preceding the date of the transaction was, a director of the listed company or any subsidiary or its holding company or any subsidiary of its holding company. For the purposes of this definition, a director includes a person who is, or within the 12 months preceding the date of the transaction was, not a director but in accordance with whose directions or instructions the directors are or were accustomed to act;

any advisor to the listed company which has, or within the 12 months preceding the date of the transaction had a beneficial interest, whether direct or indirect, in the listed company or any of its associates;

any person who is, or within the 12 months preceding the date of the transaction was a principal executive officer of the company, by whatever position he may be, or may have been, designated and whether or not he is, or was director;
an associate of the persons in (i) to (iv) supra;

c) “material shareholder” means any person who is, or within the 12 months preceding the date of the transaction was, entitled to exercise or control the exercise of 10 percent or more of the votes able to be cast on all or substantially all matters at general meetings of the listed company (or any other company which is its subsidiary or holding company or which is a fellow subsidiary of its holding company).

C. REQUIREMENTS FOR A RELATED PARTY TRANSACTION

Paragraph 10.4

If the Committee so decides, the listed company must in respect of a related party transaction:

make an announcement containing:

i. the information specified in paragraph 9.18 supra;
ii. the name of the related party concerned; and
iii. details of the nature and extent of the interest of the related party transaction;

send a circular to its shareholders containing the information required in paragraph 10.9 hereunder;

obtain the approval, resolution, of its shareholders either prior to the transaction being entered into or, if it is expressed to be conditional on such approval, prior to completion of the transaction; and

include in the special or ordinary resolution to approve or give effect to the transaction a condition that the validity (for the purposes of the listing requirements) of the resolution will be subject to a simple majority of the votes of shareholders other than the related party and its associates being cast in favour of the resolution.

Paragraph 10.6

If the Committee decides not to impose the requirements set out above in respect of a related party transaction, the listed company must, inter alia, prior to completing the transaction undertake in writing to the Committee to include details of the transaction in the listed company's next published annual financial statements, circular or pre-listing statement. To avoid breach of confidentiality, it is suggested that companies should publish an announcement through SENS (in accordance with Schedule 19 of the JSE Listing Requirements) of the details of such transaction as soon as possible after its terms have been agreed. The details of the transaction should include inter alia the identity of the

related party, the value of the consideration for the transaction and all other relevant circumstances".

D. TRANSACTIONS NOT REGARDED AS "RELATED PARTY" TRANSACTIONS

Paragraph 10.7

A transaction will *not* be regarded as a related party transaction if any of the following situations inter alia apply:

1. Issue of new securities

Paragraph 10.7(c)

The transaction is an issue of new securities either:

a) for cash by the listed company (or any of its subsidiaries) pursuant to an opportunity which (so far as is practicable) is made available to all holders of the listed company's securities (or to all holders of a relevant class of its securities) on the same terms other than those excluded in terms of Section 142(2) of the Companies Act; or
b) made pursuant to the exercise of conversion or subscription rights attaching to a listed class of securities or previously approved by the listed company's shareholders in general meeting.

2. Employees' share scheme

Paragraph 10.7(d)

The transaction:

a) involves the receipt of securities by a director of the listed company, its holding company or any of its subsidiaries; or

b) it is a grant of an option to a director of a listed company, its holding company, or any of its subsidiaries to acquire (whether or not for a consideration) new or existing securities of the listed company. In accordance with the terms of the employees' share scheme which does not have the effect of conferring benefits only on directors of the listed company, its holding company or any of its subsidiaries.

3. Underwriting

Paragraph 10.7(g)

The transaction is an underwriting by the related party of all or part of an issue of securities by the listed company (or any of its subsidiaries) and the consideration to be paid by the listed company (or any of its subsidiaries) in respect of such underwriting is no more than the usual commercial underwriting consideration and is the same as that to be paid to the other underwriters (if any).

4. Small transactions

Paragraph 10.7(h)

The transaction is one where both of the percentage ratios referred to in paragraph 9.6 supra is equal to (or less than) 5 percent.

E. AGGREGATION

Paragraph 10.8

The Committee will require all transactions to be aggregated which are entered into by the listed company (or any of its subsidiaries) with the same related party (and any of its associates) in any twelve month period and which have neither been approved by shareholders nor described in a circular complying with the requirements of paragraph 10.9 (Contents of Circular).

If the transactions in aggregate would be classified as a Category 3 or larger transaction (per paragraph 9.5 supra), the Committee may require the company to comply with the requirements of paragraph 10.9 in respect of the latest transaction and to disclose in the circular all relevant details of each of the transactions being aggregated.

F. CONTENTS OF CIRCULAR

Paragraph 10.9

A circular relating to a related party transaction must comply with the general requirements relating to circulars as set out in Section 11 (Circulars and announcements – refer to Addendum 6) of the JSE Listing Requirements and must also include:

a) a responsibility statement in accordance with paragraph 7.B.17 (Directors responsibility statement);
b) in all cases the information required by the following paragraphs of Section 7 (Listing particulars – refer to Addendum 4) in relation to the listed company:

Section 7	Description
A.1	Name and address
A.28	Major shareholders
E.3 to 5	Financial information
E.16	Material changes
F.1	Significant contracts
F.5	Experts' consent
G.1	Documents available for inspection

c) in the case of a transaction where the related party is a director, or an associate of the director, of the company (or its holding company or any of its subsidiaries or fellow subsidiaries) the information specified by the following paragraphs is required:

Section 7	Description
B.15 B.16 F.3	Directors' interests in the securities Directors' interests in the transactions Directors' service contracts

d) full particulars of the transaction, including the name of the related party concerned, a description of the relationship between the listed company and the related party and the nature and extent of the interest of such party in the transaction;

e) in the case of an acquisition or disposal of fixed property, or in the case of a mineral company, an acquisition or disposal of minerals, an independent valuation including the value, the basis of valuation and the method of arriving at such value;

f) a statement complying with Schedule 5 of the JSE Listing Requirements (Fair and reasonable statements) by an independent professional expert acceptable to the committee as to whether the transaction is fair and reasonable insofar as the shareholders of the listed company are concerned, provided that such statement shall not be required if an independent valuation has been conducted and disclosed in accordance with paragraph (e);

g) where applicable, a statement that the related party and its associates will not be taken into account in determining a quorum at the shareholders' meeting and their votes will not be taken into account in determining the results of the voting at such meeting in relation to any resolution in connection with the related party transaction;

h) if the transaction also falls within Category 1 or 2, the information required to be included in Category 1 or 2 circulars respectively; and

i) details of any other transactions entered into by the listed company (or any of its subsidiaries) with the same related party (and any of its associates) which have not been approved by shareholders.

ADDENDUM 6

CIRCULARS AND ANNOUNCEMENTS

I. INTRODUCTION

Section 11 of the JSE Listing Requirements sets out:

a) the *general requirements* which apply to all circulars and announcements published by listed companies; and
b) the *specific requirements* relating to the method of issue of securities to be listed.

Where the circular or press announcement, or the transaction or matter to which it relates, has unusual features or where it is not possible to comply with the relevant requirements set out in Section 11 hereunder, the Listings Division must be consulted at an early stage. Section 9 and 10 of the JSE Listing Requirements (per Addendum 5) details the information to be included in announcements and circulars pertaining to transactions and related party transactions respectively.

II. GENERAL REQUIREMENTS OF ALL CIRCULARS AND ANNOUNCEMENTS

A. GENERAL PROVISIONS

Paragraph 11.1

Circulars and pre-listing statements must:

a) provide a clear and adequate explanation of its subject matter;
b) if voting or other actions is required:

i. contain all information necessary to allow the holders of the securities to make a properly informed decision; and

ii. contain a heading drawing attention to the importance of the document and advising holders of securities who are in any doubt as to what action to take to consult the appropriate independent advisors;

c) state that where all the securities have been sold or transferred by the addressee, the circular and any other relevant documents should be passed to the person through whom the sale or transfer was effected, for the transmission to the purchaser or transferee;

d) state in which other official languages the circular or pre-listing statement is also available and where copies of such circular or pre-listing statement and transactions thereof may be obtained;

e) include all the information published, or to be published simultaneously with the circular or pre-listing statement , in any announcement issued in connection with the transaction to which the circular or pre-listing statement relates; and

f) where new securities are being issued in substitution for existing securities, explain what will happen to existing documents of title.

B. FORMAL APPROVAL

Paragraph 11.2

Announcements which are not required to be made in terms of listings requirements; standard cautionary announcements (as defined in paragraph 11.36 hereunder); and announcements relating to dividends, interest, quarterly reports, interim reports, preliminary reports and annual financial statements, do not require Listings Division approval, prior to publication. All other announcements may not be published until the have received the approval of the Listings Division. Circulars may not be sent to shareholders until the Committee has approved them.

C. CAUTIONARY ANNOUNCEMENTS

Paragraph 11.36

Cautionary announcements must contain all available details regarding the information that id the subject of the cautionary announcement, and contain a warning to shareholders that they should consult their professional advisors before dealing in their securities until full details regarding such information has been announced. However, when a company is unable to provide details on the subject of the cautionary announcement, it should be substantially in the form of paragraph 20.1 of Schedule 20 ("a standard cautionary announcement").

Paragraph 11.37

After a company has published a cautionary announcement, it must publish a progress report (a further cautionary announcement) at least every 21 days thereafter, until full details on the subject of the cautionary announcement have been announced. Such announcement must contain all available details on the matter.

III. SPECIFIC REQUIREMENTS OF CIRCULARS AND ANNOUNCEMENTS

A. INTRODUCTIONS

Paragraph 11.3

Applicants seeking a listing by way of an introduction are required to publish an *announcement* complying with paragraph 11.4 and to circulate a *pre-listing statement* complying with paragraph 11.5 on the day of the commencement of listing.

1. Announcement

Paragraph 11.4

An announcement containing the full pre-listing statement (as set out in paragraph 11.5) or, alternatively, containing only the following information:

a) The number and description of the securities concerned;
b) The name, date of registration and registration numbers of the applicant;
c) The general nature of the main business or proposed main business actually carried on or to be carried on by the applicant and its subsidiaries;
d) The names and addresses of the directors of the applicant;
e) The places at and times during which copies of the pre-listing statement may be obtained, and if the press announcement is not a full pre-listing statement, a statement of such; and
f) The address at which and the language(s) in which the pre-listing statement is available.

2. Circular

Paragraph 11.5

A pre-listing statement which should:

a) in addition to the requirements of paragraph 6.8(b) state on the front page the following:

> "This pre-listing statement is not an invitation to the public to subscribe for securities, but is issued in compliance with the Listings Requirements of The Johannesburg Stock Exchange, for the purpose of giving information to the public with regard to the company."

b) if a pre-listing statement is required as a result of a rights issue, then the additional wording on the front page should state the following:

> "This rights issue circular incorporates listing particulars and is issued in compliance with the listings requirements of The Johannesburg Stock Exchange, for the purpose of giving information to the public with regards to the company."

c) contain the information described in the Appendix to Section 6 of the JSE Listing Requirements.

B. PLACINGS

Paragraph 11.6

Companies seeking a listing by way of a placing should publish, on the day of the commencement of listing, the documents referred to in paragraph 11.3 supra.

C. OFFERS FOR SALE OR SUBSCRIPTION

Paragraph 11.7

Applicants seeking a listing by way of an offer for sale or subscription are required to publish an announcement complying with paragraph 11.8 and to circulate a prospectus complying with paragraph 11.9 hereunder.

1. Announcement

Paragraph 11.8

An announcement which should either contain the contents of the prospectus (as set out in paragraph 11.9) or should contain only the following information:

a) the number and description of the securities concerned;
b) the name and date of registration of the applicant;
c) the general nature of the main business or proposed main business actually carried on or to be carried on by the applicant and its subsidiaries;
d) the names and addresses of the directors of the applicant;
e) the places and times during which copies of the prospectus may be obtained;

f) where all the securities which are the subject of an offer are intended to be offered only to the members of a company or debenture holders, as the case may be, with or without the right to renounce in favour of other persons:
   i. the issue price of such securities;
   ii. the ratio in which such securities will be offered to the members or debenture holders entitled to accept the offer; and
   iii. the last day on which members or debenture holders must register as such in order to be entitled to receive the offer; and
g) the last day for subscribing.

B. CIRCULAR

Paragraph 11.9

A circular for an offer for sale or subscription should take the form of a prospectus and comply with the Appendix to Section 6 of the JSE Listing Requirements.

C. RENOUNCEABLE OFFERS

Paragraph 11.10

The applicant in a renounceable offer is required to publish two announcements as follows:

a) the *first announcement* must contain at least the information per paragraph 11.8 supra;
b) the *second announcement* must give the following information:
   i. the date from which the pre-listing statement will be available and from whom it can be obtained;
   ii. the date the applicant's issued securities and the letters of allotment will be issued;
c) the pre-listing statement must contain the information set out in the Appendix to Section 6 of the JSE Listing Requirements.

Paragraph 11.11

The listed company renouncing the securities to its shareholders must publish four announcements, according to the timetable set out in paragraph 5.41, containing the information referred to in paragraph 11.15 hereunder (rights offers and claw-back offers).

D. RIGHTS OFFERS AND CLAW-BACK OFFERS

Paragraph 11.13

Listed companies seeking a listing for securities issued by way of a rights offer or claw back offer are required to publish four announcements complying with paragraphs 11.14 and 11.15 and to circulate a pre-listing statement or circular (as the case may be) complying with paragraphs 11.16 to 11.18.

1. Announcements

Paragraph 11.14

Four announcements in accordance with the timetable set out in paragraph 5.57 need be made.

Paragraph 11.15

The announcements should contain the following:

a) The firs announcement must give the last date to register for shareholders to participate in the offer;
b) The second announcement must give the terms of the offer and a statement that the application has been made to the Committee for a listing of the renounceable letters and subsequent securities;
c) The third announcement must:
    i. Advise that the Committee has granted a listing for the renounceable letters of allocation and subsequent securities;
    ii. State the salient dates relating to the offer;

iii. State that copies of the circular or pre-listing statement will be available for inspection at the company's sponsoring brokers, transfer office, registered office and such other locations as may be appropriate, by the Friday prior to the Monday on which the listing of the letters of allocation commences; and

iv. State in which language(s) the circular or pre-listing statement will be available; and

d) The fourth announcement must give the number of securities taken up by the shareholders of the applicant and the number of securities taken up by the underwriter.

2. Circular

Paragraph 11.16

If a pre-listing statement is to be circulated in terms of section 6 of the JSE Listing Requirements, it should contain the information set out in the Appendix of said section.

Paragraph 11.17

If a pre-listing statement is not required in terms of section 6, a circular should be sent to shareholders containing the information required by the following section 7 paragraphs:

Section 7	***Description***
A.1,4 or 5	The applicant and its capital
B.1,6,15,16 and 17	Directors, managers and advisors
C.14 and 16	Securities for which the application is being made
D.2,5 and 11	Group's activities
E.3,4,5 and 16	Financial information
F.5	General information
G.1	Documents to be available for inspection

Paragraph 11.18

In addition, the circular should contain details of all Category 3 or 4 transactions (as described in paragraphs 9.18 to 9.21) not previously notified to shareholders by way of a circular.

E. CAPITILISATION ISSUES AND SCRIP DIVIDENDS

Paragraph 11.19

Companies seeking a listing for securities issued by way of a capitilisation of reserves and (or) an application of share premium or capital redemption reserve are required to publish announcements complying with paragraphs 11.20 or 11.21 (as the case may be) and to send a circular to shareholders complying with paragraph 11.22.

1. Announcements

Paragraph 11.20

For a scrip dividend or cash underpin by a third party for a capitalisation issue, three announcements are required:

a) the first announcement must give the last date on which shareholders must be registered in order to participate in the scrip dividend (or capitilisation issue where applicable) and the exact cash value of the dividend or the exact ratio of the capitilisation issue;
b) the second announcement must give the ration of new securities offered to existing shareholders or the exact cash value of the underpin; and
c) the third announcement must give details of the results of the scrip dividend and the fact that the dividend has now been declared or the level of acceptance of the cash underpin.

Paragraph 11.21

For other capitilisation issues, an announcement is required giving details of:

a) the purpose of the capitilisation issue;
b) the last date on which shareholders must be registers in order to participate in the capitilisation issue;
c) the date on which the scrip arising out of the capitilisation issue will be issued;
d) the number of shares that will be issued in relation to the number of shares already issued; and

e) the date on which the new number of shares generated by the capitilisation issue will be listed.

2. Circular

Paragraph 11.22

A circular should be sent to shareholders containing the information set out in paragraph 7.C.15 and complying with the requirements of paragraphs 5.70 to 5.81 in the case of scrip dividends, and with paragraphs 5.61 to 5.69 in the case of capitilisation issues.

F. ACQUISITIONS AND DISPOSAL OF ASSETS

Paragraph 11.23

The requirements for the contents of announcements and circulars relating to Category 1, 2, 3 and 4 transactions must be complied with.

G. ISSUES FOR CASH

Paragraph 11.24

Companies seeking a listing for securities in terms of a specific issue of shares fore cash should send shareholders a circular containing the following:

a) the notice of general meeting;
b) full disclosure of the detailed effects of the proposed issue including the effect on the net asset value per share;
c) the disclosure referred to in paragraph 5.83(b) to (e);

d) if paragraph 5.83(f) is applicable, a statement by the directors of the company as well as an independent professional expert (complying with schedule 5 of the JSE Listing Requirements) acceptable to the Committee certifying that in their opinion after due and careful enquiry, such issue is fair and reasonable in the interests of the shareholders;

e) a statement that to the knowledge of the directors and controlling shareholders (if any) the company is not subject to an announced or expected take-over bid; and

f) the paragraphs of section 7 described in paragraph 11.17 supra (other than paragraph 7.C.16) except where a pre-listing statement is required in terms of section 6, in which case the pre-listing statement should contain the information set out in the Appendix to that section.

ADDENDUM 7

SPONSORING BROKERS

I. INTRODUCTION

This Addendum sets out the requirements relating to sponsoring brokers. A sponsoring broker is required to be appointed in certain circumstances by issuers. Such sponsoring broker must undertake to the Committee to accept certain responsibilities. If the sponsoring broker fails to carry out these responsibilities, the Committee may take one or more of the steps referred to hereunder.

The Committee encourages the appointment of a sponsoring broker fully experienced in market practice to give advice on a continuing basis regarding the application of the listings requirements in particular, the continuing obligations of a listed company as set out in Section 3 of the JSE Listing Requirements. The main headings of this Addendum are as follows:

Part II THE SPONSORING BROKER

A. Qualifications
B. Appointment
C. Responsibilities of a sponsoring broker
D. Direct access
E. Action against a sponsoring broker

Part III CONTINUING OBLIGATIONS

A. Compliance with the listings requirements
B. General obligation of disclosure
C. Disclosure of periodic financial information
D. Notification relating to capital
E. rights as between holders of securities
F. Shareholder spread
G. Communication with shareholders
H. Miscellaneous obligations

II. THE SPONSORING BROKER

A. QUALIFICATIONS

Paragraph 2.1

A sponsoring broker must undertake to the JSE in the form set out in schedule 16 of the JSE Listing Requirements ("Sponsoring brokers undertaking") to accept the responsibilities of a sponsoring broker and discharge those responsibilities at all times to the satisfaction of the Committee.

B. APPOINTMENT

Paragraph 2.2

An issuer must appoint a sponsoring broker when:

(a) the issuer makes any application for listing which requires the production of listing particulars;
(b) it wishes to submit documentation to the Listing Division pertaining to any of the matters detailed in paragraph 16.2 "Documents to be submitted through a sponsoring broker" [1];
(c) after a breach of the listings requirements, the Committee notifies the issuer that the appointment of a sponsoring broker is required to give advice on the application of the listings requirements;
(d) a sponsoring broker is required by the listings requirements to report to the Committee in relation to any transaction or matter; and
(e) so requested by the Committee.

Paragraph 2.3

The Committee may, where it deems that the proposed transaction so requires, require an issuer to appoint a joint sponsoring broker.

[1] Refer to Addendum 1 "Documents to be submitted to the Committee"

C. RESPONSIBILITIES OF A SPONSORING BROKER

1. Nature of responsibilities

Paragraph 2.4

The responsibilities of the sponsoring broker to the JSE referred to in the undertaking contained in schedule 16 are as set out in paragraphs 2.5 to 2.12 hereunder. Failure to carry out these responsibilities may result in the committee taking one or more of the steps referred to in paragraph 2.14. A sponsoring broker who places reliance on the advice of the advisers to the issuer should be satisfied as to the credentials and abilities of such advisers.

Paragraph 2.6

The sponsoring broker must:

(a) in the case of a new applicant, satisfy itself, to the best of its knowledge and belief, having made due and careful inquiry of the issuer and its advisers, that the issuer has satisfied all relevant conditions for listing and other relevant requirements of the listings requirements; and
(b) ensure that the issuer is guided and advised as to the application of the listing requirements.

2. Applications for listing

Paragraph 2.7

In the case of any application for listing which requires the production of listing particulars, the sponsoring broker must complete a declaration in the form issued by the Committee [2] confirming that it has satisfied itself tot he best of its knowledge and belief, having made due and careful enquiry of the issuer and its advisers, that:

(a) all the documents required by the listings requirements to be included in the application for listing have been supplied to the Committee;
(b) all other relevant requirements of the listings requirements have been complied with; and
(c) there are no matters, other than those disclosed in the listing particulars or otherwise in writing to the Committee, which should be taken into account by the Committee in considering the suitability for listing of the securities for which application is being made.

[2] Per Schedule 17 of the JSE Listing Requirements

3. Directors

Paragraph 2.8

The sponsoring broker must be satisfied, before any application for listing is made which requires the production of listing particulars, that the directors of the issuer:

(a) have had explained to them by the sponsoring broker or other appropriate professional adviser the nature of their responsibilities and obligations as directors of a listed company under the listings requirements; and

(b) in particular, understand what is required of them to enable holders of the issuer's listed securities and the public to appraise the position of the issuer and to avoid the creation of a false market in its securities once they are listed.

4. Financial reporting procedures

Paragraph 2.9

In the case of a new applicant, the sponsoring broker must, before the application for listing is made, report to the Committee in writing that it has obtained written confirmation from the issuer and/or its advisers that the directors have established procedures which provide a reasonable basis for them to make proper judgements as to the financial position and prospects of the issuer and its group.

5. Profit forecast

Paragraph 2.10

Where a profit forecast or estimate appears in listing particulars, a Category 1 circular [3] or any circular containing proposals to be put to shareholders in general meeting concerning a refinancing or re-construction of the issuer or its group, the sponsoring broker must report in writing to the Committee that it has made due and careful enquiry of the issuer and/or its advisers that the forecast or estimate has been properly made.

[3] Refer to Addendum 5 "Transactions"

6. Other responsibilities

Paragraph 2.11

The sponsoring broker is responsible for the following in relation to any application for listing, which requires the production of listing particulars:

(a) communications with the Committee;
(b) lodging with the Committee all documents supporting the application; and
(c) seeking the Committee's approval of listing particulars.

7. Direct access

Paragraph 2.13

A sponsoring broker must be present at all formal discussions with the Listings Division or the Committee regarding an issuer.

D. ACTION AGAINST A SPONSORING BROKER

Paragraph 2.14

If the Committee considers a sponsoring broker to be in breach of is responsibilities it may:

(a) censure the sponsoring broker;
(b) take such other disciplinary action that may be appropriate under the Rules of the JSE; and
(c) publish, or cause to be published, by whatever means the Committee may decide, what action it has taken and the reasons for that action.

Paragraph 2.15

The Listings Division will normally deal, in the first instance, with any breach by a sponsoring broker of its responsibilities. Where the Listings Division believes, following its investigations, that there has been a breach by a sponsoring broker of its responsibilities, the Listings Division will refer the matter to the Committee.

Paragraph 2.16

Where the Committee proposes to take any of the steps described in paragraph 2.14 supra, the sponsoring broker will be:

(a) given advance notice of the Committee's proposed action;
(b) entitled to appeal to the Committee either in writing or in person, or both;
(c) advised of the Committee's decision as soon as practicable after it is made; and
(d) advised in writing of the reasons for any decision that is unfavorable to the sponsoring broker.

Paragraph 2.17

In case of an appeal to the Committee:

(a) representatives of the sponsoring broker and its advisers may attend and any of them may address the Committee, subject to (b) below; and
(b) the Committee may limit the number of persons involved in hearings and will not normally allow presentation of a case by a legal representative.

Paragraph 2.18

The Committee is the final decision-making body of the JSE for the purposes of paragraphs 2.14 to 2.17 supra.

III. CONTINUING OBLIGATIONS

This part sets out certain of the continuing obligations, which a listed company is required to observe once any of its securities have been admitted to listing. Additional continuing obligations are set out inter alia in the following sections of the JSE Listing Requirements:

Section 8	Financial information
Section 9	Transactions [4]
Section 10	Transactions with related parties [5]
Section 11	Circulars and announcements [6]
Section 16	Documents to be submitted to the Committee [7]

[4] Refer to Addendum 5.
[5] Ibid.
[6] Refer to Addendum 6.
[7] Refer to Addendum 1.

Additional and alternative requirements relating to continuing obligations is set out in Sections 12, 13, 14 and 15 of the JSE Listing Requirements respectively dealing with mineral companies, property companies, pyramid companies and investment entities. Observance of the continuing obligations is essential to the maintenance of an orderly market in securities and to ensure that all users of the market have simultaneous access to the same information.

A. COMPLIANCE WITH THE LISTINGS REQUIREMENTS

Paragraph 3.2

Every company whose securities are listed shall comply with the listing requirements. Where there is an overlap between any requirements or dispensations that may be required by or granted in terms of any law, or by any statutory body or organ such as the SRP or the Registrar of Companies, a listed company must, notwithstanding such other requirements or dispensations, nonetheless comply with these listings requirements.

B. GENERAL OBLIGATION OF DISCLOSURE

Paragraph 3.3

Save where otherwise expressly provided, the requirements of this paragraph are in addition to any specific requirements regarding notification contained in the listings requirements. An issuer must, without delay, subject to approval by the listings Division, publish an announcement giving details of:

(a) circumstances or events that have or are likely to have a material effect on the financial results, the financial position or cash flow of the issuer and/or information necessary to enable holders of the issuer's listed securities and the public to avoid the creation of a false market in its listed securities; and
(b) any new developments in its sphere of activity which are not public knowledge and which may by virtue of the effect of those developments on its assets and liabilities or financial position or on the general course of its business, lead to material movements in the ruling price of its listed securities.

1. Confidentiality

Paragraph 3.4

Information that is required to be announced in terms of paragraph 3.3 supra or any other listings requirement, and information which is not required to be announced in terms of the listings requirements but which is price sensitive and which the company wishes to release, may not, subject to paragraphs 3.5 to 3.8 hereunder, be released (even subject to a time embargo) to any third party (which for the purposes of clarity, includes, inter alia, an analyst, the media (including the internet) or a printer):

(a) during JSE trading hours, until such time as information has been published through SENS; or
(b) outside JSE trading hours, until such time as information has been authenticated and, if necessary, approved, and arrangements have been made for such information to be published through SENS prior to the next opening of JSE trading hours.

Paragraph 3.5

An issuer may give information in strict confidence to its advisers and to persons with whom it is negotiating with a view to effecting a transaction or raising finance; these persons may include prospective underwriters of an issue of securities, providers of funds or loans or the places of the balance of a rights issue not taken up by shareholders. In such cases, the issuer must advise, preferably in writing, the recipients of such information that it is confidential.

Information required by and provided in confidence to and for the purposes of, a government department, the South African Reserve Bank, the SRP, the Financial Services Board or any other statutory or regulatory body or authority need not be published. Where the information relates to a proposal by the issuer which is subject to negotiations with employees or trade union representatives the issuer may defer publication of the information until such time as an agreement has been reached as to the implementation of the proposal.

Paragraph 3.8

When a company intends to release price sensitive information at any meeting of holders of listed securities, arrangements must be made for the notification of such information to SENS so that the release of such information at the meeting is made at the same time as such information is published through SENS. In addition, if the nature of the information would require an announcement to be made by the company in terms of the listings requirements, the company would as soon as possible thereafter publish the same announcement in the press in accordance with paragraphs 3.47 and 3.48. If any price

sensitive information is disclosed during the course of a meeting of holders of listed securities, immediate steps should be taken for an appropriate announcement to be made through SENS and, if necessary, in the press.

2. Cautionary announcements

Paragraph 3.9

An issuer must publish a cautionary announcement as soon as possible after it is in possession of any material price sensitive information, if at any time the necessary degree of confidentiality of such information cannot be maintained or if the company suspects that confidentiality has or may have been breached. An issuer who has published a cautionary announcement must provide updates thereon in the required manner and within the time limits prescribed.

3. Exception

Paragraph 3.10

If the directors of the listed company consider that disclosure to the public of information required to be published by paragraph 3.3 supra might prejudice the listed company's legitimate interests, the Listings Division, after consulting with the President (of the JSE), may grant a dispensation from the requirement to make the information public.

C. DISCLOSURE OF PERIODIC FINANCIAL INFORMATION

1. Dividends and interest

Paragraph 3.11

The declaration of dividends and/or interest payments in respect of listed securities should immediately be announced through SENS, and a copy of such announcement should be sent to shareholders. This announcement through SENS must be made at least 14 days prior to the last day to register and must contain the following minimum information:

(a) the last day to register;
(b) the date on which the dividend/interest will be paid; and
(c) the cash amount that will be paid for the dividend/interest.

Paragraph 3.12

If a listed company decides not to declare dividends or interest, this must be announced through SENS immediately after such decision is taken if such decision is likely to be price sensitive.

Paragraph 3.13

A listed company declaring a final dividend prior to the publication of the annual financial statements or preliminary report must ensure that the dividend notice given to shareholders contains a statement of the ascertained or estimated consolidated profits (before taxation) of the listed company and its subsidiaries for the year, and also particulars of any amounts appropriated from reserves, capital profits, accumulated profits of past years, or other special sources, to provide wholly or partly for the dividend (South African mining companies publishing quarterly statements of profits are exempted from this paragraph).

Paragraph 3.14

At least fourteen days notice must be given to shareholders and the Committee prior to the last day to register for the dividend or interest.

2. Interim, quarterly and preliminary reports

a) Interim and quarterly reports

Paragraph 3.19

Interim reports shall be published in the press and be distributed to all shareholders as early as possible after the expiration of the first six-month period of a financial year, but not later than three months after that date. Where the financial period covers 15 months or longer, interim reports shall be published in respect of the first and second six months of this period. In the case of mineral companies which report to shareholders on a quarterly basis, the quarterly reports shall be published and distributed to all shareholders as soon as possible after the expiration of each quarter, provided that where the quarterly report is in respect of the second quarter, such report shall be published and distributed within three months after the expiration of such period.

b) Preliminary reports

Paragraph 3.20

If a listed company has not distributed annual financial statements to all shareholders within three months of its financial year end, it must publish and distribute to all shareholders a preliminary report even if the information is unaudited at that time.

c) Procedure for non-compliance

Paragraph 3.21

Where a listed company fails to comply with paragraphs 3.19 and/or 3.20 supra:

i. on the day following the due date of issue of the listed company's interim/quarterly/preliminary report, a letter of reminder will be sent by registered post or facsimile to the listed company requesting that it rectify the situation and advising that it has been granted a period of one month, from the date of such reminder, in which to issue its interim/quarterly/preliminary report, failing which the company's listing will be suspended and a special meeting of the Committee will be convened to consider the continued suspension or termination of the company's listing;
ii. failing compliance within fourteen days of dispatch of the reminder to the listed company, the Committee will publish an announcement in forming shareholders that the listed company has not issued its interim/quarterly/preliminary report and cautioning shareholders that the listing of the listed company's securities are under threat of suspension and possible termination;
iii. on the date of publication of the announcement, the company's listing will be annotated on the JET system with a "RE" to indicate that it has failed to submit its interim/quarterly/preliminary report timeously;
iv. the listed company will be invoiced the cost of publication of the press announcement which invoice will be payable on presentation; and
v. where the listing is suspended, the lifting of the suspension will only be effected upon receipt by the Committee of the listed company's interim/quarterly/preliminary report.

d) Requirement for review by auditors

Paragraph 3.22

The following provisions apply in respect of unaudited interim reports, unaudited quarterly reports (applicable to mineral companies) and unaudited preliminary reports:

i. subject to (b), unaudited interim reports are not required to be reviewed by a listed company's auditors;
ii. unaudited interim reports shall be reviewed by a listed company's auditors if the company's auditors have disclaimed their opinion, or produced an adverse opinion, on the company's latest annual financial statements, unless the Committee otherwise decides;
iii. unaudited preliminary reports shall be reviewed by a listed company's auditors;
iv. in the case of a listed mineral company, its unaudited quarterly reports are not required to be reviewed by its auditors, unless otherwise requested by the Committee;
v. when conducting a review of an unaudited interim or preliminary report, the auditor shall follow the guidelines issued by the South African Institute of Chartered Accountants;
vi. if an interim or preliminary report has been reviewed by an auditor, this and the name of the auditor shall be stated in the published interim or preliminary report. Although the report of the auditor need not be included in the published interim or preliminary report, if such report is qualified or if there is disagreement as to matters disclosed in the interim or preliminary report, details of the nature of such qualification or disagreement shall also be stated therein. If the report of the auditor is not included in the published interim or preliminary report, it shall state that the report of the auditor is available for inspection at the company's registered office; and
vii. if during the course of a review of a preliminary report, the auditor becomes aware of any unresolved matter which could result in the qualification of the auditor's report on the annual financial statements for the period under review, that fact shall be stated.

e) Annual financial statements

Paragraph 3.23

Every listed company shall, within six months after the end of each financial year and at least twenty-one clear days before the date of the annual general meeting, distribute to all shareholders; submit to the Listings Division and make available to the South African Press Association:

i. a notice of annual general meeting; and
ii. the annual financial statements for the relevant financial year which financial statements will have been reported upon by the company's auditors.

f) Procedure for non-compliance

Paragraph 3.24

The following procedure shall prevail for a listed company, which fails to comply with, paragraph 3.23 supra:

i. five months after the listed company's financial year end, the Committee may issue to the listed company a letter of reminder by registered post, or facsimile, advising that it still has one month within which to submit its annual financial statements, failing which its listing may be suspended until such time as the annual financial statements have been submitted;
ii. six months after the listed company's financial year end the company's listing will be annotated on the JET system with a "RE" to indicate that it has failed to submit its annual financial statements timeously;
iii. the Committee will publish an announcement informing shareholders that the listed company has not submitted its annual financial statements and cautioning shareholders that the listing of the listed company's shares is under threat of suspension and possible termination:
iv. if the listed company has not complied with paragraph 3.23 by the end of the seventh month after its financial year end, the company's listing will be suspended by the President and a special meeting of the Committee will be convened to consider the continued suspension or termination of the company's listing;
v. the listed company will be invoiced the cost of publication of the press announcement; and
vi. the listed company's suspension will be lifted upon receipt by the Committee of the listed company's annual financial statements.

Paragraph 3.25

Discretionary authority shall vest with the Committee to waive the requirement for automatic suspension of a company's listing where it has not submitted its annual financial statements timeously.

3. Qualified or disclaimed auditor's opinions

Paragraph 3.26

The following procedure shall prevail for a listed company whose financial statements have been the subject of an audit qualification or disclaimer:

(a) When the opinion of the company's auditors on the annual financial statements of a listed company is qualified-

(i) the company's listing on the JET system will be annotated with a "Q" to indicate that the auditor's opinion is qualified. This annotation will be removed once the company produces an unqualified auditor's opinion; and

(ii) an announcement will be published by the JSE informing shareholders that the auditor's opinion has been qualified;

(b) When the company's auditors disclaim an opinion on the annual financial statements of a listed company-

(i) the company's listing on the JET system will be annotated with a "D" to indicate that the company's listing is under threat of suspension and an announcement will be published by the JSE (the press announcement must be paid for by the company); and

(ii) a special meeting of the Committee will be convened within twenty one days of receipt of such financial statements to consider the continued listing, or suspension and possible subsequent termination of the company's listing.

D. NOTIFICATION RELATING TO CAPITAL

Paragraph 3.27

A listed company must, without delay (unless otherwise indicated), publish an announcement containing details of the following information relating to its capital:

1. Alteration to capital structure

(a) any proposed change in its capital structure other than allotments of new shares and save that an announcement of a new issue may be delayed while marketing or underwriting is in progress (see also paragraph 3.5 supra).

2. Changes of rights attaching to securities

(b) any proposed change in the rights attaching to any class of listed securities or to any securities into which any listed securities are convertible;

3. Basis of allotment

(c) the basis of allotment of listed securities offered generally to the public for cash and of claw-back offers to shareholders; in the case of public offers an additional press announcement must appear before dealings commence;

4. Temporary documents of title

(d) any extension of time granted for the currency of temporary documents of title;

5. Issue affecting conversion rights

(e) the effect, if any, of any issue of further securities on the terms of the exercise of rights under options and convertible securities; and

6. Results of new issues

(f) the results of any new issue of listed securities or of a public offering of existing securities. Where the issue or offer of securities is underwritten, the issuer may, at its discretion, delay such publication until the obligation by the underwriter to take or procure others to take securities is finally determined or lapses. Where the issue or offer of securities is not underwritten, publication of the result must be made as soon as it is known.

E. RIGHTS AS BETWEEN HOLDERS OF SECURITIES

1. Equality of treatment

Paragraph 3.28

A listed company must ensure that all holders of any class of its securities receive fair and equal treatment.

2. Voting rights

Paragraph 3.29

A listed company shall not issue any securities with a voting right differing from other securities of the same class.

3. Pre-emptive rights

Paragraph 3.30

Subject to the waiver of pre-emptive rights (paragraph 3.32 and 3.33 hereunder), a listed company proposing to issue equity securities for cash must first offer those securities by rights offer to existing equity shareholders in proportion to their existing holdings. Only to the extent that the securities are not taken up by such persons (under the offer) may they then be issued for cash to others or otherwise than in the proportion mentioned above.

Paragraph 3.31

To the extent permitted by the Registrar of Companies and subject to the prior approval of the Committee, a listed company need not comply with paragraph 3.30 with respect to securities which the directors of the listed company consider necessary or expedient to exclude from the offer on account of either legal problems under the laws, or the requirements of a regulatory body, of any territory.

4. Waiver of pre-emptive rights

Paragraph 3.32

To the extent that shareholders of a listed company give their authorisation by ordinary resolution, issues by a listed company of equity securities for cash made otherwise than to existing shareholders in proportion to their existing holdings will be permitted in respect of a specific issue of shares for cash, for that share issue, and in respect of a general issue of shares for cash, for a fixed period of time thereafter in accordance with that authority.

Paragraph 3.33

However, in exceptional circumstances (such as rescue operations), the Committee, in its sole discretion, may grant a company dispensation from the normal requirements relating to issues of shares

for cash. In these circumstances, the Committee, in its sole discretion, may require the publication of such information relating to the dispensation, as it deems appropriate.

5. Issues by major subsidiary

Paragraph 3.34

A listed company must obtain the specific approval of its shareholders [8] before any major unlisted subsidiary of the listed company undertakes an issue of shares for cash which would materially dilute the listed company's percentage interest in the equity securities of that subsidiary. For the purposes of this paragraph and paragraphs 3.35 and 3.36, a subsidiary which represents 30 percentage or more of the aggregate of the share capital and reserves (excluding any minority interests, unrealised reserves not supported by a valuation, prepared in the last 6 months by an independent professional expert acceptable to the Committee and intangible assets) or profits after deducting all charges except taxation and excluding extraordinary items) of the listed company's group will be regarded a major subsidiary.

Paragraph 3.35

The obligation to obtain the consent of shareholders set out in paragraph 3.34 does not apply if the major subsidiary is itself listed, in which event the major subsidiary must obtain the consent (determined in the manner referred to in paragraph 3.34) of its own shareholders.

Paragraph 3.36

When a listed or unlisted major subsidiary of a listed holding company has a rights offer and the listed holding company does not intend to follow its rights which would materially dilute its percentage interest in the equity securities of that subsidiary, the listed holding company must first obtain the specific approval [9].

6. Options for cash

Paragraph 3.37

Where options over securities (excluding executive and staff share schemes) are granted for cash, it is required that such options shall be issued to all shareholders on the share register as at the business day immediately prior to the date of the grant of the listing in proportion to their shareholding in the listed company. Where this procedure is not to be adopted, the Committee's consent should be obtained.

[8] Determined in accordance with paragraphs 5.83 (g) or 5.84 (e) or (f) of the JSE Listing Requirements

Paragraph 3.38

The total number of options granted or issued may not, except in the case of a mineral company, exceed 20 percent of the listed company's issued capital unless offered to all shareholders in proportion to their existing shareholdings.

F. SHAREHOLDER SPREAD

Paragraph 3.39

All listed companies are required to ensure that a minimum percentage of each class of securities is held by the public ("the minimum spread requirements").

Paragraph 3.40

If the percentage of a class of securities held by the public does not comply with the minimum spread requirements:

(a) for a company listed on or before 30 June 1995, by 31 December 1999 or within two years of the lifting of exchange control restrictions on investments by residents of South Africa in external securities, whichever is the later;
(b) for a company listed after 30 June 1995, at any time after its listing;

the Committee may suspend or terminate the listing of a company in accordance with Section 1 of the JSE Listing Requirements . The Committee may allow a reasonable time to restore the percentage, unless this is precluded by the need to maintain the smooth operation of the market or in order to protect investors.

Paragraph 3.41

As from 1 July 1995, a listing will not be granted to any issue of securities that would reduce the percentage level of securities held by the public:

(a) for a company listed on or before 30 June 1995, below the percentage as at 30 June 1995 if such percentage was less than the minimum spread requirements, or below the minimum spread requirements if such percentage was above the minimum spread requirements;
(b) for a company listed after 30 June 1995, below the minimum spread requirements.

[9] Determined in accordance with paragraph 5.83 (g) of the JSE Listing Requirements

Paragraph 3.42

If any listed company does not comply with the minimum spread requirements, any application to list new securities will be granted;

(a) for a company listed on or before 30 June 1995, as from 1 January 2000;
(b) for a company listed after 30 June 1995, as from its listing;

only if, as a result of the issue, the minimum spread requirements will be achieved as far a possible given the size of the issue.

Paragraph 3.43

Notwithstanding the above, the Committee may allow a reduction in the minimum spread requirements if it considers such a reduction is in the best interests of the listed company and does not unduly prejudice investors, for example in a rescue situation.

1. Notification

Paragraph 3.44

A listed company must inform the Committee, in writing, without delay, when it becomes aware that the proportion of any class of listed securities in the hands of the public has fallen:

(a) for a company listed on or before 30 June 1995, below the level that existed at that date if that level was below the minimum spread requirements, or below the minimum spread requirements if the level was above the minimum spread requirements; or
(b) for companies listed after 30 June 1995, below the said minimum spread requirements.

G. COMMUNICATION WITH SHAREHOLDERS

1. Prescribed information to shareholders

Paragraph 3.45

A listed company must ensure that all the necessary facilities and information are available to enable holders of securities to exercise their rights. In particular it must:

(a) inform holders of securities of the holding of meetings which they are entitled to attend;
(b) enable them to exercise their rights to vote, where applicable; and
(c) publish announcements and distribute circulars in terms of the listings requirements.

2. Publication

a) Announcements through SENS

Paragraph 3.46

All announcements through SENS must be in English and confirm with the specifications contained in the Appendix to Schedule 19 of the JSE Listing Requirements "Presentation and format of announcements".

b) Press announcements

Paragraph 3.47

All press announcements must be published in English in a national daily English language newspaper and in one other official language in a national daily newspaper published in that other official language, provided that where no newspaper is published in that official language, the advertisement shall be published in another national newspaper acceptable to the Committee.

Paragraph 3.48

The press announcement should also be published in English and one other official language in a daily newspaper in the district in which the listed company's registered office is situated, if outside the Gauteng province and provided that facilities for such publication exist. Where the registered office of the listed company is situated outside the Republic of South Africa, the requirements of the Committee should be ascertained from the Listings Division.

Paragraph 3.49

Announcements relating to pre-listing statements or circulars must state in which other official languages, if any, they are printed and where such copies may be obtained.

c) Circulars and listing particulars

Paragraph 3.50

Circulars and pre-listing statements must be printed in English and be distributed to all shareholders. Provision must be made for the translation of circulars and pre-listing statements into other official languages where deemed necessary by the Committee or the listed company.

3. Other classes of security

Paragraph 3.55

If a circular, listing particulars or press announcement is dispatched to the holders of any particular class of security, the listed company must dispatch a copy or summary of such document to the holders of all other listed securities in such company unless the contents of such document are irrelevant to them.

4. Communications with holders of bearer securities

Paragraph 3.56

If there is a need to communicate with holders of listed bearer securities, the listed company must publish an announcement referring to the communication and giving an address or addresses from which copies can be obtained.

H. MISCELLANEOUS OBLIGATIONS

1. Redemption of listed redeemable preference shares

Paragraph 3.63

Redemption of listed redeemable preference shares in terms of section 98 of the Companies Act must be authorised and conducted in accordance with the listed company's memorandum and articles of association and the provisions of the Act.

Paragraph 3.64

A circular must be sent to holders of the securities containing the information set out in paragraph 11.30 (unless waived in terms of paragraph 11.31) [10].

Paragraph 3.65

Written application must be submitted to the Committee for removal from the List of the securities to be redeemed as from a specified time and date.

2. Transfer from one section of the List to another section

Paragraph 3.66

Written application must be submitted to the Committee, stating the reasons for the request for the company to be transferred from one section of the List to another section. Details must be given regarding the assets employed in and income derived from the various activities of the applicant and its subsidiaries. These details must be expressed in value and on a percentage basis.

[10] Refer to Addendum 6.

Paragraph 3.67

In addition, the following requirements will apply:

(a) the transfer of an applicant from one section of the List to another section must always take place on the first business day of the week;

(b) the written application in respect of the transfer must be accompanied by a directors' resolution authorising such transfer.

Paragraph 3.68

Where an applicant transfers its listing from the DCM to the Main Board, the following is required:

(a) an application containing a list and analysis of shareholders supported by a letter form the applicant's transfer secretaries confirming the number and spread of shareholders that is required for a Main Board listing;

(b) the audited profit history (3 years) of the applicant and its subsidiaries in consolidated form must be stated in the applicant; and

(c) the present authorised and issued share capital of the applicant must be stated in the application.

3. Listing and other fees

Paragraph 3.69

A listed company must pay the listing and other fees including its annual charge for listing, as soon as such payment becomes due[11].

4. Directors

Paragraph 3.70

All directors, other than managing directors, must retire by rotation at least once in every three years. No more than half of the directors may be appointed as managing directors.

[11] Refer to Addendum 2 "Costs of listing on the Johannesburg Stock Exchange"

5. Companies also quoted on another stock exchange

Paragraph 3.71

A listed company whose securities are listed on any other stock exchange must ensure that equivalent information is made available at the same time to the market of each exchange on which the company's securities are listed unless prohibited by or in terms of the rules or requirements of any other stock exchange.

6. Information to be processed by the JSE

Paragraph 3.42

Listed companies shall ensure that information which is provided to the JSE for processing is the same as that provided to other parties such as transfer secretaries.

ADDENDUM 8

PUBLIC OFFERS OF SHARES IN TERMS OF THE SOUTH AFRICAN COMPANIES ACT

I. INTRODUCTION

This Addendum serves highlight the relevant statutory requirements in terms of the South African Companies Act [1]

II. OFFERS TO THE PUBLIC

A. OFFERING OF SHARES AND PROSPECTUS IN TERMS OF CHAPTER VI OF THE COMPANIES ACT

Chapter VI of the Companies Act controls offers to the public for the subscription for unissued shares, offers to the public for the sale of shares which have been, or have been agreed to be, allotted by the company concerned with a view to their being offered to the public or which are intended to become shares listed on a stock exchange and rights offers as defined.

Chapter VI is intended to operate in relation substantially to the raising of capital by a public company by means of an approach to the public. The central features of its provisions are that offers to the public to which they apply should be accompanied by a registered prospectus in relation to which specific requirements regarding disclosure of information are observed and that there should be control of the allotment of shares pursuant to such offers.

[1] The Companies Act, Act 61 of 1973 amended to Act 82 of 1992 and by Government Notices.

Section 142 Definitions.

a) Definition of the word "offer"

"in relation to shares, means an offer made in any way, including by provisional allotment or allocation, for the subscription for or sale of any shares, and includes an invitation to subscribe for or purchase any shares".

Any offer in relation to shares is an offer for the purposes of Chapter VI (irrespective of how it is made and, more particularly, where the method adopted is the company's provisional allotment of its shares) if it is one for the subscription for or the sale of shares; and it includes an invitation to subscribe for or to purchase shares.

The offer to sell, or invitation to make an offer to purchase, for the purposes of Chapter VI, is exclusively one which relates to shares within the categories of shares described in section 146(1), i.e., a new issue of shares (whether it is the first issue or a subsequent issue).

b) Definition of an "offer to the pubic"

"and any reference to offering shares to the public mean any offer to the public and include an offer of shares to any section of the public, whether selected as members or debenture-holders of the company concerned or as clients of the person issuing the prospectus concerned or in any other manner."

An offer to the public, within the meaning of Chapter VI, may be one for the subscription for shares or one for the sale of shares unless it is deprived of that character by section 144; but it is not every offer to the public for the sale of shares which is an "offer to the public" for the purposes of Chapter VI: whether or not it is, even if it is clearly aimed at the public at large, depends on whether the share are within any of the categories of shares described in section 146(1).

In terms of section 142 an "offer to the public" would include an offer of shares to any section of the public, whether selected as members or debenture-holders of the company concerned or as clients of the person issuing the prospectus concerned.

In the case Corporate Affairs Commission (South Australia) v Australian Central Credit Union, in relation to similarly worded legislation, it was held that:

"[t]he question whether a particular group of persons constitutes a section of the public… cannot be answered in the abstract. For some purposes and in some circumstances, each citizen is a member of the public and any group of persons can constitute a section of the public. For other purposes and in other circumstances, the same person or the same group can be seen as identified by some special characteristic which isolates him or them in a private capacity and places him or them in a position of contrast with a member or section of the public. In a case where an offer is made by a stranger and there is no rational connection between the characteristic which sets the members of a group apart and the nature of the offer made to them, the group, will, at least ordinarily, constitute a section of the public for the purposes of the offer. If, however, there is some subsisting special relationship between offeror and members of a group or some rational connection between common characteristic of members of a group and the offer made to them, the question whether the group constitutes a section of the public for the purposes of the offer will fall to be determined by reference to a variety of factors of which the most important will ordinarily be; the number of persons comprising the group, the subsisting relationship between the offeror and the members of the group, the nature and content of the offer, the significance of any particular characteristic which identifies the member of the group and any connection between that characteristic and the offer".

Further in its judgement, the court added that:

"[i]t is legitimate to consider, in addition to the matters already mentioned, whether the relevant group of persons is one which Parliament would reasonably be expected to have in mind as part of the investing public to be protected by the disclosure requirements".

Accordingly, an offer of shares to the public at large would clearly constitute an "offer to the public". Where, however, an offer is made in the form of a private placing, the question of whether it falls within the definition of offer to the public is unclear. The answer to this question will depend on whether the offer constitutes an offer to a "section of the public" in terms of section 142.

Where a private placing is made by a complete stranger to a group of offeree's who have no rational connection with either the offeror or the offer, it is likely to constitute an offer to a "section of the public" and thus "an offer to the public".

Where, on the other hand there is a rational connection with the members of the group, as offeree's, and the offeror or the offer, then whether the group of offeree's constitutes a "section of the public" or not is likely to depend on a number of factors including any one or more of the following:

(i) the number of persons in the group to whom the offer was made;

(ii) the relationship between the group as a whole and the offeror;

(iii) the nature of the offer;

(iv) the connection between the members of the group;

(v) the connection between the members of the group as a whole, and the offeror; and

(vi) whether the group is one which the legislature would reasonably be expected to have in mind as part of the investing public to be protected by requiring a prospectus.

c) Definition of a "rights offer"

"means an offer for subscription, with a right to renounce in favour of other persons…for any shares (as defined in relation to an offer of shares for subscription or sale) of that company or any other company, where a stock exchange … has granted or has agreed to grant a listing for the shares which are the subject of the offer."

B. NO OFFER FOR SUBSCRIPTION TO THE PUBLIC WITHOUT PROSPECTUS

Section 145 of the Companies Act provides that:

(1) No person shall make any offer to the public for the subscription of shares unless it is accompanied by a prospectus complying with the requirements of the Act and registered in the Companies Registration Office, and no person shall issue such a prospectus which has not been so registered.

(2) Any person who contravenes any provision of subsection (1) and, if such person is a company, any director or officer of such company who knowingly is a party to the contravention, shall be guilty of an offence.

This section is concerned with an offer or invitation to the public (per definition of 'offer' in section 142) to subscribe for shares in a new issue and not with an offer or invitation to the

public to purchase them from an intermediary to whom shares have been allotted or agreed to be allotted. In this latter instance, section 146 is applicable.

The offer may be made by the company itself or by a promoter (as regards a first issue) or by an intermediary such as an issuing house or a merchant bank. Its purpose is to raise capital for the company. It is possible, of course, to realise this purpose by means of a "private placing"[2], i.e., where "particular groups or particular persons are invited to subscribe for the shares on offer". But it must be borne in mind that the offer, although made to a particular group of persons only, however selected, may nevertheless qualify as an offer to the public within the meaning of the section (refer to definition of "offer to the public" in section 142).

A person intending to accept the offer or invitation must apply directly to the company for the allotment of shares in its proposed new issue.

C. NO OFFER FOR SALE TO THE PUBLIC WITHOUT PROSPECTUS

Section 146 of the Companies Act provides that:

(1) No person shall make any offer to the public for the sale of any shares-

(a) which have been, or have been agreed to be, allotted by the company concerned with a view to all or any of them being offered to the public; or
(b) in respect of which it has been made known in any way at or about the time of, and in connection with such offer that the company concerned has applied or intends to apply for their listing by a stock exchange in the Republic or elsewhere,

unless it is accompanied by a prospectus complying with the requirements of this Act and registered in the Companies Registration Office, and no person shall issue such a prospectus which has been so registered.

(2) For the purposes of subsection (1) (a) it shall, unless the contrary is proved, be evidence that an allotment of, or an agreement to allot, shares was made with a view [to] the shares being offered for sale to the public if it is shown that an offer for sale to the public in respect of such shares or any of them was made within eighteen months after the allotment or the agreement to allot.

[2] Meskin Henochsberg on the Companies Act at 266(2).

Whereas section 145 controls an offer to the public for subscription of shares, this section controls any offer to the public for the sale of the shares in the categories mentioned in subsection (1).

It relates to any case where the offer is made to the public through an intermediary to whom shares in a new issue have been, or have been agreed to be, allotted by the company with a view to all or any of them being offered for sale to the public. The intermediary (e.g. a broker, an issuing house, a merchant bank) subscribes, or agrees with the company to subscribe, for the shares on the footing that he will issue the prospectus inviting the public to purchase them at a price higher than the subscription price and to becoming himself the registered holder of any shares which are not bought (he thereby effectively "underwrites" the issue)[3]; but he may himself have it underwritten.

Actual allotment of the shares to the intermediary is unnecessary where what is done is for the intermediary to invite offers for the purchase from him of his rights against the company to the allotment of the shares.

For the purpose of subsection (1)(a) the fact that an allotment of, or an agreement to allot, shares within eighteen months after the allotment, or agreement to allot, been followed by an offer for sale any of such shares to the public will, it is submitted, be not merely some "evidence" but presumptive proof that the allotment, or the agreement to allot, was made with a view to the shares being offered for sale to the public unless there is proof to the contrary on a balance of probabilities[4].

D. APPLICATION FORM FOR SHARES TO BE ATTACHED TO PROSPECTUS

Section 147 of the Companies Act provides that:

(1) No person shall issue, distribute or cause to be issued, distributed or delivered, any form of application in respect of shares of a company, unless the form –
   (a) is attached to a prospectus a copy of which has been registered in the Companies Registration Office; and
   (b) bears on the face of it the date of registration of the prospectus.

[3] Cilliers and Benade at 219.
[4] Ex parte Minister of Justice; In re R v Jacobson and Levy 1931 AD 466 at 473

Provided that this subsection shall not apply if it is shown that the form of application was issued either –

(i) in connection with a bona fide invitation to enter into an underwriting agreement with respect to the shares; or

(ii) in relation to shares which were not offered to the public.

The application here contemplated is one in response to any offer of shares to the public within the meaning of Chapter VI. As to when shares are not to be regarded as being offered to the public, refer to 'Private Offers' in terms of section 144.

II. OFFERS NOT BEING OFFERS TO THE PUBLIC

'Offers not being offers to the public' (hereafter "private offers') is used to describe offers for subscription, which were excluded from the definition of "offers to the public" by sub-sections (a), (b) and (c) of section 144 (prior to the Companies Third Amendment Act of 1998)[5]. Such offers were normally made through stockbrokers and merchant bankers to their clients who were not entitled to renounce them. The exclusions set out in the section 144 have been substantially narrowed down by its revision.

The amendment of section 144 of the Companies Act (with effect from 14 August 1998) alters substantially those instances in which an offer for shares will not be construed as an offer of them to the public. Section 144 of the Act defines those offers of shares that do not constitute offers to the public and therefore do not require a prospectus. The amendments to this section were promulgated in order to curtail the practice (which prevailed because of vague wording) of "dressing up" private placings what were in fact offers to the public at large.

The effect is that the chances of a private placing falling outside the ambit of section 144 have significantly increased. In relation to such a private placing, the answer to the question of whether a prospectus is required will depend upon whether the private placing constitutes an "offer to the public" or not.

[5] Section 144 of the Companies Act No. 61 of 1973 was amended by the Companies Act No. 35 of 1988 and by the Third Amendment Act No. 125 of 1998 ("the Companies Third Amendment Act")

This section encompasses offers both for the subscription for, and the sale of shares. If an offer is one which is not envisaged by this section, it will constitute an offer to the public and must therefore be accompanied by a prospectus, as contemplated by section 145 or section 146 (as the case may be). Although the case law provides some guidance as to when a private placing would constitute an "offer to the public", whether a particular private placing constitutes an "offer to the public" will usually depend on the facts and cannot be predicted with certainty. Accordingly, a great deal of uncertainty has arisen from the amendment. The amendment of section 144 makes it clear that offers to registered banks and insurers (and their wholly owned subsidiaries) acting as principals or as agents for registered pension funds and unit trust schemes are not offers to the public. Similarly offers for subscription where:

(a) the price for a single addressee acting as principal is not less than the R100 000;
(b) a single once-off offer for subscription at an aggregate price of less than R100 000 accepted by no more than 50 principals and particulars of which are given in writing in the prescribed manner, are also not regarded as offers to the public;
(c) non-renounceable offers for subscription made to existing shareholders, rights offers and offers made to directors and officers of a company (provided such offers are renounceable only to directors and officers or their close relatives).

Section 144 contains a number of important limitations on the scope of the definition of "offer to the public". The wording of this section has given rise to interpretation difficulties, particularly in relation to whether an offer of shares to a specific group of persons ("a private placing") requires a prospectus.

Offers for subscription and offers for sale are frequently effected by way of private placing. Because a private placing is an invitation to subscribe for or purchase shares where only the invitees are capable of applying for shares, it usually does not fall within the definition of an offer to the public and consequently circumvents the Act, with respect to such offers, with the attendant saving in time and expense. The arrangements for a private placing can be made by the company or seller itself or on its behalf by a merchant bank, stockbroker or other intermediary acting on its behalf. The invitees are usually selected by the intermediary from persons and institutions which it knows may be interested in the offer.

An offer for sale in terms of section 141(2) (e) is an offer "accompanied by a prospectus registered under Chapter VI of this Act". This would refer to an offer for sale described in section 146 (1), being the only offer of shares for sale requiring a prospectus under Chapter VI. Subsections (a) to (d) of section 142 (2) refer to shares listed or to be listed, sales to dealers in shares and persons already holding shares in the company concerned, sales by executors and liquidators and sales in execution.

It follows that an offer of shares for sale to the public does not require a prospectus unless it falls within the ambit of section 146 (1). Prior to the substitution of the new section 144 by the Companies Amendment Act, the remaining provisions of Chapter VI requiring registration of a prospectus applied solely to offers of shares for subscription (including rights offers).

The repealed section 144 provided that an offer of shares would not be construed as "an offer to the public" if it were an offer described in sub-sections (a) to (d). The new substituted section 144, on the other hand, provides that an "offer of shares in relation to an offer for subscription for or sale of any shares, shall not be construed as an offer to the public" if it falls within the ambit of any of the exclusions set out in sub-sections (a) to (g).

It would seem, however, that offers for the sale of shares to the public continue, notwithstanding the wording of the new section 144, to be governed by section 141 and not section 144.

In considering the effect of the new section 144, it is necessary to consider whether or not the exclusions listed in that section are an exhaustive list of the circumstances in which an offer will not constitute an offer to the public. In other words, it is necessary to consider whether all offers of shares, other than those covered by the section 144 exclusions, constitute offers to the public.

The interpretation difficulties in relation to the new section 144 seem to arise mainly because the Explanatory Memorandum attached to the Companies Amendment Bill included the following statement under the heading "Proposed position".

"It must be clear from the provisions of the Act that all public offers of shares must be accompanied by a registered prospectus. Only offers which are expressly excluded and which are now being identified in the proposed section 144 need not be accompanied by a full prospectus but in certain cases by a shortened form of prospectus containing certain basic information of the company. This provision will effectively stop private placings which are in actual fact offer to the public…"

The reference in the Explanatory Memorandum to "offers" as opposed to "offers to the public" may support the view that the amended section 144 must be interpreted as rendering all offers of shares, other than those covered by the section 144 exclusions, "offers to the public".

All offers of shares, other than those covered by the section 144 exclusions, would not, however, constitute "offers to the public". This view is based on the following considerations:

"the Explanatory Memorandum states that the amendment to section 144 will "effectively stop private placings which are in actual fact offers to the public" being made without a prospectus. If all offers of shares which are not covered by section 144 are construed as "offers to the public", the amendment would mean that all private placings falling outside the ambit of section 144 require a prospectus (rather than only those private placings which "are in fact offers to the public"). This would go against the principle of statutory interpretation that the legislature is presumed to have intended to alter the existing law no more than is necessary; and

a) it is a principle of statutory interpretation that words contained in a statute have been inserted for a purpose and that they are not "superfluous, void or insignificant" [6]. If the legislature intended that all offers of shares, other than those covered by section 144, were to constitute offers to the public, the reference to "offers to the public" in sections 144 and 145 would have no purpose. In addition, the definition of "offer to the public" set out in section 142 would have no purpose. This is because sections 144 and 145 could simply have provided that, unless an offer is covered by section 144, a prospectus is required.

b) the opening words of the new section 144 itself states that:

> "[a]n offer of shares in relation to an offer for subscription for or sale of any shares, shall not be construed as an offer to the public…"

If it were intended that these words mean that, apart from exclusions in sub-sections (a) to (g), every offer of shares for subscription for or sale would be a public offer, this would in effect amount to a new definition of an "offer to the public" and this should surely have been specifically stated in the section. It would also have been necessary to delete the definition of "offer to the public" in section 142 and to include a reference to section 141 in the exclusions set out in section 144. It is a principle of statutory interpretation that the legislature did not intend a statute to have unreasonable consequences.

[6] Case: Attorney General, Transvaal v Additional Magistrate, Johannesburg (1924) AD 421 at 436

To interpret the new section 144 as providing that all offers of shares, save for those covered by the section 144 exclusions, would constitute "offers to the public", would lead to unreasonable consequences. This is because the following types of offers would, if the subscription price of the offer exceeds R100 000, generally require a prospectus:

(i) an offer of shares made by a company to the controlling shareholder of another company in order to procure control of the latter company pursuant to a take-over bid;
(ii) an offer of shares made by a company to a selected employee of that company who is not a director or officer of the company;
(iii) an offer to any single person (other than a bank, a mutual bank or an insurer), whether a member of a group or not, and whether related to or associated with the person making the offer or not;
(iv) the new section 144 were to be interpreted in this way, the previous section 144 would have been subject to a similar interpretation. Since 1 January 1974, however, when the Company Act No. 61 of 1973, which included this section came into operation, it has never been interpreted in this way. Further, section 5 (4) of the Companies Code (South Australia) is similar to section 144 in that it lists the circumstances in which an "offer or invitation will not be taken to be an offer or invitation to the public". In interpreting section 5(4) said Code, the approach of the Australian court [7] was that, if an offer does not fall within the exclusions set out in section 5(4), it does not follow that the offer is an offer to the public.
(v) the interpretation of the new section 144 as rendering all offers of shares, other than those covered by the section 144 exclusions, "offers to the public" has, it seems, been adopted in the Explanatory Memorandum attached to the Companies Third Amendment Bill (published prior to the promulgation of the Companies Third Amendment Act). This is evident from the following extracts from the Memorandum:

"In terms of section 144, employee share schemes which are in common use by listed companies (and which need to be further encouraged), require a full prospectus".

This is extremely onerous on companies and impractical as the maximum validity period of a prospectus is four months only, while employee share schemes extend over much longer periods. This would most certainly result in the discontinuance of employee share schemes and will be detrimental to employee empowerment. Employees do need protection when they are offered shares in public companies and this protection must be given, but on a basis other than requiring the registration of a prospectus. In this regard, the Companies Third Amendment Bill, 1998, in the first instance seeks to amend section 144, by exempting companies from issuing a prospectus in respect of employee share schemes. The Bill also proposes to insert a new self-contained provision (section 144A) in the Act to provide employees with suitable protection when they are offered shares in terms of an employee share scheme.

(vi) the Explanatory Memorandum attached to the Companies Amendment Bill contains the following statement under the heading “Present position”.

> “Section 144 of the Act provides in rather vague terms which offers of shares are not being regarded as offers to the public. This let to a spate of so-called “private placings” during recent years in which investors lost millions of Rands – Masterbond, Supreme etc. In all these cases the offer document was titled with the wording of the exemptions contained in section 144 and no proper prospectus containing all information to make an informed decision on the investment concerned, was registered”.

This statement is not altogether correct and is somewhat misleading. This is because the investor losses referred to were brought about by the fraudulent activities of the perpetrators and not by the wording of section 144 of the Companies Act as existing at the time. Over the years a very large number of offers by private placing have been made with no adverse consequences or losses to investors attributable to section 144 of the Companies Act.

III. THE PROSPECTUS

Promoters of South African public companies, who wish to approach the public with a view to their applying for shares in the company, do so through the medium of a prospectus. [8]

From the potential investors’ point of view, the prospectus is the only access to the information they require enabling them to decide whether to apply for shares in the company. It is for this reason that legislation is necessary in order to ensure that when the public is invited to subscribe, the necessary information is in fact disclosed in the prospectus is an accurate, and not a misleading way.

Chapter VI of the Companies Act is headed “Offering of Shares and Prospectus”. The only provision in Chapter VI relevant to the requirements of a prospectus in relation to an offer for sale of shares to the public is contained in section 146 (1):

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[7] Case: Corporate Affairs Commission (South Australia) v Australian Central Credit Union (1985) 157 CLR 201 (HC of A)

[8] Refer to Addendum 3.

"No person shall make an offer to the public for the sale of shares allotted or to be allotted with a view to their being offered to the public or which are to be listed on a stock exchange in the Republic or elsewhere, unless the offer is accompanies by a prospectus".

Section 141 requires "an offer of shares of sale to the public" to be accompanied by a written statement setting out the information detailed in section 141 (5) unless the offer falls within one of the exclusions set out in section 141 (2).

ADDENDUM 9

SCHEDULE OF THE NEW APPLICANT POPULATION FOR THE SAMPLE PERIOD

I. SCHEDULE OF 1995 JSE NEW APPLICANT LISTINGS

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door Listings	Prospectus/ Pre-listing Statements	Primary Listing	RSP
Aludie Ltd	ALD	April 10, 1995	-	-	-	JSE	-
Amalia Gold Mining and Exploration Company Ltd	AML	April 12, 1995	-	-	-	JSE	-
Anglo American Platinum Corporation Ltd	APS	May 15, 1995	-	-	-	JSE	-
Automakers Ltd	ATK	October 24, 1995	-	-	-	JSE	-
Bell Equipment Ltd	BEL	May 24, 1995	-	-	-	JSE	-
Chromecorp Holdings Ltd	COM	May 23, 1995	-	-	-	JSE	-
Hoechst South Africa Ltd	HCT	July 12, 1995	-	-	-	JSE	-
JCI Ltd	JCI/JCL	May 15, 1995	-	-	-	JSE	-
Knights Gold Mining Company Ltd	KNT	December 4, 1995	-	-	-	JSE	-
M-Cell Ltd	MCE	August 14, 1995	Yes	-	Yes	JSE	-
MGX Holdings Ltd	MGX	June 26, 1995	Yes	-	Yes	JSE	-
Millenium Property Holdings Ltd	MIL	June 15, 1995	-	-	-	JSE	-
Norwich Holdings South Africa Ltd	NWH	December 4, 1995	-	-	-	JSE	-

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door Listings	Prospectus/ Pre-listing Statements	Primary Listing	RSP
Pat Cornick Ltd	FNC/CNK	November 29, 1995	-	-	-	JSE	Yes
Plessey Corporation Ltd	PSY	September 27, 1995	-	-	-	JSE	-
Polifin Ltd	PIN	July 24, 1995	Yes	-	-	JSE	-
Premium Properties Ltd	PMM	June 21, 1995	-	-	-	JSE	-
Prestasi Financial Services Ltd	PTS	May 17, 1995	-	-	-	JSE	-
Real Africa Holdings Ltd	RAH	March 22, 1995	-	-	-	JSE	Yes
Real Africa Investments Ltd	RAI	March 22, 1995	-	-	-	JSE	-
Seeff Holdings Ltd	SEF	August 4, 1995	-	-	-	JSE	-
Sovereign Food Investments Ltd	SOV	June 6, 1995	-	-	-	JSE	-
Tigon Ltd	TGN	May 16, 1995	-	-	-	JSE	-
Ukhozi Property Fund Ltd	UKZ/MRT	September 27, 1995	-	-	-	JSE	-
Umbo- Investment Corporation Ltd	UMB	December 15, 1995	-	-	-	JSE	-
Zenith Concessions Ltd	ZNT	May 29, 1995	-	-	-	JSE	-

Table 9.1: Schedule of 1995 Johannesburg Stock Exchange New Applicant Listings

II. SCHEDULE OF 1996 JSE NEW APPLICANT LISTINGS

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door Listings	Prospectus/ Pre-listing Statements	Primary Listing	RSP
Abacus Tech-logy Holdings Ltd	ABC	Nov 12, 1996	-	-	-	**JSE**	**Yes**
Adcock Ingram Ltd	ADC	Nov 6, 1996	**Yes**	-	-	**JSE**	**-**
Admiral Leisure World Ltd	ADL	January 8, 1996	-	-	**Yes**	**JSE**	**-**
Alliance Pharmaceuticals Ltd	ALN	June 18, 1996	-	-	**Yes**	**JSE**	**-**
Amlac Ltd	ALC	Nov 6, 1996	**Yes**	-	-	**JSE**	**-**
Bateman Project Holdings Ltd	BTO	March 11, 1996	-	-	**Yes**	**JSE**	**-**
Buildmax Ltd	BDM	July 30, 1996	-	-	-	**JSE**	**Yes**
Carson Holdings Ltd	CRS	July 3, 1996	-	-	-	**JSE**	**Yes**
Chariot Holdings Ltd	CHT	Nov 4, 1996	-	**Yes**	-	**JSE**	**-**
Chillers Group Ltd	CHL	June 19, 1996	-	-	-	**JSE**	**Yes**
Education Investment Corporation Ltd, The	EDC	June 19, 1996	-	**Yes**	-	**JSE**	**-**
Energy Africa Ltd	ENR	March 1, 1996	-	-	-	**JSE**	**Yes**
Enviroserv Holdings Ltd	ENV	May 20, 1996	-	-	-	**JSE**	**Yes**
Forbes Group Ltd	AFB	Nov1, 1996	-	-	-	**JSE**	**Yes**
Genbel Securities Ltd	GSC	May 27, 1996	**Yes**	-	-	**JSE**	**-**

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door Listings	Prospectus/ Pre-listing Statements	Primary Listing	RSP
Gilboa Properties Ltd	GLB	February 5, 1996	-	-	**Yes**	**JSE**	**-**
Grinaker Construction Ltd	GRC	December 2, 1996	**Yes**	-	-	**JSE**	**-**
Homechoice Holdings Ltd	HCH	September 20, 1996	-	-	-	**JSE**	**Yes**
Howden Africa Holdings Ltd	HWN	May 3, 1996	-	-	-	**JSE**	**Yes**
Kalahari Goldridge Mining Company Ltd	KGL	October 14, 1996	**Yes**	-	-	**JSE**	**-**
King Food Holdings Ltd	KNG	June 14, 1996	**Yes**	-	-	**JSE**	**-**
Masterfridge Ltd	FGM	April 29, 1996	-	-	-	**JSE**	**Yes**
Mathomo Group Ltd	MTO	April 2, 1996	-	-	-	**JSE**	**Yes**
National Chick Ltd	NCX	April 23, 1996	-	-	-	**JSE**	**Yes**
Network Healthcare Holdings Ltd	NTC	December 4, 1996	-	-	-	**JSE**	**Yes**
New Clicks Holdings Ltd	NCL	March 23, 1996	-	-	-	**JSE**	**Yes**
-rvest Properties Ltd	NVT	January 29, 1996	-	-	**Yes**	**JSE**	**-**
OTK Holdings Ltd	OTK	Nov 11, 1996	**Yes**	-	-	**JSE**	**-**
Rebhold Ltd	RBH	October 16, 1996	-	-	-	**JSE**	**Yes**
Sweets From Heaven Holdings Ltd	HVN	June 12, 1996	-	-	-	**JSE**	**Yes**
Teltron Ltd	TLT	May 17, 1996	-	-	**Yes**	**JSE**	**-**
Terexko Ltd	TRX	Nov22, 1996	-	-	-	**JSE**	**Yes**

Table 9.2 Schedule of 1996 Johannesburg Stock Exchange New Applicant Listings

III. SCHEDULE OF 1997 JSE NEW APPLICANT LISTINGS

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door Listings	Prospectus/ Pre-listing Statements	Primary Listing	RSP
Sasani Ltd	SSA	January 1, 1997	-	-	Yes	JSE	-
Celtron Technologies Ltd	CTC	February 12, 1997	-	-	Yes	JSE	-
Stocks Hotels and Resorts Ltd	SHR	February 17, 1997	Yes	-	-	JSE	-
Softline Ltd	SFT	February 19, 1997	-	-	Yes	JSE	-
Megacor Holdings Ltd	MGC	March 4, 1997	-	-	Yes	JSE	-
LA Retail Stores Ltd	LTR	April 3, 1997	-	Yes	-	JSE	-
Mustek Ltd	MST	April 3, 1997	-	Yes	-	JSE	-
Avis Holdings Ltd	AVS	April 7, 1997	Yes	-	-	JSE	-
Tourism Investment Corporation Ltd	TRT	April 7, 1997	Yes	-	-	JSE	-
Nando's Group Holdings Ltd	NDS	April 25, 1997	-	-	-	JSE	Yes
Amalgamated Appliance Holdings Ltd	AMA	May 8, 1997	-	-	-	JSE	Yes
Maranda Mines Ltd	MAR	May 14, 1997	-	Yes	-	JSE	-
Computer Configurations Holdings Ltd	CCH	September 29, 1997	-	-	-	JSE	Yes
Stantronic Group Holdings Ltd	STT	June 2, 1997	-	Yes	-	JSE	-
Vestacor Ltd	VTR	June 4, 1997	-	-	Yes	JSE	-

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door (Reverse) Listings	Missing Prospectus/Pre-listing Statements	Primary Listing	IPO Research Sample Population
First South African Food Holdings Ltd	FSF/LFS	June 10, 1997	-	-	-	JSE	Yes
Prospur Packaging & Plastics Ltd	PUR	July 7, 1997	-	-	Yes	JSE	-
Southern African Investments Ltd	SIL	July 21, 1997	-	-	Yes	JSE	-
Billiton Plc	BIL	July 28, 1997	-	-	-	London	-
Afribrand Holdings Ltd	ABR	August 5, 1997	-	-	-	JSE	Yes
Ixchange Tech-logy Holdings Ltd	XCH	September 3, 1997	-	-	-	JSE	Yes
Abraxas Investment Holdings Ltd	ARX	September 15, 1997	-	Yes	-	JSE	-
OTR Mining Ltd	OTR	September 22, 1997	Yes		-	JSE	-
Chester Investment Holdings Ltd	CES	September 23, 1997	-	Yes	-	JSE	-
Clientele Life Assurance Company Ltd	CLE	September 29, 1997	-	-	-	JSE	Yes
Fedics Group Ltd, The	FCS	September 29, 1997	Yes	-	-	JSE	-
African Harvest Ltd	AHV	October 1, 1997	-	-	-	JSE	Yes
Software Connection Ltd	CCT	October 1, 1997	-	-	-	JSE	Yes
Southern Mining Corporation Ltd	SMC	October 2, 1997	Yes	-	-	JSE	-
Paradigm Interactive Media Ltd	PDM	October 7, 1997	-	-	-	JSE	Yes
A M Moolla Group Ltd	AGR	October 8, 1997	Yes	-	-	JSE	-
Maxiprest Ltd	MXR	October 15, 1997	-	-	Yes	JSE	-

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door (Reverse) Listings	Missing Prospectus/Pre-listing Statements	Primary Listing	IPO Research Sample Population
Paramed Holdings Ltd	PAR	October 20, 1997	**Yes**	**-**	**-**	**JSE**	**-**
Woolworths Holdings Ltd	WHL	October 20, 1997	**Yes**	**-**	**-**	**JSE**	**-**
MMW Tech-logy Holdings Ltd	MMW	October 21, 1997	**-**	**-**	**-**	**JSE**	**Yes**
Bonatla Property Holdings Ltd	BNT	October 22, 1997	**Yes**	**-**	**-**	**JSE**	**-**
Moulded Medical Suppliers Ltd	MUM	October 22, 1997	**Yes**	**-**	**-**	**JSE**	**-**
NBS Boland Group Ltd	NBB	October 23, 1997	**-**	**-**	**Yes**	**JSE**	**-**
Excel Medical Holdings Ltd	EXC	October 27, 1997	**-**	**-**	**Yes**	**JSE**	**-**
Paragon Business Forms Ltd	PAG	October 29, 1997	**-**	**-**	**-**	**JSE**	**Yes**
Specialised Outsourcing Ltd	OUS	October 29, 1997	**-**	**-**	**-**	**JSE**	**Yes**
Awethu Breweries Ltd	AWT	November 20, 1997	**-**	**-**	**-**	**JSE**	**Yes**
PSG Group Ltd	PSG	November 3, 1997	**-**	**-**	**Yes**	**JSE**	**-**
O'Hagans Investment Holdings Ltd	OHA	November 4, 1997	**Yes**	**-**	**-**	**JSE**	**-**
House of Busby Ltd, The	BSB	November 5, 1997	**-**	**-**	**-**	**JSE**	**Yes**
Setpoint Tech-logy Holdings Ltd	STO	November 5, 1997	**-**	**-**	**-**	**JSE**	**Yes**
Brandcorp Holdings Ltd	BRC	November 10, 1997	**-**	**Yes**	**-**	**JSE**	**-**
Crown Consolidated Gold Recoveries Ltd	CRO	November 10, 1997	**-**	**-**	**Yes**	**JSE**	**-**
Radiospoor Tech-logy Holdings Ltd	RDS	November 11, 1997	**Yes**	**-**	**-**	**JSE**	**-**

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door (Reverse) Listings	Missing Prospectus/Pre-listing Statements	Primary Listing	IPO Research Sample Population
South African Empowerment Fund Investment Trust Company Ltd	EPW	November 12, 1997	-	-	-	JSE	-
Molope Foods Ltd	MOL	November 17, 1997	Yes	-	-	JSE	-
Retail Apparel Group Ltd	RAG	November 17, 1997	Yes	-	-	JSE	-
Astrapak Ltd	APK	November 19, 1997	-	-	-	JSE	Yes
Advtech Education Holdings Ltd	AVE	November 20, 1997	Yes	-	-	JSE	-
Beige Holdings Ltd	BEG	November 20, 1997	-	-	-	JSE	Yes
Thabex Exploration Ltd	TBX	November 20, 1997	-	-	-	JSE	Yes
Trematon Capital Investments Ltd	TMT	November 20, 1997	Yes	-	-	JSE	-
AMB Holdings Ltd	AMB	November 21, 1997	-	-	-	JSE	-
REF Finance & Investment Corporation Ltd	REF	November 25, 1997	Yes	-	-	JSE	-
Wetherlys Investment Holdings Ltd	WET	November 27, 1997	-	-	-	JSE	Yes
Integrated Consumer Products Ltd	ICO	December 2, 1997	-	-	-	JSE	Yes
Prima Toy & Leisure Group Ltd	PRT	December 4, 1997	Yes	-	-	JSE	-
Savanha Holdings Ltd	SVH	December 8, 1997	Yes	-	-	JSE	-
Aquila Growth Ltd	AQL	December 10, 1997	-	-	-	JSE	Yes
ITI Tech-logy Holdings Ltd	ITI	December 10, 1997	-	-	-	JSE	Yes
NET 1 Applied Tech-logy Holdings Ltd	APL	December 11, 1997	-	-	-	JSE	Yes

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door (Reverse) Listings	Missing Prospectus/Pre-listing Statements	Primary Listing	IPO Research Sample Population
African Media Entertainment Ltd	AME	December 15, 1997	-	**Yes**	-	**JSE**	-

Table 9.3. Schedule of 1997 Johannesburg Stock Exchange New Applicant Listings

IV. SCHEDULE OF 1998 JSE NEW APPLICANT LISTINGS

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door Listings	Prospectus/ Pre-listing Statements	Primary Listing	RSP
Gubb & Inggs Ltd	GUB	January 1, 1998	-	-	Yes	JSE	-
Integrated Health Technologies Ltd	HLT	January 21, 1998	-	-	-	JSE	Yes
Supersport International Holdings Ltd	MNS	January 26, 1998	-	-	Yes	JSE	-
Brainware Ltd	BRW	January 29, 1998	-	-	-	JSE	Yes
Tridelta Magnet Tech-logy Holdings Ltd	TDL	January 30, 1998	Yes	-	-	JSE	-
Gold Fields Ltd	GFL	February 2, 1998	Yes	-	-	JSE	-
Log-Tek Holdings Ltd	LGT	February 2, 1998	-	Yes	-	JSE	-
Barnard Jacobs Mellet Holdings Ltd	BJM	February 17, 1998	-	-	-	JSE	Yes
Infiniti Technologies Ltd	INF	February 19, 1998	Yes	-	-	JSE	-
Business Bank Ltd, The	TBB	March 4, 1998	-	-	-	JSE	Yes
Renaissance Retail Group Ltd	RNS	March 19, 1998	-	-	-	JSE	Yes
Oxbridge Online Ltd	OXB	March 24, 1998	-	Yes	-	JSE	-
Top Info Tech-logy Holdings Ltd	TOT	March 31, 1998	-	-	-	JSE	Yes
Daewoo Electronics SA Ltd	DAE	April 1, 1998	-	-	Yes	JSE	-
Tech-logy Communication Holdings Ltd	TCM	April 7, 1998	-	-	-	JSE	Yes

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door (Reverse) Listings	Missing Prospectus/Pre-listing Statements	Primary Listing	IPO Research Sample Population
Elexir Tech-logy Holdings Ltd	ELX	April 15, 1998	-	-	-	JSE	Yes
Qala Group Ltd	QLA	April 16, 1998	-	-	Yes	JSE	-
IOTA Financial Services Ltd	IOT	April 20, 1998	-	Yes	-	JSE	-
MSI Holdings Ltd	MSH	April 20, 1998	Yes	-	-	JSE	-
Privest Group Ltd	PVT	April 29, 1998	-	-	-	JSE	Yes
Lonrho Africa Plc	LAF	May 7, 1998	-	-	-	London	-
Truworths International Ltd	TRU	May 11, 1998	Yes	-	-	JSE	-
Corohedge Capital Ltd	HDG	May 13, 1998	-	-	-	JSE	Yes
Metboard Properties Ltd	MPL	May 21, 1998	Yes	-	-	JSE	-
Global Capital Ltd	GLO	May 25, 1998	-	-	-	JSE	Yes
Venmil Ltd	VNM	May 27, 1998	Yes	-	-	JSE	-
Cedargro Holdings Ltd	CDG	May 28, 1998	Yes	-	-	JSE	-
Fulcrum Science & Tech-logy Bank Controlling Company Ltd	FUL	June 8, 1998	-	-	-	JSE	Yes
Zaptronix Ltd	ZPT	June 9, 1998	-	-	Yes	JSE	-
Iliad Africa Ltd	ILA	June 10, 1998	-	-	-	JSE	Yes
Peregrine Holdings Ltd	PGR	June 10, 1998	-	-	-	JSE	Yes
Barprop Ltd	BPP	June 22, 1998	-	-	Yes	JSE	-

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door (Reverse) Listings	Missing Prospectus/Pre-listing Statements	Primary Listing	IPO Research Sample Population
Creditsure Holdings Ltd	CDS	June 25, 1998	-	-	-	JSE	Yes
Real Africa Durolink Holdings Ltd	RAD	June 25, 1998	-	-	-	JSE	Yes
Glenrand M I B Ltd	GMB	June 26, 1998	-	-	-	JSE	Yes
PSG Noble Capital Ltd	PSB	June 26, 1998	Yes	-	-	JSE	-
Accord Technologies Ltd	ACR	June 29, 1998	-	-	-	JSE	Yes
Bryant Tech-logy Ltd	BRY	July 1, 1998	Yes	-	-	JSE	-
Corpcom Ltd	CPM	July 2, 1998	Yes	-	-	JSE	-
JCI Gold Ltd	JCG	July 6, 1998	-	-	Yes	JSE	-
Brimstone Investment Corporation Ltd	BRT	July 8, 1998	-	-	-	JSE	Yes
Convergent Network Ltd	CNE	July 9, 1998	-	-	Yes	JSE	-
TCO Holdings Ltd	TCO	July 14, 1998	-	-	-	JSE	Yes
Nimbus Holdings Ltd	NMB	July 21, 1998	-	-	-	JSE	Yes
Comair Ltd	COM	July 22, 1998	-	-	-	JSE	Yes
Core Holdings Ltd	COR	July 23, 1998	-	-	-	JSE	Yes
Global Village Holdings Ltd	GLL	July 24, 1998	-	-	-	JSE	Yes
Valuecom Holdings Ltd	VLC	July 24, 1998	Yes	-	-	JSE	-
Billboard Communications Ltd	BLB	July 30, 1998	Yes	-	-	JSE	-

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door (Reverse) Listings	Missing Prospectus/Pre-listing Statements	Primary Listing	IPO Research Sample Population
Intertrading Ltd	ITR	July 31, 1998	-	-	-	JSE	Yes
Kroondal Platinum Mines Ltd	KPM	August 5, 1998	Yes	-	-	JSE	-
E-Data Holdings Ltd	EDT	August 6, 1998	Yes	-	-	JSE	-
Idion Tech-logy Holdings Ltd	IDI	August 6, 1998	-	-	-	JSE	Yes
Servest Holdings Ltd	SRV	August 6, 1998	-	-	Yes	JSE	-
Mercantile Lisbon Bank Holdings Ltd	MTL	August 12, 1998	-	-	-	JSE	Yes
Viking Investments & Asset Management Ltd	VKG	August 12, 1998	Yes	-	-	JSE	-
Enterprise Outsourcing Holdings Ltd	EOH	August 14, 1998	Yes	-	-	JSE	-
Absec Ltd	ABE	August 17, 1998	Yes	-	-	JSE	-
Good Cape Ltd	GDC	August 17, 1998	-	Yes	-	JSE	-
Zeltis Holdings Ltd	ZLT	August 17, 1998	-	Yes	-	JSE	-
Legacy Ventures Ltd	LGV	August 25, 1998	Yes	-	-	JSE	-
Crux Technologies Ltd	CRX	August 26, 1998	-	-	-	JSE	Yes
World Educational Technologies Ltd	WTC	September 1, 1998	Yes	-	-	JSE	-
IST Group Ltd	IST	September 2, 1998	-	-	-	JSE	Yes
Advanced Software Technologies Ltd	AST	September 9, 1998	-	-	-	JSE	Yes
UCS Group Ltd	UCS	September 9, 1998	-	-	-	JSE	Yes

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door (Reverse) Listings	Missing Prospectus/Pre-listing Statements	Primary Listing	IPO Research Sample Population
Casey Investment Holding Ltd	CSY	September 10, 1998	-	-	-	JSE	Yes
MB Tech-logies Ltd	MBT	September 17, 1998	-	-	-	JSE	Yes
Terrafin Holdings Ltd	TRF	September 17, 1998	-	-	-	JSE	Yes
Datacentrix Holdings Ltd	DCT	September 23, 1998	-	-	-	JSE	Yes
Emerald Topbrand Sports Ltd	ETS	September 23, 1998	-	-	-	JSE	Yes
Steinhoff International Holdings Ltd	SHF	September 23, 1998	-	-	-	JSE	Yes
CS Computer Services Holdings Ltd	CSH	September 28, 1998	-	-	-	JSE	Yes
Greenwich Group Ltd	GRW	September 29, 1998	-	-	-	JSE	Yes
Fashion Africa Ltd	FSH	October 5, 1998	-	Yes	-	JSE	-
Island View Storage Ltd	IVS	October 5, 1998	-	-	Yes	JSE	-
Moresport Holdings Ltd	SPR	October 5, 1998	Yes	-	-	JSE	
Vesta Technology Holdings Ltd	VST	October 6, 1998	-	-	-	JSE	Yes
Gold Edge Holdings Ltd	GLE	October 9, 1998	Yes	-	-	JSE	-
Infowave Holdings Ltd	IFW	October 13, 1998	-	-	-	JSE	Yes
Pentacom Holdings Ltd	PNT	October 13, 1998	-	-	-	JSE	Yes
Value Group Ltd	VLE	October 26, 1998	Yes	-	-	JSE	-
Compu Clearing Outsourcing Ltd	CCL	November 3, 1998	-	-	-	JSE	Yes

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door Listings	Prospectus/ Pre-listing Statements	Primary Listing	RSP
Indequity Group Ltd	IDQ	November 4, 1998	**Yes**	**-**	**-**	**JSE**	**-**
Rectron Holdings Ltd	RCT	November 11, 1998	**-**	**-**	**-**	**JSE**	**Yes**
African Partnerships Ltd	PTR	November 12, 1998	**Yes**	**-**	**-**	**JSE**	**-**
Whetstone Industrial Holdings Ltd	WTS	November 12, 1998	**-**	**-**	**-**	**JSE**	**Yes**
Coronet Capital Ltd	CRT	November 16, 1998	**-**	**-**	**Yes**	**JSE**	**-**
EC-Hold Holdings Ltd	ECH	November 16, 1998	**Yes**	**-**	**-**	**JSE**	**-**
Metropolis Transactive Holdings Ltd	MTR	December 10, 1998	**-**	**-**	**-**	**JSE**	**Yes**
Maxtec Ltd	MEC	November 17, 1998	**-**	**-**	**-**	**JSE**	**Yes**
Dectronic Ltd	DTR	November 18, 1998	**-**	**-**	**-**	**JSE**	**Yes**
OSI Holdings Ltd	OSI	November 20, 1998	**-**	**-**	**-**	**JSE**	**Yes**
Global Tech-logy Ltd	GLT	November 24, 1998	**-**	**-**	**-**	**JSE**	**Yes**
Sotta Securitisation International Ltd	SOT	November 24, 1998	**-**	**-**	**-**	**JSE**	**Yes**
Cape Empowerment Trust Ltd	CAE	November 25, 1998	**-**	**-**	**-**	**JSE**	**Yes**
Equinox Holdings Ltd	EQX	November 25, 1998	**-**	**-**	**-**	**JSE**	**Yes**
Securedata Solutions Ltd	SDA	November 25, 1998	**-**	**-**	**-**	**JSE**	**Yes**
Faritec Holdings Ltd	FRT	November 26, 1998	**-**	**-**	**-**	**JSE**	**Yes**
Sanlam Ltd	SLM	November 30, 1998	**-**	**-**	**-**	**JSE**	**Yes**

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door Listings	Prospectus/ Pre-listing Statements	Primary Listing	RSP
Learning Corporation Ltd, The	TLC	December 2, 1998	-	-	-	JSE	Yes
Money Wise Holdings Ltd	MWS	December 2, 1998	-	-	-	JSE	Yes
Plasgroup Ltd	PLG	December 2, 1998	-	-	-	JSE	Yes
Digicore Holdings Ltd	DGC	December 3, 1998	-	-	-	JSE	Yes
Jem Tech-logy Holdings Ltd	JMH	December 3, 1998	-	-	-	JSE	Yes
Micrologix Ltd	MRX	December 3, 1998	-	-	-	JSE	Yes
Decomac Holdings Ltd	DOC	December 4, 1998	-	-	-	JSE	Yes
Y3K Group Ltd	YHK	December 15, 1998	-	-	-	JSE	Yes
All Joy Foods Ltd	ALJ	December 21, 1998	Yes	-	-	JSE	-

Table 9.4 Schedule of 1998 Johannesburg Stock Exchange New Applicant Listings

V. SCHEDULE OF 1999 JSE NEW APPLICANT LISTINGS

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door (Reverse) Listings	Missing Prospectus/Pre-listing Statements	Primary Listing	IPO Research Sample Population
Quyn Holdings Ltd	QUY	January 20, 1999	-	-	-	JSE	Yes
Skills Accel Ltd	SKL	January 21, 1999	Yes	-	-	JSE	-
Cyberhost Ltd	CYB	February 10, 1999	-	-	-	JSE	Yes
Explorer Corporation Holdings Ltd	EPL	February 10, 1999	-	-	-	JSE	Yes
Ref Marketing & Media Ltd	RFK	February 12, 1999	Yes	-	-	JSE	-
ABC Cash Plus Ltd	APS	February 16, 1999	-	-	-	JSE	Yes
Q Mart Holdings Ltd	QMT	February 25, 1999	-	-	-	JSE	Yes
Regal Treasury Bank Holdings Ltd	RGL	February 25, 1999	Yes	-	-	JSE	-
Appleton Group Ltd, The	APT	March 3, 1999	-	-	-	JSE	Yes
Mercury Alpha Capital Ltd	MAC	March 4, 1999	-	-	-	JSE	Yes
Thuthukani Group Ltd	THK	March 4, 1999	-	-	-	JSE	Yes
South African Breweries plc	SAB	March 8, 1999	-	-	-	London	-
Decillion Ltd	DEC	March 10, 1999	-	-	-	JSE	Yes
Tile Africa Holdings Ltd	TLF	March 10, 1999	-	-	-	JSE	Yes
Gray Security Services Ltd	GRA	March 11, 1999	-	-	-	JSE	Yes

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door (Reverse) Listings	Missing Prospectus/Pre-listing Statements	Primary Listing	IPO Research Sample Population
Cycad Financial Holdings Ltd	CYD	March 24, 1999	-	-	-	JSE	Yes
Hix Technologies Ltd	HXT	March 24, 1999	-	-	-	JSE	Yes
Smacsoft Group Ltd	SMT	March 24, 1999	-	-	-	JSE	Yes
Women Investment Portfolio Holdings Ltd	WPH	March 24, 1999	Yes	-	-	JSE	-
Heritage Collection Holdings Ltd	HCL	March 25, 1999	-	-	-	JSE	Yes
Mazal Mining & Exploration Ltd	MZL	March 25, 1999	-	-	-	JSE	Yes
Taufin Holdings Ltd	TUF	March 25, 1999	-	-	-	JSE	Yes
Millionair Charter Ltd	MLL	April 7, 1999	Yes	-	-	JSE	-
Samrand Development Holdings Ltd	SMR	April 8, 1999	-	-	Yes	JSE	-
Cadiz Holdings Ltd	CDZ	April 14, 1999	-	-	-	JSE	Yes
Synergy Holdings Ltd	SNG	April 14, 1999	-	-	-	JSE	Yes
Union Alliance Media Ltd	UAM	April 14, 1999	Yes	-	-	JSE	-
Consumer Credit Holdings Ltd	CDR	April 20, 1999	-	-	-	JSE	Yes
Netactive Ltd	NET	April 21, 1999	-	-	-	JSE	Yes
Interconnective Solutions Ltd	ILT	April 22, 1999	-	-	-	JSE	Yes
Central Information Holdings Ltd	CIH	April 28, 1999	-	-	-	JSE	Yes
APS Technologies Ltd	APE	April 29, 1999	-	-	-	JSE	Yes

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door (Reverse) Listings	Missing Prospectus/Pre-listing Statements	Primary Listing	IPO Research Sample Population
Paracon Holdings Ltd	PCN	April 29, 1999	-	-	-	JSE	Yes
Essential Beverage Holdings Ltd	ESS	May 5, 1999	Yes	-	-	JSE	-
Sekunjalo Investments Ltd	SKJ	May 12, 1999	-	-	-	JSE	Yes
AMB Private Equity Partners Ltd	APP	May 14, 1999	-	-	-	JSE	Yes
Elvey Security Technologies Ltd	ESC	May 20, 1999	-	-	-	JSE	Yes
Anglo American Plc	AGL	May 24, 1999	-	-	-	London	-
National Sporting Index Ltd	NSI	May 25, 1999	-	-	-	JSE	Yes
Pennystocks Investments Ltd	PNY	May 25, 1999	-	-	-	JSE	Yes
Acuity Group Holdings Ltd	ACY	May 26, 1999	-	-	-	JSE	Yes
Streamworks Group Ltd	SMK	May 26, 1999	-	-	-	JSE	Yes
U-Trade Ltd	UTE	May 26, 1999	-	-	-	JSE	Yes
Noble Minerals Ltd	NBL	June 4, 1999	-	-	-	JSE	Yes
Stella Vista Technologies Ltd	SLL	June 10, 1999	-	-	-	JSE	Yes
Trans Ocean Diamond Mining Ltd	ODM	June 11, 1999	-	Yes	-	JSE	-
Forza Group Ltd	FOZ	June 15, 1999	-	Yes	-	JSE	-
Money Web Holdings Ltd	MNY	June 17, 1999	-	-	-	JSE	Yes
Liberty International Plc	LBT	June 24, 1999	-	-	-	London	-

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door (Reverse) Listings	Missing Prospectus/Pre-listing Statements	Primary Listing	IPO Research Sample Population
Magnum Global Funds S.A. Ltd	MGF	June 24, 1999	-	-	-	JSE	Yes
Y2KTec Ltd	YTC	June 28, 1999	-	-	-	JSE	Yes
Acumen Holdings Ltd	AUM	June 30, 1999	-	-	-	JSE	Yes
Contlan Holdings Ltd	CON	June 30, 1999	-	-	-	JSE	Yes
Aveng Ltd	AEG	July 5, 1999	-	-	Yes	JSE	-
Shawcell Telecommunications Ltd	SWL	July 6, 1999	-	-	-	JSE	Yes
Old Mutual plc	OML	July 12, 1999	-	-	-	London	-
Africa Glass Industries Ltd	AGS	July 14, 1999	-	-	-	JSE	Yes
Bynx Ltd	BYX	July 15, 1999	-	-	-	JSE	Yes
Tradek Holdings Ltd	TDK	July 19, 1999	-	-	Yes	JSE	-
Advanced Software Tech-logies - Abraxas Ltd	AAA	August 2, 1999	Yes	-	-	JSE	-
MIH Holdings Ltd	MHH	August 2, 1999	-	-	Yes	JSE	-
M-Web Holdings Ltd	MEB	August 2, 1999	Yes	-	-	JSE	-
PSG Investment Bank Holdings Ltd	PGH	August 2, 1999	Yes	-	-	JSE	-
Intervid Ltd	ITV	August 18, 1999	-	-	-	JSE	Yes
Finshare Group Ltd	FNS	August 20, 1999	-	-	-	JSE	Yes
Nedcor Investment Bank Holdings Ltd	NIB	August 26, 1999	Yes	-	-	JSE	-

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door (Reverse) Listings	Missing Prospectus/Pre-listing Statements	Primary Listing	IPO Research Sample Population
Omega Alpha International IT Holdings Ltd	OAI	August 26, 1999	**Yes**	-	-	**JSE**	-
Spearhead Property Holdings Ltd	SPE	August 26, 1999	**Yes**	-	-	**JSE**	-
Mhangura Copper Mines Ltd	MCM	August 30, 1999	-	-	-	**Zimbabwe**	-
Incentive Holdings Ltd	ICT	September 3, 1999	**Yes**	-	-	**JSE**	-
ERP.Com Holdings Ltd	ERP	September 16, 1999	-	-	-	**JSE**	**Yes**
Investment Solutions Holdings Ltd	SLU	September 30, 1999	-	-	-	**JSE**	**Yes**
Prism Holdings Ltd	PIM	October 13, 1999	-	-	-	**JSE**	**Yes**
Community Tech-logies Ltd	CTH	October 18, 1999	-	-	**Yes**	**JSE**	-
Nexttvest Holdings Ltd	NXT	October 18, 1999	-	-	**Yes**	**JSE**	-
Auto Space Age Systems Ltd	AAS	October 20, 1999	**Yes**	-	-	**JSE**	-
Fe Squared Holdings Ltd	FEQ	October 20, 1999	-	-	-	**JSE**	**Yes**
Prada Tech-logies Ltd	PDH	October 20, 1999	-	-	-	**JSE**	**Yes**
Discovery Holdings Ltd	DSY	October 21, 1999	-	-	-	**JSE**	**Yes**
Gold Reef Casino Resorts Ltd	GDF	October 25, 1999	-	**Yes**	-	**JSE**	-
Dynamo Retail Ltd	DNM	November 8, 1999	-	**Yes**	-	**JSE**	-
Union Mines Ltd	UNN	November 10, 1999	-	-	**Yes**	**JSE**	-
Spur Corporation Ltd	SUR	November 29, 1999	**Yes**	-	-	**JSE**	-

Total Population of New Applicants	JSE Code	List Date	Introduction	Back Door (Reverse) Listings	Missing Prospectus/Pre-listing Statements	Primary Listing	IPO Research Sample Population
Primegro Properties Ltd	PMG	November 30, 1999	**Yes**	**-**	**-**	**JSE**	**-**
Metorex Ltd	MTX	December 6, 1999	**-**	**Yes**	**-**	**JSE**	**-**
Century Carbon Mining Ltd	CNY	December 13, 1999	**-**	**-**	**-**	**JSE**	**Yes**
DNA Supply Chains Ltd	DNA	December 14, 1999	**-**	**Yes**	**-**	**JSE**	**-**

Table 9.5 Schedule of 1999 Johannesburg Stock Exchange New Applicant Listings

ADDENDUM 10

SCHEDULES OF JOHANNESBURG STOCK EXCHANGE STOCK BROKING MEMBER FIRMS FROM AUGUST 1994 THROUGH MARCH 2000

I. JSE STOCK BROKING MEMBER FIRMS AT AUGUST 1994

Code	Stockbroker	Code	Stockbroker
B1	Alexander Paterson Faure Inc	B28	Lowenthal & Co
B2	Anderson, Wilson & Partners Inc	B29	Lurie, Johnston & Co Inc
B3	Boner & Freemantle Inc	B30	Martin & Co Inc
B4	BP Bernstein	B31	Martindale, Stacey, Trollip Inc
B5	CA Miller & Co Inc	B32	Mathison & Hollidge Inc
B6	Cahn, Price, Shapiro Inc	B33	Meades De Klerk Inc
B7	Davis, Borkum,Hare & Co Inc	B34	MP Human
B8	De Witt, Morgan & Co	B35	Nick Fredericksz & Co Inc
B9	Ed Hern, Rudolph Inc	B36	PLJ van Rensburg & Partners Inc
B10	Edey, Rogers & Co Inc	B37	Rice Rinaldi Turner & Co
B11	EW Balderson Inc	B38	Royden Roche & Co
B12	Fergusson Bros, Hall, Stewart & Co Inc	B39	Ryan Anderson & Co Inc
B13	Frankel Pollak Vinderine Inc	B40	Senekal, Mouton & Kitshoff Inc
B14	G O'Flaherty & Co	B41	Silvis, Barnard, Jacobs, Mellet & Co Inc
B15	George Huysamer & Partners Inc	B42	Simpson, McKie Inc
B16	GO Turner	B43	Solms & Co
B17	Golding & Slabbert Inc	B44	SP Reid & Mackeurtan Inc
B18	HAB Herbst Inc	B45	VH Simmons & Co Inc
B19	Hayes, Cutten & Co Inc	B46	WPL Trees & Co
B20	Irish & Menell Rosenberg Inc		
B21	Ivor Jones, Roy & Co Inc		
B22	JD Anderson & Co Inc		
B23	JM Fölscher & Co Inc		
B24	Kaplan & Stewart Inc		
B25	Kilroe, Whitehead & Co Inc		
B26	Lewer & Co		
B27	Lorenzani & Coogan Inc		

Table 10.1: Schedule of JSE member firms at August 1994

II. JSE STOCK BROKING MEMBER FIRMS FOR THE PERIOD DECEMBER 1994 THROUGH FEBRUARY 1995

Code	Period: December 1994 - February 1995	Code	Period: December 1994 - February 1995
B1	Alexander Paterson Faure Inc	B38	Royden Roche & Co
B2	Anderson, Wilson & Partners Inc	B39	Ryan Anderson & Co Inc
B3	Boner & Freemantle Inc	B40	Senekal, Mouton & Kitshoff Inc
B4	BP Bernstein	B41	Silvis, Barnard, Jacobs, Mellet & Co Inc
B5	CA Miller & Co Inc	B42	Simpson, McKie Inc
B6	Cahn, Price, Shapiro Inc	B43	Solms & Co
B7	Davis, Borkum,Hare & Co Inc	B44	SP Reid & Mackeurtan Inc
B8	De Witt, Morgan & Co	B45	VH Simmons & Co Inc
B9	Ed Hern, Rudolph Inc	B46	WPL Trees & Co
B10	Edey, Rogers & Co Inc		
B11	EW Balderson Inc		
B12	Fergusson Bros, Hall, Stewart & Co Inc		
B13	Frankel Pollak Vinderine Inc		
B14	G O'Flaherty & Co		
B15	George Huysamer & Partners Inc		
B16	GO Turner		
B17	Golding & Slabbert Inc		
B18	HAB Herbst Inc		
B19	Hayes, Cutten & Co Inc		
B20	Irish & Menell Rosenberg Inc		
B21	Ivor Jones, Roy & Co Inc		
B22	JD Anderson & Co Inc		
B23	JM Fölscher & Co Inc		
B24	Kaplan & Stewart Inc		
B25	Kilroe, Whitehead & Co Inc		
B26	Lewer & Co		
B27	Lorenzani & Coogan Inc		
B28	Lowenthal & Co		
B29	Lurie, Johnston & Co Inc		
B30	Martin & Co Inc		
B31	Martindale, Stacey, Trollip Inc		
B32	Mathison & Hollidge Inc		
B33	Meades De Klerk Inc		
B34	MP Human		
B35	Nick Fredericksz & Co Inc		
B36	PLJ van Rensburg & Partners Inc		
B37	Rice Rinaldi Turner & Co		

Table 10.2: Schedule of JSE member firms for the period December 1994 through February 1995

Code	Period: December 1994 - February 1995	
	Stockbroking Firm Deregistration	
	None	
	Stockbroking Firm Registration	
	None	
	Stockbroking Firm Name Change	
	Previously	**Now**
	None	None

Table 10.3: Schedule of JSE membership firms additions, deregistrations and name changes in respect of the period December 1994 through February 1995

III. JSE STOCK BROKING MEMBER FIRMS FOR THE PERIOD SEPTEMBER 1995 THROUGH FEBRUARY 1996

Code	Period: Sep 1995 - February 1996	Code	Period: Sep 1995 - February 1996
B1	Alexander Paterson Faure Inc	B47	Price Potgieter Inc
B2	Anderson, Wilson & Partners Inc	B37	Rice Rinaldi Turner & Co
B3	Boner & Freemantle Inc	B38	Royden Roche & Co
B4	BP Bernstein	B39	Ryan Anderson & Co Inc
B5	CA Miller & Co Inc	B40	Senekal, Mouton & Kitshoff Inc
B6	Cahn, Price, Shapiro Inc	B41	Silvis, Barnard, Jacobs, Mellet & Co Inc
B7	Davis, Borkum,Hare & Co Inc	B42	Simpson, McKie Inc
B8	De Witt, Morgan & Co	B43	Solms & Co
B9	Ed Hern, Rudolph Inc	B44	SP Reid & Mackeurtan Inc
B10	Edey, Rogers & Co Inc	B45	VH Simmons & Co Inc
B11	EW Balderson Inc	B46	WPL Trees & Co
B12	Fergusson Bros, Hall, Stewart & Co Inc		
B13	Frankel Pollak Vinderine Inc		
B14	G O'Flaherty & Co		
B15	George Huysamer & Partners Inc		
B16	GO Turner		
B17	Golding & Slabbert Inc		
B19	Hayes, Cutten & Co Inc		
B20	Irish & Menell Rosenberg Inc		
B21	Ivor Jones, Roy & Co Inc		
B22	JD Anderson & Co Inc		
B23	JM Fölscher & Co Inc		
B24	Kaplan & Stewart Inc		
B25	Kilroe, Whitehead & Co Inc		
B26	Lewer & Co		
B27	Lorenzani & Coogan Inc		
B28	Lowenthal & Co		
B29	Lurie, Johnston & Co Inc		
B30	Martin & Co Inc		
B31	Martindale, Stacey, Trollip Inc		
B32	Mathison & Hollidge Inc		
B33	Meades De Klerk Inc		
B34	MP Human		
B35	Nick Fredericksz & Co Inc		
B36	PLJ van Rensburg & Partners Inc		

Table 10.4: Schedule of JSE member firms for the period September 1995 through February 1996

Code	Period: Sep 1995 - February 1996	
	Stockbroking Firm Deregistration	
B18	HAB Herbst Inc	
	Stockbroking Firm Registration	
B47	Price Potgieter Inc	
	Stockbroking Firm Name Change	
	Previously	***Now***
	None	None

Table 10.5: Schedule of JSE membership firms additions, deregistrations and name changes in respect of the period September 1995 through February 1996

IV. JSE STOCK BROKING MEMBER FIRMS FOR THE PERIOD MARCH 1996 THROUGH AUGUST 1996

Code	Period: March 1996 - August 1996	Code	Period: March 1996 - August 1996
B1	Alexander Paterson Faure Inc	B33	Meades De Klerk Inc
B48	Alexander Securities (Pty) Ltd	B34	MP Human
B2	Anderson, Wilson & Partners Inc	B35	Nick Fredericksz, Britz & Co Inc
B49	BOE NatWest	B36	PLJ van Rensburg & Partners Inc
B3	Boner & Freemantle Inc	B47	Price Potgieter Inc
B4	BP Bernstein	B53	Professional Securities Ltd
B5	CA Miller & Co Inc	B37	Rice Rinaldi Turner & Co
B6	Cahn, Shapiro Inc	B54	RMB Securities Trading (Pty) Ltd
B8	De Witt, Morgan & Co	B39	Ryan Anderson & Co (Pty) Ltd
B10	Edey, Rogers & Co Inc	B55	SBC Warburg Securities (South Africa) (Pty) Ltd
B11	EW Balderson Inc	B41	Silvis, Barnard, Jacobs, Mellet & Co Inc
B12	Fergusson Bros Ltd	B42	Simpson, McKie James Capel (Pty) Ltd
B50	Firstcorp Capital Markets (Pty) Ltd	B7	Smith Borkum Hare (Pty) Ltd
B51	Fleming Martin Securities Ltd	B57	SMK Securities (Pty) Ltd
B13	Frankel Pollak (Pty) Ltd	B44	SP Reid & Mackeurtan Inc
B14	G O'Flaherty & Co	B58	TA Securities South Africa Ltd
B16	GO Turner	B59	UAL Securities (Pty) Ltd
B17	Golding & Slabbert Inc	B60	UBS Securities (Pty) Ltd
B15	Huysamer Stals Inc	B45	VH Simmons & Co Inc
B52	Investec Equities Ltd		
B20	Irish & Menell Rosenberg (Pty) Ltd		
B21	Ivor Jones, Roy & Co (Pty) Ltd		
B23	JM Fölscher & Co Inc		
B24	Kaplan & Stewart Inc		
B26	Lewer & Co		
B28	Lowenthal & Co		
B31	Martindale, Stacey, Du Toit (Pty) Ltd		
B32	Mathison & Hollidge Inc		

Table 10.6: Schedule of JSE member firms for the period March 1996 through August 1996

Code	Period: March 1996 - August 1996	
	Stockbroking Firm Deregistration	
B25	Kilroe, Whitehead & Co Inc	
B27	Lorenzani & Coogan Inc	
B29	Lurie, Johnston & Co Inc	
B43	Solms & Co	
B46	WPL Trees & Co	
B9	Ed Hern, Rudolph Inc	
B19	Hayes, Cutten & Co Inc	
B22	JD Anderson & Co Inc	
B30	Martin & Co Inc	
B38	Royden Roche & Co	
B40	Senekal, Mouton & Kitshoff Inc	
	Stockbroking Firm Registration	
B48	Alexander Securities (Pty) Ltd	
B49	BOE Natwest	
B50	Firstcorp Capital Markets (Pty) Ltd	
B51	Fleming Martin Securities Ltd	
B52	Investec Equities Ltd	
B53	Professional Securities Ltd	
B54	RMB Securities Trading (Pty) Ltd	
B55	SBC Warburg Securities (South Africa) (Pty) Ltd	
B57	SMK Securities (Pty) Ltd	
B58	TA Securities South Africa Ltd	
B59	UAL Securities (Pty) Ltd	
B60	UBS Securities (Pty) Ltd	
	Stockbroking Firm Name Change	
	Previously	**Now**
B6	Cahn, Price, Shapiro Inc	Cahn, Shapiro Inc
B12	Fergusson Bros,Hall, Stewart & Co Inc	Fergusson Bros Ltd
B15	George Huysamer & Partners Inc	Huysamer Stals Inc
B20	Irish & Menell Rosenberg Inc	Irish & Menell Rosenberg (Pty) Ltd
B21	Ivor Jones, Roy & Co Inc	Ivor Jones, Roy & Co (Pty) Ltd
B31	Martindale, Stacey, Trollip Inc	Martindale, Stacey, Du Toit (Pty) Ltd
B39	Ryan Anderson & Co Inc	Ryan Anderson & Co (Pty) Ltd
b42	Simpson, McKie Inc	Simpson, McKie James Capel (Pty) Ltd
B13	Frankel Pollak Vinderine Inc	Frankel Pollak (Pty) Ltd
B35	Nick Fredericksz & Co Inc	Nick Fredericksz, Britz & Co Inc

Table 10.7: Schedule of JSE membership firms additions, deregistrations and name changes in respect of the period March 1996 through August 1996

V. JSE STOCK BROKING MEMBER FIRMS FOR THE PERIOD SEPTEMBER 1996 THROUGH FEBRUARY 1997

Code	Period: September 1996 - February 1997	Code	Period: September 1996 - February 1997
B48	Alexander Securities (Pty) Ltd	B47	Price Potgieter Inc
B41	Barnard Jacobs Mellet & Co (Pty) Ltd	B53	Professional Securities Ltd
B49	BOE NatWest Securities Ltd	B37	Rice Rinaldi Turner & Co
B4	BP Bernstein	B54	RMB Securities Trading (Pty) Ltd
B5	CA Miller & Co Inc	B39	Ryan Anderson & Co (Pty) Ltd
B6	Cahn, Shapiro Inc	B55	SBC Warburg Securities (South Africa) (Pty) Ltd
B61	DC Palmer & Co	B42	Simpson, McKie James Capel (Pty) Ltd
B8	De Witt, Morgan & Co	B7	Smith Borkum Hare (Pty) Ltd
B10	Edey, Rogers & Co (Pty) Ltd	B57	SMK Securities (Pty) Ltd
B62	Equisec (Pty) Ltd	B44	SP Reid & Mackeurtan Inc
B11	EW Balderson Inc	B64	Standard Equities (Pty) Ltd
B12	Fergusson Bros Ltd	B58	TA Securities South Africa (Pty) Ltd
B50	Firstcorp Capital Markets (Pty) Ltd	B59	UAL Securities (Pty) Ltd
B51	Fleming Martin Securities Ltd	B60	UBS Securities (Pty) Ltd
B13	Frankel Pollak (Pty) Ltd	B45	VH Simmons & Co Inc
B14	G O'Flaherty & Co (Pty) Ltd		
B16	GO Turner		
B17	Golding & Slabbert Inc		
B15	Huysamer Stals (Pty) Ltd		
B63	Ing Barings Southern Africa (Pty) Ltd		
B52	Investec Equities Ltd		
B20	Irish & Menell Rosenberg (Pty) Ltd		
B21	Ivor Jones, Roy & Co (Pty) Ltd		
B23	JM Fölscher & Co Inc		
B24	Kaplan & Stewart (Pty) Ltd		
B26	Lewer & Co		
B28	Lowenthal & Co		
B31	Martindale, Stacey, Du Toit (Pty) Ltd		
B32	Mathison & Hollidge Inc		
B33	Meades De Klerk Inc		
B35	Nick Fredericksz, Britz & Co Inc		
B36	PLJ van Rensburg & Partners Inc		

Table 10.8: Schedule of JSE member firms for the period September 1996 through February 1997

Code	Period: September 1996 - February 1997	
	Stockbroking Firm Deregistration	
B1	Alexander Paterson Faure Inc	
B2	Anderson, Wilson & Partners Inc	
B3	Boner & Freemantle Inc	
B34	MP Human	
	Stockbroking Firm Registration	
B61	DC Palmer & Co	
B62	Equisec (Pty) Ltd	
B63	ING Barings Southern Africa (Pty) Ltd	
B64	Standard Equities (Pty) Ltd	
	Stockbroking Firm Name Change	
	Previously	***Now***
B41	Silvis, Barnard, Jacobs, Mellet & Co Inc	Barnard Jacobs Mellet & Co (Pty) Ltd
B49	BOE Natwest	BOE Natwest Securities Ltd
B10	Edey, Rogers & Co Inc	Edey, Rogers & Co (Pty) Ltd
B14	G O'Flaherty & Co	G O'Flaherty & Co (Pty) Ltd
B15	Huysamer Stals Inc	Huysamer Stals (Pty) Ltd
B24	Kaplan & Stewart Inc	Kaplan & Stewart (Pty) Ltd
B58	TA Securities South Africa Ltd	TA Securities South Africa (Pty) Ltd

Table 10.9: Schedule of JSE membership firms additions, deregistrations and name changes in respect of the period September 1996 through February 1997

VI. JSE STOCK BROKING MEMBER FIRMS FOR THE PERIOD MARCH 1997 THROUGH AUGUST 1997

Code	Period: March 1997 - August 1997	Code	Period: March 1997 - August 1997
B48	Alexander Securities (Pty) Ltd	B47	Price Potgieter Inc
B41	Barnard Jacobs Mellet & Co (Pty) Ltd	B53	Professional Securities Ltd
B49	BOE NatWest Securities Ltd	B69	Raymond James Stewart (Pty) Ltd
B4	BP Bernstein	B37	Rice Rinaldi Turner & Co
B5	CA Miller de Kock & Co (Pty) Ltd	B54	RMB Securities Trading (Pty) Ltd
B6	Cahn, Shapiro Inc	B55	SBC Warburg Securities (South Africa) (Pty) Ltd
B65	Capital Alliance Securities (Pty) Ltd	B42	Simpson, McKie James Capel (Pty) Ltd
B61	DC Palmer & Co	B7	Smith Borkum Hare (Pty) Ltd
B8	De Witt, Morgan & Co	B57	SMK Securities (Pty) Ltd
B66	Deutsche Morgan Grenfell (Pty) Ltd	B13	Societé Générale Frankel Pollak (Pty) Ltd
B10	Edey, Rogers & Co (Pty) Ltd	B44	SP Reid & Mackeurtan Inc
B62	Equisec (Pty) Ltd	B64	Standard Equities (Pty) Ltd
B11	EW Balderson Inc	B70	Syfrets Securities Ltd
B12	Fergusson Bros Ltd	B58	TA Securities South Africa (Pty) Ltd
B50	First National Equities (Pty) Ltd	B59	UAL Securities (Pty) Ltd
B51	Fleming Martin Securities Ltd	B60	UBS Simmons & Co Inc
B14	G O'Flaherty & Co (Pty) Ltd	B45	VH Simmons & Co (Pty) Ltd
B17	Golding & Slabbert Inc		
B15	Huysamer Stals (Pty) Ltd		
B63	ING Barings Southern Africa (Pty) Ltd		
B52	Investec Equities Ltd		
B67	Investec Securities Ltd		
B20	Irish & Menell Rosenberg (Pty) Ltd		
B23	JM Fölscher & Co Inc		
B24	Kaplan & Stewart (Pty) Ltd		
B68	Legae Securities (Pty) Ltd		
B26	Lewer & Co		
B28	Lowenthal & Co		
B31	Martindale, Stacey, Du Toit (Pty) Ltd		
B32	Mathison & Hollidge Inc		
B33	Meades De Klerk Inc		
B35	Nick Fredericksz, Britz & Co Inc		
B36	PLJ van Rensburg & Partners Inc		

Table 10.10: Schedule of JSE member firms for the period March 1997 through August 1997

Code	Period: March 1997 - August 1997	
	Stockbroking Firm Deregistration	
B39	Ryan Anderson & Co (Pty) Ltd	
B16	GO Turner	
B21	Ivor Jones, Roy & Co (Pty) Ltd	
	Stockbroking Firm Registration	
B65	Capital Alliance Securities (Pty) Ltd	
B66	Deutsche Morgan Grenfell (Pty) Ltd	
B67	Investec Securities Ltd	
B68	Legae Securities (Pty) Ltd	
B69	Raymond James Stewart (Pty) Ltd	
B70	Syfrets Securities Ltd	
	Stockbroking Firm Name Change	
	Previously	***Now***
B5	CA Miller & Co Inc	CA Miller de Kock & Co (Pty) Ltd
B50	Firstcorp Capital Markets (Pty) Ltd	First National Equities (Pty) Ltd
B13	Frankel Pollak (Pty) Ltd	Societé Générale Frankel Pollak (Pty) Ltd

Table 10.11: Schedule of JSE membership firms additions, deregistrations and name changes in respect of the period March 1997 through August 1997

VII. JSE STOCK BROKING MEMBER FIRMS FOR THE PERIOD SEPTEMBER 1997 THROUGH FEBRUARY 1998

Code	Period: September 1997 – February 1998	Code	Period: September 1997– February 1998
B41	Barnard Jacobs Mellet & Co (Pty) Ltd	B68	Legae Securities (Pty) Ltd
B49	BOE NatWest Securities Ltd	B26	Lewer & Co
B4	BP Bernstein	B28	Lowenthal & Co
B5	CA Miller de Kock & Co (Pty) Ltd	B31	Martindale, Stacey, Du Toit (Pty) Ltd
B6	Cahn, Shapiro Inc	B32	Mathison & Hollidge (Pty) Ltd
B65	Capital Alliance Securities (Pty) Ltd	B35	Nick Fredericksz, Britz & Co (Pty) Ltd
B71	Consilium Capital (SA) (Pty) Ltd	B36	PJL Financial Services Ltd
B72	Coronation Securities (Pty) Ltd	B47	Price Potgieter Inc
B61	DC Palmer & Co	B53	Professional Securities Ltd
B8	De Witt, Morgan & Co	B69	Raymond James Stewart (Pty) Ltd
B66	Deutsche Morgan Grenfell (Pty) Ltd	B37	Rice Rinaldi Turner & Co
B73	Dynamo Securities (Pty) Ltd	B54	RMB Securities (Pty) Ltd
B10	Edey, Rogers & Co (Pty) Ltd	B55	SBC Warburg Securities (South Africa) (Pty) Ltd
B62	Equisec (Pty) Ltd	B7	Smith Borkum Hare (Pty) Ltd
B11	EW Balderson Inc	B57	SMK Securities (Pty) Ltd
B50	First National Equities (Pty) Ltd	B13	Societé Générale Frankel Pollak (Pty) Ltd
B51	Fleming Martin Securities Ltd	B44	SP Reid & Mackeurtan (Pty) Ltd
B14	G O'Flaherty Sundelson & Co (Pty) Ltd	B64	Standard Equities (Pty) Ltd
B33	GM De Klerk Inc	B70	Syfrets Securities Ltd
B17	Golding & Slabbert (Pty) Ltd	B58	TA Securities South Africa Ltd
B42	HSBC Simpson McKie (Pty) Ltd	B59	UAL Securities (Pty) Ltd
B15	Huysamer Stals (Pty) Ltd	B60	UBS Securities (Pty) Ltd
B63	ING Barings Southern Africa (Pty) Ltd	B45	VH Simmons & Co (Pty) Ltd
B67	Investec Securities Ltd		
B20	Irish & Menell Rosenberg (Pty) Ltd		
B23	JM Fölscher & Co Inc		

Table 10.12: Schedule of JSE member firms for the period September 1997 through February 1998

Code	Period: September 1997 - February 1998	
	Stockbroking Firm Deregistration	
B48	Alexander Securities (Pty) Ltd	
B12	Fergusson Bros Ltd	
B52	Investec Equities Ltd	
B24	Kaplan & Stewart (Pty) Ltd	
	Stockbroking Firm Registration	
B71	Consilium Capital (SA) (Pty) Ltd	
B72	Coronation Securities (Pty) Ltd	
B73	Dynamo Securities (Pty) Ltd	
	Stockbroking Firm Name Change	
	Previously	**Now**
B42	Simpson, McKie James Capel (Pty) Ltd	HSBC Simpson McKie (Pty) Ltd
B17	Golding & Slabbert Inc	Golding & Slabbert (Pty) Ltd
B32	Mathison & Hollidge Inc	Mathison & Hollidge (Pty) Ltd
B35	Nick Fredericksz, Britz & Co Inc	Nick Fredericksz, Britz & Co (Pty) Ltd
B54	RMB Securities Trading (Pty) Ltd	RMB Securities (Pty) Ltd
B44	SP Reid & Mackeurtan Inc	SP Reid & Mackeurtan (Pty) Ltd
B58	TA Securities South Africa (Pty) Ltd	TA Securities South Africa Ltd
B14	G O'Flaherty & Co (Pty) Ltd	G O'Flaherty Sundelson & Co (Pty) Ltd
B33	Meades De Klerk Inc	GM De Klerk Inc
B36	PLJ van Rensburg & Partners Inc	PJL Financial Services Ltd
B60	UBS Simmons & Co Inc	UBS Securities (Pty) Ltd

Table 10.13: Schedule of JSE membership firms additions, deregistrations and name changes in respect of the period September 1997 through February 1998

VIII. JSE STOCK BROKING MEMBER FIRMS FOR THE PERIOD MARCH 1998 THROUGH AUGUST 1998

Code	Period: March 1998 - August 1998	Code	Period: March 1998 - August 1998
B41	Barnard Jacobs Mellet & Co Inc	B31	Martindale, Stacey, Du Toit (Pty) Ltd
B49	BOE NatWest Securities Ltd	B32	Mathison & Hollidge (Pty) Ltd
B4	BP Bernstein	B35	Nick Fredericksz, Britz & Co (Pty) Ltd
B5	CA Miller de Kock & Co (Pty) Ltd	B14	O'Flaherty Sundelson & Co (Pty) Ltd
B6	Cahn, Shapiro Inc	B36	PJL Financial Services Ltd
B65	Capital Alliance Securities (Pty) Ltd	B47	Price Potgieter Inc
B71	Consilium Capital (SA) (Pty) Ltd	B53	Professional Securities Ltd
B72	Coronation Equities (Pty) Ltd	B69	Raymond James Stewart (Pty) Ltd
B61	DC Palmer & Co	B37	Rice Rinaldi Turner & Co
B8	De Witt, Morgan & Co	B54	RMB Securities (Pty) Ltd
B66	Deutsche Morgan Grenfell (Pty) Ltd	B55	SBC Warburg Dillon Read Securities (South Africa) (Pty) Ltd
B73	Dynamo Securities (Pty) Ltd	B7	Smith Borkum Hare (Pty) Ltd
B10	Edey, Rogers & Co (Pty) Ltd	B57	SMK Securities (Pty) Ltd
B62	Equisec (Pty) Ltd	B13	Societé Générale Frankel Pollak (Pty) Ltd
B11	EW Balderson Inc	B44	SP Reid & Mackeurtan (Pty) Ltd
B72	Finance Futures & Options (Pty) Ltd	B64	Standard Equities (Pty) Ltd
B50	First National Equities (Pty) Ltd	B58	TA Securities South Africa Ltd
B51	Fleming Martin Securities Ltd	B59	UAL Securities (Pty) Ltd
B33	GM De Klerk Inc	B60	UBS Securities (Pty) Ltd
B17	Golding & Slabbert (Pty) Ltd	B45	VH Simmons & Co (Pty) Ltd
B42	HSBC Simpson McKie (Pty) Ltd		
B15	Huysamer Stals (Pty) Ltd		
B63	ING Barings Southern Africa (Pty) Ltd		
B67	Investec Securities Ltd		
B20	Irish & Menell Rosenberg (Pty) Ltd		
B23	JM Fölscher & Co Inc		
B68	Legae Securities (Pty) Ltd		
B26	Lewer & Co		
B73	Lomberg, Pulford & Co (Pty) Ltd		
B28	Lowenthal & Co		

Table 10.14: Schedule of JSE member firms for the period March 1998 through August 1998

Code	Period: March 1998 - August 1998	
	Stockbroking Firm Deregistration	
B70	Syfrets Securities Ltd	
	Stockbroking Firm Registration	
B72	Finance Futures & Options (Pty) Ltd	
B73	Lomberg, Pulford & Co (Pty) Ltd	
	Stockbroking Firm Name Change	
	Previously	**Now**
B72	Coronation Securities (Pty) Ltd	Coronation Equities (Pty) Ltd
B41	Barnard Jacobs Mellet & Co (Pty) Ltd	Barnard Jacobs Mellet & Co Inc
B14	G O'Flaherty Sundelson & Co (Pty) Ltd	O'Flaherty Sundelson & Co (Pty) Ltd

Table 10.15: Schedule of JSE membership firms additions, deregistrations and name changes in respect of the period March 1998 through August 1998

IX. JSE STOCK BROKING MEMBER FIRMS FOR THE PERIOD SEPTEMBER 1998 THROUGH FEBRUARY 1999

Code	Period: September 1998 - February 1999	Code	Period: September 1998 - February 1999
B74	ABSA Securities (Pty) Ltd	B28	Lowenthal & Co
B41	Barnard Jacobs Mellet & Co Inc	B31	Martindale, Stacey, Du Toit (Pty) Ltd
B49	BOE Securities (Pty) Ltd	B32	Mathison & Hollidge (Pty) Ltd
B4	BP Bernstein	B7	Merrill Lynch Smith Borkum Hare (Pty) Ltd
B75	Brockhouse Cooper Bolus & Malan Securities (Pty) Ltd	B59	NIB Securities (Pty) Ltd
B5	CA Miller Raw & Co (Pty) Ltd	B35	Nick Fredericksz, Britz & Co (Pty) Ltd
B6	Cahn, Shapiro Inc	B14	O'Flaherty Sundelson & Co (Pty) Ltd
B65	Capital Alliance Securities (Pty) Ltd	B78	Peregrine Equities (Pty) Ltd
B71	Consilium Capital (SA) (Pty) Ltd	B36	PJL Financial Services Ltd
B72	Coronation Equities (Pty) Ltd	B47	Price Potgieter Inc
B61	DC Palmer & Co	B79	PSG Securities Ltd
B8	De Witt, Morgan & Co	B80	Real Africa Durolink Securities Ltd
B66	Deutsche Morgan Grenfell (Pty) Ltd	B81	Regal Treasury Securities Ltd
B76	Deximax Securities (Pty) Ltd	B37	Rice Rinaldi Turner & Co
B62	Equisec (Pty) Ltd	B24	RMB Securities (Pty) Ltd
B11	EW Balderson Inc	B13	Societé Générale Frankel Pollak (Pty) Ltd
B72	Finance Futures & Options (Pty) Ltd	B44	SP Reid & Mackeurtan (Pty) Ltd
B50	First National Equities (Pty) Ltd	B64	Standard Equities (Pty) Ltd
B51	Fleming Martin Securities Ltd	B58	TA Securities South Africa Ltd
B33	GM De Klerk Inc	B82	TB Securities (Pty) Ltd
B17	Golding Slabbert & Torr (Pty) Ltd	B83	Vector Equities (Pty) Ltd
B77	Greenwich Equities (Pty) Ltd	B45	VH Simmons & Co (Pty) Ltd
B42	HSBC Simpson McKie (Pty) Ltd	B55	Warburg Dillon Read Securities (South Africa) (Pty) Ltd
B15	Huysamer Stals (Pty) Ltd		
B63	ING Barings Southern Africa (Pty) Ltd		
B67	Investec Securities Ltd		
B20	Irish & Menell Rosenberg (Pty) Ltd		
B23	JM Fölscher & Co (Pty) Ltd		
B68	Legae Securities (Pty) Ltd		
B26	Lewer & Co		
B73	Lomberg, Pulford & Co (Pty) Ltd		

Table 10.16: Schedule of JSE member firms for the period September 1998 through February 1999

Code	Period: September 1998 - February 1999	
	Stockbroking Firm Deregistration	
B73	Dynamo Securities (Pty) Ltd	
B10	Edey, Rogers & Co (Pty) Ltd	
B60	UBS Securities (Pty) Ltd	
B53	Professional Securities Ltd	
B69	Raymond James Stewart (Pty) Ltd	
B57	SMK Securities (Pty) Ltd	
	Stockbroking Firm Registration	
B74	ABSA Securities (Pty) Ltd	
B75	Brockhouse Cooper Bolus & Malan Securities (Pty) Ltd	
B76	Decimax Securities (Pty) Ltd	
B77	Greenwich Equities (Pty) Ltd	
B78	Peregrine Equities (Pty) Ltd	
B79	PSG Securities Ltd	
B80	Real Africa Durolink Securities Ltd	
B81	Regal Treasury Securities Ltd	
B82	TB Securities (Pty) Ltd	
B83	Vector Equities (Pty) Ltd	
	Stockbroking Firm Name Change	
	Previously	**Now**
B55	SBC Warburg Dillon Read Securities (South Africa) (Pty) Ltd	Warburg Dillon Read Securities (South Africa) (Pty) Ltd
B49	BOE NatWest Securities Ltd	BOE Securities (Pty) Ltd
B5	CA Miller de Kock & Co (Pty) Ltd	CA Miller Raw & Co (Pty) Ltd
B23	JM Fölscher & Co Inc	JM Fölscher & Co (Pty) Ltd
B7	Smith Borkum Hare (Pty) Ltd	Merrill Lynch Smith Borkum Hare (Pty) Ltd
B17	Golding & Slabbert (Pty) Ltd	Golding Slabbert & Torr (Pty) Ltd
B59	UAL Securities (Pty) Ltd	NIB Securities (Pty) Ltd

Table 10.17: Schedule of JSE membership firms additions, deregistrations and name changes in respect of the period September 1998 through February 1999

X. JSE STOCK BROKING MEMBER FIRMS FOR THE PERIOD MARCH 1999 THROUGH AUGUST 1999

Code	Period: March 1999 - August 1999	Code	Period: March 1999 - August 1999
B84	ABN AMRO Securities South Africa (Pty) Ltd	B23	JM Fölscher & Co (Pty) Ltd
B74	ABSA Securities (Pty) Ltd	B37	Legacy Rice Rinaldi Securities (Pty) Ltd
B85	AMB Securities (Pty) Ltd	B68	Legae Securities (Pty) Ltd
B41	Barnard Jacobs Mellet & Co Inc	B26	Lewer & Co
B49	BOE Securities (Pty) Ltd	B73	Lomberg, Pulford & Co (Pty) Ltd
B4	BP Bernstein	B28	Lowenthal & Co
B86	Brait Securities (Pty) Ltd	B31	Martindale, Stacey, Du Toit (Pty) Ltd
B5	CA Miller Raw & Co (Pty) Ltd	B32	Mathison & Hollidge (Pty) Ltd
B6	Cahn, Shapiro Inc	B7	Merrill Lynch Smith Borkum Hare (Pty) Ltd
B87	Cazenove South Africa (Pty) Ltd	B90	Nexus Securities (Pty) Ltd
B71	Consilium Capital (SA) (Pty) Ltd	B59	NIB Securities (Pty) Ltd
B72	Coronation Equities (Pty) Ltd	B35	Nick Fredericksz, Britz & Co (Pty) Ltd
B88	Coronet Equities (Pty) Ltd	B14	O'Flaherty Sundelson & Co (Pty) Ltd
B61	DC Palmer & Co	B78	Peregrine Equities (Pty) Ltd
B8	De Witt, Morgan & Co	B36	PJL Financial Services Ltd
B66	Deutsche Morgan Grenfell (Pty) Ltd	B79	PSG Securities Ltd
B76	Deximax Securities (Pty) Ltd	B80	Real Africa Durolink Securities Ltd
B62	Equisec (Pty) Ltd	B81	Regal Treasury Securities Ltd
B11	EW Balderson Inc	B24	RMB Securities (Pty) Ltd
B72	Finance Futures & Options (Pty) Ltd	B13	Societé Générale Frankel Pollak (Pty) Ltd
B50	First National Equities (Pty) Ltd	B44	SP Reid & Mackeurtan (Pty) Ltd
B51	Fleming Martin Securities Ltd	B64	Standard Equities (Pty) Ltd
B33	GM De Klerk Inc	B58	TA Securities South Africa Ltd
B17	Golding Slabbert & Torr (Pty) Ltd	B83	Vector Equities (Pty) Ltd
B77	Greenwich Equities (Pty) Ltd	B45	VH Simmons & Co (Pty) Ltd
B42	HSBC Simpson McKie (Pty) Ltd	B55	Warburg Dillon Read Securities (South Africa) (Pty) Ltd
B89	Independent Securities (Pty) Ltd		
B63	ING Barings Southern Africa (Pty) Ltd		
B67	Investec Securities Ltd		
B20	Irish & Menell Rosenberg (Pty) Ltd		
B91	Izan de Bruin & Co (Pty) Ltd		

Table 10.18: Schedule of JSE member firms for the period March 1999 through August 1999

Code	Period: March 1999 - August 1999	
	Stockbroking Firm Deregistration	
B15	Huysamer Stals (Pty) Ltd	
B47	Price Potgieter Inc	
B82	TB Securities (Pty) Ltd	
	Stockbroking Firm Registration	
B84	ABN AMRO Securities South Africa (Pty) Ltd	
B85	AMB Securities (Pty) Ltd	
B86	Brait Securities (Pty) Ltd	
B87	Cazenove South Africa (Pty) Ltd	
B88	Coronet Equities (Pty) Ltd	
B89	Independent Securities (Pty) Ltd	
B90	Nexus Securities (Pty) Ltd	
B91	Izan de Bruin & Co (Pty) Ltd	
	Stockbroking Firm Name Change	
	Previously	**Now**
B37	Rice Rinaldi Turner & Co	Legacy Rice Rinaldi Securities (Pty) Ltd

Table 10.19: Schedule of JSE membership firms additions, deregistrations and name changes in respect of the period March 1999 through August 1999

XI. JSE STOCK BROKING MEMBER FIRMS FOR THE PERIOD SEPTEMBER 1999 THROUGH FEBRUARY 2000

Code	Period: September 1999 - February 2000	Code	Period: September 1999 - February 2000
B84	ABN AMRO Securities South Africa (Pty) Ltd	B20	Irish & Menell Rosenberg (Pty) Ltd
B74	ABSA Securities (Pty) Ltd	B91	Izan de Bruin & Co (Pty) Ltd
B85	AMB-DLJ Securities (Pty) Ltd	B23	JM Fölscher & Co (Pty) Ltd
B41	Barnard Jacobs Mellet & Co Inc	B68	Legae Securities (Pty) Ltd
B49	BOE Securities (Pty) Ltd	B26	Lewer & Co
B4	BP Bernstein	B73	Lomberg, Pulford & Co (Pty) Ltd
B86	Brait Securities (Pty) Ltd	B31	Martindale, Stacey, Du Toit (Pty) Ltd
B92	Brockhouse Cooper Bolus & Malan Securities (Pty) Ltd	B32	Mathison & Hollidge (Pty) Ltd
B5	CA Miller Raw & Co (Pty) Ltd	B7	Merrill Lynch South Africa (Pty) Ltd
B93	Cadiz Stock Broking (Pty) Ltd	B90	Nexus Securities (Pty) Ltd
B6	Cahn, Shapiro Inc	B59	NIB Securities (Pty) Ltd
B87	Cazenove South Africa (Pty) Ltd	B35	Nick Fredericksz Britz & Co (Pty) Ltd
B71	Consilium Capital (SA) (Pty) Ltd	B14	O'Flaherty Sundelson & Co (Pty) Ltd
B72	Coronation Equities (Pty) Ltd	B78	Peregrine Equities (Pty) Ltd
B61	DC Palmer & Co	B97	Philippus de Witt (Pty) Ltd
B94	Decillion Securities (Pty) Ltd	B36	PJL Financial Services Ltd
B66	Deutsche Morgan Grenfell (Pty) Ltd	B79	PSG Securities Ltd
B8	DWM Securities (Pty) Ltd	B98	Quyn Securities (Pty) Ltd
B62	Equisec (Pty) Ltd	B80	Real Africa Durolink Securities Ltd
B11	EW Balderson Inc	B81	Regal Treasury Securities Ltd
B72	FFO Securities (Pty) Ltd	B37	Rice Rinaldi Securities (Pty) Ltd
B50	First National Equities (Pty) Ltd	B24	RMB Securities (Pty) Ltd
B51	Fleming Martin Securities Ltd	B13	Societé Générale Frankel Pollak (Pty) Ltd
B95	Gensec Trading (Pty) Ltd	B44	SP Reid & Mackeurtan (Pty) Ltd
B33	GM De Klerk Inc	B64	Standard Equities (Pty) Ltd
B17	Golding Torr & De Decker (Pty) Ltd	B58	TA Securities South Africa Ltd
B77	Greenwich Securities (Pty) Ltd	B99	Tradek.Com (Pty) Ltd
B42	HSBC Simpson McKie (Pty) Ltd	B100	U-Trade Securities (Pty) Ltd
B96	IDE Securities (Pty) Ltd	B83	Vector Equities (Pty) Ltd
B28	Incentive Lowenthal & Co	B45	VH Simmons & Co (Pty) Ltd
B89	Independent Securities (Pty) Ltd	B55	Warburg Dillon Read Securities (South Africa) (Pty) Ltd
B63	ING Barings Southern Africa Limited	B101	WJ Morgan & Associates (Pty) Ltd
B67	Investec Securities Ltd		

Table 10.20: Schedule of JSE member firms for the period September 1999 through February 2000

Code	Period: September 1999 - February 2000	
	Stockbroking Firm Deregistration	
B88	Coronet Equities (Pty) Ltd	
B76	Decimax Securities (Pty) Ltd	
	Stockbroking Firm Registration	
B92	Brockhouse Cooper Bolus & Malan Securities (Pty) Ltd	
B93	Cadiz Stock Broking (Pty) Ltd	
B94	Decillion Securities (Pty) Ltd	
B95	Gensec Trading (Pty) Ltd	
B96	IDE Securities (Pty) Ltd	
B97	Philippus de Witt (Pty) Ltd	
B98	Quyn Securities (Pty) Ltd	
B99	Tradek.com (Pty) Ltd	
B100	U-Trade Securities (Pty) Ltd	
B101	WJ Morgan & Associates (Pty) Ltd	
	Stockbroking Firm Name Change	
	Previously	**Now**
B85	AMB Securities (Pty) Ltd	AMB-DJL Securities (Pty) Ltd
B37	Legacy Rice Rinaldi Securities (Pty) Ltd	Rice Rinaldi Securities (Pty) Ltd
B17	Golding Slabbert & Torr (Pty) Ltd	Golding Torr & De Decker (Pty) Ltd
B77	Greenwich Equities (Pty) Ltd	Greenwich Securities (Pty) Ltd
B28	Lowenthal & Co	Incentive Lowenthal & Co
B7	Merrill Lynch Smith Borkum Hare (Pty) Ltd	Merrill Lynch South Africa (Pty) Ltd
B8	De Witt, Morgan & Co	DWM Securities (Pty) Ltd
B72	Finance Futures & Options (Pty) Ltd	FFO Securities (Pty) Ltd

Table 10.21: Schedule of JSE membership firms additions, deregistrations and name changes in respect of the period September 1999 through February 2000

XII. JSE STOCK BROKING MEMBER FIRMS FOR THE PERIOD MARCH 2000 THROUGH AUGUST 2000

Code	Period: March 2000 - August 2000	Code	Period: March 2000 - August 2000
B84	ABN AMRO Securities South Africa (Pty) Ltd	B67	Investec Securities Ltd
B74	ABSA Securities (Pty) Ltd	B20	Irish & Menell Rosenberg (Pty) Ltd
B85	AMB-DLJ Securities (Pty) Ltd	B91	Izan de Bruin & Co (Pty) Ltd
B41	Barnard Jacobs Mellet & Co (Pty) Ltd	B23	JM Fölscher & Co (Pty) Ltd
B49	BOE Securities (Pty) Ltd	B68	Legae Securities (Pty) Ltd
B4	BP Bernstein	B26	Lewer & Co
B86	Brait Securities (Pty) Ltd	B73	Lomberg Pulford & Co (Pty) Ltd
B92	Brockhouse Cooper Bolus & Malan Securities (Pty) Ltd	B31	Martindale, Stacey, Du Toit (Pty) Ltd
B93	Cadiz Stock Broking (Pty) Ltd	B7	Merrill Lynch South Africa (Pty) Ltd
B6	Cahn, Shapiro Inc	B59	NIB Securities (Pty) Ltd
B87	Cazenove South Africa (Pty) Ltd	B35	Nick Fredericksz Britz & Co (Pty) Ltd
B71	Consilium Capital (SA) (Pty) Ltd	B14	O'Flaherty Sundelson & Co (Pty) Ltd
B72	Coronation Equities (Pty) Ltd	B78	Peregrine Equities (Pty) Ltd
B61	DC Palmer & Co	B97	Philippus de Witt (Pty) Ltd
B94	Decillion Securities (Pty) Ltd	B36	PJL Financial Services Ltd
B66	Deutsche Morgan Grenfell (Pty) Ltd	B79	PSG Securities Ltd
B8	DWM Securities (Pty) Ltd	B98	Quyn Securities (Pty) Ltd
B62	Equisec (Pty) Ltd	B80	Real Africa Durolink Securities Ltd
B11	EW Balderson (Pty) Ltd	B81	Regal Treasury Securities Ltd
B72	FFO Securities (Pty) Ltd	B37	Rice Rinaldi Securities (Pty) Ltd
B50	First National Equities (Pty) Ltd	B24	RMB Securities (Pty) Ltd
B51	Fleming Martin Securities Ltd	B13	Societé Générale Frankel Pollak (Pty) Ltd
B95	Gensec Trading (Pty) Ltd	B44	SP Reid & Mackeurtan (Pty) Ltd
B102	Global Capital Securities (Pty) Ltd	B64	Standard Equities (Pty) Ltd
B33	GM De Klerk Inc	B58	TA Securities South Africa Ltd
B17	Golding Torr & De Decker (Pty) Ltd	B99	Tradek.Com (Pty) Ltd
B77	Greenwich Securities (Pty) Ltd	B100	U-Trade Securities (Pty) Ltd
B42	HSBC Simpson McKie (Pty) Ltd	B83	Vector Equities (Pty) Ltd
B96	IDE Securities (Pty) Ltd	B45	VH Simmons & Co (Pty) Ltd
B28	Incentive Holdings Ltd	B55	Warburg Dillon Read Securities (South Africa) (Pty) Ltd
B89	Independent Securities (Pty) Ltd	B101	WJ Morgan & Associates (Pty) Ltd
B63	ING Barings Southern Africa Limited		

Table 10.22: Schedule of JSE member firms for the period March 2000 through August 2000

Code	Period: March 2000 - August 2000	
	Stockbroking Firm Deregistration	
B5	CA Miller Raw & Co (Pty) Ltd	
B32	Mathison & Hollidge (Pty) Ltd	
B90	Nexus Securities (Pty) Ltd	
	Stockbroking Firm Registration	
B102	Global Capital Securities (Pty) Ltd	
	Stockbroking Firm Name Change	
	Previously	**Now**
B28	Incentive Lowenthal & Co	Incentive Holdings Ltd

Table 10.23: Schedule of JSE membership firms additions, deregistrations and name changes in respect of the period March 2000 through August 2000

ADDENDUM 11

NEW APPLICANTS LISTING IN THE SAMPLE PERIOD AND SUBSEQUENTLY EFFECTING DELISTINGS, SUSPENSIONS AND NAME CHANGES

I. NAME CHANGES

ORIGINAL ISSUER	RE-NAMED TO
Avis Holdings Limited	Avis Southern Africa Limited
Business Bank Limited, The	TBB Holdings Limited
Consumer Credit Holdings Limited	Credcor Limited
Convergent Network Limited	Tisec Limited
Coronet Capital limited	Natural Health Holdings Limited
Creditsure Holdings Limited	Unibank Investment Holdings Limited
First South African Food Holdings Limited	First Lifestyle Holdings Limited
Forbes Group Limited	Alexander Forbes Limited
Fulcrum Science & Technology Bank Controlling Company Limited	Corcapital Bank Controlling Company Limited
Integrated Health Technologies Limited	Integrated Technology Holdings Limited
JCI Limited	Invego Investments Limited
King Food Holdings Limited	King Consolidated Holdings Limited
Norvest Properties Limited	Arcay Group Limited
Paramed Holdings Limited	Sentry Group Limited
Pat Cornick Limited	Furnco Investments Limited
Savanha Holdings Limited	Trylogy Winecorp Limited
Software Connection Limited	Connection Group Holdings Limited
Ukhozi Property Fund Limited	Marriot Property Fund Limited
Umbono Investment Corporation Limited	Fusion Capital Limited
Integrated Consumer Products Limited	Chet Industries Limited
Log-Tek Holdings Limited	Conlog Holdings Limited

Table 11.1: Schedule of the sample population of new applicants affecting a name-change on the JSE during the sample period

II. SCHEDULE OF DELISTINGS

ISSUER	DELIST DATE	REASON
Seeff Holdings Limited	February 7, 1997	Voluntary winding up
Automakers Limited	April 25, 1997	Scheme of arrangement
Chromecorp Holdings Limited	April 1, 1998	Voluntary winding up (Disposal of Assets to SA)
NBS Boland Group Limited	July 31, 1998	Scheme of arrangement with BOE Ltd
Norwich Holdings South Africa Limited	August 28, 1998	Scheme of arrangement with Fedsure
Crown Consolidated Gold Recoveries Ltd	September 11, 1998	Scheme of arrangement with Durban Roodepoort Deep
Kalahari Goldridge Mining Company Limited	October 1, 1998	Scheme of arrangement with Harmony
Plessey Corporation Limited	October 9, 1998	Scheme of arrangement with Dimension Data
Hoechst South Africa Limited	November 6, 1998	Scheme of arrangement with Hoechst AG
Celtron Technologies Limited	November 16, 1998	In terms of section 17 of the Stock Exchange Control Act 1985
Knights Gold Mining Company Limited	November 16, 1998	In terms of section 17 of the Stock Exchange Control Act 1985
Excel Medical Holdings Limited	December 4, 1998	Scheme of arrangement with Clinics and Netcare
TCO Holdings Limited	January 25, 1999	Offer to minorities by Dimension Data
Megacor Holdings Limited	January 29, 1999	Scheme of arrangement
South African Empowerment Fund Investment Trust Company Limited	April 23, 1999	Scheme of arrangement
Barprop Limited	May 7, 1999	Purchase by Old Mutual at 800c per share
Amalia Gold Mining and Exploration Company Limited	June 3, 1999	In terms of section 17 of the Stock Exchange Control Act 1985
Chillers Group Limited	June 3, 1999	In terms of section 17 of the Stock Exchange Control Act 1985

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ISSUER	DELIST DATE	REASON
Ref Marketing & Media Limited	June 3, 1999	In terms of section 17 of the Stock Exchange Control Act 1985
Technology Communication Holdings Limited	June 25, 1999	Offer to minorities
Abraxas Investment Holdings Limited	July 30, 1999	Merger and listed as Advanced Software Technologies- Abraxas
Advanced Software Technologies Limited	July 30, 1999	Merger and listed as Advanced Software Technologies- Abraxas
Emerald Topbrand Sports Limited	September 6, 1999	In terms of section 17 of the Stock Exchange Control Act 1985
MSI Holdings Limited	September 10, 1999	In terms of section 17 of the Stock Exchange Control Act 1985
Qala Group Limited	November 7, 1999	Failure to meet listing requirements for publishing financial statements
Grinaker Construction Limited	November 26, 1999	Scheme of arrangement
Maranda Mines Limited	December 3, 1999	Scheme of arrangement with Metorex
Adcock Ingram Limited	December 17, 1999	Scheme of arrangement

Table 11.2: Schedule of the sample population of new applicants effecting a delisting from the JSE during the sample period

III. SUSPENSIONS

ISSUER	SUSPENSION DATE	REASON FOR SUSPENSION
Gold Edge Holdings Limited	October 15, 1998	Board of Directors suspended due to dispute with vendors

Table 11.3: Schedule of the sample population of new applicants suspended from the JSE during the sample period

ADDENDUM 12

SCHEDULE OF THE LIST BOARDS, CATEGORIES AND SECTORS UPON WHICH NEW APPLICANTS LISTED NEW ISSUES ON THE JSE FOR THE SAMPLE PERIOD

JSECODE	LISTDATE	LIST BOARD	LIST CATEGORY	LIST SECTOR
RAH	March 22, 1995	Main Board	Industrial	Industrial Holding
RAI	March 22, 1995	Main Board	Industrial	Industrial Holding
ALD	April 10, 1995	DCM	DCM	DCM
AML	April 12, 1995	Main Board	Gold	Rand & Other
JCI	May 15, 1995	Main Board	Mining Financial	Mining Houses
PTS	May 17, 1995	Main Board	Financial	Insurance
BEL	May 24, 1995	Main Board	Industrial	Engineering
ZNT	May 29, 1995	VCM	VCM	VCM
SOV	June 6, 1995	Main Board	Industrial	Food
MIL	June 15, 1995	Main Board	Financial	Property Loan Stock
PMM	June 21, 1995	Main Board	Financial	Property Loan Stock
MGX	June 26, 1995	Main Board	Industrial	Electronics and Electric
HCT	July 12, 1995	Main Board	Industrial	Chemicals, Oils & Plastic
PIN	July 24, 1995	Main Board	Industrial	Chemicals, Oils & Plastic
SEF	August 4, 1995	Main Board	Financial	Banks & Other Financials
MCE	August 14, 1995	VCM	VCM	VCM
PSY	September 27, 1995	Main Board	Industrial	Electronics and Electric
UKZ	September 27, 1995	Main Board	Financial	Property Trusts
ATK	October 24, 1995	Main Board	Industrial	Motor
CNK	November 29, 1995	Main Board	Industrial	Furniture, Household & A
KNT	December 4, 1995	Main Board	Gold	Rand & Others
NWH	December 4, 1995	Main Board	Financial	Insurance
ADL	January 8, 1996	Main Board	Industrial	Development Stage
NVT	January 29, 1996	Main Board	Financial	Property Loan Stock
GLB	February 5, 1996	VCM	VCM	VCM
ENR	March 1, 1996	Main Board	Mining Financial	Mining Exploration
BTO	March 11, 1996	Main Board	Industrial	Engineering
NCL	March 20, 1996	Main Board	Industrial	Stores
MTO	April 2, 1996	Main Board	Industrial	Stores
NCX	April 23, 1996	Main Board	Industrial	Food
FGM	April 29, 1996	Main Board	Industrial	Electronics and Electric
HWN	May 3, 1996	Main Board	Industrial	Engineering
TLT	May 17, 1996	Main Board	Industrial	Stores

JSECODE	LISTDATE	LIST BOARD	LIST CATEGORY	LIST SECTOR
ENV	May 20, 1996	Main Board	Industrial	Chemicals, Oils & Plastic
GSC	May 27, 1996	Main Board	Financial	Banks & Other Financial
HVN	June 12, 1996	Main Board	Industrial	Stores
KNG	June 14, 1996	Main Board	Industrial	Beverages, Hotels & Leis
ALN	June 18, 1996	Main Board	Industrial	Pharmaceutical & Medical
CHL	June 19, 1996	Main Board	Industrial	Food
EDC	June 19, 1996	Main Board	Industrial	Media
CRS	July 3, 1996	Main Board	Industrial	Pharmaceutical & Medical
BDM	July 30, 1996	Main Board	Industrial	Building & Construction
HCH	September 20, 1996	Main Board	Industrial	Stores
KGL	October 14, 1996	Main Board	Gold	Rand & Other
RBH	October 16, 1996	Main Board	Industrial	Beverages, Hotels & Leis
AFB	November 4, 1996	Main Board	Financial	Insurance
CHT	November 4, 1996	Main Board	Industrial	Stores
ADC	November 6, 1996	Main Board	Industrial	Pharmaceutical & Medical
ALC	November 6, 1996	Main Board	Industrial	Stores
OTK	November 11, 1996	Main Board	Industrial	Food
ABC	November 13, 1996	Main Board	Industrial	Media
TRX	November 22, 1996	Main Board	Industrial	Beverages, Hotels & Leis
GRC	December 2, 1996	Main Board	Industrial	Building & Construction
NTC	December 4, 1996	Main Board	Industrial	Pharmaceutical & Medical
SSA	January 1, 1997	Main Board	Industrial	Media
CTC	February 12, 1997	VCM	VCM	VCM
SHR	February 17, 1997	Main Board	Industrial	Beverages, Hotels & Leis
SFT	February 19, 1997	Main Board	Industrial	Electronics & Electrical
MGC	March 4, 1997	Main Board	Industrial	Building & Construction
LTR	April 3, 1997	Main Board	Industrial	Stores
MST	April 3, 1997	Main Board	Industrial	Electronics & Electrical
AVS	April 7, 1997	Main Board	Industrial	Beverages, Hotels & Leis
TRT	April 7, 1997	Main Board	Industrial	Beverages, Hotels & Leis
NDS	April 25, 1997	Main Board	Industrial	Beverages, Hotels & Leis
AMA	May 8, 1997	Main Board	Industrial	Electronics & Electrical
MAR	May 14, 1997	Main Board	Mining Producers	Metals & Minerals
STT	June 2, 1997	Main Board	Cash Companies	Cash Companies
VTR	June 4, 1997	Main Board	Financial	Investments Trusts
LFS	June 10, 1997	Main Board	Industrial	Food
PUR	July 7, 1997	Main Board	Industrial	Packaging & Printing
SIL	July 21, 1997	Main Board	Cash Companies	Cash Companies
BIL	July 28, 1997	Main Board	Mining Finance	Mining Houses
ABR	August 5, 1997	Main Board	Industrial	Food

JSECODE	LISTDATE	LIST BOARD	LIST CATEGORY	LIST SECTOR
ARX	September 15, 1997	Main Board	Industrial	Electronics & Electrical
OTR	September 22, 1997	Main Board	Mining Finance	Mining Exploration
CES	September 23, 1997	Main Board	Financial	Investments Trusts
CCH	September 29, 1997	Main Board	Industrial	Electronics & Electrical
CLE	September 29, 1997	Main Board	Financial	Insurance
FCS	September 29, 1997	Main Board	Industrial	Beverages, Hotels & Leis
AHV	October 1, 1997	Main Board	Financial	Redevelopment
CCT	October 1, 1997	Main Board	Industrial	Electronics & Electrical
SMC	October 2, 1997	Main Board	Mining Finance	Mining Exploration
PDM	October 7, 1997	Main Board	Industrial	Media
AGR	October 8, 1997	Main Board	Industrial	Clothing, Footwear & Tex
MXR	October 15, 1997	Main Board	Industrial	Stores
PAR	October 20, 1997	Main Board	Industrial	Electronics & Electrical
WHL	October 20, 1997	Main Board	Industrial	Stores
MMW	October 21, 1997	DCM	DCM	DCM
BNT	October 22, 1997	Main Board	Financial	Property
MUM	October 22, 1997	VCM	VCM	VCM
NBB	October 23, 1997	Main Board	Financial	Banks & Financial Service
EXC	October 27, 1997	Main Board	Industrial	Pharmaceutical & Medical
OUS	October 29, 1997	Main Board	Financial	Banks & Financial Service
PAG	October 29, 1997	Main Board	Industrial	Packaging & Printing
PSG	November 3, 1997	Main Board	Financial	Banks & Financial Service
OHA	November 4, 1997	Main Board	Industrial	Beverages, Hotels & Leis
BSB	November 5, 1997	Main Board	Industrial	Stores
STO	November 5, 1997	Main Board	Industrial	Electronics & Electrical
BRC	November 10, 1997	Main Board	Industrial	Stores
CRO	November 10, 1997	Main Board	Gold	Rand & Others
RDS	November 11, 1997	Main Board	Industrial	Electronics & Electrical
EPW	November 12, 1997	Main Board	Financial	Redevelopment
MOL	November 17, 1997	Main Board	Industrial	Food
RAG	November 17, 1997	Main Board	Industrial	Stores
APK	November 19, 1997	Main Board	Industrial	Packaging & Printing
AVE	November 20, 1997	Main Board	Industrial	Media
AWT	November 20, 1997	Main Board	Industrial	Beverages, Hotels & Leis
BEG	November 20, 1997	Main Board	Industrial	Pharmaceutical & Medical
TBX	November 20, 1997	Main Board	Mining Finance	Mining Exploration
TMT	November 20, 1997	Main Board	Financial	Investments Trusts
AMB	November 21, 1997	Main Board	Financial	Banks & Financial Service
REF	November 25, 1997	VCM	VCM	VCM
WET	November 27, 1997	Main Board	Industrial	Stores

JSECODE	LISTDATE	LIST BOARD	LIST CATEGORY	LIST SECTOR
PRT	December 4, 1997	Main Board	Industrial	Stores
SVH	December 8, 1997	DCM	DCM	DCM
AQL	December 10, 1997	Main Board	Financial	Investments Trusts
ITI	December 10, 1997	VCM	VCM	VCM
APL	December 11, 1997	VCM	VCM	VCM
AME	December 15, 1997	Main Board	Industrial	Media
GUB	January 1, 1998	Main Board	Industrial	Clothing, Footwear & Text
HLT	January 21, 1998	VCM	VCM	VCM
MNS	January 26, 1998	Main Board	Industrial	Media
BRW	January 29, 1998	VCM	VCM	VCM
TDL	January 30, 1998	Main Board	Development Stag	Development Stage
GFL	February 2, 1998	Main Board	Gold	Rand & Others
LGT	February 2, 1998	Main Board	Industrial	Electronics & Electrical
BJM	February 17, 1998	Main Board	Financial	Banks & Financial Service
INF	February 19, 1998	Main Board	Industrial	Electronics & Electrical
TBB	March 4, 1998	Main Board	Development Stag	Development Stage
RNS	March 19, 1998	Main Board	Industrial	Stores
OXB	March 24, 1998	VCM	VCM	VCM
TOT	March 31, 1998	VCM	VCM	VCM
DAE	April 1, 1998	Main Board	Industrial	Electronics & Electrical
TCM	April 7, 1998	VCM	VCM	VCM
ELX	April 15, 1998	DCM	DCM	DCM
IOT	April 20, 1998	Main Board	Financial	Banks & Financial Service
MSH	April 20, 1998	VCM	VCM	VCM
PVT	April 29, 1998	Main Board	Industrial	Media
LAF	May 7, 1998	Main Board	Industrial	Industrial Holdings
TRU	May 11, 1998	Main Board	Industrial	Stores
HDG	May 13, 1998	Main Board	Financial	Banks & Financial Service
MPL	May 21, 1998	Main Board	Financial	Property Loan Stock
GLO	May 25, 1998	Main Board	Financial	Investment Trusts
VNM	May 27, 1998	Main Board	Financial	Investment Trusts
CDG	May 28, 1998	Main Board	Industrial	Stores
FUL	June 8, 1998	Main Board	Industrial	Development Stage
ZPT	June 9, 1998	VCM	VCM	VCM
ILA	June 10, 1998	Main Board	Industrial	Stores
PGR	June 10, 1998	Main Board	Financial	Banks & Financial Service
BPP	June 22, 1998	Main Board	Financial	Property Loan Stock
CDS	June 25, 1998	Main Board	Industrial	Development Stage
RAD	June 25, 1998	Main Board	Financial	Banks & Financial Service
GMB	June 26, 1998	Main Board	Financial	Insurance

JSECODE	LISTDATE	LIST BOARD	LIST CATEGORY	LIST SECTOR
ACR	June 29, 1998	Main Board	Industrial	Electronics & Electrical
BRY	July 1, 1998	VCM	VCM	VCM
CPM	July 2, 1998	Main Board	Industrial	Media
JCG	July 6, 1998	Main Board	Mining Finance	Mining Holdings
BRT	July 8, 1998	Main Board	Financial	Redevelopment
TCS	July 9, 1998	Main Board	Industrial	Media
TCO	July 14, 1998	VCM	VCM	VCM
NMB	July 21, 1998	Main Board	Industrial	Food
COM	July 22, 1998	Main Board	Industrial	Transport
COR	July 23, 1998	DCM	DCM	DCM
GLL	July 24, 1998	Main Board	Industrial	Beverages, Hotels & Leis
VLC	July 24, 1998	VCM	VCM	VCM
BLB	July 30, 1998	Main Board	Industrial	Media
ITR	July 31, 1998	Main Board	Industrial	Food
KPM	August 5, 1998	Main Board	Metals & Mineral	Platinum
EDT	August 6, 1998	VCM	VCM	VCM
IDI	August 6, 1998	DCM	DCM	DCM
MTL	August 12, 1998	Main Board	Financial	Banks & Financial Service
VKG	August 12, 1998	VCM	VCM	VCM
EOH	August 14, 1998	VCM	VCM	VCM
ABE	August 17, 1998	DCM	DCM	DCM
GDC	August 17, 1998	Main Board	Financial	Property
ZLT	August 17, 1998	Main Board	Development Stag	Development Stage
LGV	August 25, 1998	VCM	VCM	VCM
CRX	August 26, 1998	Main Board	Industrial	Electronics & Electrical
WTC	September 1, 1998	VCM	VCM	VCM
IST	September 2, 1998	Main Board	Industrial	Electronics & Electrical
AST	September 9, 1998	Main Board	Industrial	Electronics & Electrical
UCS	September 9, 1998	Main Board	Industrial	Electronics & Electrical
CSY	September 10, 1998	DCM	DCM	DCM
MBT	September 17, 1998	Main Board	Industrial	Electronics & Electrical
TRF	September 17, 1998	DCM	DCM	DCM
DCT	September 23, 1998	Main Board	Industrial	Electronics & Electrical
ETS	September 23, 1998	DCM	DCM	DCM
SHF	September 23, 1998	Main Board	Industrial	Furniture, Household & A
CSH	September 28, 1998	DCM	DCM	DCM
GRW	September 29, 1998	Main Board	Financial	Banks & Financial Service
FSH	October 5, 1998	Main Board	Industrial	Stores
IVS	October 5, 1998	Main Board	Industrial	Chemicals, Oils & Plastic
SPR	October 5, 1998	Main Board	Industrial	Stores

JSECODE	LISTDATE	LIST BOARD	LIST CATEGORY	LIST SECTOR
GLE	October 9, 1998	Main Board	Financial	Property
IFW	October 13, 1998	DCM	DCM	DCM
PNT	October 13, 1998	VCM	VCM	VCM
VLE	October 26, 1998	Main Board	Industrial	Transport
CCL	November 3, 1998	Main Board	Industrial	Electronics & Electrical
IDQ	November 4, 1998	DCM	DCM	DCM
RCT	November 11, 1998	Main Board	Industrial	Electronics & Electrical
PTR	November 12, 1998	Main Board	Financial	Redevelopment
WTS	November 12, 1998	VCM	VCM	VCM
ECH	November 16, 1998	DCM	DCM	DCM
NTL	November 16, 1998	Main Board	Financial	Banks & Financial Service
MEC	November 17, 1998	Main Board	Industrial	Electronics & Electrical
DTR	November 18, 1998	VCM	VCM	VCM
OSI	November 20, 1998	Main Board	Industrial	Electronics & Electrical
GLT	November 24, 1998	Main Board	Industrial	Electronics & Electrical
CAE	November 25, 1998	Main Board	Financial	Redevelopment
EQX	November 25, 1998	Main Board	Financial	Banks & Financial Service
SDA	November 25, 1998	VCM	VCM	VCM
FRT	November 26, 1998	Main Board	Industrial	Electronics & Electrical
SOT	November 26, 1998	VCM	VCM	VCM
SLM	November 30, 1998	Main Board	Financial	Insurance
MWS	December 2, 1998	DCM	DCM	DCM
PLG	December 2, 1998	Main Board	Industrial	Chemicals, Oils & Plastic
TLC	December 2, 1998	Main Board	Industrial	Media
DGC	December 3, 1998	Main Board	Industrial	Electronics & Electrical
JMH	December 3, 1998	VCM	VCM	VCM
MRX	December 3, 1998	VCM	VCM	VCM
DOC	December 4, 1998	DCM	DCM	DCM
MTR	December 10, 1998	Main Board	Industrial	Development Stage
YHK	December 15, 1998	Main Board	Industrial	Electronics & Electrical
ALJ	December 21, 1998	VCM	VCM	VCM
QUY	January 20, 1999	Main Board	Financial	Financial Services
SKL	January 21, 1999	VCM	VCM	VCM
CYB	February 10, 1999	VCM	VCM	VCM
EPL	February 10, 1999	VCM	VCM	VCM
RFK	February 15, 1999	Main Board	Industrial	Media
APS	February 18, 1999	VCM	VCM	VCM
QMT	February 25, 1999	DCM	DCM	DCM
RGL	February 25, 1999	Main Board	Financial	Banks
APT	March 3, 1999	Main Board	Financial	Financial Services

JSECODE	LISTDATE	LIST BOARD	LIST CATEGORY	LIST SECTOR
THK	March 4, 1999	Main Board	Financial	Financial Services
SAB	March 8, 1999	Main Board	Industrial	Beverages
DEC	March 10, 1999	Main Board	Financial	Financial Services
TLF	March 10, 1999	Main Board	Industrial	Retail
GRA	March 11, 1999	Main Board	Industrial	Service
CYD	March 24, 1999	Main Board	Financial	Private Equity Funds
HXT	March 24, 1999	VCM	VCM	VCM
SMT	March 24, 1999	DCM	DCM	DCM
WPH	March 24, 1999	Main Board	Financial	Investment Trusts
HCL	March 25, 1999	VCM	VCM	VCM
MZL	March 25, 1999	Main Board	Mining Exploration	Mining Exploration
TUF	March 25, 1999	VCM	VCM	VCM
MLL	April 7, 1999	Main Board	Industrial	Transport
SMR	April 8, 1999	Main Board	Real Estate	Property
CDZ	April 14, 1999	Main Board	Financial	Financial Services
SNG	April 14, 1999	DCM	DCM	DCM
UAM	April 14, 1999	Main Board	Industrial	Redevelopment
CDR	April 20, 1999	Main Board	Financial	Financial Services
NET	April 21, 1999	Main Board	Development Stag	Development Stage
ILT	April 22, 1999	VCM	VCM	VCM
CIH	April 28, 1999	VCM	VCM	VCM
APE	April 29, 1999	DCM	DCM	DCM
PCN	April 29, 1999	Main Board	Industrial	Information Technology
ESS	May 5, 1999	VCM	VCM	VCM
SKJ	May 12, 1999	Main Board	Industrial	Hotels and Leisure
APP	May 14, 1999	Main Board	Financial	Private Equity Funds
ESC	May 20, 1999	Main Board	Industrial	Electronics and Electric
AGL	May 24, 1999	Main Board	Mining Holdings a	Mining Holdings and House
NSI	May 25, 1999	VCM	VCM	VCM
PNY	May 25, 1999	VCM	VCM	VCM
ACY	May 26, 1999	Main Board	Industrial	Education and Staffing
SMK	May 26, 1999	DCM	DCM	DCM
UTE	May 26, 1999	VCM	VCM	VCM
NBL	June 4, 1999	Main Board	Mining Resources	Mining Exploration
SLL	June 10, 1999	DCM	DCM	DCM
ODM	June 11, 1999	Main Board	Mining Producers	Diamonds
FOZ	June 15, 1999	Main Board	Industrial	Transport
MNY	June 17, 1999	DCM	DCM	DCM
LBT	June 24, 1999	Main Board	Property	Property
MGF	June 24, 1999	VCM	VCM	VCM

JSECODE	LISTDATE	LIST BOARD	LIST CATEGORY	LIST SECTOR
AUM	June 30, 1999	DCM	DCM	DCM
CON	June 30, 1999	VCM	VCM	VCM
AEG	July 5, 1999	Main Board	Industrial	Building, Construction an
SWL	July 6, 1999	Main Board	Industrial	Telecommunications
OML	July 12, 1999	Main Board	Insurance	Life Assurance
AGS	July 14, 1999	Main Board	Industrial	Retail
BYX	July 15, 1999	Main Board	Industrial	Information Technology
TDK	July 19, 1999	VCM	VCM	VCM
AAA	August 2, 1999	Main Board	Industrial	Information Technology
MHH	August 2, 1999	Main Board	Industrial	Media
MIB	August 2, 1999	Main Board	Industrial	Media
PGH	August 2, 1999	Main Board	Financial	Financial Services
ITV	August 18, 1999	DCM	DCM	DCM
FNS	August 20, 1999	Main Board	Financial	Financial Services
NIB	August 26, 1999	Main Board	Financial	Financial Services
OAI	August 26, 1999	Main Board	Industrial	Information Technology
SPE	August 26, 1999	Main Board	Property Loan St	Property Loan Stock
MCM	August 30, 1999	Main Board	Mining Resources	Metals and Minerals
ICT	September 3, 1999	Main Board	Financial	Financial Services
ERP	September 16, 1999	VCM	VCM	VCM
SLU	September 30, 1999	Main Board	Financial	Financial Services
PIM	October 14, 1999	Main Board	Industrial	Information Technology
CTH	October 18, 1999	Main Board	Industrial	Information Technology
NXT	October 18, 1999	VCM	VCM	VCM
AAS	October 20, 1999	Main Board	Industrial	Information Technology
FEQ	October 20, 1999	Main Board	Industrial	Building, Construction a
PDH	October 20, 1999	VCM	VCM	VCM
DSY	October 21, 1999	Main Board	Short-term Insurance	Short-term Insurance
GDF	October 25, 1999	Main Board	Industrial	Hotels and Leisure
DNM	November 8, 1999	Main Board	Industrial	Retail
UNN	November 10, 1999	Main Board	Mining Resources	Metals and Minerals
SUR	November 29, 1999	Main Board	Industrial	Hotels and Leisure
PMG	November 30, 1999	Main Board	Real Estate	Property Loan Stock
MTX	December 6, 1999	Main Board	Mining Resources	Mining Holdings and House
CNY	December 13, 1999	Main Board	Mining Resources	Coal
DNA	December 14, 1999	Main Board	Industrial	Service
CNY	January 10, 2000	Main Board	Mining Resources	Coal

Table 12.1: Schedule of the List Boards, Categories and Sectors upon which New Applicants Listed New Issues on the JSE for the Sample Period

ADDENDUM 13

SCHEDULE OF NEW APPLICANTS DISCLOSED USE OF PROCEEDS, PREVIOUS YEARS REVENUES AND REQUIRED MINIMUM SUBSCRIPTION

Issuer	List Date	Disclosed Use of Proceeds	Revenue For the Previous Financial Year (Rand)	Minimum Subscription (Rand)
A M Moolla Group Limited	October 8, 1997	9	241200000	0
Abacus Technology Holdings Limited	November 12, 1996	9	18603000	0
ABC Cash Plus Limited	February 16, 1999	17	0	10000000
Abraxas Investment Holdings Limited	September 15, 1997	0	76899000	0
Absec Limited	August 17, 1998	0	4856000	0
Accord Technologies Limited	June 29, 1998	10	91956000	0
Acuity Group Holdings Limited	May 26, 1999	10	30302000	50000000
Acumen Holdings Limited	June 30, 1999	8	52567000	0
Adcock Ingram Limited	November 6, 1996	0	1828974000	0
Advanced Software Technologies - Abraxas Limited	August 2, 1999	9	239119000	0
Advanced Software Technologies Limited	September 9, 1998	8	63589175	5000000
Advtech Education Holdings Limited	November 20, 1997	0	58587000	0
Afribrand Holdings Limited	August 5, 1997	10	46177	0
Africa Glass Industries Limited	July 14, 1999	8	283117000	0
African Harvest Limited	October 1, 1997	2	29730000	0
African Media Entertainment Limited	December 15, 1997	0	59079000	0
African Partnerships Limited	November 12, 1998	4	0	0
All Joy Foods Limited	December 21, 1998	6	29949400	0

Issuer	List Date	Disclosed Use of Proceeds	Revenue For the Previous Financial Year (Rand)	Minimum Subscription (Rand)
Amalgamated Appliance Holdings Limited	May 8, 1997	7	152600000	0
AMB Holdings Limited	November 21, 1997	6	60540000	0
AMB Private Equity Partners Limited	May 14, 1999	0	47678096	0
Amlac Limited	November 6, 1996	8	48440000	0
Appleton Group Limited, The	March 3, 1999	9	38501000	0
APS Technologies Limited	April 29, 1999	9	29818000	5000000
Aquila Growth Limited	December 10, 1997	8	345448000	12600000
Astrapak Limited	November 19, 1997	7	328868000	0
Auto Space Age Systems Limited	October 20, 1999	11	7781000	0
Avis Holdings Limited	April 7, 1997	0	307528000	0
Awethu Breweries Limited	November 1, 1997	10	30457000	0
Barnard Jacobs Mellet Holdings Limited	February 17, 1998	8	54890000	0
Beige Holdings Limited	November 20, 1997	9	44691000	0
Billboard Communications Limited	July 30, 1998	11	153645000	0
Bonatla Property Holdings Limited	October 22, 1997	0	19147000	0
Brainware Limited	January 29, 1998	11	Not Available	Not Available
Brandcorp Holdings Limited	November 10, 1997	0	92386000	0
Brimstone Investment Corporation Limited	July 8, 1998	8	2285730000	0
Bryant Technology Limited	July 1, 1998	9	9430000	0
Buildmax Limited	July 30, 1996	14	75737000	15800000
Business Bank Limited, The	March 4, 1998	3	0	150000000
Bynx Limited	July 15, 1999	8	29137000	0
Cadiz Holdings Limited	April 14, 1999	0	Not Available	0
Cape Empowerment Trust Limited	November 25, 1998	6	81037000	0
Carson Holdings Limited	July 3, 1996	8	Not Available	Not Available
Casey Investment Holding Limited	September 10, 1998	10	47703211	3000000
Cedargro Holdings Limited	May 28, 1998	0	78510000	0
Central Information Holdings Limited	April 28, 1999	7	518000	4500000
Century Carbon Mining Limited	December 13, 1999	11	108933000	41000000
Chariot Holdings Limited	November 4, 1996	4	277544000	0

Issuer	List Date	Disclosed Use of Proceeds	Revenue For the Previous Financial Year (Rand)	Minimum Subscription (Rand)
Chester Investment Holdings Limited	September 23, 1997	2	1914000	0
Chillers Group Limited	June 19, 1996	6	33108000	5000000
Clientele Life Assurance Company Limited	September 29, 1997	7	24884000	0
Comair Limited	July 22, 1998	9	388603000	0
Compu Clearing Outsourcing Limited	November 3, 1998	6	16839000	0
Computer Configurations Holdings Limited	May 22, 1997	9	34919000	0
Consumer Credit Holdings Limited	April 20, 1999	7	95407000	0
Contlan Holdings Limited	June 30, 1999	9	18510248	3000000
Convergent Network Limited	July 9, 1998	0	59259000	0
Core Holdings Limited	July 23, 1998	10	6203000	1600000
Corohedge Capital Limited	May 13, 1998	2	123049	0
Coronet Capital limited	November 16, 1998	6	48047000	0
Corpcom Limited	July 2, 1998	8	138130000	0
Creditsure Holdings Limited	June 25, 1998	11	43149000	0
Crux Technologies Limited	August 26, 1998	11	69430000	0
CS Computer Services Holdings Limited	September 28, 1998	9	27603000	22000000
Cyberhost Limited	February 10, 1999	11	441000	0
Cycad Financial Holdings Limited	March 24, 1999	8	0	0
Datacentrix Holdings Limited	September 23, 1998	9	92212000	0
Decillion Limited	March 10, 1999	10	18037000	0
Decomac Holdings Limited	December 4, 1998	11	11566000	7800000
Dectronic Limited	November 18, 1998	7	7138000	0
Digicore Holdings Limited	December 3, 1998	8	50576968	20000000
Discovery Holdings Limited	October 21, 1999	5	2144538	0
DNA Supply Chains Limited	December 14, 1999	5	104416000	0
Dynamo Retail Limited	November 8, 1999	0	202648000	0
EC-Hold Holdings Limited	November 16, 1998	9	4194000	0
E-Data Holdings Limited	August 6, 1998	9	792000	0

Issuer	List Date	Disclosed Use of Proceeds	Revenue For the Previous Financial Year (Rand)	Minimum Subscription (Rand)
Education Investment Corporation Limited, The	June 19, 1996	0	80580000	0
Elexir Technology Holdings Limited	April 15, 1998	10	0	2000000
Elvey Security Technologies Limited	May 20, 1999	11	41403000	0
Emerald Topbrand Sports Limited	September 23, 1998	8	20743000	4000000
Energy Africa Limited	March 1, 1996	7	110291000	0
Enterprise Outsourcing Holdings Limited	August 14, 1998	8	19020000	0
Enviroserv Holdings Limited	May 20, 1996	6	82857000	0
Equinox Holdings Limited	November 25, 1998	5	24348000	0
ERP.Com Holdings Limited	September 16, 1999	8	3601000	3000000
Essential Beverage Holdings Limited	May 5, 1999	7	0	0
Explorer Corporation Holdings Limited	February 10, 1999	12	0	20000000
Faritec Holdings Limited	November 26, 1998	7	96668000	0
Fashion Africa Limited	October 5, 1998	0	305265000	0
Fe Squared Holdings Limited	October 20, 1999	11	24292000	13000000
Fedics Group Limited, The	September 29, 1997	2	735541000	0
Finshare Group Limited	August 20, 1999	14	20248000	15000000
First South African Food Holdings Limited	June 10, 1997	6	214835000	0
Forbes Group Limited	November 1, 1996	8	520470000	0
Forza Group Limited	June 15, 1999	0	501915000	0
Fulcrum Science & Technology Bank Controlling Company Limited	June 8, 1998	9	86807000	150000000
Genbel Securities Limited	May 27, 1996	0	212052000	0
Glenrand M I B Limited	June 26, 1998	6	361000000	1000000
Global Capital Limited	May 25, 1998	10	441959000	0
Global Technology Limited	November 24, 1998	8	156411000	0
Global Village Holdings Limited	July 24, 1998	10	15731000	0
Gold Edge Holdings Limited	October 9, 1998	3	17048000	0
Gold Fields Limited	February 2, 1998	0	2999255000	0
Gold Reef Casino Resorts Limited	October 25, 1999	0	20469000	0
Good Cape Limited	August 17, 1998	0	3767000	0

Issuer	List Date	Disclosed Use of Proceeds	Revenue For the Previous Financial Year (Rand)	Minimum Subscription (Rand)
Gray Security Services Limited	March 11, 1999	10	425917000	0
Greenwich Group Limited	September 29, 1998	9	50507000	5000000
Grinaker Construction Limited	December 2, 1996	0	1914501	0
Heritage Collection Holdings Limited	March 25, 1999	8	136834000	30000000
Hix Technologies Limited	March 24, 1999	12	12624000	0
Homechoice Holdings Limited	September 20, 1996	8	89620000	0
House of Busby Limited, The	November 5, 1997	12	54485000	0
Howden Africa Holdings Limited	May 3, 1996	5	251467000	119850000
Idion Technology Holdings Limited	August 6, 1998	10	5663711	3000000
Iliad Africa Limited	June 10, 1998	8	329688000	0
Incentive Holdings Limited	September 3, 1999	0	48622000	0
Indequity Group Limited	November 4, 1998	7	646196	0
Infiniti Technologies Limited	February 19, 1998	11	295288000	0
Infowave Holdings Limited	October 13, 1998	10	10691000	2000000
Integrated Consumer Products Limited	December 2, 1997	6	274216000	0
Integrated Health Technologies Limited	January 21, 1998	9	1981000	0
Interconnective Solutions Limited	April 22, 1999	7	8487933	0
Intertrading Limited	July 31, 1998	7	61745103	0
Intervid Limited	August 18, 1999	10	7801000	0
Investment Solutions Holdings Limited	September 30, 1999	7	87514000	0
IOTA Financial Services Limited	April 20, 1998	0	32556000	0
IST Group Limited	September 2, 1998	11	101315000	0
ITI Technology Holdings Limited	December 10, 1997	11	13144959	2000000
Ixchange Technology Holdings Limited	September 3, 1997	12	6422646	0
Jem Technology Holdings Limited	December 3, 1998	10	1978535	3000000
Kalahari Goldridge Mining Company Limited	October 14, 1996	0	0	0
King Food Holdings Limited	June 14, 1996	3	40582000	0
Kroondal Platinum Mines Limited	August 5, 1998	11	0	0
LA Retail Stores Limited	April 3, 1997	0	158835000	0
Learning Corporation Limited, The	December 2, 1998	11	24493000	20000000

Legacy Ventures Limited	August 25, 1998	5	0	0
Log-Tek Holdings Limited	February 2, 1998	0	73105000	0
Magnum Global Funds S.A. Limited	June 24, 1999	12	0	0
Maranda Mines Limited	May 14, 1997	0	0	0
Masterfridge Limited	April 29, 1996	7	234250000	0
Mathomo Group Limited	April 2, 1996	9	135000000	15000000
Maxtec Limited	November 17, 1998	9	40606000	7000000
Mazal Mining & Exploration Limited	March 25, 1999	6	762000	11418000
MB Technologies Limited	September 17, 1998	7	847827000	0
M-Cell Limited	August 14, 1995	4	169575000	0
Mercantile Lisbon Bank Holdings Limited	August 12, 1998	6	153749000	0
Mercury Alpha Capital Limited	March 4, 1999	13	0	100000000
Metboard Properties Limited	May 21, 1998	0	Not Available	0
Metorex Limited	December 6, 1999	0	597892000	0
Metropolis Transactive Holdings Limited	November 16, 1998	7	22746000	40411354
MGX Holdings Limited	June 26, 1995	5	32829000	Not Available
Micrologix Limited	December 3, 1998	7	5006000	0
Millionair Charter Limited	April 7, 1999	3	46092000	0
MMW Technology Holdings Limited	October 21, 1997	12	18891432	2000000
Molope Foods Limited	November 17, 1997	3	418809000	0
Money Web Holdings Limited	June 17, 1999	7	1076200	0
Money Wise Holdings Limited	December 2, 1998	11	6999000	35000000
Moresport Holdings Limited	October 5, 1998	0	364915000	0
Moulded Medical Suppliers Limited	October 22, 1997	0	0	0
MSI Holdings Limited	April 20, 1998	8	21944000	0
Mustek Limited	April 3, 1997	0	762493000	0
M-Web Holdings Limited	August 2, 1999	0	49676000	0
Nando's Group Holdings Limited	April 25, 1997	6	218261000	0
National Chick Limited	April 23, 1996	6	82233000	21513000
National Sporting Index Limited	May 25, 1999	11	0	5000000
Nedcor Investment Bank Holdings Limited	August 26, 1999	6	1016000000	0
NET 1 Applied Technology Holdings Limited	December 11, 1997	10	0	20000000
Netactive Limited	April 21, 1999	8	14245840	0

Network Healthcare Holdings Limited	December 4, 1996	8	Not Available	0
New Clicks Holdings Limited	March 23, 1996	5	1247846000	0
Nimbus Holdings Limited	July 21, 1998	7	169996000	0
Noble Minerals Limited	June 4, 1999	10	0	0
O'Hagans Investment Holdings Limited	November 4, 1997	5	22211000	0
Omega Alpha International IT Holdings Limited	August 26, 1999	0	397666000	0
OSI Holdings Limited	November 20, 1998	8	9759000	5000000
OTK Holdings Limited	November 11, 1996	4	1964000000	0
OTR Mining Limited	September 22, 1997	7	38800	0
Oxbridge Online Limited	March 24, 1998	0	134000	0
Paracon Holdings Limited	April 29, 1999	9	73423000	77000000
Paradigm Interactive Media Limited	October 7, 1997	9	234646000	0
Paragon Business Forms Limited	October 29, 1997	8	138298000	0
Paramed Holdings Limited	October 20, 1997	0	19865000	0
Pat Cornick Limited	November 29, 1995	5	68669000	0
Pennystocks Investments Limited	May 25, 1999	5	1357000	0
Pentacom Holdings Limited	October 13, 1998	7	20744603	0
Peregrine Holdings Limited	June 10, 1998	7	23663000	0
Plasgroup Limited	December 2, 1998	8	62802000	0
Polifin Limited	July 24, 1995	5	2380000000	0
Prada Technologies Limited	October 20, 1999	4	0	3000000
Prima Toy & Leisure Group Limited	December 4, 1997	3	70356000	0
Primegro Properties Limited	November 30, 1999	4	48311000	0
Prism Holdings Limited	October 13, 1999	7	62394000	0
Privest Group Limited	April 29, 1998	9	80996000	0
PSG Investment Bank Holdings Limited	August 2, 1999	0	141492000	0
PSG Noble Capital Limited	June 26, 1998	0	Not Available	0
Q Mart Holdings Limited	February 25, 1999	12	71691000	16000000
Qala Group Limited	August 6, 1998	0	27488000	0
Quyn Holdings Limited	January 20, 1999	9	180605000	20000000
Radiospoor Technology Holdings Limited	November 11, 1997	0	336241000	0
Real Africa Durolink Holdings Limited	June 25, 1998	11	56473000	0
Real Africa Holdings Limited	March 22, 1995	2	168349000	0
Rebhold Limited	October 16, 1996	8	532033000	0
Rectron Holdings Limited	November 11, 1998	9	193664414	7000000

REF Finance & Investment Corporation Limited	November 25, 1997	7	3660000	0
Ref Marketing & Media Limited	February 12, 1999	10	38777000	Not Available
Regal Treasury Bank Holdings Limited	February 25, 1999	6	30299000	0
Renaissance Retail Group Limited	March 19, 1998	12	40129000	11000000
Retail Apparel Group Limited	November 17, 1997	4	452827000	0
Savanha Holdings Limited	December 8, 1997	8	20042697	0
Securedata Solutions Limited	November 25, 1998	10	10741000	0
Sekunjalo Investments Limited	May 12, 1999	10	240842000	0
Setpoint Technology Holdings Limited	November 5, 1997	15	90980000	0
Shawcell Telecommunications Limited	July 6, 1999	8	84140000	150000000
Skills Accel Limited	January 21, 1999	4	0	0
Smacsoft Group Limited	March 24, 1999	9	8696735	5000000
Software Connection Limited	October 1, 1997	7	155757000	0
Sotta Securitisation International Limited	November 24, 1998	7	0	1000000
South African Empowerment Fund Investment Trust Company Limited	November 12, 1997	8	23473183	1000000
Southern Mining Corporation Limited	October 2, 1997	0	13325	0
Spearhead Property Holdings Limited	August 26, 1999	5	43098000	0
Specialised Outsourcing Limited	October 29, 1997	7	9049000	0
Spur Corporation Limited	November 29, 1999	0	123301000	0
Stantronic Group Holdings Limited	June 2, 1997	4	29923000	0
Steinhoff International Holdings Limited	September 23, 1998	7	1980996000	0
Stella Vista Technologies Limited	June 10, 1999	10	7935000	10000000
Stocks Hotels and Resorts Limited	February 17, 1997	0	58160000	0
Streamworks Group Limited	May 26, 1999	11	12145000	3000000
Sweets From Heaven Holdings Limited	June 12, 1996	13	17750000	18000000
Synergy Holdings Limited	April 14, 1999	10	6725189	3000000
Tallow Industrial Holdings Limited	16-Apr-98	3	12216000	0
Taufin Holdings Limited	March 25, 1999	9	0	11300000
TCO Holdings Limited	July 14, 1998	0	Not Available	Not Available
Technology Communication Holdings Limited	April 7, 1998	10	3732000	1000000
Terexko Limited	November 22, 1996	11	57866000	31000320
Terrafin Holdings Limited	September 17, 1998	9	36285000	4000000
Thabex Exploration Limited	November 20, 1997	5	26	3000000
Thuthukani Group Limited	March 4, 1999	11	264197000	100000000
Tile Africa Holdings Limited	March 10, 1999	7	76082000	0

Top Info Technology Holdings Limited	March 31, 1998	11	4624114	2000000
Tourism Investment Corporation Limited	April 7, 1997	0	97541000	0
Trans Ocean Diamond Mining Limited	June 11, 1999	10	106113000	0
Trematon Capital Investments Limited	November 20, 1997	2		0
Tridelta Magnet Technology Holdings Limited	January 30, 1998	0	289758000	0
Truworths International Limited	May 11, 1998	0	1696112000	0
UCS Group Limited	September 9, 1998	7	60379000	61357500
Umbono Investment Corporation Limited	December 15, 1995	1	0	0
Union Alliance Media Limited	April 14, 1999	8	89367000	0
U-Trade Limited	May 26, 1999	8	0	5000000
Value Group Limited	October 26, 1998	0	100029000	0
Valuecom Holdings Limited	July 24, 1998	11	640000	0
Venmil Limited	May 27, 1998	0	0	0
Vesta Technology Holdings Limited	October 6, 1998	11	5556343	1315439
Viking Investments & Asset Management Limited	August 12, 1998	5	0	0
Wetherlys Investment Holdings Limited	November 27, 1997	11	61750000	0
Whetstone Industrial Holdings Limited	November 12, 1998	5	30868418	6000000
Women Investment Portfolio Holdings Limited	March 24, 1999	4		0
Woolworths Holdings Limited	October 20, 1997	6	4332983000	0
World Educational Technologies Limited	September 1, 1998	5	14905000	0
Y2KTec Limited	June 28, 1999	15	3078976	0
Y3K Group Limited	December 15, 1998	12	31689000	10000000
Zaptronix Limited	June 9, 1998	11	5148514	2000000
Zeltis Holdings Limited	August 17, 1998	0	1843345	0

Table 13.1: Schedule Of New Applicants Disclosed Use of Proceeds, Previous Years Revenues and Required Minimum Subscription

ADDENDUM 14

SCHEDULE OF UNDERWRITERS FOR NEW APPLICANTS LISTING IN THE SAMPLE PERIOD

Issuer	Underwriter	Volume of Equity Underwritten
Abacus Technology Holdings Limited	Smith Borkum Hare (Pty) Limited	10,000,000
Accord Technologies Limited	BOE Securities Limited	15,000,000
Acumen Holdings Limited	Investec Bank Limited	10,000,000
Advtech Education Holdings Limited	Absa Corporate Bank	
Advtech Education Holdings Limited	Smith Borkum Hare (Pty) Limited	
Afribrand Holdings Limited	Standard Corporate & Merchant Bank	13,000,000
African Harvest Limited	Coronation Holdings Limited	25,000,000
African Media Entertainment Limited	Coronation Holdings Limited	
AMB Holdings Limited	New Africa Investments Limited	
Aquila Growth Limited	Fleming Martin SA Limited	7,000,000
Astrapak Limited	HSBC Simpson McKie (Pty) Limited	4,560,000
Awethu Breweries Limited	Fedsure Asset Management Company (Pty) Limited	
Beige Holdings Limited	Genbel Securities Limited	18,000,000
Brimstone Investment Corporation Limited	Coronation Holdings Limited	5,000,000
Carson Holdings Limited	Standard Corporate & Merchant Bank	
Cedargro Holdings Limited	Huysamer Stals (Pty) Limited	20,000,000
Clientele Life Assurance Company Limited	The Hollard Insurance Company Limited	5,000,000
Computer Configurations Holdings Limited	Standard Corporate & Merchant Bank	7,000,000
Consumer Credit Holdings Limited	Rand Merchant Bank Limited	4,516,000
Corpcom Limited	Corpgro Capital (Pty) Limited	6,000,000
Creditsure Holdings Limited	The Business Bank Limited	60,000,000
Crux Technologies Limited	Brait Merchant Bank Limited	10,000,000
Cyberhost Limited	The Business Bank Limited	32,246,000
Datacentrix Holdings Limited	Genbel Securities Limited	7,000,000
Energy Africa Limited	Barings Brothers Limited	2,775,000
Energy Africa Limited	Merrill Lynch International	5,087,500
Energy Africa Limited	Natwest Securities Limited	2,775,000
Energy Africa Limited	NM Rothschild & Sons Limited	5,087,500
Energy Africa Limited	UBS Limited	2,775,000
First South African Food Holdings Limited	First South African Holdings (Pty) Limited	5,000,000
Forbes Group Limited	Servgro International Limited	-
Global Capital Limited	Capital Alliance Bank Limited	30,000,000
Global Capital Limited	Capital Alliance Life Limited	60,864,952

Issuer	Underwriter	Volume of Equity Underwritten
Global Capital Limited	Global Managerial Services (Pty) Limited	30,864,950
Global Capital Limited	Investec Merchant Bank Limited	60,864,952
Global Technology Limited	Genbel Securities Limited	22,000,000
Global Village Holdings Limited	Irish & Menell Rosenberg (Pty) Limited	5,000,000
Global Village Holdings Limited	Standard Corporate & Merchant Bank	5,000,000
Gray Security Services Limited	Brait Merchant Bank Limited	2,500,000
Homechoice Holdings Limited	Investec Merchant Bank Limited	-
House of Busby Limited, The	Capital Alliance Bank Limited	5,000,000
Howden Africa Holdings Limited	PLC	3,000,000
IIiad Africa Limited	BOE Investment Bank Limited	21,200,000
Integrated Consumer Products Limited	Platinum Property Holdings (Pty) Limited	10,000,000
Intertrading Limited	Irish & Menell Rosenberg (Pty) Limited	4,000,000
Investment Solutions Holdings Limited	International Bank of Southern Africa Limited	37,630,455
IST Group Limited	Genbel Securities Limited	4,200,000
Masterfridge Limited	FirstCorp Merchant Bank Limited	59,050,000
MB Technologies Limited	Investec Merchant Bank Limited	5,000,000
Metropolis Transactive Holdings Limited	Primedia Limited	119,471,026
Nando's Group Holdings Limited	Max Brozen Investment Corporation (Pty) Limited	-
Nando's Group Holdings Limited	NER Investments (Pty) Limited	12,500,000
Nedcor Investment Bank Holdings Limited	Old Mutual Specialised Finance	192,738,862
NET 1 Applied Technology Holdings Limited	Fedsure Asset Management Company (Pty) Limited	20,000,000
Network Healthcare Holdings Limited	Absa Corporate & Merchant Bank	11,000,000
Network Healthcare Holdings Limited	Smith Borkum Hare (Pty) Limited	29,000,000
Nimbus Holdings Limited	TA Bank of South Africa	10,000,000
Paradigm Interactive Media Limited	New Republic Bank Limited	4,000,000
Paragon Business Forms Limited	Genbel Securities Limited	n/a
Paramed Holdings Limited	Genbel Securities Limited	
Pat Cornick Limited	Fedsure Asset Management Company (Pty) Limited	240,000
Pentacom Holdings Limited	The Business Bank Limited	5,000,000
Plasgroup Limited	Peregrine Equities (Pty) Limited	5,000,000
Plasgroup Limited	Real Africa Durolink Investment Bank Limited	8,333,333
Prima Toy & Leisure Group Limited	Genbel Securities Limited	36,666,667
Prism Holdings Limited	Genbel Securities Limited	3,000,000
Prism Holdings Limited	Standard Corporate & Merchant Bank	3,000,000
Privest Group Limited	Investec Bank Limited	10,000,000
Real Africa Durolink Holdings Limited	Real Africa Holdings Limited	25,128,330
Rebhold Limited	Smith Borkum Hare (Pty) Limited	-
Renaissance Retail Group Limited	Genbel Securities Limited	11,000,000

Issuer	Underwriter	Volume of Equity Underwritten
Setpoint Technology Holdings Limited	Standard Corporate & Merchant Bank	12,000,000
Software Connection Limited	FirstCorp Merchant Bank Limited	6,000,000
Software Connection Limited	Smith Borkum Hare (Pty) Limited	80,000,000
Specialised Outsourcing Limited	BOE Natwest Limited	-

Table 14.1: Schedule of underwriters for new applicants listing new issues for the period 1995 through 1999.

ADDENDUM 15

SCHEDULE OF DISCLOSED MINIMUM SUBSCRIPTIONS FOR A SAMPLE OF NEW APPLICANTS LISTING NEW ISSUES DURING THE SAMPLE PERIOD

ISSUER	MINIMUM SUBSCRIPTION (RANDS)
Real Africa Holdings Limited	R 0
MGX Holdings Limited	R 0
Polifin Limited	R 0
M-Cell Limited	R 0
Pat Cornick Limited	R 0
Umbono Investment Corporation Limited	R 0
Energy Africa Limited	R 0
New Clicks Holdings Limited	R 0
Masterfridge Limited	R 0
Enviroserv Holdings Limited	R 0
Genbel Securities Limited	R 0
King Food Holdings Limited	R 0
Education Investment Corporation Limited, The	R 0
Homechoice Holdings Limited	R 0
Kalahari Goldridge Mining Company Limited	R 0
Rebhold Limited	R 0
Forbes Group Limited	R 0
Chariot Holdings Limited	R 0
Adcock Ingram Limited	R 0
Amlac Limited	R 0
OTK Holdings Limited	R 0
Abacus Technology Holdings Limited	R 0
Grinaker Construction Limited	R 0
Network Healthcare Holdings Limited	R 0
Stocks Hotels and Resorts Limited	R 0
LA Retail Stores Limited	R 0
Mustek Limited	R 0
Avis Holdings Limited	R 0
Tourism Investment Corporation Limited	R 0
Nando's Group Holdings Limited	R 0
Amalgamated Appliance Holdings Limited	R 0
Maranda Mines Limited	R 0
Computer Configurations Holdings Limited	R 0
Stantronic Group Holdings Limited	R 0
First South African Food Holdings Limited	R 0
Afribrand Holdings Limited	R 0

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ISSUER	MINIMUM SUBSCRIPTION (RANDS)
Ixchange Technology Holdings Limited	R 0
Abraxas Investment Holdings Limited	R 0
OTR Mining Limited	R 0
Chester Investment Holdings Limited	R 0
Clientele Life Assurance Company Limited	R 0
Fedics Group Limited, The	R 0
African Harvest Limited	R 0
Software Connection Limited	R 0
Southern Mining Corporation Limited	R 0
Paradigm Interactive Media Limited	R 0
A M Moolla Group Limited	R 0
Paramed Holdings Limited	R 0
Woolworths Holdings Limited	R 0
Bonatla Property Holdings Limited	R 0
Moulded Medical Suppliers Limited	R 0
Paragon Business Forms Limited	R 0
Specialised Outsourcing Limited	R 0
Awethu Breweries Limited	R 0
O'Hagans Investment Holdings Limited	R 0
House of Busby Limited, The	R 0
Setpoint Technology Holdings Limited	R 0
Brandcorp Holdings Limited	R 0
Radiospoor Technology Holdings Limited	R 0
Molope Foods Limited	R 0
Retail Apparel Group Limited	R 0
Astrapak Limited	R 0
Advtech Education Holdings Limited	R 0
Beige Holdings Limited	R 0
Trematon Capital Investments Limited	R 0
REF Finance & Investment Corporation Limited	R 0
Wetherlys Investment Holdings Limited	R 0
Integrated Consumer Products Limited	R 0
Prima Toy & Leisure Group Limited	R 0
Savanha Holdings Limited	R 0
African Media Entertainment Limited	R 0
Integrated Health Technologies Limited	R 0
Tridelta Magnet Technology Holdings Limited	R 0
Gold Fields Limited	R 0
Log-Tek Holdings Limited	R 0
Barnard Jacobs Mellet Holdings Limited	R 0

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ISSUER	MINIMUM SUBSCRIPTION (RANDS)
Infiniti Technologies Limited	none
Oxbridge Online Limited	none
Tallow Industrial Holdings Limited	none
IOTA Financial Services Limited	none
MSI Holdings Limited	none
Privest Group Limited	none
Truworths International Limited	none
Corohedge Capital Limited	none
Metboard Properties Limited	none
Global Capital Limited	none
Venmil Limited	none
Cedargro Holdings Limited	none
Iliad Africa Limited	none
Peregrine Holdings Limited	none
Creditsure Holdings Limited	none
Real Africa Durolink Holdings Limited	none
PSG Noble Capital Limited	none
Accord Technologies Limited	none
Bryant Technology Limited	none
Corpcom Limited	none
Brimstone Investment Corporation Limited	none
Convergent Network Limited	none
Nimbus Holdings Limited	none
Comair Limited	none
Global Village Holdings Limited	none
Valuecom Holdings Limited	none
Billboard Communications Limited	none
Intertrading Limited	none
Kroondal Platinum Mines Limited	none
E-Data Holdings Limited	none
Qala Group Limited	none
Mercantile Lisbon Bank Holdings Limited	none
Viking Investments & Asset Management Limited	none
Enterprise Outsourcing Holdings Limited	none
Absec Limited	none
Good Cape Limited	none
Zeltis Holdings Limited	none
Legacy Ventures Limited	none
Crux Technologies Limited	none

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ISSUER	MINIMUM SUBSCRIPTION (RANDS)
World Educational Technologies Limited	none
IST Group Limited	none
MB Technologies Limited	none
Datacentrix Holdings Limited	none
Steinhoff International Holdings Limited	none
Fashion Africa Limited	none
Moresport Holdings Limited	none
Gold Edge Holdings Limited	none
Pentacom Holdings Limited	none
Value Group Limited	none
Compu Clearing Outsourcing Limited	none
Indequity Group Limited	none
African Partnerships Limited	none
Coronet Capital limited	none
EC-Hold Holdings Limited	none
Dectronic Limited	none
Global Technology Limited	none
Cape Empowerment Trust Limited	none
Equinox Holdings Limited	none
Securedata Solutions Limited	none
Faritec Holdings Limited	none
Plasgroup Limited	none
Micrologix Limited	none
All Joy Foods Limited	none
Skills Accel Limited	none
Cyberhost Limited	none
Ref Marketing & Media Limited	none
Regal Treasury Bank Holdings Limited	none
Appleton Group Limited, The	none
Decillion Limited	none
Tile Africa Holdings Limited	none
Gray Security Services Limited	none
Cycad Financial Holdings Limited	none
Hix Technologies Limited	none
Women Investment Portfolio Holdings Limited	none
Millionair Charter Limited	none
Union Alliance Media Limited	none
Consumer Credit Holdings Limited	none
Netactive Limited	none
Interconnective Solutions Limited	none
Essential Beverage Holdings Limited	none

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ISSUER	MINIMUM SUBSCRIPTION (RANDS)
Sekunjalo Investments Limited	none
AMB Private Equity Partners Limited	none
Elvey Security Technologies Limited	none
Pennystocks Investments Limited	none
Noble Minerals Limited	none
Trans Ocean Diamond Mining Limited	none
Forza Group Limited	none
Money Web Holdings Limited	none
Magnum Global Funds S.A. Limited	none
Y2KTec Limited	none
Acumen Holdings Limited	none
Africa Glass Industries Limited	none
Bynx Limited	none
Advanced Software Technologies - Abraxas Limited	none
M-Web Holdings Limited	none
PSG Investment Bank Holdings Limited	none
Intervid Limited	none
Nedcor Investment Bank Holdings Limited	none
Omega Alpha International IT Holdings Limited	none
Spearhead Property Holdings Limited	none
Incentive Holdings Limited	none
Investment Solutions Holdings Limited	none
Prism Holdings Limited	none
Auto Space Age Systems Limited	none
Discovery Holdings Limited	none
Gold Reef Casino Resorts Limited	none
Dynamo Retail Limited	none
Spur Corporation Limited	none
Primegro Properties Limited	none
Metorex Limited	none
DNA Supply Chains Limited	none
South African Empowerment Fund Investment Trust Company Limited	R 1,000,000
Technology Communication Holdings Limited	R 1,000,000
Glenrand M I B Limited	R 1,000,000
Sotta Securitisation International Limited	R 1,000,000
Vesta Technology Holdings Limited	R 1,315,439
Core Holdings Limited	R 1,600,000
MMW Technology Holdings Limited	R 2,000,000
ITI Technology Holdings Limited	R 2,000,000
Top Info Technology Holdings Limited	R 2,000,000

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ISSUER	MINIMUM SUBSCRIPTION (RANDS)
Elexir Technology Holdings Limited	R 2,000,000
Zaptronix Limited	R 2,000,000
Infowave Holdings Limited	R 2,000,000
Thabex Exploration Limited	R 3,000,000
Idion Technology Holdings Limited	R 3,000,000
Casey Investment Holding Limited	R 3,000,000
Jem Technology Holdings Limited	R 3,000,000
Synergy Holdings Limited	R 3,000,000
Streamworks Group Limited	R 3,000,000
Contlan Holdings Limited	R 3,000,000
ERP.Com Holdings Limited	R 3,000,000
Prada Technologies Limited	R 3,000,000
Terrafin Holdings Limited	R 4,000,000
Emerald Topbrand Sports Limited	R 4,000,000
Central Information Holdings Limited	R 4,500,000
Chillers Group Limited	R 5,000,000
Advanced Software Technologies Limited	R 5,000,000
Greenwich Group Limited	R 5,000,000
OSI Holdings Limited	R 5,000,000
Smacsoft Group Limited	R 5,000,000
APS Technologies Limited	R 5,000,000
National Sporting Index Limited	R 5,000,000
U-Trade Limited	R 5,000,000
Whetstone Industrial Holdings Limited	R 6,000,000
Rectron Holdings Limited	R 7,000,000
Maxtec Limited	R 7,000,000
Decomac Holdings Limited	R 7,800,000
Y3K Group Limited	R 10,000,000
ABC Cash Plus Limited	R 10,000,000
Stella Vista Technologies Limited	R 10,000,000
Renaissance Retail Group Limited	R 11,000,000
Taufin Holdings Limited	R 11,300,000
Mazal Mining & Exploration Limited	R 11,418,000
Aquila Growth Limited	R 12,600,000
Fe Squared Holdings Limited	R 13,000,000
Mathomo Group Limited	R 15,000,000
Finshare Group Limited	R 15,000,000
Buildmax Limited	R 15,800,000
Q Mart Holdings Limited	R 16,000,000

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ISSUER	MINIMUM SUBSCRIPTION (RANDS)
Sweets From Heaven Holdings Limited	R 18,000,000
NET 1 Applied Technology Holdings Limited	R 20,000,000
Learning Corporation Limited, The	R 20,000,000
Digicore Holdings Limited	R 20,000,000
Quyn Holdings Limited	R 20,000,000
Explorer Corporation Holdings Limited	R 20,000,000
National Chick Limited	R 21,513,000
CS Computer Services Holdings Limited	R 22,000,000
Heritage Collection Holdings Limited	R 30,000,000
Terexko Limited	R 31,000,320
Money Wise Holdings Limited	R 35,000,000
Metropolis Transactive Holdings Limited	R 40,411,354
Century Carbon Mining Limited	R 41,000,000
Acuity Group Holdings Limited	R 50,000,000
UCS Group Limited	R 61,357,500
Paracon Holdings Limited	R 77,000,000
Mercury Alpha Capital Limited	R 100,000,000
Thuthukani Group Limited	R 100,000,000
Howden Africa Holdings Limited	R 119,850,000
Business Bank Limited, The	R 150,000,000
Fulcrum Science & Technology Bank Controlling Company Limited	R 150,000,000
Shawcell Telecommunications Limited	R 150,000,000

Table.15.1: Schedule of the minimum subscriptions disclosed by a sample of new applicants listing new issues in the 1995 through 1999 calendar years.

ADDENDUM 16

SCHEDULES OF THE CORPORATE ADVISORY TEAM FOR ISSUERS LISTING FROM 1995 THROUGH 1999

I. Introduction

This Addendum contains the schedules of data as pertaining to the corporate advisory team utilised by new applicants for a listing of new issues for the sample period. This Addendum has been limited to the following key role players:

A. The Reporting Accountants – Total Sample Population
B. Commercial Bankers
C. The Listing Attorneys
D. The Corporate Advisors
E. The Investment Bankers
F. Transfer Secretaries

A. SCHEDULE OF REPORTING ACCOUNTANTS FOR ISSUERS COMPRISING THE TOTAL SAMPLE POPULATION

ISSUER	REPORTING ACCOUNTANT
Casey Investment Holding Limited	ABD & T Chartered Accountants
Savanha Holdings Limited	Allan Huth & Associates
Money Wise Holdings Limited	Alwyn Burger & Grobler
Aludie Limited	Anderson, Rochesson & Crisp
Amlac Limited	Andre van der Merwe & Associates
Adcock Ingram Limited	Arthur Andersen & Co.
Appleton Group Limited, The	Arthur Andersen & Co.
Cape Empowerment Trust Limited	Arthur Andersen & Co.
Chariot Holdings Limited	Arthur Andersen & Co.
Discovery Holdings Limited	Arthur Andersen & Co.
New Clicks Holdings Limited	Arthur Andersen & Co.
Prima Toy & Leisure Group Limited	Arthur Andersen & Co.
Retail Apparel Group Limited	Arthur Andersen & Co.
Teltron Limited	Arthur Andersen & Co.
Glenrand M I B Limited	Arthur Anderson & Co.
Cape Empowerment Trust Limited	Barends Knight
Cyberhost Limited	BDO Spencer Steward Inc.
Finshare Group Limited	BDO Spencer Steward Inc.
Glenrand M I B Limited	BDO Spencer Steward Inc.
Heritage Collection Holdings Limited	BDO Spencer Steward Inc.
Zaptronix Limited	BDO Spencer Steward Inc.
Zeltis Holdings Limited	BDO Spencer Steward Inc.
Gilboa Properties Limited	Boshoffs
Spur Corporation Limited	Cecil Kilpin & Co.
Integrated Health Technologies Limited	Centner, Levine & Co.
Y2KTec Limited	Centner, Levine & Co.
Network Healthcare Holdings Limited	Charles Kahan & Company
Stantronic Group Holdings Limited	Charles Kahan & Company
Sweets From Heaven Holdings Limited	Charles Kahan & Company
Accord Technologies Limited	Charles Orbach & Company
African Media Entertainment Limited	Charles Orbach & Company
Buildmax Limited	Charles Orbach & Company
Chariot Holdings Limited	Charles Orbach & Company
ERP.Com Holdings Limited	Charles Orbach & Company
Faritec Holdings Limited	Charles Orbach & Company
Integrated Consumer Products Limited	Charles Orbach & Company
Privest Group Limited	Charles Orbach & Company
Softline Limited	Charles Orbach & Company

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ISSUER	REPORTING ACCOUNTANT
Stantronic Group Holdings Limited	Charles Orbach & Company
Value Group Limited	Charles Orbach & Company
Venmil Limited	Charles Orbach & Company
Vestacor Limited	Charles Orbach & Company
World Educational Technologies Limited	Charles Orbach & Company
Y3K Group Limited	Charles Orbach & Company
Idion Technology Holdings Limited	Coetzee Johnson
Absec Limited	Coopers & Lybrand
AMB Private Equity Partners Limited	Coopers & Lybrand
Aquila Growth Limited	Coopers & Lybrand
Avis Holdings Limited	Coopers & Lybrand
Computer Configurations Holdings Limited	Coopers & Lybrand
Creditsure Holdings Limited	Coopers & Lybrand
Forbes Group Limited	Coopers & Lybrand
Fulcrum Science & Technology Bank Controlling Company Limited	Coopers & Lybrand
Good Cape Limited	Coopers & Lybrand
Hoechst South Africa Limited	Coopers & Lybrand
Howden Africa Holdings Limited	Coopers & Lybrand
Infiniti Technologies Limited	Coopers & Lybrand
Kalahari Goldridge Mining Company Limited	Coopers & Lybrand
Masterfridge Limited	Coopers & Lybrand
M-Cell Limited	Coopers & Lybrand
Molope Foods Limited	Coopers & Lybrand
M-Web Holdings Limited	Coopers & Lybrand
OTR Mining Limited	Coopers & Lybrand
PSG Noble Capital Limited	Coopers & Lybrand
Brainware Limited	DBL Financial Services Inc.
Vesta Technology Holdings Limited	DBL Financial Services Inc.
Africa Glass Industries Limited	Deloitte & Touche
African Harvest Limited	Deloitte & Touche
African Partnerships Limited	Deloitte & Touche
Amalgamated Appliance Holdings Limited	Deloitte & Touche
Anglo American Platinum Corporation Limited	Deloitte & Touche
Anglo American Plc	Deloitte & Touche
Astrapak Limited	Deloitte & Touche
Barnard Jacobs Mellet Holdings Limited	Deloitte & Touche
Bell Equipment Limited	Deloitte & Touche
Brimstone Investment Corporation Limited	Deloitte & Touche
Business Bank Limited, The	Deloitte & Touche
Carson Holdings Limited	Deloitte & Touche
Consumer Credit Holdings Limited	Deloitte & Touche

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ISSUER	REPORTING ACCOUNTANT
Convergent Network Limited	Deloitte & Touche
Corohedge Capital Limited	Deloitte & Touche
CS Computer Services Holdings Limited	Deloitte & Touche
Datacentrix Holdings Limited	Deloitte & Touche
Decillion Limited	Deloitte & Touche
DNA Supply Chains Limited	Deloitte & Touche
Dynamo Retail Limited	Deloitte & Touche
Equinox Holdings Limited	Deloitte & Touche
Fashion Africa Limited	Deloitte & Touche
Fedics Group Limited, The	Deloitte & Touche
Gray Security Services Limited	Deloitte & Touche
Infowave Holdings Limited	Deloitte & Touche
Island View Storage Limited	Deloitte & Touche
Legacy Ventures Limited	Deloitte & Touche
MB Technologies Limited	Deloitte & Touche
Megacor Holdings Limited	Deloitte & Touche
Metorex Limited	Deloitte & Touche
Micrologix Limited	Deloitte & Touche
Millenium Property Holdings Limited	Deloitte & Touche
Moulded Medical Suppliers Limited	Deloitte & Touche
Mustek Limited	Deloitte & Touche
Nando's Group Holdings Limited	Deloitte & Touche
National Chick Limited	Deloitte & Touche
Nedcor Investment Bank Holdings Limited	Deloitte & Touche
Norwich Holdings South Africa Limited	Deloitte & Touche
O'Hagans Investment Holdings Limited	Deloitte & Touche
Old Mutual plc	Deloitte & Touche
Paragon Business Forms Limited	Deloitte & Touche
Pat Cornick Limited	Deloitte & Touche
Primegro Properties Limited	Deloitte & Touche
Real Africa Durolink Holdings Limited	Deloitte & Touche
Real Africa Holdings Limited	Deloitte & Touche
Rectron Holdings Limited	Deloitte & Touche
Servest Holdings Limited	Deloitte & Touche
Software Connection Limited	Deloitte & Touche
Southern African Investments Limited	Deloitte & Touche
Steinhoff International Holdings Limited	Deloitte & Touche
Taufin Holdings Limited	Deloitte & Touche
Terrafin Holdings Limited	Deloitte & Touche

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ISSUER	REPORTING ACCOUNTANT
Tradek Holdings Limited	Deloitte & Touche
Women Investment Portfolio Holdings Limited	Deloitte & Touche
ITI Technology Holdings Limited	Dippenaar Coetzee & Partners
Aveng Limited	Ernst & Young
Awethu Breweries Limited	Ernst & Young
Bynx Limited	Ernst & Young
Energy Africa Limited	Ernst & Young
Enviroserv Holdings Limited	Ernst & Young
Explorer Corporation Holdings Limited	Ernst & Young
Gold Fields Limited	Ernst & Young
Grinaker Construction Limited	Ernst & Young
Homechoice Holdings Limited	Ernst & Young
Intervid Limited	Ernst & Young
Mhangura Copper Mines Limited	Ernst & Young
Money Web Holdings Limited	Ernst & Young
Pennystocks Investments Limited	Ernst & Young
Plessey Corporation Limited	Ernst & Young
Q Mart Holdings Limited	Ernst & Young
Regal Treasury Bank Holdings Limited	Ernst & Young
Sanlam Limited	Ernst & Young
Stocks Hotels and Resorts Limited	Ernst & Young
Truworths International Limited	Ernst & Young
Umbono Investment Corporation Limited	Ernst & Young
Union Alliance Media Limited	Ernst & Young
Woolworths Holdings Limited	Ernst & Young
Zenith Concessions Limited	Ernst & Young
A M Moolla Group Limited	Fisher Hoffman & Sithole
ABC Cash Plus Limited	Fisher Hoffman & Sithole
Abraxas Investment Holdings Limited	Fisher Hoffman & Sithole
Acumen Holdings Limited	Fisher Hoffman & Sithole
Afribrand Holdings Limited	Fisher Hoffman & Sithole
AMB Holdings Limited	Fisher Hoffman & Sithole
AMB Private Equity Partners Limited	Fisher Hoffman & Sithole
Auto Space Age Systems Limited	Fisher Hoffman & Sithole
Buildmax Limited	Fisher Hoffman & Sithole
Chester Investment Holdings Limited	Fisher Hoffman & Sithole
Comair Limited	Fisher Hoffman & Sithole
Coronet Capital limited	Fisher Hoffman & Sithole
Corpcom Limited	Fisher Hoffman & Sithole
Cycad Financial Holdings Limited	Fisher Hoffman & Sithole

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ISSUER	REPORTING ACCOUNTANT
Digicore Holdings Limited	Fisher Hoffman & Sithole
E-Data Holdings Limited	Fisher Hoffman & Sithole
Elexir Technology Holdings Limited	Fisher Hoffman & Sithole
Essential Beverage Holdings Limited	Fisher Hoffman & Sithole
Excel Medical Holdings Limited	Fisher Hoffman & Sithole
Global Capital Limited	Fisher Hoffman & Sithole
Global Technology Limited	Fisher Hoffman & Sithole
Gubb & Inggs Limited	Fisher Hoffman & Sithole
Hix Technologies Limited	Fisher Hoffman & Sithole
Incentive Holdings Limited	Fisher Hoffman & Sithole
Intertrading Limited	Fisher Hoffman & Sithole
Magnum Global Funds S.A. Limited	Fisher Hoffman & Sithole
Mathomo Group Limited	Fisher Hoffman & Sithole
Maxiprest Limited	Fisher Hoffman & Sithole
Maxtec Limited	Fisher Hoffman & Sithole
Mercury Alpha Capital Limited	Fisher Hoffman & Sithole
Metboard Properties Limited	Fisher Hoffman & Sithole
Millionair Charter Limited	Fisher Hoffman & Sithole
NET 1 Applied Technology Holdings Limited	Fisher Hoffman & Sithole
Netactive Limited	Fisher Hoffman & Sithole
Network Healthcare Holdings Limited	Fisher Hoffman & Sithole
Omega Alpha International IT Holdings Limited	Fisher Hoffman & Sithole
Oxbridge Online Limited	Fisher Hoffman & Sithole
Paradigm Interactive Media Limited	Fisher Hoffman & Sithole
Peregrine Holdings Limited	Fisher Hoffman & Sithole
Prada Technologies Limited	Fisher Hoffman & Sithole
Rebhold Limited	Fisher Hoffman & Sithole
REF Finance & Investment Corporation Limited	Fisher Hoffman & Sithole
Savanha Holdings Limited	Fisher Hoffman & Sithole
Securedata Solutions Limited	Fisher Hoffman & Sithole
Sekunjalo Investments Limited	Fisher Hoffman & Sithole
Setpoint Technology Holdings Limited	Fisher Hoffman & Sithole
Southern Mining Corporation Limited	Fisher Hoffman & Sithole
Spearhead Property Holdings Limited	Fisher Hoffman & Sithole
TCO Holdings Limited	Fisher Hoffman & Sithole
Terexko Limited	Fisher Hoffman & Sithole
Tridelta Magnet Technology Holdings Limited	Fisher Hoffman & Sithole
Valuecom Holdings Limited	Fisher Hoffman & Sithole
Wetherlys Investment Holdings Limited	Fisher Hoffman & Sithole

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ISSUER	REPORTING ACCOUNTANT
Whetstone Industrial Holdings Limited	Fisher Hoffman & Sithole
Top Info Technology Holdings Limited	Fourie & Botha
Interconnective Solutions Limited	G. Cambanis & Company
African Harvest Limited	Gobodo Inc.
African Partnerships Limited	Gobodo Inc.
Alliance Pharmaceuticals Limited	Grant Thornton Kessel Feinstein
Bateman Project Holdings Limited	Grant Thornton Kessel Feinstein
Bonatla Property Holdings Limited	Grant Thornton Kessel Feinstein
Brandcorp Holdings Limited	Grant Thornton Kessel Feinstein
EC-Hold Holdings Limited	Grant Thornton Kessel Feinstein
Education Investment Corporation Limited, The	Grant Thornton Kessel Feinstein
Elvey Security Technologies Limited	Grant Thornton Kessel Feinstein
Iliad Africa Limited	Grant Thornton Kessel Feinstein
Knights Gold Mining Company Limited	Grant Thornton Kessel Feinstein
LA Retail Stores Limited	Grant Thornton Kessel Feinstein
Log-Tek Holdings Limited	Grant Thornton Kessel Feinstein
MGX Holdings Limited	Grant Thornton Kessel Feinstein
Paracon Holdings Limited	Grant Thornton Kessel Feinstein
Premium Properties Limited	Grant Thornton Kessel Feinstein
Qala Group Limited	Grant Thornton Kessel Feinstein
Radiospoor Technology Holdings Limited	Grant Thornton Kessel Feinstein
Sotta Securitisation International Limited	Grant Thornton Kessel Feinstein
Tourism Investment Corporation Limited	Grant Thornton Kessel Feinstein
Compu Clearing Outsourcing Limited	Grant Thornton kessel-Feinstein
Contlan Holdings Limited	Gruzd Zets & Co.
Mustek Limited	Henry K.H. Pon & Co.
Rectron Holdings Limited	Henry K.H. Pon & Co.
Moulded Medical Suppliers Limited	Immelman Ferreira
Skills Accel Limited	J.C. Barnard & Partners
Abacus Technology Holdings Limited	J.H. Smilg & Company
Interconnective Solutions Limited	J.H. Smilg & Company
Indequity Group Limited	Johan Zwarts & Associates
UCS Group Limited	Kaplan & Kaplan
Brimstone Investment Corporation Limited	KMMT Brey Inc.
LA Retail Stores Limited	KMMT Brey Inc.
South African Empowerment Fund Investment Trust Company Limited	KMMT Brey Inc.
Bryant Technology Limited	KPMG
Century Carbon Mining Limited	KPMG
Daewoo Electronics SA Limited	KPMG
Dectronic Limited	KPMG

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ISSUER	REPORTING ACCOUNTANT
Gold Fields Limited	KPMG
JCI Gold Limited	KPMG
JCI Limited	KPMG
Kroondal Platinum Mines Limited	KPMG
Lonrho Africa Plc	KPMG
Mazal Mining & Exploration Limited	KPMG
Nedcor Investment Bank Holdings Limited	KPMG
Old Mutual plc	KPMG
Quyn Holdings Limited	KPMG
Sovereign Food Investments Limited	KPMG
Thabex Exploration Limited	KPMG
Trematon Capital Investments Limited	KPMG
Polifin Limited	KPMG Aitken & Peat
Billiton Plc	KPMG Audit Plc. (UK)
Old Mutual plc	KPMG Audit Plc. (UK)
House of Busby Limited, The	Levenstein & Partners
MSI Holdings Limited	Levenstein & Partners
All Joy Foods Limited	Leveton Boner Horwath
National Sporting Index Limited	Leveton Boner Horwath
Nimbus Holdings Limited	Leveton Boner Horwath
Paramed Holdings Limited	Leveton Boner Horwath
Tile Africa Holdings Limited	Leveton Boner Horwath
Enterprise Outsourcing Holdings Limited	Lutrin & Partners
Ixchange Technology Holdings Limited	Lutrin & Partners
Jem Technology Holdings Limited	Lutrin & Partners
Smacsoft Group Limited	Malherbe Lourens
Elexir Technology Holdings Limited	Manase & Associates
Samrand Development Holdings Limited	Meagher Moynihan
Advtech Education Holdings Limited	Moores Rowland
Cedargro Holdings Limited	Moores Rowland
Forza Group Limited	Moores Rowland
King Food Holdings Limited	Moores Rowland
Learning Corporation Limited, The	Moores Rowland
Nexttvest Holdings Limited	Moores Rowland
Community Technologies Limited	N. Price & Co.
Pentacom Holdings Limited	N. Price & Co.
Millionair Charter Limited	Nico van der Smit
Auto Space Age Systems Limited	Nkonki Sizwe Ntsaluba
Infiniti Technologies Limited	Nkonki Sizwe Ntsaluba
Central Information Holdings Limited	P. Zeelie & Company
Admiral Leisure World Limited	Papilsky Hurwitz

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ISSUER	REPORTING ACCOUNTANT
Beige Holdings Limited	Papilsky Hurwitz
Decomac Holdings Limited	PC Bruwer & Partners
MMW Technology Holdings Limited	Pollack & Pollack
Clientele Life Assurance Company Limited	Price Waterhouse
First South African Food Holdings Limited	Price Waterhouse
Genbel Securities Limited	Price Waterhouse
Global Capital Limited	Price Waterhouse
IOTA Financial Services Limited	Price Waterhouse
Maranda Mines Limited	Price Waterhouse
OTK Holdings Limited	Price Waterhouse
Qala Group Limited	Price Waterhouse
ABC Cash Plus Limited	PricewaterhouseCoopers Inc.
Acuity Group Holdings Limited	PricewaterhouseCoopers Inc.
Advanced Software Technologies - Abraxas Limited	PricewaterhouseCoopers Inc.
Advanced Software Technologies Limited	PricewaterhouseCoopers Inc.
APS Technologies Limited	PricewaterhouseCoopers Inc.
Barprop Limited	PricewaterhouseCoopers Inc.
Billboard Communications Limited	PricewaterhouseCoopers Inc.
Billiton Plc	PricewaterhouseCoopers Inc.
Cadiz Holdings Limited	PricewaterhouseCoopers Inc.
Central Information Holdings Limited	PricewaterhouseCoopers Inc.
Core Holdings Limited	PricewaterhouseCoopers Inc.
Crux Technologies Limited	PricewaterhouseCoopers Inc.
Fashion Africa Limited	PricewaterhouseCoopers Inc.
Fe Squared Holdings Limited	PricewaterhouseCoopers Inc.
Gold Edge Holdings Limited	PricewaterhouseCoopers Inc.
Gold Reef Casino Resorts Limited	PricewaterhouseCoopers Inc.
Incentive Holdings Limited	PricewaterhouseCoopers Inc.
Investment Solutions Holdings Limited	PricewaterhouseCoopers Inc.
IST Group Limited	PricewaterhouseCoopers Inc.
Liberty International Plc	PricewaterhouseCoopers Inc.
Megacor Holdings Limited	PricewaterhouseCoopers Inc.
Mercantile Lisbon Bank Holdings Limited	PricewaterhouseCoopers Inc.
Metropolis Transactive Holdings Limited	PricewaterhouseCoopers Inc.
MIH Holdings Limited	PricewaterhouseCoopers Inc.
Moresport Holdings Limited	PricewaterhouseCoopers Inc.
Noble Minerals Limited	PricewaterhouseCoopers Inc.
OSI Holdings Limited	PricewaterhouseCoopers Inc.
Prestasi Financial Services Limited	PricewaterhouseCoopers Inc.
Prism Holdings Limited	PricewaterhouseCoopers Inc.
Prospur Packaging & Plastics Limited	PricewaterhouseCoopers Inc.

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ISSUER	REPORTING ACCOUNTANT
PSG Group Limited	PricewaterhouseCoopers Inc.
PSG Investment Bank Holdings Limited	PricewaterhouseCoopers Inc.
Real Africa Investments Limited	PricewaterhouseCoopers Inc.
Ref Marketing & Media Limited	PricewaterhouseCoopers Inc.
Sanlam Limited	PricewaterhouseCoopers Inc.
Sasani Limited	PricewaterhouseCoopers Inc.
South African Breweries Plc	PricewaterhouseCoopers Inc.
Stella Vista Technologies Limited	PricewaterhouseCoopers Inc.
Streamworks Group Limited	PricewaterhouseCoopers Inc.
Supersport International Holdings Limited	PricewaterhouseCoopers Inc.
Thuthukani Group Limited	PricewaterhouseCoopers Inc.
U-Trade Limited	PricewaterhouseCoopers Inc.
Viking Investments & Asset Management Limited	PricewaterhouseCoopers Inc.
Specialised Outsourcing Limited	R.W. Irish
Primegro Properties Limited	Schnaid Rubin & Co.
Chillers Group Limited	Schneider Katz
Emerald Topbrand Sports Limited	Schneider Katz
Forza Group Limited	Schneider Katz
Global Village Holdings Limited	Schneider Katz
Renaissance Retail Group Limited	Schneider Katz
Maxiprest Limited	Simon Hurwitz & Co.
Shawcell Telecommunications Limited	Simon Hurwitz & Co.
Tigon Limited	Simon Hurwitz & Co.
Technology Communication Holdings Limited	Thompson Maher & Associates
Advanced Software Technologies Limited	Tuffias Sandberg
Greenwich Group Limited	Tuffias Sandberg
Norvest Properties Limited	Tuffias Sandberg
Synergy Holdings Limited	Van Sitterts Chartered Accountants
Amalia Gold Mining and Exploration Company Limited	Viljoen & Nieuwoudt
Plasgroup Limited	Warren & Associates
Pentacom Holdings Limited	Watermans Chartered Accountants

Table 16.1: Schedule of reporting accountants for new issuers comprising the total sample population

B. COMMERCIAL BANKERS

ISSUER	COMMERCIAL BANK
A M Moolla Group Limited	Absa Bank Limited
Africa Glass Industries Limited	Absa Bank Limited
Amalgamated Appliance Holdings Limited	Absa Bank Limited
Astrapak Limited	Absa Bank Limited
Auto Space Age Systems Limited	Absa Bank Limited
Bell Equipment Limited	Absa Bank Limited
Billboard Communications Limited	Absa Bank Limited
Brainware Limited	Absa Bank Limited
Bryant Technology Limited	Absa Bank Limited
Business Bank Limited, The	Absa Bank Limited
Cape Empowerment Trust Limited	Absa Bank Limited
Central Information Holdings Limited	Absa Bank Limited
Chillers Group Limited	Absa Bank Limited
Daewoo Electronics SA Limited	Absa Bank Limited
Datacentrix Holdings Limited	Absa Bank Limited
Digicore Holdings Limited	Absa Bank Limited
Dynamo Retail Limited	Absa Bank Limited
Essential Beverage Holdings Limited	Absa Bank Limited
Faritec Holdings Limited	Absa Bank Limited
Forbes Group Limited	Absa Bank Limited
Genbel Securities Limited	Absa Bank Limited
Gilboa Properties Limited	Absa Bank Limited
Indequity Group Limited	Absa Bank Limited
Investment Solutions Holdings Limited	Absa Bank Limited
IOTA Financial Services Limited	Absa Bank Limited
M-Cell Limited	Absa Bank Limited
MGX Holdings Limited	Absa Bank Limited
MIH Holdings Limited	Absa Bank Limited
Millionair Charter Limited	Absa Bank Limited
Money Wise Holdings Limited	Absa Bank Limited
Moulded Medical Suppliers Limited	Absa Bank Limited
Network Healthcare Holdings Limited	Absa Bank Limited
New Clicks Holdings Limited	Absa Bank Limited
Noble Minerals Limited	Absa Bank Limited
Norwich Holdings South Africa Limited	Absa Bank Limited
O'Hagans Investment Holdings Limited	Absa Bank Limited
Omega Alpha International IT Holdings Limited	Absa Bank Limited
OSI Holdings Limited	Absa Bank Limited
OTK Holdings Limited	Absa Bank Limited

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ISSUER	COMMERCIAL BANK
OTR Mining Limited	Absa Bank Limited
Paradigm Interactive Media Limited	Absa Bank Limited
Pentacom Holdings Limited	Absa Bank Limited
Plasgroup Limited	Absa Bank Limited
Prestasi Financial Services Limited	Absa Bank Limited
PSG Group Limited	Absa Bank Limited
Quyn Holdings Limited	Absa Bank Limited
REF Finance & Investment Corporation Limited	Absa Bank Limited
Ref Marketing & Media Limited	Absa Bank Limited
Sanlam Limited	Absa Bank Limited
Spearhead Property Holdings Limited	Absa Bank Limited
Technology Communication Holdings Limited	Absa Bank Limited
Thuthukani Group Limited	Absa Bank Limited
Tigon Limited	Absa Bank Limited
Top Info Technology Holdings Limited	Absa Bank Limited
Tradek Holdings Limited	Absa Bank Limited
U-Trade Limited	Absa Bank Limited
Viking Investments & Asset Management Limited	Absa Bank Limited
Zaptronix Limited	Absa Bank Limited
Maxiprest Limited	Bank of Athens, South Africa Limited
Lonrho Africa Plc	Barclays Bank Plc
Community Technologies Limited	Boland Bank PKS Limited
Global Village Holdings Limited	Boland Bank PKS Limited
Homechoice Holdings Limited	Boland Bank PKS Limited
Bateman Project Holdings Limited	First National Bank Limited
Bell Equipment Limited	First National Bank Limited
Daewoo Electronics SA Limited	First National Bank Limited
Discovery Holdings Limited	First National Bank Limited
Dynamo Retail Limited	First National Bank Limited
Global Capital Limited	First National Bank Limited
LA Retail Stores Limited	First National Bank Limited
Nexttvest Holdings Limited	First National Bank Limited
Sasani Limited	First National Bank Limited
Southern African Investments Limited	First National Bank Limited
A M Moolla Group Limited	First National Bank of Southern Africa Limited
Absec Limited	First National Bank of Southern Africa Limited
Acuity Group Holdings Limited	First National Bank of Southern Africa Limited
Adcock Ingram Limited	First National Bank of Southern Africa Limited
Advanced Software Technologies - Abraxas Limited	First National Bank of Southern Africa Limited
Advanced Software Technologies Limited	First National Bank of Southern Africa Limited

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ISSUER	COMMERCIAL BANK
Appleton Group Limited, The	First National Bank of Southern Africa Limited
Aveng Limited	First National Bank of Southern Africa Limited
Awethu Breweries Limited	First National Bank of Southern Africa Limited
Barnard Jacobs Mellet Holdings Limited	First National Bank of Southern Africa Limited
Brimstone Investment Corporation Limited	First National Bank of Southern Africa Limited
Cadiz Holdings Limited	First National Bank of Southern Africa Limited
Cedargro Holdings Limited	First National Bank of Southern Africa Limited
Consumer Credit Holdings Limited	First National Bank of Southern Africa Limited
Convergent Network Limited	First National Bank of Southern Africa Limited
Coronet Capital limited	First National Bank of Southern Africa Limited
Corpcom Limited	First National Bank of Southern Africa Limited
DNA Supply Chains Limited	First National Bank of Southern Africa Limited
Education Investment Corporation Limited, The	First National Bank of Southern Africa Limited
Energy Africa Limited	First National Bank of Southern Africa Limited
Enviroserv Holdings Limited	First National Bank of Southern Africa Limited
ERP.Com Holdings Limited	First National Bank of Southern Africa Limited
Explorer Corporation Holdings Limited	First National Bank of Southern Africa Limited
Fashion Africa Limited	First National Bank of Southern Africa Limited
Gold Reef Casino Resorts Limited	First National Bank of Southern Africa Limited
Good Cape Limited	First National Bank of Southern Africa Limited
Homechoice Holdings Limited	First National Bank of Southern Africa Limited
Iliad Africa Limited	First National Bank of Southern Africa Limited
Integrated Health Technologies Limited	First National Bank of Southern Africa Limited
Intertrading Limited	First National Bank of Southern Africa Limited
IOTA Financial Services Limited	First National Bank of Southern Africa Limited
IOTA Financial Services Limited	First National Bank of Southern Africa Limited
Kroondal Platinum Mines Limited	First National Bank of Southern Africa Limited
Maranda Mines Limited	First National Bank of Southern Africa Limited
Masterfridge Limited	First National Bank of Southern Africa Limited
Maxtec Limited	First National Bank of Southern Africa Limited
MGX Holdings Limited	First National Bank of Southern Africa Limited
Moresport Holdings Limited	First National Bank of Southern Africa Limited
National Chick Limited	First National Bank of Southern Africa Limited
National Sporting Index Limited	First National Bank of Southern Africa Limited
Netactive Limited	First National Bank of Southern Africa Limited
New Clicks Holdings Limited	First National Bank of Southern Africa Limited
Norvest Properties Limited	First National Bank of Southern Africa Limited
Norwich Holdings South Africa Limited	First National Bank of Southern Africa Limited
OTK Holdings Limited	First National Bank of Southern Africa Limited
Paracon Holdings Limited	First National Bank of Southern Africa Limited

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ISSUER	COMMERCIAL BANK
Pat Cornick Limited	First National Bank of Southern Africa Limited
Polifin Limited	First National Bank of Southern Africa Limited
Prada Technologies Limited	First National Bank of Southern Africa Limited
Prima Toy & Leisure Group Limited	First National Bank of Southern Africa Limited
Prism Holdings Limited	First National Bank of Southern Africa Limited
Q Mart Holdings Limited	First National Bank of Southern Africa Limited
Rebhold Limited	First National Bank of Southern Africa Limited
Retail Apparel Group Limited	First National Bank of Southern Africa Limited
Savanha Holdings Limited	First National Bank of Southern Africa Limited
Softline Limited	First National Bank of Southern Africa Limited
Software Connection Limited	First National Bank of Southern Africa Limited
Southern Mining Corporation Limited	First National Bank of Southern Africa Limited
Stocks Hotels and Resorts Limited	First National Bank of Southern Africa Limited
Taufin Holdings Limited	First National Bank of Southern Africa Limited
Teltron Limited	First National Bank of Southern Africa Limited
Terexko Limited	First National Bank of Southern Africa Limited
Thabex Exploration Limited	First National Bank of Southern Africa Limited
Tourism Investment Corporation Limited	First National Bank of Southern Africa Limited
Value Group Limited	First National Bank of Southern Africa Limited
Vesta Technology Holdings Limited	First National Bank of Southern Africa Limited
Y2KTec Limited	First National Bank of Southern Africa Limited
Zenith Concessions Limited	First National Bank of Southern Africa Limited
Acuity Group Holdings Limited	Mercantile Bank Limited
Explorer Corporation Holdings Limited	Mercantile Bank Limited
Fulcrum Science & Technology Bank Controlling Company Limited	Mercantile Bank Limited
House of Busby Limited, The	Mercantile Bank Limited
Mercantile Lisbon Bank Holdings Limited	Mercantile Bank Limited
Zeltis Holdings Limited	Mercantile Bank Limited
Absec Limited	NBS Boland Bank Limited
Good Cape Limited	NBS Boland Bank Limited
A M Moolla Group Limited	Nedbank Limited
Abacus Technology Holdings Limited	Nedbank Limited
Abraxas Investment Holdings Limited	Nedbank Limited
Absec Limited	Nedbank Limited
Acumen Holdings Limited	Nedbank Limited
Admiral Leisure World Limited	Nedbank Limited
Advanced Software Technologies - Abraxas Limited	Nedbank Limited
Afribrand Holdings Limited	Nedbank Limited
African Partnerships Limited	Nedbank Limited
Alliance Pharmaceuticals Limited	Nedbank Limited
Aludie Limited	Nedbank Limited

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ISSUER	COMMERCIAL BANK
Amalgamated Appliance Holdings Limited	Nedbank Limited
AMB Holdings Limited	Nedbank Limited
APS Technologies Limited	Nedbank Limited
Avis Holdings Limited	Nedbank Limited
Barprop Limited	Nedbank Limited
Bateman Project Holdings Limited	Nedbank Limited
Beige Holdings Limited	Nedbank Limited
Bell Equipment Limited	Nedbank Limited
Billboard Communications Limited	Nedbank Limited
Bonatla Property Holdings Limited	Nedbank Limited
Chariot Holdings Limited	Nedbank Limited
Clientele Life Assurance Company Limited	Nedbank Limited
Comair Limited	Nedbank Limited
Compu Clearing Outsourcing Limited	Nedbank Limited
Contlan Holdings Limited	Nedbank Limited
Core Holdings Limited	Nedbank Limited
Corohedge Capital Limited	Nedbank Limited
Cyberhost Limited	Nedbank Limited
Cycad Financial Holdings Limited	Nedbank Limited
Daewoo Electronics SA Limited	Nedbank Limited
Decillion Limited	Nedbank Limited
Decomac Holdings Limited	Nedbank Limited
Dynamo Retail Limited	Nedbank Limited
Elexir Technology Holdings Limited	Nedbank Limited
Elvey Security Technologies Limited	Nedbank Limited
Emerald Topbrand Sports Limited	Nedbank Limited
Equinox Holdings Limited	Nedbank Limited
Excel Medical Holdings Limited	Nedbank Limited
Finshare Group Limited	Nedbank Limited
First South African Food Holdings Limited	Nedbank Limited
Forza Group Limited	Nedbank Limited
Glenrand M I B Limited	Nedbank Limited
Global Technology Limited	Nedbank Limited
Gold Edge Holdings Limited	Nedbank Limited
Good Cape Limited	Nedbank Limited
Gray Security Services Limited	Nedbank Limited
Greenwich Group Limited	Nedbank Limited
Gubb & Inggs Limited	Nedbank Limited
Hix Technologies Limited	Nedbank Limited
Hoechst South Africa Limited	Nedbank Limited

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ISSUER	COMMERCIAL BANK
House of Busby Limited, The	Nedbank Limited
Howden Africa Holdings Limited	Nedbank Limited
Infiniti Technologies Limited	Nedbank Limited
Infowave Holdings Limited	Nedbank Limited
Integrated Consumer Products Limited	Nedbank Limited
Learning Corporation Limited, The	Nedbank Limited
Legacy Ventures Limited	Nedbank Limited
Magnum Global Funds S.A. Limited	Nedbank Limited
Mazal Mining & Exploration Limited	Nedbank Limited
MB Technologies Limited	Nedbank Limited
Micrologix Limited	Nedbank Limited
Millenium Property Holdings Limited	Nedbank Limited
MMW Technology Holdings Limited	Nedbank Limited
Money Web Holdings Limited	Nedbank Limited
Nando's Group Holdings Limited	Nedbank Limited
Nedcor Investment Bank Holdings Limited	Nedbank Limited
NET 1 Applied Technology Holdings Limited	Nedbank Limited
Nimbus Holdings Limited	Nedbank Limited
Oxbridge Online Limited	Nedbank Limited
Pat Cornick Limited	Nedbank Limited
Pennystocks Investments Limited	Nedbank Limited
Premium Properties Limited	Nedbank Limited
Prestasi Financial Services Limited	Nedbank Limited
Privest Group Limited	Nedbank Limited
PSG Noble Capital Limited	Nedbank Limited
Qala Group Limited	Nedbank Limited
Quyn Holdings Limited	Nedbank Limited
Radiospoor Technology Holdings Limited	Nedbank Limited
Real Africa Durolink Holdings Limited	Nedbank Limited
Rebhold Limited	Nedbank Limited
Samrand Development Holdings Limited	Nedbank Limited
Smacsoft Group Limited	Nedbank Limited
Softline Limited	Nedbank Limited
Spur Corporation Limited	Nedbank Limited
Stantronic Group Holdings Limited	Nedbank Limited
Stocks Hotels and Resorts Limited	Nedbank Limited
Streamworks Group Limited	Nedbank Limited
Sweets From Heaven Holdings Limited	Nedbank Limited
Synergy Holdings Limited	Nedbank Limited
Tallow Industrial Holdings Limited	Nedbank Limited
Terrafin Holdings Limited	Nedbank Limited

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ISSUER	COMMERCIAL BANK
Tile Africa Holdings Limited	Nedbank Limited
Trematon Capital Investments Limited	Nedbank Limited
Tridelta Magnet Technology Holdings Limited	Nedbank Limited
UCS Group Limited	Nedbank Limited
Union Alliance Media Limited	Nedbank Limited
Value Group Limited	Nedbank Limited
Valuecom Holdings Limited	Nedbank Limited
Venmil Limited	Nedbank Limited
Vestacor Limited	Nedbank Limited
World Educational Technologies Limited	Nedbank Limited
Y3K Group Limited	Nedbank Limited
A M Moolla Group Limited	Standard Bank of South Africa Limited
ABC Cash Plus Limited	Standard Bank of South Africa Limited
Abraxas Investment Holdings Limited	Standard Bank of South Africa Limited
Accord Technologies Limited	Standard Bank of South Africa Limited
Advanced Software Technologies - Abraxas Limited	Standard Bank of South Africa Limited
Advtech Education Holdings Limited	Standard Bank of South Africa Limited
Africa Glass Industries Limited	Standard Bank of South Africa Limited
African Harvest Limited	Standard Bank of South Africa Limited
Alliance Pharmaceuticals Limited	Standard Bank of South Africa Limited
Amalgamated Appliance Holdings Limited	Standard Bank of South Africa Limited
Amalia Gold Mining and Exploration Company Limited	Standard Bank of South Africa Limited
AMB Private Equity Partners Limited	Standard Bank of South Africa Limited
Amlac Limited	Standard Bank of South Africa Limited
Anglo American Platinum Corporation Limited	Standard Bank of South Africa Limited
Aquila Growth Limited	Standard Bank of South Africa Limited
Astrapak Limited	Standard Bank of South Africa Limited
Billboard Communications Limited	Standard Bank of South Africa Limited
Buildmax Limited	Standard Bank of South Africa Limited
Bynx Limited	Standard Bank of South Africa Limited
Carson Holdings Limited	Standard Bank of South Africa Limited
Casey Investment Holding Limited	Standard Bank of South Africa Limited
Cedargro Holdings Limited	Standard Bank of South Africa Limited
Century Carbon Mining Limited	Standard Bank of South Africa Limited
Chariot Holdings Limited	Standard Bank of South Africa Limited
Chester Investment Holdings Limited	Standard Bank of South Africa Limited
Computer Configurations Holdings Limited	Standard Bank of South Africa Limited
Creditsure Holdings Limited	Standard Bank of South Africa Limited
Crux Technologies Limited	Standard Bank of South Africa Limited
CS Computer Services Holdings Limited	Standard Bank of South Africa Limited

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ISSUER	COMMERCIAL BANK
Daewoo Electronics SA Limited	Standard Bank of South Africa Limited
Dectronic Limited	Standard Bank of South Africa Limited
Dynamo Retail Limited	Standard Bank of South Africa Limited
EC-Hold Holdings Limited	Standard Bank of South Africa Limited
E-Data Holdings Limited	Standard Bank of South Africa Limited
Enterprise Outsourcing Holdings Limited	Standard Bank of South Africa Limited
Fe Squared Holdings Limited	Standard Bank of South Africa Limited
Fedics Group Limited, The	Standard Bank of South Africa Limited
Glenrand M I B Limited	Standard Bank of South Africa Limited
Global Technology Limited	Standard Bank of South Africa Limited
Gold Fields Limited	Standard Bank of South Africa Limited
Grinaker Construction Limited	Standard Bank of South Africa Limited
Heritage Collection Holdings Limited	Standard Bank of South Africa Limited
Homechoice Holdings Limited	Standard Bank of South Africa Limited
House of Busby Limited, The	Standard Bank of South Africa Limited
Idion Technology Holdings Limited	Standard Bank of South Africa Limited
Interconnective Solutions Limited	Standard Bank of South Africa Limited
Intervid Limited	Standard Bank of South Africa Limited
Island View Storage Limited	Standard Bank of South Africa Limited
IST Group Limited	Standard Bank of South Africa Limited
ITI Technology Holdings Limited	Standard Bank of South Africa Limited
Ixchange Technology Holdings Limited	Standard Bank of South Africa Limited
JCI Gold Limited	Standard Bank of South Africa Limited
JCI Limited	Standard Bank of South Africa Limited
Jem Technology Holdings Limited	Standard Bank of South Africa Limited
Kalahari Goldridge Mining Company Limited	Standard Bank of South Africa Limited
Knights Gold Mining Company Limited	Standard Bank of South Africa Limited
Mathomo Group Limited	Standard Bank of South Africa Limited
Maxiprest Limited	Standard Bank of South Africa Limited
Mazal Mining & Exploration Limited	Standard Bank of South Africa Limited
MB Technologies Limited	Standard Bank of South Africa Limited
M-Cell Limited	Standard Bank of South Africa Limited
Megacor Holdings Limited	Standard Bank of South Africa Limited
Mercury Alpha Capital Limited	Standard Bank of South Africa Limited
Metboard Properties Limited	Standard Bank of South Africa Limited
Metropolis Transactive Holdings Limited	Standard Bank of South Africa Limited
MGX Holdings Limited	Standard Bank of South Africa Limited
MSI Holdings Limited	Standard Bank of South Africa Limited
Mustek Limited	Standard Bank of South Africa Limited
M-Web Holdings Limited	Standard Bank of South Africa Limited
Nando's Group Holdings Limited	Standard Bank of South Africa Limited

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ISSUER	COMMERCIAL BANK
New Clicks Holdings Limited	Standard Bank of South Africa Limited
Norwich Holdings South Africa Limited	Standard Bank of South Africa Limited
OTK Holdings Limited	Standard Bank of South Africa Limited
Paragon Business Forms Limited	Standard Bank of South Africa Limited
Paramed Holdings Limited	Standard Bank of South Africa Limited
Peregrine Holdings Limited	Standard Bank of South Africa Limited
Plessey Corporation Limited	Standard Bank of South Africa Limited
Prospur Packaging & Plastics Limited	Standard Bank of South Africa Limited
PSG Investment Bank Holdings Limited	Standard Bank of South Africa Limited
Real Africa Holdings Limited	Standard Bank of South Africa Limited
Real Africa Investments Limited	Standard Bank of South Africa Limited
Rebhold Limited	Standard Bank of South Africa Limited
Rectron Holdings Limited	Standard Bank of South Africa Limited
Regal Treasury Bank Holdings Limited	Standard Bank of South Africa Limited
Renaissance Retail Group Limited	Standard Bank of South Africa Limited
Securedata Solutions Limited	Standard Bank of South Africa Limited
Sekunjalo Investments Limited	Standard Bank of South Africa Limited
Servest Holdings Limited	Standard Bank of South Africa Limited
Setpoint Technology Holdings Limited	Standard Bank of South Africa Limited
Shawcell Telecommunications Limited	Standard Bank of South Africa Limited
Skills Accel Limited	Standard Bank of South Africa Limited
Softline Limited	Standard Bank of South Africa Limited
Sotta Securitisation International Limited	Standard Bank of South Africa Limited
South African Empowerment Fund Investment Trust Company Limited	Standard Bank of South Africa Limited
Sovereign Food Investments Limited	Standard Bank of South Africa Limited
Specialised Outsourcing Limited	Standard Bank of South Africa Limited
Steinhoff International Holdings Limited	Standard Bank of South Africa Limited
Stella Vista Technologies Limited	Standard Bank of South Africa Limited
Stocks Hotels and Resorts Limited	Standard Bank of South Africa Limited
Supersport International Holdings Limited	Standard Bank of South Africa Limited
TCO Holdings Limited	Standard Bank of South Africa Limited
Teltron Limited	Standard Bank of South Africa Limited
Tradek Holdings Limited	Standard Bank of South Africa Limited
Truworths International Limited	Standard Bank of South Africa Limited
Umbono Investment Corporation Limited	Standard Bank of South Africa Limited
Wetherlys Investment Holdings Limited	Standard Bank of South Africa Limited
Whetstone Industrial Holdings Limited	Standard Bank of South Africa Limited
Women Investment Portfolio Holdings Limited	Standard Bank of South Africa Limited
Woolworths Holdings Limited	Standard Bank of South Africa Limited

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ISSUER	COMMERCIAL BANK
Zeltis Holdings Limited	Standard Bank of South Africa Limited
Masterfridge Limited	Standard Chartered Bank Swaziland Limited
AMB Holdings Limited	The African Bank Limited
Molope Foods Limited	Trust Bank Limited

Table 16.2: Schedule of commercial bankers for new applicants listing new issues for the sample period 1995 through 1999.

C. LISTING ATTORNEYS

ISSUER	LISTING ATTORNEY
Global Technology Limited	Adams & Adam
Astrapak Limited	Bell, Dewar & Hall Inc.
Software Connection Limited	Bell, Dewar & Hall Inc.
Cyberhost Limited	Bernadt Vukic Potash & Getz
LA Retail Stores Limited	Bernadt Vukic Potash & Getz
Spur Corporation Limited	Bernadt Vukic Potash & Getz
Truworths International Limited	Bernadt Vukic Potash & Getz
Whetstone Industrial Holdings Limited	Bernadt Vukic Potash & Getz
Moulded Medical Suppliers Limited	Bisset Boehmke & McBlain Inc.
Awethu Breweries Limited	Blumenthal & Slotow Attorneys
Shawcell Telecommunications Limited	Blumenthal & Slotow Attorneys
Gold Fields Limited	Bowman Gilfillan Hayman Godfrey Inc.
Island View Storage Limited	Bowman Gilfillan Hayman Godfrey Inc.
JCI Gold Limited	Bowman Gilfillan Hayman Godfrey Inc.
Viking Investments & Asset Management Limited	Bowman Gilfillan Hayman Godfrey Inc.
Metorex Limited	Bowman Gilfillan Inc.
Maranda Mines Limited	Bowman, Gillfillan, Hayman, Godfrey Inc.
Molope Foods Limited	Bowman, Gillfillan, Hayman, Godfrey Inc.
Fashion Africa Limited	Brian Kahn Inc.
Global Technology Limited	Brian Kahn Inc.
Abraxas Investment Holdings Limited	Brink Cohen Le Roux & Roodt Inc.
OTK Holdings Limited	Brink Cohen Le Roux & Roodt Inc.
Ref Marketing & Media Limited	Brink Cohen Le Roux & Roodt Inc.
Thabex Exploration Limited	Brink Cohen Le Roux & Roodt Inc.
ABC Cash Plus Limited	Brodkin Sohn
Y2KTec Limited	Carnie Matison
Finshare Group Limited	CK Friedlander Shandling Volks Inc.
Billboard Communications Limited	Cliffe Dekker & Todd Inc.
E-Data Holdings Limited	Cliffe Dekker & Todd Inc.
Howden Africa Holdings Limited	Cliffe Dekker & Todd Inc.
Infiniti Technologies Limited	Cliffe Dekker & Todd Inc.
Kalahari Goldridge Mining Company Limited	Cliffe Dekker & Todd Inc.
New Clicks Holdings Limited	Cliffe Dekker & Todd Inc.
Fe Squared Holdings Limited	Cliffe Dekker Fuller Moore Inc
Appleton Group Limited, The	Cliffe Dekker Fuller Moore Inc.
Mazal Mining & Exploration Limited	Cliffe Dekker Fuller Moore Inc.
Thuthukani Group Limited	Cliffe Dekker Fuller Moore Inc.
Dynamo Retail Limited	Cox Yeats Attorneys

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ISSUER	LISTING ATTORNEY
Compu Clearing Outsourcing Limited	Cranko, Karp & Associates Inc.
Enterprise Outsourcing Holdings Limited	Cranko, Karp & Associates Inc.
Century Carbon Mining Limited	Cuzen, Woods & Randeree
Enviroserv Holdings Limited	Damant Bostock Inc.
African Harvest Limited	Deneys Reitz
Anglo American Platinum Corporation Limited	Deneys Reitz
Aveng Limited	Deneys Reitz
Bryant Technology Limited	Deneys Reitz
Corohedge Capital Limited	Deneys Reitz
Equinox Holdings Limited	Deneys Reitz
Excel Medical Holdings Limited	Deneys Reitz
Glenrand M I B Limited	Deneys Reitz
JCI Gold Limited	Deneys Reitz
JCI Limited	Deneys Reitz
Umbono Investment Corporation Limited	Deneys Reitz
U-Trade Limited	Deneys Reitz
Megacor Holdings Limited	Dyson Inc.
Pentacom Holdings Limited	Dyson Inc.
Steinhoff International Holdings Limited	Dyson Inc.
Vesta Technology Holdings Limited	Edelstein Bosman Inc.
Absec Limited	Edelstein-Bosman Inc.
Brainware Limited	Edelstein-Bosman Inc.
Digicore Holdings Limited	Edelstein-Bosman Inc.
Explorer Corporation Holdings Limited	Edelstein-Bosman Inc.
Good Cape Limited	Edelstein-Bosman Inc.
MGX Holdings Limited	Edward Nathan & Friedland Inc
Real Africa Holdings Limited	Edward Nathan & Friedland Inc
Adcock Ingram Limited	Edward Nathan & Friedland Inc.
Amalgamated Appliance Holdings Limited	Edward Nathan & Friedland Inc.
AMB Holdings Limited	Edward Nathan & Friedland Inc.
AMB Private Equity Partners Limited	Edward Nathan & Friedland Inc.
Awethu Breweries Limited	Edward Nathan & Friedland Inc.
Beige Holdings Limited	Edward Nathan & Friedland Inc.
Buildmax Limited	Edward Nathan & Friedland Inc.
Carson Holdings Limited	Edward Nathan & Friedland Inc.
Chillers Group Limited	Edward Nathan & Friedland Inc.
Clientele Life Assurance Company Limited	Edward Nathan & Friedland Inc.
Comair Limited	Edward Nathan & Friedland Inc.
Crux Technologies Limited	Edward Nathan & Friedland Inc.
Datacentrix Holdings Limited	Edward Nathan & Friedland Inc.
Discovery Holdings Limited	Edward Nathan & Friedland Inc.

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ISSUER	LISTING ATTORNEY
DNA Supply Chains Limited	Edward Nathan & Friedland Inc.
EC-Hold Holdings Limited	Edward Nathan & Friedland Inc.
Fedics Group Limited, The	Edward Nathan & Friedland Inc.
Forbes Group Limited	Edward Nathan & Friedland Inc.
Fulcrum Science & Technology Bank Controlling Company Limited	Edward Nathan & Friedland Inc.
Genbel Securities Limited	Edward Nathan & Friedland Inc.
Global Village Holdings Limited	Edward Nathan & Friedland Inc.
Gold Fields Limited	Edward Nathan & Friedland Inc.
Gold Reef Casino Resorts Limited	Edward Nathan & Friedland Inc.
Iliad Africa Limited	Edward Nathan & Friedland Inc.
Investment Solutions Holdings Limited	Edward Nathan & Friedland Inc.
IST Group Limited	Edward Nathan & Friedland Inc.
Knights Gold Mining Company Limited	Edward Nathan & Friedland Inc.
Learning Corporation Limited, The	Edward Nathan & Friedland Inc.
Liberty International Plc	Edward Nathan & Friedland Inc.
Metboard Properties Limited	Edward Nathan & Friedland Inc.
Metropolis Transactive Holdings Limited	Edward Nathan & Friedland Inc.
Nedcor Investment Bank Holdings Limited	Edward Nathan & Friedland Inc.
Norvest Properties Limited	Edward Nathan & Friedland Inc.
Omega Alpha International IT Holdings Limited	Edward Nathan & Friedland Inc.
OSI Holdings Limited	Edward Nathan & Friedland Inc.
Pat Cornick Limited	Edward Nathan & Friedland Inc.
Pennystocks Investments Limited	Edward Nathan & Friedland Inc.
Prima Toy & Leisure Group Limited	Edward Nathan & Friedland Inc.
Radiospoor Technology Holdings Limited	Edward Nathan & Friedland Inc.
Real Africa Durolink Holdings Limited	Edward Nathan & Friedland Inc.
Real Africa Investments Limited	Edward Nathan & Friedland Inc.
Renaissance Retail Group Limited	Edward Nathan & Friedland Inc.
Sotta Securitisation International Limited	Edward Nathan & Friedland Inc.
Tigon Limited	Edward Nathan & Friedland Inc.
Trans Ocean Diamond Mining Limited	Edward Nathan & Friedland Inc.
UCS Group Limited	Edward Nathan & Friedland Inc.
Valuecom Holdings Limited	Edward Nathan & Friedland Inc.
Wetherlys Investment Holdings Limited	Edward Nathan & Friedland Inc.
Women Investment Portfolio Holdings Limited	Edward Nathan & Friedland Inc.
Woolworths Holdings Limited	Edward Nathan & Friedland Inc.
Zeltis Holdings Limited	Edward Nathan & Friedland Inc.
Plessey Corporation Limited	Fairbridge Arderne & Lawton
Magnum Global Funds S.A. Limited	Feinsteins
Mercury Alpha Capital Limited	Feinsteins
Gray Security Services Limited	Findlay & Tait

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ISSUER	LISTING ATTORNEY
Accord Technologies Limited	Fluxman Rabinowitz - Raphaely Weiner
Amalia Gold Mining and Exploration Company Limited	Fluxman Rabinowitz - Raphaely Weiner
Brandcorp Holdings Limited	Fluxman Rabinowitz - Raphaely Weiner
Chester Investment Holdings Limited	Fluxman Rabinowitz - Raphaely Weiner
Education Investment Corporation Limited, The	Fluxman Rabinowitz - Raphaely Weiner
Elvey Security Technologies Limited	Fluxman Rabinowitz - Raphaely Weiner
ERP.Com Holdings Limited	Fluxman Rabinowitz - Raphaely Weiner
Fashion Africa Limited	Fluxman Rabinowitz - Raphaely Weiner
Global Capital Limited	Fluxman Rabinowitz - Raphaely Weiner
Hix Technologies Limited	Fluxman Rabinowitz - Raphaely Weiner
House of Busby Limited, The	Fluxman Rabinowitz - Raphaely Weiner
Moresport Holdings Limited	Fluxman Rabinowitz - Raphaely Weiner
OTR Mining Limited	Fluxman Rabinowitz - Raphaely Weiner
PSG Investment Bank Holdings Limited	Fluxman Rabinowitz - Raphaely Weiner
Securedata Solutions Limited	Fluxman Rabinowitz - Raphaely Weiner
Softline Limited	Fluxman Rabinowitz - Raphaely Weiner
TCO Holdings Limited	Fluxman Rabinowitz - Raphaely Weiner
Tourism Investment Corporation Limited	Fluxman Rabinowitz - Raphaely Weiner
Zenith Concessions Limited	Fluxman Rabinowitz - Raphaely Weiner
Lonrho Africa Plc	Freshfields
African Media Entertainment Limited	G.B. Liebmann, Behrmann & Co.
Corpcom Limited	G.B. Liebmann, Behrmann & Co.
Forza Group Limited	G.B. Liebmann, Behrmann & Co.
Oxbridge Online Limited	G.B. Liebmann, Behrmann & Co.
Securedata Solutions Limited	G.B. Liebmann, Behrmann & Co.
Servest Holdings Limited	G.B. Liebmann, Behrmann & Co.
Tradek Holdings Limited	G.B. Liebmann, Behrmann & Co.
Trematon Capital Investments Limited	Garlicke & Bousfield Inc.
Whetstone Industrial Holdings Limited	Gelb Simon Shapiro Inc.
Incentive Holdings Limited	George Michaelicles
Central Information Holdings Limited	George Michaelides
Admiral Leisure World Limited	Goldman Judin & Werner Inc.
Afribrand Holdings Limited	Goldman Judin & Werner Inc.
Integrated Consumer Products Limited	Goldman Judin & Werner Inc.
Stantronic Group Holdings Limited	Goldman Judin & Werner Inc.
Technology Communication Holdings Limited	Goldman Judin & Werner Inc.
Y3K Group Limited	Goldman Judin Attorneys Inc.
Privest Group Limited	Goldman, Judin & Werner
Setpoint Technology Holdings Limited	Goldman, Judin & Werner
Sweets From Heaven Holdings Limited	Goldman, Judin & Werner
Abacus Technology Holdings Limited	H.R. Levin

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ISSUER	LISTING ATTORNEY
Advtech Education Holdings Limited	H.R. Levin
Africa Glass Industries Limited	H.R. Levin
Alliance Pharmaceuticals Limited	H.R. Levin
Cedargro Holdings Limited	H.R. Levin
Comair Limited	H.R. Levin
Convergent Network Limited	H.R. Levin
Finshare Group Limited	H.R. Levin
Gold Edge Holdings Limited	H.R. Levin
Intertrading Limited	H.R. Levin
IOTA Financial Services Limited	H.R. Levin
King Food Holdings Limited	H.R. Levin
Molope Foods Limited	H.R. Levin
MSI Holdings Limited	H.R. Levin
Network Healthcare Holdings Limited	H.R. Levin
Paramed Holdings Limited	H.R. Levin
Qala Group Limited	H.R. Levin
Stella Vista Technologies Limited	H.R. Levin
Tallow Industrial Holdings Limited	H.R. Levin
Lonrho Africa Plc	Herbert Smith
Auto Space Age Systems Limited	Hofmeyr Herbstein Gihwala
Brimstone Investment Corporation Limited	Hofmeyr Herbstein Gihwala & Cluver Inc.
CS Computer Services Holdings Limited	Hofmeyr Herbstein Gihwala & Cluver Inc.
Legacy Ventures Limited	Hofmeyr Herbstein Gihwala & Cluver Inc.
National Sporting Index Limited	Hofmeyr Herbstein Gihwala & Cluver Inc.
Nimbus Holdings Limited	Hofmeyr Herbstein Gihwala & Cluver Inc.
Old Mutual plc	Hofmeyr Herbstein Gihwala & Cluver Inc.
PSG Noble Capital Limited	Hofmeyr Herbstein Gihwala & Cluver Inc.
Savanha Holdings Limited	Hofmeyr Herbstein Gihwala & Cluver Inc.
World Educational Technologies Limited	Hofmeyr Herbstein Gihwala & Cluver Inc.
All Joy Foods Limited	Hofmeyr Herbstein Gihwala Cluver & Walker Inc.
Cape Empowerment Trust Limited	Hofmeyr Herbstein Gihwala Cluver & Walker Inc.
Essential Beverage Holdings Limited	Hofmeyr Herbstein Gihwala Cluver & Walker Inc.
Heritage Collection Holdings Limited	Hofmeyr Herbstein Gihwala Cluver & Walker Inc.
Micrologix Limited	Hofmeyr Herbstein Gihwala Cluver & Walker Inc.
Prism Holdings Limited	Hofmeyr Herbstein Gihwala Cluver & Walker Inc.
PSG Investment Bank Holdings Limited	Hofmeyr Herbstein Gihwala Cluver & Walker Inc.

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ISSUER	LISTING ATTORNEY
Skills Accel Limited	Hofmeyr Herbstein Gihwala Cluver & Walker Inc.
Spearhead Property Holdings Limited	Hofmeyr Herbstein Gihwala Cluver & Walker Inc.
Tile Africa Holdings Limited	Hofmeyr Herbstein Gihwala Cluver & Walker Inc.
Paradigm Interactive Media Limited	Hofmeyr Herbstein Gihwala Inc.
Dectronic Limited	Hofmeyr Herbstein Gihwala, Cluver & Walker Inc.
Avis Holdings Limited	Hofmeyr Herbsteins Inc.
Genbel Securities Limited	Hofmeyr Inc.
Decomac Holdings Limited	Horn & van Rensburg
Prospur Packaging & Plastics Limited	Jan de Villers & Son
Decillion Limited	Jowell Glyn & Marais Inc
Grinaker Construction Limited	Jowell Glyn & Marais Inc
Prestasi Financial Services Limited	Jowell Glyn & Marais Inc
Primegro Properties Limited	Jowell Glyn & Marais Inc
Interconnective Solutions Limited	Kallmeyer & Strime
Regal Treasury Bank Holdings Limited	Kallmeyer & Strime
Acumen Holdings Limited	Levy, Feinsteins & Associates Inc.
Corpcom Limited	Levy, Feinsteins & Associates Inc.
Anglo American plc	Linklaters & Paines
Elexir Technology Holdings Limited	M. Craig Nahon
Integrated Health Technologies Limited	M. Craig Nahon
ITI Technology Holdings Limited	M. Craig Nahon
Ixchange Technology Holdings Limited	M. Craig Nahon
MMW Technology Holdings Limited	M. Craig Nahon
Top Info Technology Holdings Limited	M. Craig Nahon
African Partnerships Limited	Mallinicks Inc.
Millionair Charter Limited	Mallinicks Inc.
M-Web Holdings Limited	Mallinicks Inc.
Auto Space Age Systems Limited	Maponya Inc.
Casey Investment Holding Limited	Maree Theunissen Attorneys
Contlan Holdings Limited	Maree Theunissen Attorneys
Idion Technology Holdings Limited	Maree Theunissen Attorneys
Synergy Holdings Limited	Maree Theunissen Attorneys
Gold Edge Holdings Limited	Migliore & Sarris
Masterfridge Limited	Millin & Currie (Swaziland)
Kalahari Goldridge Mining Company Limited	Moseneke & Partners
Network Healthcare Holdings Limited	Moss Cohen & Partners
Advanced Software Technologies - Abraxas Limited	Moss-Morris Inc.
Advanced Software Technologies Limited	Moss-Morris Inc.

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ISSUER	LISTING ATTORNEY
Aludie Limited	Moss-Morris Inc.
Amlac Limited	Moss-Morris Inc.
APS Technologies Limited	Moss-Morris Inc.
Core Holdings Limited	Moss-Morris Inc.
Education Investment Corporation Limited, The	Moss-Morris Inc.
Infowave Holdings Limited	Moss-Morris Inc.
Jem Technology Holdings Limited	Moss-Morris Inc.
Mustek Limited	Moss-Morris Inc.
Oxbridge Online Limited	Moss-Morris Inc.
Premium Properties Limited	Moss-Morris Inc.
Rectron Holdings Limited	Moss-Morris Inc.
Smacsoft Group Limited	Moss-Morris Inc.
Stocks Hotels and Resorts Limited	Moss-Morris Inc.
Streamworks Group Limited	Moss-Morris Inc.
Zaptronix Limited	Moss-Morris Inc.
Norwich Holdings South Africa Limited	Murphy, Foxcroft, Walace & Gess
Specialised Outsourcing Limited	Nathan & Novick
Bynx Limited	Paul Botha Inc.
Intervid Limited	Paul Botha Inc.
Mercantile Lisbon Bank Holdings Limited	Pereira Vorster Inc.
Aquila Growth Limited	Peter Dawe & Associates
Retail Apparel Group Limited	Peter Dawe & Associates
Acuity Group Holdings Limited	Prinsloo, Tindle & Andropoulos Inc.
Computer Configurations Holdings Limited	Rabin, van den Berg & Pelkowitz
Greenwich Group Limited	Rabin, van den Berg & Pelkowitz
Maxiprest Limited	Rabin, van den Berg & Pelkowitz
Maxtec Limited	Rabin, van den Berg & Pelkowitz
Netactive Limited	Rabin, van den Berg & Pelkowitz
Paracon Holdings Limited	Rabin, van den Berg & Pelkowitz
Teltron Limited	Rabin, van den Berg & Pelkowitz
Taufin Holdings Limited	Randles Inc.
Southern Mining Corporation Limited	Rooth & Wessels Attorneys
Bonatla Property Holdings Limited	Routledges Inc
Old Mutual plc	Slaughter & May (UK)
Absec Limited	Sonnenberg Hoffmann & Galombick Inc
Good Cape Limited	Sonnenberg Hoffmann & Galombick Inc
Homechoice Holdings Limited	Sonnenberg Hoffmann & Galombick Inc
New Clicks Holdings Limited	Sonnenberg Hoffmann & Galombick Inc
Paragon Business Forms Limited	Sonnenberg Hoffmann & Galombick Inc
Prima Toy & Leisure Group Limited	Sonnenberg Hoffmann & Galombick Inc
Sekunjalo Investments Limited	Sonnenberg Hoffmann & Galombick Inc

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ISSUER	LISTING ATTORNEY
South African Empowerment Fund Investment Trust Company Limited	Sonnenberg Hoffmann & Galombick Inc
All Joy Foods Limited	Stan Fanaroff & Associates
National Chick Limited	Stowell & Co.
REF Finance & Investment Corporation Limited	Swats Succulence Attorneys
Noble Minerals Limited	Trevor Swartz Attorneys
Tallow Industrial Holdings Limited	Van Hulsteyns
Qala Group Limited	Van Hultsteyns
Sekunjalo Investments Limited	Vijay Moodaley Attorneys
Prada Technologies Limited	W.P. Steyn
Consumer Credit Holdings Limited	Webber Wentzel Bowens
Energy Africa Limited	Webber Wentzel Bowens
First South African Food Holdings Limited	Webber Wentzel Bowens
Hoechst South Africa Limited	Webber Wentzel Bowens
JCI Gold Limited	Webber Wentzel Bowens
Kroondal Platinum Mines Limited	Webber Wentzel Bowens
Masterfridge Limited	Webber Wentzel Bowens
Polifin Limited	Webber Wentzel Bowens
Terexko Limited	Webber Wentzel Bowens
A M Moolla Group Limited	Werksmans Attorneys
Barnard Jacobs Mellet Holdings Limited	Werksmans Attorneys
Business Bank Limited, The	Werksmans Attorneys
Central Information Holdings Limited	Werksmans Attorneys
Chariot Holdings Limited	Werksmans Attorneys
Coronet Capital limited	Werksmans Attorneys
Cycad Financial Holdings Limited	Werksmans Attorneys
Decomac Holdings Limited	Werksmans Attorneys
Emerald Topbrand Sports Limited	Werksmans Attorneys
Faritec Holdings Limited	Werksmans Attorneys
Gold Reef Casino Resorts Limited	Werksmans Attorneys
Incentive Holdings Limited	Werksmans Attorneys
Log-Tek Holdings Limited	Werksmans Attorneys
Mathomo Group Limited	Werksmans Attorneys
MB Technologies Limited	Werksmans Attorneys
Millenium Property Holdings Limited	Werksmans Attorneys
Money Web Holdings Limited	Werksmans Attorneys
Money Wise Holdings Limited	Werksmans Attorneys
Nando's Group Holdings Limited	Werksmans Attorneys
National Chick Limited	Werksmans Attorneys
O'Hagans Investment Holdings Limited	Werksmans Attorneys
Peregrine Holdings Limited	Werksmans Attorneys
Plasgroup Limited	Werksmans Attorneys

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ISSUER	LISTING ATTORNEY
Rebhold Limited	Werksmans Attorneys
REF Finance & Investment Corporation Limited	Werksmans Attorneys
South African Breweries plc	Werksmans Attorneys
Terrafin Holdings Limited	Werksmans Attorneys
Tridelta Magnet Technology Holdings Limited	Werksmans Attorneys
Union Alliance Media Limited	Werksmans Attorneys
Value Group Limited	Werksmans Attorneys
Venmil Limited	Werksmans Attorneys
Q Mart Holdings Limited	Wertheim Becker Attorneys
Smacsoft Group Limited	Yammin-Hammond & Partners

Table 16.3: Schedule of listing attorneys for new applicants listing new issues for the sample period 1995 through 1999.

D. CORPORATE ADVISORS

ISSUER	CORPORATE ADVISORS
Absec Limited	A. Murray Louw
Good Cape Limited	A. Murray Louw
African Partnerships Limited	African Harvest Capital (Pty) Limited
Intertrading Limited	Ansdale Corporate Finance (Pty) Limited
Paramed Holdings Limited	Ansdale Corporate Finance (Pty) Limited
Prima Toy & Leisure Group Limited	Ansdale Corporate Finance (Pty) Limited
Zeltis Holdings Limited	Ansdale Corporate Finance (Pty) Limited
Spur Corporation Limited	Ansdale Management Services (Pty) Limited
Enviroserv Holdings Limited	Arcay Group Limited
Global Technology Limited	Arcay Group Limited
Spur Corporation Limited	Arthur Andersen
Brainware Limited	Barnard Jacobs Mellet & Co. (Pty) Limited
Heritage Collection Holdings Limited	Barnard Jacobs Mellet & Co. (Pty) limited
Corpcom Limited	BFS Capital Limited
Skills Accel Limited	Bishop Corporate Finance (Pty) Limited
Enterprise Outsourcing Holdings Limited	BOE Securities (Pty) Limited
Pennystocks Investments Limited	BOE Securities (Pty) Limited
Gray Security Services Limited	Brait Advisors (Pty) Limited
Admiral Leisure World Limited	Capital Partners
Pat Cornick Limited	Capital Partners Limited
Radiospoor Technology Holdings Limited	Capital Partners Limited
Afribrand Holdings Limited	Charles Kahan Inc.
Integrated Consumer Products Limited	Charles Kahan Inc.
Privest Group Limited	Charles Kahan Inc.
Pentacom Holdings Limited	Chartwell Investments
Brandcorp Holdings Limited	Chester Industries Limited
M-Web Holdings Limited	Coopers & Lybrand Corporate Finance
M-Cell Limited	Coopers & Lybrand Corporate Finance (Pty) Limited
U-Trade Limited	Coronation Capital (Pty) Limited
African Partnerships Limited	Coronation Corporate
Equinox Holdings Limited	Coronation Corporate
Securedata Solutions Limited	Corpcapital Limited

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ISSUER	CORPORATE ADVISORS
Corpcom Limited	Corpgro Capital (Pty) Limited
Servest Holdings Limited	Corpgro Capital (Pty) Limited
O'Hagans Investment Holdings Limited	Deloitte & Touche
Business Bank Limited, The	Deloitte & Touche Corporate Finance (Pty) Limited
Casey Investment Holding Limited	Deloitte & Touche Corporate Finance (Pty) Limited
Decomac Holdings Limited	Deloitte & Touche Corporate Finance (Pty) Limited
Idion Technology Holdings Limited	Deloitte & Touche Corporate Finance (Pty) Limited
Money Wise Holdings Limited	Deloitte & Touche Corporate Finance (Pty) Limited
Q Mart Holdings Limited	Deloitte & Touche Corporate Finance (Pty) Limited
Servest Holdings Limited	Deloitte & Touche Corporate Finance (Pty) Limited
Sotta Securitisation International Limited	Deloitte & Touche Corporate Finance (Pty) Limited
Terrafin Holdings Limited	Deloitte & Touche Corporate Finance (Pty) Limited
Lonrho Africa Plc	Deutsche Morgan Grenfell
Comair Limited	Deutsche Morgan Grenfell (SA)
Cycad Financial Holdings Limited	Deutsche Morgan Grenfell (SA)
Gold Fields Limited	Deutsche Morgan Grenfell (SA) (Pty) Limited
Norvest Properties Limited	DMB Securities
Shawcell Telecommunications Limited	E.W. Balderson (Pty) Limited
Millionair Charter Limited	Ed Hern & Associates (Pty) limited
Prada Technologies Limited	Ed Hern & Associates (Pty) limited
Vesta Technology Holdings Limited	Equisec (Pty) limited
CS Computer Services Holdings Limited	Financial Frontiers (Pty) Limited
Polifin Limited	FirstCorp Merchant Bank Limited
Aquila Growth Limited	Fleming Martin SA Limited
Howden Africa Holdings Limited	Fleming Martin SA Limited
IST Group Limited	Fleming Martin SA Limited
Buildmax Limited	Frankel Pollak (Pty) Limited
Terexko Limited	Frankel Pollak (Pty) Limited
Y2KTec Limited	General Guarentee & Trust Co. Limited
Advanced Software Technologies - Abraxas Limited	Glyn & Associates (Pty) Limited
Streamworks Group Limited	Glyn & Associates (Pty) Limited

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ISSUER	CORPORATE ADVISORS
Whetstone Industrial Holdings Limited	Grant Thornton Kessel Feinstein
Advanced Software Technologies - Abraxas Limited	Greenwich Corporate Advisors (Pty) Limited
Advanced Software Technologies Limited	Greenwich Corporate Advisors (Pty) Limited
APS Technologies Limited	Greenwich Corporate Advisors (Pty) Limited
Core Holdings Limited	Greenwich Corporate Advisors (Pty) Limited
Elexir Technology Holdings Limited	Greenwich Corporate Advisors (Pty) Limited
Greenwich Group Limited	Greenwich Corporate Advisors (Pty) Limited
Infowave Holdings Limited	Greenwich Corporate Advisors (Pty) Limited
Rectron Holdings Limited	Greenwich Corporate Advisors (Pty) limited
Smacsoft Group Limited	Greenwich Corporate Advisors (Pty) limited
Streamworks Group Limited	Greenwich Corporate Advisors (Pty) limited
Top Info Technology Holdings Limited	Greenwich Corporate Advisors (Pty) limited
Zaptronix Limited	Greenwich Corporate Advisors (Pty) limited
Astrapak Limited	HSBC Simpson McKie (Pty) Limited
Explorer Corporation Holdings Limited	HSBC Simpson McKie (Pty) Limited
O'Hagans Investment Holdings Limited	HSBC Simpson McKie (Pty) Limited
Trans Ocean Diamond Mining Limited	HSBC Simpson McKie (Pty) Limited
Truworths International Limited	HSBC Simpson McKie (Pty) Limited
UCS Group Limited	HSBC Simpson McKie (Pty) Limited
Woolworths Holdings Limited	HSBC Simpson McKie (Pty) Limited
MSI Holdings Limited	Huysamer Stals (Pty) Limited
Indequity Group Limited	Indequity International (Pty) Limited
Tridelta Magnet Technology Holdings Limited	International Bank of Southern Africa Limited
Gold Edge Holdings Limited	Invalco Investments (Pty) Limited
Tallow Industrial Holdings Limited	Invalco Investments (Pty) Limited
A M Moolla Group Limited	Investec Securities Limited
Intertrading Limited	Irish & Menell Rosenberg (Pty) Limited
Paramed Holdings Limited	Irish Menell Rosenberg (Pty) Limited
All Joy Foods Limited	Izan de Bruin & Co. (Pty) Limited
Nimbus Holdings Limited	J.M. Folscher & Co. (Pty) Limited
Aludie Limited	Jacobson & Cuffe

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ISSUER	CORPORATE ADVISORS
Millenium Property Holdings Limited	JMB Durolink
Spur Corporation Limited	Kamplans Limited
Auto Space Age Systems Limited	Kingfisher Corporate & Executive (Pty) Limited
REF Finance & Investment Corporation Limited	Kingfisher Corporate & Executive (Pty) Limited
Ref Marketing & Media Limited	Kingfisher Corporate & Executive (Pty) Limited
Bryant Technology Limited	KPMG
Integrated Health Technologies Limited	Labyrinth Corporate Advisors (Pty) Ltd
ITI Technology Holdings Limited	Labyrinth Corporate Advisors (Pty) Ltd
Ixchange Technology Holdings Limited	Labyrinth Corporate Advisors (Pty) Ltd
MMW Technology Holdings Limited	Labyrinth Corporate Advisors (Pty) Ltd
Moulded Medical Suppliers Limited	Labyrinth Corporate Advisors (Pty) Ltd
Casey Investment Holding Limited	Lambda Corporate Advisory Services (Pty) Limited
Idion Technology Holdings Limited	Lambda Corporate Advisory Services (Pty) Limited
Sotta Securitisation International Limited	Lambda Corporate Advisory Services (Pty) Limited
Terrafin Holdings Limited	Lambda Corporate Advisory Services (Pty) Limited
Dectronic Limited	Legacy Corporate Advisors (Pty) Limited
Legacy Ventures Limited	Legacy Corporate Advisors (Pty) Limited
Micrologix Limited	Legacy Corporate Advisors (Pty) Limited
World Educational Technologies Limited	Legacy Corporate Advisors (Pty) Limited
Molope Foods Limited	Leveton Boner Horwath
Brandcorp Holdings Limited	Light & Livingston Financial Services CC
NET 1 Applied Technology Holdings Limited	Light & Livingstone Financial Services CC
Network Healthcare Holdings Limited	Light & Livingstone Financial Services CC
National Sporting Index Limited	LMA Corporate Advisors (Pty) Limited
Technology Communication Holdings Limited	Lomberg Pulford & Co. (Pty) Limited
Emerald Topbrand Sports Limited	Lowenthal & Co.
Jem Technology Holdings Limited	Lowenthal & Co.
Africa Glass Industries Limited	LRS Financial Services (Pty) Limited
South African Empowerment Fund Investment Trust Company Limited	LRS Financial Services (Pty) Limited
Compu Clearing Outsourcing Limited	Lutrin & Partners
Acuity Group Holdings Limited	Mercvest (Pty) Limited

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ISSUER	CORPORATE ADVISORS
Nedcor Investment Bank Holdings Limited	Merrill Lynch International
Old Mutual plc	Merrill Lynch International
Spearhead Property Holdings Limited	Mettle Limited
Gold Fields Limited	Morgan Stanley (SA) (Pty) Limited
M-Web Holdings Limited	Morgan Stanley South Africa
Umbono Investment Corporation Limited	New Africa Advisors (Pty) Limited
ABC Cash Plus Limited	Orsim Finance (Pty) Limited
Spearhead Property Holdings Limited	Parc du Cap 3
Faritec Holdings Limited	Peregrine Structuring (Pty) Limited
Money Web Holdings Limited	Peregrine Structuring (Pty) Limited
Paracon Holdings Limited	Peregrine Structuring (Pty) Limited
Plasgroup Limited	Peregrine Structuring (Pty) Limited
Automakers Limited	Pleiade Investment Corporation (Pty) Limited
M-Cell Limited	Pleiade Investment Corporation (Pty) Limited
Dynamo Retail Limited	PricewaterhouseCoopers Corporate Finance (Pty) Limited
Quyn Holdings Limited	Quyn Corporate Finance (Pty) Limited
Taufin Holdings Limited	Quyn Corporate Finance (Pty) Limited
Rebhold Limited	Real Africa Durolink (Pty) Limited
Mercury Alpha Capital Limited	Real Africa Durolink Investment Bank Limited
Real Africa Durolink Holdings Limited	Real Africa Durolink Investment Bank Limited
Noble Minerals Limited	REF Securities (Pty) Limited
REF Finance & Investment Corporation Limited	REF Securities (Pty) Limited
Ref Marketing & Media Limited	REF Securities (Pty) Limited
Digicore Holdings Limited	Regal Treasury Corporate Finance Limited
Explorer Corporation Holdings Limited	Regal Treasury Corporate Finance Limited
Regal Treasury Bank Holdings Limited	Regal Treasury Corporate Finance Limited
Zenith Concessions Limited	Regional Resources
Seeff Holdings Limited	Ridge Corporate Finance
Nedcor Investment Bank Holdings Limited	Robert Fleming South Africa Limited
Beige Holdings Limited	Schneider Katz
Global Village Holdings Limited	Schneider Katz
Learning Corporation Limited, The	Schneider Katz
Plessey Corporation Limited	Seeff Corporate Finance
Sovereign Food Investments Limited	Simpson McKie James Capel (Pty) Limited

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ISSUER	CORPORATE ADVISORS
Umbono Investment Corporation Limited	Simpson McKie James Capel (Pty) Limited
Abacus Technology Holdings Limited	Smith Borkum Hare (Pty) Limited
Abraxas Investment Holdings Limited	Smith Borkum Hare (Pty) Limited
Rebhold Limited	Smith Borkum Hare (Pty) Limited
Retail Apparel Group Limited	Smith Borkum Hare (Pty) Limited
Software Connection Limited	Smith Borkum Hare (Pty) Limited
Trematon Capital Investments Limited	Smith Borkum Hare (Pty) Limited
Gold Fields Limited	Standard Corporate & Merchant Bank Limited
Paracon Holdings Limited	Taita Holdings (Pty) Limited
Tigon Limited	The CA Group
Century Carbon Mining Limited	The Corner House (Pty) limited
Billboard Communications Limited	Thurloe Corporate (Pty) Limited
Infiniti Technologies Limited	Thurloe Corporate (Pty) Limited
Mazal Mining & Exploration Limited	Thurloe Corporate (Pty) Limited
Stella Vista Technologies Limited	Thurloe Corporate Finance
MGX Holdings Limited	Trafalgar Media
ERP.Com Holdings Limited	Trans Atlantic Securities (Pty) Limited
Magnum Global Funds S.A. Limited	Trans Atlantic Securities (Pty) Limited
Securedata Solutions Limited	Trans Atlantic Securities (Pty) limited
Stantronic Group Holdings Limited	TWS Rubin Ferguson
Integrated Consumer Products Limited	TWS Rubin Fergusson
Privest Group Limited	TWS Rubin Fergusson
Y3K Group Limited	TWS Rubin Fergusson
Paragon Business Forms Limited	UBS Representative Office Limited
Accord Technologies Limited	undisclosed
Acumen Holdings Limited	undisclosed
Adcock Ingram Limited	undisclosed
Advtech Education Holdings Limited	undisclosed
African Harvest Limited	undisclosed
Amalgamated Appliance Holdings Limited	undisclosed
AMB Holdings Limited	undisclosed
AMB Private Equity Partners Limited	undisclosed
Amlac Limited	undisclosed
Aveng Limited	undisclosed
Avis Holdings Limited	undisclosed
Awethu Breweries Limited	undisclosed

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ISSUER	CORPORATE ADVISORS
Barnard Jacobs Mellet Holdings Limited	Undisclosed
Bonatla Property Holdings Limited	undisclosed
Brimstone Investment Corporation Limited	undisclosed
Bynx Limited	undisclosed
Cadiz Holdings Limited	undisclosed
Cape Empowerment Trust Limited	undisclosed
Carson Holdings Limited	undisclosed
Cedargro Holdings Limited	undisclosed
Central Information Holdings Limited	undisclosed
Chester Investment Holdings Limited	undisclosed
Chillers Group Limited	undisclosed
Clientele Life Assurance Company Limited	undisclosed
Computer Configurations Holdings Limited	undisclosed
Consumer Credit Holdings Limited	undisclosed
Convergent Network Limited	undisclosed
Corohedge Capital Limited	undisclosed
Coronet Capital limited	undisclosed
Creditsure Holdings Limited	undisclosed
Crux Technologies Limited	undisclosed
Cyberhost Limited	undisclosed
Datacentrix Holdings Limited	undisclosed
Decillion Limited	undisclosed
Discovery Holdings Limited	undisclosed
DNA Supply Chains Limited	undisclosed
EC-Hold Holdings Limited	undisclosed
E-Data Holdings Limited	undisclosed
Education Investment Corporation Limited, The	undisclosed
Elvey Security Technologies Limited	undisclosed
Energy Africa Limited	undisclosed
Essential Beverage Holdings Limited	undisclosed
Fashion Africa Limited	undisclosed
Fe Squared Holdings Limited	undisclosed
Fedics Group Limited, The	undisclosed
Finshare Group Limited	undisclosed
First South African Food Holdings Limited	undisclosed
Forbes Group Limited	undisclosed
Forza Group Limited	undisclosed

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ISSUER	CORPORATE ADVISORS
Fulcrum Science & Technology Bank Controlling Company Limited	Undisclosed
Genbel Securities Limited	Undisclosed
Glenrand M I B Limited	Undisclosed
Global Capital Limited	Undisclosed
Gold Reef Casino Resorts Limited	Undisclosed
Grinaker Construction Limited	Undisclosed
Hix Technologies Limited	Undisclosed
Homechoice Holdings Limited	undisclosed
House of Busby Limited, The	undisclosed
Iliad Africa Limited	undisclosed
Incentive Holdings Limited	undisclosed
Interconnective Solutions Limited	undisclosed
Intervid Limited	undisclosed
Investment Solutions Holdings Limited	undisclosed
IOTA Financial Services Limited	undisclosed
Kalahari Goldridge Mining Company Limited	undisclosed
King Food Holdings Limited	undisclosed
Knights Gold Mining Company Limited	undisclosed
Kroondal Platinum Mines Limited	undisclosed
LA Retail Stores Limited	undisclosed
Log-Tek Holdings Limited	undisclosed
Maranda Mines Limited	undisclosed
Masterfridge Limited	undisclosed
Mathomo Group Limited	undisclosed
Maxtec Limited	undisclosed
MB Technologies Limited	undisclosed
Mercantile Lisbon Bank Holdings Limited	undisclosed
Metboard Properties Limited	undisclosed
Metorex Limited	undisclosed
Metropolis Transactive Holdings Limited	undisclosed
Moresport Holdings Limited	undisclosed
Mustek Limited	undisclosed
Nando's Group Holdings Limited	undisclosed
National Chick Limited	undisclosed
Netactive Limited	undisclosed
New Clicks Holdings Limited	undisclosed
Omega Alpha International IT Holdings Limited	undisclosed

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ISSUER	CORPORATE ADVISORS
OSI Holdings Limited	undisclosed
OTK Holdings Limited	undisclosed
OTR Mining Limited	undisclosed
Oxbridge Online Limited	undisclosed
Paradigm Interactive Media Limited	undisclosed
Peregrine Holdings Limited	undisclosed
Primegro Properties Limited	undisclosed
Prism Holdings Limited	undisclosed
PSG Investment Bank Holdings Limited	undisclosed
PSG Noble Capital Limited	undisclosed
Qala Group Limited	undisclosed
Renaissance Retail Group Limited	undisclosed
Savanha Holdings Limited	undisclosed
Sekunjalo Investments Limited	undisclosed
Setpoint Technology Holdings Limited	undisclosed
Southern Mining Corporation Limited	undisclosed
Specialised Outsourcing Limited	undisclosed
Steinhoff International Holdings Limited	undisclosed
Stocks Hotels and Resorts Limited	undisclosed
Sweets From Heaven Holdings Limited	undisclosed
TCO Holdings Limited	undisclosed
Thabex Exploration Limited	undisclosed
Thuthukani Group Limited	undisclosed
Tile Africa Holdings Limited	undisclosed
Tourism Investment Corporation Limited	undisclosed
Union Alliance Media Limited	undisclosed
Value Group Limited	undisclosed
Valuecom Holdings Limited	undisclosed
Venmil Limited	undisclosed
Viking Investments & Asset Management Limited	undisclosed
Wetherlys Investment Holdings Limited	undisclosed
Women Investment Portfolio Holdings Limited	undisclosed
Appleton Group Limited, The	Unyson Corporate Finance (Pty) Limited
Taufin Holdings Limited	Unyson Corporate Finance (Pty) Limited
African Media Entertainment Limited	Venture & Acquisitions (Pty) Limited
Chariot Holdings Limited	Ventures & Acquisitions (Pty) Limited
Digicore Holdings Limited	Viljoen & Nieuwoudt

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ISSUER	CORPORATE ADVISORS
Infiniti Technologies Limited	VNV Corporate Advisors
Billboard Communications Limited	VNV Corporate Advisors (Pty) Limited
Casey Investment Holding Limited	Whistler Capital (Pty) limited
Idion Technology Holdings Limited	Whistler Capital (Pty) Limited
Sotta Securitisation International Limited	Whistler Capital (Pty) Limited
Contlan Holdings Limited	Whistler Lambda Corporate Finance (Pty) Limited
Synergy Holdings Limited	Whistler Lambda Corporate Finance (Pty) Limited

Table 16.4: Schedule of corporate advisors for new applicants listing new issues for the sample period 1995 through 1999.

E. INVESTMENT BANKERS

ISSUER	INVESTMENT BANKERS
Chillers Group Limited	Absa Bank Limited
EC-Hold Holdings Limited	Absa Bank Limited
Forbes Group Limited	Absa Corporate & Merchant Bank Limited
Genbel Securities Limited	Absa Corporate & Merchant Bank Limited
Network Healthcare Holdings Limited	Absa Corporate & Merchant Bank Limited
M-Cell Limited	Absa Corporate & Merchant Banking
Advtech Education Holdings Limited	Absa Corporate Bank
Central Information Holdings Limited	Absa Corporate Bank
IOTA Financial Services Limited	Absa Corporate Bank
Molope Foods Limited	Absa Corporate Bank
Dynamo Retail Limited	Absa Corporate Bank Limited
Thuthukani Group Limited	Absa Corporate Bank Limited
Bell Equipment Limited	Absa Merchant Bank
AMB Private Equity Partners Limited	African Merchant Bank Limited
Billboard Communications Limited	African Merchant Bank Limited
Fulcrum Science & Technology Bank Controlling Company Limited	African Merchant Bank Limited
Iliad Africa Limited	BOE Investment Bank Limited
Chester Investment Holdings Limited	BOE NatWest Limited
Specialised Outsourcing Limited	BOE Natwest Limited
Bynx Limited	Brait Merchant Bank Limited
Decillion Limited	Brait Merchant Bank Limited
E-Data Holdings Limited	Brait Merchant Bank Limited
Gray Security Services Limited	Brait Merchant Bank Limited
Intervid Limited	Brait Merchant Bank Limited
Women Investment Portfolio Holdings Limited	Brait Merchant Bank Limited
Global Capital Limited	Capital Alliance Bank Limited
House of Busby Limited, The	Capital Alliance Bank Limited
Southern Mining Corporation Limited	Capital Alliance Bank Limited
AMB Holdings Limited	DLJ African Merchant Bank Limited
Fedics Group Limited, The	DLJ African Merchant Bank Limited
Molope Foods Limited	DLJ African Merchant Bank Limited
Knights Gold Mining Company Limited	First Corp
Masterfridge Limited	FirstCorp Merchant Bank Limited
National Chick Limited	FirstCorp Merchant Bank Limited
Polifin Limited	FirstCorp Merchant Bank Limited
Software Connection Limited	FirstCorp Merchant Bank Limited
Stocks Hotels and Resorts Limited	FirstCorp Merchant Bank Limited
OTK Holdings Limited	Genbel Securities Limited

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ISSUER	INVESTMENT BANKERS C
Kroondal Platinum Mines Limited	HSBC Simpson McKie (Pty) Limited
Paracon Holdings Limited	HSBC Simpson McKie (Pty) Limited
Awethu Breweries Limited	International Bank of Southern Africa Limited
Acumen Holdings Limited	Investec Bank Limited
Africa Glass Industries Limited	Investec Bank Limited
Amalgamated Appliance Holdings Limited	Investec Bank Limited
Brandcorp Holdings Limited	Investec Bank Limited
Hoechst South Africa Limited	Investec Merchant Bank
Chariot Holdings Limited	Investec Merchant Bank Limited
First South African Food Holdings Limited	Investec Merchant Bank Limited
Global Capital Limited	Investec Merchant Bank Limited
Homechoice Holdings Limited	Investec Merchant Bank Limited
Investment Solutions Holdings Limited	Investec Merchant Bank Limited
MB Technologies Limited	Investec Merchant Bank Limited
Metorex Limited	Investec Merchant Bank Limited
MGX Holdings Limited	Investec Merchant Bank Limited
Privest Group Limited	Investec Merchant Bank Limited
Sweets From Heaven Holdings Limited	Investec Merchant Bank Limited
Truworths International Limited	Investec Merchant Bank Limited
Valuecom Holdings Limited	Investec Merchant Bank Limited
Wetherlys Investment Holdings Limited	Investec Merchant Bank Limited
Prestasi Financial Services Limited	MBA Mercantile Bank
Acuity Group Holdings Limited	Mercantile Bank Limited
Explorer Corporation Holdings Limited	Mercantile Bank Limited
Learning Corporation Limited, The	Mercantile Bank Limited
Maranda Mines Limited	Mercantile Bank Limited
Mercantile Lisbon Bank Holdings Limited	Mercantile Bank Limited
Mustek Limited	Mercantile Bank Limited
Y3K Group Limited	Mercantile Bank Limited
Network Healthcare Holdings Limited	MLS Bank limited
A M Moolla Group Limited	None
Abacus Technology Holdings Limited	None
ABC Cash Plus Limited	None
Abraxas Investment Holdings Limited	None
Absec Limited	None
Advanced Software Technologies - Abraxas Limited	None
Advanced Software Technologies Limited	None
African Partnerships Limited	None
All Joy Foods Limited	None
APS Technologies Limited	None
Aquila Growth Limited	None

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ISSUER	INVESTMENT BANKERS
Astrapak Limited	None
Auto Space Age Systems Limited	None
Aveng Limited	None
Barnard Jacobs Mellet Holdings Limited	None
Beige Holdings Limited	None
Brainware Limited	None
Bryant Technology Limited	None
Buildmax Limited	None
Business Bank Limited, The	None
Cadiz Holdings Limited	None
Cape Empowerment Trust Limited	None
Casey Investment Holding Limited	None
Century Carbon Mining Limited	None
Comair Limited	None
Contlan Holdings Limited	None
Convergent Network Limited	None
Core Holdings Limited	None
Crux Technologies Limited	None
Cycad Financial Holdings Limited	None
Decomac Holdings Limited	None
Dectronic Limited	None
Digicore Holdings Limited	None
Discovery Holdings Limited	None
DNA Supply Chains Limited	None
Elexir Technology Holdings Limited	None
Elvey Security Technologies Limited	None
Emerald Topbrand Sports Limited	None
Enterprise Outsourcing Holdings Limited	None
Enviroserv Holdings Limited	None
Equinox Holdings Limited	None
ERP.Com Holdings Limited	None
Essential Beverage Holdings Limited	None
Fe Squared Holdings Limited	None
Finshare Group Limited	None
Global Technology Limited	None
Gold Edge Holdings Limited	None
Good Cape Limited	None
Greenwich Group Limited	None
Heritage Collection Holdings Limited	None
Hix Technologies Limited	None
Howden Africa Holdings Limited	None

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ISSUER	INVESTMENT BANKERS
Idion Technology Holdings Limited	None
Indequity Group Limited	None
Infiniti Technologies Limited	None
Infowave Holdings Limited	None
Integrated Health Technologies Limited	None
Interconnective Solutions Limited	None
Intertrading Limited	None
IST Group Limited	None
ITI Technology Holdings Limited	None
Ixchange Technology Holdings Limited	None
Jem Technology Holdings Limited	None
King Food Holdings Limited	None
Legacy Ventures Limited	None
Magnum Global Funds S.A. Limited	None
Mathomo Group Limited	None
Mazal Mining & Exploration Limited	None
Metboard Properties Limited	None
Micrologix Limited	None
Millionair Charter Limited	None
MMW Technology Holdings Limited	None
Molope Foods Limited	None
Money Wise Holdings Limited	None
Moulded Medical Suppliers Limited	None
M-Web Holdings Limited	None
National Sporting Index Limited	None
NET 1 Applied Technology Holdings Limited	None
Nimbus Holdings Limited	None
Noble Minerals Limited	None
O'Hagans Investment Holdings Limited	None
OTR Mining Limited	None
Oxbridge Online Limited	None
Paragon Business Forms Limited	None
Paramed Holdings Limited	None
Pat Cornick Limited	None
Pennystocks Investments Limited	None
Prada Technologies Limited	None
Prima Toy & Leisure Group Limited	None
Q Mart Holdings Limited	None
Quyn Holdings Limited	None
Rebhold Limited	None
Rectron Holdings Limited	None

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ISSUER	INVESTMENT BANKERS
REF Finance & Investment Corporation Limited	None
Ref Marketing & Media Limited	None
Regal Treasury Bank Holdings Limited	None
Renaissance Retail Group Limited	None
Shawcell Telecommunications Limited	None
Skills Accel Limited	None
Smacsoft Group Limited	None
Sotta Securitisation International Limited	None
Spearhead Property Holdings Limited	None
Spur Corporation Limited	None
Stella Vista Technologies Limited	None
Streamworks Group Limited	None
Synergy Holdings Limited	None
Taufin Holdings Limited	None
TCO Holdings Limited	None
Technology Communication Holdings Limited	None
Terexko Limited	None
Terrafin Holdings Limited	None
Thabex Exploration Limited	None
Top Info Technology Holdings Limited	None
Trans Ocean Diamond Mining Limited	None
Trematon Capital Investments Limited	None
UCS Group Limited	None
U-Trade Limited	None
Vesta Technology Holdings Limited	None
Viking Investments & Asset Management Limited	None
Whetstone Industrial Holdings Limited	None
World Educational Technologies Limited	None
Y2KTec Limited	None
Zaptronix Limited	None
Zeltis Holdings Limited	None
Education Investment Corporation Limited, The	Nedbank Investment Bank
Kalahari Goldridge Mining Company Limited	Nedbank Investment Bank
Tourism Investment Corporation Limited	Nedbank Investment Bank
Woolworths Holdings Limited	Nedbank Investment Bank
Premium Properties Limited	Nedbank Investment Bank
Teltron Limited	Nedbank Investment Bank
Ukhozi Property Fund Limited	Nedbank Investment Bank
African Media Entertainment Limited	Nedcor Investment Bank
Appleton Group Limited, The	Nedcor Investment Bank
Bonatla Property Holdings Limited	Nedcor Investment Bank
Corohedge Capital Limited	Nedcor Investment Bank

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ISSUER	INVESTMENT BANKERS
Corpcom Limited	Nedcor Investment Bank
Fashion Africa Limited	Nedcor Investment Bank
Forza Group Limited	Nedcor Investment Bank
Gold Reef Casino Resorts Limited	Nedcor Investment Bank
Moresport Holdings Limited	Nedcor Investment Bank
Nedcor Investment Bank Holdings Limited	Nedcor Investment Bank
Primegro Properties Limited	Nedcor Investment Bank
PSG Noble Capital Limited	Nedcor Investment Bank
Radiospoor Technology Holdings Limited	Nedcor Investment Bank
Securedata Solutions Limited	Nedcor Investment Bank
Servest Holdings Limited	Nedcor Investment Bank
Tile Africa Holdings Limited	Nedcor Investment Bank
Tridelta Magnet Technology Holdings Limited	Nedcor Investment Bank
Value Group Limited	Nedcor Investment Bank
Venmil Limited	Nedcor Investment Bank
Clientele Life Assurance Company Limited	Nedcor Limited
Compu Clearing Outsourcing Limited	New Republic Bank Limited
Log-Tek Holdings Limited	New Republic Bank Limited
Paradigm Interactive Media Limited	New Republic Bank Limited
Savanha Holdings Limited	New Republic Bank Limited
Stantronic Group Holdings Limited	New Republic Bank Limited
Incentive Holdings Limited	PSG Investment Bank Limited
PSG Investment Bank Holdings Limited	PSG Investment Bank Limited
Norwich Holdings South Africa Limited	Rand Merchant Bank Limited
Avis Holdings Limited	Rand Merchant Bank Limited
Consumer Credit Holdings Limited	Rand Merchant Bank Limited
Energy Africa Limited	Rand Merchant Bank Limited
Forbes Group Limited	Rand Merchant Bank Limited
Genbel Securities Limited	Rand Merchant Bank Limited
Glenrand M I B Limited	Rand Merchant Bank Limited
Grinaker Construction Limited	Rand Merchant Bank Limited
Metropolis Transactive Holdings Limited	Rand Merchant Bank Limited
Nando's Group Holdings Limited	Rand Merchant Bank Limited
New Clicks Holdings Limited	Rand Merchant Bank Limited
Retail Apparel Group Limited	Rand Merchant Bank Limited
Faritec Holdings Limited	Real Africa Durolink Investment Bank Limited
Mercury Alpha Capital Limited	Real Africa Durolink Investment Bank Limited
Money Web Holdings Limited	Real Africa Durolink Investment Bank Limited
Plasgroup Limited	Real Africa Durolink Investment Bank Limited
Real Africa Durolink Holdings Limited	Real Africa Durolink Investment Bank Limited
Coronet Capital limited	Societe Generale

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ISSUER	INVESTMENT BANKERS
Integrated Consumer Products Limited	Societe Generale
Amlac Limited	Standard Bank of South Africa Limited
MSI Holdings Limited	Standard Bank of South Africa Limited
Umbono Investment Corporation Limited	Standard Bank of South Africa Limited
Automakers Limited	Standard Corporate & Merchant Bank Limited
Chromecorp Holdings Limited	Standard Corporate & Merchant Bank Limited
Real Africa Investments Limited	Standard Corporate & Merchant Bank Limited
Accord Technologies Limited	Standard Corporate & Merchant Bank Limited
Adcock Ingram Limited	Standard Corporate & Merchant Bank Limited
Afribrand Holdings Limited	Standard Corporate & Merchant Bank Limited
Awethu Breweries Limited	Standard Corporate & Merchant Bank Limited
Brimstone Investment Corporation Limited	Standard Corporate & Merchant Bank Limited
Carson Holdings Limited	Standard Corporate & Merchant Bank Limited
Computer Configurations Holdings Limited	Standard Corporate & Merchant Bank Limited
CS Computer Services Holdings Limited	Standard Corporate & Merchant Bank Limited
Datacentrix Holdings Limited	Standard Corporate & Merchant Bank Limited
Global Village Holdings Limited	Standard Corporate & Merchant Bank Limited
LA Retail Stores Limited	Standard Corporate & Merchant Bank Limited
Maxtec Limited	Standard Corporate & Merchant Bank Limited
Netactive Limited	Standard Corporate & Merchant Bank Limited
Omega Alpha International IT Holdings Limited	Standard Corporate & Merchant Bank Limited
OSI Holdings Limited	Standard Corporate & Merchant Bank Limited
OTK Holdings Limited	Standard Corporate & Merchant Bank Limited
Peregrine Holdings Limited	Standard Corporate & Merchant Bank Limited
Prism Holdings Limited	Standard Corporate & Merchant Bank Limited
Sekunjalo Investments Limited	Standard Corporate & Merchant Bank Limited
Setpoint Technology Holdings Limited	Standard Corporate & Merchant Bank Limited
South African Empowerment Fund Investment Trust Company Limited	Standard Corporate & Merchant Bank Limited
Steinhoff International Holdings Limited	Standard Corporate & Merchant Bank Limited
Union Alliance Media Limited	Standard Corporate & Merchant Bank Limited
Women Investment Portfolio Holdings Limited	Standard Corporate & Merchant Bank Limited
M-Cell Limited	Standard Merchant Bank Limited
Real Africa Holdings Limited	Standard Merchant Bank Limited
Amalia Gold Mining and Exploration Company Limited	Standard Securities
Cedargro Holdings Limited	The Business Bank Limited
Creditsure Holdings Limited	The Business Bank Limited
Cyberhost Limited	The Business Bank Limited
Pentacom Holdings Limited	The Business Bank Limited
Steinhoff International Holdings Limited	The Business Bank Limited
African Harvest Limited	UAL Merchant Bank Limited

Table 16.5: Schedule of investment bankers for new applicants listing new issues for the sample period 1995 through 1999.

F. TRANSFER SECRETARIES

ISSUER	LISTING TRANSFER SECRETARY
Grinaker Construction Limited	Anglovaal Ltd
All Joy Foods Limited	Computershare Services (Pty) Ltd
King Food Holdings Limited	Computershare Services (Pty) Ltd
Gubb & Inggs Limited	Computershare Services (Pty) Ltd
Daewoo Electronics SA Limited	Computershare Services (Pty) Ltd
Quyn Holdings Limited	Computershare Services (Pty) Ltd
Thuthukani Group Limited	Computershare Services (Pty) Ltd
South African Breweries plc	Computershare Services (Pty) Ltd
Tile Africa Holdings Limited	Computershare Services (Pty) Ltd
Gray Security Services Limited	Computershare Services (Pty) Ltd
Hix Technologies Limited	Computershare Services (Pty) Ltd
Taufin Holdings Limited	Computershare Services (Pty) Ltd
Anglo American plc	Computershare Services (Pty) Ltd
Stella Vista Technologies Limited	Computershare Services (Pty) Ltd
Y2KTec Limited	Computershare Services (Pty) Ltd
Contlan Holdings Limited	Computershare Services (Pty) Ltd
Old Mutual plc	Computershare Services (Pty) Ltd
Tradek Holdings Limited	Computershare Services (Pty) Ltd
Advanced Software Technologies - Abraxas Limited	Computershare Services (Pty) Ltd
PSG Investment Bank Holdings Limited	Computershare Services (Pty) Ltd
Omega Alpha International IT Holdings Limited	Computershare Services (Pty) Ltd
ERP.Com Holdings Limited	Computershare Services (Pty) Ltd
Prism Holdings Limited	Computershare Services (Pty) Ltd
Nexttvest Holdings Limited	Computershare Services (Pty) Ltd
Fe Squared Holdings Limited	Computershare Services (Pty) Ltd
Discovery Holdings Limited	Computershare Services (Pty) Ltd
DNA Supply Chains Limited	Computershare Services (Pty) Ltd
Anglo American Platinum Corporation Limited	Consolidated Share Registrars Ltd
JCI Limited	Consolidated Share Registrars Ltd
Sovereign Food Investments Limited	Consolidated Share Registrars Ltd
Norwich Holdings South Africa Limited	Consolidated Share Registrars Ltd
Umbono Investment Corporation Limited	Consolidated Share Registrars Ltd
National Chick Limited	Consolidated Share Registrars Ltd
Specialised Outsourcing Limited	Consolidated Share Registrars Ltd
O'Hagans Investment Holdings Limited	Consolidated Share Registrars Ltd

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ISSUER	LISTING TRANSFER SECRETARY
Radiospoor Technology Holdings Limited	Consolidated Share Registrars Ltd
Gold Fields Limited	Consolidated Share Registrars Ltd
JCI Gold Limited	Consolidated Share Registrars Ltd
Kroondal Platinum Mines Limited	Consolidated Share Registrars Ltd
Digicore Holdings Limited	Consolidated Share Registrars Ltd
Regal Treasury Bank Holdings Limited	Consolidated Share Registrars Ltd
Amlac Limited	Consolidated Share Registrars Ltd
Premium Properties Limited	Investment Registrars (Pty) Ltd
Primegro Properties Limited	Investment Registrars (Pty) Ltd
Real Africa Holdings Limited	Mercantile Registrars Ltd
Real Africa Investments Limited	Mercantile Registrars Ltd
Amalia Gold Mining and Exploration Company Limited	Mercantile Registrars Ltd
Prestasi Financial Services Limited	Mercantile Registrars Ltd
Bell Equipment Limited	Mercantile Registrars Ltd
Multichoice Limited	Mercantile Registrars Ltd
Zenith Concessions Limited	Mercantile Registrars Ltd
MGX Holdings Limited	Mercantile Registrars Ltd
Hoechst South Africa Limited	Mercantile Registrars Ltd
Polifin Limited	Mercantile Registrars Ltd
M-Cell Limited	Mercantile Registrars Ltd
Ukhozi Property Fund Limited	Mercantile Registrars Ltd
Knights Gold Mining Company Limited	Mercantile Registrars Ltd
Admiral Leisure World Limited	Mercantile Registrars Ltd
Gilboa Properties Limited	Mercantile Registrars Ltd
Energy Africa Limited	Mercantile Registrars Ltd
Bateman Project Holdings Limited	Mercantile Registrars Ltd
New Clicks Holdings Limited	Mercantile Registrars Ltd
Masterfridge Limited	Mercantile Registrars Ltd
Teltron Limited	Mercantile Registrars Ltd
Genbel Securities Limited	Mercantile Registrars Ltd
Sweets From Heaven Holdings Limited	Mercantile Registrars Ltd
Alliance Pharmaceuticals Limited	Mercantile Registrars Ltd
Education Investment Corporation Limited, The	Mercantile Registrars Ltd
Homechoice Holdings Limited	Mercantile Registrars Ltd
Kalahari Goldridge Mining Company Limited	Mercantile Registrars Ltd
Forbes Group Limited	Mercantile Registrars Ltd
Sasani Limited	Mercantile Registrars Ltd

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ISSUER	LISTING TRANSFER SECRETARY
Celtron Technologies Limited	Mercantile Registrars Ltd
Stocks Hotels and Resorts Limited	Mercantile Registrars Ltd
Softline Limited	Mercantile Registrars Ltd
Mustek Limited	Mercantile Registrars Ltd
Avis Holdings Limited	Mercantile Registrars Ltd
Nando's Group Holdings Limited	Mercantile Registrars Ltd
Amalgamated Appliance Holdings Limited	Mercantile Registrars Ltd
Stantronic Group Holdings Limited	Mercantile Registrars Ltd
First South African Food Holdings Limited	Mercantile Registrars Ltd
Prospur Packaging & Plastics Limited	Mercantile Registrars Ltd
Billiton Plc	Mercantile Registrars Ltd
Afribrand Holdings Limited	Mercantile Registrars Ltd
Abraxas Investment Holdings Limited	Mercantile Registrars Ltd
OTR Mining Limited	Mercantile Registrars Ltd
Clientele Life Assurance Company Limited	Mercantile Registrars Ltd
Fedics Group Limited, The	Mercantile Registrars Ltd
African Harvest Limited	Mercantile Registrars Ltd
Paradigm Interactive Media Limited	Mercantile Registrars Ltd
Maxiprest Limited	Mercantile Registrars Ltd
Woolworths Holdings Limited	Mercantile Registrars Ltd
Bonatla Property Holdings Limited	Mercantile Registrars Ltd
Excel Medical Holdings Limited	Mercantile Registrars Ltd
House of Busby Limited, The	Mercantile Registrars Ltd
Molope Foods Limited	Mercantile Registrars Ltd
Retail Apparel Group Limited	Mercantile Registrars Ltd
Advtech Education Holdings Limited	Mercantile Registrars Ltd
Beige Holdings Limited	Mercantile Registrars Ltd
Thabex Exploration Limited	Mercantile Registrars Ltd
AMB Holdings Limited	Mercantile Registrars Ltd
REF Finance & Investment Corporation Limited	Mercantile Registrars Ltd
Wetherlys Investment Holdings Limited	Mercantile Registrars Ltd
Prima Toy & Leisure Group Limited	Mercantile Registrars Ltd
Savanha Holdings Limited	Mercantile Registrars Ltd
Supersport International Holdings Limited	Mercantile Registrars Ltd
Tridelta Magnet Technology Holdings Limited	Mercantile Registrars Ltd
Business Bank Limited, The	Mercantile Registrars Ltd
Oxbridge Online Limited	Mercantile Registrars Ltd

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ISSUER	LISTING TRANSFER SECRETARY
IOTA Financial Services Limited	Mercantile Registrars Ltd
Lonrho Africa Plc	Mercantile Registrars Ltd
Truworths International Limited	Mercantile Registrars Ltd
Corohedge Capital Limited	Mercantile Registrars Ltd
Metboard Properties Limited	Mercantile Registrars Ltd
Global Capital Limited	Mercantile Registrars Ltd
Venmil Limited	Mercantile Registrars Ltd
Fulcrum Science & Technology Bank Controlling Company Limited	Mercantile Registrars Ltd
Peregrine Holdings Limited	Mercantile Registrars Ltd
Creditsure Holdings Limited	Mercantile Registrars Ltd
Real Africa Durolink Holdings Limited	Mercantile Registrars Ltd
Corpcom Limited	Mercantile Registrars Ltd
TCO Holdings Limited	Mercantile Registrars Ltd
Nimbus Holdings Limited	Mercantile Registrars Ltd
Comair Limited	Mercantile Registrars Ltd
E-Data Holdings Limited	Mercantile Registrars Ltd
Mercantile Lisbon Bank Holdings Limited	Mercantile Registrars Ltd
Absec Limited	Mercantile Registrars Ltd
Good Cape Limited	Mercantile Registrars Ltd
Zeltis Holdings Limited	Mercantile Registrars Ltd
Legacy Ventures Limited	Mercantile Registrars Ltd
Crux Technologies Limited	Mercantile Registrars Ltd
World Educational Technologies Limited	Mercantile Registrars Ltd
IST Group Limited	Mercantile Registrars Ltd
MB Technologies Limited	Mercantile Registrars Ltd
Datacentrix Holdings Limited	Mercantile Registrars Ltd
Emerald Topbrand Sports Limited	Mercantile Registrars Ltd
Steinhoff International Holdings Limited	Mercantile Registrars Ltd
Greenwich Group Limited	Mercantile Registrars Ltd
Fashion Africa Limited	Mercantile Registrars Ltd
Moresport Holdings Limited	Mercantile Registrars Ltd
Compu Clearing Outsourcing Limited	Mercantile Registrars Ltd
African Partnerships Limited	Mercantile Registrars Ltd
Whetstone Industrial Holdings Limited	Mercantile Registrars Ltd
Coronet Capital limited	Mercantile Registrars Ltd
EC-Hold Holdings Limited	Mercantile Registrars Ltd
Metropolis Transactive Holdings Limited	Mercantile Registrars Ltd

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ISSUER	LISTING TRANSFER SECRETARY
Dectronic Limited	Mercantile Registrars Ltd
Cape Empowerment Trust Limited	Mercantile Registrars Ltd
Equinox Holdings Limited	Mercantile Registrars Ltd
Faritec Holdings Limited	Mercantile Registrars Ltd
Sanlam Limited	Mercantile Registrars Ltd
Learning Corporation Limited, The	Mercantile Registrars Ltd
Money Wise Holdings Limited	Mercantile Registrars Ltd
Plasgroup Limited	Mercantile Registrars Ltd
Jem Technology Holdings Limited	Mercantile Registrars Ltd
Micrologix Limited	Mercantile Registrars Ltd
Decomac Holdings Limited	Mercantile Registrars Ltd
Skills Accel Limited	Mercantile Registrars Ltd
Explorer Corporation Holdings Limited	Mercantile Registrars Ltd
ABC Cash Plus Limited	Mercantile Registrars Ltd
Appleton Group Limited, The	Mercantile Registrars Ltd
Mercury Alpha Capital Limited	Mercantile Registrars Ltd
Decillion Limited	Mercantile Registrars Ltd
Cycad Financial Holdings Limited	Mercantile Registrars Ltd
Women Investment Portfolio Holdings Limited	Mercantile Registrars Ltd
Millionair Charter Limited	Mercantile Registrars Ltd
Samrand Development Holdings Limited	Mercantile Registrars Ltd
Cadiz Holdings Limited	Mercantile Registrars Ltd
Union Alliance Media Limited	Mercantile Registrars Ltd
Central Information Holdings Limited	Mercantile Registrars Ltd
Paracon Holdings Limited	Mercantile Registrars Ltd
Essential Beverage Holdings Limited	Mercantile Registrars Ltd
AMB Private Equity Partners Limited	Mercantile Registrars Ltd
National Sporting Index Limited	Mercantile Registrars Ltd
Pennystocks Investments Limited	Mercantile Registrars Ltd
Acuity Group Holdings Limited	Mercantile Registrars Ltd
U-Trade Limited	Mercantile Registrars Ltd
Noble Minerals Limited	Mercantile Registrars Ltd
Forza Group Limited	Mercantile Registrars Ltd
Money Web Holdings Limited	Mercantile Registrars Ltd
Liberty International Plc	Mercantile Registrars Ltd
Acumen Holdings Limited	Mercantile Registrars Ltd
Africa Glass Industries Limited	Mercantile Registrars Ltd

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ISSUER	LISTING TRANSFER SECRETARY
Bynx Limited	Mercantile Registrars Ltd
MIH Holdings Limited	Mercantile Registrars Ltd
M-Web Holdings Limited	Mercantile Registrars Ltd
Intervid Limited	Mercantile Registrars Ltd
Finshare Group Limited	Mercantile Registrars Ltd
Nedcor Investment Bank Holdings Limited	Mercantile Registrars Ltd
Spearhead Property Holdings Limited	Mercantile Registrars Ltd
Mhangura Copper Mines Limited	Mercantile Registrars Ltd
Incentive Holdings Limited	Mercantile Registrars Ltd
Investment Solutions Holdings Limited	Mercantile Registrars Ltd
Community Technologies Limited	Mercantile Registrars Ltd
Auto Space Age Systems Limited	Mercantile Registrars Ltd
Prada Technologies Limited	Mercantile Registrars Ltd
Union Mines Limited	Mercantile Registrars Ltd
Spur Corporation Limited	Mercantile Registrars Ltd
Century Carbon Mining Limited	Mercantile Registrars Ltd
Aludie Limited	Merit Registrars (Pty) Ltd
Tigon Limited	Merit Registrars (Pty) Ltd
Abacus Technology Holdings Limited	Merit Registrars (Pty) Ltd
Shawcell Telecommunications Limited	Merit Registrars (Pty) Ltd
Millenium Property Holdings Limited	Optimum Registrars (Pty) Ltd
Seeff Holdings Limited	Optimum Registrars (Pty) Ltd
Plessey Corporation Limited	Optimum Registrars (Pty) Ltd
Automakers Limited	Optimum Registrars (Pty) Ltd
Pat Cornick Limited	Optimum Registrars (Pty) Ltd
Norvest Properties Limited	Optimum Registrars (Pty) Ltd
Mathomo Group Limited	Optimum Registrars (Pty) Ltd
Enviroserv Holdings Limited	Optimum Registrars (Pty) Ltd
Chillers Group Limited	Optimum Registrars (Pty) Ltd
Buildmax Limited	Optimum Registrars (Pty) Ltd
Rebhold Limited	Optimum Registrars (Pty) Ltd
Terexko Limited	Optimum Registrars (Pty) Ltd
Network Healthcare Holdings Limited	Optimum Registrars (Pty) Ltd
Megacor Holdings Limited	Optimum Registrars (Pty) Ltd
Tourism Investment Corporation Limited	Optimum Registrars (Pty) Ltd
Vestacor Limited	Optimum Registrars (Pty) Ltd

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ISSUER	LISTING TRANSFER SECRETARY
Ixchange Technology Holdings Limited	Optimum Registrars (Pty) Ltd
Software Connection Limited	Optimum Registrars (Pty) Ltd
Paramed Holdings Limited	Optimum Registrars (Pty) Ltd
MMW Technology Holdings Limited	Optimum Registrars (Pty) Ltd
Moulded Medical Suppliers Limited	Optimum Registrars (Pty) Ltd
Paragon Business Forms Limited	Optimum Registrars (Pty) Ltd
PSG Group Limited	Optimum Registrars (Pty) Ltd
Crown Consolidated Gold Recoveries Ltd	Optimum Registrars (Pty) Ltd
Astrapak Limited	Optimum Registrars (Pty) Ltd
Trematon Capital Investments Limited	Optimum Registrars (Pty) Ltd
ITI Technology Holdings Limited	Optimum Registrars (Pty) Ltd
NET 1 Applied Technology Holdings Limited	Optimum Registrars (Pty) Ltd
Integrated Health Technologies Limited	Optimum Registrars (Pty) Ltd
Brainware Limited	Optimum Registrars (Pty) Ltd
Barnard Jacobs Mellet Holdings Limited	Optimum Registrars (Pty) Ltd
Infiniti Technologies Limited	Optimum Registrars (Pty) Ltd
Renaissance Retail Group Limited	Optimum Registrars (Pty) Ltd
Top Info Technology Holdings Limited	Optimum Registrars (Pty) Ltd
Technology Communication Holdings Limited	Optimum Registrars (Pty) Ltd
Elexir Technology Holdings Limited	Optimum Registrars (Pty) Ltd
Qala Group Limited	Optimum Registrars (Pty) Ltd
MSI Holdings Limited	Optimum Registrars (Pty) Ltd
Privest Group Limited	Optimum Registrars (Pty) Ltd
Cedargro Holdings Limited	Optimum Registrars (Pty) Ltd
Zaptronix Limited	Optimum Registrars (Pty) Ltd
Iliad Africa Limited	Optimum Registrars (Pty) Ltd
Glenrand M I B Limited	Optimum Registrars (Pty) Ltd
PSG Noble Capital Limited	Optimum Registrars (Pty) Ltd
Accord Technologies Limited	Optimum Registrars (Pty) Ltd
Bryant Technology Limited	Optimum Registrars (Pty) Ltd
Convergent Network Limited	Optimum Registrars (Pty) Ltd
Core Holdings Limited	Optimum Registrars (Pty) Ltd
Billboard Communications Limited	Optimum Registrars (Pty) Ltd
Intertrading Limited	Optimum Registrars (Pty) Ltd
Idion Technology Holdings Limited	Optimum Registrars (Pty) Ltd
Viking Investments & Asset Management Limited	Optimum Registrars (Pty) Ltd
Enterprise Outsourcing Holdings Limited	Optimum Registrars (Pty) Ltd

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ISSUER	LISTING TRANSFER SECRETARY
Advanced Software Technologies Limited	Optimum Registrars (Pty) Ltd
UCS Group Limited	Optimum Registrars (Pty) Ltd
Casey Investment Holding Limited	Optimum Registrars (Pty) Ltd
Terrafin Holdings Limited	Optimum Registrars (Pty) Ltd
CS Computer Services Holdings Limited	Optimum Registrars (Pty) Ltd
Vesta Technology Holdings Limited	Optimum Registrars (Pty) Ltd
Gold Edge Holdings Limited	Optimum Registrars (Pty) Ltd
Infowave Holdings Limited	Optimum Registrars (Pty) Ltd
Pentacom Holdings Limited	Optimum Registrars (Pty) Ltd
Value Group Limited	Optimum Registrars (Pty) Ltd
Rectron Holdings Limited	Optimum Registrars (Pty) Ltd
Maxtec Limited	Optimum Registrars (Pty) Ltd
OSI Holdings Limited	Optimum Registrars (Pty) Ltd
Global Technology Limited	Optimum Registrars (Pty) Ltd
Sotta Securitisation International Limited	Optimum Registrars (Pty) Ltd
Securedata Solutions Limited	Optimum Registrars (Pty) Ltd
Y3K Group Limited	Optimum Registrars (Pty) Ltd
Cyberhost Limited	Optimum Registrars (Pty) Ltd
Q Mart Holdings Limited	Optimum Registrars (Pty) Ltd
Smacsoft Group Limited	Optimum Registrars (Pty) Ltd
Heritage Collection Holdings Limited	Optimum Registrars (Pty) Ltd
Mazal Mining & Exploration Limited	Optimum Registrars (Pty) Ltd
Synergy Holdings Limited	Optimum Registrars (Pty) Ltd
Consumer Credit Holdings Limited	Optimum Registrars (Pty) Ltd
Netactive Limited	Optimum Registrars (Pty) Ltd
Interconnective Solutions Limited	Optimum Registrars (Pty) Ltd
APS Technologies Limited	Optimum Registrars (Pty) Ltd
Sekunjalo Investments Limited	Optimum Registrars (Pty) Ltd
Elvey Security Technologies Limited	Optimum Registrars (Pty) Ltd
Streamworks Group Limited	Optimum Registrars (Pty) Ltd
Magnum Global Funds S.A. Limited	Optimum Registrars (Pty) Ltd
Chromecorp Holdings Limited	Rand Registrars Ltd
Carson Holdings Limited	Rand Registrars Ltd
OTK Holdings Limited	Rand Registrars Ltd
Computer Configurations Holdings Limited	Rand Registrars Ltd
Southern African Investments Limited	Rand Registrars Ltd
Southern Mining Corporation Limited	Rand Registrars Ltd

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ISSUER	LISTING TRANSFER SECRETARY
A M Moolla Group Limited	Rand Registrars Ltd
NBS Boland Group Limited	Rand Registrars Ltd
Awethu Breweries Limited	Rand Registrars Ltd
Setpoint Technology Holdings Limited	Rand Registrars Ltd
South African Empowerment Fund Investment Trust Company Limited	Rand Registrars Ltd
Aquila Growth Limited	Rand Registrars Ltd
Barprop Limited	Rand Registrars Ltd
Brimstone Investment Corporation Limited	Rand Registrars Ltd
Global Village Holdings Limited	Rand Registrars Ltd
Valuecom Holdings Limited	Rand Registrars Ltd
Island View Storage Limited	Rand Registrars Ltd
Indequity Group Limited	Rand Registrars Ltd
Aveng Limited	Rand Registrars Ltd
Howden Africa Holdings Limited	Southern Registrars Ltd

Table 16.6: Schedule of listing transfer secretaries for new applicants listing new issues for the sample period 1995 through 1999.

ADDENDUM 17

SCHEDULE OF SPONSORING BROKERS FOR NEW ISSUERS COMPRISING THE TOTAL SAMPLE POPULATION

ISSUER	LIST SPONSORING BROKER
A M Moolla Group Limited	Investec Securities Limited
Abacus Technology Holdings Limited	Smith Borkum Hare (Pty) Limited
ABC Cash Plus Limited	J.M. Folscher & Co. (Pty) Limited
ABC Cash Plus Limited	PLJ Financial Services Limited
Abraxas Investment Holdings Limited	Smith Borkum Hare (Pty) Limited
Absec Limited	HSBC Simpson McKie (Pty) Limited
Accord Technologies Limited	BOE Securities Limited
Acuity Group Holdings Limited	Quyn Securities (Pty) Limited
Acumen Holdings Limited	Investec Securities Limited
Adcock Ingram Limited	Frankel Pollak (Pty) Limited
Admiral Leisure World Limited	Fergusson Brothers, Hall, Stewart & Co. Inc.
Advanced Software Technologies - Abraxas Limited	Greenwich Securities (Pty) Limited
Advanced Software Technologies Limited	Greenwich Equities (Pty) Limited
Advtech Education Holdings Limited	Smith Borkum Hare (Pty) Limited
Afribrand Holdings Limited	Societe Generale Frankel Pollak (Pty) Limited
Afribrand Holdings Limited	Investec Securities Limited
Africa Glass Industries Limited	Irish & Menell Rosenberg (Pty) Limited
Africa Glass Industries Limited	Investec Securities Limited
African Harvest Limited	UBS Securities (Pty) Limited
African Harvest Limited	Legae Securities (Pty) Limited
African Media Entertainment Limited	Irish & Menell Rosenberg (Pty) Limited
African Media Entertainment Limited	Standard Equities (Pty) Limited
African Partnerships Limited	Deutsche Morgan & Grenfell (Pty) Limited
African Partnerships Limited	Legae Securities (Pty) Limited
All Joy Foods Limited	Izan de Bruin & Co. (Pty) Limited
Alliance Pharmaceuticals Limited	Simpson McKie James Capel (Pty) Limited
Alliance Pharmaceuticals Limited	Smith Borkum Hare (Pty) Limited
Aludie Limited	Ivor Jones, Roy & Co. Inc.
Amalgamated Appliance Holdings Limited	Smith Borkum Hare (Pty) Limited
Amalia Gold Mining and Exploration Company Limited	Standard Equities (Pty) Limited
AMB Holdings Limited	Equisec (Pty) Limited
AMB Holdings Limited	Smith Borkum Hare (Pty) Limited
AMB Private Equity Partners Limited	Merrill Lynch South Africa (Pty) Limited
AMB Private Equity Partners Limited	AMB-DLJ Securities (Pty) Limited
Amlac Limited	Simpson McKie James Capel (Pty) Limited
Anglo American Platinum Corporation Limited	Smith Borkum Hare (Pty) Limited

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ISSUER	LIST SPONSORING BROKER
Anglo American plc	Warburg Dillon Read Securities (SA) (Pty) Limited
Appleton Group Limited, The	Irish & Menell Rosenberg (Pty) Limited
APS Technologies Limited	Greenwich Securities (Pty) Limited
Aquila Growth Limited	Fleming Martin SA Limited
Astrapak Limited	HSBC Simpson McKie (Pty) Limited
Auto Space Age Systems Limited	PSG Securities Limited
Automakers Limited	Smith Borkum Hare (Pty) Limited
Aveng Limited	Fleming Martin Securities Limited
Avis Holdings Limited	Fleming Martin Securities Limited
Avis Holdings Limited	SMK Securities (Pty) Limited
Awethu Breweries Limited	Standard Equities (Pty) Limited
Barnard Jacobs Mellet Holdings Limited	Barnard Jacobs Mellet & Co. (Pty) Limited
Barprop Limited	Investec Securities Limited
Bateman Project Holdings Limited	No Prospectus/Pre-Listing Statement
Beige Holdings Limited	Irish & Menell Rosenberg (Pty) Limited
Beige Holdings Limited	SMK Securities (Pty) Limited
Bell Equipment Limited	Martin & Co. Inc.
Billboard Communications Limited	BOE Securities Limited
Billiton Plc	Societe Generale Frankel Pollak (Pty) Limited
Billiton Plc	Fleming Martin
Billiton Plc	UBS Securities (Pty) Limited
Bonatla Property Holdings Limited	Smith Borkum Hare (Pty) Limited
Brainware Limited	Barnard Jacobs Mellet & Co. (Pty) Limited
Brandcorp Holdings Limited	HSBC Simpson McKie (Pty) Limited
Brimstone Investment Corporation Limited	Investec Securities Limited
Brimstone Investment Corporation Limited	Legae Securities (Pty) Limited
Bryant Technology Limited	E.W. Balderson Inc.
Buildmax Limited	Frankel Pollak (Pty) Limited
Business Bank Limited, The	Smith Borkum Hare (Pty) Limited
Bynx Limited	Brait Securities (Pty) Limited
Cadiz Holdings Limited	Investec Securities Limited
Cape Empowerment Trust Limited	PSG Securities Limited
Carson Holdings Limited	Smith Borkum Hare (Pty) Limited
Casey Investment Holding Limited	Lomberg Pulford & Co. (Pty) Limited
Cedargro Holdings Limited	Huysamer Stals (Pty) Limited
Celtron Technologies Limited	Lowenthal & Co.
Central Information Holdings Limited	Lowenthal & Co.
Century Carbon Mining Limited	Barnard Jacobs Mellet Securities (Pty) Limited
Chariot Holdings Limited	Investec Securities Limited
Chester Investment Holdings Limited	Societe Generale Frankel Pollak (Pty) Limited

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ISSUER	LIST SPONSORING BROKER
Chester Investment Holdings Limited	Lowenthal & Co.
Chester Investment Holdings Limited	BOE Natwest Securities Limited
Chillers Group Limited	Smith Borkum Hare (Pty) Limited
Chromecorp Holdings Limited	Martin & Co. Inc.
Chromecorp Holdings Limited	Senekal Mouton & Kitshoff Inc.
Clientele Life Assurance Company Limited	Fleming Martin Securities Limited
Comair Limited	Deutsche Morgan & Grenfell (Pty) Limited
Community Technologies Limited	No Prospectus/Pre-Listing Statement
Compu Clearing Outsourcing Limited	Cahn, Shapiro Inc
Computer Configurations Holdings Limited	Standard Equities (Pty) Limited
Consumer Credit Holdings Limited	Deutsche Morgan & Grenfell (Pty) Limited
Contlan Holdings Limited	AMB-DLJ Securities (Pty) Limited
Convergent Network Limited	Huysamer Stals (Pty) Limited
Core Holdings Limited	Greenwich Equities (Pty) Limited
Corohedge Capital Limited	Coronation Equities (Pty) Limited
Coronet Capital limited	Societe Generale Frankel Pollak (Pty) Limited
Coronet Capital limited	Coronet Equities (Pty) Limited
Corpcom Limited	Societe Generale Frankel Pollak (Pty) Limited
Creditsure Holdings Limited	Irish & Menell Rosenberg (Pty) Limited
Creditsure Holdings Limited	Barnard Jacobs Mellet & Co. (Pty) Limited
Crown Consolidated Gold Recoveries Ltd	RMB Securities (Pty) Limited
Crown Consolidated Gold Recoveries Ltd	HSBC Simpson McKie (Pty) Limited
Crux Technologies Limited	Barnard Jacobs Mellet & Co. (Pty) Limited
Crux Technologies Limited	Brait Securities (Pty) Limited
CS Computer Services Holdings Limited	Irish & Menell Rosenberg (Pty) Limited
CS Computer Services Holdings Limited	Standard Equities (Pty) Limited
Cyberhost Limited	Standard Equities (Pty) Limited
Cyberhost Limited	TBB Securities (Pty) Limited
Cycad Financial Holdings Limited	Deutsche Morgan & Grenfell (Pty) Limited
Daewoo Electronics SA Limited	No Prospectus/Pre-Listing Statement
Datacentrix Holdings Limited	ABN AMRO Securities (SA) (Pty) Limited
Decillion Limited	Decillion Securities (Pty) Limited
Decomac Holdings Limited	Lowenthal & Co.
Dectronic Limited	Rice Rinaldi Turner & Co.
Digicore Holdings Limited	Regal Treasury Securities Limited
Discovery Holdings Limited	Deutsche Morgan & Grenfell (Pty) Limited
DNA Supply Chains Limited	PSG Securities Limited
Dynamo Retail Limited	Barnard Jacobs Mellet & Co. (Pty) Limited
EC-Hold Holdings Limited	Brait Securities (Pty) Limited

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ISSUER	LIST SPONSORING BROKER
E-Data Holdings Limited	Brait Securities (Pty) Limited
Education Investment Corporation Limited, The	Simpson McKie James Capel (Pty) Limited
Education Investment Corporation Limited, The	Smith Borkum Hare (Pty) Limited
Elexir Technology Holdings Limited	Greenwich Equities (Pty) Limited
Elvey Security Technologies Limited	Irish & Menell Rosenberg (Pty) Limited
Emerald Topbrand Sports Limited	Lowenthal & Co.
Energy Africa Limited	BOE Natwest Securities Limited
Energy Africa Limited	Fleming Martin Securities Limited
Energy Africa Limited	Smith Borkum Hare (Pty) Limited
Enterprise Outsourcing Holdings Limited	BOE Securities (Pty) Limited
Enviroserv Holdings Limited	Fergusson Brothers Limited
Equinox Holdings Limited	Coronation Equities (Pty) Limited
ERP.Com Holdings Limited	Irish & Menell Rosenberg (Pty) Limited
Essential Beverage Holdings Limited	Lowenthal & Co.
Excel Medical Holdings Limited	Investec Securities Limited
Explorer Corporation Holdings Limited	Regal Treasury Securities Limited
Faritec Holdings Limited	Peregrine Equities (Pty) Limited
Faritec Holdings Limited	Real Africa Durolink Securities Limited
Fashion Africa Limited	HSBC Simpson McKie (Pty) Limited
Fe Squared Holdings Limited	Quyn Securities (Pty) Limited
Fedics Group Limited, The	Deutsche Morgan & Grenfell (Pty) Limited
Fedics Group Limited, The	Legae Securities (Pty) Limited
Finshare Group Limited	Quyn Securities (Pty) Limited
First South African Food Holdings Limited	Huysamer Stals (Pty) Limited
Forbes Group Limited	Fleming Martin Securities Limited
Forbes Group Limited	Smith Borkum Hare (Pty) Limited
Forza Group Limited	Irish & Menell Rosenberg (Pty) Limited
Fulcrum Science & Technology Bank Controlling Company Limited	Equisec (Pty) Limited
Genbel Securities Limited	RMB Securities Trading(Pty) Limited
Genbel Securities Limited	Fleming Martin Securities Limited
Genbel Securities Limited	Smith Borkum Hare (Pty) Limited
Gilboa Properties Limited	No Prospectus/Pre-Listing Statement
Glenrand M I B Limited	Deutsche Morgan & Grenfell (Pty) Limited
Global Capital Limited	Capital Alliance Securities (Pty) Limited
Global Capital Limited	Investec Securities Limited
Global Technology Limited	Merrill Lynch South Africa (Pty) Limited
Global Village Holdings Limited	Irish & Menell Rosenberg (Pty) Limited
Global Village Holdings Limited	Standard Equities (Pty) Limited

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ISSUER	LIST SPONSORING BROKER
Gold Edge Holdings Limited	ABN AMRO Securities (SA) (Pty) Limited
Gold Fields Limited	Standard Equities (Pty) Limited
Gold Fields Limited	Deutsche Morgan & Grenfell (Pty) Limited
Gold Reef Casino Resorts Limited	Merrill Lynch South Africa (Pty) Limited
Good Cape Limited	HSBC Simpson McKie (Pty) Limited
Gray Security Services Limited	Merrill Lynch South Africa (Pty) Limited
Greenwich Group Limited	Greenwich Equities (Pty) Limited
Grinaker Construction Limited	RMB Securities (Pty) Limited
Grinaker Construction Limited	Fleming Martin Securities Limited
Gubb & Inggs Limited	No Prospectus/Pre-Listing Statement
Heritage Collection Holdings Limited	Barnard Jacobs Mellet & Co. (Pty) Limited
Hix Technologies Limited	Irish & Menell Rosenberg (Pty) Limited
Hoechst South Africa Limited	BOE Natwest Limited
Homechoice Holdings Limited	Investec Equities Limited
House of Busby Limited, The	Investec Securities Limited
Howden Africa Holdings Limited	Fleming Martin Securities Limited
Idion Technology Holdings Limited	Lomberg Pulford & Co. (Pty) Limited
Iliad Africa Limited	BOE Securities (Pty) Limited
Incentive Holdings Limited	Incentive Lowenthal (Pty) Limited
Indequity Group Limited	De Witt, Morgan & Co.
Infiniti Technologies Limited	SMK Securities (Pty) Limited
Infowave Holdings Limited	Greenwich Equities (Pty) Limited
Integrated Consumer Products Limited	Societe Generale Frankel Pollak (Pty) Limited
Integrated Consumer Products Limited	Investec Securities Limited
Integrated Health Technologies Limited	Capital Alliance Securities (Pty) Limited
Interconnective Solutions Limited	BOE Securities (Pty) Limited
Intertrading Limited	Irish & Menell Rosenberg (Pty) Limited
Intervid Limited	Brait Securities (Pty) Limited
Investment Solutions Holdings Limited	Investec Securities Limited
IOTA Financial Services Limited	Edey, Rogers & Co. (Pty) Limited
IOTA Financial Services Limited	S.P Reid & Mackeurtan (Pty) Limited
Island View Storage Limited	Fleming Martin Securities Limited
IST Group Limited	Fleming Martin Securities Limited
ITI Technology Holdings Limited	Lowenthal & Co.
Ixchange Technology Holdings Limited	Lowenthal & Co.
JCI Gold Limited	Investec Securities Limited
JCI Limited	Smith Borkum Hare (Pty) Limited
Jem Technology Holdings Limited	Lowenthal & Co.
Kalahari Goldridge Mining Company Limited	Fleming Martin Securities Limited

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ISSUER	LIST SPONSORING BROKER
King Food Holdings Limited	Huysamer Stals (Pty) Limited
Knights Gold Mining Company Limited	Smith Borkum Hare (Pty) Limited
Kroondal Platinum Mines Limited	HSBC Simpson McKie (Pty) Limited
LA Retail Stores Limited	Fergusson Brothers Limited
Learning Corporation Limited, The	E.W. Balderson (Pty) Limited
Legacy Ventures Limited	Lowenthal & Co.
Liberty International Plc	Merrill Lynch South Africa (Pty) Limited
Log-Tek Holdings Limited	Societe Generale Frankel Pollak (Pty) Limited
Log-Tek Holdings Limited	Mathison & Hollidge (Pty) Limited
Log-Tek Holdings Limited	Simpson McKie James Capel (Pty) Limited
Lonrho Africa Plc	HSBC James Capel
Magnum Global Funds S.A. Limited	Irish & Menell Rosenberg (Pty) Limited
Maranda Mines Limited	Rice Rinaldi Turner & Co.
Maranda Mines Limited	Deutsche Morgan & Grenfell (Pty) Limited
Masterfridge Limited	Mathison & Hollidge Inc.
Masterfridge Limited	FirstCorp Capital Markets (Pty) Limited
Mathomo Group Limited	Smith Borkum Hare (Pty) Limited
Maxiprest Limited	Investec Securities Limited
Maxtec Limited	Standard Equities (Pty) Limited
Mazal Mining & Exploration Limited	BOE Securities (Pty) Limited
MB Technologies Limited	HSBC Simpson McKie (Pty) Limited
M-Cell Limited	Frankel Pollak Vinderine Inc.
M-Cell Limited	Senekal Mouton & Kitshoff Inc.
M-Cell Limited	Davis Borkum Hare & Co. Inc.
Megacor Holdings Limited	BOE Securities (Pty) Limited
Mercantile Lisbon Bank Holdings Limited	Huysamer Stals (Pty) Limited
Mercantile Lisbon Bank Holdings Limited	Irish & Menell Rosenberg (Pty) Limited
Mercantile Lisbon Bank Holdings Limited	Lowenthal & Co.
Mercury Alpha Capital Limited	Real Africa Durolink Securities Limited
Metboard Properties Limited	Investec Securities Limited
Metorex Limited	Barnard Jacobs Mellet & Co. (Pty) Limited
Metropolis Transactive Holdings Limited	HSBC Simpson McKie (Pty) Limited
Metropolis Transactive Holdings Limited	Merrill Lynch South Africa (Pty) Limited
MGX Holdings Limited	Smith Borkum Hare (Pty) Limited
MGX Holdings Limited	Ed Hern, Rudolf Inc.
Mhangura Copper Mines Limited	No Prospectus/Pre-Listing Statement
Micrologix Limited	Legacy Rice Rinaldi Securities (Pty) Limited
MIH Holdings Limited	HSBC Simpson McKie (Pty) Limited
Millenium Property Holdings Limited	Smith Borkum Hare (Pty) Limited

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ISSUER	LIST SPONSORING BROKER
Millionair Charter Limited	PLJ Financial Services Limited
MMW Technology Holdings Limited	Lowenthal & Co.
Molope Foods Limited	Edey, Rogers & Co. (Pty) Limited
Molope Foods Limited	Lowenthal & Co.
Molope Foods Limited	Legae Securities (Pty) Limited
Money Web Holdings Limited	Peregrine Equities (Pty) Limited
Money Web Holdings Limited	Real Africa Durolink Securities Limited
Money Wise Holdings Limited	Lowenthal & Co.
Moresport Holdings Limited	HSBC Simpson McKie (Pty) Limited
Moulded Medical Suppliers Limited	Lowenthal & Co.
MSI Holdings Limited	Huysamer Stals (Pty) Limited
Mustek Limited	Huysamer Stals (Pty) Limited
Mustek Limited	Deutsche Morgan & Grenfell (Pty) Limited
M-Web Holdings Limited	HSBC Simpson McKie (Pty) Limited
M-Web Holdings Limited	Equisec (Pty) Limited
Nando's Group Holdings Limited	Fleming Martin Securities Limited
National Chick Limited	Mathison & Hollidge Inc.
National Chick Limited	FirstCorp Capital Markets (Pty) Limited
National Sporting Index Limited	Brait Securities (Pty) Limited
NBS Boland Group Limited	SMK Securities (Pty) Limited
Nedcor Investment Bank Holdings Limited	Fleming Martin Securities Limited
Nedcor Investment Bank Holdings Limited	NIB Securities (Pty) Limited
NET 1 Applied Technology Holdings Limited	Societe Generale Frankel Pollak (Pty) Limited
NET 1 Applied Technology Holdings Limited	Smith Borkum Hare (Pty) Limited
Netactive Limited	Irish & Menell Rosenberg (Pty) Limited
Netactive Limited	Standard Equities (Pty) Limited
Network Healthcare Holdings Limited	Smith Borkum Hare (Pty) Limited
New Clicks Holdings Limited	RMB Securities Trading (Pty) Limited
New Clicks Holdings Limited	Smith Borkum Hare (Pty) Limited
Nexttvest Holdings Limited	Cahn, Shapiro Inc
Nimbus Holdings Limited	J.M. Folscher & Co. (Pty) Limited
Nimbus Holdings Limited	BOE Securities (Pty) Limited
Noble Minerals Limited	J.M. Folscher & Co. (Pty) Limited
Norvest Properties Limited	Anderson, Wilson & Partners Inc.
Norvest Properties Limited	Smith Borkum Hare (Pty) Limited
Norwich Holdings South Africa Limited	Barnard Jacobs Mellet & Co. Inc.

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ISSUER	LIST SPONSORING BROKER
Norwich Holdings South Africa Limited	Fleming Martin Securities Limited
O'Hagans Investment Holdings Limited	Fergusson Brothers Limited
Old Mutual plc	Merrill Lynch South Africa (Pty) Limited
Omega Alpha International IT Holdings Limited	Fergusson Brothers Limited
OSI Holdings Limited	Standard Equities (Pty) Limited
OTK Holdings Limited	Huysamer Stals (Pty) Limited
OTK Holdings Limited	Standard Equities (Pty) Limited
OTR Mining Limited	Lowenthal & Co.
Oxbridge Online Limited	SG Frankel Pollak Securities (Pty) Limited
Oxbridge Online Limited	Irish & Menell Rosenberg (Pty) Limited
Paracon Holdings Limited	HSBC Simpson McKie (Pty) Limited
Paradigm Interactive Media Limited	Mathison & Hollidge (Pty) Limited
Paragon Business Forms Limited	UBS Securities (Pty) Limited
Paramed Holdings Limited	Irish & Menell Rosenberg (Pty) Limited
Pat Cornick Limited	Fergusson Brothers, Hall, Stewart & Co. Inc.
Pennystocks Investments Limited	BOE Securities (Pty) Limited
Pentacom Holdings Limited	TBB Securities Limited
Peregrine Holdings Limited	Peregrine Equities (Pty) Limited
Plasgroup Limited	Peregrine Equities (Pty) Limited
Plasgroup Limited	Real Africa Durolink Securities Limited
Plessey Corporation Limited	BOE Securities (Pty) Limited
Plessey Corporation Limited	Fleming Martin Securities Limited
Polifin Limited	Ivor Jones, Roy & Co. Inc.
Polifin Limited	Martin & Co. Inc.
Polifin Limited	Simpson, McKie Inc
Prada Technologies Limited	IDE Securities (Pty) Limited
Premium Properties Limited	Edey, Rogers & Co Inc
Premium Properties Limited	Smith Borkum Hare (Pty) Limited
Prestasi Financial Services Limited	Senekal, Mouton & Kitshoff Inc.
Prestasi Financial Services Limited	Smith Borkum Hare (Pty) Limited
Prima Toy & Leisure Group Limited	Smith Borkum Hare (Pty) Limited
Primegro Properties Limited	Barnard Jacobs Mellet Securities (Pty) Limited
Prism Holdings Limited	Standard Equities (Pty) Limited
Privest Group Limited	Investec Securities Limited
Prospur Packaging & Plastics Limited	Huysamer Stals (Pty) Limited
PSG Group Limited	No Prospectus/Pre-Listing Statement
PSG Investment Bank Holdings Limited	Warburg Dillon Read Securities (SA) (Pty) Limited
PSG Investment Bank Holdings Limited	PSG Securities Limited
PSG Noble Capital Limited	SBC Warburg Dillon Read Securities (SA) (Pty) Limited

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ISSUER	LIST SPONSORING BROKER
PSG Noble Capital Limited	PSG Securities Limited
Q Mart Holdings Limited	ABN AMRO Securities (SA) (Pty) Limited
Qala Group Limited	Huysamer Stals (Pty) Limited
Quyn Holdings Limited	Lomberg Pulford & Co. (Pty) Limited
Radiospoor Technology Holdings Limited	UAL Securities (Pty) Limited
Real Africa Durolink Holdings Limited	Deutsche Morgan & Grenfell (Pty) Limited
Real Africa Durolink Holdings Limited	Real Africa Durolink Securities Limited
Real Africa Holdings Limited	Martin & Co. Inc.
Real Africa Holdings Limited	Simpson McKie Inc.
Real Africa Holdings Limited	Davis Borkum Hare & Co. Inc.
Real Africa Investments Limited	Martin & Co. Inc.
Real Africa Investments Limited	Simpson McKie Inc.
Real Africa Investments Limited	Smith Borkum Hare (Pty) Limited
Rebhold Limited	Smith Borkum Hare (Pty) Limited
Rectron Holdings Limited	Greenwich Equities (Pty) Limited
REF Finance & Investment Corporation Limited	Societe Generale Frankel Pollak (Pty) Limited
Ref Marketing & Media Limited	SG Frankel Pollak Securities (Pty) Limited
Regal Treasury Bank Holdings Limited	Regal Treasury Securities Limited
Renaissance Retail Group Limited	Irish & Menell Rosenberg (Pty) Limited
Renaissance Retail Group Limited	SMK Securities (Pty) Limited
Retail Apparel Group Limited	Smith Borkum Hare (Pty) Limited
Samrand Development Holdings Limited	Barnard Jacobs Mellet & Co. (Pty) Limited
Sanlam Limited	Fleming Martin Securities Limited
Sasani Limited	Merrill Lynch South Africa (Pty) Limited
Savanha Holdings Limited	Mathison & Hollidge (Pty) Limited
Securedata Solutions Limited	Irish & Menell Rosenberg (Pty) Limited
Seeff Holdings Limited	Martin & Co. Inc.
Sekunjalo Investments Limited	Standard Equities (Pty) Limited
Sekunjalo Investments Limited	Legae Securities (Pty) Limited
Servest Holdings Limited	S.G. Frankel Pollak Securities (Pty) Limited
Servest Holdings Limited	Irish & Menell Rosenberg (Pty) Limited
Setpoint Technology Holdings Limited	Standard Equities (Pty) Limited
Shawcell Telecommunications Limited	E.W. Balderson (Pty) Limited
Shawcell Telecommunications Limited	PSG Securities Limited
Skills Accel Limited	Quyn Securities (Pty) Limited
Smacsoft Group Limited	Greenwich Equities (Pty) Limited
Softline Limited	Merrill Lynch South Africa (Pty) Limited
Softline Limited	Smith Borkum Hare (Pty) Limited
Software Connection Limited	Smith Borkum Hare (Pty) Limited
Sotta Securitisation International Limited	Lomberg Pulford & Co. (Pty) Limited

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ISSUER	LIST SPONSORING BROKER
South African Breweries plc	Fleming Martin Securities Limited
South African Empowerment Fund Investment Trust Company Limited	Standard Equities (Pty) Limited
South African Empowerment Fund Investment Trust Company Limited	Legae Securities (Pty) Limited
Southern African Investments Limited	No Prospectus/Pre-Listing Statement
Southern Mining Corporation Limited	Standard Equities (Pty) Limited
Southern Mining Corporation Limited	Capital Alliance Securities (Pty) Limited
Sovereign Food Investments Limited	Simpson, McKie Inc.
Spearhead Property Holdings Limited	Peregrine Equities (Pty) Limited
Specialised Outsourcing Limited	BOE Natwest Limited
Spur Corporation Limited	Barnard Jacobs Mellet & Co. (Pty) Limited
Stantronic Group Holdings Limited	Lowenthal & Co.
Stantronic Group Holdings Limited	Mathison & Hollidge (Pty) Limited
Steinhoff International Holdings Limited	BOE Securities (Pty) Limited
Steinhoff International Holdings Limited	Standard Equities (Pty) Limited
Steinhoff International Holdings Limited	PSG Securities Limited
Stella Vista Technologies Limited	Quyn Securities (Pty) Limited
Stocks Hotels and Resorts Limited	Simpson McKie James Capel (Pty) Limited
Streamworks Group Limited	Greenwich Equities (Pty) Limited
Supersport International Holdings Limited	Barnard Jacobs Mellet & Co. (Pty) Limited
Supersport International Holdings Limited	SMK Securities (Pty) Limited
Sweets From Heaven Holdings Limited	Smith Borkum Hare (Pty) Limited
Synergy Holdings Limited	Quyn Securities (Pty) Limited
Tallow Industrial Holdings Limited	Huysamer Stals (Pty) Limited
Taufin Holdings Limited	Quyn Securities (Pty) Limited
TCO Holdings Limited	Irish & Menell Rosenberg (Pty) Limited
TCO Holdings Limited	HSBC Simpson McKie (Pty) Limited
Technology Communication Holdings Limited	Lomberg Pulford & Co. (Pty) Limited
Teltron Limited	No Prospectus/Pre-Listing Statement
Terexko Limited	Frankel Pollak (Pty) Limited
Terexko Limited	SMK Securities (Pty) Limited
Terrafin Holdings Limited	Lomberg Pulford & Co. (Pty) Limited
Thabex Exploration Limited	SMK Securities (Pty) Limited
Thuthukani Group Limited	Barnard Jacobs Mellet & Co. (Pty) Limited
Thuthukani Group Limited	ABN AMRO Securities (SA) (Pty) Limited
Tigon Limited	Ivor Jones, Roy & Co. Inc.
Tile Africa Holdings Limited	NIB Securities (Pty) Limited
Top Info Technology Holdings Limited	Lowenthal & Co.
Tourism Investment Corporation Limited	Simpson McKie James Capel (Pty) Limited
Tradek Holdings Limited	No Prospectus/Pre-Listing Statement
Trans Ocean Diamond Mining Limited	HSBC Simpson McKie (Pty) Limited
Trans Ocean Diamond Mining Limited	Deutsche Morgan & Grenfell (Pty) Limited

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ISSUER	LIST SPONSORING BROKER
Trans Ocean Diamond Mining Limited	ABN AMRO Securities (SA) (Pty) Limited
Trematon Capital Investments Limited	Smith Borkum Hare (Pty) Limited
Tridelta Magnet Technology Holdings Limited	Lowenthal & Co.
Truworths International Limited	HSBC Simpson McKie (Pty) Limited
Truworths International Limited	Legae Securities (Pty) Limited
UCS Group Limited	HSBC Simpson McKie (Pty) Limited
Ukhozi Property Fund Limited	No Prospectus/Pre-Listing Statement
Umbono Investment Corporation Limited	Simpson McKie James Capel (Pty) Limited
Union Alliance Media Limited	Investec Securities Limited
Union Mines Limited	Quyn Securities (Pty) Limited
U-Trade Limited	U-Trade Securities (Pty) Limited
U-Trade Limited	Coronation Equities (Pty) Limited
Value Group Limited	Investec Securities Limited
Valuecom Holdings Limited	Investec Securities Limited
Venmil Limited	Lowenthal & Co.
Vesta Technology Holdings Limited	Equisec (Pty) Limited
Vestacor Limited	Investec Securities Limited
Viking Investments & Asset Management Limited	Real Africa Durolink Securities Limited
Wetherlys Investment Holdings Limited	Investec Securities Limited
Whetstone Industrial Holdings Limited	Lowenthal & Co.
Women Investment Portfolio Holdings Limited	Standard Equities (Pty) Limited
Woolworths Holdings Limited	Fergusson Brothers Limited
World Educational Technologies Limited	Lowenthal & Co.
Y2KTec Limited	E.W. Balderson (Pty) Limited
Y3K Group Limited	Lomberg Pulford & Co. (Pty) Limited
Zaptronix Limited	Greenwich Equities (Pty) Limited
Zeltis Holdings Limited	Standard Equities (Pty) Limited
Zeltis Holdings Limited	Smith Borkum Hare (Pty) Limited
Zenith Concessions Limited	Lowenthal & Co.

Table 17.1: Schedule of sponsoring brokers for new issuers comprising the total sample population

ADDENDUM 18

PUBLIC SHAREHOLDERS

I. DEFINITION OF PUBLIC SHAREHOLDERS

The definition of public shareholders is contained in paragraph 4.22 of the JSE Listing Requirements.

For the purposes of paragraphs 4.25(d) and (e) of the Main Board listing criteria, 4.26(f)(iv) and (v) of the DCM listing criteria or 4.27(c)(iv) and (v) of the VCM listing criteria, securities will not be regarded as being held by the public if they are beneficially held, whether directly or indirectly, by:

a) the directors of the applicant or any of its subsidiaries;
b) an associate of a director of the applicant or any subsidiaries;
c) the trustees of any employees' share scheme or pension fund established for the benefit of any director or employees of the applicant and its subsidiaries;
d) any person who, by virtue of any agreement, has a right to nominate a person to the board of directors of the applicant; or
e) any person who is interested in 10 percent or more of the securities of the relevant class unless the Committee determines that, in all the circumstances, such person can be included in the public for the purposes of paragraphs 4.25(d) and (e), 4.26(f)(iv) and (v) or 4.27(c)(iv) and (v).

Notwithstanding paragraphs 4.22 (a) through (e) above, securities will be regarded as being held by the public if any person who is interested in 10 percent or more of securities of the relevant class:

a) is a fund manager or portfolio manager managing more than one fund or portfolio, where each fund or portfolio is interested in less than 10 percent of the relevant securities; provided that this exemption shall not apply where the fund or portfolio manager is, in relation to any such fund or portfolio, acting in concert with any person who holds relevant securities which, together with those held by the fund or portfolio in question, represent 10 percent or more of the relevant securities;
b) is the registered holder of securities which are the subject of a depository receipt program and no depository receipt holder, together with any person with whom they may be acting in concert, hold depository receipts representing 10 percent or more of the securities concerned, save where the holder is a fund or portfolio manager as contemplated in sub-paragraph (a) above; or
c) is a nominee shareholder and non of the beneficial shareholders which that nominee represents, together with any person with whom they may be acting in concert, is interested in 10 percent or more of the securities concerned, unless the beneficial shareholder is a fund or portfolio manager as contemplated in sub-paragraph (a) supra.

The committee may, at its sole discretion, require the listed company to provide it with a declaration that, to the best knowledge and belief of the directors, any beneficial shareholders of the company whose shares are registered in the names of one or more nominees, do not include any person who may be acting in concert with any other person insofar as it may affect their classification as public shareholders.

ADDENDUM 19

JSE LISTING CONDITION PRECEDENTS

I. CONDITIONS FOR LISTING ON THE JSE

Section 4 of the JSE Listing Requirements governs the Conditions for Listing. All applications for listing are to be submitted to the Committee through a sponsoring broker in terms of paragraph 4.2 thereof.

It must be emphasised that, notwithstanding these requirements, the Committee may, in its overriding discretion, grant a listing to an applicant which does not fulfil the requirements set out below or refuse a listing to an applicant which does comply with these listings requirements.

II. RELATING TO THE APPLICANT

A. APPLICANT TO BE DULY CONSTITUTED

The applicant must be duly incorporated or otherwise validly established under the law of the country of incorporation or establishment, and must be operating in conformity with its memorandum and articles of association and all laws of its country of incorporation or establishment[1].

[1] Paragraph 4.6 of the JSE Listing Requirements

B. LISTING OF SUBSIDIARY COMPANIES

Whenever a holding company intends making an offer of securities in a subsidiary, or procures the subsidiary issues securities, in order to obtain a listing in respect of such subsidiary, those securities to be issued which are not retained must be renounced in favour of its shareholders[2].

C. FINANCIAL INFORMATION

The following are the requirements relating to financial information[3]:

1. The financial statements must be drawn up in accordance with the applicant's national law and must be prepared in accordance with standards regarded by the Committee as appropriate for listed companies. Indications of compliance with this requirement would be financial statements prepared, in all significant respects, in accordance with GAAP or International Accounting Standards;
2. The auditors must have reported on the financial statements without any qualifications which in the opinion of the Committee is significant for the purposes of listing; and
3. Any profit forecast of an applicant must be accompanied by a report complying with JSE Listing Requirements[4], by the applicant's auditors or reporting accountants.

D. RELATING TO THE SECURITIES

1. Status of the securities

The securities for which a listing is sought must be issued in conformity with the law of the applicant's country of incorporation or establishment, memorandum and articles of association and all the authorisations needed for their creation and issue under such law or documents must have been duly given. Where a new applicant

[2] Paragraph 4.7 of the JSE Listing Requirements
[3] Paragraph 4.8 of the JSE Listing Requirements
[4] Paragraph 8.31 'Profit forecast and estimate'

already has securities listed on another stock exchange, it must be in compliance with the requirements of that exchange and the relevant laws of that country[5].

2. Transferability of securities

The securities for which the listing is sought must be fully paid up and freely transferable. The Committee will not grant a listing in respect of issues of non-voting equity securities[6].

3. Undertakings

An applicant must give a general undertaking, complying with Schedule 7 of the JSE Listing Requirements[7]. Schedule 7 of the JSE Listing Requirements contains the provisions, which should be contained in the general undertaking by the issuer. The general undertaking should be in the form of a resolution of directors and certified by the Chairman. The paragraphs of Schedule 7 provide, inter alia:

a) that in the event of a further issue being underwritten, the issuer will disclose with the issue the information which is required under paragraph 7.B.10 (commissions paid or payable in respect of underwriting);
b) that the issuer agrees that in the event of the application for listing being granted, such listing shall be subject to the listings requirements which are in force.

E. SCHEDULE 7 OF THE JSE LISTING REQUIREMENTS

Schedule 7 of the JSE Listing Requirements contains the provisions, which should be contained in the general undertaking by the issuer. The general undertaking should be in the form of a resolution of directors and certified by the Chairman. The paragraphs of Schedule 7 provide, inter alia:

[5] Paragraph 4.9 and 4.10
[6] Paragraph 4.11 and 4.12
[7] Paragraph 4.20 and 4.21

a) that in the event of a further issue being underwritten, the issuer will disclose with the issue the information which is required under paragraph 7.B.10 (commissions paid or payable in respect of underwriting);

b) that the issuer agrees that in the event of the application for listing being granted, such listing shall be subject to the listings requirements which now are or hereafter in force.

III. CRITERIA FOR EACH MARKET

A. BACKGROUND

When a company applies to the JSE for a listing, it may qualify for one of the three possible boards: the Main Board, the Development Capital Market or the Venture Capital Market. The requirements for a listing on one of these three boards are laid down in order to allow the JSE to create an orderly open market for trading and ensure a consistent minimum level of disclosure.

B. LISTING ON THE MAIN BOARD

1. Main Board List Criteria

An applicant seeking a listing in the Main Board must satisfy the following criteria in terms of paragraph 4.25 of the JSE Listing Requirements:

a) subscribed capital (excluding reevaluations of assets) of at least R 2 million;
b) not less than one million shares in issue;
c) a satisfactory profit history for the preceding three years, the last of which reported an audited profit before taxation of at least R 1 million;
d) a minimum of 10 percent of each class of equity shares to be held by the public;
e) the number of public shareholders of listed securities shall be at least:
    (i) a minimum of 300 public shareholders for equity shares;
    (ii) 25 for preference shares; and
    (iii) 10 for debentures; and
f) the minimum initial issues price of shares to be not less than 100 cents per share.

It should be noted that in terms of the JSE Listing Requirements pyramid companies (Section 14), investment entities, mineral companies (Section 12) and property companies (Section 13) that are listed on the Main Board have certain modified criteria for listing.

C. DEVELOPMENT CAPITAL MARKET LISTING REQUIREMENTS

Paragraph 4.27 of the JSE Listing Requirements contains the following guidelines and requirements relating to the granting of a listing on the DCM:

1. Requirements and procedures for listing on the DCM

Paragraph 4.27 (a)

The listings requirements will apply to companies applying for a listing on the DCM of the List subject to the following concessions and requirements;

Suitability

Paragraph 4.27 (b)

The following types of company are considered unsuitable for listing on the DCM:
(a) applicants without a track record in the business which it wishes to be listed;
(b) applicants without, in the Committee's sole opinion, an adequate management to maintain its trade;
(c) applicants with a qualifies auditors report for either of the two financial years prior to the application for a listing;

2. Criteria

Paragraph 4.27 (c)

The following are the criteria for an applicant listing on the DCM:

(i) subscribed capital, (excluding reevaluations of assets), of at least R 1 million;
(ii) not less than one million shares in issue;
(iii) a satisfactory profit history for the preceding two years (or in exceptional circumstances, a lessor period), the last of which reported an audited profit level of at least R 500 000 before taxation (mineral companies are exempt from this requirement);
(iv) a minimum of 10 percent of each class of equity shares in issue to be held by the public;
(v) a minimum of 75 public shareholders for equity shares, 25 for preference shares and 10 for debentures; and
(vi) a minimum initial issue price to be not less than 50 cents per share.

3. Acquisitions and disposals

Paragraph 4.27 (d)

The requirements relating to transactions and related party transactions (in terms of sections 9 and 10 of the JSE Listing Requirements, "Transactions" – refer to Addendum 5) will apply to companies listed on the DCM subject to the concessions that:

(i) the requirements for a Category 2 transaction will apply where any percentage ratio is 20 percent or more but each is less than 40 percent and
(ii) the requirements for a Category 1 transaction will apply where any percentage ratio is 40 percent or more;

4. General

Paragraph 4.27 (d)

The following are the general requirements for companies listed on the DCM;

(i) when applying for a listing it shall be mandatory for the company to appoint a sponsoring broker. In addition, other advisors such as reporting accountants, lawyers and merchant bankers may, at the sole discretion of the Committee, be necessary;
(ii) share certificates shall be endorsed to the effect that the securities are listed on the DCM; and
(iii) the Committee may request companies to route their applications to other sectors of the List or in the future may require a transfer to another sector of the List.

D. VENTURE CAPITAL MARKET LISTING REQUIREMENTS

The following are the guidelines and requirements relating to the granting of a listing on the VCM (Section 4.26 of the JSE Listing Requirements):

1. Requirements and procedures for listing on the VCM

Paragraph 4.26 (a)

The listings requirements will apply to companies applying for a listing on the VCM of the List subject to the following concessions and requirements;

2. Prior approval

Paragraph 4.26 (b)

Prior to the submission of an application for the listing of a company on the VCM the following procedure will apply:

(i) A memorandum giving a summary of the nature of the applicant, it modus operandi, its business plans and its prospects must be submitted to the Listings Division, via a sponsoring broker; and

(ii) If this memorandum meets with the approval of the Listings Division, it will be referred together with such other documentation as may, in the absolute discretion of the Listings Division, be deemed necessary, to the Committee for a decision in principle as to whether the Committee will consider, without commitment, a full application for a listing;

Paragraph 4.26 (c)

The Committee will not list securities held by the entrepreneurs in the VCM company amounting to 75 percent of their shareholding (as held immediately prior to any marketing of securities in conjunction with the application for listing) for a period of at least two years subsequent to a listing being granted for the balance of the securities;

3. Suitability

Paragraph 4.26 (d)

A venture capital conglomerate must have, as its dominant business, the professional operation of a company which holds, and will in future hold, a portfolio of investments in ventures, each of which is characterised by the fact that the venture capital conglomerate:

(i) has an investment in each underlying venture which is substantially an equity one;
(ii) is able to support each of its underlying venture projects with added value by virtue of support services and proper financial disciplines;
(iii) has, in the Committee's opinion, conducted adequate research into the management strength and commercial viability of each of its underlying ventures; and
(iv) has drawn up a business plan for the following three years in respect of each underlying venture and the combined portfolio, with forecast balance sheets, profit and loss accounts, and cash flows.

Paragraph 4.26 (e)

A single venture company must have drawn up an analysis of its prospects on market segment growth, competitive analysis and market share. From this it should present a three-year business plan with forecast balance sheets, profit and loss accounts and cash flows.

4. Criteria

Paragraph 4.26 (f)

Applicants seeking a listing on the VCM must satisfy the following criteria:

(i) subscribed capital, excluding reevaluations of assets, of at least R 500 000 and not less than one million shares in issue;
(ii) no profit history is necessary but the applicant should, in its analysis of future earnings, indicate credible returns on capital which, on a time-weighted basis, are above average;
(iii) a minimum of 5 percent of each class of equity shares shall be held by the public;
(iv) the number of public shareholders shall be at least 75 for equity shares, 25 for preference shares and 10 for debentures;
(v) the minimum initial price of shares to be not less than 50 cents per share;
(vi) the majority of directors and managers have successful records of achievement in their respective roles; and
(vii) at the beginning of its prospectus, or pre-listing statement, there must be a warning of the speculative nature of investment in such a company.

5. Acquisitions and disposals

Paragraph 4.26 (g)

The requirements relating to transactions and related party transactions (sections 9 and 10 of the JSE Listing Requirements – refer to Addendum 5) will apply to companies listed on the VCM subject to the concessions that:

(i) The requirements for a Category 2 will apply where any percentage ratio is 20 percent or more but each is less than 40 percent and
(ii) The requirements for a Category 1 transaction will apply where any percentage ratio is 40 percent or more;

6. General

Paragraph 4.26 (h)

The following are general requirements for companies listed on the VCM:

(i) when applying for a listing it shall be mandatory for the company to appoint a sponsoring broker. In addition, other advisors such as reporting accountants, lawyers and merchant bankers may, at the sole discretion of the Committee, be necessary;

(ii) share certificates shall be endorsed to the effect that the securities are listed on the VCM; and
(iii) the Committee may request companies to route their application to other sectors of the List or in the future may require a transfer to another sector of the List.

ADDENDUM 20

SCHEDULES OF JSE BROKING MEMBER FIRMS FROM AUGUST 1994 THROUGH MARCH 2000 TRACKED BY INCORPORATION AND NAME CHANGE(S)

Sponsor Code	Sponsoring Broker	Sponsoring Broker	Sponsoring Broker	Sponsoring Broker
1	Alexander Paterson Faure Inc			
2	Anderson, Wilson & Partners Inc			
3	Boner & Freemantle Inc			
4	BP Bernstein			
5	CA Miller & Co Inc	CA Miller de Kock & Co (Pty) Ltd	CA Miller Raw & Co (Pty) Ltd	
6	Cahn, Price, Shapiro Inc	Cahn, Shapiro Inc		
7	Davis, Borkum,Hare & Co Inc	Merrill Lynch Smith Borkum Hare (Pty) Ltd	Merrill Lynch SA (Pty) Ltd	Smith Borkum Hare (Pty) Ltd
8	De Witt, Morgan & Co	DWM Sec. (Pty) Ltd		
9	Ed Hern, Rudolph Inc			
10	Edey, Rogers & Co (Pty) Ltd	Edey, Rogers & Co Inc		
11	EW Balderson (Pty) Ltd	EW Balderson Inc		
12	Fergusson Bros Ltd	Fergusson Bros, Hall, Stewart & Co Inc		
13	Frankel Pollak (Pty) Ltd	Frankel Pollak Vinderine Inc	Societé Générale Frankel Pollak (Pty) Ltd	
14	G O'Flaherty & Co	G O'Flaherty & Co (Pty) Ltd	G O'Flaherty Sundelson & Co (Pty) Ltd	
15	George Huysamer & Partners Inc	Huysamer Stals (Pty) Ltd	Huysamer Stals Inc	
16	GO Turner			
17	Golding & Slabbert (Pty) Ltd	Golding & Slabbert Inc	Golding Slabbert & Torr (Pty) Ltd	Golding Torr & De Decker (Pty) Ltd
18	HAB Herbst Inc			
19	Hayes, Cutten & Co Inc			
20	Irish & Menell Rosenberg (Pty) Ltd	Irish & Menell Rosenberg Inc		
21	Ivor Jones, Roy & Co (Pty) Ltd	Ivor Jones, Roy & Co Inc		
22	JD Anderson & Co Inc			
23	JM Fölscher & Co (Pty) Ltd	JM Fölscher & Co Inc		
24	Kaplan & Stewart (Pty) Ltd	Kaplan & Stewart Inc	RMB Sec. (Pty) Ltd	
25	Kilroe, Whitehead & Co Inc			
26	Lewer & Co			
27	Lorenzani & Coogan Inc			
28	Incentive Holdings Ltd	Incentive Lowenthal & Co	Lowenthal & Co	
29	Lurie, Johnston & Co Inc			
30	Martin & Co Inc			

Sponsor Code	Sponsoring Broker	Sponsoring Broker	Sponsoring Broker	Sponsoring Broker
31	Martindale, Stacey, Du Toit (Pty) Ltd	Martindale, Stacey, Trollip Inc		
32	Mathison & Hollidge (Pty) Ltd	Mathison & Hollidge Inc		
33	GM De Klerk Inc	Meades De Klerk Inc		
34	MP Human			
35	Incentive Holdings Ltd	Nick Fredericksz & Co Inc	Nick Fredericksz Britz & Co (Pty) Ltd	Nick Fredericksz, Britz & Co Inc
36	PJL Financial Services Ltd	PLJ van Rensburg & Partners Inc		
37	Legacy Rice Rinaldi Sec. (Pty) Ltd	Rice Rinaldi Sec. (Pty) Ltd	Rice Rinaldi Turner & Co	
38	Royden Roche & Co			
39	Ryan Anderson & Co (Pty) Ltd	Ryan Anderson & Co Inc		
40	Senekal, Mouton & Kitshoff Inc			
41	Barnard Jacobs Mellet & Co (Pty) Ltd	Barnard Jacobs Mellet & Co Inc	Silvis, Barnard, Jacobs, Mellet & Co Inc	
42	HSBC Simpson McKie (Pty) Ltd	Simpson, McKie Inc	Simpson, McKie James Capel (Pty) Ltd	
43	Solms & Co			
44	SP Reid & Mackeurtan (Pty) Ltd	SP Reid & Mackeurtan Inc		
45	VH Simmons & Co (Pty) Ltd	VH Simmons & Co Inc		
46	WPL Trees & Co			
47	Price Potgieter Inc			
48	Alexander Sec. (Pty) Ltd			
49	BOE NatWest Sec. Ltd	BOE Sec. (Pty) Ltd		
50	First National Equities (Pty) Ltd	Firstcorp Capital Markets (Pty) Ltd		
51	Fleming Martin Sec. Ltd			
52	Investec Equities Ltd			
53	Professional Sec. Ltd			
54	RMB Sec. (Pty) Ltd	RMB Sec. Trading (Pty) Ltd		
55	SBC Warburg Dillon Read Sec. (SA) (Pty) Ltd	SBC Warburg Sec. (SA) (Pty) Ltd	Warburg Dillon Read Sec. (SA) (Pty) Ltd	
57	SMK Sec. (Pty) Ltd			
58	TA Sec. SA (Pty) Ltd	TA Sec. SA Ltd		
59	NIB Sec. (Pty) Ltd	UAL Sec. (Pty) Ltd		
60	UBS Sec. (Pty) Ltd	UBS Simmons & Co Inc		
61	DC Palmer & Co			
62	Equisec (Pty) Ltd			
63	ING Barings Southern Africa (Pty) Ltd			
64	Standard Equities (Pty) Ltd			

Sponsor Code	Sponsoring Broker	Sponsoring Broker	Sponsoring Broker	Sponsoring Broker
65	Capital Alliance Sec. (Pty) Ltd			
66	Deutsche Morgan Grenfell (Pty) Ltd			
67	Investec Sec. Ltd			
68	Legae Sec. (Pty) Ltd			
69	Raymond James Stewart (Pty) Ltd			
70	Syfrets Sec. Ltd			
71	Consilium Capital (SA) (Pty) Ltd			
72	Coronation Equities (Pty) Ltd	Coronation Sec. (Pty) Ltd		
73	Dynamo Sec. (Pty) Ltd	Lomberg, Pulford & Co (Pty) Ltd		
74	ABSA Sec. (Pty) Ltd			
75	Brockhouse Cooper Bolus & Malan Sec. (Pty) Ltd			
76	Decimax Sec. (Pty) Ltd			
77	Greenwich Sec. (Pty) Ltd	Greenwich Equities (Pty) Ltd		
78	Peregrine Equities (Pty) Ltd			
79	PSG Sec. Ltd			
80	Real Africa Durolink Sec. Ltd			
81	Regal Treasury Sec. Ltd			
82	TB Sec. (Pty) Ltd			
83	Vector Equities (Pty) Ltd			
84	ABN AMRO Sec. SA (Pty) Ltd			
85	AMB Sec. (Pty) Ltd	AMB-DLJ Sec. (Pty) Ltd		
86	Brait Sec. (Pty) Ltd			
87	Cazenove SA (Pty) Ltd			
88	Coronet Equities (Pty) Ltd			
89	Independent Sec. (Pty) Ltd			
90	Nexus Sec. (Pty) Ltd			
91	Izan de Bruin & Co (Pty) Ltd			
92	Brockhouse Cooper Bolus & Malan Sec. (Pty) Ltd			
93	Cadiz Stock Broking (Pty) Ltd			
94	Decillion Sec. (Pty) Ltd			
95	Gensec Trading (Pty) Ltd			
96	IDE Sec. (Pty) Ltd			

Sponsor Code	Sponsoring Broker	Sponsoring Broker	Sponsoring Broker	Sponsoring Broker
97	Philippus de Witt (Pty) Ltd			
98	Quyn Sec. (Pty) Ltd			
99	Tradek.com (Pty) Ltd			
100	U-Trade Sec. (Pty) Ltd			
101	WJ Morgan & Associates (Pty) Ltd			
102	Global Capital Sec. (Pty) Ltd			

ADDENDUM 21

ISSUE DETAIL FOR THE RESEARCH SAMPLE POPULATION

JSE Code	Method of Offer	Type of Offer	Issue Detail		
			Volume Listed	IPO Volume	Offer Price (Cents)
ABC	Private Placing	Offer for Subscription	40,000,000	10,000,000	120
ABR	Offer to the Public	Offer for Subscription	104,374,000	10,000,000	100
ABR	Preferential Offer	Offer for Subscription	104,374,000	3,000,000	100
ACR	Offer to the Public	Offer for Subscription	216,000,000	10,000,000	100
ACR	Preferential Offer	Offer for Subscription	216,000,000	5,000,000	100
ACY	Private Placing	Offer for Subscription	93,286,000	50,000,000	100
AFB	Private Placing	Offer for Subscription	215,145,200	4,900,000	535
AGS	Private Placing	Offer for Subscription	190,377,974	38,000,000	133
AHV	Offer to the Public	Offer for Subscription	240,000,000	10,000,000	500
AHV	Preferential Offer	Offer for Subscription	240,000,000	15,000,000	500
AHV	Private Placing	Offer for Subscription	240,000,000	15,000,000	500
AMA	Offer to the Public	Offer for Sale	95,000,000	9,500,000	100
AMA	Private Placing	Offer for Sale	95,000,000	16,600,000	100
AMB	Offer to the Public	Offer for Subscription	97,602,306	1,250,000	800
AMB	Preferential Offer	Offer for Subscription	97,602,306	11,250,000	800
APE	Private Placing	Offer for Subscription	131,500,000	13,150,000	100
APK	Offer to the Public	Offer for Subscription	106,545,000	2,250,000	400
APK	Preferential Offer	Offer for Subscription	106,545,000	1,735,000	400
APK	Preferential Offer	Offer for Subscription	106,545,000	575,000	360
APK	Private Placing	Offer for Subscription	106,545,000	18,000,000	400
APL	Private Placing	Offer for Subscription	145,000,000	30,000,000	100
APP	Offer to the Public	Offer for Subscription	51,970,937	600,000	1500
APP	Private Placing	Offer for Subscription	51,970,937	2,000,000	1500
APS	Private Placing	Offer for Subscription	45,000,000	15,000,000	100
APT	Private Placing	Offer for Subscription	270,000,000	50,000,000	100
AQL	Offer to the Public	Offer for Subscription	66,268,142	2,750,000	180
AQL	Preferential Offer	Offer for Subscription	66,268,142	4,250,000	180
AST	Private Placing	Offer for Subscription	337,480,000	33,018,000	100
AUM	Offer to the Public	Offer for Subscription	155,269,622	7,500,000	100
AUM	Preferential Offer	Offer for Subscription	155,269,622	2,500,000	100
AUM	Private Placing	Offer for Subscription	155,269,622	23,000,000	100
AWT	Offer to the Public	Offer for Subscription	50,000,000	6,500,000	100
AWT	Preferential Offer	Offer for Subscription	50,000,000	1,500,000	100
BDM	Preferential Offer	Offer for Subscription	21,000,000	8,400,000	200
BEG	Offer to the Public	Offer for Subscription	67,350,000	6,000,000	100
BEG	Preferential Offer	Offer for Subscription	67,350,000	2,000,000	100
BJM	Offer to the Public	Offer for Subscription	96,938,600	16,250,000	400
BJM	Preferential Offer	Offer for Subscription	96,938,600	7,500,000	400
BJM	Private Placing	Offer for Subscription	96,938,600	2,500,000	400

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JSE Code	Method of Offer	Type of Offer	Issue Detail		
			Volume Listed	IPO Volume	Offer Price (Cents)
BRT	Offer to the Public	Offer for Subscription	269,670,000	3,000,000	400
BRT	Preferential Offer	Offer for Subscription	103,710,812	2,000,000	400
BRW	Private Placing	Offer for Subscription	315,000,000	22,349,980	100
BSB	Offer to the Public	Offer for Subscription	56,030,000	3,750,000	200
BSB	Preferential Offer	Offer for Subscription	56,030,000	1,250,000	200
BYX	Private Placing	Offer for Subscription	100,000,000	15,000,000	100
CAE	Private Placing	Offer for Subscription	100,000,000	20,500,000	100
CCH	Offer to the Public	Offer for Subscription	69,000,000	5,000,000	200
CCH	Preferential Offer	Offer for Subscription	69,000,000	2,000,000	200
CCL	Private Placing	Offer for Subscription	46,000,000	9,800,000	100
CCT	Offer to the Public	Offer for Subscription	120,000,000	8,000,000	100
CCT	Preferential Offer	Offer for Subscription	120,000,000	5,000,000	100
CCT	Private Placing	Offer for Subscription	120,000,000	35,000,000	100
CDR	Offer to the Public	Offer for Subscription	202,557,950	3,226,000	310
CDR	Preferential Offer	Offer for Subscription	202,557,950	1,290,000	310
CDR	Private Placing	Offer for Subscription	202,557,950	58,064,000	310
CDS	Private Placing	Offer for Subscription	160,000,000	60,000,000	100
CDZ	Offer to the Public	Offer for Subscription	239,809,524	4,500,000	170
CDZ	Preferential Offer	Offer for Subscription	239,809,524	6,000,000	170
CHL	Private Placing	Offer for Subscription	21,500,000	5,000,000	100
CIH	Private Placing	Offer for Subscription	57,970,000	9,000,000	50
CLE	Preferential Offer	Offer for Subscription	31,500,000	4,500,000	235
CLE	Preferential Offer	Offer for Subscription	31,500,000	1,500,000	500
CNK	Private Placing	Offer for Subscription	5,600,000	1,600,000	1250
CNY	Preferential Offer	Offer for Subscription	39,500,700	2,500,000	200
CNY	Private Placing	Offer for Sale	39,500,700	11,000,000	200
CNY	Private Placing	Offer for Subscription	39,500,700	18,000,000	200
COM	Offer to the Public	Offer for Subscription	420,000,000	4,200,000	240
COM	Preferential Offer	Offer for Subscription	420,000,000	14,700,000	240
COM	Private Placing	Offer for Subscription	420,000,000	60,900,000	240
CON	Private Placing	Offer for Subscription	55,000,000	10,000,000	50
COR	Private Placing	Offer for Subscription	60,000,000	6,000,000	50
CRS	Offer to the Public	Offer for Subscription	40,000,000	2,500,000	200
CRS	Preferential Offer	Offer for Subscription	40,000,000	2,000,000	200
CRX	Preferential Offer	Offer for Subscription	235,000,000	10,000,000	100
CRX	Private Placing	Offer for Subscription	235,000,000	10,000,000	100
CSH	Private Placing	Offer for Subscription	104,000,000	25,000,000	100
CSY	Private Placing	Offer for Subscription	71,751,000	12,800,000	50
CYB	Private Placing	Offer for Subscription	80,000,000	32,246,000	50
CYD	Private Placing	Offer for Subscription	70,060,000	69,250,000	200
DCT	Offer to the Public	Offer for Subscription	154,000,001	4,000,000	100
DCT	Preferential Offer	Offer for Subscription	154,000,001	3,000,000	100
DCT	Private Placing	Offer for Subscription	154,000,001	13,000,000	100
DEC	Private Placing	Offer for Subscription	156,524,711	24,000,000	250

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JSE Code	Method of Offer	Type of Offer	Issue Detail		
			Volume Listed	IPO Volume	Offer Price (Cents)
DGC	Offer to the Public	Offer for Subscription	250,000,000	4,000,000	100
DGC	Private Placing	Offer for Subscription	250,000,000	36,000,000	100
DOC	Private Placing	Offer for Subscription	98,000,000	13,000,000	60
DSY	Offer to the Public	Offer for Sale	380,000,000	3,600,000	690
DSY	Preferential Offer	Offer for Sale	380,000,000	7,765,526	690
DSY	Private Placing	Offer for Sale	380,000,000	14,679,195	690
DTR	Private Placing	Offer for Subscription	90,000,000	10,000,000	50
ELX	Private Placing	Offer for Subscription	100,000,000	10,000,000	50
ENR	Offer to the Public	Offer for Subscription	87,075,000	12,000,000	950
ENV	Private Placing	Offer for Subscription	45,000,000	5,000,000	225
EPL	Private Placing	Offer for Subscription	120,000,000	80,000,000	100
EPW	Offer to the Public	Offer for Subscription	211,844,155	5,000,000	101
EPW	Preferential Offer	Offer for Subscription	211,844,155	25,000,000	101
EQX	Private Placing	Offer for Subscription	117,210,000	17,200,000	250
ERP	Private Placing	Offer for Subscription	110,000,000	10,000,000	50
ESC	Private Placing	Offer for Subscription	52,158,600	7,150,000	100
ETS	Private Placing	Offer for Subscription	70,500,000	7,500,000	60
FEQ	Private Placing	Offer for Subscription	56,554,000	6,500,000	201
FGM	Offer to the Public	Offer for Subscription	79,772,727	3,000,000	275
FGM	Preferential Offer	Offer for Subscription	79,772,727	1,500,000	275
FGM	Private Placing	Offer for Subscription	79,772,727	18,000,000	275
FNS	Private Placing	Offer for Subscription	107,615,000	23,500,000	100
FRT	Private Placing	Offer for Subscription	135,000,000	16,600,000	100
FUL	Offer to the Public	Offer for Subscription	115,379,200	12,000,000	500
FUL	Preferential Offer	Offer for Subscription	115,379,200	18,000,000	500
FUL	Private Placing	Offer for Subscription	115,379,200	74,928,600	500
GLL	Offer to the Public	Offer for Subscription	94,000,000	5,000,000	100
GLL	Preferential Offer	Offer for Subscription	94,000,000	5,000,000	100
GLO	Preferential Offer	Offer for Subscription	847,594,854	182,594,854	100
GLT	Preferential Offer	Offer for Subscription	178,528,000	7,000,000	100
GLT	Private Placing	Offer for Subscription	178,528,000	15,000,000	100
GMB	Offer to the Public	Offer for Subscription	220,574,588	2,250,000	450
GMB	Preferential Offer	Offer for Subscription	220,574,588	500,000	450
GRA	Private Placing	Offer for Subscription	191,100,000	31,350,000	200
GRW	Private Placing	Offer for Subscription	196,500,000	17,250,000	200
HCH	Offer to the Public	Offer for Subscription	100,000,000	5,000,000	200
HCH	Private Placing	Offer for Subscription	100,000,000	18,500,000	200
HCL	Private Placing	Offer for Subscription	88,912,885	20,000,000	250
HDG	Private Placing	Offer for Subscription	82,500,000	34,800,000	1075
HLT	Private Placing	Offer for Subscription	51,400,000	7,630,455	55
HVN	Private Placing	Offer for Subscription	48,300,000	18,000,000	100
HWN	Offer to the Public	Offer for Subscription	50,000,000	3,000,000	510
HWN	Private Placing	Offer for Subscription	50,000,000	20,500,000	510
HXT	Private Placing	Offer for Subscription	72,000,000	12,000,000	50
ICO	Offer to the Public	Offer for Subscription	186,777,800	10,000,000	100

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JSE Code	Method of Offer	Type of Offer	Issue Detail		
			Volume Listed	IPO Volume	Offer Price (Cents)
ICO	Private Placing	Offer for Subscription	186,777,800	30,000,000	100
IDI	Private Placing	Offer for Subscription	60,300,000	9,600,000	50
IFW	Private Placing	Offer for Subscription	83,700,000	8,370,000	50
ILA	Private Placing	Offer for Subscription	64,000,000	21,200,000	250
ILT	Private Placing	Offer for Subscription	95,000,000	20,000,000	50
IST	Offer to the Public	Offer for Subscription	130,193,722	4,200,000	220
IST	Preferential Offer	Offer for Subscription	130,193,722	4,100,000	220
IST	Private Placing	Offer for Subscription	130,193,722	14,500,000	220
ITI	Private Placing	Offer for Subscription	60,500,000	7,400,000	50
ITR	Private Placing	Offer for Subscription	40,000,000	4,000,000	100
ITV	Private Placing	Offer for Subscription	87,500,000	8,500,000	100
JMH	Private Placing	Offer for Subscription	70,000,000	8,000,000	50
LFS	Offer to the Public	Offer for Subscription	125,000,000	5,000,000	200
LFS	Private Placing	Offer for Subscription	125,000,000	20,000,000	200
MAC	Private Placing	Offer for Subscription	530,000,000	500,000,000	100
MBT	Offer to the Public	Offer for Subscription	375,662,450	5,000,000	200
MBT	Private Placing	Offer for Subscription	375,662,450	65,000,000	200
MEC	Private Placing	Offer for Subscription	66,000,000	13,200,000	100
MGF	Private Placing	Offer for Subscription	80,000,000	30,000,000	100
MMW	Preferential Offer	Offer for Subscription	57,900,000	2,200,000	50
MMW	Private Placing	Offer for Subscription	57,900,000	4,600,000	50
MNY	Private Placing	Offer for Subscription	75,000,000	10,000,000	100
MRX	Private Placing	Offer for Subscription	150,000,000	22,500,000	100
MTL	Offer to the Public	Offer for Subscription	432,241,864	6,000,000	300
MTL	Preferential Offer	Offer for Subscription	432,241,864	18,000,000	300
MTO	Private Placing	Offer for Subscription	36,820,000	10,000,000	250
MTR	Offer to the Public	Offer for Subscription	104,855,677	20,205,677	200
MWS	Offer to the Public	Offer for Subscription	245,000,000	20,000,000	100
MWS	Private Placing	Offer for Subscription	245,000,000	20,000,000	100
MZL	Private Placing	Offer for Subscription	180,000,000	20,000,000	100
NBL	Private Placing	Offer for Subscription	163,117,236	1,000,000	200
NCL	Private Placing	Offer for Subscription	247,183,681	117,947,341	356
NCX	Private Placing	Offer for Subscription	31,660,000	8,800,000	375
NDS	Offer to the Public	Offer for Subscription	192,738,862	15,000,000	100
NDS	Preferential Offer	Offer for Subscription	192,738,862	10,000,000	100
NET	Private Placing	Offer for Subscription	135,280,000	20,000,000	100
NMB	Offer to the Public	Offer for Subscription	240,000,000	10,000,000	100
NMB	Preferential Offer	Offer for Subscription	240,000,000	14,775,000	100
NMB	Private Placing	Offer for Subscription	240,000,000	80,000,000	100
NSI	Preferential Offer	Offer for Subscription	150,000,000	5,000,000	50
NSI	Private Placing	Offer for Subscription	150,000,000	40,000,000	50
NTC	Preferential Offer	Offer for Subscription	286,318,691	65,000,000	100
NTC	Private Placing	Offer for Subscription	286,318,691	60,000,000	100
OSI	Private Placing	Offer for Subscription	57,000,000	12,000,000	100
OUS	Private Placing	Offer for Subscription	46,296,296	4,629,630	120

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JSE Code	Method of Offer	Type of Offer	Issue Detail		
			Volume Listed	IPO Volume	Offer Price (Cents)
PAG	Offer to the Public	Offer for Subscription	67,500,000	5,000,000	200
PAG	Private Placing	Offer for Subscription	67,500,000	12,500,000	200
PCN	Private Placing	Offer for Subscription	356,000,000	77,000,000	100
PDH	Private Placing	Offer for Sale	80,200,000	3,000,000	100
PDM	Offer to the Public	Offer for Subscription	69,939,290	4,000,000	250
PGR	Private Placing	Offer for Subscription	200,000,000	20,000,000	250
PIM	Offer to the Public	Offer for Subscription	175,000,000	4,000,000	200
PIM	Preferential Offer	Offer for Subscription	175,000,000	2,000,000	200
PIM	Private Placing	Offer for Subscription	175,000,000	30,000,000	200
PLG	Private Placing	Offer for Subscription	173,660,667	16,666,667	120
PNT	Private Placing	Offer for Subscription	58,900,700	12,000,000	50
PNY	Offer to the Public	Offer for Subscription	80,000,000	5,000,000	255
PNY	Preferential Offer	Offer for Subscription	80,000,000	4,000,000	255
PNY	Private Placing	Offer for Subscription	80,000,000	55,332,119	255
PVT	Offer to the Public	Offer for Subscription	101,850,000	10,000,000	100
PVT	Private Placing	Offer for Subscription	101,850,000	37,222,000	100
QMT	Private Placing	Offer for Subscription	200,000,000	50,000,000	50
QUY	Private Placing	Offer for Subscription	70,000,000	11,300,000	250
RAD	Offer to the Public	Offer for Subscription	415,000,000	5,000,000	400
RAD	Preferential Offer	Offer for Subscription	415,000,000	16,250,000	400
RAD	Private Placing	Offer for Subscription	415,000,000	78,750,000	400
RAH	Offer to the Public	Offer for Subscription	191,303,650	7,500,000	200
RAH	Preferential Offer	Offer for Subscription	191,303,650	2,500,000	200
RAH	Private Placing	Offer for Subscription	191,303,650	90,000,000	200
RBH	Private Placing	Offer for Subscription	120,000,000	23,000,000	220
RCT	Private Placing	Offer for Subscription	120,000,000	12,000,000	100
RNS	Private Placing	Offer for Subscription	75,000,000	16,000,000	100
SDA	Private Placing	Offer for Subscription	68,500,000	8,500,000	50
SHF	Preferential Offer	Offer for Sale	650,000,000	46,407,400	400
SKJ	Preferential Offer	Offer for Subscription	86,688,848	10,000,000	200
SKJ	Private Placing	Offer for Subscription	86,688,848	20,000,000	200
SLL	Private Placing	Offer for Subscription	140,000,000	28,000,000	50
SLM	Offer to the Public	Offer for Subscription	4,000,000,000	700,000,000	500
SLM	Preferential Offer	Offer for Subscription	4,000,000,000	111,111,111	450
SLU	Offer to the Public	Offer for Subscription	273,264,671	27,272,727	220
SLU	Offer to the Public	Offer for Subscription	273,264,671	4,545,455	220
SMK	Private Placing	Offer for Subscription	92,000,000	10,000,000	50
SMT	Private Placing	Offer for Subscription	116,000,000	11,600,000	50
SNG	Private Placing	Offer for Subscription	60,000,000	7,800,000	50
SOT	Private Placing	Offer for Subscription	140,000,000	18,700,000	50
STO	Offer to the Public	Offer for Subscription	138,550,000	10,000,000	100
STO	Preferential Offer	Offer for Subscription	138,550,000	2,000,000	100
SWL	Private Placing	Offer for Subscription	1,500,000,000	150,000,000	100

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JSE Code	Method of Offer	Type of Offer	Issue Detail		
			Volume Listed	IPO Volume	Offer Price (Cents)
TBB	Offer to the Public	Offer for Subscription	250,000,000	25,000,000	200
TBB	Private Placing	Offer for Subscription	250,000,000	177,100,000	200
TBX	Private Placing	Offer for Subscription	13,538,597	1,650,000	200
TCM	Private Placing	Offer for Subscription	27,593,530	5,000,000	50
TCO	Private Placing	Offer for Subscription	120,000,000	20,000,000	50
THK	Private Placing	Offer for Subscription	229,156,972	100,000,000	100
TLC	Private Placing	Offer for Subscription	44,304,100	10,000,000	100
TLF	Preferential Offer	Offer for Subscription	60,000,000	4,550,000	100
TLF	Private Placing	Offer for Subscription	60,000,000	1,950,000	100
TOT	Private Placing	Offer for Subscription	57,200,000	6,300,000	50
TRF	Private Placing	Offer for Subscription	70,000,000	8,000,000	50
TRX	Preferential Offer	Offer for Subscription	30,579,487	937,500	480
TRX	Private Placing	Offer for Subscription	30,579,487	5,520,900	480
TUF	Private Placing	Offer for Subscription	62,340,000	21,300,000	100
UCS	Private Placing	Offer for Subscription	223,590,000	27,270,000	225
UTE	Private Placing	Offer for Subscription	200,000,000	40,000,000	50
VST	Private Placing	Offer for Subscription	80,000,000	12,500,000	100
WET	Offer to the Public	Offer for Subscription	126,297,365	5,000,000	200
WET	Private Placing	Offer for Sale	126,297,365	2,380,000	200
WET	Private Placing	Offer for Subscription	126,297,365	17,500,000	200
WTS	Private Placing	Offer for Subscription	160,000,000	12,000,000	60
XCH	Preferential Offer	Offer for Subscription	62,142,700	5,500,000	56
XCH	Private Placing	Offer for Subscription	62,142,700	4,500,000	56
YHK	Private Placing	Offer for Subscription	74,497,500	17,695,000	100
YTC	Private Placing	Offer for Subscription	102,531,023	36,363,636	55

Table 21.1: Schedule of the Issue detail, Methods and Types of offer of new applicants orchestrating an IPO on the JSE during the sample period

ADDENDUM 22

RESEARCH SAMPLE PRE- ISSUE DETAIL

I. INTRODUCTION

The pre-issue detail data base comprises the research sample population of new applicants having the "Alterations to share Capital and premium on share issues" disclosure in terms of paragraphs 6(a)(ii) and 20(a) of the JSE Listing Requirements.

Excluded from this database were 19 issuers of the research sample database which, due to RAID database inconsistencies, did not have the requisite disclosure i.e., the prospectus and/or pre-listing statements were incomplete.

The 'List Type' numeral refers as follows:

1. offers for sale;
2. offers for subscription;
3. issues with participating or conversion rights;
4. renounceable offers;
5. rights offers;
6. clawback offers;
7. capitalisation issues;
8. issues for cash;
9. acquisition/Merger Issues;
10. vendor consideration placings; and
11. the exercise of options.

Issuer	List Type	Issue Date	Offer Price (Cents)	Volume Issued
ABC Cash Plus Limited	2	24-Nov-98	1.00000	16,993,000
ABC Cash Plus Limited	8	25-Nov-98	1.00000	1,000,000
ABC Cash Plus Limited	2	25-Nov-98	1.00000	5,000,000
ABC Cash Plus Limited	10	25-Nov-98	1.00000	5,000,000
ABC Cash Plus Limited	8	25-Nov-98	13.75000	2,000,000
Accord Technologies Limited	7	08-May-98	5.00000	13,275,000
Accord Technologies Limited	10	08-May-98	10.00000	33,770
Accord Technologies Limited	10	08-May-98	10.00000	75,566,230
Accord Technologies Limited	10	08-May-98	78.15000	62,162,490
Accord Technologies Limited	10	08-May-98	100.00000	29,962,500
Accord Technologies Limited	1	29-Jun-98	100.00000	20,000,000
Acuity Group Holdings Limited	8	07-May-99	1.00000	24,766,000
Acuity Group Holdings Limited	10	26-May-99	100.00000	18,510,000
Acumen Holdings Limited	7	28-May-99	54.20000	55,800,000
Acumen Holdings Limited	8	28-May-99	81.90000	9,157,509
Acumen Holdings Limited	10	28-May-99	85.40000	37,336,242
Acumen Holdings Limited	2	28-May-99	90.00000	17,275,871
Acumen Holdings Limited	10	28-May-99	100.00000	1,900,000
Advanced Software Technologies Limited	8	30-Jun-98	50.62000	28,350,000
Advanced Software Technologies Limited	10	01-Jul-98	61.44000	187,512,000
Advanced Software Technologies Limited	10	01-Oct-97	100.00000	7,600,000
Advanced Software Technologies Limited	10	01-Jul-98	100.00000	81,000,000
Afribrand Holdings Limited	1	10-Jun-97	9.20000	45,753,993
Afribrand Holdings Limited	7	04-Jul-97	80.00000	11,250,000
Afribrand Holdings Limited	2	08-Jul-97	100.00000	22,000,000
Africa Glass Industries Limited	2	01-May-99	89.75000	390,876
Africa Glass Industries Limited	10	03-Jun-99	133.00000	7,217,450
African Harvest Limited	2	18-Sep-97	500.00000	200,000,000
Amalgamated Appliance Holdings Limited	10	20-Mar-97	1.00000	94,999,999
AMB Private Equity Partners Limited	2	Nov-98	1500.00000	32,075,590
AMB Private Equity Partners Limited	9	01-Dec-98	1500.00000	16,835,347
AMB Private Equity Partners Limited	9	01-Dec-98	1500.00000	450,000
Amlac Limited	8	01-Mar-96	59.00000	519,000
Appleton Group Limited, The	2	30-Dec-98	1.00000	116,399,991
Appleton Group Limited, The	9	30-Dec-98	1.00000	97,500,000
Appleton Group Limited, The	2	01-Feb-99	1.00000	19,100,000
Appleton Group Limited, The	10	01-Feb-99	100.00000	17,000,000
APS Technologies Limited	8	01-Mar-99	38.14000	8,939,250

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Issuer	List Type	Issue Date	Offer Price (Cents)	Volume Issued
APS Technologies Limited	10	01-Mar-99	47.50000	108,819,000
APS Technologies Limited	8	19-Mar-99	100.00000	591,750
Aquila Growth Limited	10	21-Oct-97	216.98000	4,387,405
Aquila Growth Limited	7	21-Oct-97	216.98000	430,737
Awethu Breweries Limited	10	16-Oct-97	1.00000	1,137,857
Awethu Breweries Limited	10	16-Oct-97	1.00000	36,662,143
Awethu Breweries Limited	2	19-Nov-97	100.00000	4,000,000
Barnard Jacobs Mellet Holdings Limited	10	Apr-97	24.50000	61,992,000
Barnard Jacobs Mellet Holdings Limited	8	01-Jul-97	71.60000	3,695,900
Barnard Jacobs Mellet Holdings Limited	8	Oct-97	200.00000	5,000,000
Beige Holdings Limited	9	06-Oct-97	27.60000	35,000,000
Beige Holdings Limited	2	20-Oct-97	40.00000	10,000,000
Beige Holdings Limited	8	20-Oct-97	100.00000	340,000
Beige Holdings Limited	2	20-Oct-97	100.00000	14,000,000
Brimstone Investment Corporation Limited	2	30-Sep-97	124.99999	3,470,081
Brimstone Investment Corporation Limited	7	27-Mar-97	168.87648	592,266
Brimstone Investment Corporation Limited	2	28-Nov-97	175.00000	25,957,600
Brimstone Investment Corporation Limited	2	02-Jun-97	175.00000	5,714,286
Brimstone Investment Corporation Limited	2	07-May-97	200.00000	25,000,000
Brimstone Investment Corporation Limited	2	21-May-97	200.00000	2,500,000
Brimstone Investment Corporation Limited	2	29-May-00	200.00000	2,500,000
Brimstone Investment Corporation Limited	2	30-May-97	200.00000	7,500,000
Brimstone Investment Corporation Limited	2	22-Aug-97	200.00000	2,000,000
Brimstone Investment Corporation Limited	2	22-Aug-97	200.00000	7,500,000
Brimstone Investment Corporation Limited	2	09-Mar-98	275.00000	10,000,000
Brimstone Investment Corporation Limited	2	19-Mar-98	275.00000	2,909,090
Brimstone Investment Corporation Limited	2	13-May-98	275.99900	27,272,728
Brimstone Investment Corporation Limited	2	13-May-98	278.39900	10,814,708
Brimstone Investment Corporation Limited	2	28-Nov-97	400.00000	15,000,000
Buildmax Limited	10	01-Apr-96	24.60337	12,599,900
Business Bank Limited, The	2	19-Dec-97	1.00000	37,499,993
Business Bank Limited, The	2	23-Jan-98	195.00000	10,400,000
Bynx Limited	2	01-Mar-99	0.10000	19,620,264
Bynx Limited	2	31-Mar-99	8.66654	55,779,736
Bynx Limited	2	31-May-99	72.63158	9,500,000
Cadiz Holdings Limited	2	05-Mar-99	100.00000	49,909,999
Cadiz Holdings Limited	10	05-Mar-99	100.00000	116,656,668
Cadiz Holdings Limited	2	05-Mar-99	105.00000	37,142,857

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Issuer	List Type	Issue Date	Offer Price (Cents)	Volume Issued
Cadiz Holdings Limited	2	17-Mar-99	170.00000	25,500,000
Cape Empowerment Trust Limited	10	27-Jul-98	0.10000	37,999,993
Cape Empowerment Trust Limited	10	16-Nov-98	100.00000	41,500,000
Casey Investment Holding Limited	10	20-Aug-98	44.61000	58,951,000
Central Information Holdings Limited	10	20-Jun-97	50.00000	24,930,000
Central Information Holdings Limited	2	30-Oct-97	50.00000	2,049,000
Central Information Holdings Limited	2	19-Mar-98	50.00000	3,193,821
Central Information Holdings Limited	2	29-Jun-98	50.00000	5,800,839
Central Information Holdings Limited	2	30-Jun-98	50.00000	423,188
Central Information Holdings Limited	2	12-Nov-98	50.00000	3,073,000
Central Information Holdings Limited	7	12-Nov-98	50.00000	2,346,421
Central Information Holdings Limited	10	12-Nov-98	50.00000	800,000
Central Information Holdings Limited	11	12-Nov-98	50.00000	500,000
Central Information Holdings Limited	8	30-Nov-98	50.00000	2,430,391
Century Carbon Mining Limited	10	17-Nov-99	200.00000	19,000,000
Chillers Group Limited	10	01-Mar-96	9.20000	15,990,000
Comair Limited	7	17-Jun-98	1.00000	388,889,040
Comair Limited	2	17-Jun-98	72.00000	860
Comair Limited	11	17-Jun-98	72.00000	21,000,000
Compu Clearing Outsourcing Limited	2	07-Aug-98	1.00000	200,000,000
Compu Clearing Outsourcing Limited	2	07-Aug-98	80.00000	9,200,000
Compu Clearing Outsourcing Limited	10	01-Jul-98	100.00000	26,999,993
Contlan Holdings Limited	10	01-Mar-99	46.30800	39,800,000
Contlan Holdings Limited	8	15-Jun-99	50.00000	2,200,000
Core Holdings Limited	2	02-Jul-98	29.00000	2,100,000
Core Holdings Limited	10	02-Jul-98	43.86000	51,300,000
Core Holdings Limited	8	02-Jul-98	50.00000	600,000
Corohedge Capital Limited	2	30-Mar-98	750.00000	3,000,000
Corohedge Capital Limited	2	01-Apr-98	1000.00000	44,700,000
Creditsure Holdings Limited	2	01-Jun-98	100.00000	20,000,000
Crux Technologies Limited	10	03-Jul-98	100.00000	214,999,991
CS Computer Services Holdings Limited	2	28-Feb-98	1.00000	79,000
CS Computer Services Holdings Limited	10	27-Jul-98	21.00000	64,500,000
CS Computer Services Holdings Limited	2	27-Jul-98	21.00000	400,000
CS Computer Services Holdings Limited	10	27-Jul-98	21.90000	8,545,000
CS Computer Services Holdings Limited	10	27-Jul-98	25.27000	1,875,000
CS Computer Services Holdings Limited	7	21-Aug-98	100.00000	1,980,000
CS Computer Services Holdings Limited	11	16-Sep-98	100.00000	1,620,000

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Issuer	List Type	Issue Date	Offer Price (Cents)	Volume Issued
Cyberhost Limited	2	11-Jan-99	0.10000	30,493,000
Cyberhost Limited	2	14-Jan-99	15.47000	8,394,000
Cyberhost Limited	8	14-Jan-99	25.00000	3,360,000
Cyberhost Limited	2	14-Jan-99	50.00000	5,500,000
Cycad Financial Holdings Limited	2	03-Mar-99	200.00000	800,000
Datacentrix Holdings Limited	2	07-Aug-98	0.00100	60,406,667
Datacentrix Holdings Limited	7	17-Apr-98	65.99772	18,987,879
Datacentrix Holdings Limited	10	17-Apr-98	66.00000	33,106,061
Datacentrix Holdings Limited	11	23-Sep-98	66.00000	393,939
Datacentrix Holdings Limited	11	23-Sep-98	66.00000	3,048,780
Datacentrix Holdings Limited	8	23-Sep-98	100.00000	1,500,000
Datacentrix Holdings Limited	5	23-Sep-98	100.00000	5,000,000
Datacentrix Holdings Limited	7	17-Apr-98	176.34003	5,351,515
Datacentrix Holdings Limited	7	17-Apr-98	176.72647	2,428,788
Datacentrix Holdings Limited	7	17-Apr-98	176.72647	315,152
Decillion Limited	10	19-Jun-98	201.98581	112,482,650
Decillion Limited	2	10-Jan-99	225.00000	6,310,701
Decomac Holdings Limited	8	20-Aug-98	0.84000	13,300,000
Decomac Holdings Limited	10	20-Aug-98	12.95000	71,667,000
Dectronic Limited	2	21-Sep-98	0.10000	4,500,000
Dectronic Limited	10	22-Sep-98	14.61000	63,550,000
Dectronic Limited	8	22-Sep-98	17.82000	4,680,000
Dectronic Limited	2	21-Sep-98	20.83000	7,200,000
Digicore Holdings Limited	8	02-Jul-98	0.10000	2,000,000
Digicore Holdings Limited	8	02-Jul-98	0.10000	99,993
Digicore Holdings Limited	10	02-Jul-98	34.00000	188,237,700
Digicore Holdings Limited	10	02-Jul-98	100.00000	19,662,300
Discovery Holdings Limited	2	30-Jun-99	0.10000	272,000
Discovery Holdings Limited	10	21-Sep-99	362.10000	359,000,000
Discovery Holdings Limited	2	30-Jun-99	690.00000	20,728,000
Elexir Technology Holdings Limited	10	06-Mar-98	32.58000	87,166,000
Elexir Technology Holdings Limited	7	02-Apr-98	44.30000	2,150,000
Elexir Technology Holdings Limited	8	02-Apr-98	50.00000	684,000
Elvey Security Technologies Limited	2	14-Apr-99	1.00000	299,990
Elvey Security Technologies Limited	9	14-Apr-99	100.00000	43,358,600
Elvey Security Technologies Limited	8	14-Apr-99	100.00000	1,350,000
Emerald Topbrand Sports Limited	10	24-Aug-98	2.51000	46,490,000
Emerald Topbrand Sports Limited	8	24-Aug-98	24.67000	16,500,000

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Issuer	List Type	Issue Date	Offer Price (Cents)	Volume Issued
Enviroserv Holdings Limited	10	07-Feb-96	23.00000	40,000,000
Equinox Holdings Limited	2	01-Oct-98	10.00000	100,000,000
ERP.Com Holdings Limited	2	16-Aug-99	0.10000	44,990,000
ERP.Com Holdings Limited	2	16-Aug-99	8.30000	21,553,000
ERP.Com Holdings Limited	2	16-Aug-99	13.72000	33,447,000
Explorer Corporation Holdings Limited	2	11-Jan-99	1.00000	1,015,300
Explorer Corporation Holdings Limited	11	11-Jan-99	50.00000	900,000
Explorer Corporation Holdings Limited	8	11-Jan-99	50.00000	300,000
Faritec Holdings Limited	8	06-Nov-98	0.10000	5,000,000
Faritec Holdings Limited	10	09-Nov-98	100.00000	76,704,188
Faritec Holdings Limited	10	09-Nov-98	100.00000	1,100,000
Faritec Holdings Limited	10	09-Nov-98	100.00000	5,000,000
Faritec Holdings Limited	10	09-Nov-98	100.00000	2,200,000
Fe Squared Holdings Limited	2	02-Aug-99	1.00000	5,761,000
Fe Squared Holdings Limited	8	02-Aug-99	1.00000	1,443,000
Fe Squared Holdings Limited	10	02-Aug-99	100.00000	42,840,000
Finshare Group Limited	2	02-Jan-98	0.10000	73,000,000
Finshare Group Limited	3	10-Aug-99	100.00000	1,500,000
First South African Food Holdings Limited	10	10-Apr-97	132.45541	99,999,000
Forbes Group Limited	1	30-Oct-96	535.00000	420,500
Forbes Group Limited	2	30-Oct-96	535.00000	11,215,000
Fulcrum Science & Technology Bank Controlling Company Limited	8	04-May-98	424.00000	4,240,000
Glenrand M I B Limited	2	30-Jan-98	325.00000	199,998,600
Glenrand M I B Limited	2	09-Mar-98	325.00000	9,374,588
Glenrand M I B Limited	2	30-Jan-98	409.00000	700
Global Capital Limited	2	01-Apr-98	1.00000	14,999,000
Global Capital Limited	2	01-Apr-98	100.00000	650,000,000
Global Village Holdings Limited	10	01-Mar-98	15.96000	55,990,000
Global Village Holdings Limited	2	03-Jun-98	50.00000	10,000,000
Global Village Holdings Limited	2	03-Jun-98	100.00000	18,000,000
Gray Security Services Limited	10	11-Mar-99	180.00000	30,030,000
Greenwich Group Limited	10	01-Jul-98	13.81696	31,222,500
Greenwich Group Limited	10	01-Jul-98	26.90368	31,222,500
Greenwich Group Limited	2	10-Jul-97	40.31000	87,551,250
Greenwich Group Limited	10	01-Aug-97	41.66667	3,000,000
Greenwich Group Limited	10	01-Jul-98	42.07604	25,755,750
Greenwich Group Limited	10	01-Jul-98	58.42857	700,000
Greenwich Group Limited	10	01-Sep-98	200.00000	6,875,000

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Issuer	List Type	Issue Date	Offer Price (Cents)	Volume Issued
Greenwich Group Limited	11	01-Jul-98	200.00000	5,500,000
Heritage Collection Holdings Limited	10	10-Jul-98	109.70000	11,065,903
Heritage Collection Holdings Limited	3	23-Feb-99	109.70000	24,223,041
Heritage Collection Holdings Limited	8	09-Jul-98	160.00000	9,666,707
Heritage Collection Holdings Limited	8	18-Jun-98	170.00000	2,941,176
Heritage Collection Holdings Limited	8	11-Jul-98	170.00000	250,000
Hix Technologies Limited	10	18-Feb-99	25.00000	59,999,000
Homechoice Holdings Limited	7	15-Aug-96	1.00000	76,414,500
House of Busby Limited, The	10	10-Nov-97	200.00000	38,530,000
House of Busby Limited, The	2	09-Oct-97	200.00000	12,500,000
Howden Africa Holdings Limited	7	01-Apr-96	77.35800	26,499,993
Idion Technology Holdings Limited	10	20-Jul-98	41.42000	50,700,000
Iliad Africa Limited	10	10-Jun-98	250.00000	10,748,000
Iliad Africa Limited	2	10-Jun-98	250.00000	12,800,000
Infowave Holdings Limited	10	28-Feb-98	34.48000	71,919,000
Infowave Holdings Limited	8	25-Sep-98	36.00000	3,411,000
Integrated Consumer Products Limited	10	01-Sep-97	100.00000	35,866,667
Integrated Health Technologies Limited	8	21-Nov-97	24.40000	19,137,000
Integrated Health Technologies Limited	10	25-Mar-97	30.00000	20,000,000
Integrated Health Technologies Limited	2	09-Jan-98	49.00000	4,218,000
Integrated Health Technologies Limited	8	09-Jan-98	55.00000	414,545
Intertrading Limited	10	01-Mar-98	100.00000	1,650,000
Intertrading Limited	10	01-Mar-98	100.00000	34,350,000
Intervid Limited	10	13-Jul-99	0.01000	75,000,000
Investment Solutions Holdings Limited	2	27-May-99	182.00000	30,219,780
Investment Solutions Holdings Limited	2	27-Jul-99	182.00000	10,499,437
Investment Solutions Holdings Limited	2	27-Jul-99	220.00000	727,272
IST Group Limited	10	29-Jun-98	34.91821	107,393,715
ITI Technology Holdings Limited	10	05-Nov-97	32.12801	51,668,315
ITI Technology Holdings Limited	8	05-Nov-97	33.44000	897,173
ITI Technology Holdings Limited	8	05-Nov-97	50.00000	534,512
Ixchange Technology Holdings Limited	8	25-Jun-97	11.30000	16,500,000
Ixchange Technology Holdings Limited	10	25-Jun-97	42.28571	35,000,000
Ixchange Technology Holdings Limited	8	22-Aug-97	56.00000	642,700
Jem Technology Holdings Limited	8	04-Nov-98	0.10000	7,450,000
Jem Technology Holdings Limited	10	01-Nov-98	10.00000	53,550,000
Jem Technology Holdings Limited	8	04-Nov-98	50.00000	1,000,000
Learning Corporation Limited, The	2	09-Nov-98	25.00000	1,000,000

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Issuer	List Type	Issue Date	Offer Price (Cents)	Volume Issued
Learning Corporation Limited, The	2	30-Oct-98	100.00000	8,180,000
Learning Corporation Limited, The	2	30-Oct-98	100.00000	12,052,850
Learning Corporation Limited, The	2	30-Oct-98	100.00000	3,600,000
Learning Corporation Limited, The	10	02-Dec-98	100.00000	9,401,250
Magnum Global Funds S.A. Limited	2	07-Jun-99	1.00000	79,990,000
Masterfridge Limited	7	18-Mar-96	275.00000	7,272,727
Mathomo Group Limited	10	04-Dec-95	250.00000	300,000
Mathomo Group Limited	10	30-Nov-95	250.00000	160,000
Mathomo Group Limited	10	30-Nov-95	250.00000	120,000
Maxtec Limited	10	01-Sep-98	6.63004	52,790,000
Mazal Mining & Exploration Limited	2	11-Jan-99	1.00000	9,994
Mazal Mining & Exploration Limited	10	19-Feb-99	1.00000	153,140,000
Mazal Mining & Exploration Limited	2	19-Feb-99	100.00000	1,500,000
Mazal Mining & Exploration Limited	10	23-Mar-99	100.00000	5,350,000
MB Technologies Limited	10	01-Jun-98	1.00000	305,652,450
Mercantile Lisbon Bank Holdings Limited	2	29-May-98	275.00000	5,372,268
Mercantile Lisbon Bank Holdings Limited	2	29-May-98	287.00000	139,628,500
Mercury Alpha Capital Limited	4	17-Feb-99	0.01000	30,000,000
Metropolis Transactive Holdings Limited	10	01-Oct-98	21.92000	2,500,000
Metropolis Transactive Holdings Limited	10	01-Oct-98	23.80000	2,500,000
Metropolis Transactive Holdings Limited	10	01-Oct-98	30.44333	30,000,000
Metropolis Transactive Holdings Limited	10	01-Oct-98	112.53333	3,000,000
Metropolis Transactive Holdings Limited	10	01-Oct-98	199.44674	36,330,000
Metropolis Transactive Holdings Limited	8	01-Oct-98	200.00000	9,150,000
Metropolis Transactive Holdings Limited	10	01-Oct-98	200.07874	1,270,000
Micrologix Limited	2	20-Oct-98	0.10000	12,550,000
Micrologix Limited	2	20-Oct-98	12.16000	9,882,500
Micrologix Limited	7	20-Oct-98	24.03000	12,070,000
Micrologix Limited	10	20-Oct-98	73.51000	92,897,500
MMW Technology Holdings Limited	10	18-Sep-97	35.67367	49,336,103
MMW Technology Holdings Limited	8	18-Sep-97	39.00000	1,225,019
MMW Technology Holdings Limited	8	10-Oct-97	50.00000	538,878
Money Web Holdings Limited	10	21-May-99	100.00000	58,800,000
Money Web Holdings Limited	7	24-May-99	100.00000	600,000
Money Wise Holdings Limited	10	01-Sep-98	0.10000	168,100,000
Money Wise Holdings Limited	10	01-Dec-98	100.00000	8,034,401
Money Wise Holdings Limited	8	06-Nov-98	100.00000	2,000,000
Nando's Group Holdings Limited	10	01-Mar-95	12.09600	120,453,000

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Issuer	List Type	Issue Date	Offer Price (Cents)	Volume Issued
Nando's Group Holdings Limited	10	15-Apr-97	100.00000	47,264,862
National Sporting Index Limited	2	12-Mar-99	0.01000	62,800,000
National Sporting Index Limited	2	12-Mar-99	0.70000	19,900,000
National Sporting Index Limited	2	12-Mar-99	5.03000	19,900,000
National Sporting Index Limited	2	12-Mar-99	49.21000	800,000
National Sporting Index Limited	2	12-Mar-99	50.00000	900,000
NET 1 Applied Technology Holdings Limited	1	Sep-97	0.10000	114,999,000
Netactive Limited	2	30-Aug-98	2.91000	180,000,000
Netactive Limited	2	30-Sep-98	50.00000	22,000,000
Netactive Limited	2	30-Nov-98	50.00000	400,000
Netactive Limited	2	03-Feb-99	50.00000	1,160,000
Netactive Limited	2	03-Feb-99	50.00000	1,000,000
Netactive Limited	2	16-Mar-99	50.00000	20,000,000
Netactive Limited	10	20-Apr-99	100.00000	3,000,000
Nimbus Holdings Limited	2	10-Feb-98	1.00000	20,000,000
Nimbus Holdings Limited	10	14-Jul-98	100.00000	110,225,000
Noble Minerals Limited	2	Aug-98	0.01000	93,800,000
Noble Minerals Limited	2	Dec-98	0.01000	40,000,000
Noble Minerals Limited	2	Mar-99	45.00000	13,217,236
Noble Minerals Limited	2	Mar-99	45.00000	8,900,000
Noble Minerals Limited	2	Aug-98	100.00000	5,000,000
OSI Holdings Limited	2	19-Oct-98	0.00400	20,446,961
OSI Holdings Limited	10	26-Oct-98	14.47400	18,629,802
OSI Holdings Limited	4	26-Oct-98	14.47400	4,953,237
OSI Holdings Limited	10	26-Oct-98	14.47400	20,000
OSI Holdings Limited	2	26-Oct-98	14.47400	700,000
Paracon Holdings Limited	7	30-Mar-99	14.54500	275,000,000
Paradigm Interactive Media Limited	10	02-Sep-97	20.00000	42,050,815
Paradigm Interactive Media Limited	10	02-Sep-97	250.00000	455,000
Paradigm Interactive Media Limited	2	12-Sep-97	250.00000	12,000,000
Paragon Business Forms Limited	7	12-Sep-97	1.00000	40,000,000
Paragon Business Forms Limited	7	17-Sep-97	1.00000	5,000,000
Pennystocks Investments Limited	2	12-May-98	0.10000	9,998,940
Pennystocks Investments Limited	2	16-May-98	100.00000	10,000,000
Pentacom Holdings Limited	10	01-Sep-98	0.10000	40,000,000
Pentacom Holdings Limited	2	01-Sep-98	0.10000	5,000,000
Pentacom Holdings Limited	2	01-Sep-98	25.00000	1,000,000
Pentacom Holdings Limited	8	02-Oct-98	50.00000	900,000

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Issuer	List Type	Issue Date	Offer Price (Cents)	Volume Issued
Peregrine Holdings Limited	2	30-Apr-98	0.10000	12,650,000
Peregrine Holdings Limited	10	01-Apr-97	250.00000	52,500,000
Plasgroup Limited	10	01-Sep-97	100.00000	132,500,000
Plasgroup Limited	2	19-Dec-97	100.00000	19,984,000
Plasgroup Limited	8	04-Mar-98	100.00000	4,500,000
Prada Technologies Limited	8	18-Oct-99	0.00001	3,000,000
Prada Technologies Limited	8	18-Oct-99	0.00001	2,000,000
Prada Technologies Limited	10	18-Oct-99	9.20000	38,700,000
Prada Technologies Limited	7	18-Oct-99	33.36000	33,500,000
Prism Holdings Limited	7	01-Sep-99	0.10000	119,000,000
Prism Holdings Limited	2	01-Sep-99	180.00000	10,000,000
Prism Holdings Limited	10	14-Oct-99	200.00000	1,250,000
Privest Group Limited	8	21-Mar-98	6.00000	30,190,100
Privest Group Limited	2	21-Mar-98	6.00000	2,000,000
Privest Group Limited	10	29-Apr-98	100.00000	22,437,200
Q Mart Holdings Limited	2	10-Feb-99	1.00000	10,000,000
Q Mart Holdings Limited	10	30-Nov-98	12.00000	124,300,000
Q Mart Holdings Limited	2	10-Feb-99	50.00000	5,700,000
Q Mart Holdings Limited	2	10-Feb-99	50.00000	10,000,000
Quyn Holdings Limited	2	04-Jan-99	5.00000	33,000,000
Quyn Holdings Limited	2	04-Jan-99	5.00000	3,199,900
Quyn Holdings Limited	10	24-Nov-98	250.00000	22,500,000
Real Africa Durolink Holdings Limited	7	21-May-98	0.00100	55,750,000
Real Africa Holdings Limited	7	10-Feb-95	150.00000	80000
Rebhold Limited	10	16-Sep-96	220.00000	7,000,000
Rectron Holdings Limited	10	01-Jul-98	68.76791	104,700,000
Rectron Holdings Limited	8	30-Oct-98	73.00000	3,300,000
Renaissance Retail Group Limited	10	01-Jan-97	15.16500	12,000,000
Renaissance Retail Group Limited	2	01-Jan-97	44.80000	5,055,125
Renaissance Retail Group Limited	7	01-Jan-98	50.90000	37,734,875
Renaissance Retail Group Limited	10	01-Jan-98	54.60000	1,200,000
Renaissance Retail Group Limited	10	01-Jan-98	100.00000	3,000,000
Securedata Solutions Limited	2	29-Oct-98	0.10000	30,000,001
Securedata Solutions Limited	2	29-Oct-98	7.52470	29,899,999
Sekunjalo Investments Limited	2	12-May-99	0.00200	3,800,000
Sekunjalo Investments Limited	2	12-May-99	0.00200	500,000
Sekunjalo Investments Limited	2	12-May-99	50.00000	5,000,000
Setpoint Technology Holdings Limited	10	15-Sep-97	1.00000	47,306,000

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Issuer	List Type	Issue Date	Offer Price (Cents)	Volume Issued
Setpoint Technology Holdings Limited	11	01-Oct-97	1.00000	7,000,000
Setpoint Technology Holdings Limited	2	30-Sep-97	1.00000	2,280,000
Setpoint Technology Holdings Limited	7	05-Nov-97	75.00000	200,000
Setpoint Technology Holdings Limited	2	05-Nov-97	80.00000	18,750,000
Setpoint Technology Holdings Limited	2	05-Nov-97	100.00000	20,326,000
Setpoint Technology Holdings Limited	2	30-Sep-97	1733.33000	6,000,000
Shawcell Telecommunications Limited	10	01-Jan-99	100.00000	260,000,000
Shawcell Telecommunications Limited	10	11-Jun-99	100.00000	1,090,000,000
Smacsoft Group Limited	10	07-Nov-98	36.86000	90,080,000
Smacsoft Group Limited	2	12-Mar-99	41.68000	12,000,000
Smacsoft Group Limited	2	12-Mar-99	50.00000	2,320,000
Software Connection Limited	2	01-Sep-97	1.00000	66,960,000
Software Connection Limited	2	01-Sep-97	1.00000	1,440,000
Software Connection Limited	4	05-Sep-97	33.14000	51,600,000
Sotta Securitisation International Limited	2	17-Nov-98	45.67000	121,300,000
South African Empowerment Fund Investment Trust Company Limited	2	04-Sep-97	100.00000	179,880,610
South African Empowerment Fund Investment Trust Company Limited	2	04-Sep-97	101.86000	1,963,545
Steinhoff International Holdings Limited	10	13-Aug-98	107.80000	519,999,595
Steinhoff International Holdings Limited	2	09-Sep-98	400.00000	130,000,000
Stella Vista Technologies Limited	2	03-May-99	0.00100	20,399,995
Stella Vista Technologies Limited	10	01-Mar-99	4.20000	91,500,000
Streamworks Group Limited	10	01-Apr-99	33.07000	78,620,000
Streamworks Group Limited	2	14-May-99	35.00000	2,000,000
Streamworks Group Limited	8	14-May-99	50.00000	1,380,000
Synergy Holdings Limited	2	23-Mar-99	25.04000	51,800,000
Synergy Holdings Limited	8	23-Mar-99	50.00000	400,000
Taufin Holdings Limited	2	14-Jan-98	0.10000	40,940,000
Technology Communication Holdings Limited	10	27-Feb-98	42.50000	21,847,053
Technology Communication Holdings Limited	10	27-Feb-98	42.50000	176,470
Technology Communication Holdings Limited	8	25-Mar-98	50.00000	570,000
Terexko Limited	10	30-Jun-96	480.00000	2,500,000
Terrafin Holdings Limited	10	31-Aug-98	20.91000	60,095,200
Terrafin Holdings Limited	8	03-Sep-98	50.00000	1,904,800
Thabex Exploration Limited	10	17-May-96	10.00000	8,400,000
Thabex Exploration Limited	7	17-May-96	10.00000	216,851
Thabex Exploration Limited	10	31-Dec-96	10.00000	80,000
Thabex Exploration Limited	11	14-Mar-97	10.00000	1,600,000
Thabex Exploration Limited	11	01-Mar-97	10.00000	200,000

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Issuer	List Type	Issue Date	Offer Price (Cents)	Volume Issued
Tile Africa Holdings Limited	2	15-Jan-99	1.00000	44,202,200
Tile Africa Holdings Limited	10	01-Feb-99	100.00000	9,287,800
Top Info Technology Holdings Limited	10	20-Mar-98	30.67000	48,258,900
Top Info Technology Holdings Limited	2	20-Mar-98	37.14000	2,131,100
Top Info Technology Holdings Limited	8	20-Mar-98	50.00000	510,000
UCS Group Limited	10	01-Jul-98	39.85186	49,110,000
UCS Group Limited	2	13-Aug-98	50.00000	27,270,000
U-Trade Limited	10	26-May-99	0.10000	159,999,000
Vesta Technology Holdings Limited	2	30-Sep-98	5.50000	58,372,948
Vesta Technology Holdings Limited	10	01-Sep-98	100.00000	6,977,052
Vesta Technology Holdings Limited	8	30-Sep-98	100.00000	2,150,000
Wetherlys Investment Holdings Limited	10	22-Oct-97	14.83000	94,493,400
Wetherlys Investment Holdings Limited	10	24-Nov-97	200.00000	7,302,965
Whetstone Industrial Holdings Limited	2	29-Jan-98	1.00000	6,000,000
Whetstone Industrial Holdings Limited	2	21-Sep-98	40.50000	35,383,352
Whetstone Industrial Holdings Limited	2	21-Sep-98	40.50000	100
Whetstone Industrial Holdings Limited	2	30-Jan-98	46.09173	30,000,000
Whetstone Industrial Holdings Limited	2	21-Sep-98	55.50000	7,163,650
Whetstone Industrial Holdings Limited	2	21-Sep-98	55.50000	6,024,000
Whetstone Industrial Holdings Limited	2	21-Sep-98	55.50000	1,184,000
Whetstone Industrial Holdings Limited	2	03-Aug-98	60.50000	900,000
Whetstone Industrial Holdings Limited	2	05-Aug-98	60.50000	400,000
Whetstone Industrial Holdings Limited	2	21-Sep-98	60.50000	350,000
Whetstone Industrial Holdings Limited	2	21-Sep-98	60.50000	1,680,000
Whetstone Industrial Holdings Limited	2	21-Sep-98	60.54200	350,000
Whetstone Industrial Holdings Limited	2	11-Mar-98	79.90000	340,000
Whetstone Industrial Holdings Limited	2	28-Aug-98	84.89247	10,942,449
Y2KTec Limited	2	09-Feb-99	0.01000	14,990,000
Y2KTec Limited	2	09-Feb-99	0.01000	350,000
Y2KTec Limited	2	09-Feb-99	3.00000	4,198,000
Y2KTec Limited	2	09-Feb-99	3.00000	1,174,000
Y2KTec Limited	2	28-Apr-99	49.50000	6,360,008
Y2KTec Limited	2	04-Jun-99	49.50000	6,060,600
Y3K Group Limited	2	23-Nov-98	1.00000	23,746,500
Y3K Group Limited	2	01-Dec-98	1.00000	5,000,000
Y3K Group Limited	10	15-Dec-98	100.00000	28,055,000

Table 22.1: Schedule of the Issue detail, Methods and Types of offer of new applicants orchestrating an IPO on the JSE during the sample period