JSE Limited
("JSE")

GUIDELINES TO LISTING ON THE JSE

If you have any queries relating to the listing process, you are invited to call the Director: Issuer Services on 27-11-520-7060 or facsimile no 27-11-520-8596 or Web: http://www.jse.co.za

Copies of the JSE Listings Requirements may be acquired from Lexis Nexis Butterworths Publishers (Pty) Limited, PO Box 792 DURBAN 4000 (Telephone 27-31-268-3007 or facsimile no. 27-31-268-3109)

INTRODUCTION

The JSE Limited ("the JSE") was formally established on 8 November 1887. It was borne of the needs of a rapidly developing gold mining industry and has emerged as an active player in meeting both the political and economic challenges of post apartheid South Africa.

The JSE is licensed as an exchange under the Security Services Act, 2004 and Africa's premier exchange. It has operated as a market place for the trading of financial products for nearly 120 years. In this time, the JSE has evolved from a traditional floor based equities trading market to a modern securities exchange providing fully electronic trading, clearing and settlement in securities, financial and agricultural derivatives and other associated instruments and has extensive surveillance capabilities. The JSE is also a major provider of financial information. In everything it does, the JSE strives to be a responsible corporate citizen.

1. WHY APPLY FOR A LISTING?

There are a number of benefits that may flow from listing on the JSE:

- **FUNDING**
  - It is often cheaper to raise equity capital rather than to rely on debt finance, to fund the expansion of a company's business, and a listed company is more able to raise such equity capital.
  - A listing will better enable the company to obtain other forms of finance, such as bank loans. A listing will enhance the status of the company and providers of the finance will be comforted by the fact that its financial information and actions will be subject to the JSE and public scrutiny.
  - A listing enables a company to use its shares to fund acquisitions, as sellers are more likely to accept listed shares as consideration.
- **SHAREHOLDERS**
  - A listing will better enable the existing shareholders of the company to realise all or part of their shareholdings, thus making it a more attractive investment.
  - The value of the company's shares will be enhanced if demand is greater than supply.
  - A listing will give the company a wider shareholder base and broaden its exposure.
- **EMPLOYEES**
  - A listing will enhance the status of the company which will better enable the company to attract and maintain good employees.
  - A listing will make a company's share incentive scheme more attractive to employees, as their shares will be more marketable.
- **PERFORMANCE OF COMPANY**
  - Te enhanced status of being listed should improve the company's dealings with banks, suppliers, distributors and customers, which could have a positive effect on the company's overall performance.

2. WHAT ARE THE DISADVANTAGES OF LISTING?

❑ COST OF LISTING

- In addition to the costs of listing, the company will have to pay an annual listing fee to maintain its listing (see pages 8 and 9).

❑ ENHANCED REQUIREMENTS

- Upon listing, the company is bound to comply with the listings requirements of the JSE. These requirements impose requirements on the company beyond those required under the Companies Act.

- Complying with these requirements can be expensive in terms of cost and management time.

- Listed companies can be sanctioned by the JSE, if they breach the listings requirements.

3. THE LISTINGS PROCESS

❑ APPOINTMENT OF PROFESSIONAL ADVISORS

It is appropriate to consult a competent and experienced professional advisor before deciding to list. If a decision is made to apply for a listing, the company should appoint appropriate professional advisors.

❑ SPONSOR

The appointment of a sponsor is required by the JSE to be able to list on the main board. The sponsor's main responsibilities include:

- 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;

- satisfying itself that:
  - the criteria for listing are met and that the company is suitable to list;
  - the company is guided as to the application of the listings requirements; and
  - the directors have had explained to them the nature of their responsibilities and obligations as directors of a listed company;

- submitting the listing documentation to the JSE; and

- filling a liaison role between the JSE and the company.

❑ CORPORATE ADVISOR

- It is advisable for the company to also appoint a corporate advisor. (Corporate advisors are usually the corporate finance divisions of stockbrokers, merchant banks or auditing firms. There is often an overlap between the functions of the corporate advisor and the sponsor, and where a merchant bank or stockbroker provides both corporate financial and sponsor services, the roles are frequently combined).

The corporate advisor's main responsibilities include:

- advising on the method of listing, the marketing, the size and terms of the offer, the timing and pricing of the offer;

- advising on market conditions and the potential demand for the company's shares;
- co-ordinating the listing process;
- drafting the listings documentation, with the assistance of the company and the company's legal advisor, accountant and sponsoring broker;
- approaching the investment community with a view to generating a demand for the company's shares;
- if the method of listing to be adopted is a placing, arranging the placing; and
- 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.

❑ **LEGAL ADVISOR**

Companies are also advised to appoint a competent legal advisor. The legal advisor's main responsibilities include:

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

❑ **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 three years and the financial position of the company over the previous three years.

❑ **TRANSFER SECRETARIES**

Transfer secretaries are responsible for setting up the company's register of members, the issuing of share certificates, the registration of transfers and the mailing of company circulars.

❑ **STRATE**

Companies must be approved as STRATE eligible in terms of the Central Securities Depositary Rules, for the dematerialisation shares to be registered.

❑ **PUBLIC RELATIONS CONSULTANT**

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

❑ **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.

- **PRINTERS**

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

- **LISTING TIME FRAME**

  The listing time frame normally covers between 9 and 13 weeks, depending on the method of listing, the competence of the professional advisors and the complexity of the listing.

  The typical time frame may be summarised as follows:

KEY

Company	Co
Sponsor	S
Corporate Advisor	CA
Legal Advisor	LA
Accountant	A

WEEK	ACTION	RESPONSIBILITY
0	Appoint advisors Meet to consider: Legal, financial and tax implications Method of listing Prepare timetable for listing Commence preparation of accountant's report Commence drafting of documentation	Co A, LA, CA and Co CA A and Co CA
1-3	Drafting meetings to finalise draft documentation (prospectus / pre-listing statement) Finalise accountant's report	CA, LA, A S and Co A and Co
4	Draft documentation submitted to the JSE for informal comment and Registrar (if a public offer)	S and CA
5-8	JSE formal approval, and Registrar's approval (if a public offer) obtained	S and CA
9	Listing commences if an introduction, or placing or public offer commences	---
11	Placing closes	---

12	Listing commences if a placing or public offer closes	---
13	Listing commences if a public offer	---

❑ COST OF LISTING

The costs of listing will depend upon the method of listing adopted and the complexity of the listing.

- The listing fees of the JSE, which are extremely low by international standards, are as follows:
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Monetary value of securities listed				Listings fee excluding vat	Listings fee including vat
			Rands	Rands	Rands
	Not exceeding		500 000	799	910.86
	“	“	2 500 000	4 225	4 816.50
	“	“	5 000 000	8 223	9 374.22
	“	“	25 000 000	25 467	29 032.38
	“	“	50 000 000	34 716	39 576.24
	“	“	125 000 000	52 188	59 494.32
	“	“	250 000 000	76 399	87 094.86
	“	“	375 000 000	94 900	108 186.00
	“	“	500 000 000	118 539	135 134.46
	“	“	750 000 000	146 861	167 421.54
	“	“	1 000 000 000	177 923	202 832.22
	“	“	1 250 000 000	212 868	242 669.52
	“	“	2 500 000 000	255 351	291 100.14
	“	“	3 750 000 000	301 716	343 956.24
	“	“	5 000 000 000	348 194	396 941.16
	“	“	7 500 000 000	371 034	422 978.76
	“	“	10 000 000 000	441 154	502 915.56
	“	“	20 000 000 000	798 965	910 820.10
	“	“	30 000 000 000	1 089 179	1 241 664.06
	“	“	40 000 000 000	1 324 566	1 510 005.24
	“	“	50 000 000 000	1 515 484	1 727 651.76
	exceeding		50 000 000 000	1 650 000	1 881 000.00

The JSE documentation fees are as follows:

The following prescribed documentation inspection fee structure will be charged for documentation submitted to the JSE for approval in accordance with the listings requirements:

Prescribed inspection fees:	Rand (excluding VAT)	Rand (including VAT)
Articles of association		
per new company listed	5 115	5 831.10
per subsidiary of a listed company	5 115	5 831.10
re-examination fee per company	5 115	5 831.10
per amendment	990	1 128.60
Category 1 transactions	17 105	19 499.70
Change of name	2 860	3 260.40
Claw back offer	17 325	19 750.50
Competent persons report	665.50 per hour, per reader	758.67 per hour, per reader
Pre-issue trading	9 130	10 408.20
Consolidation and sub-division	2 750	3 135.00
Debenture trust deed		
per trust deed	5 115	5 831.10
re-examination fee per deed	5 115	5 831.10
per amendment	990	1 128.60
Increase in authorised share capital	990	1 128.60
New listing Includes pre-listing statement (excludes articles of association, debenture trust deeds and share incentive/option schemes)	43 945	50 097.30
Odd lot offer	5 060	5 768.40
Price stabilisation	5 060	5 768.40
Redemption of securities	4 785	5 454.90
Related party transaction	10 725	12 226.50
Renounceable offer	17 325	19 750.50
Revised listing particulars	16 390	18 684.60
Rights offer	17 325	19 750.50
Rulings	3 300	3 762
Scheme of arrangement and any SRP regulated offer	9 240	10 533.60
Scrip dividend	2090	2 382.60
Share incentive and share option scheme		
Salient features circular	5 115	5 831.10
re-examination fee per scheme	5 115	5 831.10
per amendment	990	1 128.60
Small related party transaction	1 980	2 257.20
Specific issue of shares for cash	9 515	10 847.10
Specific payments	7 920	9 028.80
Specific share repurchase	13 970	15 925.80
Termination of listing	14 520	16 552.80

Transfer of sector or board	2 585	2 946.90
Unbundling	14 520	16 552.80
Voluntary liquidations	9 020	10 282.80

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 circulars dealing with a conversion, in terms of the original conditions of issue, of one class of listed security into another class of listed security of the same applicant issuer.

No fees are payable in respect of the inspection of share/debenture certificates.

Documentation inspection fees are payable in addition to the listing fees.

- **PROFESSIONAL ADVISORS' AND OTHER FEES:**

  - Sponsor:
    Negotiable, depending on the size and complexity of the listing.

  - Corporate advisor:
    Negotiable, depending on the size and complexity of the listing and the amount of work required.

  - Legal Advisor:
    Fees based on hourly rates.

  - Accountant:
    Fees based on hourly rates.

  - Transfer secretary:
    Variable.

  - Public Relations Consultant:
    Variable.

  - Printers:
    Variable.

- **OTHER COSTS ATTACHED TO THE LISTING:**

  - Creation duty:
    On the increase in share capital (5c per R20).

  - Issue duty:
    0,25% on issue price.

  - MST / stamp duty on transfer of shares (if applicable):
    0,5% on consideration.

  - Underwriting fees (if required):
    Negotiable (approximately 2,5% of value underwritten).

- Bank charges:
  Variable.

- Brokerage:
  Variable.

In addition, after listing, the company will also have to pay an annual listing fee (in February of each year except the year of listing) calculated as follows:

(a) in respect of equity securities listed, an amount equal to 0.04% of the market value of all the listed equity securities in the company calculated by taking the average of the middle market price (itself being the average of the highest and lowest prices traded) 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 31,646.23 (including VAT) and a maximum fee of R 160,792.98 (including VAT) in each year and calculated to the nearest R50;

(b) in respect of issuers with preference shares listed, an amount of R8607.50 (including VAT); and in respect of issuers with debentures or loan stock listed, an amount of R4303.20 (including VAT).

4. THE CHOICE OF MARKET

The JSE operate 2 markets:

- the Main Board; and
- AltX

Each of these markets have different criteria for listing.

❑ MAIN BOARD REQUIREMENTS

The principal requirements for a Main Board listing include:

- a subscribed capital (including reserves but excluding minority interests, and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months) of at least R25 000 000;

- not less than 25 000 000 equity shares in issue;

- a satisfactory audited profit history for the preceding three financial years, the last of which reported an audited profit of at least R8 000 000 before taxation and after taking account of the headline earnings adjustment on a pre tax basis.

  - it must be carrying on as its main activity, either by itself or through one or more of its subsidiaries, and independent business which is supported by its historic revenue earning history and which gives it control over a majority of its assets, and must have done so for the period covered by paragraph 4.28(c);

  - if it is a company with a majority of its assets invested in securities of other companies listed on the JSE it must satisfy the "Criteria for listing" for investment entities detailed in paragraphs 15.3 and 15.4;

- 20% of each class of equity securities shall be held by the public; and

- the number of the public shareholders in respect of of listed securities shall be at least:

  (i) 500 for equity securities;

(ii) 50 for preference shares; and

(iii) 25 for debentures.

The JSE may list companies which do not strictly comply with the above requirements, but this will only occur in exceptional circumstances. It should be noted that investment entities, mineral companies and property companies that are listed on the Main Board have certain modified criteria for listing.

- **ALTX**

In addition to the requirements set out above, an issuer wishing to apply for a listing on AltX must comply with the following requirements.

- the applicant issuer must appoint a Designated Adviser ("DA")
- the applicant issuer must have share capital of at least R2 000 000 (including reserves but excluding minority interests, and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months);
- the public must hold a minimum of 10% of each class of equity securities and the number of public shareholders shall be at least 100;
- the directors must have completed the ALTX Directors Induction Programme or must make arrangements to the satisfaction of the JSE to complete it;
- the applicant issuer must appoint an executive financial director and the DA must be satisfied (and submit confirmation in writing to the JSE) that the financial director has the appropriate expertise and experience to fulfill his/her role
- the applicant issuer must produce a profit forecast for the remainder of the financial year during which it will list and one full financial year thereafter
- the applicant issuer's auditors or attorneys must hold in trust 50% of the shareholding of each director and the DA ("relevant securities") in such applicant issuer from the date of listing, and a certificate to that effect must be lodged with the JSE by the issuers auditors or attorneys.
- At least 25% of the directors must be non-executive.

5. METHODS OF OBTAINING A LISTING

There are three principle methods of obtaining a listing:

- **AN INTRODUCTION**

This is suitable where the company does not need to raise capital and has a sufficiently wide public spread of shareholdings. It is the quickest and cheapest means of listing, as there is no offer to the public and minimum formalities are required.

- **A PRIVATE PLACING**

This has proved to be the most common method of obtaining a listing. In this instance, shares in the company are placed or offered to prospective shareholders through private negotiation. Usually this will be done through a sponsor or a merchant bank.

- **A PUBLIC OFFER**

A public offer may be an offer for subscription or an offer for sale. 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.

This method requires the production of a prospectus which must be approved and registered with the Registrar of Companies. The public will have a certain period of time within which to submit their applications and payment. The company will have to decide on the basis of allocation if there is an over-subscription. If the offer is over-subscribed, the company earns interest on the payments received until the date of refund. This increase may be used to offset the costs of the offer.

THE PROSPECTUS / 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 prospects. 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. 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.

Although the pre-listing statement will largely be drafted by the corporate advisor, the directors of the company accept full responsibility for the accuracy of its content.

The main categories of information in the pre-listing statement are the following:

- General information regarding the company and its capital.
- Information regarding the directors and management of the company and the company's advisers.
- Information regarding the securities to be listed.
- Information on the company's / group's activities.
- Information on the company's financial position and profits and losses.

THE TIMING OF THE LISTING

The date of entering the market will largely be determined by the condition of the market and the state of the company.

The JSE may be static, rising or in decline, and it is generally more risky to list in a declining market.

The company should be in a sound financial position, with good prospectus, and have the systems in place to comply with the JSE's financial disclosure requirements.

THE ISSUE PRICE

Determining the correct price at which to issue shares is a delicate exercise that involves two stages:

ESTIMATED MARKET PRICE

There are various methods of valuing securities, including:

• the potential dividend yield;

• the price / earnings ratio;

• discounted cash flow analysis; and

• net asset value.

Frequently one finds that combinations of the above and other methods are used in valuing the securities. When using certain of the above methods, the investor's desired rate of return must be estimated, and here cognisance must be taken of the returns provided by a listed share with a similar risk profile within the sector or market that the company intends to list.

THE DISCOUNT TO MARKET PRICE

To ensure a successful listing, the issue price should be fixed at a reasonable discount (15% to 20%) to the estimated market price. This provides an incentive for investors to prescribe and protects the company against a drop in share prices on the exchange. If the market price was correctly estimated the share price should increase after listing which in itself generates further investors interest.

UNDERWRITING THE ISSUE

Although it is not a requirement that an offer be underwritten, an underwriting can have the following advantages:

• the company is assured of raising the desired amount of capital; and

• it creates a good impression if a prominent institution is prepared to underwrite the offer.

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DISCLAIMER

Please note that this document constitutes mere guidelines to the listing procedures of the JSE and you are encouraged to contact the Director: Issuer Services mentioned on the cover page for more information and/or interpretations on the listings procedures/requirements, as each listing is evaluated independently on merit.