

Requirement 1

Question 1.

A prospectus is an authentic document that a company issues in order to get listed within the stock exchange. It enables to provision of the background, management and financial status for any particular company so that a decision is made if there is an investment to be made or not. It is an obvious fact that a prospectus is an official requirement so that the company should get listed on the stock exchange (Driscoll, 2010). The prospectus is needed to be lodged with Australian Securities Exchange and Australian Securities and Investment Commission. It is needed to include information that the advisers and investors are needed to make an assessment regarding the rights that are attached to the shares which is further emulated by the financial position, assets, liabilities, profit and loss and other organizational prospects. Other than this, the following are the components of a prospectus that are shown below:

1. Overview of an investment
2. Overview of an industry
3. Overview of the business
4. Financial information
5. Major risks
6. Key interests and benefits
7. Offer Details
8. Assurance Report
9. Actuary's report

Question 2.

Firstly, a company should be satisfying the minimum criteria for an admission that would include size, structure, and the number of shareholders. The admission criterion is given below:

No: Of Investors or Shareholders	400 investors at a minimum level at Australian Dollars 2000 or 350 investors at a minimum level at AUS\$ 2000 where 25% is to be held by the unrelated parties or 300 investors at a minimum level at AUS\$2000 and 50 per cent to be held by some of the parties that is not related.
Company Size Profit Test Assets Test	AUS\$ 1,000,000 net profit for the past 3 years plus AUS\$400,000 net profit for the past 12 months or AUS\$ 3,000,000 net tangible assets or AUS\$ 10,000,000 market capitalization

Secondly, if the company's shares are between 50 per cent and 75 per cent are held by the parties, the company should include at least 350 shareholders. When the 75 per cent of the shares are to be held by the related parties, the companies should have 400 shareholders or more.

Thirdly, there is requirement of the financial reporting within the mid-year and on an annual yearly basis within Australia. Those companies that are within the companies listing category without

having any revenue or profit track record are also needed to make or develop quarterly statements of cash flows.

The industry for Mediabank Private Limited is Insurance.

Question 3.

In accordance with the forecast exhibited in the prospectus, there has been a forecast for the dividends to be paid by the MediaBank Private Limited. They have made a statutory forecast related to the dividend payments in 2015. They intend to pay it by September 2015. The amount for the dividend is found to worth \$238.8 million. This is illustrated below:

(\$M)	Note	Pro forma historical			Pro forma forecast	Statutory forecast
		FY12	FY13	FY14	FY15	FY15
Operating profit		174.1	196.5	255.3	282.1	271.6
Changes in working capital	a	106.6	11.4	84.5	(26.3)	(32.4)
Customer acquisition costs	b	(3.4)	(6.6)	(20.9)	(9.7)	(12.5)
Changes in other operating assets and liabilities		100.3	(75.4)	28.0	(18.9)	(18.9)
Depreciation and amortisation		43.6	43.4	46.7	43.9	43.9
Net cash flows from operations		421.3	169.4	393.5	271.1	251.7
Income tax		(196.7)	(55.9)	(64.1)	(96.9)	(94.7)
Capital expenditure		(53.2)	(62.2)	(111.7)	(74.0)	(74.0)
Proceeds from sale of assets		0.6	1.1	4.5	-	-
Fit-out reimbursement	c	-	-	-	30.9	30.9
Net realised investment income		67.7	72.3	48.8	40.2	40.2
(Purchase)/sale of investments	d	(163.0)	316.0	0.2	(140.8)	(140.8)
Net cash flows before dividends		76.8	440.7	271.3	30.5	13.3
Ordinary and special dividends	e					(238.8)
Net cash flows	f					(225.5)

As it is illustrated above, the ordinary and special dividends are found to be at \$238.8 million. In accordance with the fully franked dividends, it is basically an arrangement within Australia that eradicates the dividends double taxation. The dispersion of dividends occurs with the imputations of the tax that are attached to them (Hussainey, 2011). Hence, the shareholders will be able to make a reduction in the tax paid on the dividend in accordance with the amount that is equal to the credits of the imputations of tax. Therefore, the dividend taxation has been paid partially that is paid by the company that issues the dividends.

Question 4.

Currently, the commonwealth owns definitely 100 per cent of Mediabank private limited. The objective of the commonwealth when undertaking for the offer is to sell the 100 per cent shares of Mediabank private limited. But it should be confirmed that it also deserves the right to sell some of the lesser share amount within the offer. The offer would be expected to raise AUS\$ 4,269 m to AUS\$5508 m that is related to sale of 100 per cent of Mediabank private limited. The indicative price range is of AUS\$ 1.55 to AUS\$2.00/share. More than this, not a single proceed from the offer will be attained by Mediabank Private Limited. The Australian Government has announced that the proceeds from the sale of Medibank Private will be re-invested into productivity enhancing infrastructure through the Australian Government's Asset Recycling Initiative.

Question 5.

Institutional investor is an investor within Australia who is a sophisticated investor or a professional investor within the coverage of a section of 708(8) and 708(11) of the Corporations Act. Other meaning of this term would proceed within certain other jurisdictions which are also agreed by Mediabank Private and the JLMs for whom the invitations in accordance with the respect of securities can be developed without any need of registered prospectus or other document that is approved by the agency of government. In either case, provided that if such person is in the United States, they are reasonably believed to be a 'qualified institutional buyer' (as defined in Rule 144A of the US Securities Act) or an Eligible US Fund Manager (together Institutions). On the other hand, a retail investor within Australia is the one who bids for the shares within the institutional offer via the broker through a bid that is sponsored by the Broker (Diouf, 2014).

Question 6.

If the offer is closed, then the shares can be acquired through a general public offer. This offer is to be valid for the retail investors who are Australian residents. The Broker's clients can apply for the shares through the general public offer with an additional allocation to their broker firm. The minimum size of the application could have to be AUS\$2000 and multiples of AUS\$100 then. One can apply online by visiting www.mediabankprivateshareoffer.com.au. One can pay for shares using Direct card or BPay (ASX, 2014). There are two types of personalized paper forms. One is orange personalized application and the other is red personalized application. If that is an orange application form, then it is needed to be completed if it is requested after the pre-registration period. If the application form is red, then the paper application forms are needed to be accompanied by money order or cheques.

Question 7.

It is a known fact that there are some of the associated risks with the company in accordance with the investment in any company that is listed on Australian Securities Exchange. Some of the anticipations are made which can let us know if the decision is favorable or not. They are as below:

1. The private share price of Media Bank may fluctuate
2. There is no prior public market for the shares
3. Equity offerings or future debt can severely affect the shareholders incorporating through dilution
4. General market and economic conditions may adversely affect Media Bank Private
5. The changes in Taxation can adversely influence the returns of the shareholders
6. The change in the standards of accounting can adversely affect the Mediabank private

From the above pointers, it can be said that the decision cannot prove to be favorable if these pointers become true and realistic.

Requirement 2

Question 1:

Year	Shares	Property	Bonds	Cash	Portfolio X	Portfolio Y	Portfolio Z
1994	-8.70%	-5.60%	-4.70%	5.30%	0.21%	-6.48%	-8.04%
1995	20.20%	12.70%	18.60%	8.00%	12.71%	18.06%	19.00%
1996	14.60%	14.50%	11.90%	7.60%	10.01%	13.50%	14.45%
1997	12.20%	20.30%	12.20%	5.60%	9.71%	13.82%	13.42%
1998	11.60%	18.00%	9.50%	5.10%	8.15%	12.04%	12.46%
1999	16.10%	-5.00%	-1.20%	5.00%	1.52%	4.96%	12.07%
2000	3.60%	17.80%	12.00%	6.20%	9.68%	9.80%	6.15%
2001	10.10%	14.60%	5.50%	5.30%	6.31%	9.16%	10.55%
2002	-8.10%	11.80%	8.80%	4.80%	7.10%	2.64%	-4.27%
2003	15.90%	8.80%	3.00%	4.90%	4.53%	9.32%	14.19%
2004	27.60%	32.00%	7.00%	5.60%	8.80%	20.24%	27.23%
2005	21.10%	12.50%	5.80%	5.70%	6.42%	13.26%	19.05%
2006	25.00%	34.00%	3.10%	6.00%	7.64%	18.04%	25.26%
2007	18.00%	-8.40%	3.50%	6.80%	3.96%	6.92%	13.32%
2008	-40.40%	-54.00%	14.90%	7.60%	4.36%	-21.00%	-39.68%
2009	39.60%	7.90%	1.70%	3.50%	3.22%	18.10%	32.95%
2010	3.20%	-1.10%	6.00%	4.40%	4.49%	3.46%	2.70%
2011	-10.50%	-1.50%	11.40%	5.00%	6.91%	0.06%	-8.06%
2012	18.80%	33.00%	7.70%	5.00%	8.88%	17.20%	20.38%
2013	20.20%	7.10%	0.70%	3.00%	2.49%	9.78%	17.26%
E(R)	10.51%	8.47%	6.87%	5.52%	42.40%	57.63%	66.80%
σ	17.33%	19.20%	5.72%	1.27%	26.46%	19.96%	81.60%

Question 2:

The anticipation of one amount being obtained on the investment that has different known or expected return rates is known as an expected return. For instance, if one invests into a stock that had a half risk of delivering a 10% profit and a half risk of having a loss of 5%, the expected return would be 2.5% ($0.5 * 0.1 + 0.5 * -0.05$). It is vital to note, on the other hand, that the expected return is typically based for authentic information and is not ensured.

Generally, the normal return is a technique used to figure out if or not any particular investment has a positive or negative normal net result - it is not a resolute figure of profit or loss. In the stated example above the 2.5% expected return can't be acknowledged and it is simply an average.

Notwithstanding expected return, the shareholders ought to additionally consider the likelihood of return with a specific end goal to legitimately assess risk. All things considered, one can discover examples in which certain lotteries offer a positive expected return, in spite of the low likelihood of

realizing that return. The returns above calculated are an aggregate average of asset classes. However, they are also calculated separately which is illustrated below:

Portfolio	Bonds	Cash	Property	Average
Portfolio X				
	51%	64%	13%	42.37%
Portfolio Y				
	69%	69%	35%	57.63%
Portfolio Z				
	160%	30%	10%	66.80%

For Portfolio X, the bonds have an expected return of 51%, Cash 64% and Property 13%. For Portfolio Y, the bonds have an expected return of 69%, Cash 69% and Property 35%. The Portfolio Z has a return of 160% on bonds, 30% on cash and 10% on property.

Question 3.

Portfolio	Bonds	Cash	Property	Average
Portfolio X	40%	50%	10%	
	51%	64%	13%	42.37%
Portfolio Y	40%	40%	20%	
	69%	69%	35%	57.63%
Portfolio Z	80%	15%	5%	
	160%	30%	10%	66.80%

At 40% bonds, the return for portfolio X is 51% while at 50% cash, the portfolio X return relative to this asset is 64% while for property class of assets, the return is 13%. On an average, the return is 42.37%. In the same way, for the respective asset classes, the return is 69%, 69% and 35%. The average return is 57.63%. For Portfolio Z, the respective returns are 160%, 30% and 10% and on an average, the expected return is 66.8%. For Customer I, the portfolio Y is better because, the standard deviation is lower and hence the risk will also be lower. In the same way, for Customer II, the portfolio Z will be better because this customer is a high income earner and hence, the risk cannot matter much for this customer. While for customer III, the portfolio X is better because it has a moderate standard deviation and hence there could be few chances of the risk but the return is still favorable for this type of customer. The calculations are shown in the attached excel sheet.

References

ASX, 2014. *Australian Securities Exchange*. [Online] Available at:

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