essarily bad investments. Like individuals, companies generally borrow to increase their opportunities for profit. However, the level of debt should not exceed the assets of the company.

Competition: Look for companies that dominate the market or fill a niche in a bigger market. Large established companies usually win over smaller, newer companies. New investors and new companies don't go well together. Compare how the company is performing against its competitors.

Risks: What are the company's major risks? Are these significant or can the company manage these risks well?

Next examine the figures in the financial statements to get an overall impression of the company's performance. Read what management has to say about the figures and the company's performance, go back and re-look at the figures and consider all the information to make your own evaluation.

Some questions to consider include:

- Did the company make a profit or loss last year? Is this better or worse than the previous year? What were the reasons for the changes?
- What's the dividend going to be? How does it compare to the previous year and the current year's profits?
- What is happening to the company's cash flows in the Statement of Cash flows? Is it generating cash flows from its operations? Compare this to the net profit figure reported. For example, if cash flows are lower than reported profits the company may be having problems with debt collection.
- Is it using cash flows for investing activities? Is it replacing important assets? Check and evaluate the trends.
- Look at the balance sheet. What does the company own and owe? Will there be trouble in meeting commitments?
- Assess all this information and use it to decide whether you should buy the company's shares, hold the shares that you own or sell the shares.

Call 330 4130 or fax 330 4145 or email info@spse.com.fj

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INVESTING WISELY

Information your Financial Adviser should know about you

You should spend some time discussing important personal and financial information about your current situation. The Financial Adviser may request the following information from you:

- **Personal information -** your age and marital status.
- **Financial situation -** your occupation, income and expenses (daily and fixed expenses, expected future expenses such as family plans, education expense, travel, new car), your assets (things you own) and liabilities (things you owe) and your current savings.
- **Risk tolerance -** how much money you can afford to lose without affecting your lifestyle.

A good financial plan relies on good information. The information that you supply to your adviser can help in outlining a good financial plan for you. Your Financial Adviser must keep this information confidential, except if required by law or authorized by you to disclose it.

What advice should I expect?

If you do seek investment advice, your Financial Adviser should provide you with a written document outlining your financial plan and their advice.

Generally speaking, a good plan should:

- outline your financial position and needs;
- set out your investment goals and an overall strategy to achieve these goals;
- identify and recommend suitable investments;
- discuss the risk involved for identified investment products and how to deal with them and
- details of all costs, fees,

charges or commissions that your adviser will charge you.

If the terms used in the document are too technical or if there is anything in the plan that you need to clarify, you should ask your adviser to explain it to you again carefully. Remember becoming a successful investor depends on your willingness to learn and understand the principles of investing and the different investment products.

The most important thing is that you should feel confident that your Financial Adviser understands your financial needs and goals and that the recommended investment products suit your personal and financial circumstances.

How much does a Stockbroker or Investment Adviser charge for their services?

Your broker will charge you a fee for its services. This will include:

- A broker's commission of between 1.0%-1.5% of the value of the shares traded with a minimum fee of around \$20 - \$30. Discounts for large trades or regular clients may also be given (check with your broker for a schedule of fees); and
- The SPSE trading facility fee and RBF levies – together these amount to 1% of the value of shares traded.

All fees are charged on a sliding scale. Note that where investment advice is given, a further charge may be levied.

When using an Investment Adviser, ask for a quote on its fees before using its services.

How do I assess the company's performance?

To assess the future potential of a company including its profitability, you need to do some research into the company. Things to consider include:

- Historical and forecast financial performance. This would typically involve an analysis of the company's financial ratios to determine trends and compare with other companies and industries. Important ratios include working capital ratios (e.g. debt to equity and net interest cover), profitability and return ratios, earnings per share and other market performance ratios (e.g. price earnings ratio (PER), dividend yield and net tangible assets per share). Please consult your Financial or Investment Adviser if you are not sure how to do this. The SPSE website contains most of these ratios under "Historical Financial Summaries" and the "Daily Quotes" report.
- Current and potential market share.
- Competitiveness of the company's products and/or services.
- Quality of management including qualifications, experience and reputation.
- Any advantages that are difficult for competitors to duplicate, such as economies of scale, "secret" processing methods, strong research, monopoly advantages and development or hard-to-copy products.

Information that will help you analyse a company, including the points outlined above, can be obtained from a number of sources:

- Annual and six monthly reports issued by companies. Companies listed on the SPSE are required to produce these for public information.
- Stock market reports and other business articles in the media.
- SPSE market releases/announcements.
- Research reports published by Stockbrokers and Investment Advisers.
- Prospectuses, Information Memorandum or offer documents issued by companies that make offerings of securities to the public.
- The SPSE's website allows investors, wherever they are, to follow the market in real-time. SPSE's website is fully up-to-date and provides a vast array of information for investors, including share prices, trading summary, daily quotes, unexecuted orders, latest company announcements, company financial reports, market indices and in-depth information on each listed company including the names of Directors and senior management, and also the information on their registries.

What to look for in the company's Annual Report?

The listed companies must make their annual reports available to the public. The SPSE or the company should be able to provide you with a copy. A typical company annual report includes:

- Chairman and Chief Executive or Managing Directors report;
- A section outlining the company's philosophy or comments on how it does business;
- Statement of Corporate Governance;
- Details on each section of its operations revealing the strengths and weaknesses in management and products and services;
- Audited financial information including profit and loss statement, balance sheet and statement of cash flows for the last financial year.

Read the Annual Report and use the information to help you build a picture of what can be expected from the company in the future. Pay particular attention to the following:

Management: Look at the people in charge. Are they capable? Are the directors well regarded? Will they provide an objective voice in management?

History: How old is the company? Does it have a history of consistent performance? Has it stayed in the same line of business or diversified? If diversified, is it successful in its new business?

Dividends: Has the company regularly paid dividends in the past?

Debt: What is happening to the company's debt levels? Companies in debt are not nec-