

# CHAIRMAN'S REPORT

## Business Overview

On behalf of the Board of Directors I am pleased to present the 22<sup>nd</sup> Annual Report of the company which is the 2<sup>nd</sup> Annual Report under its new name of South Pacific Stock Exchange Limited.

The financial year which ended on 30<sup>th</sup> June 2002 was another challenging and exciting period for the Exchange. The year began with a general election for the country, leading to a newly elected Government. This gave much needed investor confidence.

The events of September 11<sup>th</sup> in the United States and the series of accounting scandals that unfolded this calendar year affected stock markets world wide and were no doubt negative factors causing the total value of securities traded on the Exchange to fall from \$6,165,000 for the year ended 30 June 2001 to \$4,046,000 this year. As a result of this reduction in turnover, the board and management of the Exchange implemented tight cost control

measures as well as lifting revenue not directly related to market turnover. As a result, the exchange recorded a profit of \$22,877 after tax for the year compared with a loss of \$15,845 in the previous year.

At the beginning of the 2001/2002 financial year the directors were concerned as to the ongoing solvency of the exchange because of losses incurred in previous years. As a precautionary measure, subordinated loans totalling \$30,000 were raised from shareholders. As a result of greatly improved performance in the financial year just ended and expected continuation of profits into 2002/2003, the directors are now in a position to repay half of the subordinated loans without affecting solvency or liquidity of the company.

## **Developments**

During the year the Exchange effectively implemented the new business rules developed in 2000. Four committees were set up to strengthen the compliance of SPSE members and listed companies. These are: Arbitration Committee, Disciplinary Committee, Listing Committee and Membership Committee.

A three year corporate plan was approved by the Board and implemented. The plan was reviewed and appropriate adjustments were made during the year. This became necessary after the market did not reflect expected volume of trades following listing of Amalgamated Telecom Holdings Limited.

Four new companies listed during the year taking the total number of companies on the Exchange to fifteen. The new companies are Amalgamated Telecom Holdings (ATH), Communications Fiji Limited (CFM), R B Patel Group Limited (RBG) and Vishal Bharteeya Company Limited (VBL). The smallest of these is VBL with issued and paid up capital of \$600,000.

The largest is ATH with issued and paid up capital of \$105,526,000. As the result of these new listings, market capitalisation increased almost three fold during the year to \$747,827,791.

With financial assistance from Government, the Exchange established Fiji's first central share registry. This development is expected to enhance overall growth of the stock market. The share registry will also increase the efficiency of the market trading system by reducing the turnaround time from current 13 days to 6 days.

The Minister for Finance and National Planning launched the Central Share Register on 15 August 2002. Fiji Television Limited was the first listed company to transfer its share register to the Central Share Registry. More companies are expected to join the Registry.

The Asian Development Bank (ADB) is assisting the Exchange to develop a web site. The project is expected to complete in October 2002.

## **Relations With Government**

The Exchange acknowledges Government's ongoing financial support in the form of \$50,000 yearly grant. The Government has further assisted the Exchange with a grant of \$54,000 to establish the central share registry system. The Exchange would like to maintain good relationship with the Government. A submission has been made to Government to increase our grant. This is to assist the Exchange in aggressively promoting capital markets in Fiji Islands. The Exchange also made a submission to seek some incentives to attract more family companies to restructure themselves and list on the Exchange.

## **Conclusion**

In conclusion, I wish to acknowledge the work of my predecessor Mr Isoa Kaloumaira. He has contributed greatly towards the development of the Exchange.

During the year Mr John Courtney of Kontiki Stockbroking Limited retired from the board in favour of Mr George Niumataiwalu. Mr Kee Fong of Fiji Development Bank was

elected to the board following the retirement of Mr Kaloumaira and Mr Ross McDonald joined the board as representative of Credit Corporation Limited.

I wish to thank the directors for their invaluable guidance and support during the year.

The perseverance of the management and staff is also acknowledged. Thank you for another dedicated year of outstanding service.

Kenneth Clemens

**CHAIRMAN**

## Chief Executive's Report

Over the years, the South Pacific Stock Exchange (SPSE) has aggressively pursued operation of a fair, efficient and transparent stock market for the South Pacific Island Nations. The strategies adopted by the Exchange will accelerate the development of the Market in the near future. SPSE is also actively marketing to revive the bond market.

The Exchange acts as a regulator, for listed companies and for the members of the Exchange to protect the integrity of the market. It also ensures fair treatment of all participants.

SPSE also contributes extensively towards the development of the capital market. This is by creating a greater public awareness and attracting more companies to list on the Exchange.

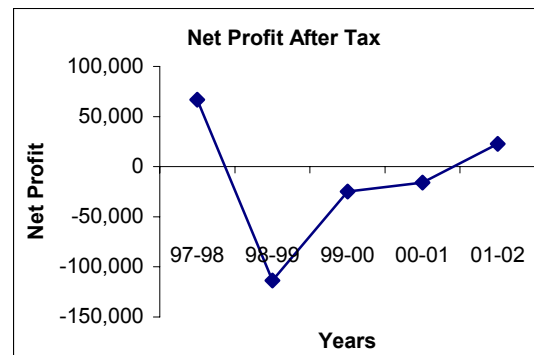
This year the Exchange has listed four new companies, which are Amalgamated Telecom Holdings Limited (ATH), Communications (Fiji) Limited (CFM), and RB Patel Group Limited and Vishal Bharteyya Company Limited (VBL) Altogether 15 companies are now listed on the South Pacific Stock Exchange.

### Financial Report

The Exchange recorded a net profit of \$22,877 for the financial year 2002. This is a notable improvement compared to previous years.

The profit was largely due to strict cost cutting measures, increase in annual listing fees, introduction of settlement fees, increase in private transfer fees and additional funds received from the Government to develop the Central Share Registry.

**Graph 1: Net Profit After Tax  
(Comparative figures: 1997-2002)**



### Compliance Report

The Exchange regulates its Members and listed companies to promote a fair market and protect all market participants from any unlawful practices. The members of the Exchange operate prudently to maintain investor confidence in the market.

The market surveillance of trading activities are jointly carried out by the Exchange and CMDA to ensure that SPSE Members and Listed Companies fully comply with the SPSE Business and Listing Rules. The Exchange is also empowered to investigate any breaches of its Rules and Regulations. The Exchange monitors all price movements, disclosures and any unusual transactions.

The Exchanges regulatory role has been further strengthened by the introduction of its Business Rules 2000. These Rules are based on international practices and are in line with the Capital Market Development Authority regulations. The Exchange has conducted numerous workshops for its members to help them familiarize with the requirements of the new Business Rules.

## Public Relations Report

Procedure guidelines in line with the Business Rules requirement were formulated to guide the staff of the Exchange.

The Exchange has also formulated Related Party Transaction guidelines. This is to discourage insider trading and help strengthen corporate governance by all companies listed on the Stock Exchange.

A "Listing Practice" notice was issued to the investment advisors. This was to avoid any last minute rush to approve listing of new companies. The Exchange needs enough time to thoroughly consider all applications for listing before the Listing Committee approves / declines any new listing application or issuing of new shares by the listed companies.

During the year, the Exchange made six Market surveillance inquiries requiring Members to fully explain their intentions on prices placed on the trading board. The Disciplinary Committee met and took appropriate actions for the breaches of the Business Rules against two members of the Exchange. In one instance, the decision of the committee was appealed to CMDA. However, the breach was ratified and the appellant body imposed appropriate disciplinary actions. This further clarified our Business Rules through establishing precedent for similar cases in future.

Fiji Sugar Corporation Limited (FSC) was also suspended for two months. This was due to the major restructure work undertaken by the FSC. To avoid any market manipulation the company was not allowed to trade during this period.

The Exchange has made numerous orientations for secondary schools and tertiary institutions promoting stock market. SPSE, CMDA and the Members of the Exchange are collectively developing stock market game for secondary and tertiary school students.

The SPSE Annual Report Competition was organized again this year. The winners and Runner-ups were awarded at the Fiji Institute of Accountants (FIA) congress at Sheraton Resort in Nadi. There was an additional category for the listed companies as they have different disclosure requirements under our listing Rules. The objective of this competition is to encourage excellence in the presentation of information in annual reports. The number of participants this year increased by 66%. The award was divided into 4 categories. These include Statutory Authorities & Government Bodies, Co-operatives & Charitable Organizations and Public & Private Companies and Listed Companies.

The Exchange is actively involved in public awareness programmes. SPSE is closely working with CMDA to enhance developments in this area. Four investment guides were developed by the CMDA and SPSE. This was to assist the investor education process on how to make their decision about investments in the stock market.

The Exchange with the help of Asian Development Bank (ADB) is in the process of developing a Web Site. This will enable the investors to conveniently access detailed information about the stock market.

## Market Capitalization Report

During the year, the market capitalization reached \$748 million, an increase of 204% percent over the previous year. Increase in Market Capitalization was mainly due to the listing of four new companies on the Main board.

Amalgamated Telecom Holdings Limited (ATH) listed in April 2002 with 105.5 million ordinary shares being quoted on the main trading board of the Exchange. ATH was the biggest company to list on the Exchange. The company provides telecommunications services in Fiji Islands.

Communications (Fiji) Limited (CFM) listed in December 2001 with 3.2 million ordinary shares being quoted on the main trading board of the Exchange. CFM is the holding company for Fiji's largest radio network and the largest private radio network in Papua New Guinea.

RB Patel Group Limited (RBG) listed in July 2002 with 15 million ordinary shares being quoted on the main trading board of the Exchange. RBG currently operates six retail supermarkets, wholesale distribution of general merchandise and property investments.

Vishal Bharteyya Company Limited (VBL) listed in November 2001 with 600,000 shares being quoted on the main trading board of the Exchange. VBL is the smallest company to list on SPSE. The principal activity of VBL is receipt of income from its major assets, fleet management and real estate.

### Risk Factors

The business of running the stock exchange gets more and more complex and challenging as the market develops and matures. Some of the challenges that the South Pacific Stock Exchange faces today include:

Functional borders between market participants (investors, issuers, brokers and dealers) are becoming blurred, with increasing integration.

Geographical borders losing their relevance in particular with the interest to dual list companies, as it is also our objective to list companies from other regions.

Investors are becoming more sophisticated forcing the Exchange to decrease the cost of trading.

Technology development in trading, execution, clearing and settlement system will force the Exchange to automate its trading facilities.

Strengthening disclosure requirements in line with corporate scandals in America.

Some of the critical areas the Exchange is strengthening to meet the challenges ahead are as follows:

Identification and revision of various rules of the Exchange, CMDA and company legislation's and laws. The Exchange will work closely with the Government to see all relevant legislations adversely affecting the market are revised.

SPSE will continue to improve its operating activities by strengthening and implementing all the requirements of the Business and Listing Rules.

The Exchange will continue to support human resource development by encouraging staff to take up courses with the Securities Institute of Australia (SIA), University of the South Pacific (USP), Fiji Institute of Technology (FIT) and other relevant courses conducted by CMDA for market participants.






SPSE will also prepare platform for automating the trading and settlement system in due course.

**TABLE 1: COMPANIES LISTED ON SPSE MAIN BOARD**


Name Of Company	List Code	Date Listed	Par Val. (\$)	Issued & Paid Up Capital (000)	Volume Traded	Consideration (\$)	P/E Ratio	Dividend <sup>1</sup> Yield (%)	Market Cap <sup>2</sup> . (\$)
 Atlantic & Pacific Packaging Company Limited	APP	17/08/98	0.50	8,000	92,453	52,087	-8.52	0.00	4.00M
 Amalgamated Telecom Holdings Limited	ATH	18/04/02	0.25	106,250	99,847	114,225	13.62	0.00	481M
 Carlton Brewery (Fiji) Limited	CBF	11/02/97	1.00	2,000	3,029	81,860	12.14	4.60	54.4M
 Communications (Fiji) Limited	CFM	20/02/01	1.00	3,251	56,000	63,260	52.50	0.00	3.50M
 FijiCare Insurance Limited	FIL	07/12/00	0.50	3,788	36,728	24,667	8.96	5.71	2.80M
 Flour Mills of Fiji Limited	FMF	25/07/79	0.20	30,000	181,995	268,073	13.77	2.84	42.3M
 Fiji Sugar Corporation Limited	FSC	07/06/79	0.50	44,400	75,830	19,227	-2.71	0.00	8.90M
 Fiji Television Limited	FTV	24/04/97	1.00	10,300	57,910	90,539	21.78	2.37	16.3M
 Pacific Green Industries (Fiji) Limited	PGI	05/06/01	1.00	6,976	17,000	33,540	12.08	1.50	15.2M

<sup>1</sup> Dividend Yield: the latest annual dividend payout as a percentage of the last sale price

<sup>2</sup> Market Capitalization: The last sale price x issued and paid up capital of the listed company

Name Of Company	List Code	Date Listed	Par Val. (\$)	Issued & Paid Up Capital (000)	Volume Traded	Consideration (\$)	P/E Ratio	Dividend Yield (%)	Market Cap. (\$)
 R B Patel Group Limited	RBG	17/07/01	0.50	30,000	1,424,439	1,404,470	15.34	3.16	30.0M
 The Rice Company of Fiji Limited	RCF	20/01/97	0.50	6,000	10,600	15,940	14.46	6.67	9.00M
 South Pacific Distilleries Limited	SPD	28/04/81	1.00	2,103	19,450	124,817	13.39	3.58	14.7M
 Toyota Tsusho (South Sea) Company Limited	TTS	07/06/79	1.00	14,032	8,206	20,977	20.21	2.40	35.1M
 Vishal Bharteeya Company Limited	VBL	01/11/01	1.00	600	21,968	28,902	82.80	2.00	0.80M
<b>TOTAL</b>				<b>267,700</b>	<b>2,105,455</b>	<b>2,342,583</b>			<b>718M</b>

**TABLE 2: COMPANIES LISTED ON SPSE RESTRICTED BOARD<sup>3</sup>**

Name Of Company	List Code	Date Listed	Par Val. (\$)	Issued & Paid Up Capital (000)	Volume Traded	Consideration (\$)	P/E Ratio	Dividend Yield (%)	Market Cap. (\$)
 Fijian Holdings Limited	FHL	20/01/97	1.00	10,465	606,911	1,704,257	15.02	6.71	31.2M
<b>TOTAL</b>				<b>10,465</b>	<b>606,911</b>	<b>1,704,257</b>			<b>31.2M</b>

<sup>3</sup> FHL shareholdings is restricted to those registered in the Vola ni Kawa Bula (VKB) issued by the Native Land Commission.



## Performance of the Exchange

The general trend of trading at the Exchange is increasing. Liquidity indicators show that up to 1998, there seemed to be a steady increase of the market. This trend was interrupted in 1999, mainly due to the change in Government policies towards privatization and public sector reforms. However, since last year, the market has picked up and with the 4 new listings, expected to grow at an accelerating rate in future.

**TABLE 3: SPSE PERFORMANCE<sup>4</sup>**

Year	97	98	99	00	01	02 <sup>5</sup>
Consideration Traded (\$ M)	0.6	9.5	2.9	7.6	6.1	4.0
MCAP/GDP (%)	5.55	4.64	4.18	6.36	6.50	170
Consideration /GDP (%)	0.02	0.29	0.08	0.22	0.16	0.90

## Trading in Equities

The volume of shares traded for the year ending 30<sup>th</sup> June 2002 was 2.7 million compared to 2.4 million for the same period last year. The total consideration for the financial year was \$4.0M against

<sup>4</sup> Table 1 shows the performance of the SPSE as measured by:

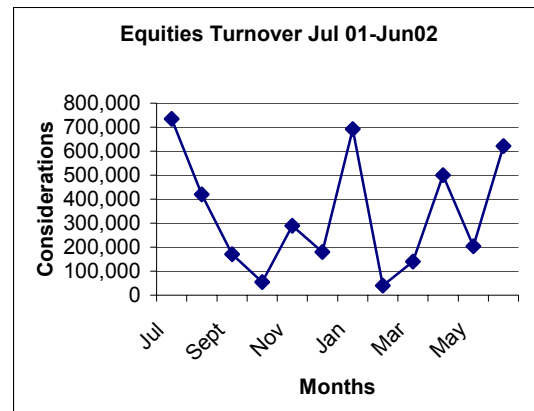
1. The size of the market as indicated by the ratio of the market capitalization to the gross domestic product (GDP). This measure defines the size of the stock market in relation to the economy.

2. The liquidity as measured by the ratio of total values of trades to the GDP. And the turnover ration calculated as the ratio of the total volume traded to the market capitalization. This measure complements the size in the sense that stock market may be large but inactive or stock market may be small in relation to the entire economy, but may still be liquid.

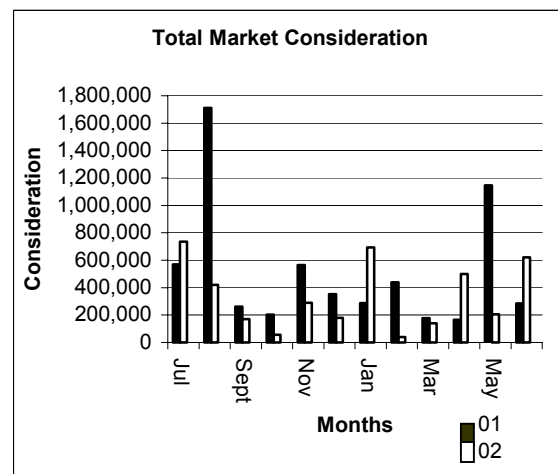
<sup>5</sup> 2002 figures are based on expected GDP (i.e. 4.4) for 2002.

\$6.1M last year. The consideration traded decreased by 35% compared to last year. This was due to change in investment climate in the country amidst the economy moving away from political uncertainty. The September 11 2001 tragedy in USA and the Series of accounting scandals that followed may have also adversely affected the share prices of the stocks in our market.

**Graph 2: Monthly Consideration of Stock Turnover**



**Graph 3: Total Market Consideration**



## Bond Trading

There was no bond trades this financial year compared to \$4.8 million trades last year.

## **General Business**

Three Staff resigned during the year. Two new staff were recruited during the year. One senior staff was promoted to Officer-In-Charge of Central Share Registry. To reduce the high turnover of trained staff, the contractual system of employment was abolished and all staff are now on permanent basis. New terms of employment was designed with market salary payable to attract and retain high calibre staff.

With the assistance of Fiji - New Zealand Business Council two staff were attached to New Zealand Stock Exchange and Computer Share Registry in New Zealand for a period of 2 weeks. Their main observations were on the management of the Central Share Registry System.

The Exchange also became a member of Suva Chamber of Commerce.

## **Future Plans**

The Exchange is committed to improve its market performance and the liquidity of stocks as a requisite to meet the challenges ahead. To achieve this the Exchange needs to ensure that adequate supply of stocks is available in the market on one hand and to generate demand in investors to buy these stocks on the other.

For a small developing exchange like ours, this is a mammoth task and it places an enormous strain on our resources. As part of its corporate strategy the Exchange will work closely with its members, CMDA and the Government to promote Capital Market. The Exchange will also attract potential companies to list on the Exchange and will conduct investor education programs.

The listing of four new companies on the Exchange is a strong indication of the confidence in our economy. More

Companies have shown interest to list indicating a bright future ahead for the Exchange. The current Listing Rules are currently under review and are expected to be implemented in due course.

Sanjay Sharma  
**Chief Executive**

# **South Pacific Stock Exchange Limited**

## **Directors' report**

The directors present their report together with the financial statements of South Pacific Stock Exchange Limited ("the Company") for the year ended 30 June 2002 and the auditors' report thereon.

### **Directors**

The names of the directors at the date of this report are:

Mr Kenneth Clemens	Mr Kee Fong
Mr Malakai Naiyaga	Mr Thomas Raju
Mr Olota Rokovunisei	Mr Mesake Nawari
Mr George Niumataiwalu	Mr Ross G. McDonald
Mr Semi Leiwere	

### **State of Affairs**

In the opinion of the directors:

- there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.
- the accompanying balance sheet gives a true and fair view of the state of affairs of the Company as at 30 June 2002, and the accompanying income statement, statement of recognised gains and losses and statement of cash flows give a true and fair view of the results of the Company for the year then ended.

### **Principal Activities**

The principal activity of the Company during the financial year was provision of stock exchange services.

### **Operating Results**

The operating profit after income tax for the year ended 30 June 2002 was \$22,877 (2001: (\$15,845)).

### **Reserves**

The directors recommend that no amounts be transferred to or from reserves.

### **Dividends**

The directors recommend that no dividends be declared or paid.

## **South Pacific Stock Exchange Limited**

### **Directors' report (cont'd)**

#### **Events subsequent to balance date**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity, in subsequent financial years.

Dated at Suva this            day of            2002.

Signed in accordance with a resolution of the directors:

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**Director**

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**Director**

# **Independent auditors' report to the members of South Pacific Stock Exchange Limited**

## **Scope**

We have audited the financial statements of South Pacific Stock Exchange Limited for the financial year ended 30 June 2002, consisting of the balance sheet, income statement, statement of recognised gains and losses, statement of cash flows and accompanying notes, set out on pages 4 to 16. The Company's directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Company.

Our audit has been conducted in accordance with Fiji Standards on Auditing to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Fiji Accounting Standards and statutory requirements so as to present a view which is consistent with our understanding of the Company's financial position and the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

## **Audit Opinion**

In our opinion:

- (a) proper books of accounts have been kept by the Company, so far as it appears from our examination of those books; and
- (b) the accompanying financial statements which have been prepared under the historical cost convention stated in Note 1 to the financial statements:
  - (i) are in agreement with the books of accounts;
  - (ii) to the best of our information and according to the explanations given to us:
    - (a) give a true and fair view of the state of affairs of the company as at 30 June 2002 and of the results and cash flows of the Company for the year ended on that date; and
    - (b) give the information required by the Companies Act 1983 in the manner so required.

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

**Suva, Fiji**  
**, 2002**

**KPMG**  
**Chartered Accountants**

## South Pacific Stock Exchange Limited

### Income statement

For the year ended 30 June 2002

	Note	2002 \$	2001 \$
<b>Income</b>			
Income from operations	2	132,575	107,371
Add other operating income	3	<u>97,237</u>	<u>77,778</u>
<b>Total Income</b>		<u>229,812</u>	<u>185,149</u>
<b>Less: Expenses</b>			
Personnel expenses	4	(108,728)	(119,935)
Depreciation		(16,645)	(16,475)
Other operating expenses	5	<u>(80,362)</u>	<u>(72,768)</u>
<b>Total Expenses</b>		<u>(205,735)</u>	<u>(209,178)</u>
<b>Profit/(Loss) from operations</b>		24,077	(24,029)
Net financing costs	6	<u>(1,200)</u>	-
<b>Profit/(Loss) before tax</b>		22,877	(24,029)
Income tax expenses	7(a)	<u>-</u>	<u>-</u>
<b>Profit /(Loss) after income tax expense</b>		22,877	(24,029)
Extraordinary item	8	<u>-</u>	<u>8,184</u>
<b>Net Profit/(Loss) after income tax and extraordinary item</b>		<u>22,877</u>	<u>(15,845)</u>

The income statement is to be read in conjunction with the notes to and forming part of the financial statements as set out on pages 8 to 16.

**South Pacific Stock Exchange Limited**  
**Statement of recognised gains and losses**  
**For the year ended 30 June 2002**

	<b>2002</b>	<b>2001</b>
	\$	\$
<b>Net surplus/ (deficit) for the year</b>	22,877	(15,845)
<b>Total recognised surpluses and deficit</b>	<u>22,877</u>	<u>(15,845)</u>
<b>Accumulated losses at the beginning of the year</b>	<u>(104,776)</u>	<u>(88,931)</u>
<b>Accumulated losses at the end of the year</b>	<u>(81,899)</u>	<u>(104,776)</u>

The statement of recognised gains and losses is to be read in conjunction with the notes to and forming part of the financial statements as set out on pages 8 to 16.

# South Pacific Stock Exchange Limited

## Balance Sheet

As at 30 June 2002

	Note	2002 \$	2001 \$
<b>Current assets</b>			
Cash	9	97,594	71,100
Receivables	10	1,411	5,757
Other	11	6,774	909
<b>Total current assets</b>		<u>105,779</u>	<u>77,766</u>
<b>Non-current assets</b>			
Furniture and equipment	12	65,707	45,953
<b>Total non-current assets</b>		<u>65,707</u>	<u>45,953</u>
<b>Total assets</b>		<u>171,486</u>	<u>123,719</u>
<b>Current liabilities</b>			
Creditors and accruals	13	100,392	106,568
Provisions	14	2,993	1,927
<b>Total current liabilities</b>		<u>103,385</u>	<u>108,495</u>
<b>Non-current liabilities</b>			
Subordinated loans	15	30,000	-
<b>Total non-current liabilities</b>		<u>30,000</u>	<u>-</u>
<b>Total liabilities</b>		<u>133,385</u>	<u>108,495</u>
<b>Net assets</b>		<u>38,101</u>	<u>15,224</u>
<b>Shareholders' equity</b>			
Share capital	16	120,000	120,000
Accumulated (losses)		<u>(81,899)</u>	<u>(104,776)</u>
<b>Total shareholders' equity</b>		<u>38,101</u>	<u>15,224</u>

Signed in accordance with a resolution of the Board.

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Director

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Director

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements as set out on pages 8 to 16.



**South Pacific Stock Exchange Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2002**

	<b>2002</b>	<b>2001</b>
	\$	\$
<b>Cash flows from operating activities</b>		
Cash receipts in the ordinary course of operations	125,247	127,744
Cash payments in the ordinary course of operations	(195,810)	(209,341)
Government assistance	53,894	-
Government grant	50,000	63,000
	<u>21(b) 33,331</u>	<u>(18,597)</u>
<b>Cash flows from investing activities</b>		
Payments for plant and equipment	(36,399)	(16,276)
Receipts from disposal of investment	-	40,000
	<u>(36,399)</u>	<u>23,724</u>
<b>Cash flows from financing activities</b>		
Receipts from subordinated loan	30,000	-
	<u>30,000</u>	<u>-</u>
<b>Net increase/(decrease) in cash held</b>	26,494	5,127
Cash at the beginning of the financial year	71,100	65,973
<b>Cash at the end of the financial year</b>	<u>21(a) 97,594</u>	<u>71,100</u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 16.

**South Pacific Stock Exchange Limited**  
**Notes to and forming part of the financial statements**  
**For the year ended 30 June 2002**

**1. Statement of significant accounting policies**

Set out below is a summary of the significant accounting policies adopted by the company in the preparation of the financial statements.

**(a) Basis of preparation**

The financial statements of the Company have been drawn up in accordance with the Fiji Accounting Standards (FAS) and disclosure requirements of the Fiji Institute of Accountants and the requirements of law.

The financial statements are presented in FJD, rounded to the nearest dollar. They have been prepared on the basis of historical costs and do not take into account changing money values or current valuations of non-current assets.

The accounting policies have been consistently applied by the Company and except where there is a change in accounting policy, are consistent with those used in prior years.

**(b) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**(c) Accrued revenue and other receivables**

Accrued revenue and other receivables represents gross amount receivable on trading activities to be settled within the trade settlement period.

**(d) Furniture and equipment**

**(i) Owned assets**

Items of furniture and equipment are stated at cost less accumulated depreciation. Where an item of furniture and equipment comprises major components having different useful lives, they are encountered for as separate items of furniture and equipment.

**(ii) Depreciation**

Depreciation is charged to the income statement on the straight-line basis over the estimated useful lives of the items of furniture and equipment. The depreciation rates used for each class of asset are as follows:

▪ Furniture and fittings	10% - 24.0%
▪ Office equipment	10% - 24.0%
▪ Computer Equipment	20% - 33.3%

**South Pacific Stock Exchange Limited**  
**Notes to and forming part of the financial statements**  
**For the year ended 30 June 2002 (cont'd)**

**1. Statement of significant accounting policies (cont'd)**

**(e) Trade and other payables**

Trade and other payables are stated at cost.

**(f) Employee benefits**

**(i) Annual leave entitlements**

The Company's obligation to employees in respect of annual leave is calculated at balance date based on the current rates of remuneration. Increases or decreases in this obligation are recognised in the income statement.

**(g) Revenue**

Revenue representing fees and grants are recognised on an accrual basis. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due and associated costs.

**(h) Expenses**

**(i) Personnel costs**

Personnel costs comprise of wages and salaries paid to staff as well as the Company's contribution of superannuation and other Company contributions as required by law.

**(i) Income tax**

The company adopts the liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

**(j) Subordinated loan**

Subordinated loan is carried in the balance sheet at their principal amount. Interest expense on the principal amount is brought to account as it accrues.

**South Pacific Stock Exchange Limited**  
**Notes to and forming part of the financial statements**  
**For the year ended 30 June 2002 (cont'd)**

**1. Statement of significant accounting policies (cont'd)**

**(k) Comparative information**

Where necessary, amounts relating to prior year have been re-classified to facilitate comparison and achieve consistency in disclosure with current financial year amounts.

	<b>2002</b>	<b>2001</b>
	\$	\$
<b>2. Income from operations</b>		
Annual and Initial Listing fees	70,000	36,250
Facility fees	46,600	64,960
Sale of Listing and Business Rules	910	1,370
Penalties/fines	7,555	4,471
Settlement fees	7,200	-
Transfer fees	310	320
	<u>132,575</u>	<u>107,371</u>
<b>3. Other operating income</b>		
Gain on sale of asset	438	-
Government grant	32,000	63,000
Government assistance	53,894	-
Management fees	-	10,200
Hire of trading floor	1,950	300
Training reimbursement	5,455	-
Sundry income	3,500	4,278
	<u>97,237</u>	<u>77,778</u>
<b>4. Personnel expenses</b>		
FNPF contributions	6,615	8,290
FNTC levy	837	941
Salaries and wages	88,708	105,335
Staff expenses	31	2,023
Training, travel and entertainment	12,537	3,346
	<u>108,728</u>	<u>119,935</u>
<b>5. Other operating expenses</b>		
Accounting fees	1,650	-
Advertising	3,546	3,030

**South Pacific Stock Exchange Limited**  
**Notes to and forming part of the financial statements**  
**For the year ended 30 June 2002 (cont'd)**

	2002 \$	2001 \$
<b>5. Other operating expenses (cont'd)</b>		
Audit fees	3,300	4,800
Callers fees	2,240	2,100
CMDA licence	5,000	4,583
Electricity	2,280	3,321
Insurance	1,875	-
Legal expenses	6,391	549
Printing and stationery	3,995	3,472
Rent	30,220	28,293
Repairs and maintenance	1,721	1,267
Telephone and postage	11,278	10,790
Other	6,866	10,563
	<u>80,362</u>	<u>72,768</u>
<b>6. Net financing costs</b>		
Interest expense	1,200	-
	<u>1,200</u>	<u>-</u>
<b>7. Taxation</b>		
<b>(a) Income tax expense/(benefit)</b>		
Prima facie income tax benefit calculated at 34% (2001: 35%) on the operating loss	7,778	(8,410)
Increase in income tax due to non tax deductible items:		
Legal expense	2,173	192
Decrease in income tax due to on tax assessable items:		
Government grant	(29,204)	(22,050)
Future income tax benefit not brought to account	11,784	27,099
Effect of change in tax rate	7,469	3,169
	<u>-</u>	<u>-</u>

**South Pacific Stock Exchange Limited**  
**Notes to and forming part of the financial statements**  
**For the year ended 30 June 2002 (cont'd)**

	2002 \$	2001 \$
<b>7. Taxation(cont'd)</b>		
<b>(b) Future income tax benefit not brought to account</b>		
The potential future income tax benefit arising from tax losses and timing differences has not been recognised as an asset because recovery of is not virtually certain:		
Tax losses carried forward	118,774	107,315
Timing differences	<u>735</u>	<u>410</u>
	<u>119,509</u>	<u>107,725</u>

The future income tax benefit, which has not been recognised as an asset, will only be obtained if:

- (i) the company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- (ii) the company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the company in realising the benefit.

**8. Extraordinary item**

Capital profit from the disposal of Investment in FijiStock Brokers Limited	-	8,184
Income tax expense	<u>-</u>	<u>-</u>
	<u>-</u>	<u>8,184</u>

**9. Cash**

Cash at bank – Operating account	43,249	6,682
Cash at bank – CSSES trust account	54,245	64,318
Cash on hand	<u>100</u>	<u>100</u>
	<u>97,594</u>	<u>71,100</u>

## South Pacific Stock Exchange Limited

### Notes to and forming part of the financial statements

#### For the year ended 30 June 2002 (cont'd)

	2002 \$	2001 \$
<b>10. Receivables</b>		
Accrued revenue	1,036	5,132
Other receivables	<u>375</u>	<u>625</u>
	<u>1,411</u>	<u>5,757</u>

<b>11. Other assets</b>		
Prepayments	<u>6,774</u>	<u>909</u>

#### 12. Furniture and equipment

	Furniture and fittings \$	Office equipment \$	Computer equipment \$	Total \$
<i>Cost</i>				
Balance at 1 July 2001	31,429	33,330	26,066	90,825
Acquisitions	1,170	552	39,079	40,801
Disposals	(7,769)	-	-	(7,769)
Balance at 30 June 2002	<u>24,830</u>	<u>33,882</u>	<u>65,145</u>	<u>123,857</u>
<i>Accumulated depreciation</i>				
Balance at 1 July 2001	10,200	20,526	14,146	44,872
Depreciation charge for the year	5,609	4,728	6,308	16,645
Disposals	(3,367)	-	-	(3,367)
Balance at 30 June 2002	<u>12,442</u>	<u>25,254</u>	<u>20,454</u>	<u>58,150</u>
<i>Carrying amount</i>				
At 1 July 2001	<u>21,229</u>	<u>12,804</u>	<u>11,920</u>	<u>45,953</u>
At 30 June 2002	<u>12,388</u>	<u>8,628</u>	<u>44,691</u>	<u>65,707</u>

#### 13. Creditors and accruals

Accrued expenditure	11,162	6,585
Income received in advance	25,310	16,159
Owing to CSSSES creditors	54,049	64,121
Interest Accrued	1,200	-
Sundry creditors	<u>8,671</u>	<u>19,703</u>
	<u>100,392</u>	<u>106,568</u>

**South Pacific Stock Exchange Limited**  
**Notes to and forming part of the financial statements**  
**For the year ended 30 June 2002 (cont'd)**

	2002 \$	2001 \$
<b>14. Provisions</b>		
Annual leave	<u>2,993</u>	<u>1,927</u>
<b>15. Subordinated loan</b>		
Total Loan	<u>30,000</u>	<u>-</u>

During the financial year ended 30 June 2002, a total sum of \$30,000 was received from the six shareholders in the form of a subordinated loan. The loan accrues interest at a rate of 8% per annum and is repayable within 24 months from the date of issue.

**16. Share capital**

*Reconciliation of movement in capital*

	Share capital \$	Accumulated losses \$	Total \$
Balance at 1 July 2000	120,000	(88,931)	31,069
Total recognised gains and losses	-	(15,845)	(15,845)
Balance at 30 June 2001	<u>120,000</u>	<u>(104,776)</u>	<u>15,224</u>
Balance at 1 July 2001	120,000	(104,776)	15,224
Total recognised gains and losses	-	22,877	22,877
Balance at 30 June 2002	<u>120,000</u>	<u>(81,899)</u>	<u>38,101</u>

As at 30 June 2002 the Company's authorised share capital comprised of 750,000 ordinary shares (2001: 750,000). The shares have a par value of \$15,000. As at 30 June 2002, ordinary shares issued to existing shareholders of the company were as follows:

Shareholders	Shares issues	Value \$
Colonial Fiji Life Limited	1	15,000
Credit Corporation (Fiji) Ltd	1	15,000



**South Pacific Stock Exchange Limited**  
**Notes to and forming part of the financial statements**  
**For the year ended 30 June 2002 (cont'd)**

**16. Share capital(cont'd)**

Fiji Development Bank	1	15,000
Fiji National Provident Fund	1	15,000
Fijian Holdings Securities Ltd	1	15,000
FijiStock Brokers Ltd	1	15,000
Kontiki Stockbroking Ltd	1	15,000
National MBf Finance (Fiji) Ltd	1	15,000
	<u>8</u>	<u>120,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual assets.

**17. Commitments**

The directors are not aware of any capital commitments as at balance date (2001: \$NIL).

**18. Contingent liabilities**

The directors are not aware of any contingent liabilities as at balance date (2001: \$NIL).

**19. Related parties**

***Transactions with related parties***

The terms and conditions of the transactions with directors and director-related entities were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

**20. Principal activities**

The principal activity of the Company during the financial year was provision of stock exchange services.

**South Pacific Stock Exchange Limited**  
**Notes to and forming part of the financial statements**  
**For the year ended 30 June 2002 (cont'd)**

**21. Notes to the statement of cash flows**

**(a) Reconciliation of cash**

For the purposes of the statements of cash flows, cash includes cash on hand and at bank and bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	<b>2002</b>	<b>2001</b>
	\$	\$
Cash at bank	97,494	71,000
Cash on hand	100	100
	<u>97,594</u>	<u>71,100</u>

**(b) Reconciliation of Operating Profit after Income Tax to Net Cash provided by Operating Activity**

Operating profit/(loss) after tax	22,877	(15,845)
Add/(less) non-cash items and items classified as investing/financing activities:		
Depreciation	16,645	16,475
Gain on disposal of investment	-	(8,184)
Gain on disposal of fixed asset	(438)	-
Net cash provided by operating activities before change in assets and liabilities	<u>39,084</u>	<u>(7,554)</u>
Change in assets and liabilities		
Decrease/(increase) in other assets	4,346	7,606
(Increase)/decrease in prepayments	(5,865)	6,160
(Decrease) in creditors and accruals	(5,300)	(22,798)
Increase/(decrease) in provisions	1,066	(2,011)
Net cash provided by operating activities	<u>33,331</u>	<u>(18,597)</u>

## **Disclaimer**

The additional financial data presented on pages 18 to 19 are in accordance with the books and records of **South Pacific Stock Exchange Limited** which have been subjected to the auditing procedures applied in our statutory audit of the company for the year ended 30 June 2002. It should be appreciated that our statutory audit did not cover all details of the additional financial data. Accordingly, we do not express an opinion on this financial data and no warranty of accuracy or reliability is given.

In accordance with our firm policy, we advise that neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any person (other than South Pacific Stock Exchange Limited) in respect of this data, including any errors or omissions therein, arising through negligence or otherwise however caused.

**Suva, Fiji**

**, 2002**

**KPMG**

**Chartered Accountants**

**South Pacific Stock Exchange Limited**  
**Detailed Profit and Loss Statement**  
**For the year ended 30 June 2002**

	<b>2002</b>	<b>2001</b>
	\$	\$
<b>Income</b>		
Annual and Initial Listing fees	70,000	36,250
Government grant	32,000	63,000
CSSSES commission	0	1,606
Gain on sale of assets	438	-
Hire of trading floor	1,950	300
Sale of Listing and Business Rules	910	1,370
Management fees	0	10,200
Other income	3,500	2,672
Penalties/fees	7,555	4,471
Facility fees	46,600	64,960
Settlement fees	7,200	-
Transfer fees	310	320
Government assistance	53,894	-
Training reimbursement	5,455	-
<b>Total income</b>	<b>229,812</b>	<b>185,149</b>
<b>Expenses</b>		
Accounting fees	1,650	-
Advertising	3,546	3,030
Audit fees	3,300	4,800
Bank charges	219	695
Board expenses	157	351
Business licence	550	550
Caller fees	2,240	2,100
Cleaning	500	1,202
CMDA licence	5,000	4,583
CSSSES expenses	-	20
Depreciation	16,645	16,475
Electricity	2,280	3,321
FNPF	6,615	8,290
FNTC	837	941
General expenses	4,246	5,824
Insurance	1,875	-
Interest expenses	1,200	-
Legal expenses	6,391	549
Membership	594	1,306
Printing and stationery	3,995	3,472
Rent	30,220	28,293

The detailed profit and loss statement should be read in conjunction with the disclaimer set out on page 17.

**South Pacific Stock Exchange Limited**  
**Detailed Profit and Loss Statement**  
**For the year ended 30 June 2002(cont'd)**

	<b>2002</b>	<b>2001</b>
	\$	\$
<b>Expenses (cont'd)</b>		
Repairs and maintenance	1,721	1,267
Salaries and wages	88,708	105,335
Staff expenses	31	2,023
Subscription	600	615
Telephone and postage	11,278	10,790
Training, travel and entertainment	12,537	3,346
<b>Total expenses</b>	<u>206,935</u>	<u>209,178</u>
<b>Operating profit/ (loss)</b>	<u>22,877</u>	<u>(24,029)</u>

The detailed profit and loss statement should be read in conjunction with the disclaimer set out on page 17.