

# *South Pacific Stock Exchange Annual Report 2004*

## *Contents*

<b>Board of Directors</b>	<b>2</b>
<b>Chairman's Report</b>	<b>3</b>
<b>Chief Executive's Report</b>	<b>4-12</b>
<b>Financial Contents</b>	<b>13-31</b>

## BOARD OF DIRECTORS

### Mr Kwong Kee Fong (Acting Chairman)

Mr Fong is the General Manager Business and Risk Service of Fiji Development Bank. He has extensive experience in the financial markets. He also serves as a director on various other Boards.

### Mr Nalin Patel (Director)

Mr Patel is a partner of Deloitte Touche Tohmatsu / G. Lal & Company. He has a wide range of commercial and business experience which includes valuation of business, raising of capital from public, initial public offerings and group restructuring. He also sits as a director on other Boards.

### Ms Finau Soqo (Director)

Ms Soqo is Manager Properties of Fijian Holdings Limited. She has extensive experience in the financial market. She is also a Licensed Broker.

### Mr David Oliver (Director)

Mr Oliver is the Managing Director of Kontiki Stockbrokers Limited. He has wide experience and expertise of the Financial Market.

### Mr Isirome Bayameyame (Director)

Mr Bayameyame is the Manager of Treasury Department of Colonial National Bank. He is also a Licensed Broker.

### Mr Sakimi Samuels (Director)

Mr Samuels is the Manager Legal Services of the Westpac Banking Corporation. He holds directorship on other Boards.

### Mr Semi Leiwere (Director)

Mr Leiwere is the Director and Partner of FijiStock Brokers Limited. He has vast experience in both Government and private sector. He holds directorship in other of Business Ventures.

### Mr Olota Rokovunisei (Director)

Mr Rokovunisei is the General Manager and the Chief Executive Officer of the Fiji National Provident Fund. He serves as the Chairman/Director on various other Boards.

## Securities Trading on the South Pacific Stock Exchange (SPSE) as at 30th June 2004

Table 1

Listed Securities	Security Code	Book Value ( <sup>2</sup> \$FJ)	Market Value (\$FJ)	Market Capitalization (\$FJ)
Atlantic & Pacific Packaging Company Limited	APP	0.50	0.75	6,000,000
Amalgamated Telecom Holdings Limited	ATH	0.25	1.06	447,431,160
Carlton Brewery (Fiji) Limited	CBF	1.00	47.00	94,000,000
Communications (Fiji) Limited	CFM	1.00	1.25	4,063,125
FijiCare Insurance Limited	FIL	0.50	0.77	4,145,740
Flour Mills of Fiji Limited	FMF	0.20	1.70	51,000,000
Fiji Sugar Corporation Limited	FSC	0.50	0.33	14,651,999
Fiji Television Limited	FTV	1.00	3.47	35,741,000
Pacific Green Industries (Fiji) Limited	PGI	1.00	2.25	17,143,277
RB Patel Group Limited	RBG	0.50	0.91	27,300,000
The Rice Company of Fiji Limited	RCF	0.50	2.16	12,960,000
South Pacific Distilleries Limited	SPD	1.00	7.83	16,470,209
Toyota Tsusho (South Sea) Limited	TTS	1.00	2.03	28,485,370
V B Holdings Limited	VBL	1.00	1.55	1,550,000
<sup>1</sup> Fijian Holdings Limited	FHL	1.00	3.20	33,486,880
<b>Total</b>				<b>794,428,760</b>

<sup>1</sup>Fijian Holdings Limited is Listed on a Restricted Board.

<sup>2</sup>\$FJ1.00 = \$US0.58 as at 30th June 2004

# CHAIRMAN'S REPORT



## Business Overview

On behalf of the Board of Directors of the South Pacific Stock Exchange (SPSE), I am pleased to present the 24th Annual Report of the South Pacific Stock Exchange (the Company).

The financial year which ended on 30th June 2004 was a challenging period for the Exchange.

The volume of trades on the SPSE increased to 7,212,973 for the financial year 2004 compared to 6,231,972 last year. This is an increase of 15.74%.

The Board and Management of the Exchange continued to implement tight cost control measures and process improvements, generating more revenue for the company. Even though no new company listed on the Exchange during the year, subsequent quotation of 951,798 FIL shares were added. This was mainly through exercise of options and dividend re-investment scheme by FIL.

The Exchange recorded a profit after tax of \$FJ48,894 for the financial year 2004 compared to a profit after tax of \$FJ34,432 in the previous year. The consolidated group profit for the year was \$FJ24,334 compared to \$FJ15,034 for last year. The profits increased by 61.86% in the consolidated account.

## Other Developments

The Board approved the revised Corporate Plan of the Exchange for a period of three years (2004 to 2006). During the year, the Exchange amended and enforced the new Business Rules 2000. The trading sessions have been increased from three days to five days. The market now opens on all five business days from 10.30am. The "Ex-Benefit" period has also been reduced from 11 days to 6 days. This is to improve the efficiency in the dividend distribution procedures and give opportunity to the new investors. The settlement time was also reduced from <sup>1</sup>T+5 to T+3. A Business Plan was also developed to guide the Management to reach the objectives of the Exchange and the Registry. This is to improve the performance of the Stock Market in the Region.

During the year, the number of companies listed on the Exchange remained fifteen. The total Market Capitalisation as at 30th June 2004 was \$FJ794,428,760 compared to \$FJ731,662,006 for same period last year. This has increased by \$FJ62,766,754 (8.6%) mainly due to the strong demand of shares in the Market. Majority of the share prices moved up during the period under review.

## Relations with Government and Other Stock Exchanges

The Exchange acknowledges the Government's continued financial support in the form of annual grant. The Exchange would not have been in a profitable position without the assistance of the Government. A submission has been made to the Government to increase its level of support to the Stock Exchange. This is to assist the Exchange to aggressively promote itself and Capital Market activities in the Fiji Islands. The Exchange also made a submission to the Government and to the Fiscal Review Committee seeking for tax incentives to attract more companies to list on the SPSE.

Close relations have been built to strengthen support and assistance from other more developed stock exchanges such as Australian Stock Exchange (ASX), New Zealand Stock Exchange (NZX), Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) of India.

## Conclusion

In conclusion, I wish to acknowledge and appreciate the work of the former Chairman, Mr Malakai Naiyaga and all fellow Directors who have contributed positively towards the development of the Stock Market in the Region. During the year, Board Director Mr George Niumataiwalu resigned and was replaced by Mr David Oliver. Mr Mesake Nawari resigned and was replaced by Ms Finau Soqo. Mr Ross McDonald resigned and was not replaced. Furthermore, Mr Malakai Naiyaga (former Chairman) resigned and was replaced by Mr Isiromi Bayameyame. Mr Arvind Patel was appointed as the new Strategic Committee Member to the SPSE sub-committee.

Finally, I wish to thank the Directors for their invaluable guidance and support during the year. The perseverance and contribution of the management and staff is also acknowledged.

Thank you for another year of good results, dedication and hard work which has improved the overall performance of the Company.

Kee Fong  
Acting Chairman

<sup>1</sup> Trade + 5 days

# CHIEF EXECUTIVE'S REPORT



On behalf of the Staff and the Management of the South Pacific Stock Exchange (SPSE), I am pleased to present the Annual Report for the financial year ending 30th June 2004.

The Exchange continues to encourage and facilitate private investors and institutions to invest in the share market, bonds and other related listed securities.

In the last financial year, the Exchange noted a huge increase in the share prices of the companies listed on SPSE. This has led to an incredible growth of the companies' value on the market. This reflects that our economy is fast recovering from the political crisis of May 2000. It also indicates that the investors have regained confidence in the Stock Market after being misled by the world renowned American Listed Companies.

## Financial Report

The Exchange recorded a net profit of \$FJ48,894 (refer figure 1) for the financial year 2004. This is a remarkable improvement compared to the previous years. The increased profit was largely due to strict cost control measures and an improvement in the trading activity during the year.

The Central Share Registry Limited (CSRL), a wholly owned subsidiary of the SPSE (trading as SPSE Central ShareRegistry) has recorded a loss of \$FJ24,560. The loss was largely due to inter-entity transactions. The revenue earned was from the three Listed Companies utilizing the services of the Registry. It is expected that the losses will reduce considerably once more companies join the Registry.

Figure I

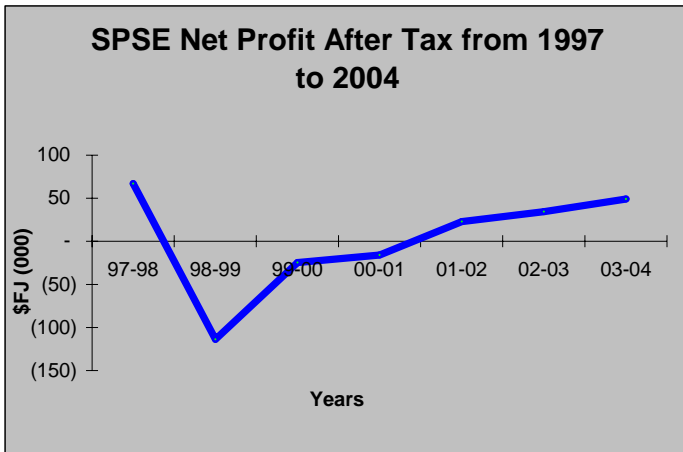
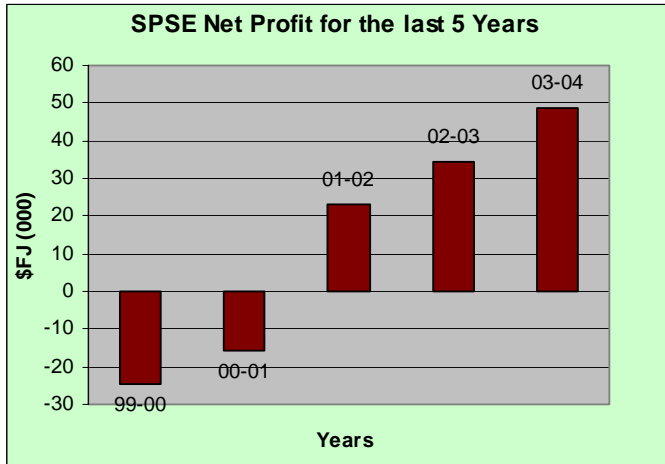
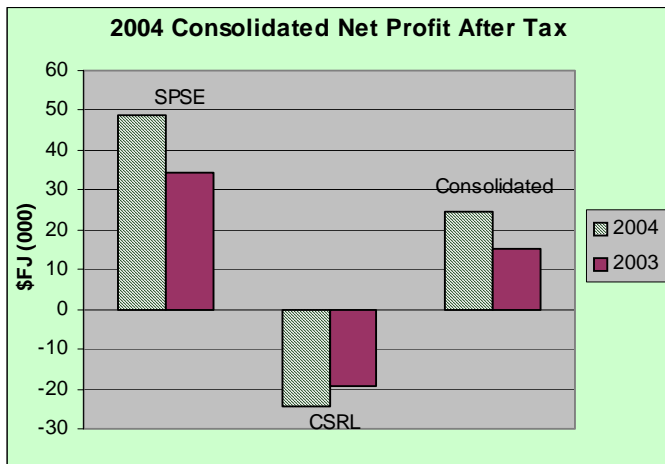


Figure II



The consolidated profit for SPSE and its subsidiary company (CSRL) was \$FJ24,334 for the financial year ending 30th June 2004. The profit was largely due to the high performance of the Exchange, which has over-riden the subsidiary company's losses.

Figure III



## Market Report

### Trading Data

The Exchange approved a total of 23 Private Transfers. These transfers were in accordance with Capital Market Development Authority (CMDA) Rule 23 (1). There were no crossings or bond trades during the year under review. Table 2 summarizes all the transactions for the financial year 2004.

# CHIEF EXECUTIVE'S REPORT

Table 2

Security Code	Volume Traded	Volume Crossed	Private Transfers	<sup>1</sup> Bonds Traded
APP	69,024	Nil	Nil	Nil
ATH	378,707	Nil	50,100	Nil
CBF	10,015	Nil	1,250	Nil
CFM	226,311	Nil	Nil	Nil
FIL	141,795	Nil	Nil	Nil
FMF	215,005	Nil	6,250	Nil
FSC	11,200	Nil	1,680	Nil
FTV	67,400	Nil	1,500	Nil
PGI	2,560,450	Nil	Nil	Nil
RBG	3,073,938	Nil	1,000,000	Nil
RCF	30,902	Nil	Nil	Nil
SPD	1,650	Nil	1,000	Nil
TTS	20,762	Nil	Nil	Nil
VBL	1,400	Nil	Nil	Nil
FHL	404,414	Nil	647,323	Nil
<b>TOTAL</b>	<b>7,212,973</b>	<b>Nil</b>	<b>1,709,103</b>	<b>Nil</b>

<sup>1</sup> All Government Bonds, Treasury Bills, Statutory Bonds, Promissory Notes and Tradable Term Deposits are deemed to be Listed on the SPSE.

## Details of Shares Traded on the SPSE Trading Floor from 1st July 2003 to 30th June 2004

Table 3

Listed Companies	<sup>1</sup> Last Sale Price (\$FJ)	Number of Trades	Volume of Shares Traded	Market Turnover (\$FJ)	Earnings per Share (\$FJ)	Price Earnings Ratio	Dividend Yield (%)	Market Capitalization (\$FJ)
APP	0.75	19	69,024	43,647.85	0.02	41.55	3.33	6,000,000
ATH	1.06	146	378,707	394,850.00	0.10	10.64	5.13	447,431,160
CBF	47.00	19	10,015	377,139.00	3.53	13.30	3.19	94,000,000
CFM	1.25	30	226,311	226,741.25	0.10	12.84	4.00	4,063,125
FIL	0.77	24	141,795	102,121.07	0.06	13.89	5.19	4,145,740
FMF	1.70	24	215,005	344,901.50	0.10	17.83	2.94	51,000,000
FSC	0.33	7	11,200	3,650.00	-0.35	N/A	0.00	14,651,999
FTV	3.47	58	67,400	220,352.00	0.15	22.79	4.61	35,741,000
PGI	2.25	30	2,560,450	5,652,470.00	0.14	15.66	4.44	17,143,277
RBG	0.91	31	3,073,938	2,463,968.96	0.07	12.64	7.69	27,300,000
RCF	2.16	11	30,902	65,105.32	0.17	12.37	6.25	12,960,000
SPD	7.83	3	1,650	12,724.50	0.62	12.64	3.19	16,470,209
TTS	2.03	4	20,762	42,182.30	0.09	23.72	3.94	28,485,370
VBL	1.55	2	1,400	2,170.00	0.07	20.88	6.45	1,550,000
FHL	3.20	333	404,414	1,261,604.39	0.26	12.20	6.25	33,486,880
<b>TOTAL</b>		<b>741</b>	<b>7,212,973</b>	<b>11,213,628.12</b>				<b>794,428,760</b>

<sup>1</sup>The last sale price as at 30th June 2004

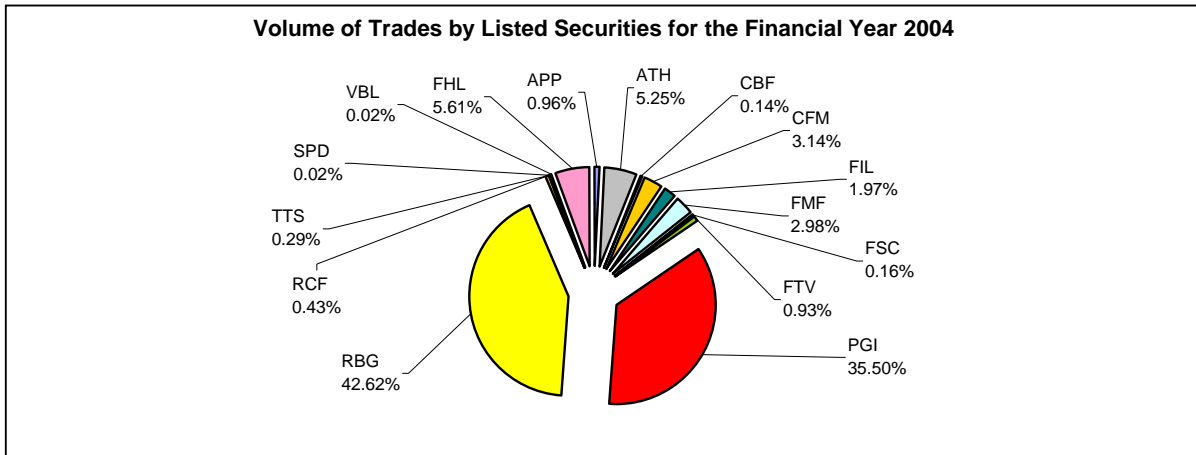
For the financial year ending 30th June 2004, a total of 7,212,973 shares were traded on the South Pacific Stock Exchange. This was an increase of 15.74% from the previous year.

The top 5 traded shares are:

1. RB Patel Group Limited (44%)
2. Pacific Green Industries (Fiji) Limited (35%)
3. Fijian Holdings Limited (6%)
4. Amalgamated Telecom Holdings Limited (5%)
5. Communications (Fiji) Limited (3%).

# CHIEF EXECUTIVE'S REPORT

Figure IV



The consideration increased by \$FJ5,160,480 (85.25%) when compared to the last financial year. The KSPX Index also improved by 8.41% during the year (refer figure VIII). Figure VI shows the Market Capitalization of

the Listed Companies as at 30th June 2004. It was noted that all Listed Companies' share prices and their respective Market Capitalization grew in the last financial year (except for two companies – TTS & RBG).

Figure V

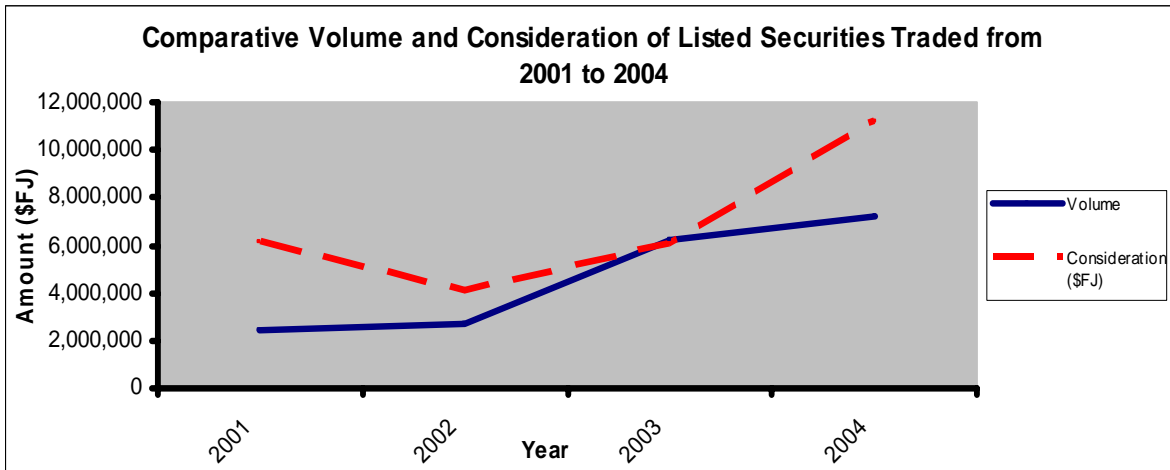
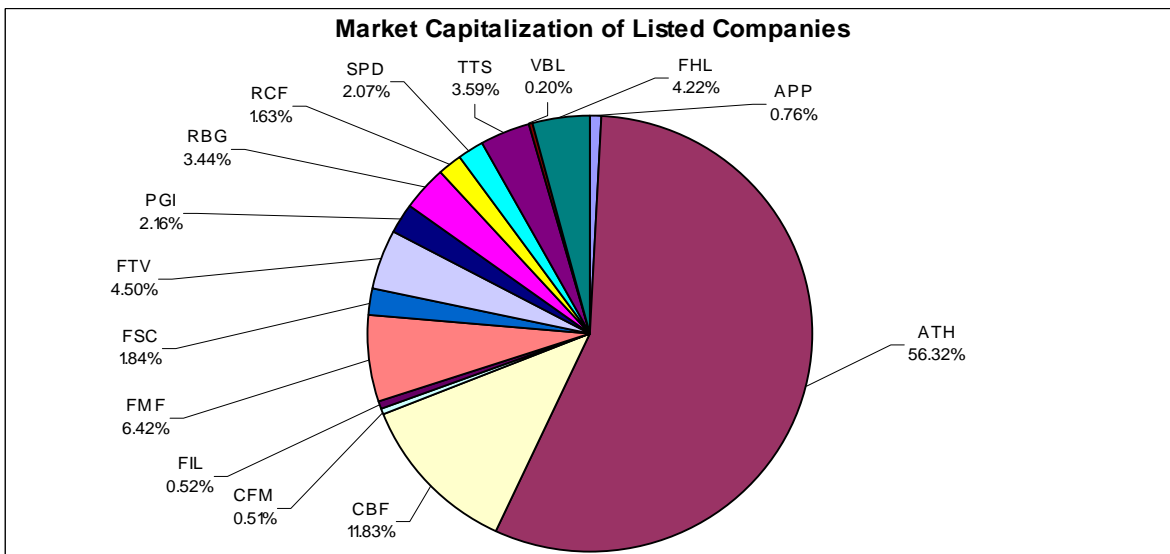


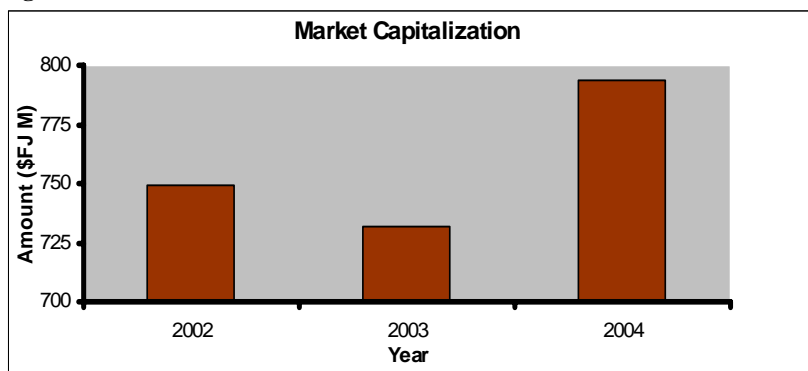
Figure VI



# CHIEF EXECUTIVE'S REPORT

The Market Capitalization increased by 8.6% during the year. This increase was attributed by the increase in the share prices of majority of the listed companies.

Figure VII



## Staff Development and Training

In an effort to meet the challenges in the Stock Market, the Exchange continuously trains its staff by attending

various workshops, seminars and conferences. Table 5 summarizes all external training attended by the SPSE staff.

Apart from the external and internal training, the Exchange also encourages and supports its staff to enhance their academic qualifications through recognized Educational Institutions such as the University of the South Pacific, Securities Institute of Australia and the Fiji Institute of Technology.

## Public Relations Report

In our continuous effort to create public awareness of the Stock Market in the Region, the Exchange has been organizing workshops, seminars and presentations.

The Exchange also organizes the Annual Report Competition. This year there were 27 companies who entered the competition. There were four categories and the awards for the winners & runner-ups (refer table 4) were announced at the Fiji Institute of Accountants (FIA) Congress in Sheraton, Nadi.

The Exchange, with the assistance of its members and CMDA organized a Mock Trading Session at the University of the South Pacific. Approximately, 500 students attended the session.

The Exchange continues to organize monthly brokers briefing with the listed companies.

Table 5

Workshop	Dates Conducted	Number of SPSE Participants
<b>Local Workshops and Training</b>		
Shares Portfolio Management Skills	24/11/2003 - 28/11/2003	2
Market Surveillance Workshop	26/01/2004 - 30/01/2004	5
Managing the Media Message	17/03/2004	1
Financial Statement Analysis Workshop	15/04/2004	2
<b>International Training</b>		
Indian Institute of Capital Markets, Mumbai, India	5/11/2003 - 23/11/2003	1
New Zealand Stock Exchange, Wellington, New Zealand	15/03/2004 - 20/03/2004	1

The staff are also encouraged to undertake the Securities Licensing Examination courses which are endorsed by CMDA.

Table 4

Category	Winner	1st Runner-up	2nd Runner-up
<b>Category A:</b> (Statutory Authorities and Government Bodies)	Housing Authority	Reserve Bank of Fiji	Fiji Development Bank & Fiji National Provident Fund
<b>Category B:</b> (Co-operatives & Charitable Organizations)	Fiji Red Cross Society	Fiji Bank & Finance Sector Employees Union	
<b>Category C:</b> (Public & Private Companies)	Air Pacific	Fiji Pine Limited	Merchant Finance
<b>Category D:</b> (Listed Companies)	Fijian Holdings Limited & Amalgamated Telecom Holdings Limited		Fiji Sugar Corporation

# CHIEF EXECUTIVE'S REPORT

## SPSE Central ShareRegistry Limited (CSRL)

The CSRL was officially launched on the 15th of August 2002 by the Minister of Finance and National Planning, Honorable Ratu Jone Kubuabola. There are three companies using the services of the Registry. These are:

1. Communications (Fiji) Limited (CFM)
2. Fiji Television Limited (FTV)
3. Toyota Tsusho (South Sea) Limited (TTS)

The Registry did four dividend distributions in the last financial year on behalf of these companies. Two distributions were done for FTV and the other two for TTS. Furthermore, the Registry did one annual report distribution on behalf of TTS.

The Registry's main focus is to centralize and harmonize the records of all listed companies' share registers and efficiently manage them. Further, the Registry intends to decrease the turnover time for all settlements bringing about more efficiency in the market. The setting up of the Registry was also a step towards automation of the

South Pacific Stock Exchange trading floor.

The future of the Registry looks bright as we look forward to more listed companies utilizing its services.

## Future Plans

The future holds positively for South Pacific Stock Exchange. With the strong economic growth of our nation, we hope that more companies will list on the Stock Exchange in the very near future.

The Exchange is planning to automate the trading floor in the near future.

The Exchange continuously reviews the compliance of SPSE Business Rules and SPSE Listing Rules by its Members and the Listed Companies. The SPSE Rules are being reviewed and amended to suit the current environment.

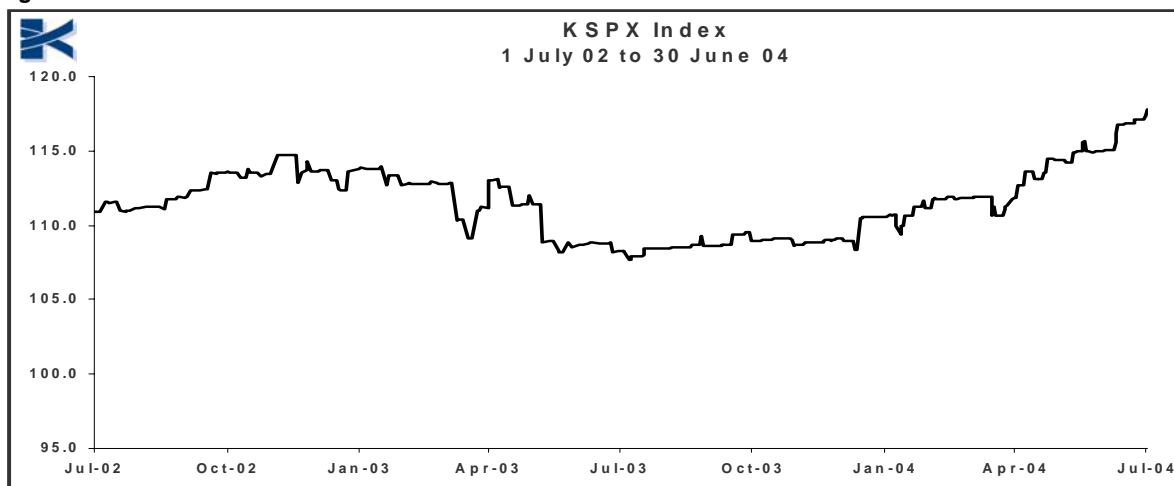
There are also plans to get Secondary Listing of companies that are listed on other stock exchanges and are recognized by the South Pacific Stock Exchange.

## Board Meetings attended by the Directors or their Alternates during the Financial Year 2004

Table 6

Shareholder	Board Meeting attended by the Director	Board Meeting attended by an Alternate	Total Attendance	Total Percentage (%)
Colonial Life (Fiji) Limited	4/8	2/8	6/8	75.0
Fiji Development Bank	4/8	N/A	4/8	50.0
NMBf Finance Limited	N/A	N/A	N/A	N/A
Fiji National Provident Fund	0/8	5/8	5/8	62.5
Credit Corporation (Fiji) Limited	1/8	N/A	1/8	12.5
FHL Securities Limited	6/8	1/8	7/8	87.5
Kontiki Stock broking Limited	1/8	7/8	8/8	100.0
Fiji StockBrokers Limited	1/8	4/8	5/8	62.5
Listed Companies Representative (Independent)	4/8	N/A	4/8	50.0
Investors Representative (Independent)	2/8	N/A	2/8	25.0

Figure VIII



1 July 02 = 110.9

30 June 04 = 117.4



# CHIEF EXECUTIVE'S REPORT

## Compliance Report

As the Capital Market grows and develops, certain rules have now become obsolete. In an effort to improve the efficiency, the Exchange has reviewed and amended its

rules. The Exchange has also introduced guidelines to assist SPSE's Members and Listed Companies to fully comply with SPSE Rules. Table 7 below summarizes all notices, amendments and guidelines introduced/implemented during the year under review. It also highlights the Rationales for the respective changes.

## Summary of Amended Rules and Guidelines

Table 7

SPSE Notice Number	Effective Date	Amended Rules/Guidelines	Rationale
07/2003	1 January 2004	Reduction in Private Transfer fees as per Schedule B of SPSE Business Rules.	After careful consideration of the market situation, the SPSE reduced its private transfer fees by 50% except for the CMDA Rule 23 (f) where an application requires both SPSE and CMDA approvals.
02/2004	1 February 2004	<p>SPSE BR 5.8.1</p> <p>Unless exempted by the SPSE, members shall, by 15th of the following month submit a financial return to the SPSE and if 15th of the following month falls during the weekend or public holiday then members shall submit the financial return on the next business day in the form specified in Schedule (M).</p> <p>SPSE BR 8.2.3.</p> <p>Licensed representatives of buying and selling members shall be present at the SPSE between 11.00 am and 11.30 am each day on which settlement is to take place.</p>	<p>The amendment accommodates for situations when 15th of the month falls on a weekend or on a public holiday, the returns should then be submitted on the next business day.</p> <p>The new time will make SPSE settlement more effective and timely. It would also give the brokers sufficient time to do the banking and strengthen their internal control measures.</p>
03/2004	1 July 2004	<p>SPSE BR 8.2.1.</p> <p>Settlement on each transaction is due to take place within the next 3 business days from the trade unless otherwise agreed between the members concerned and the SPSE</p> <p>SPSE BR 8.5.2</p> <p>The SPSE will automatically implement buying in procedures, in respect of orders that were matched on the Floor, in the event that stock is not delivered before T+3, in respect of trades in.....</p> <p>SPSE BR 8.5.4</p> <p>If the selling member does not deliver on or before T + 3, the</p>	<p>In an effort to reduce the turnaround time and meet international standards, the Exchange reduced the settlement date from T+5 to T+3 (i.e. within the next three business days after the trade day).</p>

## CHIEF EXECUTIVE'S REPORT

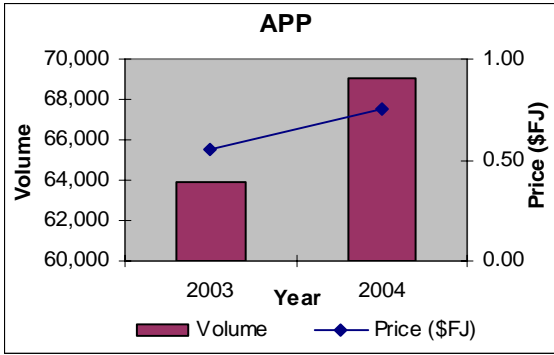
		<p>SPSE shall, unless special circumstances are identified, on that day.....</p> <p>SPSE BR 8.7.2.a</p> <p>8.7.2 Unless the SPSE determines to the contrary, the SPSE shall suspend a member:</p> <p><i>8.7.2.a who does not pay for a purchase transaction on or before T +3 or whose cheque is returned by the bank</i></p>	
04/2004	1 July 2004	<p>Amendment to Schedule B of SPSE Business Rule regarding debt securities.</p> <p>(Refer to table 8 below )</p>	<p>In an effort to re-activate the secondary trading of the bond market at SPSE, the Exchange reduced the SPSE facility fee for debt securities from the current sliding scale percentage to a reduced fixed amount. This fee would also be payable to the Exchange within 5 business days from the end of the month in which the trade took place.</p>
05/2004	1 July 2004	<p>SPSE BR 8.9.1</p> <p>Members are required to pay the SPSE facility fees and the CMDA levy specified in Schedule [B] within 5 business days from the end of the month in which the trade took place.</p>	<p>The previous SPSE Rules stated that Members were required to pay the SPSE facility fee and the CMDA levy specified in Schedule [B] <b>6 business</b> days after the date on which the trade is executed.</p> <p>The above requirement is perceived as untimely for the members. Therefore, the Exchange amended the rule that allows the members to accumulate the total fees and levy payable and make the payments to SPSE within 5 business days from the end of the month in which the trades took place.</p>
01/2004 (guideline)	1 June 2004	<p>Guideline to SPSE listing rules 3.1.6 (A), 3.1.7 and 3.1.8 in respect of dividend announcement.</p>	<p>The SPSE has created a dividend announcement template to provide a guideline to the listed companies when they are making dividend announcements. This template intends to make dividend announcement simple and uniform for listed companies.</p>

**Table 8**

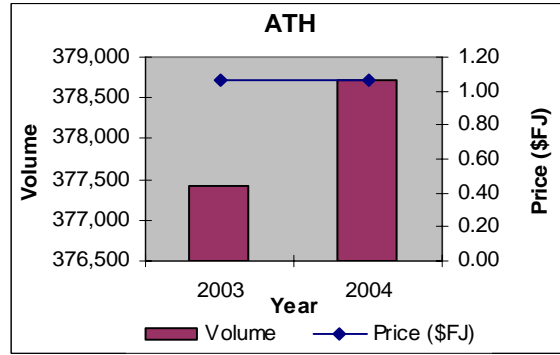
Type of Fee	Amount	When payable
SPSE facility fee – debt securities	<p>Fee applicable to trade consideration as follows:</p> <p>First 10,000      \$FJ50.00            Next 40,000      \$FJ80.00            Next 450,000    \$FJ120.00            Thereafter        Nil.</p>	<p>Within 5 business days from the end of the month in which the trade took place.</p>

# CHIEF EXECUTIVE'S REPORT

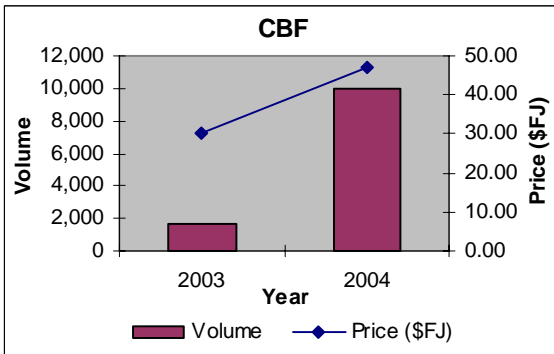
## Prices of the Companies Listed on the SPSE for the financial years 2003 and 2004.



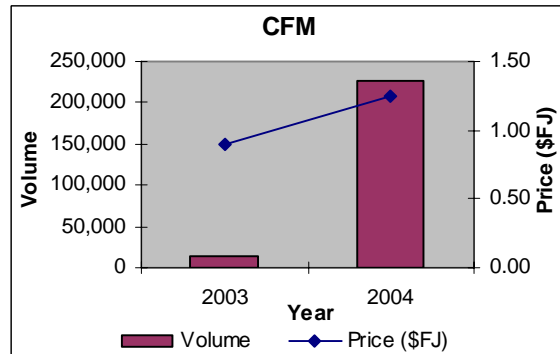
Volume traded: 69,024 Price movements: +\$FJ0.20



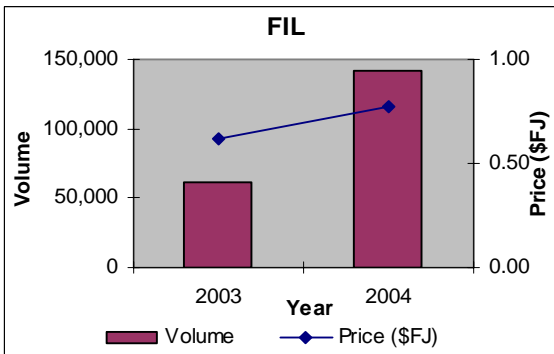
Volume traded: 378,707 Price movements: None



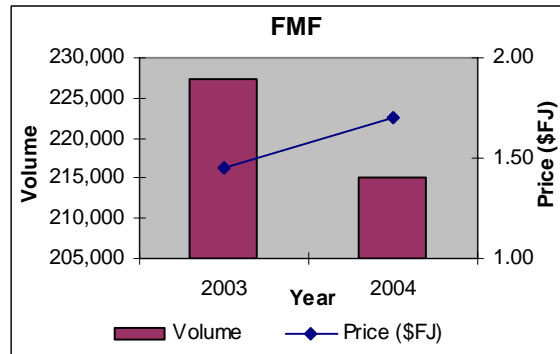
Volume traded: 10,015 Price movements: +\$FJ17.00



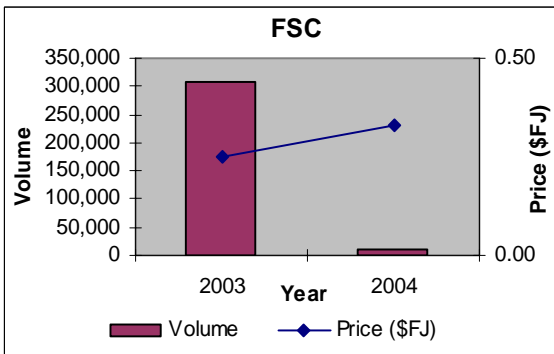
Volume traded: 226,311 Price movements: + \$FJ0.35



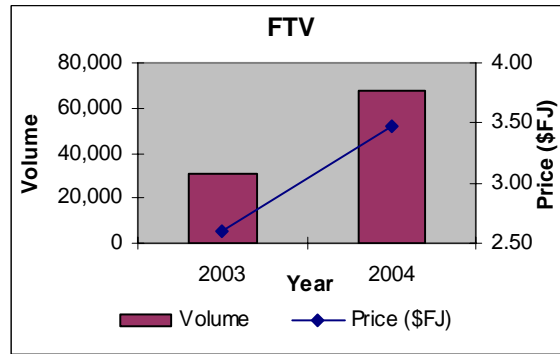
Volume traded: 141,795 Price movements: +\$FJ0.15



Volume traded: 215,005 Price movements: +\$FJ0.25

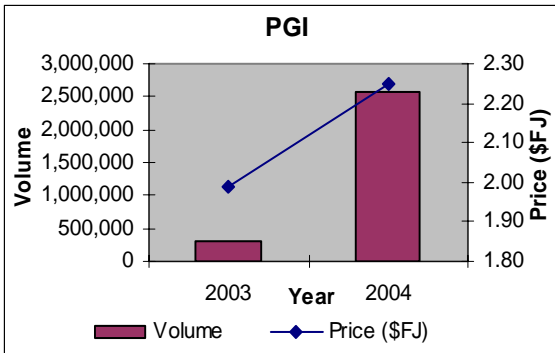


Volume traded: 11,200 Price movements: +\$FJ0.08

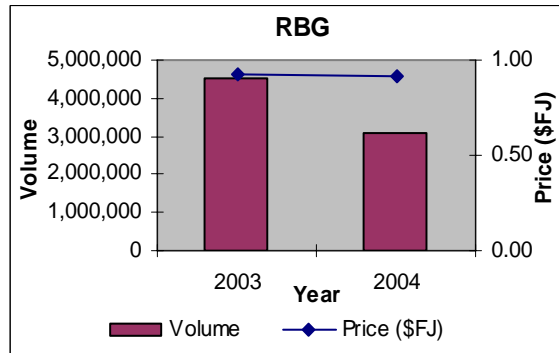


Volume traded: 67,400 Price movements: +\$FJ0.87

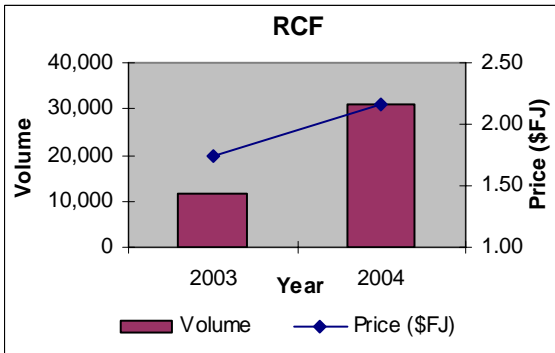
# CHIEF EXECUTIVE'S REPORT



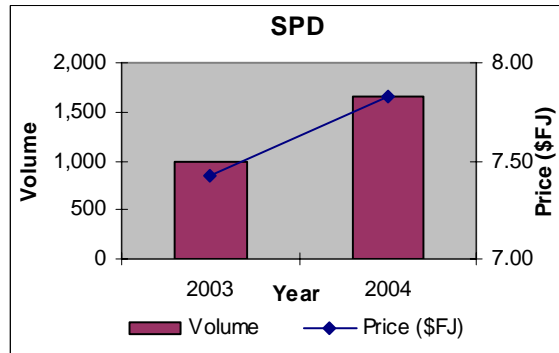
Volume traded: 2,560,450 Price movements: +\$FJ0.26



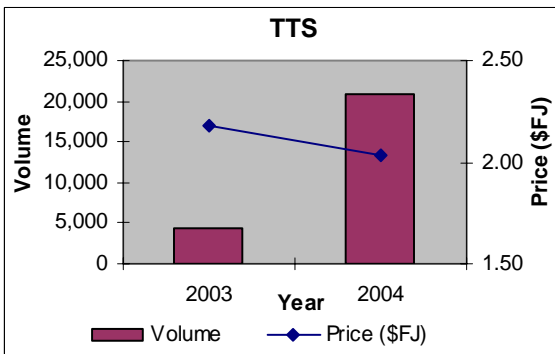
Volume traded: 3,073,938 Price movements: -\$FJ0.02



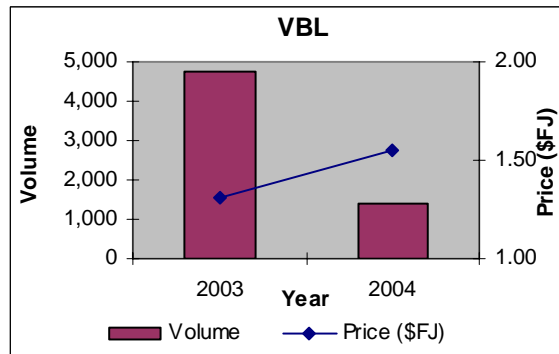
Volume traded: 30,902 Price movements: + \$FJ0.41



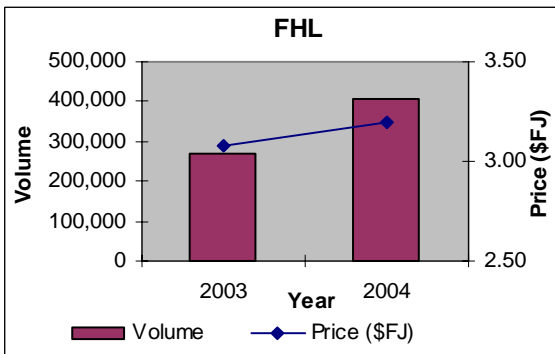
Volume traded: 1,650 Price movements: + \$FJ0.41



Volume traded: 20,762 Price movements: -\$FJ0.15



Volume traded: 1,400 Price movements: +\$FJ0.24



Volume traded: 404,414 Price movements: +\$FJ0.12

Sanjay Sharma  
Chief Executive Officer  
South Pacific Stock Exchange

# 2004

## *Financial Statements*

### *Contents*

<b>Director's Report</b>	<b>14-15</b>
<b>Independent Audit Report</b>	<b>16</b>
<b>Income Statement</b>	<b>17</b>
<b>Statement of Change in Equity</b>	<b>18</b>
<b>Balance Sheet</b>	<b>19</b>
<b>Statement of Cash Flow</b>	<b>20</b>
<b>Notes to Consolidated Financial Statements</b>	<b>21-31</b>

# **DIRECTORS' REPORT**

## **for the year ended 30th June 2004**

The directors present their report together with the financial statements of South Pacific Stock Exchange Limited (“the Company”) and the Group for the year ended 30 June 2004 and the auditors' report thereon.

### **Directors**

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

Mr Kee Fong (Acting chairman)  
Mr David Oliver  
Ms Finau Soqo  
Mr Isiromi Bayameyame

Mr Nalin Patel  
Mr Olota Rokovunisei  
Mr Sakimi Samuels  
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 or the Group that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.
- the accompanying balance sheets give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2004, and the accompanying income statements, statements of changes in equity and statements of cash flows give a true and fair view of the results and cash flows of the Company and the Group for the year then ended.

### **Principal activities**

The principal activities of the Company and the Group during the financial year were the provision of stock exchange and share registry services.

### **Operating results**

*The consolidated result of the Group for the financial year was a profit after income tax of \$24,334 (2003: \$15,034).*

### **Reserves**

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

### **Dividends**

The directors recommend that no dividends be declared or paid.

**DIRECTORS REPORT**  
for the year ended 30th June 2004

**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, to affect significantly the operations of the Company or the Group, the results of those operations, or the state of affairs of the Company or the Group, in subsequent financial years.

Dated at Suva this 01 day of September 2004.

Signed in accordance with a resolution of the directors:



**Director**



**Director**

# INDEPENDENT AUDIT REPORT

for the year ended 30th June 2004

## Scope

We have audited the financial statements of South Pacific Stock Exchange Limited and the Group for the financial year ended 30 June 2004, consisting of the income statements, statements of changes in equity, balance sheets, statements of cash flows and accompanying notes, set out on pages 4 to 18. The financial statements comprise the financial statements of the Company and consolidated financial statements of the Group, being the Company and its subsidiary. 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 and the Group's financial position and the results of their operations and their 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 account;
  - (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 and the Group as at 30 June 2004 and of the results and cash flows of the Company and the Group, 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 Islands  
01 September, 2004



KPMG  
Chartered Accountants



**INCOME STATEMENTS**  
for the year ended 30th June 2004

	Note	Consolidated		Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>Income</b>					
Income from operations	2	223,450	189,835	205,246	175,575
Other operating income	3	<u>66,297</u>	<u>63,999</u>	<u>81,767</u>	<u>75,097</u>
		289,747	253,834	287,013	250,672
Personnel expenses	4	(143,450)	(118,403)	(134,438)	(110,596)
Depreciation and amortisation		(21,763)	(24,960)	(11,719)	(17,199)
Other operating expenses	5	<u>(100,200)</u>	<u>(94,077)</u>	<u>(91,962)</u>	<u>(87,085)</u>
<b>Profit from operations</b>		24,334	16,394	48,894	35,792
Net financing costs	6	<u>-</u>	<u>(1,360)</u>	<u>-</u>	<u>(1,360)</u>
<b>Profit before tax</b>		24,334	15,034	48,894	34,432
Income tax expense	7(a)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net profit for the year</b>		<u>24,334</u>	<u>15,034</u>	<u>48,894</u>	<u>34,432</u>

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 8 to 18.

**STATEMENTS OF CHANGES IN EQUITY**  
for the year ended 30th June 2004

	Note	Consolidated		Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>Share capital</b>					
Opening balance		<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>
Closing balance	16	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>
<b>Accumulated losses</b>					
Opening balance		<u>(66,865)</u>	<u>(81,899)</u>	<u>(47,467)</u>	<u>(81,899)</u>
Net profit for the year		<u>24,334</u>	<u>15,034</u>	<u>48,894</u>	<u>34,432</u>
Closing balance		<u>(42,531)</u>	<u>(66,865)</u>	<u>1,427</u>	<u>(47,467)</u>
Total shareholders' equity attributable to members of the holding company		<u>77,469</u>	<u>53,135</u>	<u>121,427</u>	<u>72,533</u>

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 8 to 18.

**BALANCE SHEETS**  
for the year ended 30th June 2004

	Note	Consolidated		Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>Current assets</b>					
Cash and cash equivalents	8	104,512	99,017	100,291	85,630
Receivables	9	19,830	7,624	46,809	28,160
Other	10	8,588	8,185	8,588	8,185
<b>Total current assets</b>		<u>132,930</u>	<u>114,826</u>	<u>155,688</u>	<u>121,975</u>
<b>Non-current assets</b>					
Investments	11	-	-	50,000	50,000
Other	10	935	1,871	-	-
Plant and equipment	13	53,717	61,882	24,150	23,207
<b>Total non-current assets</b>		<u>54,652</u>	<u>63,753</u>	<u>74,150</u>	<u>73,207</u>
<b>Total assets</b>		<u>187,582</u>	<u>178,579</u>	<u>229,838</u>	<u>195,182</u>
<b>Current liabilities</b>					
Creditors and accruals	14	100,124	119,194	98,422	116,399
Provisions	15	9,989	6,250	9,989	6,250
<b>Total current liabilities</b>		<u>110,113</u>	<u>125,444</u>	<u>108,411</u>	<u>122,649</u>
<b>Total liabilities</b>		<u>110,113</u>	<u>125,444</u>	<u>108,411</u>	<u>122,649</u>
<b>Net assets</b>		<u>77,469</u>	<u>53,135</u>	<u>121,427</u>	<u>72,533</u>
<b>Shareholders' equity</b>					
Share capital	16	120,000	120,000	120,000	120,000
Accumulated (losses)/profits		(42,531)	(66,865)	1,427	(47,467)
<b>Total shareholders' equity</b>		<u>77,469</u>	<u>53,135</u>	<u>121,427</u>	<u>72,533</u>
<b>Contingent liabilities and Commitments</b>	17/18				

Signed in accordance with a resolution of the Board.



Director



Director

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 8 to 18.

# STATEMENTS OF CASH FLOWS

for the year ended 30th June 2004

	Note	Consolidated		Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>Operating activities</b>					
Cash receipts from customers		209,489	194,349	194,324	170,651
Cash payments to suppliers and employees		(242,441)	(193,228)	(218,110)	(178,417)
Government grant		50,000	50,000	50,000	50,000
<b>Cash flows from operating activities</b>	23(b)	<u>17,048</u>	<u>51,121</u>	<u>26,214</u>	<u>42,234</u>
<b>Investing activities</b>					
Payments for plant and equipment		(12,662)	(18,338)	(12,662)	(18,338)
Proceeds from sale of plant and equipment		159	-	159	45,500
Interest received		950	-	950	-
Investment in subsidiary company		-	-	-	(50,000)
<b>Cash flows from investing activities</b>		<u>(11,553)</u>	<u>(18,338)</u>	<u>(11,553)</u>	<u>(22,838)</u>
<b>Financing activities</b>					
Interest paid on loan		-	(1,360)	-	(1,360)
Repayment of subordinated loan		-	(30,000)	-	(30,000)
<b>Cash flows from financing activities</b>		<u>-</u>	<u>(31,360)</u>	<u>-</u>	<u>(31,360)</u>
<b>Net increase/(decrease) in cash held</b>		5,495	1,423	14,661	(11,964)
Cash at the beginning of the financial year		99,017	97,594	85,630	97,594
<b>Cash at the end of the financial year</b>	23(a)	<u>104,512</u>	<u>99,017</u>	<u>100,291</u>	<u>85,630</u>

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 8 to 18.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30th June 2004

## 1. Statement of significant accounting policies

South Pacific Stock Exchange Limited is a Company domiciled in the Fiji Islands. The consolidated financial statements for the year ended 30 June 2004 include the financial statements of the Company and the Group. The financial statements were authorised for issue by the directors on 1 September 2004.

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

### (a) Statement of compliance-

The consolidated financial statements have been drawn up in accordance with the accounting standards and disclosure requirements of the Fiji Institute of Accountants and the requirements of law.

### (b) Basis of preparation

The financial statements are presented in Fiji dollars. They have been prepared on the basis of historical costs and except where stated, do not take into account changing money values or current valuations of non-current assets.

The accounting policies have been consistently applied, and except where there is a change in accounting policy, are consistent with those of the previous year.

### (c) Basis of consolidation

#### *Subsidiary*

Subsidiary is the enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised gains resulting from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### (d) 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 the Company's and Group's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flows.

### (e) Accrued revenue and other receivables

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30th June 2004

## 1. Statement of significant accounting policies (continued)

### (f) Deferred expenditure

Expenditure relating to pre-operating expenses incurred in the setting up of the subsidiary company Central Share Registry Limited (Trading as SPSE Central ShareRegistry) is deferred to the extent that management considers it probable that future economic benefits embodied in the expenditure will eventuate. The deferred expenditure is amortised over a period of 3 years.

### (g) Plant and equipment

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

#### *Depreciation*

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

Furniture and fittings	10% - 24%
Office equipment	10% - 24%
Computer equipment	20% - 33%

### (h) Trade and other payables

Trade and other payables are stated at cost.

### (i) Employee benefits

#### *Annual leave entitlements*

The Company's and the Group'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.

### (j) 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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30th June 2004

## 1. Statement of significant accounting policies (continued)

### (k) Expenses

#### *Personnel costs*

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

### (l) Income tax

The Company and the Group adopt 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.

### (m) Comparatives

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

2. Income from operations	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Annual and initial listing fees	109,000	107,000	109,000	107,000
Annual maintenance fees	11,500	3,709	-	-
Annual report distribution fees	2,122	1,960	-	-
CSSSES commission	1,659	1,029	1,659	1,029
Entry fees	-	4,500	-	-
Facility fees	79,080	55,756	79,080	55,756
Dividend distribution fees	4,582	4,091	-	-
Interest	950	377	950	377
Penalties/fines	4,657	4,858	4,657	4,858
Sale of Listing and Business Rules	350	210	350	210
Settlement fees	7,400	5,795	7,400	5,795
Private transfer fees	2,150	550	2,150	550
	<u>223,450</u>	<u>189,835</u>	<u>205,246</u>	<u>175,575</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 30th June 2004

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>3. Other operating income</b>				
Gain on sale of asset	159	1,860	159	1,860
Government grant	50,000	50,000	50,000	50,000
CSR service fees	-	-	12,000	9,000
Hire of trading floor	250	150	250	150
Training reimbursement	2,258	-	2,258	-
Sundry income	13,630	11,989	17,100	14,087
	<u>66,297</u>	<u>63,999</u>	<u>81,767</u>	<u>75,097</u>
<b>4. Personnel</b>				<b>expenses</b>
FNPF contributions	9,337	9,403	8,676	8,825
FNTC levy	1,464	864	1,381	864
Salaries and wages	121,405	102,170	113,137	94,941
Staff expenses	1,033	238	1,033	238
Training, travel and entertainment	10,211	5,728	10,211	5,728
	<u>143,450</u>	<u>118,403</u>	<u>134,438</u>	<u>110,596</u>
<b>Number of employees</b>				
Average number of employees during the financial year	<u>5</u>	<u>4</u>	<u>5</u>	<u>4</u>
<b>5. Operating expenses</b>				
Accounting fees	1,726	1,463	1,421	1,463
Advertising	7,049	3,017	7,049	3,017
Audit fees	5,100	5,100	3,300	3,300
Callers fees	2,500	2,540	2,500	2,540
CMDA licence	5,000	5,000	5,000	5,000
Electricity	2,337	2,444	2,337	2,444
Insurance	9,454	8,151	9,454	8,151
Legal expenses	3,582	855	3,582	855
Printing and stationery	4,400	5,362	3,430	4,562
Rent	34,993	34,813	34,993	34,813
Repairs and maintenance	2,797	4,985	2,797	2,928
Software maintenance	4,500	1,125	-	-
Telephone and postage	12,622	11,824	12,299	10,948
Other	4,140	7,398	3,800	7,064
	<u>100,200</u>	<u>94,077</u>	<u>91,962</u>	<u>87,085</u>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 30th June 2004

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>6. Net financing costs</b>				
Interest expense	-	1,360	-	1,360
	<u>-</u>	<u>1,360</u>	<u>-</u>	<u>1,360</u>
<b>7 Taxation</b>				
<b>(a) Income tax expense</b>				
<i>Prima facie income tax expense calculated at 32% (2003: 32%) on the operating profit</i>	7,787	4,810	15,646	11,018
Increase in income tax due to non tax deductible items:				
Amortisation of deferred expenditure	300	300	-	-
Legal expense	1,146	274	1,146	274
Decrease in income tax due to non tax assessable items:				
Government grant	(16,000)	(16,000)	(16,000)	(16,000)
Future income tax benefit not brought to account	6,767	10,616	(792)	4,708
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<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	134,472	130,326	116,552	122,261
Timing differences	3,142	403	7,594	2,560
	<u>137,614</u>	<u>130,729</u>	<u>124,146</u>	<u>124,821</u>

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 30th June 2004

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>8. Cash and cash equivalents</b>				
Cash at bank – Operating account	57,284	49,008	53,063	35,621
Cash at bank – CSSES trust account	46,978	49,909	46,978	49,909
Cash on hand	250	100	250	100
	<u>104,512</u>	<u>99,017</u>	<u>100,291</u>	<u>85,630</u>
<b>9. Receivables</b>				
Accrued revenue	13,110	4,362	13,110	4,362
Other receivables	6,720	3,262	3,551	3,262
Owing by subsidiary company	19 -	-	30,148	20,536
	<u>19,830</u>	<u>7,624</u>	<u>46,809</u>	<u>28,160</u>
<b>10. Other assets</b>				
<b>Current</b>				
Prepayments	8,588	8,185	8,588	8,185
	<u>8,588</u>	<u>8,185</u>	<u>8,588</u>	<u>8,185</u>
<b>Non-current</b>				
Deferred expenditure	2,807	2,807	-	-
Less accumulated amortisation	1,872	936	-	-
	<u>935</u>	<u>1,871</u>	<u>-</u>	<u>-</u>
<b>11. Investments</b>				
Shares in subsidiary company - at cost	-	-	50,000	50,000
	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>

Investment in subsidiary company, Central Share Registry Limited (Trading as SPSE Central ShareRegistry) consists of 50,000 ordinary shares of \$1 per share fully paid.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30th June 2004

## 12. Investments in subsidiary company

Name of Company	Equity of holding company %	Contribution to group results	Book value of investment
		2004 \$	2004 \$
Central Share Registry Limited	100	(24,560)	50,000

The subsidiary company Central Share Registry Limited (Trading as SPSE Central ShareRegistry) is incorporated in Fiji and has the same financial year-end as the holding company. The subsidiary company commenced operations on 9 October 2002.

## 13. Plant and equipment

### Consolidated

	Furniture and fittings \$	Office equipment \$	Computer equipment \$	Total \$
<i>Cost</i>				
Balance at 1 July 2003	27,660	34,390	80,145	142,195
Acquisitions	1,772	-	10,890	12,662
Disposals	(1,555)	-	-	(1,555)
Balance at 30 June 2004	27,877	34,390	91,035	153,302
<i>Accumulated depreciation</i>				
Balance at 1 July 2003	16,685	29,857	33,771	80,313
Depreciation charge for the year	3,492	2,710	14,625	20,827
Disposals	(1,555)	-	-	(1,555)
Balance at 30 June 2004	18,622	32,567	48,396	99,585
<i>Carrying amount</i>				
At 1 July 2003	10,975	4,533	46,374	61,882
At 30 June 2004	9,255	1,823	42,639	53,717

	Company Furniture and fittings \$	Office equipment \$	Computer equipment \$	Total \$
<i>Cost</i>				
Balance at 1 July 2003	27,260	34,390	35,045	96,695
Acquisitions	1,772	-	10,890	12,662
Disposals	(1,555)	-	-	(1,555)
Balance at 30 June 2004	27,477	34,390	45,935	107,802

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 30th June 2004

**13. Plant and equipment (continued)**

**Company (continued)**

	<b>Furniture and fittings</b>	<b>Office equipment</b>	<b>Computer equipment</b>	<b>Total</b>
	\$	\$	\$	\$
<i>Accumulated depreciation</i>				
Balance at 1 July 2003	16,625	29,857	27,006	73,488
Depreciation charge for the year	3,408	2,710	5,601	11,719
Disposals	(1,555)	-	-	(1,555)
Balance at 30 June 2004	<u>18,478</u>	<u>32,567</u>	<u>32,607</u>	<u>83,652</u>
<i>Carrying amount</i>				
At 1 July 2003	10,635	4,533	8,039	23,207
At 30 June 2004	<u>8,999</u>	<u>1,823</u>	<u>13,328</u>	<u>24,150</u>

	<b>Consolidated</b>	<b>Company</b>		
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	\$	\$	\$	\$
<b>14. Creditors and accruals</b>				
Accrued expenditure	19,037	16,961	17,335	14,166
Income received in advance	25,313	45,312	25,313	45,312
Owing to CSSES creditors	46,978	49,909	46,978	49,909
Sundry creditors	8,796	7,012	8,796	7,012
	<u>100,124</u>	<u>119,194</u>	<u>98,422</u>	<u>116,399</u>
<b>15. Provisions</b>				
Annual leave	<u>9,989</u>	<u>6,250</u>	<u>9,989</u>	<u>6,250</u>
<b>16. Share capital</b>				
<b>Authorised capital</b>				
50 ordinary shares of \$15,000 each	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>
<b>Issued and paid up capital</b>				
8 ordinary shares of \$15,000 each, fully paid	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30th June 2004

## 16. Share capital (continued)

As at 30 June 2004 the Company and the Group authorised share capital comprised of 750,000 ordinary shares (2003: 750,000). The shares have a par value of \$15,000. As at 30 June 2004, 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) Limited	1	15,000
Fiji Development Bank	1	15,000
Fiji National Provident Fund	1	15,000
FHL Securities Limited	1	15,000
Fiji Stockbrokers Limited	1	15,000
Kontiki Stockbroking Limited	1	15,000
National MBf Finance Limited	1	15,000
	8	120,000

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 regard to the Company's residual assets.

## 17. Contingent liabilities

The directors are not aware of any contingent liabilities as at balance date (2003: \$NIL).

## 18. Commitments

The directors are not aware of any capital commitments as at balance date (2003: \$NIL).

## 19. Related parties

### Transaction with related party

The value of transactions with related entities were as follows:

	2004 \$	Company	2003 \$
<i>Amount owing by related party</i>			
Subsidiary - Central Share Registry Limited			
Management fees	6,000		9,000
Administration expenses	24,148		11,536
	30,148		20,536

### Related party transaction

The transactions undertaken with related parties during the financial year were on normal terms and conditions.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30th June 2004

## 20. Principal activities

The principal activities of the Company and the Group during the financial year were the provision of stock exchange and share registry services.

## 21. Registered office

The Company's registered office and head office is located at Level 2, Plaza 1, FNPF Plaza, 33 Ellery Street, Suva.

## 22. 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, to affect significantly the operations of the Company and the Group, the results of those operations, or the state of affairs of the Company and the Group, in subsequent financial year

## 23. Notes to the statements of cash flows

### (a) Reconciliation of cash and cash equivalents

Cash and cash equivalent at the end of the financial year as shown in the statement of cash flows are reconciled to the related items in the balance sheet as follows:

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Cash at bank – Operating account	57,284	49,008	53,063	35,621
Cash at bank – CSSES trust account	46,978	49,909	46,978	49,909
Cash on hand	250	100	250	100
	<u>104,512</u>	<u>99,017</u>	<u>100,291</u>	<u>85,630</u>

### (b) Reconciliation of operating profit after income tax to net cash provided by operating activities

Operating profit after tax	24,334	15,034	48,894	34,432
Add/(less) non-cash items:				
Depreciation and amortisation	21,763	24,960	11,719	17,199
Gain on disposal of fixed assets	(159)	(1,860)	(159)	(1,860)
Add/(less) items classified as investing/financing activities:				
Interest	<u>(950)</u>	<u>-</u>	<u>(950)</u>	<u>-</u>
Net cash provided by operating activities before changes in assets and liabilities	44,988	38,134	59,504	51,131

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 30th June 2004

23. Notes to the statements of cash flows (continued)

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>(b) Reconciliation of operating profit after income tax to net cash provided by operating activities (continued)</b>				
Changes in assets and liabilities				
(Increase) in other assets	(12,206)	(9,020)	(9,037)	(6,213)
(Increase) in prepayments	(402)	(1,412)	(402)	(1,412)
(Increase) in amounts owing by related company	-	-	(9,612)	(20,536)
(Decrease)/increase in creditors	(19,071)	20,162	(17,978)	17,367
Increase in provision	<u>3,739</u>	<u>3,257</u>	<u>3,739</u>	<u>3,257</u>
<b>Cash flows from operating activities</b>	<u>17,048</u>	<u>51,121</u>	<u>26,214</u>	<u>42,234</u>