

Highlights of the Year

Trading

- Total volume of shares traded - 3.8 million
- Total number of transactions executed – 976 trades
- Total consideration traded - \$9.4M

Market Capitalisation

- Market capitalisation at year end - \$1.2 billion – an increase of 33.8% over the year

Dividend Distributions

- Dividend declared and paid by 13 out of 16 listed companies
- \$40.8 million distributed as dividends to shareholders
- Average dividend yield for the market – 3.0%

Share Split

- Share split by FMF on 19th December 2005 on a 5:1 ratio taking the company's total issued shares to 150,000,000

Annual Report Competition

- 22 applicants participated in four different categories in the SPSE Annual Report Competition this year

Broker/Dealer Representative Licence

- The Capital Markets Development Authority (CMDA) issued five new broker/dealer representative licences taking the total broker/dealer representative to 13

Additional Quotation of Securities on the SPSE Main Board

- FIL quoted additional 50,075 shares on 12th September 2005 through the Company's dividend reinvestment scheme
- FMF quoted additional 120,000,000 shares on 19th December 2005 through a share split of 5:1
- KGF quoted additional 25,205 shares on 1st June 2006 through the Company's dividend reinvestment scheme
- VBL quoted additional 510,000 shares on 5th December 2005 after successfully completing a rights issue to the existing shareholders
- YGL quoted total of 525,925 additional shares (27,425 on 29th August 2005 from exercising of A and B options for B class shares, 271,000 on 2nd December 2005 from exercising of Series A share options for B class shares and 227,500 on 27th January 2006 from exercising of Series A share options for B class shares)

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Board of Directors



Ms Foana Tukana Nemani (Chairperson)

Ms Nemani is the Deputy General Manager & Chief Operating Officer for the Fiji National Provident Fund (FNPF). She holds Master of Commerce from University of New South Wales, Graduate Diploma in Applied Finance & Investment from Securities Institute of Australia [now called Financial Services Institute of Australasia (FINSIA)], a Bachelor of Arts in Accountancy from University of the South Pacific, Certificate in Organizational Change & Quality Improvement from Hawaii Pacific University and Diploma of Business Studies from Fiji Institute of Technology.

Ms Nemani is a qualified Chartered Accountant and a member of both the Fiji Institute of Accountants and CPA Australia. She is a Fellow of the Financial Services Institute of Australasia (FINSIA). She also serves as a director on various other boards.



Mr Dinesh Shankar

Mr Shankar is the managing director of Venture Capital Partners (Fiji) Limited and Fiji Stockbrokers Limited. He is a licensed investment adviser and runs Meridian Consulting, an investment and strategic planning advisory company. He is also the managing partner of Fine Arts (Fiji) Limited, a film production company that is currently finishing its first local feature film.

He holds a Masters in Business Administration from the University of Southern California and is a Fulbright Scholar. Mr Shankar serves on a number of local boards including Fiji Investment Corporation, Fiji Agromarketing Limited, Pacific Equity Limited as well as Save the Children Fiji.



Mr Esekaia V Kamunaga (Deputy Chairman)

Mr Kamunaga is the General Manager Financial Operations at the Fiji Development Bank. Mr Kamunaga holds a Bachelor of Financial Administration degree and a Post Graduate Diploma in Financial Management from the University of New England, Australia.

Mr Kamunaga is a qualified Chartered Accountant with over 14 years experience in Accounting and Finance work in Fiji and Australia. He is a Council Member of CPA Australia – Fiji Branch and also serves on the board of FDB Nominees Limited.



Mr Brendan Harrison

Mr Harrison is the Assistant General Manager – Investments for Colonial Group. He holds Masters of Science (Finance) from University of Strathclyde in Glasgow, Master of Business Administration from University of Technology in Sydney and Bachelor of Engineering (Electrical) from University of New South Wales. He has over 10 years of management experience and he also sits on other boards.



Mr Tevita Gonelevu

Mr Gonelevu is the Manager Investments at Fijian Holdings Limited. He is also the company secretary of FHL Securities Limited (FHLS) and manages the company's daily operations. He graduated with Bachelor of Arts degree from University of the South Pacific majoring in Accounting and Information Systems. He has also undertaken training at the Australian Graduate School of Management and has pursued two Post Graduate Accounting courses at the University of the South Pacific.



Ms Laisa Saumaki

Ms Saumaki is the Manager at FNPF Nominees Limited and secretary to the FNPF Nominees Board. She holds a Bachelor of Arts degree from the University of the South Pacific majoring in Accounting & Financial Management and Economics. She has been working in the financial sector for over ten years and has vast experience in the financial markets.

Company Profile

The South Pacific Stock Exchange (SPSE), formerly known as the Suva Stock Exchange is the only licensed securities exchange in Fiji. From just a trading post in 1978, the SPSE has developed and graduated into what it is today. Having only two companies listed in 1978, the Exchange to date has 16 companies listed on its trading board.

The Exchange is owned by eight shareholders, Fiji Development Bank, Fiji National Provident Fund, FNPF Nominees Limited, FijiStock Brokers Limited, Kontiki Stockbroking Limited, FHL Securities Limited, Credit Corporation (Fiji) Limited and Colonial Fiji Life Limited.

Main role of SPSE is to facilitate equity raising for businesses by providing a primary market for companies who want to list. Apart from functioning as a facilitator, SPSE is the front line regulator for most of the market participants and it ensures smooth and effective regulatory compliance by the members of the exchange and the listed companies. The Exchange also ensures a responsive, fair and transparent trading system in the secondary market through improved liquidity.

As an ongoing task, SPSE continues to increase awareness of investing in the general public to encourage savings and investment. It also promotes implementation of high level business ethics and corporate governance to improve performance of management and boards of listed companies and members.

Trading at the Exchange is conducted through an open outcry system or a "call market". The call market session is conducted at 10.30am each business day with brokers submitting their orders and the caller matching these orders and executing the trades on a price time priority basis. The transactions are paper-based and call sessions occur on a physical trading floor. Currently, securities that can be traded on the SPSE include listed company shares and Government and statutory authority bonds.

SPSE, through its fully owned subsidiary, Central ShareRegistry Limited also provides registry services to publicly listed companies with an aim to extend this service to non-listed public companies as well. With a total of six staff, SPSE is poised for high level of growth as Fiji's capital markets continue to develop.

Listed Security	Security Code	Date Listed	Operation Description
Atlantic & Pacific Packaging Company Limited	APP	17 August 1998	Manufactures a wide range of packaging materials including corrugated cartons and assorted containers and packets
Amalgamated Telecom Holdings Limited	ATH	18 April 2002	Provides telecommunications services in Fiji and enhances the network of telecommunications through its subsidiaries Telecom Fiji, Vodafone and Connect and development of internet services
Communications (Fiji) Limited	CFM	20 December 2001	Holding company for Fiji's largest radio network and event organising through Total Event Company and also has subsidiary companies such as Unwired, PNG FM and FijiVillage.com
Foster's Group Pacific Limited	FGP	14 June 2005	Engages in the manufacturing and sale of beer and ready-to drink alcohol beverages, distribution of wines as well as distillation and sale of portable and industrial alcohol
FijiCare Insurance Limited	FIL	7 December 2000	Underwriting of medical health, disability and term life insurance risks and development of new medical insurance cover products
Flour Mills of Fiji Limited	FMF	25 July 1979	Deals in activities of flour milling, managing of SNAX factory production including biscuits and potato chips with two of its subsidiaries also listed on the SPSE.
Fiji Sugar Corporation Limited	FSC	7 June 1979	Responsible for the manufacture and sale of raw sugar together with molasses as a by-product. Also engaged in procurement of material and machinery, special development, project work and blending and sale of fertilizer and agricultural chemicals
Fiji Television Limited	FTV	24 April 1997	Operation of commercial broadcasting services through its free-to-air Fiji One channel and pay channels such as Sky Entertainment, Sky Pacific, Sky Plus and Sky Sports
Kontiki Growth Fund Limited	KGF	16 December 2004	Invests shareholders funds in private equity projects and shares in Kontiki Fund with an objective of generating high growth returns for shareholders over the long-term.
Pacific Green Industries (Fiji) Limited	PGI	5 June 2001	Engages in manufacture and sale of furniture and architectural products made from coconut palmwood
RB Patel Group Limited	RBG	17 July 2001	Retailing and wholesaling of general merchandise and also owners and managers of property and equity investments
The Rice Company of Fiji Limited	RCF	20 January 1997	Dealers in rice and allied products
Toyota Tsusho (South Sea) Limited	TTS	7 June 1979	Engages in automotive importation and distribution
V B Holdings Limited	VBL	1 November 2001	Engages in property investment, financing of vehicles sold by related entities, fleet management services and other investments
Yaqara Group Limited	YGL	30 March 2005	Promoting and development of audio-visual industry, managing the development of Studio City and associated projects in Fiji
Fijian Holdings Limited*	FHL	20 January 1997	Investment company with a number of subsidiaries dealing with securities under FHLS and also dealing in property trust investments under its subsidiary FHPTF.

*FHL is listed on the restricted board.

Chairman's Report



Business Overview

The financial year 2006 has been an exciting as well as challenging one for South Pacific Stock Exchange Limited (SPSE).

Stock markets in developed countries around the globe have always been strong indicators of the direction in which the country's economy is moving. In Fiji, the stock market remains to be quite small to be giving out any such signals for the economy on its own.

However, SPSE has come a long way over the last few years to increase the overall liquidity in the market and continuing in its efforts to have more efficient allocation of funds to projects where it is needed.

SPSE reported a record profit for the company and the group in 2006. Group net profit was up \$140,670 compared to \$74,507 in June 2005. While the company is pleased with its results, we also note that this was a year with no new listings on the SPSE board. Total annual listing fees actually decreased as two listed companies merged in May 2005.

Having to compete with lower interest rates being offered by banks during most of our financial year, the SPSE found a lot of businesses opting for debt to fund their expansion projects rather than equity. In the second half of the year, a lot of major decisions such as Initial Public Offerings or listing also came to a halt due to the General Elections being held in May 2006. The business community continued to have a "wait and see approach" for a while, even after the newly elected Government had come in to Office and this impacted strongly on the activities of the SPSE.

However, the increase in trading activity and improvement in the overall liquidity in the market together with a significant increase in Government grant over the last year has attributed to the increase in our revenues. Tight cost control measures which continued to be implemented also helped increase the profitability of the group.

Other Developments

SPSE continued to promote listing on the stock exchange board aggressively to the potential companies. A Steering Committee was formed to target these companies and approach them on specific needs. As the benefits of listing were more streamlined and presented to the business community, we found that a number of companies have now started to become more comfortable with the idea of going public. This change would hopefully be reflected in the number of new listings in the coming year.

Public awareness on investing continued as more schools attended the call market sessions to get a better understanding of how stock markets work. At SPSE, we believe that with better knowledge and understanding of investing, value can be created. Publications to promote the risks and returns from investing on the stock exchange were also made available to the public. Importance of saving and investing is also being realized by the general public at an encouraging rate where first time investors are entering the markets to learn and capitalize on investment opportunities.

One of the key changes in management also occurred later in the financial year when Jinita Prasad was appointed as the new Chief Executive for the SPSE in March 2006. Ms Prasad comes from a stockbroking background and has been in the capital markets industry for more than six years now.

Challenges for the Future

Traditionally, companies have been quite comfortable in funding their projects through debt, retained earnings or other means such as private placements. However, rising interest rates will tend to make listing on the SPSE a more attractive alternative. If the trend continues, a number of companies will also look at "Going Public" as a means of reducing their existing debt obligations. The key to getting higher number of companies participating in the stock markets as means of raising capital is to highlight the opportunity of wealth creation that the companies will not experience if they remained private. Value

to shareholders, fair valuation through price discovery and increase in public and investor profile are only a few to name.

We believe that market in general will continue to improve in terms of investor awareness. However, recent interest rate movements will tempt many investors to participate in short term money markets instead of investing in stocks. Over the longer term, investors are bound to realize that returns from stock markets are mainly tax free.

The success of SPSE, like any other stock market, relies on a number of external factors as well such as a stable economic and political environment and global trends. Signs of a bearish market have already started to show with the market capitalisation beginning to lose grounds. While a bearish market is generally not a likeable situation for investors, SPSE sees this as an opportune time for creation of more liquidity in the market.

Institutional investors will continue to have major impact on the level of activity in the stock market as they hold a major portion of the listed securities in Fiji. The increase in the level of private equity and venture capital projects by some of the institutions have been encouraging as this in turn will promote listing few years down the line as these institutions look for exit strategies or objective valuations for those investments.

Corporate Governance

As frontline regulators of the stock market, SPSE has always believed in good corporate governance leading to a better investment environment for all stakeholders. Promoting higher standards of ethical values amongst the listed companies enhances corporate accountability and more importantly helps create wealth.

Over the year, our Listing Rules have gone through various amendments to promote investor confidence and assist companies in meeting the expectations of the stakeholders. Most of these changes have been in relation to more timely and accurate information being available to shareholders, tightening of policies to prevent manipulation in the market and increasing awareness of the fiduciary obligations of the officers of publicly listed companies.

The Listing and the Business Rules will continue to undergo similar changes as the environment becomes more sophisticated with introduction of new products and methods. However, SPSE also accepts that its role is not only that of a regulator but also a market facilitator so any new change will always be supportive of the overall development of our stock market.

Acknowledgements

On behalf of the Board of Directors, I would like to extend my sincere appreciation to the Government for their on-going financial support in form of annual grants. An increase in grant from \$117,000 to \$250,000 in our last financial year has seen SPSE subsist through a fairly tough year with no new listings. We continue to look forward for the Government to support us in future through these grants and other incentives to promote listing and increase liquidity in the market.

I wish to also acknowledge the contributions of the former Chairman, Mr Neale Wright and former Acting Chairman, Mr Nalin Patel who had put a lot of effort in bringing SPSE to its current state. All the market intermediaries also need to be commended for their commitment to maintain liquidity in the market.

Finally I would like to thank my fellow Board Members, and the Management and the staff of SPSE for their dedication and commitment to SPSE and to the stock market in Fiji.

Foana T Nemani
Chairperson

Chief Executive's Report

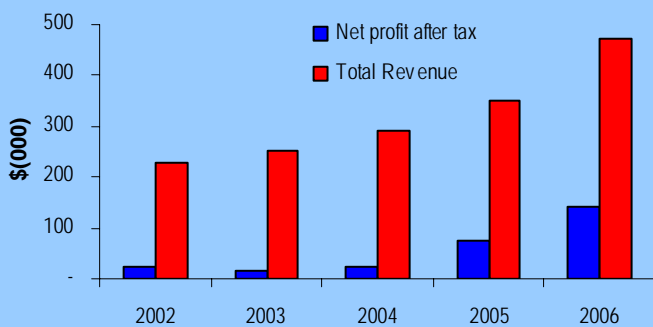


I have great pleasure in providing you a full account of the activities of the stock market in Fiji and the results of South Pacific Stock Exchange Limited (SPSE) for the financial year ended 30th June 2006.

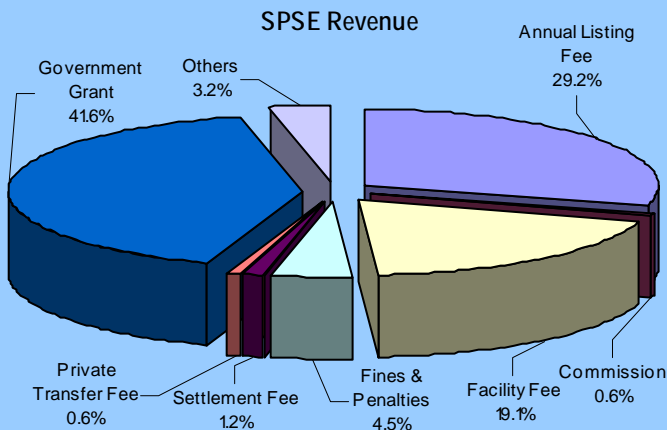
Financial Performance

One of the greatest achievements for SPSE in FY06 has been the record profit for the consolidated group of \$140,670. This amount was up 88.8% on the previous year's profit. Turnover for the entire group also increased to \$472,342, 34.8% more than the turnover figure in FY05. Holding company results were similar in reaching a record profit of \$124,156, also 89.0% up from the same period previous year. Subsidiary company, Central ShareRegistry Limited (CSRL) followed suit recording a profit of \$16,514, improving 87.5%. Expenditure for the consolidated group also increased but relative to the increase in revenue, it was only a slight rise of 20.2% to \$331,672.

Group Revenue & Net Profit



The FY06 results are mainly attributed to the increase in annual grant by the Government. Annual Government grant for the calendar year 2006 was increased from \$117,000 to \$250,000 (an increase of 113.7%). However, the overall stock market trading increased during this period as well, with income from facility fee increasing from \$55,675 to a record level of \$86,590, up 55.5%. SPSE lost revenue from annual listing fees as it dropped 13.7% in 2006 due to the merger of two companies just before the beginning of the financial year.



Stringent cost measures were also put in place to minimize expenditure for the entire group. A number of synergies were outlined between the holding and subsidiary companies to lower costs which also enhanced the improvement in the group profitability.

With retained earnings as at end of June 2006 of \$172,646, SPSE now has a stronger balance sheet than before which can now help the company venture in to projects that it was not able to carry out previously. This would involve more vigorous marketing campaigns to promote listing on the SPSE and outsourcing public company share registers to its subsidiary, CSRL. SPSE is also looking at possible ways of reducing other transaction costs to make trading more viable especially for smaller retail investors. While this could mean a direct reduction in our revenues, it would also attract higher volume which will then positively impact on revenue and profit.

Market Performance

The market remained bullish most of the year with a bigger presence of buyers than sellers on the trading board which resulted in the increase in prices of many stocks, especially the ones that were highly sought after. However, there were signs of more scrip being available towards the end of year coinciding with withdrawals of some significant bids from the board.

Ten out of the 16 companies listed reached an all-time high last year with average returns from capital appreciation standing at 21.2%. The vibrant stock market was clearly reflected in the market capitalisation exceeding the billion dollar mark in the first half of the financial year and continuing on an upward trend till year end. Over the 12 months under review, market capitalisation increased by 33.8% to \$1.2 billion.

A major factor driving the remarkable capital yield for the listed companies was the lack of scrip in the market. However, an even more vital factor attributing to such returns were the performances of most of these listed companies. A number of announcements on the operations and performance of the companies were made through out the year to help investors understand the fundamentals of these companies and decide whether to invest in them or not. Few companies surpassed market expectations leading to the rise in their stock prices. Some stock prices rose faster than expected or warranted by their performance only to be corrected by the market later.

While capital return from shares was quite impressive, dividends remained an essential deciding factor for investment mainly for retail investors. On average, listed companies yielded a dividend return of 3.0%. With the exception of three companies, all the listed companies declared and paid out dividends in line with their profitability and dividend policies. Compared to previous year, dividend yield had shrunk significantly mainly due to the rising stock prices. Total returns from shares listed on the stock exchange in the last financial year ranged from -2.8% to 112.6% and averaged around 24.2%.

Call market sessions were in progress at 10.30am every business day. Some days saw heavy trading whereas SPSE also went through trading sessions without a single trade but only changes to existing bids and offers. SPSE continues to take pride in its manual trading system which allows brokers and observers to witness transactions being executed on the board through the caller and the chalker. A chief arbiter is present in every trading session to supervise the smooth running of operations.

Second half of the financial year, SPSE waived the settlement cost, a \$5 fee per trade payable by both the selling and the buying clients to the SPSE. This fixed fee was initially imposed to cover the costs of clearing and settling of transactions by the SPSE few years ago. However, SPSE saw this as a deterrent to small scale trading by retail investors and subsequently suspended the fee for 12 months starting from 1st January 2006 to be reviewed after the period. SPSE has since observed an increase in the number of small trades which indicates that the suspension of the fee might continue.



Chief Executive's Report

Broking members of the Exchange delivered another year of impressive trading activities as reflected in the increase in turnover. Licensed through Capital Markets Development Authority (CMDA), the market continues to have three broking houses namely, FHL Securities, FijiStock Brokers and Kontiki Stockbroking. Furthermore, a total of 13 licensed broker/dealer representatives are licensed through CMDA to execute orders on behalf of their clients. The role of brokers is very crucial in our developing markets as they are the intermediaries having direct contact with the investors. SPSE encouraged the brokers throughout the year to be more proactive in approaching clients and increasing liquidity. The broking community which is also regulated by the SPSE through implementation of our Business Rules has mainly been compliant during the year.

A total of 41 private transfers were approved by the SPSE Board and the CMDA during the year. These transfers were mainly allowed for settlement of will or estate of a deceased, for gifts to close relations and for employee share schemes already in place by listed companies. Some of the private transfers were also in relation to voluntary liquidation of investment companies where shareholders received shares in listed companies in proportion to their holdings in the company. SPSE always encourages on-floor trading as opposed to private transfers (or off-market transfers) to ensure price discovery through market mechanisms.

Bond trading remained inactive with not a single bond trading on the board during the financial period. To promote bond trading on the exchange board, transaction costs for trading of such bonds have been revisited to make it more attractive for traders. However, this area of activity will need more awareness and possibly another look at the costing before listing and trading of more bonds can eventuate.

Compliance Report

Compliance by the market intermediaries and listed companies were monitored by SPSE throughout the year. There was a general increase in market announcements made by listed companies as they acknowledged how the dissemination of data about their performance and general operations were having an impact on their share prices to some degree. SPSE is still far from becoming an efficient market where any information released by a listed company gets reflected in its price immediately. But what we have observed is that the market responds to such information eventually.

A very stringent approach was taken by SPSE to any misinformation, lack of transparency and untimely release of information by listed companies. This stand was necessary to avoid any market manipulation or insider trading. Most of the listed companies were more than willing to comply, giving additional information at times. However, a number of companies were also disciplined during the year for non-compliance. In the event where SPSE Listing Rules alongside CMDA Act, Rules and Regulations were not adhered to, SPSE has appointed a Disciplinary Committee to regulate and rule on such proceedings.



A number of guidelines were also introduced for better comprehension of the existing rules and to account for changes occurring in our industry. All changes were made available for comments where market participants were given a chance to make submissions on those proposed changes. SPSE believes it is very important to seek the industry's opinion before implementing any major changes.

Clearance and settlement processes were carried out for every transaction executed on the trading floor within three days of the trade date. It was encouraging to see early settlements being requested by brokers which in effect shortened the time frame from when a buyer pays for the shares to the time they receive the actual share certificates. There were also a few cases of late settlements during the year which were handled according to the Business Rules.

Public Relations

A number of broker and media briefings were held by listed companies through the Exchange to brief the brokers and media on the progress of their operations and to provide an update to stakeholders on how the companies were performing relative to their forecasts. These briefings were appreciated by the brokers as it indicated the direction in which the companies were heading instead of waiting for release of either six monthly or year end results. Investors through the media or their broking advisers then had more timely information available to assist them in deciding whether to buy, sell or hold a particular stock.

Throughout the year, a total of 202 announcements were released by SPSE on a number of events relating mostly to the listed companies. SPSE also attempted to keep the general public informed by identifying market trends and major activities taken by market participants.

The website for SPSE went through minor updates during the year to make the site more comprehensive to the end users. SPSE also became the content providers to a number of external websites giving detailed trading data and commentaries on a daily or weekly basis on the market events. This was found to be very useful as investors became more aware of the role played by the SPSE and more importantly how the listed securities were performing. Even in its weaker form, our market is very sensitive to information hence SPSE ensured that all releases were made in a very timely manner allowing sufficient response time from brokers and investors.



Staff Development and Training

SPSE has a fairly young team, eager to learn and develop alongside the capital markets of Fiji. The team members go through regular in-house training programs focusing on key areas such as compliance, settlement and registry. External programs such as FINSIA broker licensing exams, various programs available at TPAF and workshops held by CMDA have also been found to be very useful in enhancing the knowledge base.

As new products are introduced in the market and the mechanics of listing and trading become more sophisticated globally, there is pressure for SPSE to ensure that its staff can manage these changes locally. SPSE also tried to liaise closely with neighbouring stock exchanges in New Zealand and Australia to access basic training materials for staff. One of the senior staff had a week-long attachment with NZX in Wellington which turned out to be very beneficial in terms of getting new ideas on expanding our trading system and also on the move towards automation. We are grateful to the Fiji New Zealand Business Council, who fully funded this trip.

Chief Executive's Report

SPSE deals with a lot of information that can not be made public as part of its daily operations therefore confidentiality is always emphasized amongst the staff. Accuracy and timeliness are also very vital keystones in providing an efficient service as the trading and settlement system in existence is manual and prone to errors if not thoroughly monitored. During the year, every job delegated to an employee also had at least one or two people as a back-up for that position. This was put in place to avoid interruptions in the daily running of the Exchange given that the number of staff is quite low.

One of the major challenges for SPSE in the past has been staff retention. However, with a system now in place of properly rewarding performance and with lightening of the financial constraints of SPSE, we believe this will no longer be an issue especially since the current team is very enthusiastic of being part of the organization during the times when the entire stock market will be going through some major developments.

Share Registry Services

CSRL, a wholly owned subsidiary of SPSE, performed in line with expectations. With five out of the 16 companies using the registry services now, the aim is to not only get the remaining listed companies on board but to also attract non-listed public companies to out source their registry to CSRL. The registry service includes maintaining of the registry for shareholder names and details as and when a transfer or change occurs, distribution of dividends and annual reports to shareholders of client companies and regular reporting to client companies on the updated registry. Shareholders of these companies are been encouraged to liaise directly with the registry now for any change on shareholder details including addresses.

CSRL is hopeful to get support from all the remaining listed companies this year as once these companies have joined the registry, SPSE will be a step closer to a scripless and automated trading system. Currently this move is difficult as there is no centralized database.

New Vision / Future Outlook

We have successfully identified a number of areas of development for the SPSE in the coming year. This involved revisiting our core business which is providing efficient market infrastructure for listing, trading, clearance and settlement and registry services. Amongst improving the core activities, the management also aims to reduce the expense line further while increasing efficiency and productivity. In terms of capitalisation and even the number of companies listed on the board, SPSE ranks as one of the smallest exchanges around the globe. However, we believe that just by having a stock exchange in Fiji, we are already ahead of so many other developing countries.

The idea of going public still remains foreign to a number of successful businesses here so SPSE will continue to educate the market on the benefits of listing. Once the realization of wealth creation has set in, listing will not remain a difficult task. This will be done through a number of workshops and company visits.

SPSE is hopeful that support from Government will continue in the form of grants and more so in terms of tax concessions to make listing on our exchange more attractive to businesses.

As any commercial organization, SPSE also believes in interacting extensively and improving their services to its clients and the end-users. Maintaining a smooth relationship with listed companies and the intermediaries will not only make the day-to-day running of the exchange more efficient but also make the listing and trading process a whole lot attractive to the parties on the outside.

Promoting fairness, integrity and transparency will remain to be our keystones to achieve confidence of investors and companies looking at raising equity from our markets. Supervisory role of SPSE will always remain stringent to maintain a level playing field for market participants. Rules and guidelines will undergo further changes to align them with international standards. SPSE together with market regulators, CMDA, also aims to improve the standard of corporate governance for the capital markets industry.

With the help of the Government, CMDA and the broking members, SPSE will carry on in its efforts to increase trading and liquidity in the market. Promoting our stock market offshore as an ideal investment opportunity will be a positive move for the exchange and the economy. Dual listing and developing the derivatives market will be seriously considered as well.

Being a private company owned by eight shareholders including three broking members, one of the main aims of SPSE remains to be able to maximize shareholder value and provide a decent rate of return to its investors. While this is not possible at the moment as SPSE relies on Government grant to support its day-to-day activities, over time SPSE aims to be self sufficient and achieve this goal.



Jinita Prasad
Chief Executive Officer



Market Report

Market Capitalisation



On 23rd November 2005, the capitalisation of the market surpassed the billion dollar mark for the first time in the SPSE's history. As at 30th June 2006 the market capitalisation stood at \$1.2 billion compared to \$833.6 million last year, depicting a massive growth of 33.8%. This was mainly due to the increase in market capitalisation of 13 listed companies. The market capitalisation is calculated by multiplying the issued shares of a company with the current market price, thus any increase in the market capitalisation is a direct result of either an increase in the company's share price or an increase in the number of issued shares or both.

As highlighted earlier, the market capitalisation of 13 of the 16 listed companies increased during the period under review. Only FSC and FIL saw their market capitalisation decrease while there was no change in the market capitalisation of PGI.

On the top of the list was FGP whose market capitalisation increased from \$137.9 million to \$291.4 million, rising 111.3% over the 12 months. This increase was solely driven by the price movement of the security. The average increase in the market capitalisation for the 16 companies was 25.1% ranging from -3.9% to 111.3%.

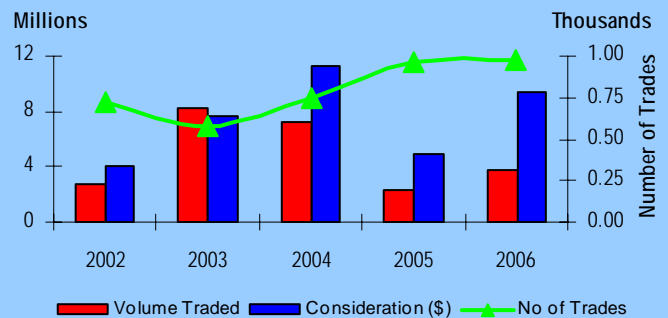
Though the capitalisation of the market giant ATH increased by 10.5%, the company lost its supremacy slightly as it now represents 37.5% of the total market capitalisation compared to 45.4% last year, a decrease of 7.9%. FGP's dominance increased by 9.0% as the company now represents 24.6% of the total market capitalisation. The top five companies in terms of the market capitalisation were as follows:

1. ATH – 37.5%
2. FGP – 24.6%
3. FMF – 13.7%
4. FTV – 4.9%
5. RBG – 4.6%

The top three companies encompass 75.8% of the total market capitalisation.

Trading Report

Trading Statistics



During the year, the trading floor facilitated a total volume of 3.8 million shares in 976 transactions. This was a significant increase of 1.5 million shares rising 65.8% compared to the same period last year. Subsequently, the value traded rose to \$9.4 million from \$4.9 million, an increase of 94.2%.

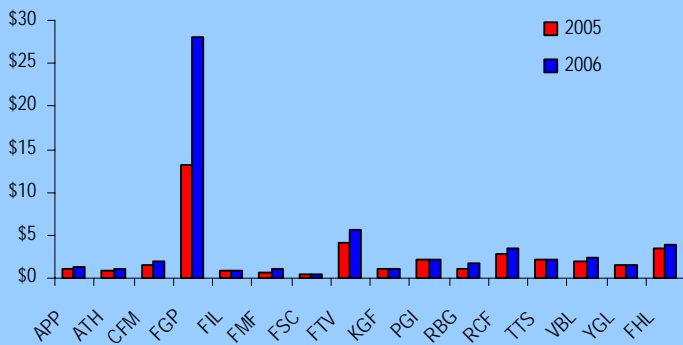
This upward trend in trading statistics was mainly due to the increased demand for shares in the market alongside a bigger presence of institutional investors. Perhaps this trend could also be partly attributed to the extensive marketing and increased awareness done by the Exchange together with CMDA.

The table below shows trade statistics for individual companies as at 30th June 2006. The most actively traded stock in terms of volume and consideration was FMF amounting to 36.3% and 37.8% of the total volume and total consideration respectively. FSC was the least actively traded stock in terms of both the volume and value. The top five companies in terms of the volume and value traded as a percent of their respective total turnovers were as follows:

Volume	Value
1. FMF – 36.3%	1. FMF – 37.8%
2. APP – 12.5%	2. FTV – 14.1%
3. ATH – 8.8%	3. FGP – 13.1%
4. YGL – 8.2%	4. FHL – 10.4%
5. KGF – 8.0%	5. APP – 5.8%

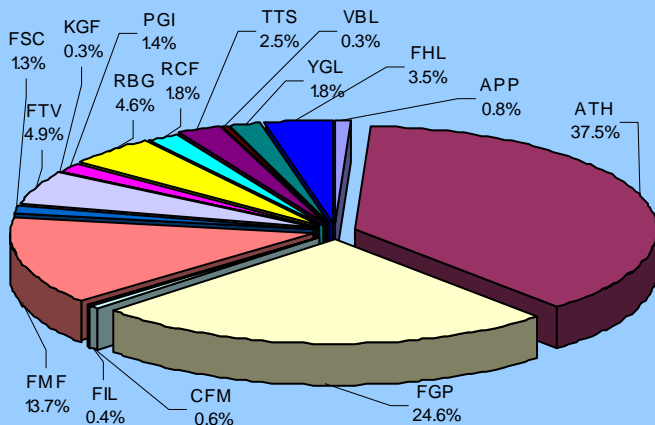
The value traded for 11 companies increased during the year. The highest number of transactions was executed in FHL totaling to 410 trades during the year. On the other hand, YGL saw only 6 transactions being executed over the same period.

Share Price



During the financial year under review, the market was mainly bullish. The annual buy/sell ratio as at 30th June 2006 was 0.4 compared to 1.6 for the same period in 2005. This indicated that the strong presence of buyers on the board was diminishing as more sellers were emerging. On the other hand, the number of bids in FY06 was 70 while the number of offers was 37. The number of orders for most of the listed securities followed similar patterns throughout the year. There were six bid-only stocks and five offer-only stocks on the board as at 30th June 2006. Given the high number of bids on the board, most of the securities experienced upward movement in their share prices throughout the year. The increase in the share prices had a positive impact on the market capitalisation of the respective securities as depicted below.

Market Capitalisation by Security



Market Report

Security	Share Price (\$)	Number of Trades	Volume Traded	Consideration (\$)	Earnings Per Share (cents)	Price Earnings Ratio (x)	Issued Shares	Ratio of Shares Traded to Shares on Issue (%)	Market Capitalisation (\$)
APP	1.19	12	472,400	543,837.16	3.83	31.0	8,000,000	5.9	9,520,000
ATH	1.05	172	330,548	331,506.60	5.82	18.0	422,104,868	0.1	443,210,111
CFM	1.90	30	66,000	122,290.00	6.10	31.1	3,558,000	1.9	6,760,200
FGP	28.00	71	51,440	1,239,539.70	96.67	29.0	10,408,125	0.5	291,427,500
FIL	0.80	11	51,509	40,933.32	n/a	n/a	5,760,774	0.9	4,608,619
FMF	1.08	94	1,370,135	3,570,694.90	4.17	25.9	150,000,000	0.9	162,000,000
FSC	0.35	8	9,005	3,146.15	117.35	0.3	44,399,998	0.0	15,539,999
FTV	5.62	70	292,984	1,327,346.18	43.07	13.1	10,300,000	2.8	57,886,000
KGF	1.12	37	303,300	319,179.00	3.62	30.9	3,525,205	8.6	3,948,230
PGI	2.25	7	71,250	160,840.00	n/a	n/a	7,619,234	0.9	17,143,277
RBG	1.80	22	88,265	137,744.30	9.82	18.3	30,000,000	0.3	54,000,000
RCF	3.45	10	46,700	152,268.00	20.10	17.2	6,000,000	0.8	20,700,000
TTS	2.10	8	14,699	30,800.74	23.44	9.0	14,032,202	0.1	29,467,624
VBL	2.30	8	13,286	29,567.10	21.72	10.6	1,530,000	0.9	3,519,000
YGL	1.45	6	310,933	450,850.85	n/a	n/a	14,770,310	2.1	21,416,950
FHL	3.95	410	278,716	978,559.27	27.43	14.4	10,464,650	2.7	41,335,368
TOTAL:		976	3,771,170	9,439,103.27			742,473,366	0.5	1,182,482,877

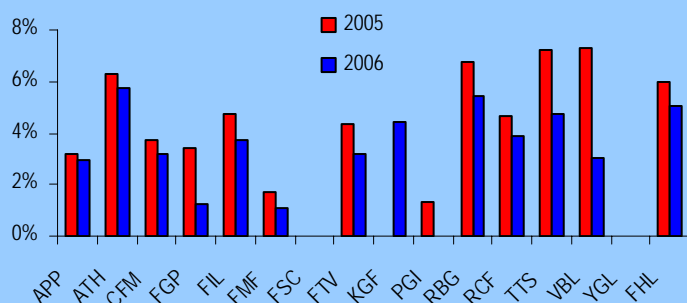
All Values are as at 30th June 2006

Bulk of the issued shares still remains closely held by institutions and founders of the companies. Only 0.5% of the total number of shares on issue was traded during the FY06. There was a slight improvement in comparison to the FY05 in which the ratio was 0.3%.

The dividend paid by the listed companies is tax free for Fiji residents and capital gains tax does not apply on disposal of shares on the Exchange unless it is being carried out as a normal trading activity.

Dividend Report

Dividend Yield



The graph above compares the dividend yield of the listed companies. The average dividend yield for the market was 3.0%. ATH was the highest dividend yielding company with a dividend yield of 5.7%. FSC, PGI and YGL did not declare or pay any dividend during the period under review.

The capital growth as depicted in the table below, averaged at around 21.2% with FGP having the highest capital growth of 111.3%. Out of the 16 companies, 12 of the companies had positive capital growth. PGI and YGL had zero capital growth while FIL and FSC had negative capital growth.

The total return from a listed security comprises of dividend yield and capital growth. During FY06, the average total return from the stock market stood at 24.2%. FGP had the highest total return of 112.6% while FSC had the lowest and a negative total return of -2.8%. The top five securities in terms of the total return were as follows:

1. FGP – 112.6%
2. RBG – 58.0%
3. FMF – 53.2%
4. FTV – 33.9%
5. FHL – 23.0%

Security	Dividend Yield (%)	Capital Growth (%)	Total Return (%)
APP	2.9	8.2	11.1
ATH	5.7	10.5	16.2
CFM	3.2	18.0	21.2
FGP	1.3	111.3	112.6
FIL	3.8	-4.8	-1.0
FMF	1.1	52.1	53.2
FSC	0.0	-2.8	-2.8
FTV	3.2	36.7	39.9
KGF	4.5	7.7	12.2
PGI	0.0	0.0	0.0
RBG	5.4	52.5	58.0
RCF	3.9	19.0	22.9
TTS	4.8	1.0	5.7
VBL	3.0	12.2	15.2
YGL	0.0	0.0	0.0
FHL	5.1	17.9	23.0
Average:	3.0	21.2	24.2

KSPX Index

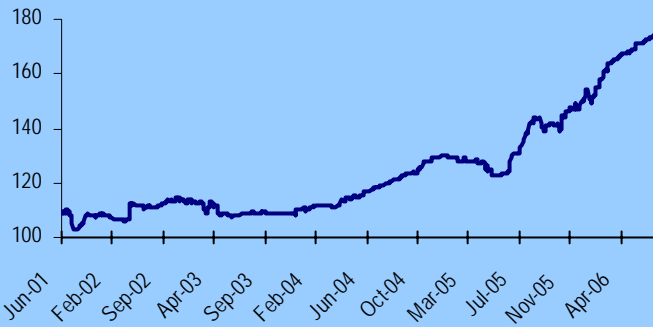
The KSPX Index is a share price index composed of the market-weighted average of all companies listed on the SPSE. This year the KSPX Index reached an all time high recording a 33.6% increase from last year to peak at 174.1 as at 29th June 2006. This compares to 109.2 five years ago when the Exchange only accommodated for 11 companies.

The KSPX index hike was mainly the result of huge price increases seen in FGP which more than doubled on its post share price split. Other major share price jumps came from FTV, RBG, FMF and market heavyweight, ATH.

The graph below shows the KSPX index for the past 5 years. The index as at 30th June 2006 stood at 174.1.

Market Report

KSPX Index over last 5 years



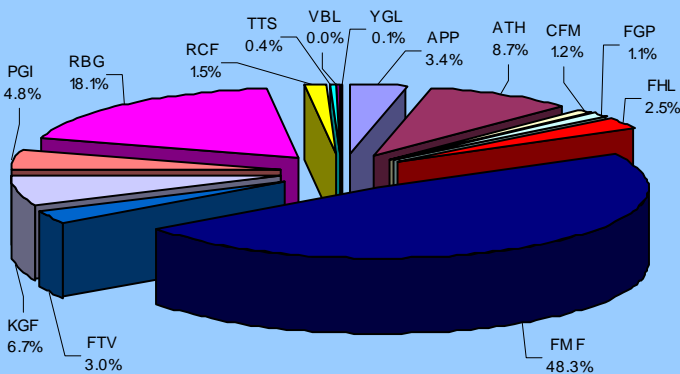
Private Transfers

The Exchange facilitated a total of 41 private transfers in 14 listed companies amounting to \$1.7 million. Total volume transferred was 1,027,026, a decrease of 28.3% when compared to the same period last year. Private transfers are transactions executed off the market subject to the approval of the SPSE Board and the CMDA and it can only be done in the course of:

- Sale or gift to close relation, or a charity or organisation
- Settlement of a will or estate of a deceased person
- Operation of an employee share scheme/ownership of a listed company with respect to its own shares
- Restructuring or mergers or acquisitions
- Setting off the value of listed securities that are pledged against a loan from a commercial bank or other licensed lending institution
- Any other private transactions of listed securities of an exceptional nature that is acceptable by the securities exchange and the CMDA.

Out of the 41 transfers, seven were done for a sale or gift to close relations, 16 for estate cases, 1 for merger and 17 for transfers under exceptional nature. Private transfers under exceptional nature mainly included transfers from FNPF Nominees Limited to individual members of FNPF resulting from events such as retirement, migration or transfers to beneficiaries of deceased members. All the above transfers were in accordance with the CMDA Rule 23 (1).

Private Transfer by Security

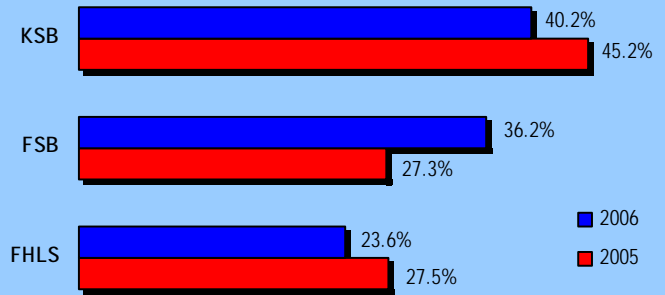


The pie chart above depicts the volume of transfers by the individual companies. FMF accommodated for 495,850 of the total shares while VBL had only 500 shares transferred via private transactions. There were no private transfers for FIL and FSC for the period under review.

Trade by SPSE Members

The SPSE Members play a vital role in developing the market. Broker representatives interact with the investors and they act on behalf of the clients. There are three broking firms in Fiji, namely the FHL Securities Limited (FHLS), FijiStock Brokers Limited (FSB) and Kontiki Stockbroking Limited (KSB).

Consideration by SPSE Members



As shown above, KSB dominated the trading activities in 2005 but it partly lost its dominance to the FSB in 2006. Overall, there was an improvement in the performance of all three brokers since the total turnover for the year had increased significantly from \$4.9 million to \$9.4 million.

Annual Report Competition

The SPSE once again successfully organized the prestigious annual report competition. The award process has grown over the years with a total of 22 participants in four different categories this year. There were seven judges from different organisations serving on the panel, chaired by Professor Michael White from USP. Other members of the panel were as follows:

- Mr Bruce Sutton of KPMG
- Mr Pradeep Patel of Deloitte Touche Tohmatsu
- Mr Sunil Sharma of BDO Zarin Ali
- Mr Sikeli Tuinamuana from Ernst & Young
- Mr Ajay Nand from Auditor Generals Office
- Mr Uday Sen from Credit Corporation Limited

The Exchange would like to thank the judges for their contribution and assistance in making the competition a success.

The winners were awarded at the Fiji Institute of Accountants Congress in June this year at the Sofitel Fiji Resort & Spa in Nadi. The winners are summarized in the table below.

	Category A	Category B	Category C	Category D
Winner	Housing Authority	Fiji Red Cross Society	Air Pacific Limited	Amalgamated Telecom Holdings Limited
1st Runner Up	Reserve Bank of Fiji and Fiji National Provident Fund (joint)	N/A	Merchant Finance	Fijian Holdings Limited
2nd Runner Up	N/A	N/A	Fiji International Telecommunications Limited	Fiji Sugar Corporation Limited

SPSE believes that these awards would enhance the quality of reporting by not only the listed companies but also private and statutory organisations and will continue to encourage a greater participation from the business community in future.

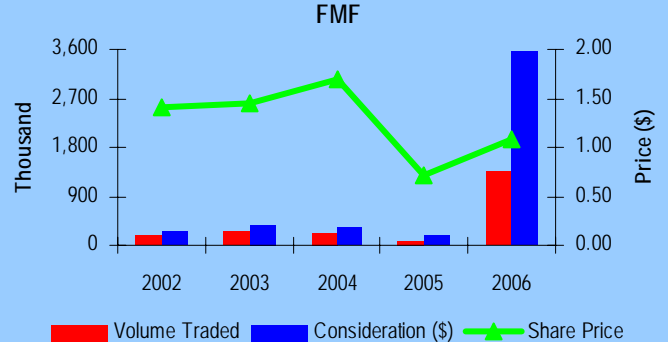
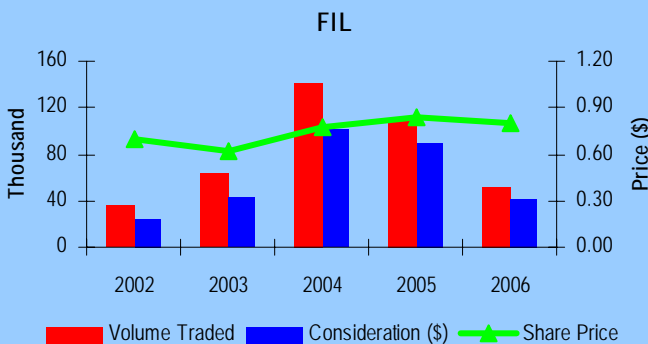
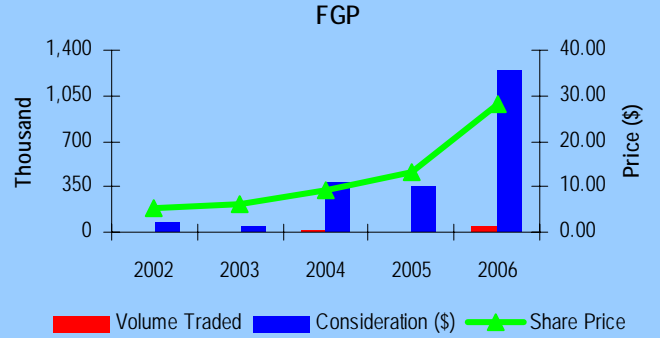
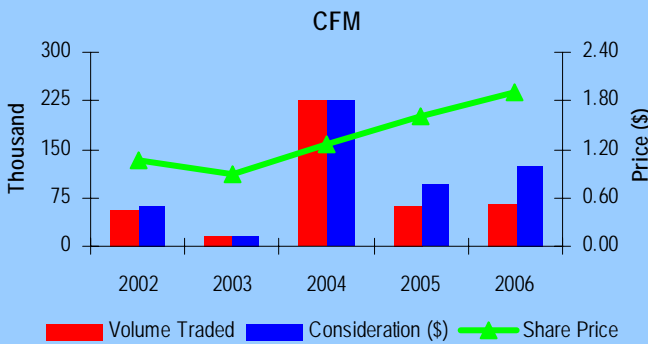
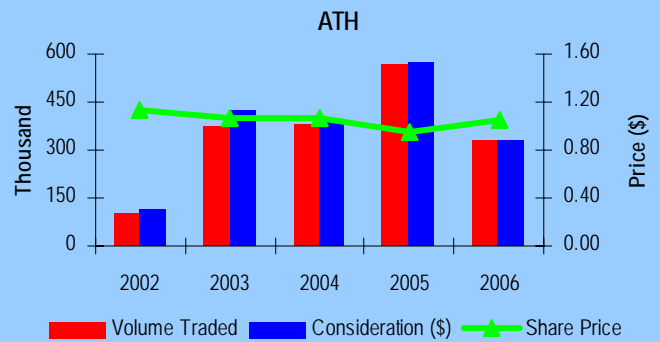
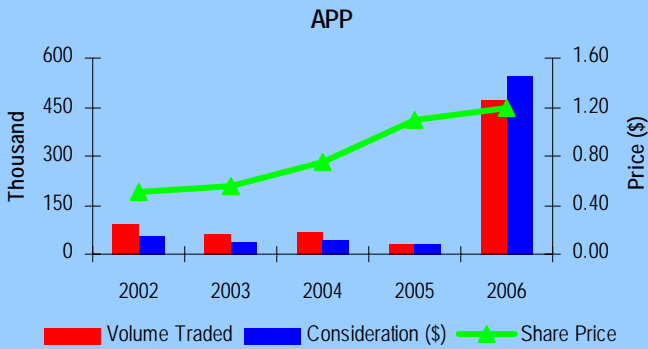
Market Statistics

The table below illustrates the distribution of shareholding and the number of shareholders of the listed companies as at 30th June 2006.

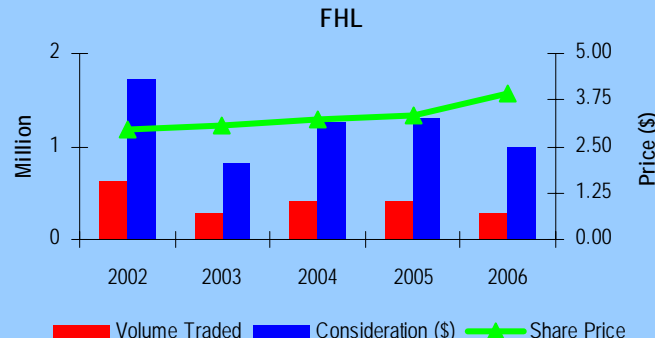
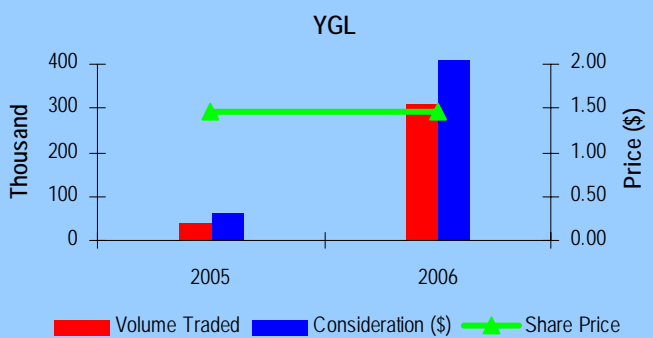
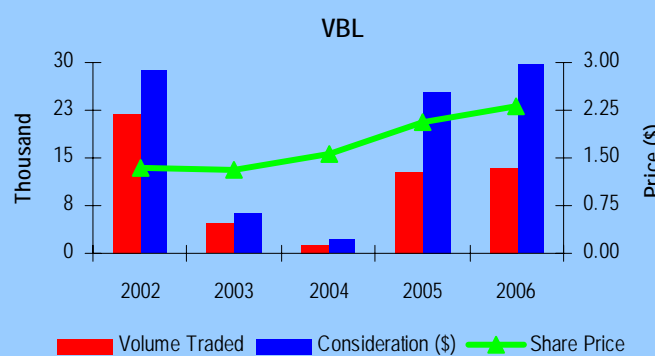
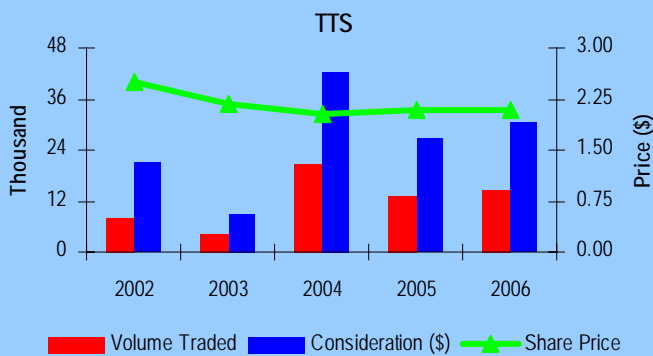
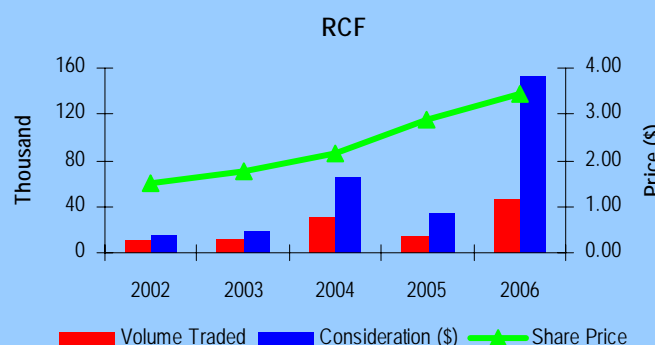
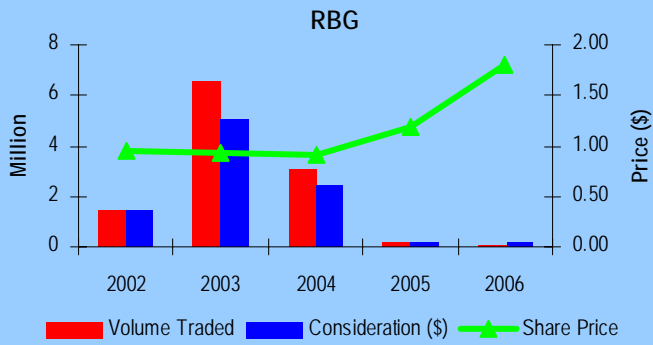
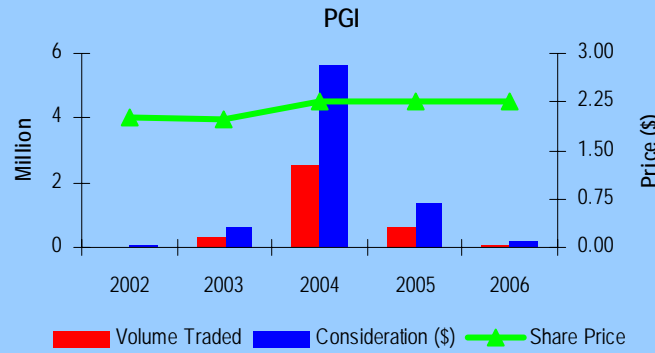
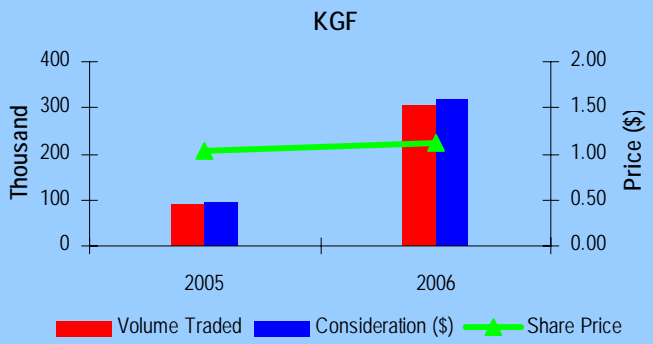
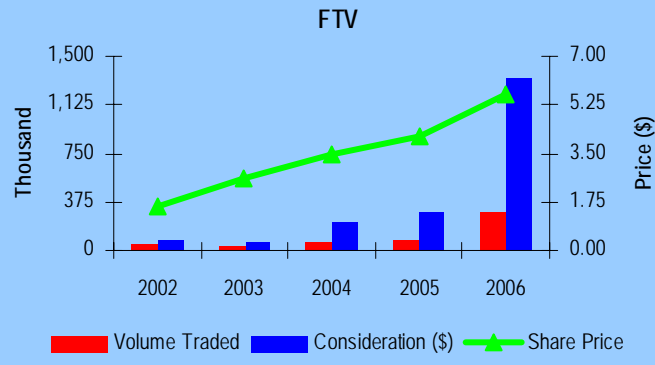
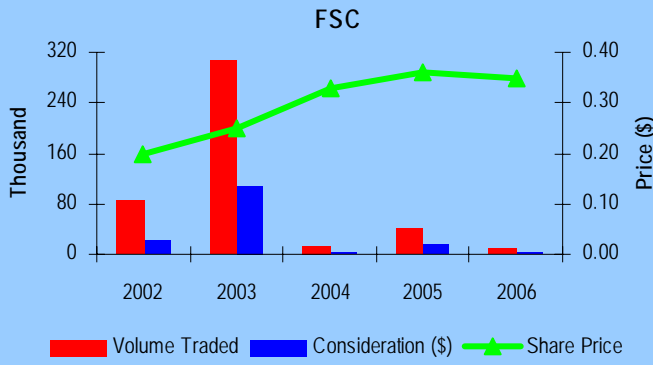
Company	Less than 500	500 to 5,000	5,001 to 10,000	10,001 to 20,000	20,001 to 30,000	30,001 to 40,000	40,001 to 50,000	50,001 to 100,000	100,001 to 1,000,000	Over 1,000,000	Resident	Non Resident	Total	% of Total
APP	10	78	22	14	3	1	1	1	5	1	134	2	136	0.7
ATH	4	723	97	40	16	1	17	17	6	7	908	20	928	4.6
CFM	41	84	10	8	3	1	0	2	7	0	150	6	156	0.8
FGP	239	394	14	9	1	0	0	1	1	2	550	111	661	3.3
FIL	13,267	44	12	11	5	1	0	1	8	1	13,341	9	13,350	66.7
FMF	2	89	76	82	42	17	28	46	49	9	387	53	440	2.2
FSC	1,472	518	25	11	0	0	1	1	6	3	N/A	N/A	2,037	10.2
FTV	219	262	12	2	2	1	0	0	5	3	480	26	506	2.5
KGF	1	95	24	16	4	2	8	6	5	1	157	5	162	0.8
PGI	28	32	1	4	1	0	0	3	5	3	74	3	77	0.4
RBG	1	115	29	18	6	1	2	2	21	6	198	3	201	1.0
RCF	9	62	12	10	1	1	1	3	0	1	95	5	100	0.5
TTS	98	55	6	2	1	1	1		1	2	98	69	167	0.8
VBL	34	35	5	3	1	1	1	2	3	0	73	12	85	0.4
YGL	4	74	14	11	5	3	1	4	18	4	56	82	138	0.7
FHL	5	673	52	47	13	11	9	28	19	2	853	6	859	4.3
TOTAL:	15,434	3,333	411	288	104	42	70	117	159	45	17,554	412	20,003	100

*FIL has approximately 13,260 shareholders with only 18 shares or less each.

The graphs below provide the comparative analysis of the volume, consideration and the share prices for all listed companies for the last five years.



Market Statistics



Financial Statements

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South Pacific Stock Exchange Limited and Subsidiary Company

Directors' Report

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 2006 and the auditors' report thereon.

Directors

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

Ms Foana Nemani (Chairman)
Mr Tevita Gonelevu
Mr Brendan Harrison

Ms Laisa Saumaki
Mr Esekaia Kamunaga
Mr Dinesh Shankar

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; and
- 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 2006, 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 \$140,670 (2005: \$74,507).

Dividends


The directors recommend that no dividends be declared or paid.

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 27th day of September 2006.

Signed in accordance with a resolution of the directors:


Director


Director

Independent Auditors' Report to the Members of South Pacific Stock Exchange Limited



Suva Central
Renwick Road
Suva

PO Box 32
Suva
Fiji Islands

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Fax (679) 330 1312
Email suvaoffice@kpmg.com.fj

Scope

We have audited the financial statements of **South Pacific Stock Exchange Limited** for the financial year ended 30 June 2006, 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 20. 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 and the Group, so far as it appears from our examination of those books; and
- (b) the accompanying financial statements which have been prepared under Fiji Accounting Standards:
 - (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 2006 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
27 September, 2006


KPMG
Chartered Accountants

**KPMG, a Fiji partnership, is part of the KPMG International network.
KPMG International is a Swiss cooperative.**

South Pacific Stock Exchange Limited and Subsidiary Company

Income Statement for the year ended 30 June 2006

	Note	Consolidated		Company	
		2006 \$	2005 \$	2006 \$	2005 \$
Income					
Income from operations	2	274,302	257,335	255,530	233,989
Other income	3	198,040	93,004	197,246	86,750
		<u>472,342</u>	<u>350,339</u>	<u>452,776</u>	<u>320,739</u>
Personnel expenses	4	(178,982)	(137,586)	(178,982)	(137,586)
Depreciation and amortisation		(18,138)	(22,421)	(9,038)	(12,385)
Other operating expenses	5	(134,552)	(115,825)	(140,600)	(105,069)
		<u>140,670</u>	<u>74,507</u>	<u>124,156</u>	<u>65,699</u>
Profit from operations before tax					
Income tax expense	6(a)	-	-	-	-
		<u>140,670</u>	<u>74,507</u>	<u>124,156</u>	<u>65,699</u>
Net profit for the year					
		<u>140,670</u>	<u>74,507</u>	<u>124,156</u>	<u>65,699</u>
Basic and diluted earnings per share	19	<u>17,583.75</u>	<u>9,313.38</u>		

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 20 to 32.

South Pacific Stock Exchange Limited and Subsidiary Company

Statement of Changes in Equity for the year ended June 2006

	Note	Consolidated		Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
Share capital					
Balance at start of year		120,000	120,000	120,000	120,000
Movements during the year		-	-	-	-
Balance at end of year	15	120,000	120,000	120,000	120,000
Retained earnings					
Balance at start of year		31,976	(42,531)	67,126	1,427
Net profit for the year		140,670	74,507	124,156	65,699
Balance at end of year		172,646	31,976	191,282	67,126
Total shareholders' equity		292,646	151,976	311,282	187,126

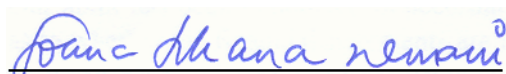
The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 20 to 32.

South Pacific Stock Exchange Limited and Subsidiary Company

Balance Sheet as at 30 June 2006

	Note	Consolidated		Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
Current assets					
Cash	7	169,155	73,629	129,062	57,434
Receivables	8	11,541	8,212	36,689	33,360
Investments	9	160,000	70,000	160,000	70,000
Trust funds on deposit	10	42,719	44,119	42,719	44,119
Other	11	10,499	5,966	10,499	5,911
Total current assets		393,914	201,926	378,969	210,824
Non-current assets					
Investments	9	-	-	50,000	50,000
Plant and equipment	12	32,704	45,594	21,338	25,128
Total non-current assets		32,704	45,594	71,338	75,128
Total assets		426,618	247,520	450,307	285,952
Current liabilities					
Creditors and accruals	13	88,835	43,403	93,888	46,685
Liability in respect of Trust funds	10	42,719	44,119	42,719	44,119
Employee entitlements	14	2,418	8,022	2,418	8,022
Total current liabilities		133,972	95,544	139,025	98,826
Total liabilities		133,972	95,544	139,025	98,826
Net assets		292,646	151,976	311,282	187,126
Shareholders' equity					
Share capital	15	120,000	120,000	120,000	120,000
Retained earnings		172,646	31,976	191,282	67,126
Total shareholders' equity		292,646	151,976	311,282	187,126
Contingent liabilities and Commitments	16 & 17				

Signed in accordance with a resolution of the Board:


Director


Director

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 20 to 32.

South Pacific Stock Exchange Limited and Subsidiary Company

Statement of Cash Flows for the year ended 30 June 2006

	Note	Consolidated		Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
Operating activities					
Cash receipts from customers		271,114	280,644	258,993	252,875
Government grant receipts		183,500	78,500	183,500	78,500
Cash payments to suppliers and employees		(262,817)	(306,750)	(274,594)	(290,955)
Cash flows from operating activities		191,797	52,394	167,899	40,420
Investing activities					
Payments for plant and equipment		(8,225)	(16,090)	(8,225)	(16,090)
Interest received		1,954	2,813	1,954	2,813
Cash flows from investing activities		(6,271)	(13,277)	(6,271)	(13,277)
Net increase in cash held		185,526	39,117	161,628	27,143
Cash at the beginning of the financial year		143,629	104,512	127,434	100,291
Cash at the end of the financial year	23	329,155	143,629	289,062	127,434

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 20 to 32.

South Pacific Stock Exchange Limited and Subsidiary Company

Notes to the Consolidated Financial Statements for the year ended 30 June 2006

1. Statement of significant accounting policies

South Pacific Stock Exchange Limited is a Company domiciled and incorporated in the Fiji Islands. The consolidated financial statements for the year ended 30 June 2006 include the financial statements of the Company and its subsidiary company. The financial statements were authorised for issue by the directors on 27th September 2006.

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, rounded to the nearest dollar. 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

Subsidiaries are those enterprises 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 the 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 and the 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 represent gross amounts receivable on trading activities to be settled within the trade settlement period.

South Pacific Stock Exchange Limited and Subsidiary Company

Notes to the Consolidated Financial Statements for the year ended 30 June 2006

1. Statement of significant accounting policies (continued)

(f) Impairment

The carrying amounts of the Group's assets, other than deferred tax assets (refer accounting policy m), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(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) Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the Company and the Group will comply with the conditions attaching to them. Grants that compensate the Company and the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred.

(j) Employee benefits

Short term employee benefits

The Company 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.

South Pacific Stock Exchange Limited and Subsidiary Company

Notes to the Consolidated Financial Statements for the year ended 30 June 2006

1. Statement of significant accounting policies (continued)

(k) 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.

(l) Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Personnel costs

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

(m) 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.

(n) Earnings per share

Basic Earnings per share

Basic earnings per share (EPS) is determined by dividing net profit after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share

Where an entity has an issue outstanding potential ordinary shares which are dilutive, diluted EPS must be calculated. Diluted EPS is the same as basic EPS as there are no ordinary shares which are considered dilutive.

(o) 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.

South Pacific Stock Exchange Limited and Subsidiary Company

Notes to the Consolidated Financial Statements for the year ended 30 June 2006

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
2. Income from operations				
Annual and initial listing fees	132,000	153,000	132,000	153,000
Annual maintenance fees	12,375	13,250	-	-
Annual report distribution fees	2,023	2,803	-	-
CSEES commission	2,824	3,311	2,824	3,311
Entry fees	-	4,500	-	-
Facility fees	86,590	55,675	86,590	55,675
Dividend distribution fees	4,374	2,793	-	-
Interest	5,306	2,813	5,306	2,813
Penalties and fines	20,290	6,150	20,290	6,150
Sale of Listing and Business Rules	420	490	420	490
Settlement fees	5,250	9,600	5,250	9,600
Private transfer fees	2,850	2,950	2,850	2,950
	274,302	257,335	255,530	233,989
3. Other income				
Government grant	188,500	78,500	188,500	78,500
CSR service fees	2,250	-	2,250	-
Hire of trading floor	250	350	250	350
Training reimbursement	2,616	-	2,616	-
Sundry income	4,424	14,154	3,630	7,900
	198,040	93,004	197,246	86,750
4. Personnel expenses				
FNPF contributions	12,884	9,716	12,884	9,716
FNTC levy	1,669	1,300	1,669	1,300
Salaries and wages	143,247	121,664	143,247	121,664
Staff expenses	6,311	1,753	6,311	1,753
Training, travel and entertainment	14,871	3,153	14,871	3,153
	178,982	137,586	178,982	137,586
Number of employees				
Average number of employees during the financial year	6	5	6	5

South Pacific Stock Exchange Limited and Subsidiary Company
Notes to the Consolidated Financial Statements for the year ended 30
June 2006

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
5. Operating expenses				
Accounting fees	1,353	1,550	1,033	1,550
Advertising	5,750	5,018	5,750	5,018
Audit fees	5,800	5,100	3,600	3,300
Callers fees	2,080	2,520	2,080	2,520
CMDA licence	4,167	5,000	4,167	5,000
Electricity	2,270	2,733	2,270	2,733
Insurance	6,281	8,683	6,281	8,683
Legal expenses	3,130	3,733	3,075	2,795
Loss on disposal of asset	477	2,727	477	2,727
Printing and stationery	8,056	4,688	6,506	4,416
Rent	34,486	34,486	34,486	34,486
Repairs and maintenance	6,321	4,448	6,321	4,448
Software maintenance	6,525	4,500	-	-
Telephone and postage	26,782	14,711	26,111	13,762
CSR expenses	-	-	17,500	-
Other	21,074	15,928	20,943	13,631
	<u>134,552</u>	<u>115,825</u>	<u>140,600</u>	<u>105,069</u>
6. Taxation				
(a) Income tax expense				
<i>Prima facie income tax expense calculated at 31% (2005: 31%) on the operating profit</i>	43,607	23,097	38,488	20,367
Increase in income tax due to non tax deductible items:				
Amortisation of deferred expenditure	-	290	-	-
Legal expense	970	971	953	680
Subscriptions	926	-	926	-
Decrease in income tax due to non tax assessable items:				
Government grant	(58,435)	(24,335)	(58,435)	(24,335)
Future income tax benefit not brought to account	12,932	(23)	18,068	3,288
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

South Pacific Stock Exchange Limited and Subsidiary Company

Notes to the Consolidated Financial Statements for the year ended 30 June 2006

	Note	Consolidated		Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
6. Taxation (continued)					
(b) Future income tax benefit not brought to account					
The potential future income tax benefit arising from tax losses and timing differences has not been recognised as an asset because recovery of it not virtually certain:					
Tax losses carried forward		99,986	136,501	91,651	120,504
Timing differences		(2,488)	(2,767)	967	3,494
		<u>97,498</u>	<u>133,734</u>	<u>92,618</u>	<u>123,998</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 affect the Company and the Group in realising the benefit.

7. Cash

Cash at bank – Operating account	168,905	73,379	128,812	57,184
Cash on hand	250	250	250	250
	<u>169,155</u>	<u>73,629</u>	<u>129,062</u>	<u>57,434</u>

8. Receivables

Accrued revenue	6,598	6,371	6,598	6,371
Other receivables	4,943	1,841	4,943	1,841
Owing by subsidiary company	18	-	25,148	25,148
	<u>11,541</u>	<u>8,212</u>	<u>36,689</u>	<u>33,360</u>

South Pacific Stock Exchange Limited and Subsidiary Company

Notes to the Consolidated Financial Statements for the year ended 30 June 2006

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
9 Investments				
Current				
Short-term deposit – Credit Corporation (Fiji) Limited	160,000	70,000	160,000	70,000
Non-current				
Shares in subsidiary company - at cost	-	-	50,000	50,000

The investment with Credit Corporation (Fiji) Limited attracts interest at 4% per annum and matures on 1 September 2006.

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

Investments in subsidiary company

	Equity of holding company	Contribution to group results	Book value of investment
	%	2006	2006
		\$	\$
Central Share Registry Limited	100	16,514	50,000

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

10. Trust funds on deposit	42,719	44,119	42,719	44,119
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The Company holds Trust funds in respect of shareholders who were part of the Colonial Small Shareholders Scheme which ceased to exist on 10 March 2000. There is a corresponding liability in respect of Trust funds of the same amount which has been disclosed separately in the Company's balance sheet as 'Liability in respect of Trust Funds'.

South Pacific Stock Exchange Limited and Subsidiary Company
Notes to the Consolidated Financial Statements for the year ended 30
June 2006

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
11. Other assets				
Current				
Prepayments	10,499	5,966	10,499	5,911

12. Plant and equipment

Consolidated

	Furniture and fittings	Office equipment	Computer equipment	Total
	\$	\$	\$	\$
<i>Cost</i>				
Balance at 1 July 2005	28,102	42,290	94,805	165,197
Acquisitions	430	-	7,795	8,225
Disposals	-	-	(3,800)	(3,800)
Balance at 30 June 2006	28,532	42,290	98,800	169,622
<i>Accumulated depreciation</i>				
Balance at 1 July 2005	22,196	35,692	61,715	119,603
Depreciation charge for the year	2,049	2,123	13,966	18,138
Disposals	-	-	(823)	(823)
Balance at 30 June 2006	24,245	37,815	74,858	136,918
<i>Carrying amount</i>				
At 1 July 2005	5,906	6,598	33,090	45,594
At 30 June 2006	4,287	4,475	23,942	32,704

South Pacific Stock Exchange Limited and Subsidiary Company

Notes to the Consolidated Financial Statements for the year ended 30 June 2006

12. Property, plant and equipment (continued)

Company

	Furniture and fittings	Office equipment	Computer equipment	Total
	\$	\$	\$	\$
<i>Cost</i>				
Balance at 1 July 2005	27,702	42,290	49,705	119,697
Acquisitions	430	-	7,795	8,225
Disposals	-	-	(3,800)	(3,800)
Balance at 30 June 2006	28,132	42,290	53,700	124,122
<i>Accumulated depreciation</i>				
Balance at 1 July 2005	21,972	35,692	36,905	94,569
Depreciation charge for the year	1,969	2,123	4,946	9,038
Disposals	-	-	(823)	(823)
Balance at 30 June 2006	23,941	37,815	41,028	102,784
<i>Carrying amount</i>				
At 1 July 2005	5,730	6,598	12,800	25,128
At 30 June 2006	4,191	4,475	12,672	21,338

	Note	Consolidated		Company	
		2006 \$	2005 \$	2006 \$	2005 \$
13. Creditors and accruals					
Accrued expenditure		24,305	20,638	20,233	18,920
Income received in advance		56,875	15,313	53,500	15,313
Owing to subsidiary company	18	-	-	12,500	5,000
Sundry creditors		7,655	7,452	7,655	7,452
		88,835	43,403	93,888	46,685
14. Employee entitlements					
Annual leave		2,418	8,022	2,418	8,022
15. Share capital					
Authorised capital					
50 ordinary shares of \$15,000 each		750,000	750,000	750,000	750,000
Issued and paid up capital					
8 ordinary shares of \$15,000 each, fully paid		120,000	120,000	120,000	120,000

South Pacific Stock Exchange Limited and Subsidiary Company

Notes to the Consolidated Financial Statements for the year ended 30 June 2006

15. Share capital (continued)

As at 30 June 2006 the Company and the Group's authorised share capital comprised of 750,000 ordinary shares (2005: 750,000). The shares have a par value of \$15,000 each. As at 30 June 2006, ordinary shares issued to existing shareholders of the Company were as follows:

Shareholders	Shares issued	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
FNPF Nominees 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.

16. Contingent liabilities

The directors are not aware of any contingent liabilities as at balance date (2005: \$NIL).

17. Commitments

Capital expenditure commitments

The directors are not aware of any capital commitments as at balance date (2005: \$NIL).

Operating lease commitments

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
Non-cancellable operating lease rentals are payable as follows:				
Not later than one year	14,614	-	14,614	-
Later than one year but not later than two years	14,614	-	14,614	-
Later than two years but not later than five years	43,842	-	43,842	-
Later than five years	-	-	-	-
	73,070	-	73,070	-

South Pacific Stock Exchange Limited and Subsidiary Company

Notes to the Consolidated Financial Statements for the year ended 30 June 2006

18. Related parties

Identity of related parties

The Company has a related party relationship with its subsidiary company, Central Share Registry Limited (trading as SPSE Central Share Registry), a Company incorporated in Fiji.

The Company also has a related party relationship with its directors and executive officers.

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

Ms Foana Nemani (Chairman)
Mr Tevita Gonelevu
Mr Brendan Harrison

Ms Laisa Saumaki
Mr Esekaia Kamunaga
Mr Dinesh Shankar

Transactions with related parties

The balances with related entities was as follows:

	2006 \$	Company 2005 \$
<i>Amount owing by related party</i>		
Subsidiary - Central Share Registry Limited:		
Management fees related to prior years	1,000	1,000
Administration expenses related to prior years	24,148	24,148
	<u>25,148</u>	<u>25,148</u>
<i>Amount owing to related party</i>		
Subsidiary - Central Share Registry Limited:		
Allocation of Government grant	12,500	5,000

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

South Pacific Stock Exchange Limited and Subsidiary Company

Notes to the Consolidated Financial Statements for the year ended 30 June 2006

19. Earnings per share

	2006	Consolidated 2005
	\$	\$
Earnings used in the calculation of basic and diluted earnings per share	140,670	74,507
Weighted average number of issues ordinary shares used in the calculation of basic and diluted earnings per share	8	8
Earnings per share	17,583.75	9,313.38

20. Principal place of business

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

21. 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.

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 years.

23. Notes to the statements of cash flows

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	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash at bank – Operating account	168,905	73,379	128,812	57,184
Cash on hand	250	250	250	250
Investments	160,000	70,000	160,000	70,000
	<u>329,155</u>	<u>143,629</u>	<u>289,062</u>	<u>127,434</u>

South Pacific Stock Exchange Limited and Subsidiary Company

Notes to the Consolidated Financial Statements for the year ended 30 June 2006

24. Broker guarantees

The Company holds certificates of term deposits and government bonds amounting to \$60,000 on behalf of brokers pursuant to certain Business rules in order to protect the interests of the brokers' clients. The Company has no beneficial interest in these funds and, accordingly, such funds are not recorded in the balance sheet.