

## Chairman's Report

On behalf of the Board of Directors of the Exchange, it is my privilege to present the first Annual Report of the South Pacific Stock Exchange Limited that was previously known as "Suva Stock Exchange".

The Financial year 2001 was another challenging year for the Exchange. The political crisis of the country dampened our trading activity and market confidence. The volume of trades on the floor was adversely affected. The Exchange after implementing tight cost control measures managed to lessen the worsening financial position. A loss of \$15,845 after income tax and extraordinary item was recorded for the year. This was an improvement when compared to the previous year's loss of \$24,708.

### Business Review

The official launching of the new name "South Pacific Stock Exchange" and its "logo" was done in November 2000. The South Pacific Stock Exchange took over all Assets, Liabilities and Staff of the Suva Stock Exchange. The move was seen as the Exchange taking the first step towards becoming a regional stock exchange and closer to realising its vision as ***"the leading Equities Exchange in the South Pacific, promoting the private sectors development in the region"***.

Mr Mesake S. Nawari who was the Manager of the Suva Stock Exchange was appointed as the first Chief Executive Officer of the South Pacific Stock Exchange in September 2000. He

resigned in February 2001. Ms Foana T. Nemani was appointed as the relieving Chief Executive Officer on a part-time basis from 1st March 2001. Other than the normal duties she was also assigned to help recruit and train a suitable person in the position. Mr Sanjay K. Sharma was appointed as a CEO Designate on 1st May 2001 for a period of two months. He underwent extensive training during this period with Ms Nemani and was confirmed as the Chief Executive Officer on 1st July 2001.

The Exchange introduced a new set of Business Rules based on internationally accepted practice and in line with the Capital Markets Development Authority (CMDA) requirements. The implementation of the business rules enabled the Exchange to effectively fulfil its role as a self-regulatory body. The Exchange sold the FijiStock Brokers (the Broking arm of the Exchange) in January 2001 and is currently reviewing its Memorandum and Articles of Associations to be in line with the CMDA's requirement. The existing Listing Rules are currently under review by SPSE. All amendments will be incorporated once CMDA approval is granted. The FijiStock Brokers became the eighth shareholder/member of the Exchange in January 2001

The Exchange continues to work towards the full implementation of the requirements of Business Rules 2000. The following committees were set up to strengthen the compliance by the members of the Exchange and the Listed companies.

- ❖ *Arbitration Committee*: To arbitrate in disputes between members,

between members and their customers and between members and the SPSE.

- ❖ *Disciplinary Committee:* To conduct hearing of disciplinary charges against members and licensed representatives and to determine the penalty where appropriate.
- ❖ *Listing Committee:* To approve, with or without conditions or reject listing applications, to apply, interpret and enforce the listing rules and to decide on suspension or cancellation of a listing.
- ❖ *Membership Committee:* To review applications for membership and approve, approve with conditions or reject an application.

### **Relations with Government**

The Exchange acknowledges Governments ongoing financial support in the form of \$50,000 yearly grant. The Government has further assured the Exchange that it will continue to support major projects such as Central Registry System and Automation of Trading Facility.

I wish to acknowledge the immense contribution of my predecessor Ms Foana T. Nemani. We owe her a debt of gratitude for her willingness to assist head the Exchange whilst we search for a new chief executive. Our appreciation also to the Fiji National Provident Fund for allowing Ms Nemani perform this role in addition to her duties at the Fund.

I also acknowledge the contribution of the directors Mr Steve Darbyshire and

Mr Jaoji Koroi, both resigned during the year. Joining the Board were Mr Olota Rokovunisei, Mr Mesake Nawari and Mr Semi Leiwere.

I wish to thank the directors for their invaluable guidance and support during the year. Achievements made against the very difficult economic backdrop would not have been possible without the director's astute stewardship.

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

Isoa Kaloumaira  
**Chairman**

## **Chief Executive's Report**

The South Pacific Stock Exchange plays number of important roles. It provides secondary market for listed companies while Government and semi-government bonds are deemed to be listed. The Exchange itself does not actually raise any capital as this is the role of the primary market. However, the existence of an active and efficient secondary market is a pre-condition to raise capital.

The Stock Exchange also acts as a regulator, both for listed companies and for its members protecting the integrity of the market. It also ensures fair treatment of all participants. As a regulator the Exchange has the responsibility to see that the interests of the investors are well protected.

The SPSE is also expected to contribute extensively towards the development of the capital market. Liquidity of the stock market is an important factor for growth and development of the market. Many profitable projects require long term finance, however most investors are hesitant to relinquish control over their saving for a longer time period. A liquid stock market ensures quick exit without incurring heavy losses or costs. Therefore, the development of an efficient and active market is important for creating conducive climate for economic growth.

The year 2001 saw the Exchange operating under its new name, "South Pacific Stock Exchange Limited". This is a private company limited by shares. There are currently 8 shareholders each holding one share each with equal rights and privileges. The owners of the South Pacific Stock Exchanges as at 30 June 2001 are as follow.

1. Colonial Fiji Life Limited
2. Credit Corporation (Fiji) Ltd
3. Fiji Development Bank
4. Fiji National Provident Fund
5. FHL Securities Limited
6. National MBF Finance
7. Kontiki Stockbroking Limited
8. FijiStock Brokers Limited

## **Highlights of the year**

### **Financial Review**

The Exchange continued to operate under very stringent financial condition. For the financial year ending 30 June 2001, the Exchange reported a loss of \$15,845 after tax and extraordinary item. This is an improvement of \$8,863 from the previous year. Income for the year decreased by 30% from \$262,817 to \$185,149. This was mainly due to the low volume of equity and bond trades during the year. Total expenditure decreased by 27% from \$287,525 to \$209,178 for the same period.

### **Compliance**

The regulatory role of the Exchange was strengthened by the introduction of the Business Rules 2000. These Rules are based on internationally accepted practice & principles and is in line with the Capital Markets Development Authority regulations. The Exchange conducted numerous workshops for its members to help them familiarize with the requirements of the new Business Rules. Procedure Guidelines in line with the Business Rules requirements were formulated to guide the staff of the Exchange.

### **Public Relations**

For the year under review, the Exchange established a presentation team comprising of staff of the Exchange and its Members. The

team made presentations to various secondary schools in the Suva area and the Government Departments. In an effort to stimulate the market, the Exchange organized “Broker and Dealer Representatives Monthly Meeting” together with representatives from the listed companies briefing each session. The move was to help the brokers and dealers to be more informed about the activities and the financial positions of the listed companies.

The Exchange resumed the Annual Report Competition after a lapse of one year. The objective of this competition is to encourage excellence in the presentation of information in annual reports. The award was divided into 3 categories: Statutory Authorities & Government Bodies, Co-operatives & Charitable Organization and Public and Private Organization. The winners were presented with awards during the FIA Congress on 23rd June.

The Exchange would like to acknowledge all 13 organizations and companies who entered the competition. We would also like to thank the judges and the sponsors of the competition. The major sponsors were Fiji Development Bank, Credit Corporation and BDO Zarin Ali.

### Market Capitalization

During the year, the market capitalization reached \$246.7 million, an increase of 10.6 % over the previous year and 134% since 1996 when the Call Market Session was first introduced in Fiji Islands.

Increase in Market Capitalisation for the financial year was mainly due to the listing of 2 new companies during the year. FijiCare Insurance Limited (FIL) listed on 7/12/2000, with 3.8 Million ordinary shares being

quoted. Pacific Green Industries (Fiji) Industries (PGI) listed on 5/6/01 with 6.9 Million ordinary shares being quoted

The total number of trades for the current financial year was 642 compared to 593 last year.

Table 1 summaries the market capitalization for the year under review and compares it to the previous year.

**Table 1: Listed Companies Market Capitalisation.**

Company	Market Cap (\$)		Percentage	
	2001	2000	2001	2000
Atlantic & Pacific Packaging Company Limited	\$4.4M	\$8.0M	1.79%	3.59%
Carlton Brewery Fiji Limited	\$53.0M	\$46.2M	21.62%	20.73%
Fiji Television Limited	\$15.0M	\$12.8 M	6.12%	5.75%
Fiji Sugar Corporation Limited	\$17.2M	\$24.4M	7.01%	10.95%
Flour Mills of Fiji	*\$46.0M	\$29.8M	18.76%	13.38%
Fiji Care Insurance Limited	\$2.8M	Not listed	1.14%	n.a
Pacific Green Industries	\$14.8M	Not Listed	6.04%	n.a
South Pacific Distilleries Ltd.	\$13.5M	\$12.5M	5.51%	5.6%
Rice Company of Fiji	\$10.0M	\$8.0M	4.08%	3.59%
Toyota Tsusho (SS) Ltd.	\$38.5M	\$53.6M	15.70%	24.06%
Fijian Holdings Ltd.	\$30.0M	\$27.5M	12.23%	12.34%
<b>TOTAL</b>	<b>\$245.2M</b>	<b>\$222.8M</b>	<b>100%</b>	<b>100%</b>

### Risk Factors

The business of running the stock exchange gets more complex and challenging as the market develops and matures. Some of the

challenges that South Pacific Stock Exchange faces today are listed below.

- ❖ Functional borders between market participants (investors, issuers, brokers and dealers) are becoming blurred, with increasing integration.
- ❖ Geographical borders losing their relevance in particular with the interest in Dual Listing being shown by a number of companies and also our objective to list companies from the region.
- ❖ Investors becoming sophisticated forcing the Exchange to decrease the facility costs.
- ❖ Technology development in trading, execution, clearing and settlement system will force the Exchange to automate its trading facilities.

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

- Identification of various rules of the Exchange, legislation's and laws that dual listing & listing of regional companies need to comply. The Exchange will also work closely with relevant government bodies, CMDA and market intermediaries in expediting the processes.
- Continue to improve its operating activities by strengthening and implementing all the requirements of the Business and Listing Rules.
- Central Registry System known as "Share Registry System" needs to begin its operation in the coming year.

- Continue to support human resources development by encouraging staff to take up courses with the Securities Institute of Australian (SIA), University of the South Pacific (USP), Fiji Institute of Technology (FIT) and other relevant courses conducted by CMDA for market participants.
- Prepare the platform for automating the trading and settlement system in due course.

The regulatory role of the Exchange was strengthened with the introduction of Business Rules 2000 that governs the Exchange and the conduct of its members.

### Listed Companies

As at 30 June 2001, eleven (11) companies were listed at the Exchange, compared to nine in the previous year. Ten companies are listed on the main board and one on the second board. The List of these companies are shown in the tables 2 and 3 below.

**Table 2: Listed Companies on SPSE Main Board**

Name	Code	Date Listed	Issued shares	Par Value	Listing Price
Atlantic Pacific Co. Ltd.	APP	17/09/98	3,200,000	\$0.50	\$0.70
Carlton Brewery Fiji Ltd.	CBF	11/02/97	2,000,000	\$1.00	\$9.00
FijiCare Insurance Ltd.	FIL	07/12/00	3,787,528	\$0.50	\$0.60
Fiji Television Limited	FTV	24/07/97	3,089,994	\$1.00	\$0.81
Flour Mills of Fiji Ltd.	FMF	25/07/79	30,000,000 <sup>1</sup>	\$0.20	\$1.40
Fiji Sugar Corporation Ltd.	FSC	07/06/79	44,399,998	\$0.50	\$0.75
Pacific Green Industries	PGI	05/06/01	6,976,377	\$1.00	\$1.60

<sup>1</sup> On 6/10/2000, FMF shares split in the ratio of 1:5

Rice Company of Fiji	RCF	20/01/97	1,500,000	\$0.50	\$0.50
South Pacific Distilleries Ltd	SPD	28/04/81	600,000	\$1.00	\$2.50
Toyota Tsusho (SS) Ltd.	TTS	Re-listed 21/10/99	14,032,202	\$1.00	\$2.50

**Table 3: Listed Companies on SPSE Restricted Board**

Name	Code	Date Listed	Issued Shares	Par Value	Listing Price
Fijian Holdings Limited	FHL	20/01/97	10,464,650	\$1.00	\$1.79

\* FHL shareholdings is restricted to those registered in the Vola ni Kawa Bula (VKB) issued by the Native Lands Commission.

### Performance of the South Pacific Stock Exchange.

The general trend of trading at the Exchange is increasing. Liquidity indicators show that up to 1998, there seem to be an steady increase of the market. This trend was interrupted in 1999, mainly due to the change in Government policies towards privatization and public sector reforms.

**Table 4: SPSE Performance**

	1996	1997	1998	1999	2000
Trading Val	\$78,218	\$630,713	\$9.5M	\$2.9M	\$7.6M
MCAP /GDP	3.56%	5.55%	4.64%	4.18%	6.36%
Traded Val/ GDP	.003%	.02%	.29%	.08%	.22%

\*2001 figures non-availability is due to non-availability of the 2001 GDP.

Table 1 shows the performance of the SPSE as measured by:

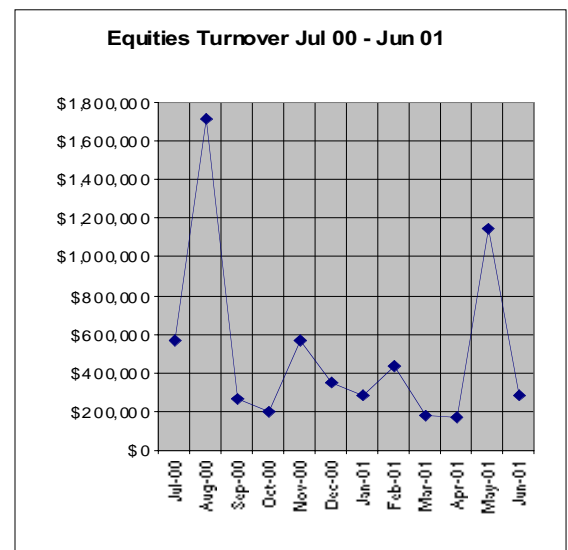
1. The size of the stock market as indicated by the ratio of the market capitalisation to the gross domestic product (GDP). This measure defines the size of the stock market in relation to the economy.
2. The liquidity as measured by the ratio of total value of trades to the GDP. And the turnover ratio calculated as the ratio of the total volume traded to the market capitalization. This measure complements the size in the sense that stock market

may be large but inactive or stock market may be small in relation to the entire economy, but may still be liquid.

### Trading in Equities

There were 2.4 million shares traded for the year ending 30<sup>th</sup> June 2001 compared to 3.9 million traded for the same period in 2000. Equities turnover for the financial year stood at \$6.2M while for the same period in the previous year it was at \$7.7M. Average monthly market turnover for the current year was around \$513,883 compared to \$641,341 for the previous year. The decrease in volume traded was the result of the general low investment climate in the country amid the political uncertainty.

Trading throughout the financial year was low with the exception for the months of August 2000 and May 2001. High turnover for the two months was due to the high volume of trades for Fiji Television Limited and Flour Mills of Fiji Limited shares. In August 2000, FMF announced that it would carry out a share split scheme in the ratio of 1:5 while FTV announced a record profit of \$747,000. In May, FMF announced a dividend payout.



## Trading In Bonds

There were 4.6 million units of Bonds with turnover in dollars of \$4.8 million traded during the year compared to 34.9 million units with a turnover of \$37.1 million in the same period last year.

**Table 5: Market Performance of Listed Companies: 2001**

SECURITIES	30TH JUNE 2001			
	Price	Price /Earning Ratio	Dividend Per Share	Dividend Yield(%)
APP	\$0.55	-9.37	\$0.00	0.00%
CBF	\$26.50	12.55	\$1.25	4.72%
FIL	\$0.71	8.64	-	-
FTV	\$1.51	20.81	\$0.035	2.32%
FMF	\$1.55	15.13	\$0.04	2.58%
FSC	\$0.39	-5.29	\$0.00	0.00%
PGI	\$2.01	11.12	-	-
RCF	\$1.78	17.16	\$0.10	5.62%
SPD	\$6.50	12.65	\$0.25	3.85%
TTS	\$2.75	22.23	\$0.00	0.00%
FHL	\$2.88	14.52	\$0.20	6.94%

**Table 6: Market Performance of Listed Companies: 2000**

SECURITIES	30TH JUNE 2000			
	Price	Price/ Earning Ratio	Dividend Per Share	Dividend Yield(%)
APP	\$1.00	0.00	\$0.00	0.00%
CBF	\$23.10	14.74	\$1.25	5.41%
FIL	-	-	-	-
FTV	\$1.25	60.20	\$0.00	0.00%
FMF	\$4.98	6.55	\$0.15	3.01%
FSC	\$0.55	12.33	\$0.025	4.55%
PGI	-	-	-	-
RCF	\$1.38	10.14	\$0.05	3.62%
SPD	\$5.94	12.82	\$0.15	2.53%
TTS	\$3.80	17.11	\$0.18	4.74%
FHL	\$2.63	5.07	\$0.10	3.80%

## Future Plans

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

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

The listing of two new companies on the Exchange is a strong indication of the confidence in our economy. More companies have shown interest to list indicating a bright future ahead for the Exchange.

The current Listing Rules are currently under review and are expected to be implement in due course.

The Exchange will commence its Share Registry Shop by early 2002. This will be the only registry of the kind in Fiji as well as in the Region. The Government is expected to assist financially to get the project off the ground.

Sanjay Sharma  
Chief Executive

# South Pacific Stock Exchange Limited

## Directors' Report For the financial year ended 30 June 2001

The directors present their report together with the financial statements of the company for the year ended 30 June 2001 and the auditors' report thereon.

### Directors

The names of the directors of the company as at balance date are:

Mr Isoa Kaloumaira	Mr Kenneth Clemens
Mr Thomas Raju	Mr Malakai Naiyaga
Mr Olota Rokovunisei	Mr Mesake Nawari
Mr John Courtney	Mr Garth McIlwan
Mr Semi Leiwere	

### State of Affairs

In the opinion of the directors the accompanying balance sheet gives a true and fair view of the state of affairs of the company as at 30 June 2001, and the accompanying profit and loss account gives a true and fair view of the results of the company for the year then ended.

### Principal Activity

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

### Operating Results

The results for the financial year ended 30 June 2001 was a loss after income tax and extraordinary items of \$15,845 (2000: Loss - \$24,708).

### Dividend and Reserves

The directors recommend that no dividends be declared for the year ended 30 June 2001 and that no amounts be transferred to or from reserves.

### Subsequent Events

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

Dated at Suva this \_\_\_\_\_ day of \_\_\_\_\_ 2001.

Signed in accordance with a resolution of the directors.

**DIRECTOR .....**

**DIRECTOR.....**



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

### **Scope**

We have audited the financial statements of **South Pacific Stock Exchange Limited** for the financial year ended 30 June 2001, consisting of the balance sheet, profit and loss account, and accompanying notes, set out on pages 3 to 10. The company's directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the company.

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

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

### **Audit Opinion**

In our opinion:

- (a) proper books of account have been kept by the company, so far as 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 as at 30 June 2001 and of the results of the company for the year ended on that date;
    - (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**  
**, 2001**

**KPMG**  
**Chartered Accountants**

# South Pacific Stock Exchange Limited

## Balance Sheet As at 30 June 2001

	Note	2001 \$	2000 \$
<b>Current Assets</b>			
Cash	5	71,100	65,973
Receivables	6	5,757	13,363
Other	7	<u>909</u>	<u>7,069</u>
<b>Total Current Assets</b>		<u>77,766</u>	<u>86,405</u>
<b>Non-Current Assets</b>			
Furniture and equipment	8	45,953	46,152
Investment	9	<u>-</u>	<u>31,816</u>
<b>Total Non-Current assets</b>		<u>45,953</u>	<u>77,968</u>
<b>Total Assets</b>		<u>123,719</u>	<u>164,373</u>
<b>Current Liabilities</b>			
Creditors and borrowings	10	106,568	129,366
Provisions	11	<u>1,927</u>	<u>3,938</u>
<b>Total Liabilities</b>		<u>108,495</u>	<u>133,304</u>
<b>Net Assets</b>		<u>15,224</u>	<u>31,069</u>
<b>Shareholders' Equity</b>			
Share capital	12	120,000	120,000
Accumulated (losses)		<u>(104,776)</u>	<u>(88,931)</u>
<b>Total Shareholders' Equity</b>		<u>15,224</u>	<u>31,069</u>

Commitments and contingencies 14

On behalf of the Board:

**DIRECTOR.....**

**DIRECTOR.....**

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 10.

## South Pacific Stock Exchange Limited

### Profit and loss account For the year ended 30 June 2001

	Note	2001 \$	2000 \$
<b>Operating (loss) before income tax</b>	2	(24,029)	(24,708)
Income tax benefit	3(a)	<u>-</u>	<u>-</u>
Operating (loss) after income tax		(24,029)	(24,708)
Extraordinary item		<u>8,184</u>	<u>-</u>
<b>Operating (loss) after income tax and extraordinary item</b>		(15,845)	(24,708)
Accumulated (losses) brought forward		<u>(88,931)</u>	<u>(64,223)</u>
<b>Accumulated (losses) carried forward</b>		<u>(104,776)</u>	<u>(88,931)</u>

The profit and loss account is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 10.

# South Pacific Stock Exchange Limited

## Notes to and forming part of the financial statements For the year ended 30 June 2001

### 1. Statement of significant accounting policies

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

#### (a) Basis of accounting

The financial statements of the company have been drawn up in accordance with the accounting standards and disclosure requirements of the Fiji Institute of Accountants and the requirements of Fiji law. The financial statements have been prepared on the basis of historical costs and do not take into account changing money values. The accounting policies have been consistently applied. Set out below is a summary of the significant accounting policies adopted by the company in the preparation of the financial statements.

#### (b) Income tax

The company adopts the liability method of tax -effect accounting. Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences which arise from items being brought to account in different periods for income tax purposes, is carried forward in the balance sheet as a future income tax benefit (except where realisation thereof is doubtful) or a deferred tax liability.

#### (c) Furniture and equipment

##### *Acquisition*

Items of furniture and equipment are recorded at cost and depreciated as outlined below.

##### *Depreciation*

Furniture and equipment are depreciated over their estimated useful lives. The straight-line method of depreciation is used and depreciation rates have been consistently applied as follows:

Furniture and fittings	10 – 33.3 %
Office equipment	10 – 20.0 %
Computer equipment	33.0 %

#### (d) Revenue

Revenue representing commission, fees and grants is recognised on an accrual basis.

#### (e) Management fees

The company received management fees from FijiStock Broker Limited for the provision of management services. On 26 January 2001, the company sold its investment interest to the management team of FijiStock Brokers Limited.

## South Pacific Stock Exchange Limited

### Notes to and forming part of the financial statements For the year ended 30 June 2001 (Cont'd)

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

(f) **Accrued revenue and creditors**

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

(g) **Employee entitlements**

The provision for employee entitlements relates to amounts expected to be paid to employees for annual leave, sick leave and long service leave. Current employee remuneration rates are used to calculate these provisions.

(h) **Comparatives**

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

#### 2. Operating (loss) before income tax

Included in the operating (loss) before income tax are the following items of income and expense:

	<b>2001</b>	<b>2000</b>
	<b>\$</b>	<b>\$</b>
<b>Income</b>		
Annual and initial listing fee	36,250	27,000
Brokerage	-	37,524
Government grant	63,000	50,000
Interest	-	661
Management fees	10,200	5,100
South Pacific Stock Exchange facility fee	64,960	94,086
Profit on sale of assets	-	17,979
Other income	10,739	30,467
	<u>185,149</u>	<u>262,817</u>
<b>Other income</b>		
Profit on sale of fixed assets	-	17,979
	<u>-</u>	<u>17,979</u>
<b>Expense</b>		
Auditors' remuneration		
- audit services	4,800	4,800
- other professional services	-	1,000
Depreciation	16,475	16,528

Rent	28,293	54,430
Repairs and maintenance	1,267	-
Salaries and wages	<u>105,335</u>	<u>149,768</u>

## South Pacific Stock Exchange Limited

### Notes to and forming part of the financial statements For the year ended 30 June 2001 (Cont'd)

	2001 \$	2000 \$
<b>3. Income tax</b>		
<b>(a) Income tax benefit</b>		
Prima facie income tax (benefit) calculated at 35% on operating (loss) before abnormal item	(8,410)	(8,648)
Increase in income tax due to non tax deductible items:		
Legal expense	192	250
Subscription	-	67
Decrease in income tax due to non tax assessable items:		
Government grant	(22,050)	(17,500)
Future income tax benefit not brought to account:		
- Tax losses carried forward	30,343	25,707
- Timing differences	<u>(75)</u>	<u>124</u>
	<u>-</u>	<u>-</u>
<b>(b) Future income tax benefit not brought to account</b>		
The potential income tax benefit arising from tax losses and timing differences future has not been recognised as an asset because recovery is not beyond reasonable doubt:		
Tax losses carried forward	105,752	81,384
Timing differences	422	497
Effect of change in tax rate	<u>3,110</u>	<u>-</u>
	<u>109,284</u>	<u>81,881</u>



The potential future income tax benefit will only be obtained if:

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

## South Pacific Stock Exchange Limited

### Notes to and forming part of the financial statements For the year ended 30 June 2001 (Cont'd)

	2001 \$	2000 \$
<b>4. Extraordinary item</b>		
Capital profit from the disposal of investment in FijiStock Brokers Limited	8,184	-
Income tax expense	-	-
	<u>8,184</u>	<u>-</u>
<b>5. Cash</b>		
Cash at bank - Operating account	6,682	-
Cash at bank – CSSES trust account	64,318	65,923
Cash on hand	100	50
	<u>71,100</u>	<u>65,973</u>
<b>6. Receivables</b>		
Accrued revenue	5,132	6,832
Other receivables	625	6,531
	<u>5,757</u>	<u>13,363</u>
<b>7. Other assets</b>		
Prepayments	909	7,069
	<u>909</u>	<u>7,069</u>
<b>8. Furniture and equipment</b>		

Furniture and fittings - at cost	31,429	21,440
Less: Accumulated depreciation	<u>10,200</u>	<u>4,478</u>
	<u>21,229</u>	<u>16,962</u>
Office equipment - at cost	33,330	27,042
Less: Accumulated depreciation	<u>20,526</u>	<u>15,328</u>
	<u>12,804</u>	<u>11,714</u>
Computer equipment - at cost	26,066	26,066
Less: Accumulated depreciation	<u>14,146</u>	<u>8,590</u>
	<u>11,920</u>	<u>17,476</u>
<b>Net book value</b>	<u>45,953</u>	<u>46,152</u>
<b>9. Investment</b>		
Shares in FijiStock Brokers Limited	<u>-</u>	<u>31,816</u>

The share investment in FijiStock Brokers Limited was sold to a management team of FijiStock Brokers Limited on 26 January 2001 for a consideration of \$40,000.

## South Pacific Stock Exchange Limited

### Notes to and forming part of the financial statements For the year ended 30 June 2001 (Cont'd)

	<b>2001</b>	<b>2000</b>
	\$	\$
<b>10. Creditors and borrowings</b>		
Accrued expenditure	6,585	11,538
Bank overdraft – Operating account	-	20,009
Income received in advance	16,159	109
Owing to CSSES creditors	64,121	65,727
Sundry creditors	<u>19,703</u>	<u>31,983</u>
	<u>106,568</u>	<u>129,366</u>
Amounts owing to CSSES creditors are in respect of Colonial Small Shareholder Exit Scheme (CSSES). The scheme ceased on 10 March 2000.		
<b>11. Provisions</b>		
Annual leave	<u>1,927</u>	<u>3,938</u>
<b>12. Share capital</b>		
<i>Authorised capital</i>		
50 ordinary shares of \$15,000 each	<u>750,000</u>	<u>750,000</u>
<i>Issued and paid - up capital</i>		
8 ordinary shares of \$15,000 each fully paid	<u>120,000</u>	<u>120,000</u>

As at 30 June 2001, ordinary shares issued to existing shareholders of the company were as follows:

Shareholders	Shares issues	Value \$
Colonial Mutual Life Assurance	1	15,000
Credit Corporation (Fiji) Ltd	1	15,000
Fiji Development Bank	1	15,000
Fiji National Provident Fund	1	15,000
Fijian Holdings Securities Ltd	1	15,000
FijiStock Brokers	1	15,000
Kontiki Stockbroking Ltd	1	15,000
National MBf Finance (Fiji) Ltd	1	15,000
	<u>8</u>	<u>120,000</u>

## South Pacific Stock Exchange Limited

### Notes to and forming part of the financial statements For the year ended 30 June 2001 (Cont'd)

#### 13. Related parties

The company receives a management fees from FijiStock Broker Limited for the provision of management services.

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

#### 14. Commitments and contingencies

##### (a) Operating lease commitments

Future operating lease commitments on building, not provided for in the financial statements and payable:

<b>2001</b>	<b>2000</b>
\$	\$

Not longer than one year	9,166	36,663
Longer than one year but not longer than two years	-	9,166
Longer than two years but not longer than five years	<u>-</u>	<u>-</u>
	<u>9,166</u>	<u>45,829</u>

**(b) Contingencies**

The directors are not aware of any contingent liabilities as at 30 June 2001 (2000: Nil).

**15. Principal activity**

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

## **Disclaimer**

The additional financial data presented on page 12 is in accordance with the books and records of **South Pacific Stock Exchange Limited** which have been subjected to the auditing procedures applied in our statutory audit of the company for the year ended 30 June 2001. It should be appreciated that our statutory audit did not cover all details of the additional financial data. Accordingly, we do not express an opinion on this financial data and no warranty of accuracy or reliability is given.

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

**Suva, Fiji**  
**, 2001**

**KPMG**  
**Chartered Accountants**

**South Pacific Stock Exchange Limited**  
**Profit and loss account**  
**For the year ended 30 June 2001**

	<b>2001</b>	<b>2000</b>
	\$	\$
<b>Income</b>		
Annual and initial listing fees	36,250	27,000
Brokerage	-	37,524
Government grant	63,000	50,000
CSSSES commission	1,606	-
Gain on transfer of assets/sale of fixed assets	-	17,979
Rent from hire of trading floor	300	-
Interest	-	661
Listing and business rule sale	1,370	300
Media income	-	2,000
Management fees	10,200	5,100
Other income	2,672	3,655
Penalties/Fines	4,471	6,709
Research income	-	409
South Pacific Stock Exchange facility fee	64,960	94,086
Tender services	-	900
Transfer fees	320	16,494
<b>Total income</b>	<u>185,149</u>	<u>262,817</u>
<b>Expenses</b>		
Accounting services	-	1,471
Advertising/Promotion	3,030	1,623
Auditors' remuneration	-	
- audit services	4,800	4,800
- other professional services	-	1,000
Bank charges	695	991
Board expenses	351	205
Business licence	550	550
Caller fees	2,100	1,860
Cleaning	1,202	1,202
CMDA license	4,583	5,075
CSSSES expenses	20	-
Depreciation	16,475	16,528
Electricity	3,321	3,611
Ex-gratia expenses	-	5,659
FNPF contribution	8,290	-
FNTC Levy	941	2,271
General expenses	5,824	6,386
Legal expenses	549	1,807
Membership	1,306	-
Printing and stationery	3,472	7,107
Rent	28,293	54,430
Repairs and maintenance	1,267	-
Salaries and wages	105,335	149,768
Staff expenses	2,023	963
Subscription	615	191
Telephone and postage	10,790	11,875
Training, travel and entertainment	3,346	8,152

<b>Total expenses</b>	<u>209,178</u>	<u>287,525</u>
<b>Net (loss)</b>	<u>(24,029)</u>	<u>(24,708)</u>

The profit and loss account is to be read in conjunction with the disclaimer set out on page 11.