

South Pacific Stock Exchange

Annual Report

For the year ended 30 June 2003

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BOARD OF DIRECTORS



Mr Malakai Naiyaga

(Chairman)

Mr. Naiyaga is the General Manager of Colonial Investment. He has received extensive management training from the Australian Management College and has been employed as a Management Accountant at the Colonial Melbourne Office. He holds directorship on various boards.



Mr Kwong Kee Fong

(Deputy Chairman)

Mr. Fong is currently the General Manager Finance of Fiji Development Bank. He has extensive experience in the financial markets. He serves as a director on various boards.



Mr George Niumataiwalu

(Director)

Mr. Niumataiwalu is the Director of Kontiki Fund. He has extensive experience and expertise in mining industry. He holds directorship on various boards.



Mr Sakimi Samuel

(Director)

Mr. Samuels is currently the Manager Legal Services at the Westpac Banking Corporation. He holds directorship on other boards.



Mr Ross McDonald

(Director)

Mr. McDonald is currently the Managing Director of Credit Corporation (PNG) Limited. He has extensive experience in banking and finance. He holds directorship on various boards in Fiji.



Mr Olota Rokovunisei

(Director)

Mr. Rokovunisei is currently the General Manager & Chief Executive Officer of Fiji National Provident Fund. He serves as a chairman and / or director on various boards.

BOARD OF DIRECTORS (Cont'd)



Mr Semi Leiwere

(Director)

Mr. Leiwere is currently the Managing Director for FijiStock Brokers Ltd. He has vast experience in both Government and private sector. He holds directorship in a couple of business ventures.



Mr Mesake Nawari

(Director)

Mr. Nawari is currently the General Manager FHL Securities Limited and Fijian Holdings Unit Trust. He has extensive experience in the financial markets, one being the first CEO of the South Pacific Stock Exchange. He also serves as a director on various boards.



Mr Nalin Patel

(Director)

Mr Patel is a Partner of Deloitte Touche Tohmatsu/G. Lal + Co. He has a wide range of commercial and business experience, which includes valuation of business, raising of capital from public, initial public offerings and group restructuring. He also serves as a director on various boards.

Chairman's Report



Business Overview

On behalf of the Board of Directors I am pleased to present the 23rd Annual Report of the company. This is the 3rd Annual Report under the new name South Pacific Stock Exchange Limited (SPSE).

The financial year which ended on 30th June 2003 was a challenging but pleasing period for the Exchange. The year began with an exciting development where a wholly owned subsidiary of the Exchange SPSE Central Share Registry Limited (CSRL) was formed. The main activity of the Registry is to keep and update share registers of listed companies that wish to use the registry. It also helps companies distribute dividends and annual reports. As of 30th June 2003, there were three companies using the services provided by the Registry.

The events of September 11th in the United States and the series of accounting scandals that unfolded last year badly impacted stock markets world wide and interestingly also affected the South Pacific Stock Exchange. Despite these events, trading on the SPSE has increased to \$6,053,148 for the year ended 30 June 2003 compared to \$4,028,383 last year. This compared with trading levels of approximately \$6,165,307 pre-September 11 events.

The Board and Management of the Exchange continued to implement good cost control measures and process improvements lifting revenue not directly related to market turnover. As a result, the Exchange recorded a profit of \$34,432 after tax for the financial year 2003 compared to a profit of \$22,877 in the previous year. The consolidated group profit for the year was \$15,034. This included the 9 months operating result of the SPSE Central Share Registry Limited.

Developments

During the year the Exchange effectively enforced the new business rules developed in 2000. Two more sub-committees were formed. These are Market Surveillance Committee and Strategic Committee. These committees were set up to strengthen the compliance area and to develop strategies to grow the Exchange further.

The three year corporate plan was revised by the Board and Management. The Business plan was also developed to guide the Management team to reach the objectives of the Exchange and the Registry. This became necessary to continuously improve the performance of the stock market.

Chairman's Report (Cont)

No new company listed on the Exchange during the year. The total number of companies on the Exchange remained fifteen. However, additional securities were quoted on the main trading Board by the Existing Listed Companies. Two companies VB Holdings Limited (VBL) and FijiCare Insurance Limited (FIL) raised capital using the non-renunciability rights issue while Pacific Green Industries (Fiji) Limited (PGI), exercised the options.

The VBL quoted additional 400,000 securities through rights issue, PGI Quoted 642,857 securities through the exercise of the Option and FIL Quoted 886,456 through Rights issue and 400,000 securities through the exercise of the Options. A total of 2,329,313 additional securities were quoted on the main trading board of the Exchange during the year under review. The total market capitalisation as at 30th June 2003 was 731,662,006 compared to 747,827,791 same period last year. It has decreased by 16,165,785 due mainly to the fall in price in certain key securities including ATH shares.

The Minister for Finance and National Planning launched the Central Share Registry on 15 August 2002. Fiji Television Limited (FTV) was the first listed company to transfer its share register to the Central Share Registry. Two more companies Toyota Tsusho South Seas Limited (TTS) and Communications Fiji Limited (CFM) joined the Registry during the year. It is expected that most of the listed companies will be joining the registry during the next financial year. The Asian Development Bank (ADB) has assisted the Exchange to develop a web site. The website was launched in April 2003.

Relations with Government

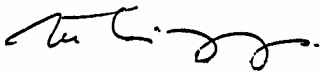
The Exchange acknowledges Government's ongoing financial support in the form of \$50,000 yearly grant. Last year, the Government further assisted the Exchange with a special grant of \$54,000 to establish the central share registry system. Government support is crucial in the maintenance and development of the Exchange. A submission has been made to Government to raise its level of support to assist the Exchange in aggressively promoting the exchange and capital markets activities in the Fiji Islands. The Exchange also made a submission to the Government seeking various incentives to attract more companies to listing on the Exchange.

Chairman's Report (Cont)

Conclusion

In conclusion, I wish to acknowledge the work of my predecessor Mr Kenneth Clemens. He has contributed greatly towards the development of the Exchange. During the year Mr Kee Fong was elected as the Deputy Chairman of the Exchange. The Director representing investors, Mr Thomas Raju retired from the Board and was replaced by Mr Sakimi Samuels. Mr Nalin Patel was elected to the Board to represent the interest of the listed companies.

I wish to thank the Directors for their invaluable guidance and support during the year. The perseverance of the management and staff is also acknowledged. Thank you for another year of good results and dedicated to improving service to our stakeholders.



Malakai Naiyaga

Chairman

Chief Executive's Report



The South Pacific Stock Exchange (SPSE) continues to promote good corporate governance in the South Pacific Region. We are encouraging all companies listed on the Exchange to adopt corporate governance policies in line with our guidelines. This is to enable a fair, efficient and transparent stock market in the region. The strategies adopted by the Exchange will no doubt accelerate the enhancement of the South Pacific Stock Exchange over the years.

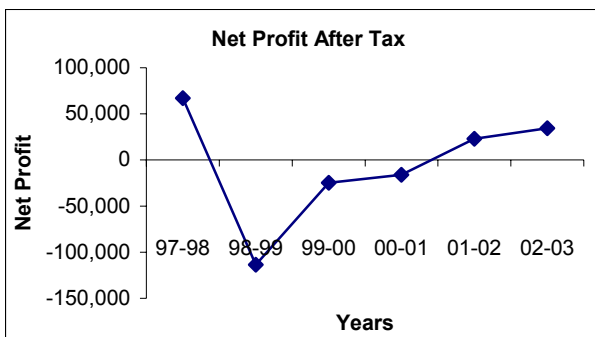
The Exchange acts as a regulator for the listed companies and its members to protect the integrity of the market. We contribute extensively towards the development of the capital market in the region. This is through public awareness programs, conducting seminars and building investor confidence through stringent market surveillance policies.

Financial Report

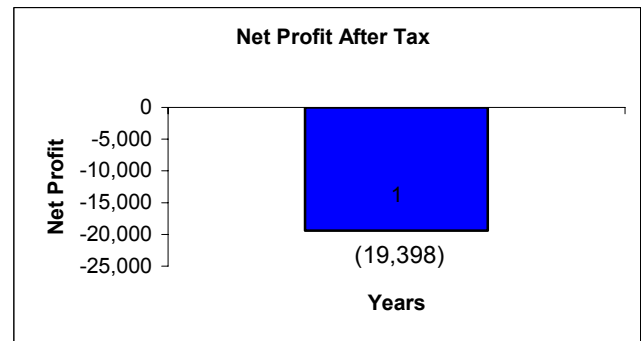
The Exchange recorded a net profit of \$34,432 for the financial year ending 30th June 2003. This is a notable improvement compared to previous years. The profit was largely due to strict cost cutting measures, increase in annual listing fees, and increase in trading activity during the year.

The Central Share Registry Limited (CSRL) trading as SPSE Central ShareRegistry, was established on 1 October 2002. In its first nine months of operation, CSRL has recorded a loss of \$19,398. The loss was largely due to inter-entity transactions. The revenue earned was only from the three listed companies utilizing the CSRL services. The losses are expected to reduce dramatically once more listed companies start to use the CSRL services.

**Graph 1: SPSE Net Profit After Tax
(Comparative figures: 1997-2003)**



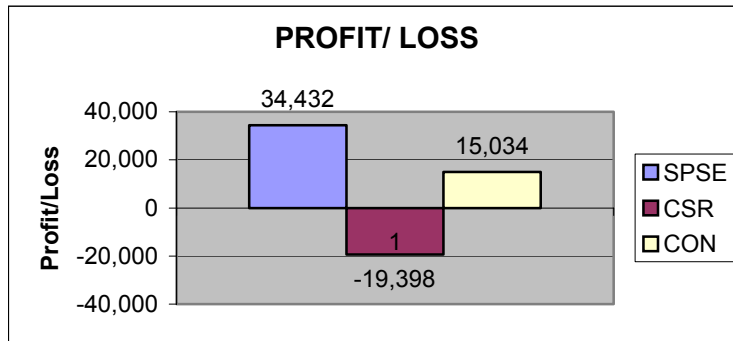
**Graph 2: CSRL Profit/Loss
(Figures: 2003)**



Chief Executive’s Report (Cont’d)

The consolidated SPSE and its subsidiary company (CSRL) recorded a net profit of \$15,034 for the financial year ending 30th June 2003. The profit was largely due to the high performance of the Exchange, which has over-ridden the subsidiary company’s losses. This is the first financial year where the Exchange has incorporated consolidated accounts.

Graph 3: Consolidated Net Profit after Tax (figures: 2003)



Compliance Report

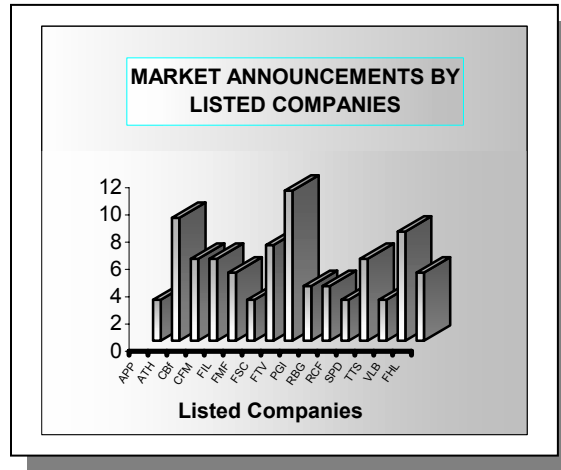
The Exchange has an eminent reputation of a fair and an effective regulatory role in maintaining confidence in the stock market. The role is being carefully balanced to safeguard investors’ interest while simultaneously encouraging new listings.

All businesses of the Exchange were conducted in accordance with CMDA Act, Rules and Regulations. CMDA was effectively made aware of various issues of importance during the year. The market trading patterns and price fluctuations have been strictly monitored during the year to avoid any market manipulation.

One of the most important requirements of all listed companies is to make clear, precise and timely market announcements to the public through the Exchange. All listed companies have complied with these requirements, releasing all price sensitive information to the market in a timely manner. An analysis of market disclosures is summarized in graph 4.

Chief Executive's Report (Cont'd)

Graph 4: Market Announcements by Listed Companies (figures: 2003)



To help improve awareness, the Exchange has continued to organise brokers briefing sessions with the listed companies. Except for Fiji Sugar Corporation Limited (FSC), all listed companies presented themselves and disclosed their strategies for the next 12 months to the Exchange and its members. They also assisted the brokers by providing them with detailed financial performance of their companies and their 12 months forecasts.






The strict market surveillance activities are carried out by the Exchange. This is to ensure that the SPSE Members and Listed Companies fully comply with the SPSE Business and Listing Rules. The South Pacific Stock Exchange Disciplinary Committee also meets regularly to decide on disciplinary proceedings and actions against the SPSE members and the Listed Companies who fail to comply with SPSE rules. The table below analyses the performance of the companies listed on the South Pacific Stock Exchange during the year under review.

Chief Executive's Report (Cont'd)

Table 1: Companies Listed on SPSE's Main Board


Name Of Company	List Code	Date Listed	Par Val. (\$)	Issued & Paid Up Capital (000)	Volume Traded	Consideration (\$)	P/E Ratio (%)	Dividend Yield (%)	Market Cap ⁱⁱ (\$)
 Atlantic & Pacific Packaging Company Limited	APP	17/08/98	0.50	8,000	63,911	35,208	N/A	0.00	4.4M
 Amalgamated Telecom Holdings Limited	ATH	18/04/02	0.25	422,104	377,418	426,937	13.6	6.26	447.4M
 Carlton Brewery (Fiji) Limited	CBF	11/02/97	1.00	2,000	1,674	49,408	10.11	4.17	60M
 Communications (Fiji) Limited	CFM	20/02/01	1.00	3,251	14,470	13,949	234.86	2.22	2.9M
 FijiCare Insurance Limited	FIL	07/12/00	0.50	4,432	61,451	41,875	15.85	6.45	2.7M
 Flour Mills of Fiji Limited	FMF	25/07/79	0.20	30,000	227,465	328,049	12.72	3.45	43.5M
 Fiji Sugar Corporation Limited	FSC	07/06/79	0.50	44,400	307,100	107,525	N/A	0.00	11.1M
 Pacific Green Industries (Fiji) Limited	PGI	05/06/01	1.00	7,619	320,777	618,794	20.14	6.53	15.2M

SPSE Annual Report

Name Of Company	List Code	Date Listed	Par Val. (\$)	Issued & Paid Up Capital (000)	Volume Traded	Consideration (\$)	P/E Ratio (%)	Dividend ⁱⁱⁱ Yield (%)	Market Cap ^{iv} . (\$)
 R B Patel Group Limited	RBG	17/07/01	0.50	30,000	4,536,000	3,504,216	15.59	6.91	28.2M
 The Rice Company of Fiji Limited	RCF	20/01/97	0.50	6,000	11,704	18,816	17.57	6.86	10.5M
 South Pacific Distilleries Limited	SPD	28/04/81	1.00	2,103	1,000	7,215	13.02	3.37	15.6M
 Toyota Tsusho (South Sea) Company Limited	TTS	07/06/79	1.00	14,032	4,250	9,153	21.3	0.00	30.6M
 Vishal Bharteeya Company Limited	VBL	01/11/01	1.00	600	4,730	6,165	7.56	7.63	0.78M
TOTAL					5,962,840	5,236,033			699.58M

Chief Executive's Report (Cont'd)

Table 2: Companies Listed On SPSE Restricted Board¹

Name Of Company	List Code	Date Listed	Par Val. (\$)	Issued & Paid Up Capital (000)	Volume Traded	Consideration (\$)	P/E Ratio (%)	Dividend Yield (%)	Market Cap. (\$)
 Fijian Holdings Limited	FHL	20/01/97	1.00	10,464	269,132	817,115	34.03	6.49	32.2M
TOTAL					269,132	817,115			32.2M

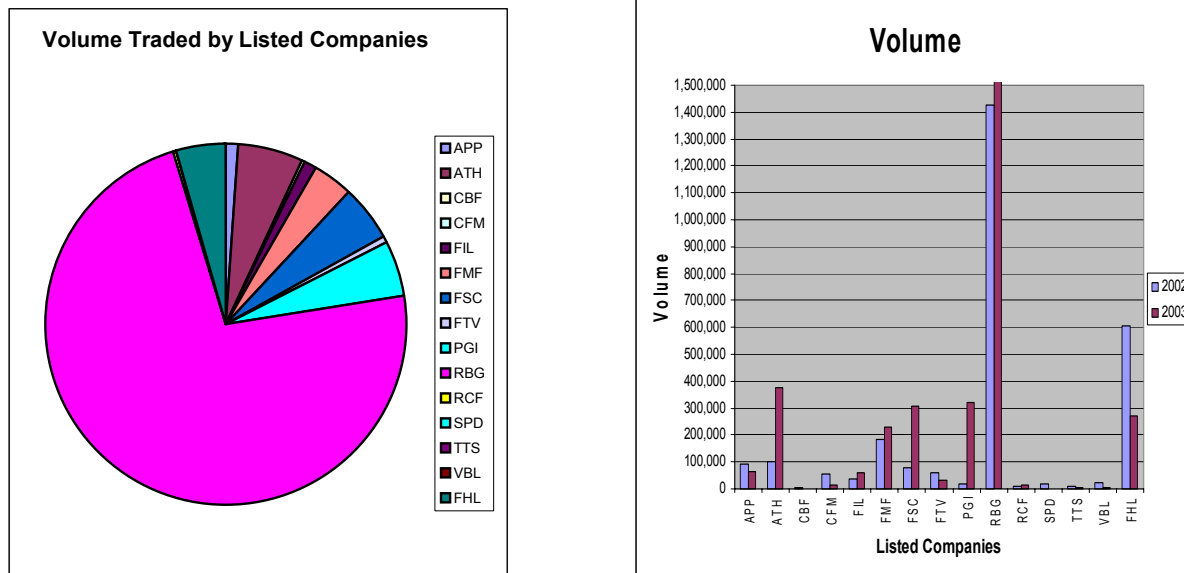
¹ Dividend Yield: the latest annual dividend payout as a percentage of the last sale price

² Market Capitalization: The last sale price issued and paid up capital of the listed company

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

Chief Executive's Report (Cont'd)

Graph 5: Volume Traded (figures: 2003)



For the year ending 30th June 2003, total of 6,231,972 shares were traded on the South Pacific Stock Exchange trading floor. This was 129.26% higher than the previous year.

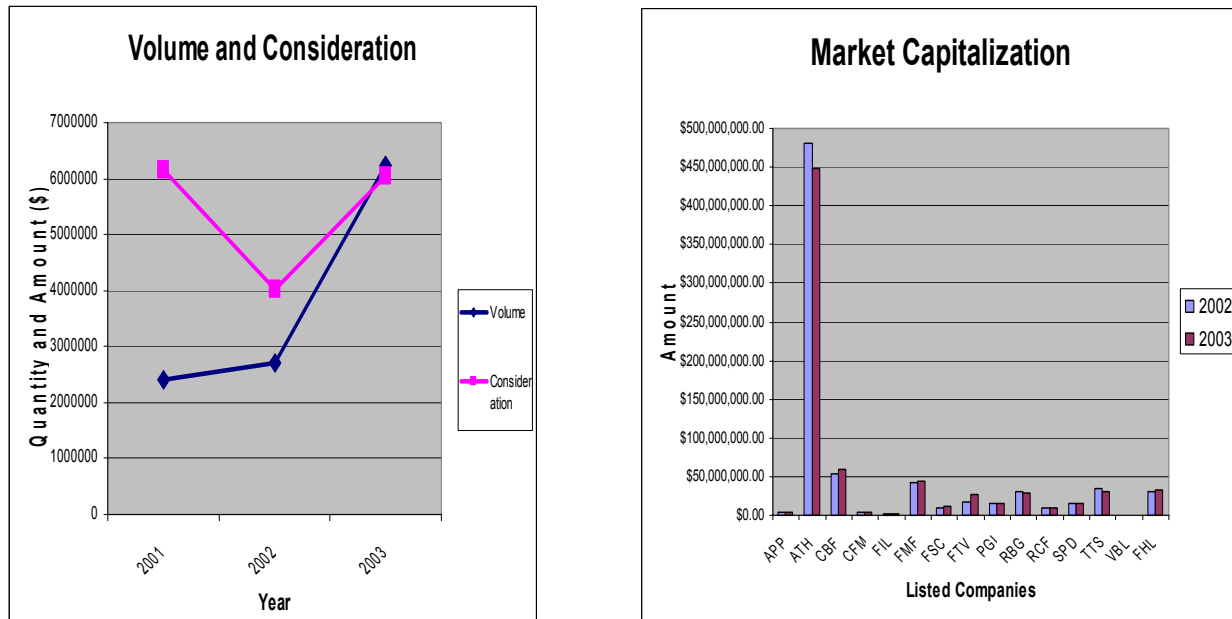
From the graphs above, the top 5 most liquid stocks are R B Patel Group Limited, Amalgamated Telecom Holdings Limited, Pacific Green Industries (Fiji) Limited, Fiji Sugar Corporation Limited and Fijian Holdings Limited.

The R B Patel Group Limited (RBG) contributed to a total of 74% of all shares traded. While the total volume of trade increased for the year ending 30th June 2003, 8 companies had lower trades compared to the same period last year. However, this did not had any major impact on the Exchange due to large volume of trades by the other companies.

In the years 2001 to 2003 the amount of securities trading on the South Pacific Stock Exchange has increased gradually. It has increased by 159.43% from 2001 to 2003. Whilst the volume has increased, the consideration has been adversely affected. From 2001 to 2002 there was a decrease in the consideration amount by 35%. This was due to changes in investment climate in the country. Even though the economy is moving away from the political uncertainty, the September 11th tragedy in USA followed by accounting scandals affected the performance of our market.

Chief Executive's Report (Cont'd)

Graph 6: Consideration and Market Capitalization (figures: 2003)



In the financial year under review, a total change in investor behaviour was notable. Investor's confidence increased driving up of share prices of most securities increasing in volumes traded on the Exchange. There was an increase of 50.24% of the total consideration traded.

Although the activities in the market improved, the total market capitalization decreased to reach \$731.7 million. A decrease of 2.18% compared to the previous year. This was mainly due to the drop in share prices of some large companies listed on the South Pacific Stock Exchange.

SPSE Central ShareRegistry

The SPSE Central ShareRegistry was officially launched on 15th August 2002 by the Honourable Ratu Jone Kubuabola, Minister for Finance and National Planning. It was a historic moment for the Exchange and the capital markets in Fiji. We have reached a milestone achievement by establishing SPSE Central ShareRegistry. The registry's main function is to provide services on behalf of the listed companies and their shareholders.

The SPSE Central Share Registry Limited is expected to enhance the development of the stock market. It is a step forward towards a sound capital market not only in Fiji Islands but also for the South Pacific Islands Nations. The Registry is expected to improve the efficiency of the stock market. It will enable the Exchange to decrease the turn around time from current 13 days to 6 days. The Central ShareRegistry also addresses the

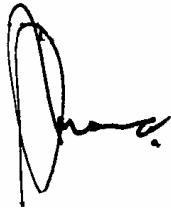
shareholder needs individually by issuing them with consolidated shareholder statements that will advise them of their portfolios. This information will help them effectively manage their security investments.

The main objective of the SPSE Central ShareRegistry is to centralize and harmonize the records of all listed companies share registers and efficiently manage them. The SPSE Central ShareRegistry offers tremendous benefits to companies and shareholders alike and would benefit the whole South Pacific Region in developing the capital market. The establishment of the Registry is a first step towards the automation of the trading and settlement system at the South Pacific Stock Exchange.

Future Plans

The Exchange plans to move towards script less trading system (Dematerialization) that would lead to the integrated trading system. We are also working towards fully automating the trading system once the Exchange is able to secure the required resources.

The Exchange is also strengthening the compliance of its members and the listed companies. The SPSE Rules are being reviewed and amended to suit our current environment. There are plans to get secondary listing of companies that are listed on other more developed stock exchanges and are recognized by the South Pacific Stock Exchange.



Sanjay Sharma

Chief Executive

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 2003 and the auditors' report thereon.

Directors

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

Mr Malakai Naiyaga

Mr Mesake Nawari

Mr Kee Fong

Mr Ross G. McDonald

Mr Olota Rokovunisei

Mpmor Nalin Patel

Mr George Niumataiwalu

Mr Sakimi Samuels

Mr Semi Leiwere

State of affairs

In the opinion of the directors:

there were no significant changes in the state of affairs of the Company and the Group that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

the accompanying balance sheets give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2003, and the accompanying income statements of the Company and of the Group, 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 \$15,034.

Reserves

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

Dividends

The directors recommend that no dividends be declared or paid.

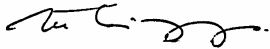
South Pacific Stock Exchange Limited and Subsidiary Company Directors' report (cont'd)

Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, 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.

Dated at Suva this 10th day of November 2003.

Signed in accordance with a resolution of the directors:



Director



Director

Independent auditors' report to the members of South Pacific Stock Exchange Limited and Subsidiary Company

Scope

We have audited the financial statements of South Pacific Stock Exchange Limited and the Group for the financial year ended 30 June 2003, consisting of the income statements, statements of changes in equity, balance sheets, statements of cash flows and accompanying notes, set out on pages 4 to 18. The financial statements comprise the financial statements of the Company and consolidated financial statements of the Group, being the Company and its subsidiary. The Company's directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Company.

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

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

Audit Opinion

In our opinion:

- (a) proper books of accounts have been kept by the Company 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 the historical cost convention stated in Note 1 to the financial statement:

- I. are in agreement with the books of accounts;
- II. to the best of our information and according to the explanations given to us:

- (a) give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2003 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
10 November, 2003**

**KPMG
Chartered Accountants**

South Pacific Stock Exchange Limited and Subsidiary Company

Income statements

For the year ended 30 June 2003

		Consolidated	Company	
	Note	2003	2003	2002
		\$	\$	\$
Income				
Income from operations	2	189,835	175,575	132,575
Other operating income	3	63,999	75,097	<u>97,237</u>
		253,834	250,672	229,812
Personnel expenses	4	118,403	110,596	108,728
Depreciation and amortisation		24,960	17,199	16,645
Operating expenses	5	<u>94,077</u>	<u>87,085</u>	<u>80,362</u>
Profit from operations		16,394	35,792	24,077
Net financing costs	6	<u>1,360</u>	<u>1,360</u>	<u>1,200</u>
		15,034	34,432	22,877
Profit before tax				
Income tax expense	7(a)	<u>-</u>	<u>-</u>	<u>-</u>
Operating profit after income tax		<u>15,034</u>	<u>34,432</u>	<u>22,877</u>

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

South Pacific Stock Exchange Limited and Subsidiary Company Statements of changes in equity For the year ended 30 June 2003

	Consolidated		Company	
	Note	2003 \$	2003	2002 \$
Capital				
Opening balance		120,000	120,000	120,000
Issued shares		-	-	-
Closing balance	17	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>
Accumulated losses				
Opening balance		(81,899)	(81,899)	(104,776)
Net profit for the year		<u>15,034</u>	<u>34,432</u>	<u>22,877</u>
Closing balance		<u>(66,865)</u>	<u>(47,467)</u>	<u>(81,899)</u>
Total shareholders' equity attributable to members of the holding company		<u>53,135</u>	<u>72,533</u>	<u>38,101</u>

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

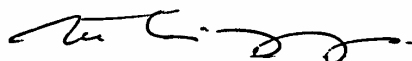
South Pacific Stock Exchange Limited and Subsidiary Company

Balance sheets

As at 30 June 2003

	Consolidated		Company	
	Note	2003	2003	2002
Current assets				
Cash and cash equivalents	8	99,017	85,630	97,594
Receivables	9	7,624	28,160	1,411
Other	10	8,185	8,185	6,774
Total current assets		<u>114,826</u>	<u>121,975</u>	<u>105,779</u>
Non-current assets				
Investments	11	-	50,000	-
Other	10	1,871	-	-
Plant and equipment	13	61,882	23,207	65,707
Total non-current assets		<u>63,753</u>	<u>73,207</u>	<u>65,707</u>
Total assets		<u>178,579</u>	<u>195,182</u>	<u>171,486</u>
Current liabilities				
Creditors and accruals	14	119,194	116,399	100,392
Provisions	15	6,250	6,250	2,993
Total current liabilities		<u>125,444</u>	<u>122,649</u>	<u>103,385</u>
Non-current liabilities				
Subordinated loan	16	-	-	30,000
Total non-current liabilities		<u>125,444</u>	<u>122,649</u>	<u>30,000</u>
Total liabilities		<u>125,444</u>	<u>122,649</u>	<u>133,385</u>
Net assets		<u>53,135</u>	<u>72,533</u>	<u>38,101</u>
Shareholders' equity				
Share capital	17	120,000	120,000	120,000
Accumulated profits/(losses)		<u>(66,865)</u>	<u>(47,467)</u>	<u>(81,899)</u>
Total shareholders' equity		<u>53,135</u>	<u>72,533</u>	<u>38,101</u>
Contingent liabilities & Commitments	18&19			

Signed in accordance with a resolution of the Board.



Director



Director

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

South Pacific Stock Exchange Limited and Subsidiary Company

Statements of cash flows

For the year ended 30 June 2003

	Consolidated		Company	
	Note	2003 \$	2003 \$	2002 \$
Cash flows from operating activities				
Cash receipts from customers		194,349	170,651	125,247
Cash payments to suppliers and employees		(193,228)	(178,417)	(195,810)
Government assistance		-	-	53,894
Government grant		50,000	50,000	50,000
	24(b)	<u>51,121</u>	<u>42,234</u>	<u>33,331</u>
Cash flows from investing activities				
Payments for plant and equipment		(18,338)	(18,338)	(36,399)
Proceeds from sale of plant and equipment		-	45,500	-
Investment in subsidiary company		-	(50,000)	-
		<u>(18,338)</u>	<u>(22,838)</u>	<u>(36,399)</u>
Cash flows from financing activities				
Receipts of subordinated loan		-	-	30,000
Interest paid on loan		(1,360)	(1,360)	-
Repayment of subordinated loan		(30,000)	(30,000)	-
		<u>(31,360)</u>	<u>(31,360)</u>	<u>30,000</u>
Net increase/(decrease) in cash		1,423	(11,964)	26,494
Cash at the beginning of the financial year		97,594	97,594	71,100
Cash at the end of the financial year	24(a)	<u>99,017</u>	<u>85,630</u>	<u>97,594</u>

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

South Pacific Stock Exchange Limited and Subsidiary Company

Notes to the consolidated financial statements

For the year ended 30 June 2003

1. Statement of significant accounting policies

South Pacific Stock Exchange is a Company domiciled in the Fiji Islands. The consolidated financial statements for the year ended 30 June 2003 include the financial statements of the Company and the Group. The financial statements were authorised for issue by the directors on 10 November 2003.

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

(a) Statement of compliance

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

(b) Basis of preparation

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

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

(c) Basis of consolidation

Subsidiary

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

Transactions eliminated on consolidation

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

Consolidated figures

The subsidiary company is Central Share Registry Limited (Trading as SPSE Central ShareRegistry) which commenced operations on 9 October 2002. Therefore the consolidated figures for 2003 contain the amounts for the nine month period ended 30 June 2003.

1. Statement of significant accounting policies (continued)

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

(e) Accrued revenue and other receivables

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

(f) Deferred expenditure

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

(g) Plant and equipment

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

Depreciation

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

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

(h) Trade and other payables

Trade and other payables are stated at cost.

(i) Employee benefits

Annual leave entitlements

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

1. Statement of significant accounting policies (continued)

(j) Revenue

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

(k) Expenses

Personnel costs

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

(l) Income tax

The Company and the Group adopt the liability method of tax effect accounting.

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

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

(m) Comparatives

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

	Consolidated	Company	
	2003	2003	2002
	\$	\$	\$
2. Income from operations			
Annual and Initial Listing fees	107,000	107,000	70,000
Annual maintenance fees	3,709	-	-
Annual report distribution fees	1,960	-	-
CSSSES commission	1,029	1,029	-
Entry fees	4,500	-	-
Facility fees	55,756	55,756	46,600
Dividend distribution fees	4,091	-	-
Interest	377	377	-
Penalties/fines	4,858	4,858	7,555
Sale of Listing and Business Rules	210	210	910
Settlement fees	5,795	5,795	7,200
Private transfer fees	550	550	310
	189,835	175,575	132,575

South Pacific Stock Exchange Limited and Subsidiary Company

Notes to the consolidated financial statements

For the year ended 30 June 2003

	Consolidated	Company	
	2003 \$	2003 \$	2002 \$
3. Other operating income			
Gain on sale of asset	1,860	1,860	438
Government grant	50,000	50,000	32,000
Government assistance	-	-	53,894
CSR service fees	-	9,000	-
Hire of trading floor	150	150	1,950
Training reimbursement	-	-	5,455
Sundry income	11,989	14,087	3,500
	<u>63,999</u>	<u>75,097</u>	<u>97,237</u>
4. Personnel expenses			
FNPF contributions	9,403	8,825	6,615
FNTC levy	864	864	837
Salaries and wages	102,170	94,941	88,708
Staff expenses	238	238	31
Training, travel and entertainment	5,728	5,728	12,537
	<u>118,403</u>	<u>110,596</u>	<u>108,728</u>
Number of employees			
Average number of employees during the financial year	<u>4</u>	<u>4</u>	<u>6</u>
5. Operating expenses			
Accounting fees	1,463	1,463	1,650
Advertising	3,017	3,017	3,546
Audit fees	5,100	3,300	3,300
Callers fees	2,540	2,540	2,240
CMDA licence	5,000	5,000	5,000
Electricity	2,444	2,444	2,280
Insurance	8,151	8,151	1,875
Legal expenses	855	855	6,391
Printing and stationery	5,362	4,562	3,995
Rent	34,813	34,813	30,220
Repairs and maintenance	4,985	2,928	1,721
Software maintenance	1,125	-	-
Telephone and postage	11,824	10,948	11,278
Other	7,398	7,064	6,866
	<u>94,077</u>	<u>87,085</u>	<u>80,362</u>

South Pacific Stock Exchange Limited and Subsidiary Company

Notes to the consolidated financial statements

For the year ended 30 June 2003

	Consolidated	Company	
	2003	2003	2002
	\$	\$	\$
6. Net financing costs			
Interest expense	<u>1,360</u>	<u>1,360</u>	<u>1,200</u>
7. Taxation			
(a) Income tax expense / (benefit)			
<i>Prima facie income tax benefit calculated at 32% (2002: 34%) on the operating loss</i>	4,810	11,018	7,778
Increase in income tax due to non tax deductible items:			
Amortisation of intangibles	300	-	-
Legal expense	274	274	2,173
Decrease in income tax due to non tax assessable items:			
Government grant	(16,000)	(16,000)	(29,204)
Future income tax benefit not brought to account	10,616	4,708	11,784
Effect of change in tax rate	<u>-</u>	<u>-</u>	<u>7,469</u>
	<u>-</u>	<u>-</u>	<u>-</u>
(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 is not virtually certain:			
Tax losses carried forward	130,326	122,261	118,774
Timing differences	<u>403</u>	<u>2,560</u>	<u>735</u>
	<u>130,729</u>	<u>124,821</u>	<u>119,509</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 derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- II. the Company and the Group continues to comply with the conditions for deductibility imposed by the law; and
- III. no changes in tax legislation adversely affects the Company and the Group in realising the benefit.

South Pacific Stock Exchange Limited and Subsidiary Company

Notes to the consolidated financial statements

For the year ended 30 June 2003

	Consolidated	Company	
	2003	2003	2002
	\$	\$	\$
8. Cash and cash equivalents			
Cash at bank – Operating account	49,008	35,621	43,249
Cash at bank – CSSES trust acco	49,909	49,909	54,245
Cash on hand	100	100	100
	<u>99,017</u>	<u>85,630</u>	<u>97,594</u>
9. Receivables			
Accrued revenue	4,362	4,362	1,036
Other receivables	3,262	3,262	375
Owing by subsidiary company 20(b)	-	20,536	-
	<u>7,624</u>	<u>28,160</u>	<u>1,411</u>
10. Other assets			
Current			
Prepayments	8,185	8,185	6,774
	<u>8,185</u>	<u>8,185</u>	<u>6,774</u>
Non-current			
Deferred expenditure	2,807	-	-
Less accumulated amortisation	936	-	-
	<u>1,871</u>	<u>-</u>	<u>-</u>
11. Investments			
Shares in subsidiary company - at cost	-	50,000	-
	<u>-</u>	<u>50,000</u>	<u>-</u>

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

South Pacific Stock Exchange Limited and Subsidiary Company

Notes to the consolidated financial statements

For the year ended 30 June 2003

12. Investments in subsidiary company

Name of Company	Equity of holding company	Contribution to group results	Book value investment
	2003 %	2003 \$	2003 \$
Central Share Registry Limited	100	(19,398)	50,000

The subsidiary company Central Share Registry Limited (Trading as SPSE Central ShareRegistry) is incorporated in Fiji and has the same financial year end as the holding company.

13. Plant and equipment - consolidated

	Furniture and fittings \$	Office equipment \$	Computer equipment \$	Total \$
<i>Cost</i>				
Balance at 1 July 2002	24,830	33,882	65,145	123,857
Acquisitions	3,230	508	60,100	63,838
Disposals	400	-	45,100	45,500
Balance at 30 June 2003	27,660	34,390	80,145	142,195
<i>Accumulated depreciation</i>				
Balance at 1 July 2002	12,442	25,254	20,454	58,150
Depreciation charge for the year	4,303	4,603	15,118	24,024
Disposals	60	-	1,801	1,861
Balance at 30 June 2003	16,685	29,857	33,771	80,313
<i>Carrying amount</i>				
At 1 July 2002	12,388	8,628	44,691	65,707
At 30 June 2003	10,975	4,533	46,374	61,882

Plant and equipment – company

	Furniture and fittings \$	Office equipment \$	Computer equipment \$	Total \$
<i>Cost</i>				
Balance at 1 July 2002	24,830	33,882	65,145	123,857
Acquisitions	2,830	508	15,000	18,338
Disposals	400	-	45,100	45,500
Balance at 30 June 2003	27,260	34,390	35,045	96,695

South Pacific Stock Exchange Limited and Subsidiary Company

Notes to the consolidated financial statements

For the year ended 30 June 2003

13. Plant and equipment – company (continued)

	Furniture and fittings	Office equipment	Computer equipment	Total
<i>Accumulated depreciation</i>				
Balance at 1 July 2002	12,442	25,254	20,454	58,150
Depreciation charge for the year	4,243	4,603	8,353	17,199
Disposals	60	-	1,801	1,861
Balance at 30 June 2003	<u>16,625</u>	<u>29,857</u>	<u>27,006</u>	<u>73,488</u>
<i>Carrying amount</i>				
At 1 July 2002	12,388	8,628	44,691	65,707
At 30 June 2003	<u>10,635</u>	<u>4,533</u>	<u>8,039</u>	<u>23,207</u>

	Consolidated 2003 \$	Company 2003 \$	2002 \$
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14. Creditors and accruals

Accrued expenditure	16,961	14,166	11,162
Income received in advance	45,312	45,312	25,310
Owing to CSSES creditors	49,909	49,909	54,049
Interest accrued	-	-	1,200
Sundry creditors	<u>7,012</u>	<u>7,012</u>	<u>8,671</u>
	<u>119,194</u>	<u>116,399</u>	<u>100,392</u>

15. Provisions

Annual leave	<u>6,250</u>	<u>6,250</u>	<u>2,993</u>
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16. Subordinated loan

Subordinated loan	<u>-</u>	<u>-</u>	<u>30,000</u>
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17. Share capital

Authorised capital

50 ordinary shares of \$15,000 each	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>
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Issued and paid up capital

8 ordinary shares of \$15,000 each, fully paid	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>
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Notes to the consolidated financial statements

For the year ended 30 June 2003

17. Share capital (continued)

As at 30 June 2003 the Company and the Group authorised share capital comprised of 750,000 ordinary shares (2002: 750,000). The shares have a par value of \$15,000. As at 30 June 2003, ordinary shares issued to existing shareholders of the company were as follows:

Shareholders	Shares issues	Value \$
Colonial Fiji Life Limited	1	15,000
Credit Corporation (Fiji) Limited	1	15,000
Fiji Development Bank	1	15,000
Fiji National Provident Fund	1	15,000
FHL Securities Limited	1	15,000
Fiji Stockbrokers Limited	1	15,000
Kontiki Stockbroking Limited	1	15,000
National MBf Finance Limited	1	15,000
	8	120,000

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

18. Contingent liabilities

The directors are not aware of any contingent liabilities as at balance date (2002: \$NIL).

19. Commitments

The directors are not aware of any capital commitments as at balance date (2002: \$NIL).

20. Related parties

(a) Directors

The directors of the Company and the Group in office at balance date are:

Mr Malakai Naiyaga	Mr Mesake Nawari
Mr Kee Fong	Mr Ross G. McDonald
Mr Olota Rokovunisei	Mr Nalin Patel
Mr George Niumataiwalu	Mr Sakimi Samuels
Mr Semi Leiwere	

Notes to the consolidated financial statements For the year ended 30 June 2003

20. Related parties (continued)

(b) Transactions with related parties

The value of transactions with related entities were as follows:

	Company	
	2003	2002
	\$	\$
Central Share Registry Limited		
Management fees	9,000	-
Administration expenses	11,536	-

The transactions undertaken with related parties were on normal terms and conditions.

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. Registered office

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

23. Events subsequent to balance date

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

24. Notes to the statements of cash flows

(a) Reconciliation of cash and cash equivalents

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

Notes to the consolidated financial statements

For the year ended 30 June 2003

	Consolidated	Company	
	2003 \$	2003 \$	2002 \$
Cash at bank – Operating account	49,008	35,621	43,249
Cash at bank – CSSES trust account	49,909	49,909	54,245
Cash on hand	100	100	100
	<u>99,017</u>	<u>85,630</u>	<u>97,594</u>

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

Operating profit after tax	15,034	34,432	22,877
Add/(less) non-cash items:			
Depreciation and amortisation	24,960	17,199	16,645
Gain on disposal of fixed assets	<u>(1,860)</u>	<u>(1,860)</u>	<u>(438)</u>
Net cash provided by operating activities before changes in assets and liabilities	38,134	51,131	39,084
Changes in assets and liabilities			
(Increase)/decrease in other assets	(9,020)	(6,213)	4,346
(Increase) in prepayments	(1,412)	(1,412)	(5,865)
(Increase) in amounts owing by related company	-	(20,536)	-
Increase/(decrease) in creditors	20,162	17,367	(5,300)
Increase in provision	<u>3,257</u>	<u>3,257</u>	<u>1,066</u>
Net cash provided by operating activities:	<u>51,121</u>	<u>42,234</u>	<u>33,331</u>

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- ⁱ Dividend Yield: the latest annual dividend payout as a percentage of the last sale price
 - ⁱⁱ Market Capitalization: The last sale price x issued and paid up capital of the listed company
 - ⁱⁱⁱ Dividend Yield: the latest annual dividend payout as a percentage of the last sale price
 - ^{iv} Market Capitalization: The last sale price x issued and paid up capital of the listed company