



South Pacific
Stock Exchange

2014

ANNUAL REPORT



VISION

TO BE THE PREFERRED SECURITIES EXCHANGE IN THE SOUTH PACIFIC

MISSION

We will:

- **Increase the attractiveness of the Exchange as an option for raising capital**
 - **Increase the attractiveness of the Exchange as an investment option**
- **Facilitate the orderly, efficient, transparent and timely trading of securities**
 - **Comply with international best practices in the securities industry**
 - **Recruit, develop and retain industry expertise**

VALUES

Our core values are:

TRUST – To be a trusted institution for all our stakeholders.

INTEGRITY – To operate with integrity at all times.

DISCIPLINE – To exercise discipline in our work.

ETHICAL – To uphold and maintain highest level of ethical standards.

COMMITMENT – To be committed to the ongoing development of the securities industry in Fiji.

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Listed Company Information

Listed Security	Code	Date Listed	Operation Description
Atlantic & Pacific Packaging Company Ltd	APP	17 Aug 98	Manufactures a wide range of packaging materials including corrugated cartons and assorted containers and packets.
Amalgamated Telecom Holdings Ltd	ATH	18 Apr 02	Provides telecommunication services in Fiji and enhances the network of telecommunications through its subsidiaries Telecom Fiji, Vodafone, FINTEL and Connect and development of internet services.
Communications (Fiji) Ltd	CFM	20 Dec 01	Holding company for Fiji's largest radio network and event organising through Total Event Company and also has 100% subsidiary company PNG FM. It also holds 50% shares in 231 Waimanu Road.
Future Forests (Fiji) Ltd	FFF	21 Nov 11	Focuses on the sustainable, large-scale planting and harvest of one of the world's great hardwood timbers - Teak (Tectona Grandis). The company has both its Ordinary Shares and Convertible Notes instruments listed on the Main Securities Board and the Interest Rate Securities Board of the Exchange respectively and became the first security ever to simultaneously list two instruments on the SPSE.
FijiCare Insurance Ltd	FIL	07 Dec 00	Underwriting of medical health, term life, mortgage protection, worker's compensation, personal accident, public liability, funeral benefits and motor vehicle insurance risks.
FMF Foods Ltd	FMF	25 Jul 79	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 Television Ltd	FTV	24 Apr 97	Operator of commercial broadcasting services through its free-to-air Fiji One channel and pay channels services Sky Pacific.
Kontiki Growth Fund Ltd	KGF	16 Dec 04	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.
Paradise Beverages (Fiji) Ltd	PBF	11 Feb 97	The principal activities of the group are the manufacture and sale of beer, ready-to-drink alcoholic beverages and soft-drinks, as well as the distillation and sale of portable and industrial alcohol.
Pleass Global Ltd	PBP	04 Feb 09	A diverse and growing corporation principally engaged in production and marketing of bottled water plus single use daily items concurrently operating adventure eco-tourism services and is in the establishment phase of organic farming and property development.
Pacific Green Industries (Fiji) Ltd	PGI	05 Jun 01	Engages in design, manufacture and sale of furniture and architectural products made from coconut palmwood.
RB Patel Group Ltd	RBG	17 Jul 01	Retailing and wholesaling of general merchandise and also owners and managers of property and equity investments.
The Rice Company of Fiji Ltd	RCF	20 Jan 97	Dealers in rice and allied products.
Toyota Tsusho (South Sea) Ltd	TTS	07 Jun 79	Engages in automotive importation and distribution.
V B Holdings Ltd	VBH	01 Nov 01	Engages in property investment, financing of vehicles sold by related entities, fleet management services and other investments.
Fijian Holdings Ltd	FHL	20 Jan 97	Investment company with a number of subsidiaries in different sectors of the economy including finance, manufacturing, retailing, fund management, broking, investment advisory, property, tourism and media industry.
BSP Convertible Notes Ltd	BCN	11 May 10	Is a wholly owned subsidiary of Bank of South Pacific (BSP) and has been incorporated in Fiji as a special purpose vehicle with limited powers under its Memorandum and Articles of Association.

Board of Directors



Dr Nur Bano Ali (Chairperson)

Dr Nur Bano Ali is a practicing Accountant and Business Adviser and has been a part of the Accountancy profession for 30 plus years. She is the Managing Partner of Aliz Pacific, one of Fiji's most respected Chartered Accounting and Business Advisory firms, working locally and internationally. She holds a PhD from the University of Waikato in Hamilton, New Zealand, the subject matter of which was the Fiji Development Bank and its effectiveness as a development institution in Fiji. She is one of Fiji's most prominent business people and is a representative of private sector interests through her role as President of the Suva Chamber of Commerce and Industry (the Capital City, and largest such organisation in Fiji). Dr Ali is also an advocate for women, in particular their commercial involvement, highlighted by her role as President of Women in Business Fiji, of which she is also a founding member.

Mr Saiyad Hussain (Deputy Chairperson)

Mr Hussain is the General Manager Finance and Administration of the Fiji Development Bank. He is also the Board Secretary of the Fiji Development Bank. His qualification includes a Post-Graduate Diploma in Financial Management and a Bachelor of Arts in Accounting and Financial Management and Economics from The University of the South Pacific (USP). Mr Hussain is a professional Chartered Accountant.



Mr Griffon Emose

Mr Emose is the Managing Director of Kontiki Capital Limited, which provides investment banking services, including stockbroking through its wholly owned subsidiary, Kontiki Stockbroking Limited. He holds a Bachelor of Commerce from the University of Auckland and is a graduate of the Financial Services Institute of Australasia. He also holds the CFA Charter. Prior to joining Kontiki, Mr Emose worked for the Capital Markets Development Authority and the Finance and Commerce Ministries. He is a licensed Investment Adviser Representative and also sits on a number of other boards.

Dr Roland Schultz

Dr Schultz brings a unique combination of practical skills, theoretical insight and experience to the Board including 15 years as a Departmental Head, and over 40 years as a successful investor in the equities market including 13 years in Fiji. An applied psychologist by profession with postgraduate degrees from the Universities of Adelaide, London and UniSA, his areas of expertise include human resource management, assessment and professional development, problem-solving and decision-making, communication and research. He has wide experience as a psychologist and psychological consultant for government and semi-government bodies, the disciplined forces and commercial organisations in Australia and the Pacific including China, Brunei, Fiji, Kiribati and Papua New Guinea. Dr Schultz joined the Board in October 2012 and serves on the Governance Committee and the Listings and Compliance Committee.



Mr Bhupendra Solanki

Mr Solanki is a lawyer by profession and was admitted to the Bar in 1999. He initially commenced employment at a private legal practice before accepting appointment as a State Prosecutor at the Director of Public Prosecution Office in 2000. In 2005, Mr Solanki joined the Fiji Revenue and Customs Authority (FRCA) as a Principal Legal Officer. In 2007, Mr Solanki was awarded a scholarship to study at the University of Sydney and whilst there, he obtained his Masters of Taxation qualification. Upon his return to Fiji in 2008, Mr Solanki was immediately entrusted with running FRCA's Legal Division and shortly thereafter appointed the National Manager Legal Services. In July 2012, Mr Solanki sought to return to private practice and is currently operating his own law firm, Solanki Lawyers. He specialises in Tax and Customs Law and also does general commercial work.

Mr Steven Pritchard

Mr Pritchard holds a Bachelor of Commerce from the University of Newcastle and a Graduate Diploma in Applied Finance and Investment. He is a Certified Practising Accountant and is a Fellow of the Financial Services Institute of Australasia. He is a partner in the accounting firm of Rees Pritchard Pty Limited and is the executive chairman of Pritchard & Partners Pty Limited, which is a participant of the National Stock Exchange of Australia Limited and Hamilton Asset Management Limited which is a licensed funds manager. He is also a director of several listed investment companies in Australia and was previously the Chairman of NSX Limited and the Stock Exchange of Newcastle Limited. He has been involved in various capacities in capital raising and listing companies on both the ASX and the NSX in Australia. He is currently also a director of FijiStock Brokers Limited.



Mr Nouzab Fareed

Mr Fareed is the Group CEO for Fijian Holdings Limited. He is a Chartered Management Accountant (UK), a Fellow of CPA (Australia) and Chartered Accountant (Fiji). He is also a licensed Investment Adviser (Fiji) and Certified Fraud Examiner of USA. He is a fellow of Financial Services Association of Australasia and also a graduate of the Australian Institute of Company Directors and has a MBA in Banking & Marketing and a Master of Arts in International Economics. He is the founding President of Australia Institute of Company Directors - Fiji Chapter and also the current President of Fiji - PNG Business Council. Fareed is also a council member of CPA Fiji Branch. He has more than 27 years of Corporate Finance and Investment Banking experience. Fareed has received Executive Training from Harvard Business School, Australian Graduate School of Management, Graduate Business School of Auckland, Asian Productivity Organization and Association of Overseas Technical Scholarship of Japan. Fareed is the only Distinguished Toastmaster in South Pacific.

Mr Josua Satavu

Mr Satavu holds a Bachelor of Arts degree from The University of the South Pacific (USP) majoring in Economics and Information Systems and is currently pursuing a Postgraduate Diploma in Economics from USP. He was formerly employed as a Licensed Broker Representative for FHL Stockbrokers Limited from August 2006 to October 2008. He then joined FNPFI Investments Limited as an Investment Analyst and is currently employed with the Fiji National Provident Fund (FNPFI) as a Senior Investment Equities Officer with the Investments Divisions. Mr Satavu serves as a FNPFI representative on the SPSE Board.



Chairperson's Report



Overview

On behalf of the Board of Directors and the Management of the South Pacific Stock Exchange Limited ("SPSE" or "the Exchange"), it is my pleasure to present the 35th Annual Report of the Exchange to its shareholders, together with the audited financial statements of the Company and the Group for the financial year ended 31st December 2014.

The year 2014 witnessed plummeting commodity prices which exacerbated fears of slow global growth which stalled recovery in major economies. Given our isolation and remoteness to these global economic headwinds, SPSE continued to operate on its own accord while focusing on its strategic goals penned for the year. While, it was a fairly quiet period on the new listing front, the Exchange is aware of its responsibilities and the central role it plays in enabling market efficiency through capital raising and distribution, investor confidence and providing stability to facilitate economic growth. As a means to ensure business sustainability and to enhance growth of the Exchange, the concentration still remains on increasing the number of listings and improving market activity. Market liquidity is a critical factor in the development of any stock exchange hence increasing the number of listings is therefore imperative in providing the investors with an adequate menu of choice. The Exchange will continue working in partnership with various stakeholders in an effort to deliver innovations that can potentially drive our success and will remain absolutely focused on the strong execution of our strategies to ensure business success.

The continuation of the various incentives from the Government of Fiji in a bid to entice companies to float their shares on the Exchange platform and encourage investors to seek opportunities in the stock market is seen to be a rewarding factor for companies seeking access to capital and improving corporate reputation and increasing visibility. These incentives include a reduced corporate tax rate of 10% applicable to all companies across the board who list their shares on SPSE. The reduced tax rate would result in savings of up to 50% of the company's corporate tax liability which can be re-invested into the business or be paid out to the shareholders as dividends. Other incentives

include tax exemption on any consequential gains arising from any restructure carried out for the purpose of listing and 150% tax deduction for listing related costs. On the investor front, incentive on dividends being tax-free for residents and deemed fully taxed for non-residents as well as exemption from Capital Gains Tax for both residents and non-residents remains captivating. Various investors including institutions were seen to be taking advantage of this exemption by being actively engaged in market activity throughout 2014. We anticipate seeing a continuation of this in 2015 and beyond.

To further promote and generate interest in listing and capital raising options through the Exchange, workshops were organised for various potential companies and meetings were also held with the company executives and the Chief Executive of SPSE. A Guide to Listing on SPSE booklet was also prepared for listing candidates which details the incentives, the requirements, processes and costs associated with listing and going public. Testimonials from current listed company executives are also incorporated in the booklet which aims to offer some practical insights into why they chose to list and their experiences of being listed.

Stock markets are generally swirled by the momentum gathered because of any major occurrence in the home country thereby exerting significant influence on the country's income distribution, prosperity and investor confidence, resulting in an impact on the stock market. The general elections scheduled for September 2014 seemed to have put businesses on a pause while some investors became ambivalent in their investment decisions on the stock market. However, with the promising trading statistics and a heightened level of investor confidence, it will be very timely for those private companies to list as the current market conditions indicate that new stock market listings with sturdy potential is likely to generate strong investment interests from both institutional and retail investors. The call for Government to commit to privatising and listing some of the state-owned enterprises is also emphasized.

The Exchange continued its investor education programs in 2014 including lunch-hour seminars, smart investing sessions, presentations to high school students, being guest presenters to finance students at universities as well as carrying out financial literacy sessions for employees of certain corporate organisations.

Additionally, on the operational front of the Exchange certain development initiatives were undertaken by the board internally to strengthen the governance structures of the SPSE. Various policy documents were articulated during the year and formally implemented. These included SPSE Succession Planning Framework, Risk Management Policy and Prohibition of Insider Trading Policy. These measures were also targeted to ensure that SPSE remains efficient, competitive and focused on building increased scale, scope and reach and is able to better respond to its stakeholders.

More broadly, championing a market framework that promotes our business competitiveness and by capitalising on the various incentives, the Group will seek new opportunities to further

develop and strengthen its business operations. Our challenge, therefore, is to continue searching for new growth opportunities and ensuring we prioritise and capture these appropriately.

Acknowledgment

I take this opportunity to thank my fellow board members for their strong support during the year. The Board of Directors continue to exercise very prudent governance measures for the organisation and provide a clear policy direction and is cognisant of its exemplary role for Corporate Governance. These efforts are greatly appreciated.

On behalf of the Board of Directors I would also like to thank the Chief Executive Officer, who will be concluding her nine year stint with us this May to travel overseas. On behalf of the Board I wish her success in her professional development and her travel. She has contributed immensely to the development of the SPSE and ably led her team of staff with a spirit of dedicated service and tireless efforts over her nine years and this year was no exception. We continue to rely on the support of our stockbrokers and listed companies without whom, there would be no market.

As such, I would also like to express my sincere gratitude to all the stakeholders namely, Reserve Bank of Fiji, listed companies, stockbrokers, investment advisers and the investors for their continued support in 2014.

Finally, I take this opportunity on behalf of the Board of SPSE to communicate our appreciation to, and applaud the Government of Fiji for the stimulating tax incentives which makes public offering and avenues for wealth creation on our Exchange attractive.

We are looking forward to what no doubt will be another exciting year for the Exchange.

Thank you and all the best for 2015.



Dr Nur Bano Ali
Chairperson

Chief Executive Officer's Report



Introduction

2014 was a year of mixed conditions as the market recorded an impressive performance but remained extremely subdued in terms of flotation. The absence of new listings despite reduced corporate tax rate for listed companies did not come as a surprise given that the General Elections were being held in September after an eight-year lapse. Companies were not likely to make key strategic decisions such as listing just before elections. However, signs of renewed optimism in the capital markets have started to appear post-elections as companies now genuinely consider the option to go public and list on SPSE in light of various incentives.

Being a much smaller exchange in terms of trading volumes and investors, SPSE takes on the additional role of developing the market and through our various investor awareness programs, we aim to instil the culture of saving and investing in the public with an aim to overcome the liquidity stranglehold and to boost up our trading volumes. Statistics for 2014 strongly indicated the shift in investor sentiments as more flocked to the stock market in search for higher returns compared to cash markets. The increasing base of investors is also encouraging for companies that are looking at raising capital through the stock market in 2015.

Financial Performance

The Group recorded a net profit after tax of \$36,504 compared to a net profit after tax of \$18,142 for the same period last year. The release of deferred grant from prior years to income statement strengthened total revenue in 2014. Also Electronic Trading Platform had been fully amortised in July 2014 and this contributed to the overall increase in net profit after tax for the financial year. The deferred grant was used to supplement the Exchange's operational as well as development activities.

The holding company made a net profit after tax of \$34,193 compared to \$25,559 for the same period last year. The subsidiary, Central Share Registry Limited, made a net profit after tax of \$2,310 compared to a net loss after tax of \$7,418 in 2013. Total assets of the Group stands at \$955,428 whilst total liabilities stand at \$337,315. The Group has a net asset base of \$618,113 compared to \$581,609 in 2013.

Market Performance

The average total market return generated by the Exchange in 2014 stood at 14.80% with 15 out of the 18 listed securities recording positive returns. Capital growth averaged at a noteworthy 10.76% compared to an average capital growth of 4.63% in 2013 while the income yield remained fairly same as the prior year averaging at 4.04%.

The overall capitalisation was up 18.11% to close the year at a value of \$907.16 million. Given that four out of the top five market capitalisation securities recorded capital growths, the SPSE Total Return Index (STRI) also posted a double digit growth of 23.19% closing at 2298.10. The SPSE Equal Weighted Total Return Index, which values every listed security with an equivalent weighting regardless of how large or small the company is, rose by 15.02% to a year-end value of 3050.44.

In terms of market activity, the number of trades remained at similar level to the prior year. Volume and value figures for 2014 dropped compared to the previous year but these were mainly distorted by few large one-off special crossings executed in 2013. Excluding one-off transactions from both years, the market showed strong signs of improvement in 2014 as the number of trades, volume and value traded surpassed the previous year.

New order flow averaged around \$186,737 per week. Increased participation from various institutional investors was vivid which resulted in an upbeat in the new order flows as well as resulting in healthy trading statistics. The average buy to sell ratio remained unchanged at 1:2 for the year under review. Two securities did not record any market activity in 2014 and few securities remained offer-only or with wide bid-offer spread delaying matching of orders. On a positive note, FijiCare Insurance Limited (FIL) and Kontiki Growth Fund Limited (KGF) rewarded their shareholders by declaring dividends in 2014 after a lapse of more than five years.

Compliance & Market Supervision Report

An appropriate level of effective regulation is an essential part of a well-functioning market and it contributes to the stability of the industry by maintaining market transparency and credibility. SPSE strives to promote an efficient and a fair securities exchange while also ensuring that industry players are in conformity with the applicable laws. Given the size of our market, it is important that in our supervision role, we acknowledge the need to strike a balance between the obligation to protect the investors, while at the same time not imposing unnecessary costs on those we regulate.

The SPSE Listing Rules and the Business Rules are the two regulatory manuscripts that entail clauses used to administer listed companies and the SPSE broking members respectively. In trying to make compliance less burdensome for listed companies, in 2014, the Exchange convened a lunch meeting with the senior managers, company directors and executive officers of the listed companies to ensure better understanding and compliance with the Listing Rules. The forum also gave listed company representatives an opportunity to discuss issues surrounding compliance and listing overall. These meetings also

generate valuable discussions and feedback on any proposed changes to the rules or regulations.

There was only one case of non-compliance in 2014 relating to a delay in submission of a company's audited financial statement. This matter was referred to the SPSE Listings and Compliance Committee for decision as the company had requested for an extension to submit its audited financials. The company informed the Exchange that extensive work was underway in assessing the company's inventory which had taken a considerable time resulting in a delay in submitting the audited accounts. However, in maintaining the integrity of the market, the Committee resolved to place a trading halt in the company's securities until the financials were released. This stance reiterates that the SPSE Listing Rules aims to provide investors and shareholders access to sufficient and timely information allowing them to make informed investment decisions. Where a company fails to comply with these rules, SPSE as the frontline supervisor will censure, fine or suspend the company depending on the nature of the breach.

Similarly, the SPSE's Business Rules seeks to provide investors the assurance that brokers who are the SPSE members will act in the best interests of their clients whilst observing the principles of fair dealing in the market. There were certain instances when investigations were summoned due to unusual price movements and a single instance where a fine was levied due to a direct breach of the Business Rules. SPSE notes that in its role as a self-regulating organisation and the frontline regulator of listed companies and brokers, it will likely undertake more investigations than there are breaches. The market players understand that these inspections are a routine part of doing business and even when there is no breach discovered, these investigations allow the Exchange to reinforce standards of best practices amongst members and listed companies.

There were four instances during the year whereby the Exchange undertook investigations due to its regular monitoring of market transactions such as examining unusual price movements and possible insider dealings. All market investigations concluded that transactions contained no discrepancies and were conducted at arm's length and on the basis of public information. However, a broking house was penalised for failure in submitting correct buyer and seller details.

Generally, over the past years, compliance by both brokers and listed companies has improved as the Exchange continues to have consultations with the market players on a regular basis.

Market Development & Public Relations Report

A compelling market development strategy is an important aspect for the Exchange. Market development plays a significant role paving the way forward to increasing the breadth, depth and liquidity of our market while re-emphasising the necessity of such financial institutions.

As a means to continue its aspirations in bringing stock market investing within the reach and understanding of the general public, the Exchange continued its investor education programs in 2014. The Exchange remains a strong advocate of financial literacy and with various investment seminars and presentations it aims to

raise the knowledge base of individuals aiding them in making informed and effective decisions when it comes to investing their savings. While few investor interests actually convert into actual investments, a general observation is that the cultural and societal obligations pose as major impediments to saving amongst the wider public. Low level of financial knowledge can also lead to some common investment mistakes such as under-diversification, distressed selling and the tendency to hold on to losing stocks and sell winning stocks. This reiterates the development role that the Exchange has to take on to promote continued knowledge building sessions starting from the basics on how to save.

In 2014, two lunch-hour sessions were organised in Suva while one session was held in Lautoka for the investors in the Western division. All sessions had brokers present to give broking advice, accept and execute orders from the attendees. Smart Investing sessions were also organised for the investors who had already attended one of the basic investment seminars previously. The Exchange usually invites licensed investment advisers to speak at these sessions and registration is confined to investors with some prior knowledge in investing. These sessions are seen as the next step from the basic lunch-hour seminars. Two such sessions were organised for the investors in the Central division. Awareness through radio commercials on fundamentals of saving and investing in shares was also done during the year.

Presentations were also carried out for various schools whereby students mainly from Forms 6 and 7 were explained the basics of investing in the stock market. While finance topics do not occupy much of the high school curriculum, such information sessions are aimed at adding value to the student's financial knowledge. The Exchange also carried out presentations at The University of the South Pacific (USP). The presentation at USP focused on areas such as capital markets structure, investment in stock market, market indices, significance of investment ratios and understanding price movements and market trends. The interest amongst employees of certain organisations to consider stock market investments was also noted as SPSE was invited to few of the large corporate organisations to present on the mechanics of share investments. Similar presentations were also carried out for bodies like Fiji Institute of Bankers while an invitation to participate in a forum was accepted from the Fiji-New Zealand Business Council. A symposium organised by Griffith University in conjunction with USP was also attended by the Exchange which discussed strategic partnerships.

Various other articles were published through finance supplements and weekly business pages in the local media including monthly articles written for Business Melanesia Magazine. Television interviews were also conducted in a bid to keep the market informed on current developments at the Exchange.

In order to promote listing and capital raising options, workshops were organised for potential listing candidates. Speakers in these forums included the executives of the current listed companies and licensed investment advisers who shared their knowledge and experience on the processes of listing. SPSE also took this opportunity to highlight some of the key changes that has taken

place in the market which presents these companies with an opportunity to unlock the value of their company through going public and listing on the SPSE.

To further rationalise and promote the benefits of listing, a Guide to Listing on SPSE booklet was prepared and published for use by potential companies seeking some guidance on listing. This booklet discusses the incentives of listing on the Exchange including additional benefits of going public, the requirements for listing, the processes involved in getting listed, costs of listing as well as a checklist for listing on the SPSE.

Public relation is a role that has grown in importance and is designed to keep the lines of communication open between an organisation and its stakeholders. For the Exchange, the announcements platform is a medium used to disseminate listed company announcements, SPSE press releases and the end of day market reports. A total of 170 announcements were received as part of the continuing listing requirements from the listed companies which mostly related to appointments and resignations of directors and senior management from the company, dividend declarations, submission of financials, corporate actions, operational activities, upgrade of existing infrastructure and update on their shareholder meetings. The end of day market reports are also sent after close of market on each business day with an aim to update the media, brokers, investors and various other interested parties regarding the daily market activities. Moreover, a total of 10 press releases were done by the Exchange to update the market on its status and various activities.

Training & Development

Training and development is a function of human resource management concerned with an organisation's activity aiming to better the performance of its employees and key stakeholders. The Exchange has a small team of seven staff and the aim is to provide a positive working environment which can enable staff to optimise their performance towards achieving the various strategic goals of the organisation. The stockbrokers are also regarded as one of the key stakeholders in the industry as they work with clients to provide them with investment management services. Generally, the competence of staff and all other stakeholders is critical in gaining and maintaining a competitive advantage for the overall success of the industry.

During the year SPSE engaged Professor Erik Larson from Macalaster College in Minnesota, United States of America to carry out a workshop based on financial analysis and valuation of listed companies for the stockbrokers and the Exchange staff. The objective of this training was to provide participants with comprehensive analytical knowledge and skills required to forecast and value listed securities. From a brokers perspective, analysing a company's profitability, cash flow and financial condition followed by an assessment of the fair value of its securities form an integral part of broker duties as they provide important information to investors for the purpose of making investment decisions. Following this training, the Exchange aimed to achieve a general improvement in brokers' understanding and skills in analysing and valuing listed securities

and an enhancement in the ability to provide informative advice to investors. Upskilling of brokers in these areas is one of the key factors that will drive market activity.

Trainings organised by the Reserve Bank of Fiji, Fiji Institute of Accountants and CPA Australia Fiji Branch were also attended by staff which mostly covered topics such as recent amendments in tax laws.

Share Registry Services

A wholly owned subsidiary of the Exchange, Central Share Registry Limited (CSRL) saw the addition of two new companies to its database in 2014 and now provides registry services to 13 out of the 18 listed securities. CSRL aims to provide services on behalf of the listed companies to the shareholders so that companies can concentrate on their core businesses.

Apart from the basic services associated with processing of share transfers, maintaining and updating share registers and shareholder details, CSRL provides additional services such as issuing shareholding confirmations, processing off-market transfers, issuing replacement certificates and distribution of cheques, obtaining tax clearance from Fiji Revenue & Customs Authority (FRCA) and exchange control clearance from RBF before posting cheques to non-resident shareholders. It also manages corporate actions exercised by the listed companies. SPSE website is also constantly updated during the year with details for shareholders who have failed to claim their dividend proceeds over the past years. As we move closer to a fully automated trading and settlement system, more shareholders are being encouraged to opt for direct credit of dividends into their bank accounts.

In an effort to provide user-friendly and efficient services to the various stakeholders including listed companies, stockbrokers and the investors, CSRL has also engaged the services of Software Factory Limited, a local software development company to develop a new registry software. The need for compatible and responsive software is a necessity with a view to interface it with an online portal that is easily accessible. The new registry software will allow CSRL to handle various forms of stock market products and provide the CSRL administrator users' ability to perform tasks in an efficient manner. Development of the software has already begun and CSRL aims to launch the new software by mid 2015.

A corporate rebranding of CSRL is also being explored with an aim to establish a stand-alone website for the company. Moreover, with the RBF's proposed regulation on licensing of registries, CSRL aims to migrate the remaining listed companies to its database as well as become the first and hopefully the only licensed registry in Fiji.

Future Outlook

The Exchange foresees embracing the year 2015 with greater confidence as the matrix for a more vibrant market falls in to place. With the General Elections now over, there is a level of certainty which will drive many companies and investors to capitalise on the numerous tax incentives that have been in place.

SPSE Team



The incentive on reduced corporate tax rate of 10% applicable to all companies across the board that list their shares on SPSE remains a major attraction while other incentives such as no tax on any consequential gains arising from any restructure carried out for the purpose of listing and 150% tax deduction for listing related costs are additional concessions to encourage listing. These incentives also signify a firm commitment from the Government of Fiji to entice development of the stock market. Given that the process of listing usually takes up to a few years depending on the scope and complexity of the company structure and various changes required on the cultural and operational front, the year 2014 was an anticipatory year allowing some of the potential companies to carry out the groundwork in preparation towards a successful listing in the coming years. With a sense of optimism and market confidence, the year 2015 is envisaged to observe some of these potential listing candidates joining the official board of the SPSE.

As a fundamental route to creating more market activity, incentive on dividends being tax-free for residents and deemed fully taxed for non-residents as well as exemption of Capital Gains Tax for both residents and non-residents remains in place. Trading statistics indicate strengthening of institutional trading in 2014 as more institutions took advantage of tax exemptions and this is expected to further increase in 2015.

The positive market indicators in 2014 also depict improved investor confidence and as such signals that any new company with attractive prospects willing to float its shares may find a ready base of investors. Given the increased participation from institutional investors following favourable tax laws now in place, there is definitely a much stronger appetite for new public offerings.

Over the next year or so, SPSE aims to move to a fully automated trading and settlement system, effort for which is already underway with the new registry software being developed. With a registry system that serves as a depository as well and a settlement through linked bank accounts, we will be able to achieve Delivery versus Payment for all our trade settlements in the near future.

The Exchange's evolution also remains tributary to the strength of the economy, the performance of the listed companies, participation by investors and the shifting landscape in the Exchange space. We are confident that the implementation of the appropriate strategic moves, coupled with the affirmative responses from various private companies seeking to list as well as the Government's intention to divest from and list some of its well-run state owned entities will lead to the growth of the stock market.

Acknowledgment

Given that this is my last report in the nine year stint I have had with SPSE, I would like to convey my humblest gratitude to all the stakeholders who have supported SPSE's progress not only in 2014 but over the years I have served at the Exchange. I wish to thank the Chairperson and the Board of Directors for their leadership and guidance during my stay at SPSE. The insight of our regulator, the Reserve Bank of Fiji, stockbrokers, investment advisers, listed companies and the investing public at large is also acknowledged.

The genuineness and the continued effort by the Government to promote the development of the stock market both in form of their on-going financial support through the annual grant and various incentives is praiseworthy as well.

Finally, I would like to express my sincere appreciation to the management team and employees of the SPSE for their hard work, commitment and enthusiasm in view of the transformative journey envisaged for the Exchange.

I wish SPSE all the development and success in the coming years. I will continue to follow its progress with keen interest.

Jinita Prasad
Chief Executive Officer

SPSE Corporate Governance Statement

Introduction

The SPSE Group is committed to ensuring that its policies and practices reflect a high standard of governance. The Board has adopted a comprehensive framework of corporate governance guidelines, designed to balance properly performance and conformance. Throughout the 2014 financial year, SPSE governance arrangements were consistent with the RBF Corporate Governance Code for the Capital Markets (Code).

The SPSE Governance Committee is charged with the responsibility of reviewing the overall corporate governance framework and overall human resources strategy of the company and monitoring its implementation. This responsibility stems from the view that the development and implementation of best practice corporate governance is a performance enhancement opportunity, rather than just a compliance issue.

The SPSE will continue to review and improve its governance practices to meet the expectations of its stakeholders and evolving standards. The following is a summary of SPSE governance practices.

Principle 1: Establish Clear Responsibilities for Board Oversight

The Board Charter entails the powers, roles and responsibilities of SPSE directors in one document which was previously spread across the RBF rules and regulations, the SPSE constitution and the SPSE Business Rules.

The Board of SPSE is ultimately responsible for the oversight and review of management, administration and the overall governance of the company and its strategic direction.

In carrying out its responsibilities, the Board will at all times recognise its ultimate responsibility to:

- maintain good corporate governance standards;
- act honestly, fairly and diligently;
- exercise discipline in work;
- act in accordance with laws and regulations;
- avoid or manage conflicts of interest;
- promote SPSE as a good corporate citizen; and
- commit to the development of the securities industry.

Principle 2: Constitute an Effective Board

Board Composition

The SPSE Board shall comprise of not less than 5 directors and not more than 10 directors out of which at least one third of the Board shall consist of independent directors. The Board also recognises that the composition of the Board is subject to shareholder and RBF approval, hence, it should comprise of directors with an appropriate range and mix of skills, experience, expertise and diversity that will enable the Board to effectively function.

Directors' Continuous Development

The SPSE directors should understand the structure and operations and key developments affecting the Company and may receive periodic presentations as well as be required to attend relevant trainings, seminars and workshops to assist in achieving such an understanding.

Delegation to Committees

The Board from time to time establishes committees to streamline the discharge of its responsibilities. For each sub-

Attendance at Board and Committee Meetings

Attendance at Meetings	Board (SPSE & CSR)		Special		Governance Committee		Listings & Compliance Committee		Audit & Finance Committee	
	Entitled	Attended	Entitled	Attended	Entitled	Attended	Entitled	Attended	Entitled	Attended
Dr. Nur Bano Ali (Chairperson)	5	5	1	1	5	5	No Meetings Held			
Mr. Saiyad Hussain (Deputy Chairperson)	5	4	1	-	5	-		2	1	
Mr. Griffon Emose	5	3	1	1				2	2	
Mr. Steven Pritchard	5	4	1	1						
Dr. Roland Schultz	5	5	1	1	5	5				
Mr. Bhupendra Solanki	5	3	1	-	5	3				
Mr. Josua Satavu (appointed on 2nd April 2014)	4	3						1	1	
Mr. Nouzab Fareed (appointed on 2nd April 2014)	4	3			1	1		1	1	
Ms. Jinita Prasad (attends all meetings as Chief Executive)	5	5	1	1	1	1		2	2	

As a policy of the Board, any director missing three or more meetings consecutively will be dismissed from the Board. Any exception to this rule will be at the discretion of the Board. Discretion will be applied where the director's absence from the meetings is within reasonable grounds.

committee, the Board adopts a formal charter setting out the matters relevant to the composition, role, function, responsibilities and administration of such committees. The Board has, at the date of this report, had the following committees:

- Governance Committee;
- Listings and Compliance Committee; and
- Audit and Finance Committee.

All decisions made at committee level are ratified by the full board at the next Board Meeting.

Review of Board Performance

The Board conducts an annual review of the Board's performance, policies and practices. The review includes:

- examination of the effectiveness and composition of the Board, including the required mix of skills, experience, expertise and diversity which the independent directors should bring to the Board for it to function competently and efficiently;
- examination of the effectiveness and composition of the sub-committees, including the required mix of skills, experience and expertise;
- review of SPSE's strategic direction and objectives;
- assessment of whether corporate governance practices are appropriate; and
- assessment of whether the expectations of differing stakeholders have been met.

Principle 3: Remunerate Fairly and Responsibly

The purpose of this principle is to advise and monitor SPSE's remuneration policy and practice to ensure employees are fairly and equitably rewarded while having due regard to shareholder interests, the financial and commercial health of the Group and the competitive nature of this industry.

The Governance Committee is also responsible for the appointment, remuneration and renewal of term for the SPSE Chief Executive Officer (CEO). The Board delegates the management through the CEO of SPSE to deliver the strategic direction and goals determined by the Board.

Principle 4: Timely and Balanced Disclosure

SPSE complies with its disclosure obligations under the RBF laws, rules and regulations and the Companies Act to ensure timely and balanced disclosure to its stakeholders. The SPSE website provides a wide array of information including reports on market activity, indices and statistics on a real-time basis. In addition, SPSE releases weekly trading reports, press statements regarding particular issues, monthly, quarterly and yearly reports on stock market as well as on development activities.

Principle 5: Promote Ethical and Responsible Decision-Making

As a matter of Board policy, directors are expected to conduct themselves with the highest ethical standards. All directors are expected to behave ethically and professionally at all times and thereby protect and promote the reputation and performance of SPSE.

All SPSE directors are expected to:

- act honestly and fairly in all their business dealings;
- exercise discipline in work;
- comply with the law and respect the local communities wherever SPSE operates; and
- be accurate, diligent and professional in all activities.

Principle 6: Respect the Rights of Shareholders

The rights of the shareholders are entailed in SPSE Articles of Association. Moreover, being a private company, SPSE has only 8 shareholders currently, 7 of which are being represented on the board and as such the SPSE Board and management is able to liaise with and attend to shareholder needs.

In addition, the company holds an Annual General Meeting (AGM) once a year to discuss the performance of SPSE. Matters relating to finalisation of accounts, any dividend declaration and any changes to board composition or remuneration are approved by the shareholders at the AGM. An Annual Report is also printed yearly for dissemination to all shareholders.

Principle 7: Accountability and Audit

Audit Committee

The Committee is responsible for overseeing the financial reporting and disclosure process, performance and independence of the external auditors, monitoring the internal control process, overseeing the performance of the internal audit function and discussing risk management policies and practices with management.

External Auditors

SPSE is audited externally each year and receives an independent audit report which is attached to the Annual Report.

Principle 8: Recognise and Manage Risk

Risk management is the ongoing process of identifying risks and implementing plans to mitigate them. Often, the number of assets potentially at risk outweighs the resources available to manage them. It is therefore important to know where to apply available resources to mitigate risk in a cost-effective and efficient manner.

In 2014, SPSE revised its Risk Management Policy so that each potential risk to SPSE is clearly identified with internal and external mitigating factors. In addition, the actions and plans that the Board and management of SPSE has put in place to control the risk has also been included in the Policy.

The Board and the Chief Executive Officer is accountable for the implementation and maintenance of sound risk management measures. All staff members are responsible and will practice sound risk management practices within their particular areas of responsibility.

Market Report

2014 Overview

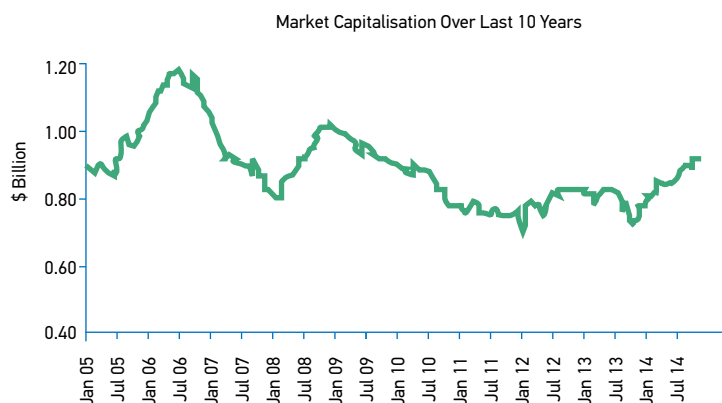
A common theme running amongst global stock markets during the year had been a surge in volatility as some major markets bounced between periods of buoyancy and high fragility. The growing concerns about global economic growth and the continued plunging of oil prices started putting investors on an edge resulting in bouts of aggressive selling as investors evacuated to safety seeking alternative investments.

On the domestic stock market front, the overall capitalisation of the market recorded a stellar performance gaining a significant 18.11% concluding at a value of \$907.16 million. This gain was also reflected in the SPSE Total Return Index (STRI) which rose 23.19%. The market barometer, which is based on the market capitalisation weighting of each company and measures the price change and the value of dividends and interests that investors receive, ended the year at a value of 2298.10. Positioning itself on a similar ascending trend, the SPSE Equal Weighted Total Return Index, which presumes similar levels of investment in all listed companies, rose 15.02% to a year-end value of 3050.44.

New order flow into the market had been afloat with a weekly average consideration of \$186,737, led by both buying and selling interests. On average 51.22% of these new order flow consideration was represented by an interest to purchase securities on the Exchange. Participation from various institutional investors was also recorded throughout 2014 which resulted in an upbeat in the new order flows as well as healthy trading statistics. The average buy to sell ratio remained unchanged at 1:2 for the year.

Trading in a minority of shares remained slow with two securities not witnessing any market activity in 2014. Some of the securities remained offer-only or with very wide bid-offer spreads which hindered matched trades. However, some listed companies submitted improved financial results with two listed stocks declaring dividends during the year after a lapse of more than five years.

Market Capitalisation



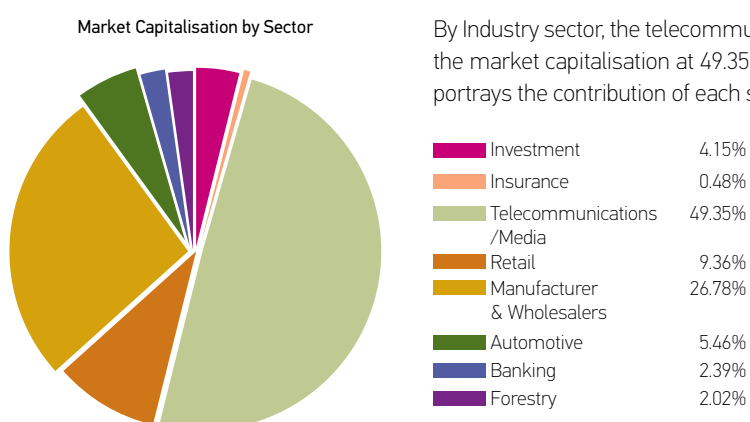
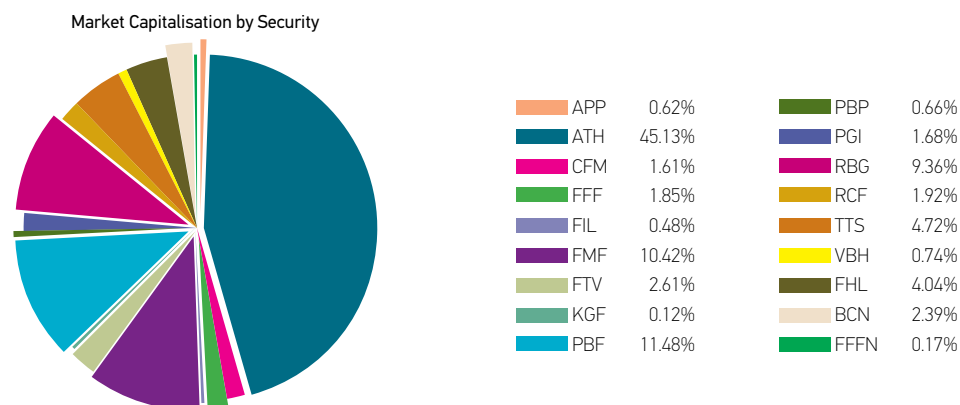
The market capitalisation trend over the last 10 years is illustrated below depicting an all-time high market value of \$1.18 billion reached in July 2006.

Telecommunications giant, Amalgamated Telecom Holdings Limited (ATH) continued as the market heavyweight, encompassing 45.13% of the overall market at the end of 2014. The manufacturer of ready-to-drink alcoholic beverages, Paradise Beverages (Fiji) Limited (PBF) was second in queue followed by FMF Foods Limited (FMF) with each security representing 11.48% and 10.42% respectively. Kontiki Growth Fund Limited (KGF) remained the smallest contributor towards the overall market capitalisation representing 0.12%.

The top five securities in terms of market capitalisation at the end of 2014 were as follows:

Ranking	Security	% of Market Capitalisation
1	ATH	45.13%
2	PBF	11.48%
3	FMF	10.42%
4	RBG	9.36%
5	TTS	4.72%
Total top five securities		81.11%

The percentage of overall market capitalisation represented by each security is portrayed below.



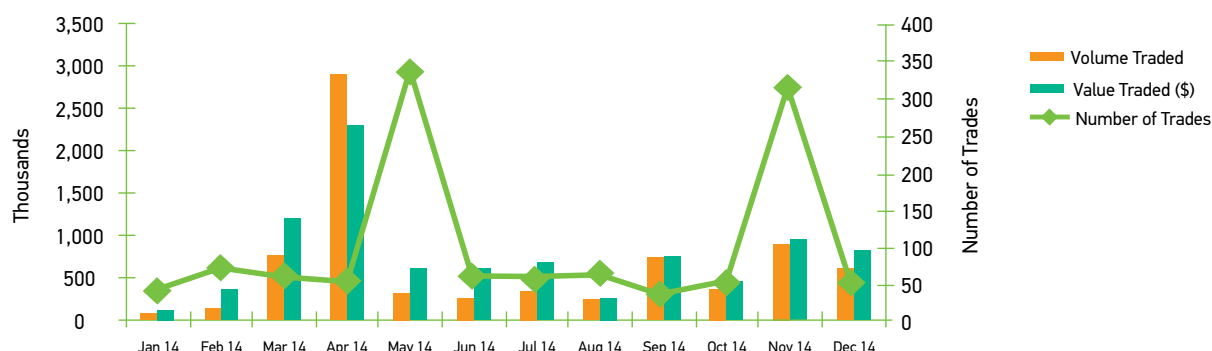
By Industry sector, the telecommunications and the media sector holds almost half of the market capitalisation at 49.35% due to the presence of ATH. The pie-chart below portrays the contribution of each sector towards the overall market capitalisation.

Monthly Trading Statistics

There was a slow start to the year as activity remained relatively quiet in January with around \$74,000 in turnover. Seven listed stocks recorded market activities with three securities experiencing price movements. The month of February saw a slight pick-up in market activity with the media and entertainment conglomerate, Communications (Fiji) Limited (CFM) and the restricted security, Fijian Holdings Limited (FHL) mostly contributing to the monthly statistics. Combining the market turnover for CFM and FHL saw them accounting for 82.02% of the monthly trading value. Trading in Fiji Television Limited (FTV) shares dominated the monthly data for the month of March whereby Hari Punja & Sons Limited, the second largest shareholder in FTV sold 3.40% stake to FHL Media Limited. FHL Media Limited also purchased additional shares from Kontiki Fund Limited and Kontiki Growth Fund Limited amounting to 0.94%. Following these trades FHL Media Limited increased its shareholding in FTV and remains the largest shareholder now having a stake of 61.60%. Hari Punja & Sons Limited, despite off-loading part of its shareholding, still remains the second largest shareholder with 22.76% stake. The month of April saw 13 out of the 18 listed stocks recording trades with a significant increase in both volume and value traded. The increased statistics for April was due to 12 special crossings recorded in six listed stocks. The special crossing trades resulted in a total of 2.67 million shares exchanging hands and accumulating \$2.05 million in value. These one-off transactions were executed as a result of an institutional investor transferring its holdings

equally amongst its two shareholders. The month of May saw the first batch of FHL's bi-annual dividend re-investment trades getting executed. This resulted in FHL being the most active stock in terms of number of trades and value traded. RB Patel Group Limited (RBG) dominated the market statistics for the month of June whereby FHL Media Limited off-loaded part of its shareholding in RBG to Unit Trust of Fiji (Trustee Co) Limited. In July, Paradise Beverages (Fiji) Limited (PBF) and CFM saw the participation of few institutional investors which resulted in increased market statistics for the month. Trading activities reduced during August with Pleass Global Limited (PBP) being the most active stock in terms of volume and value traded. FHL Trustees Limited ATF Fijian Holdings Unit Trust acquired 7.40% shares in PBP over August and September, becoming the third largest shareholder in the company. PBP also rose to its all-time high share price of \$1.00 following these trades. For the month of October, FMF took the lead in being the most active in terms of both volume and value traded mostly due to participation from few institutional investors. Trading statistics showed further increases in November. FMF once again remained the most active both in terms of volume and value traded. However, FHL was the most active stock in terms of number of trades due to the execution of the second bi-annual dividend re-investment trades. Despite the festive season setting in during the month of December, trading remained lively with FMF and PBF being the two most active stocks.

Trading Statistics over 12 Months
(Including Corporate Action transactions)



Yearly Trading Statistics

In terms of overall trading statistics, the number of trades recorded stood at 1,206, an exact same number of transactions as in 2013. The total volume exchanged on the SPSE e-trading platform stood at 6.90 million with the total value accumulated standing at \$8.62 million. In 2013, an aggregate volume of 8.15 million was recorded with \$12.74 million being contributed as value traded.

However, excluding the one-off transactions for both 2014 and 2013, the number of trades executed in 2014 stands at 1,191, slightly exceeding the total number of trades in 2013 which stood at 1,189. The volume traded without the special crossings and one-off transactions stands at 3.78 million, 2.47% higher than the volume traded in 2013 while the value traded for 2014 stands at a significant 20.86% higher at \$5.23 million in comparison to \$4.33 million in the previous year.

Analysing trading activity by each security shows FMF Foods Limited (FMF) being the most active stock in terms of value traded and was followed closely by Fiji Television Limited (FTV) both accounting for 19.29% and 16.87% of the total value traded respectively. FMF recorded two special crossing transactions with FTV recording three one-off trades. FMF was also most highly traded in terms of quantity occupying 48.90% with Amalgamated Telecom Holdings Limited (ATH) following as the second most active stock in terms of quantity traded.

In terms of number of trades, the restricted stock, Fijian Holdings Limited (FHL) stood as the most active stock. FHL accounted for 64.51% of the total number of trades in 2014. These number of

trades which is more than four times higher than the second most active security partly resulted from FHL having a market based dividend re-investment option for its shareholders.

Future Forests (Fiji) Limited shares (FFF) and Pacific Green Industries (Fiji) Limited (PGI) were the two stocks that did not record any market activity in 2014.

The total number of securities on issue as at 31st December 2014 stood at 716.91 million which showed a slight increase of 0.85 million from 2013. The change in issued securities is attributed to additional shares being quoted on the SPSE trading platform by FijiCare Insurance Limited (FIL) and VB Holdings Limited (VBH). FIL carried out a Dividend Reinvestment Plan quoting an additional 496,921 shares while VBH did a Rights Issue and quoted an additional 356,269 shares. There were no new listings or any delisting of existing securities in 2014.

The total volume traded accounted for 0.96% of the issued securities. Two listed companies witnessed an exchange of more than 5% of their securities on issue while majority of the listed companies had less than 5% of their securities change hands in 2014. The average volume and value of trades per transaction for the market in 2014 was 5,722 securities and \$7,143 respectively.

The amount of new foreign investment inflows into the stock market in 2014 stood at \$0.23 million. This was down by 40.10% in comparison to 2013.

The trade analysis for 2014 is portrayed on the next page.

Security	Security Price as at 31/12/14 (\$)	Number of Trades	Volume Traded (000)	Value Traded (\$000)	Issued Securities (millions)	Volume Traded to Issued Securities Ratio	Market Cap (\$ million)
APP	0.70	6	196.66	126.50	8.00	2.46%	5.60
ATH	0.97	179	1,037.56	909.63	422.10	0.25%	409.44
CFM	4.10	23	113.14	446.80	3.56	3.18%	14.59
FFF	0.79	No Trades			21.20	0.00%	16.75
FIL	0.63	2	3.12	1.93	6.97	0.04%	4.39
FMF	0.63	50	3,374.71	1,661.80	150.00	2.25%	94.50
FTV	2.30	32	489.30	1,452.93	10.30	4.75%	23.69
KGF	0.30	4	298.30	77.96	3.54	8.43%	1.06
PBF	10.01	39	61.30	637.16	10.41	0.59%	104.19
PBP	1.00	10	446.66	434.41	6.00	7.44%	6.00
PGI	2.00	No Trades			7.62	0.00%	15.24
RBG	2.83	50	143.54	370.50	30.00	0.48%	84.90
RCF	2.90	8	213.45	458.08	6.00	3.56%	17.40
TTS	3.05	4	53.28	156.15	14.03	0.38%	42.80
VBH	3.16	6	65.35	205.52	2.14	3.06%	6.75
FHL	3.50	778	297.80	996.72	10.46	2.85%	36.63
BCN	7.08	13	106.17	678.53	3.06	3.46%	21.70
FFFN	1.02	2	0.40	0.41	1.51	0.03%	1.54
TOTAL		1,206	6,900.73	8,615.03	716.91	0.96%	907.16

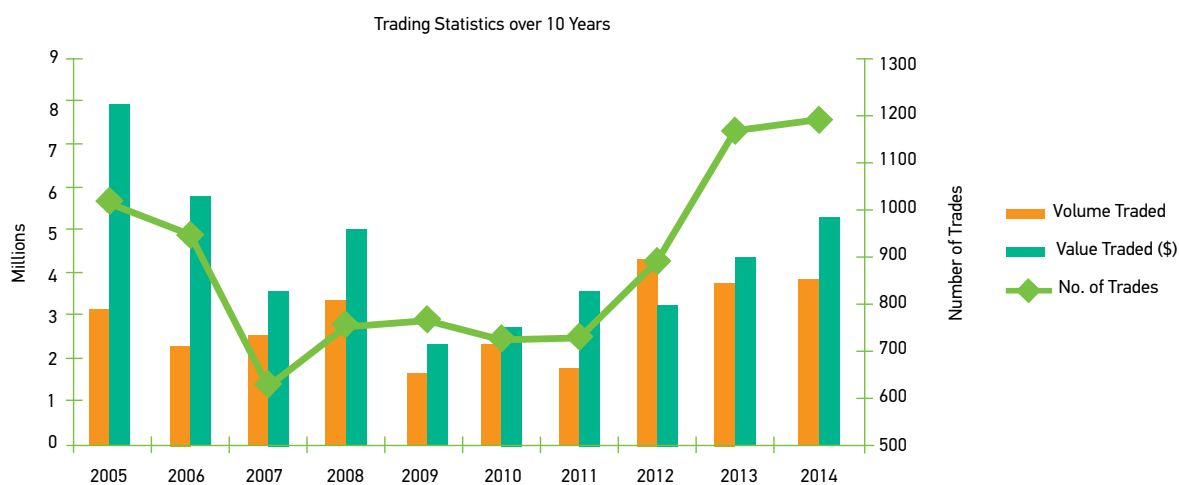
10 Year Trading Statistics

The graph below depicts the volume and value traded over the last 10 years together with the number of trades each year. Given that corporate action transactions have always been one-off in nature, therefore in order to show the actual trend over the last decade, these one-off transactions have been excluded from the trading statistics.

The graph demonstrates a fluctuating behaviour in trading

activities over the last 10 years in terms of volume and value traded while the number of transactions has generally shown a growing trend. The increase in number of trades indicates that more investors are considering stock market investments for their future financial plans.

The behaviour in the trading pattern over the 10 years is illustrated below.



Price Gainers/Losers

12 out of the 18 listed securities saw share price gains in 2014 and amongst which FMF Foods Limited (FMF) was the largest price gainer seeing a positive price return of 43.18%. Second in queue was Communications (Fiji) Limited (CFM) gaining 39.46% while Toyota Tsusho (South Sea) Limited (TTS) was close behind taking an upswing of 38.64%. CFM also ended the year on an all-time high share price of \$4.10.

The market heavyweight, Amalgamated Telecom Holdings Limited (ATH) rose 32.88% while The Rice Company of Fiji Limited (RCF) ascended 26.09%. The supermarket chain, RB Patel Group Limited (RBG) concluded the year at its all-time high share price of \$2.83 after seeing a rise of 15.98%. Pleass Global Limited (PBP) also rose to its all-time high share price of \$1.00 after posting a share price gain of 12.36% in 2014.

FijiCare Insurance Limited (FIL) saw a noteworthy increase in its share price of 10.53% with the restricted stock, Fijian Holdings Limited (FHL) gaining 8.70%. Kontiki Growth Fund Limited (KGF) recorded a rise of 3.45% with the property and fleet management company, VB Holdings Limited (VBH) and BSP Convertible Notes Limited (BCN) increasing 2.60% and 0.28% respectively.

Two securities yielded capital losses for the investors. Fiji Television Limited (FTV) recorded a negative capital growth of 24.34% with Paradise Beverages (Fiji) Limited (PBF) losing 16.16%.

With less than 10 trades witnessed in 2014, share prices for

Atlantic & Pacific Packaging Company Limited (APP) and Future Forests (Fiji) Limited notes (FFFN) remained unchanged during the year. Future Forests (Fiji) Limited shares (FFF) and Pacific Green Industries (Fiji) Limited (PGI) did not record any trading activities in 2014 thus their share prices also remained invariable.

Total Market Returns

The average total market return for 2014 stood at 14.80%. 15 out of the 18 listed stocks recorded positive total market returns at the end of the year. The total market return comprises of the capital growth and the income yield (dividend and interest) from the listed securities.

The overall capital growth of the entire stock market in 2014 averaged at 10.76% compared to an average capital growth of 4.63% in 2013. The increase in the average capital growth is due to positive price returns generated by majority of the listed stocks in 2014. Moreover, eight listed securities had positive capital returns of greater than 10% compared to only five stocks having double digit growth percentages in 2013.

The average income yield for the market stood at 4.04% in 2014.

Future Forests (Fiji) Limited shares (FFF) was the only security not to yield any returns to the investors with Fiji Television Limited (FTV) and Paradise Beverages (Fiji) Limited (PBF) being the two stocks to record negative total returns in 2014. This is illustrated in the table below:

Security	Security Prices		Capital Growth (%)	Income Yield (%) (Dividend/Interest)	Total Market Return (%)
	2013	2014			
APP	0.70	0.70	0.00%	5.00%	5.00%
ATH	0.73	0.97	32.88%	5.15%	38.03%
CFM	2.94	4.10	39.46%	2.44%	41.89%
FFF	0.79	0.79	0.00%	0.00%	0.00%
FIL	0.57	0.63	10.53%	7.94%	18.46%
FMF	0.44	0.63	43.18%	1.90%	45.09%
FTV	3.04	2.30	-24.34%	1.74%	-22.60%
KGF	0.29	0.30	3.45%	3.33%	6.78%
PBF	11.94	10.01	-16.16%	0.00%	-16.16%
PBP	0.89	1.00	12.36%	2.00%	14.36%
PGI	2.00	2.00	0.00%	2.00%	2.00%
RBG	2.44	2.83	15.98%	4.95%	20.93%
RCF	2.30	2.90	26.09%	6.90%	32.98%
TTS	2.20	3.05	38.64%	6.89%	45.52%
VBH	3.08	3.16	2.60%	2.22%	4.81%
FHL	3.22	3.50	8.70%	6.00%	14.70%
BCN	7.06	7.08	0.28%	6.90%	7.19%
FFFN	1.02	1.02	0.00%	7.35%	7.35%
Average			10.76%	4.04%	14.80%

Average Returns over 10 Years

Generally, the average capital growth has driven the overall average total market return while the average income yield has remained quiet similar.

The average return from the SPSE listed stocks over the last 10 years is illustrated below.



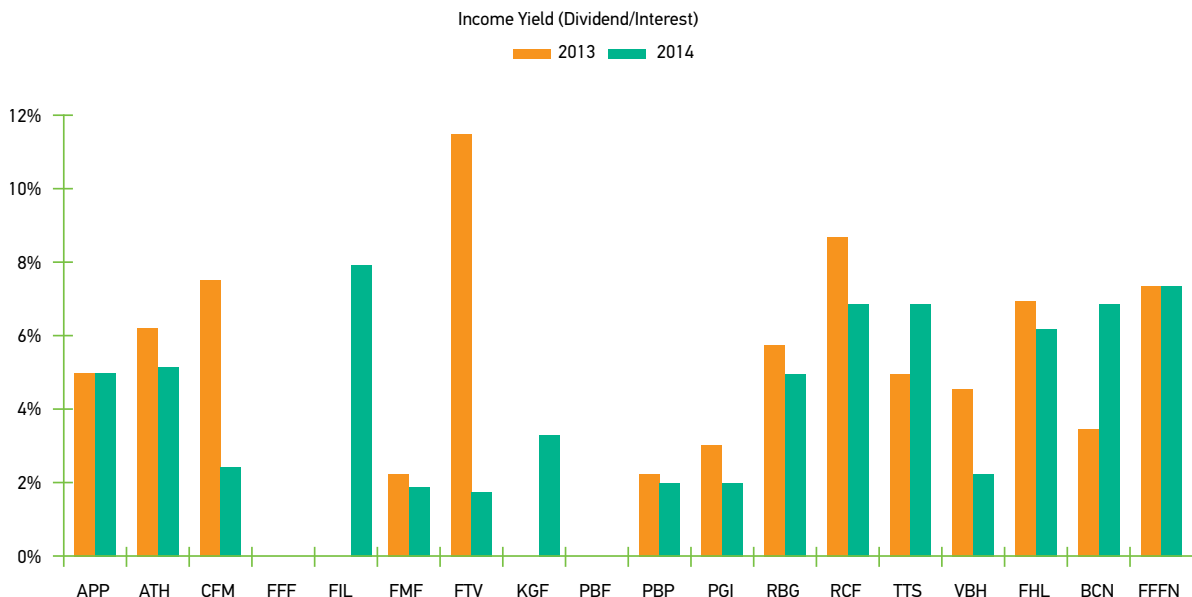
Dividend/Interest Report

The average income yield for the market stood at 4.04% in 2014 slightly lower than the 4.63% average income yield generated in 2013. Out of the 18 listed securities, two stocks, namely Toyota Tsusho (South Sea) Limited (TTS) and BSP Convertible Notes Limited (BCN) saw increases in their yields due to increases in their dividend per share for the 12 months. FijiCare Insurance Limited (FIL) and Kontiki Growth Fund Limited (KGF) were the two new securities to declare dividends in 2014. FIL declared a dividend per share of \$0.05 after a lapse of five years while KGF declared a dividend per share of \$0.01 after a lapse of seven years. For other securities, the current yield either remained same as the previous year or saw a decline.

The single interest bearing security, Future Forests (Fiji) Limited notes (FFFN) paid out 7.5% to its note holders in 2014.

In aggregate 15 securities declared and paid dividends during the course of the year. Two stocks that did not declare or pay any dividends during the year were FFF & PBF.

A total of \$36.90 million was paid out in dividends from the listed securities while a total of \$0.11 million was paid out as interests in 2014.



Earnings Per Share and Price Earnings Ratio

Earnings per share (EPS) is one of the most carefully followed metrics in investing. EPS measures the fraction of a company's net income that is allocated to the number of shares on issue. Accordingly, it is calculated with the net profit after tax divided by the total issued shares. A company with a high EPS is capable of generating a significant dividend for investors or it may plough the funds back into its business for more growth. In either case, a high ratio indicates a potentially worthwhile investment, depending on the market price of the security. EPS is also important in evaluating a company's Price to Earnings ratio.

Price Earnings ratio (PER) reveals the multiple of earnings that the investors are willing to pay to own a company's stock. A very high multiple indicates that investors believe the company's earnings will improve dramatically while a low multiple indicates otherwise. However, a lower PE ratio can also suggest that securities are trading below their actual value and market

corrections are yet to eventuate. Effectively, the PE ratio shows how much time, in years, it will take for your share purchase to be covered by earnings. PE ratio is computed by dividing the current share price of a company by its EPS.

The PE ratio can also be reversed to determine the earnings yield for a company by dividing the EPS with the market price. The earnings yield indicates the rate of profit a company generates relative to its share price. For example, a company with a PE ratio of 12 has an earnings yield of 8.33%. The PE ratio and the earnings yield are 'backward looking' values examining companies' performance in the previous year.

The average EPS and PE ratio from the market in 2014 stood at 25.87 cents and 11.54 times (or a 8.67% earnings yield) respectively. The EPS and the PE ratio comparisons over the two years is shown in the table below.

Security	Earnings Per Share (Cents)		Price Earnings Ratio (Times)	
	2013	2014	2013	2014
APP	3.99	4.77	17.54	14.69
ATH	n/a	3.43	n/a	28.30
CFM	62.72	42.58	4.69	9.63
FFF	n/a	n/a	n/a	n/a
FIL	5.80	9.75	9.82	6.46
FMF	7.28	10.21	6.04	6.17
FTV	34.98	n/a	8.69	n/a
KGF	0.97	9.73	29.95	3.08
PBF	69.20	68.01	17.26	14.72
PBP	6.09	15.28	14.62	6.55
PGI	4.43	19.45	45.17	10.28
RBG	17.80	19.76	13.71	14.32
RCF	34.29	35.53	6.71	8.16
TTS	37.31	53.29	5.90	5.72
VBH	39.08	28.51	7.88	11.08
FHL	58.27	39.54	5.53	8.85
BCN	n/a	28.21	n/a	25.10
Average	27.30	25.87	13.82	11.54

Stock Market Indices

Stock market indices provide a yardstick with which investors can compare the performance of their individual portfolios giving them further insight into their investment decisions. Studying the historical performance of the stock market indices also provides investors with a useful tool to forecast trends in the market.

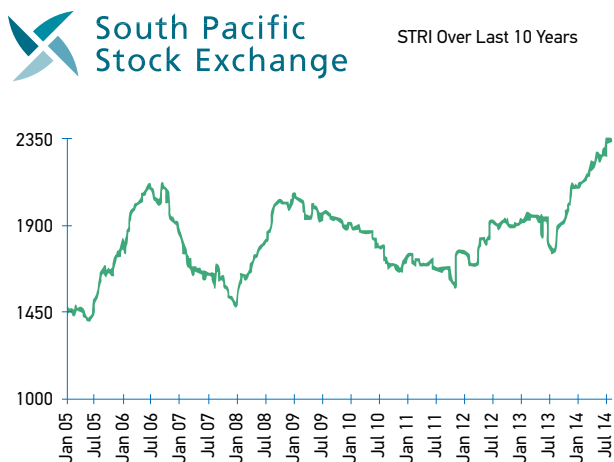
The main indices reported for the SPSE market are capitalisation-weighted. This indicates that the larger the representation of a company towards overall market capitalisation, the greater its share price movements affect the index. Therefore, in SPSE's context, price changes for the top two market capitalisation securities, ATH and PBF which occupy 45.13% and 11.48% of the market respectively, will have a higher impact on the index.

However, some investors might prefer an equal-weighted index which presumes that an investor held the same value in shares for every company in the index. Since many investors do not allocate funds on a capitalisation basis, an equal weighted index is necessary which eliminates the market capitalisation weighting and instead measures the general performance of the market by weighing them equally.

SPSE Total Return Index (STRI)

The market barometer, STRI recorded an impressive gain of 23.19% concluding at a year-end value of 2298.10. The average income yield of 4.04% combined with a significant average capital growth of 10.76% contributed to the notable performance of the SPSE yardstick. Given that STRI weighs the performance of larger companies more than the smaller companies, increases in share prices of four of the five largest capitalisation companies attributed to the increase.

The trend in STRI over the last 10 years is portrayed below.



Equal Weighted Total Return Index

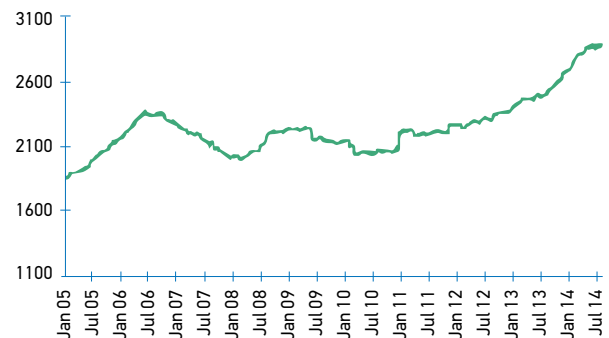
The Equal Weighted Total Return Index concluded the year at a value of 3050.44. An equal weighted index weighs all the listed stocks equally without being construed by the heavyweights and gained 15.02% for the period under review. The increase in the equal weighted index is also reflected in the average total market return which stood at 14.80% with 12 out of the 18 companies generating positive capital returns.

The trend in the Equal Weighted Total Return Index over the last 10 years is portrayed below.



South Pacific Stock Exchange

Equal Weighted Total Return Index
Over Last 10 Years



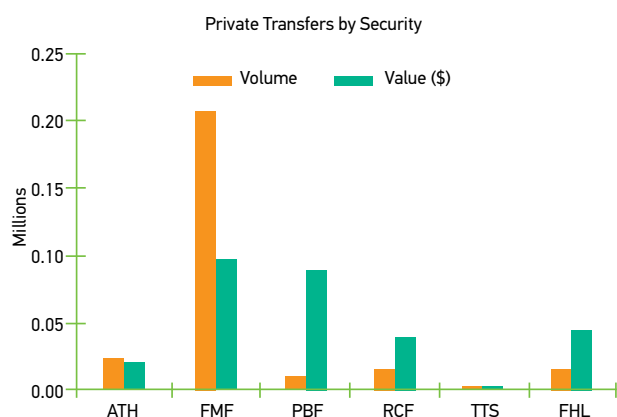
Private Transfers

Private transfers enable changes in registered share ownership when the ownership does not change through a market transaction. Moreover, these transfers can only be effected upon the approval from SPSE and the Reserve Bank of Fiji (RBF).

In 2014, the Exchange recorded a total of 22 private transfer transactions in six listed securities. These off market transactions totalled 0.26 million in volume and \$0.28 million in value. Amongst these transactions, estate cases were the most common with 17 transfers while three transfers were recorded due to gift to close relations. Two private transfers were of an exceptional nature amongst which one resulted from transfer to a trust while the other resulted due to a divorce settlement.

In 2013, there was a significant increase in the private transfer transactions due to the restructure at Fiji National Provident Fund (FNPF) which required all the shares held under the name of FNPF Nominees Limited to be transferred to the individual member.

The bar graph below portrays the volume and value of transfers by the individual listed securities in 2014.



FMF made up for majority private transfers in terms of volume and value mainly due to a large portfolio transfer resulting from settlement of an estate.

Trade by SPSE Members

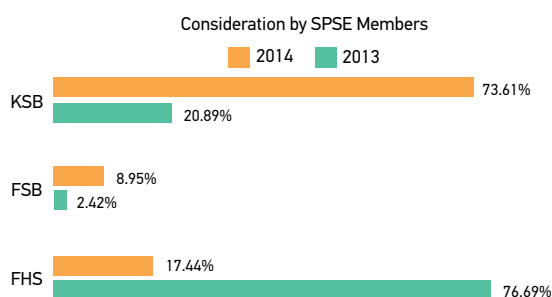
FHL Stockbrokers Limited (FHS), Kontiki Stockbroking Limited (KSB) and FijiStock Brokers Limited (FSB) are the three stockbroking houses licensed to trade on the SPSE. Representatives from these stockbroking companies are

licensed by the Reserve Bank of Fiji (RBF) to execute the business of buying and selling of securities on the SPSE as an agent for investors in return for a commission.

The primary role of stockbrokers is to serve as a vehicle through which investors buy and sell securities. Stockbrokers also play a significant role in converting investor interests into actual investments.

A total of 15 representatives from these stockbroking firms are licensed to trade on the SPSE, however, around six representatives are seen to be active who handle majority of the orders and trades for their clients.

The bar graph below portrays the value traded by each of the three stockbroking houses as a percentage of the overall consideration accumulated in 2013 and 2014. KSB took the lead accounting for 73.61% of the value traded in 2014 while FSB and FHS accounted for 8.95% and 17.44% respectively.



Annual Report Competition

The prestigious Annual Report Competition was once again organised by the Exchange this year with an aim to encourage greater disclosure of financial and other relevant information that is essentially required by various stakeholders. Annual reports are the most widely read document for a company and as such serves to provide a chance to anticipate how a company is perceived in light of trends and competitors. The content of an annual report is also intended to transcend the current business circumstance and address the future for the benefit of its stakeholders. The annual report also offers an opportunity to unify strategic messages that can be used throughout the year and be reinforced in all areas of communication discipline.

The competition has been in existence for more than a decade with techniques of good reporting evolving overtime. An emphasis on attention to detail and accuracy, responsiveness to stakeholders and willingness to put in the effort to communicate effectively with an aim to achieve and improve reporting standards has been noted amongst the participants. For companies winning an award in the competition provides

further evidence that their creativity, hard work and talent gets recognised and adds extra value to how an annual report is perceived by the various users.

The winners were announced and awarded with their credentials at the SPSE Annual Report Competition Awards Night organised at the Grand Pacific Hotel in late November whereby listed companies, government bodies and charitable organisations were honoured for quality reporting and balanced disclosures in their annual reports in a move to improve the information made available to various stakeholders.

Similar to previous years, there were four categories in the competition which gives an opportunity to companies in various sectors to participate and win.

The four categories are as follows:

Category A Statutory Authorities, Government Bodies & Unlisted Trusts

Category B Co-operatives, Non-Profit and Charitable Organisations

Category C Other Public Companies and Unit Trusts

Category D Listed Companies

The judging criteria once again focused on the objectives of the organisation including its mission statements, aims and objectives, the quality of Chairman and the Chief Executive Officer's reports, presentation of financials, timeliness and compliance with accounting standards.

This year the judges' panel included seven independent members who represent top level financial executives and have substantial experience in a broad range of areas including accounting, auditing, tax, legal and consulting activities and more importantly in compiling, inspecting and assessing annual reports. The Chairperson of the panel was once again Ms Renu Chand, Partner at KPMG and other members were Professor Michael White from The University of the South Pacific, Mr Sunil Sharma from AliZ Pacific, Ms Glenis Yee from BSP Life (Fiji) Limited, Mr Ritnesh Narayan from Vision Group of Companies, Mr Vaughan Tuinamuana from Ernst & Young and Mr Kuruwara Tunisalevu from the Auditor General's Office.

A total of 26 reports were submitted for this year's competition for assessment which was a slight increase from last year. Once again, this year special awards were allocated to companies that submitted most improved reports compared to previous years and reports with quality and innovative content and presentation.

The Exchange congratulates the winners and would like to thank all the 26 entrants in the competition. The winners are summarised in the table below.

Main Awards:

	Category A	Category B	Category C	Category D
Winner	Reserve Bank of Fiji	The University of the South Pacific	Merchant Finance & Investment Company Ltd & Credit Corporation (PNG) Ltd	Amalgamated Telecom Holdings Ltd
1st Runner Up	Fiji National Provident Fund	Fiji Red Cross Society	N/A	Fijian Holdings Ltd
2nd Runner Up	N/A	Fiji Women's Rights Movement	Fijian Holdings Unit Trust	Fiji Television Ltd

Special Awards:

Most Improved Annual Report	Quality & Innovative Reporting
Pleass Global Ltd	V B Holdings Ltd

Market Statistics

The table below illustrates the distribution of security holding and the number of security holders of the listed securities as at 31st December 2014.

Security	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 million	Over 1 Million	Total
APP	5	79	23	13	2	1	0	2	4	1	130
ATH	21	1,350	132	41	10	3	14	14	3	7	1,595
CFM	5	121	11	6	5	3	0	2	4	1	158
FFF	29	53	11	9	2	5	3	5	24	3	144
FIL*	13,269	40	5	8	5	1	0	1	5	2	13,336
FMF	7	102	79	79	43	18	24	40	46	9	447
FTV	43	419	8	3	2	1	2	0	3	2	483
KGF	1	86	21	13	5	1	3	5	6	1	142
PBF	291	354	18	5	2	1	0	1	1	1	674
PBP	4	55	11	5	1	0	2	1	2	2	83
PGI	31	33	0	2	1	1	0	1	3	3	75
RBG	26	217	33	13	7	0	2	4	9	5	316
RCF	10	77	6	9	1	2	0	3	2	1	111
TTS	89	48	6	0	1	1	0	1	1	2	149
VBH	35	47	5	7	2	0	2	3	4	0	105
FHL	94	892	60	54	18	18	11	28	14	0	1,189
BCN	32	69	2	1	1	3	3	3	4	1	119
FFFN	24	58	5	5	0	0	1	0	2	0	95
Total	14,016	4,100	436	273	108	59	67	114	137	41	19,351

* FIL has approximately 13,261 security holders with only 20 shares or less each.

Security	No. of Local Security Holders	No. of Foreign Security Holders
APP	120	10
ATH	1,529	66
CFM	138	20
FFF	103	41
FIL	13,324	12
FMF	358	89
FTV	439	44
KGF	127	15
PBF	527	147
PBP	78	5
PGI	69	6
RBG	298	18
RCF	103	8
TTS	83	66
VBH	86	19
FHL	1,186	3
BCN	117	2
FFFN	93	2
TOTAL	18,778	573

The table on the left illustrates the number of local and foreign security holders as at 31st December 2014.

Security	Free Float	Non-Free Float
APP	19%	81%
ATH	7%	93%
CFM	28%	72%
FFF	27%	73%
FIL	19%	81%
FMF	24%	76%
FTV	16%	84%
KGF	39%	61%
PBF	10%	90%
PBP	12%	88%
PGI	6%	94%
RBG	19%	81%
RCF	11%	89%
TTS	6%	94%
VBH	30%	70%
FHL	85%	15%
BCN	25%	75%
FFFN	20%	80%
Average	22%	78%

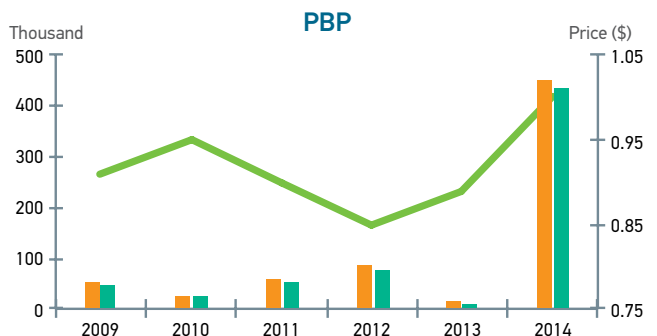
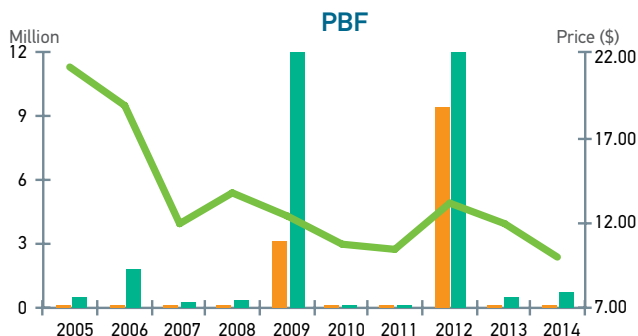
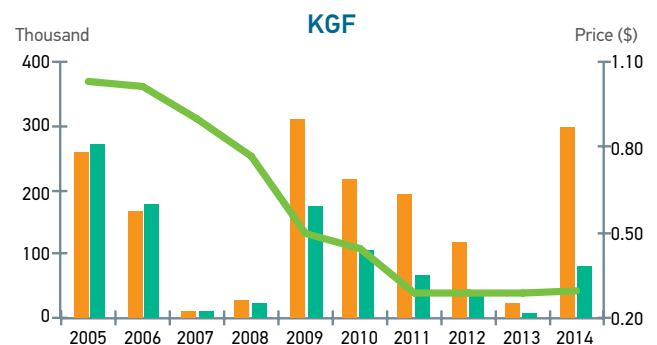
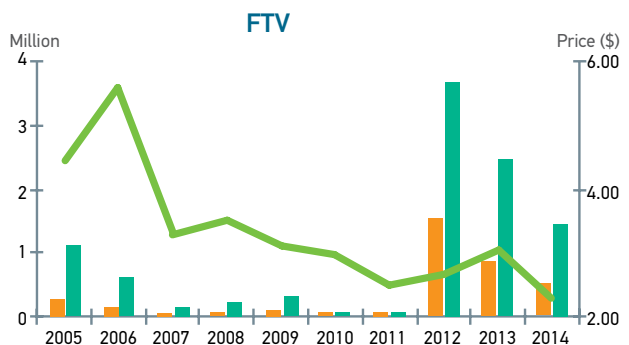
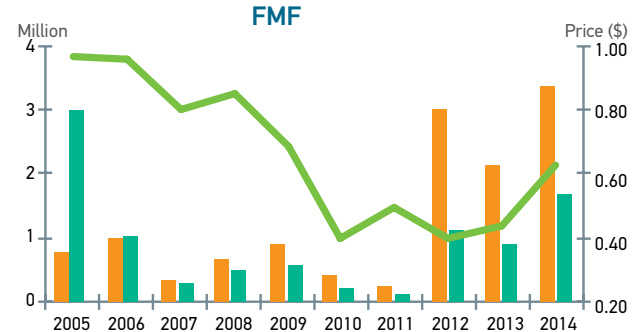
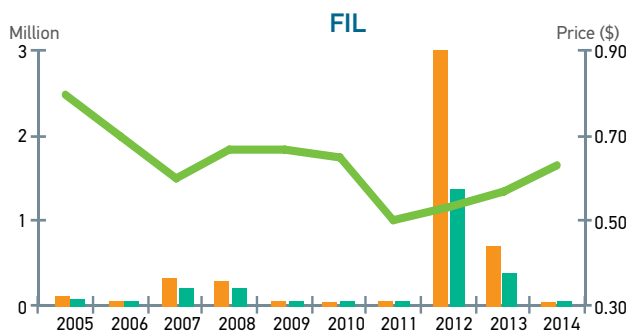
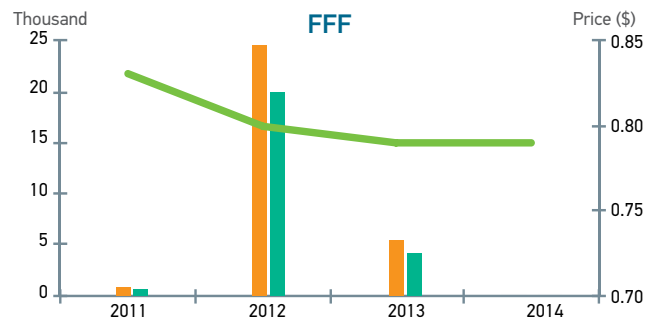
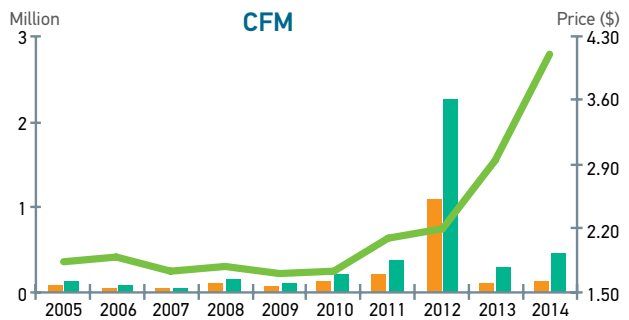
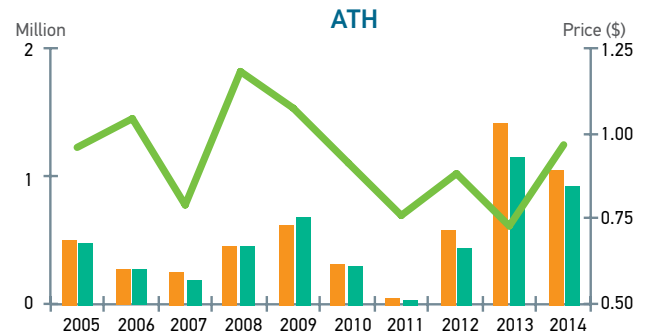
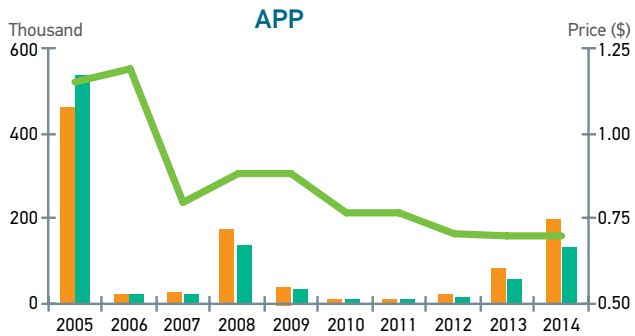
The table on the right illustrates the amount of free float and non-free float security holding as at 31st December 2014.

The table below illustrates the percentage of resident retail security holding by geographical location, percentage of resident institutional shareholding as well the percentage of non-resident security holding as at 31st December 2014.

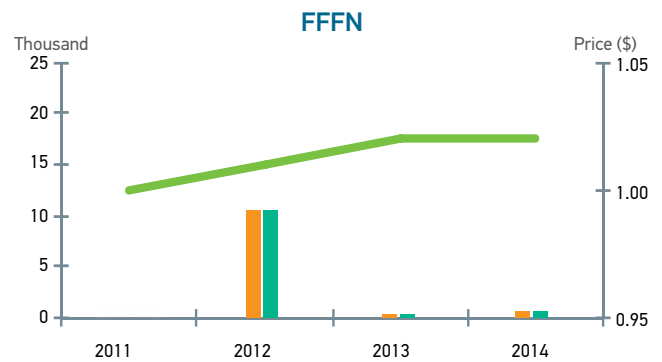
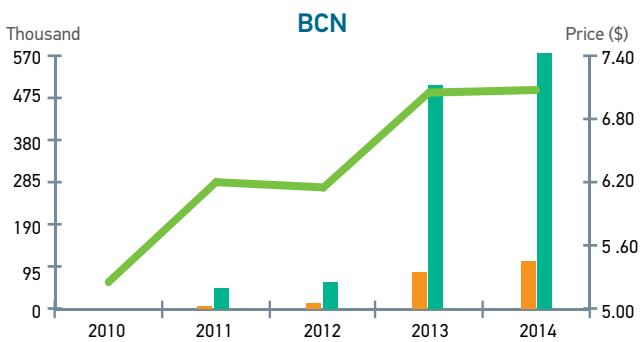
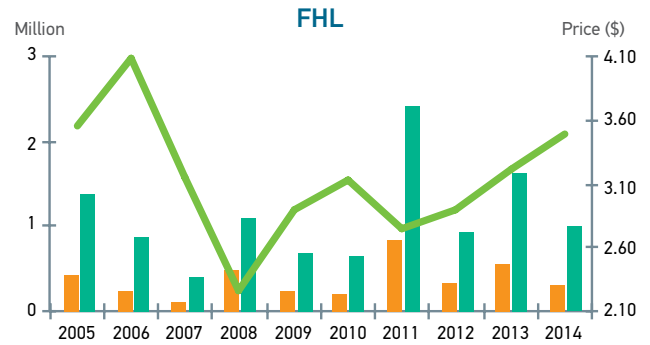
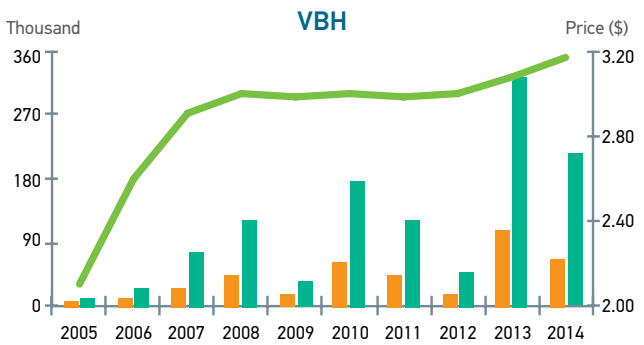
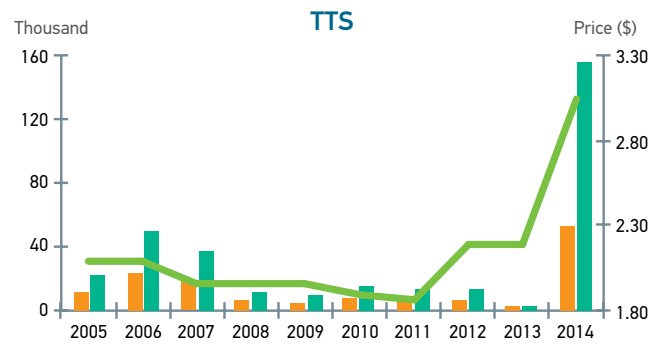
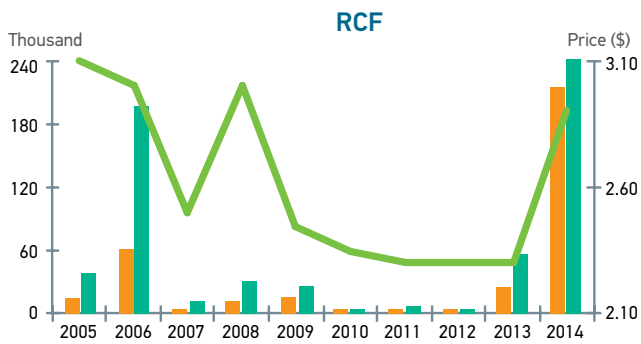
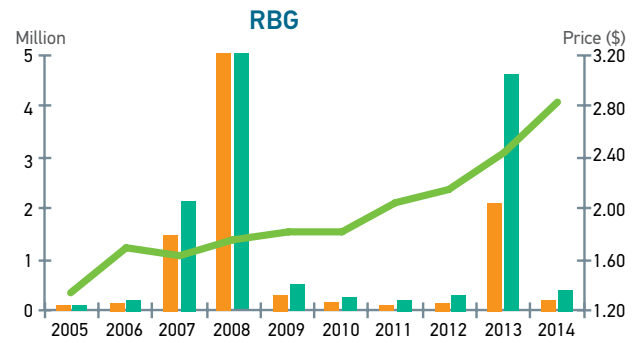
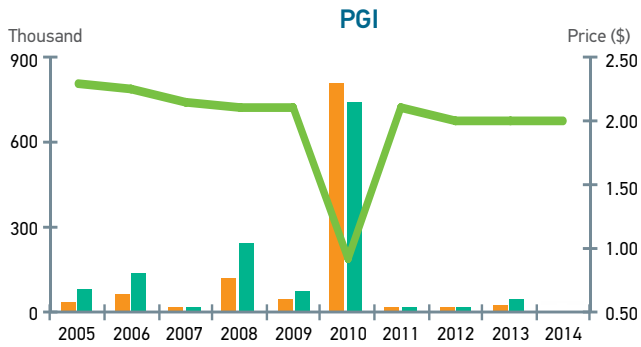
Security	Total Issued Securities (millions)	Resident retail security holding by geographical location			Resident institutional shareholding	Aggregate resident security holding	Aggregate non-resident security holding
		Central/Eastern	Western	Northern			
APP	8.00	7.48%	0.81%	0.06%	90.75%	99.10%	0.90%
ATH	422.10	0.66%	0.36%	0.03%	98.86%	99.91%	0.09%
CFM	3.56	13.67%	0.51%	0.14%	81.89%	96.21%	3.79%
FFF	21.20	48.00%	0.11%	0.01%	34.75%	82.87%	17.13%
FIL	6.97	8.07%	0.56%	0.02%	30.74%	39.38%	60.62%
FMF	150.00	8.02%	2.23%	0.28%	86.76%	97.29%	2.71%
FTV	10.30	2.80%	1.55%	0.07%	94.76%	99.18%	0.82%
KGF	3.54	18.03%	1.61%	0.00%	61.27%	80.91%	19.09%
PBF	10.41	2.65%	1.34%	0.17%	93.78%	97.95%	2.05%
PBP	6.00	61.53%	0.31%	0.00%	37.02%	98.86%	1.14%
PGI	7.62	14.35%	0.29%	0.00%	74.76%	89.41%	10.59%
RBG	30.00	3.23%	4.59%	0.13%	91.85%	99.80%	0.20%
RCF	6.00	3.88%	0.38%	0.14%	95.10%	99.50%	0.50%
TTS	14.03	0.32%	0.04%	0.00%	19.69%	20.05%	79.95%
VBH	2.14	43.03%	0.27%	0.09%	12.79%	56.19%	43.81%
FHL	10.46	26.70%	2.36%	0.66%	70.26%	99.98%	0.02%
BCN	3.06	3.19%	1.74%	0.01%	95.01%	99.95%	0.05%
FFFN	1.51	15.40%	2.08%	0.13%	81.88%	99.49%	0.51%

The graphs below provide the comparative analysis of the volume, consideration and the share prices for all the listed securities for the last 10 years.

KEY: Volume Traded Value Traded (\$) Share Price



KEY: Volume Traded Value Traded (\$) Share Price



SOUTH PACIFIC STOCK EXCHANGE and Subsidiary

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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SOUTH PACIFIC STOCK EXCHANGE and Subsidiary DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

DIRECTORS' REPORT

In accordance with a resolution of the Board of Directors, the directors herewith submit the statement of financial position of the company and its subsidiary as at 31 December 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended on that date and report as follows.

DIRECTORS

Directors at the date of this report are:

Dr Nur Bano Ali	Mr Steven Pritchard
Mr Bhupendra Solanki	Mr Josua Satavu
Dr Roland Schultz	Mr Nouzab Fareed
Mr Griffon Emose	Mr Saiyad Hussain

The principal activities of the company and the subsidiary during the financial year were the provision of stock exchange and share registry services. There were no significant changes in the nature of these activities during the year.

RESULTS

The operating group profit for the year was \$36,504 (2013: \$18,142) after an income tax expense of \$11,763 (2013: \$8,172). The operating profit for the parent company for the year was \$34,193 (2013: \$25,559) after an income tax expense of \$11,763 (2013: \$8,172).

DIVIDENDS

The directors propose that no dividends be paid for the year (2013: Nil).

RESERVES

The directors recommend that no transfers be made to reserves within the meaning of the Seventh Schedule of the Fiji Companies Act, 1983.

BAD AND DOUBTFUL DEBTS

Prior to the completion of the company's financial statements, the directors took reasonable steps to ascertain that action had been taken in relation to writing off of bad debts and the provision for doubtful debts. In the opinion of the directors, adequate provision has been made for doubtful debts.

As at the date of this report, the directors are not aware of any circumstances, which would render the amount written off for bad debts, or the provision for doubtful debts in the company and the subsidiary company, inadequate to any substantial extent.

NON-CURRENT ASSETS

Prior to the completion of the financial statements of the company and its subsidiary, the directors took reasonable steps to ascertain whether any non-current assets were unlikely to be realised in the ordinary course of business compared to their values as shown in the accounting records of the company and the group. Where necessary these assets have been written down or adequate provision has been made to bring the values of such assets to an amount that they might be expected to realise.

As at the date of this report, the directors are not aware of any circumstances, which would render the values attributed to non-current assets in the company's and its subsidiary's financial statements misleading.

SOUTH PACIFIC STOCK EXCHANGE and Subsidiary
DIRECTORS' REPORT continued
FOR THE YEAR ENDED 31 DECEMBER 2014

GOING CONCERN

The financial statements have been prepared on a going concern basis, which contemplates the continuity of business activities and the realisation of assets and the payment of liabilities in the normal course of business.

UNUSUAL TRANSACTIONS

In the opinion of the directors, the results of the operations of the company and its subsidiary during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the company and its subsidiary in the current financial year, other than those reflected in the financial statements.

EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company and its subsidiary, the results of those operations, or the state of affairs of the company and the subsidiary company in future financial years.

OTHER CIRCUMSTANCES

As at the date of this report :

- (i) no charge on the assets of the company and its subsidiary has been given since the end of the financial year to secure the liabilities of any other person;
- (ii) no contingent liabilities have arisen since the end of the financial year for which the company and its subsidiary could become liable; and
- (iii) no contingent liabilities or other liabilities of the company and its subsidiary has become or is likely to become enforceable within the year of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the company and its subsidiary company to meet its obligations as and when they fall due.

As at the date of this report, the directors are not aware of any circumstances that have arisen, not otherwise dealt with in this report or the company's and its subsidiary company's financial statements, which would make adherence to the existence method of valuation of assets or liabilities of the company and its subsidiary misleading or inappropriate.

DIRECTORS' BENEFITS

No director has received or become entitled to receive a benefit (other than those included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements or received as the fixed salary of a full-time employee of the company or of a related corporation) by reason of a contract made by the company or by a related corporation with the director or with a firm of which he or she is a member, or with a company in which he or she has a substantial financial interest.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors.

Dated this 23rd day of March 2015.



.....
 Director



.....
 Director

SOUTH PACIFIC STOCK EXCHANGE and Subsidiary
STATEMENT BY DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2014

In accordance with a resolution of the Board of Directors of South Pacific Stock Exchange, we state that in the opinion of the directors:

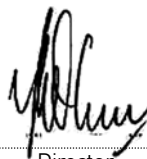
- (i) the accompanying statement of comprehensive income of the company and its subsidiary is drawn up so as to give a true and fair view of the results of the company and the subsidiary for the year ended 31 December 2014;
- (ii) the accompanying statement of changes in equity of the company and its subsidiary is drawn up so as to give a true and fair view of the changes in equity of the company and the subsidiary for the year ended 31 December 2014;
- (iii) the accompanying statement of financial position of the company and its subsidiary is drawn up so as to give a true and fair view of the state of affairs of the company and the subsidiary as at 31 December 2014;
- (iv) the accompanying statement of cash flows of the company and its subsidiary is drawn up so as to give a true and fair view of the cash flows of the company and the subsidiary for the year ended 31 December 2014;
- (v) at the date of this statement there are reasonable grounds to believe the company and its subsidiary will be able to pay its debts as and when they fall due; and
- (vi) all related party transactions have been adequately recorded in the books of the company and its subsidiary.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors.

Dated this 23rd day of March 2015.



Director



Director

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF SOUTH PACIFIC STOCK EXCHANGE and its Subsidiary

We have audited the accompanying Financial Statements of South Pacific Stock Exchange and its subsidiary, which comprise the statement of financial position as at 31 December 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' and Management's Responsibility for the Financial Statements

The directors and management are responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Fiji Companies Act, 1983. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

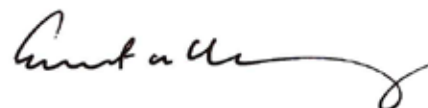
- a) proper books of account have been kept by the company and the group, so far as it appears from our examination of those books, and
- b) the accompanying Financial Statements which have been prepared in accordance with International Financial Reporting Standards:
 - i) are in agreement with the books of account; and
 - 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 of the group as at 31 December 2014 and of its financial performance, changes in equity and its cash flows for the year ended on that date; and
 - b) give the information required by the Fiji 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

23 March

2015



Ernst & Young
Chartered Accountants

SOUTH PACIFIC STOCK EXCHANGE and Subsidiary
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Group		Company	
		2014	2013	2014	2013
		\$	\$	\$	\$
Revenue					
Operating income	2.1	276,526	420,753	225,130	392,552
Other income	2.2	442,207	305,843	451,192	308,148
Total revenue		718,733	726,596	676,322	700,700
Depreciation and amortisation		(51,234)	(80,263)	(51,082)	(80,035)
Staff and employee benefits	2.3	(302,741)	(291,787)	(302,741)	(291,787)
Operating expenses	2.4	(316,491)	(328,232)	(276,543)	(295,147)
Net profit before income tax		48,267	26,314	45,956	33,731
Income tax expense	3(a)	(11,763)	(8,172)	(11,763)	(8,172)
Net profit after income tax		36,504	18,142	34,193	25,559
Other comprehensive income		-	-	-	-
Total comprehensive income for the year, net of tax		36,504	18,142	34,193	25,559

The accompanying notes form an integral part of this Statement of Comprehensive Income.

SOUTH PACIFIC STOCK EXCHANGE and Subsidiary
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Group		Company	
		2014	2013	2014	2013
		\$	\$	\$	\$
Retained earnings					
Balance at the beginning of the year		461,609	443,467	458,371	432,812
Net profit after tax		36,504	18,142	34,193	25,559
Balance at the end of the year		498,113	461,609	492,564	458,371
Share capital					
Balance at the beginning of the year		120,000	120,000	120,000	120,000
Movement during the year		-	-	-	-
Balance at the end of the year	13	120,000	120,000	120,000	120,000
Total Shareholders' Equity		618,113	581,609	612,564	578,371

The accompanying notes form an integral part of the Statement of Changes in Equity.

SOUTH PACIFIC STOCK EXCHANGE and Subsidiary
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

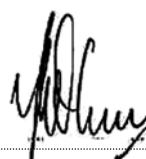
	Notes	Group		Company	
		2014	2013	2014	2013
		\$	\$	\$	\$
Current Assets					
Cash and cash equivalents	4	317,204	756,466	40,674	250
Trade and other receivables	5	17,365	16,057	16,578	61,127
Held to maturity investments	6	435,000	625,000	435,000	575,000
Advance income tax		-	13,481	-	9,773
Prepayments		90,331	72,326	88,331	70,726
Total current assets		859,900	1,483,330	580,583	716,876
Non-Current Assets					
Investment in subsidiary	7	-	-	50,000	50,000
Intangible assets	9	-	32,154	-	32,154
Plant and equipment	8	95,325	46,597	47,550	46,445
Deferred income tax asset	3 (b)	203	-	203	-
Total non-current assets		95,528	78,751	97,753	128,599
Total assets		955,428	1,562,081	678,336	845,475
Current Liabilities					
Interest bearing debt	4	-	34,720	-	34,720
Trade and other payables	10	43,169	35,055	39,052	26,264
Deferred income	12	16,274	194,413	16,274	194,413
Funds held in trust		271,375	704,577	-	-
Tax liability		5,106	-	9,055	-
Employee benefit liability	11	1,391	6,619	1,391	6,619
Total current liabilities		337,315	975,384	65,772	262,016
Non-Current Liabilities					
Deferred tax liability	3 (b)	-	5,088	-	5,088
Total non-current liabilities		-	5,088	-	5,088
Total liabilities		337,315	980,472	65,772	267,104
Net assets		618,113	581,609	612,564	578,371
Shareholders' Funds					
Share capital	13	120,000	120,000	120,000	120,000
Retained earnings		498,113	461,609	492,564	458,371
Total shareholders' equity		618,113	581,609	612,564	578,371

The accompanying notes form an integral part of this Statement of Financial Position.

Signed for and on behalf of the Board of Directors and in accordance with a resolution of the directors.



Director



Director

SOUTH PACIFIC STOCK EXCHANGE and Subsidiary
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Group		Company	
		2014	2013	2014	2013
		\$	\$	\$	\$
Operating Activities					
Profit after tax from operations		36,504	18,142	34,193	25,559
Adjustments to reconcile profit after tax to net cash flows:					
Depreciation of plant and equipment		19,081	15,956	18,929	15,728
Amortisation of intangible assets		32,153	64,307	32,153	64,307
Loss on disposal of plant and equipment		-	550	-	550
<u>Working capital adjustments:</u>					
(Increase)/decrease in prepayments		(18,005)	54,325	(17,605)	55,925
(Increase)/decrease in trade and other receivables		(1,308)	(11)	44,549	(3,403)
Decrease/(increase) in advance income tax		18,588	(5,537)	18,828	(5,176)
Increase/(decrease) in trade and other payables		8,114	3,841	12,789	(25,984)
Decrease in deferred income		(178,139)	(38,705)	(178,139)	(38,705)
Decrease in employee benefit liability		(5,228)	(16,563)	(5,228)	(16,563)
(Decrease)/increase in funds held in trust		(433,202)	554,718	-	-
(Decrease)/increase in deferred tax liability		(5,291)	535	(5,291)	535
Net cash flows (used in) / provided by Operating Activities		(526,733)	651,558	(44,822)	72,773
Investing Activities					
Acquisition of plant and equipment		(67,809)	(3,795)	(20,034)	(3,795)
Acquisition of term deposits		-	(235,000)	-	(235,000)
Redemption of term deposits		190,000	114,274	140,000	114,274
Net cash flows provided by/(used in) Investing Activities		122,191	(124,521)	119,966	(124,521)
Net (decrease)/ increase in cash and cash equivalent		(404,542)	527,037	75,144	(51,748)
Cash and cash equivalents/net bank overdraft at 1 January		721,746	194,709	(34,470)	17,278
Cash and cash equivalents /(net bank overdraft)	4	317,204	721,746	40,674	(34,470)
at 31 December					

The accompanying notes form an integral part of this Statement of Cash Flows.

SOUTH PACIFIC STOCK EXCHANGE and Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. Corporate information

The financial statements of South Pacific Stock Exchange and its subsidiary for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 9th March, 2015. The South Pacific Stock Exchange is a limited liability company incorporated and domiciled in the Republic of Fiji. The group owners have the power to amend the financial statements, if applicable.

The principal activities of the Group are described in Note 22 of the financial statements.

1.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis and do not take into account changing money values or current valuations of non-current assets unless otherwise stated. The consolidated financial statements are presented in Fiji dollars.

Statement of compliance

The consolidated financial statements of South Pacific Stock Exchange and its subsidiary (the "Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 31 December of each year.

The subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, income and expenses, and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

1.2 Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses and assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the company. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

1.3 Summary of significant accounting policies

A summary of the significant accounting policies adopted by the Group is set out in this note.

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash on hand and funds held in trust. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

SOUTH PACIFIC STOCK EXCHANGE and Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2014

1.3 Summary of significant accounting policies continued

(b) Trade and other receivables

Trade receivables are recognised at original invoice amount (inclusive of VAT) less any provision for uncollectible debts. Bad debts are written off during the year in which they become known.

(c) Financial assets

Financial assets of the company within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date that the company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the year generally established by regulation or convention in the market place.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the company has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on assets held for trading are recognised in the statement of comprehensive income.

Impairment of financial assets carried at amortised cost

The company assesses at each balance date whether a financial asset or group of financial assets is impaired..

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in the statement of comprehensive income.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale financial assets

Some of the company's financial assets have been designated as available for sale. After initial measurement, available for sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recorded in the statement of comprehensive income.

SOUTH PACIFIC STOCK EXCHANGE and Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 31 DECEMBER 2014

1.3 Summary of significant accounting policies *continued*

(d) Financial liabilities

Financial liabilities at fair value through profit or loss.

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

(e) Plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in profit or loss as incurred. Plant and equipment are stated at deemed cost less accumulated depreciation and any impairment in value. The principal depreciation rates in use are:

Furniture and fittings	10% - 24%
Equipment	10% - 24%
Motor vehicles	20% - 33%

Profit and loss on disposal of plant and equipment are taken into account in determining profit or loss for the year.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognised in the statement of comprehensive income.

(f) Trade and other payables

Trade payables are obligations on the basis of normal credit terms and do not bear interest. Trade payables denominated in the foreign currency are translated into Fijian Dollars using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or other expenses. Liabilities for trade payables and other amounts are carried at cost (inclusive of VAT where applicable) which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the entity.

(g) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimate can be made of the amount of the obligation. Where the company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when reimbursement is virtually certain. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

(h) Segment information

The company and the group operates as a corporate and institutional advisor and provide share registry services and platform for trading of securities on the stock exchange. The company's main operations is based in Fiji.

SOUTH PACIFIC STOCK EXCHANGE and Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 31 DECEMBER 2014

1.3 Summary of significant accounting policies *continued*

(i) Foreign currency translations

The consolidated financial statements are presented in Fiji dollars, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(j) Employee benefits

This provision is made in respect of all employees and is calculated on the basis of pro-rata entitlements based on current salary and wage levels.

(k) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of comprehensive income in the year in which expenditure is incurred.

(l) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

SOUTH PACIFIC STOCK EXCHANGE and Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 31 DECEMBER 2014

1.3 Summary of significant accounting policies *continued*

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

(l) Taxes

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(m) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and revenue can be reliably measured. Revenue is measured at fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

1. Rendering of services

Fee income is recognised when due and receivable except that listing fees are deferred to future periods and are not recognised as income until the listing takes place. Facility fee income is received from broking members for the facilitation of trading.

2. Government grant

Government grant income relating to operating costs and specific projects is recognised in the year in which these expenses have been incurred.

3. Interest income

Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

(n) Comparatives

Where necessary, amounts relating to prior year have been reclassified and restated to conform with presentation in the current year.

1.4 Changes in accounting policies and disclosures

The following standards, amendments and interpretations to existing standards were published and are mandatory for the accounting periods beginning on or after 1 January 2014 or later periods. No significant impact arose out of these standards, amendments and interpretations. The amendments to existing standards were for the following:

SOUTH PACIFIC STOCK EXCHANGE and Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 31 DECEMBER 2014

1.4 Changes in accounting policies and disclosures *continued*

Reference	Title	Application date of standard	Impact on company financial report
IFRS 9	Financial Instruments	1 January 2015	No impact
IAS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014	No impact
IAS 24	Related Party Disclosures	1 July 2014	No impact
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016	No impact
Amendments to IFRS 3	Related party disclosures	1 July 2014	No impact

	Group		Company	
	2014	2013	2014	2013
	\$	\$	\$	\$
2. OPERATING PROFIT				
2.1 Operating income				
Annual listing fees	135,088	134,774	135,088	134,774
Distribution fees	18,399	9,601	-	-
Registry maintenance fees	30,473	18,600	-	-
Membership fees	15,000	15,000	15,000	15,000
Private transfer fees	1,200	163,500	1,200	163,500
Subsequent Listing	4,000	-	4,000	-
SPSE facility fee	69,842	79,278	69,842	79,278
Entry Fees	2,524	-	-	-
	<u>276,526</u>	<u>420,753</u>	<u>225,130</u>	<u>392,552</u>
2.2 Other income				
Annual government grant	231,117	221,137	213,726	199,398
Release of deferred grant	194,412	64,307	194,412	64,307
Management fees	-	-	27,773	26,081
Interest earned	16,387	17,187	15,183	15,401
Miscellaneous	291	3,212	98	2,961
	<u>442,207</u>	<u>305,843</u>	<u>451,192</u>	<u>308,148</u>
2.3 Staff and employee benefits				
Directors remuneration	29,400	42,901	29,400	42,901
Salary and wages	224,583	190,682	224,583	190,682
FNPF contribution	18,124	15,578	18,124	15,578
FNU contribution	2,579	2,782	2,579	2,782
Insurance	13,272	13,097	13,272	13,097
Training and development	8,549	19,364	8,549	19,364
Travelling expenses	2,574	3,019	2,574	3,019
Other employee costs	3,660	4,364	3,660	4,364
	<u>302,741</u>	<u>291,787</u>	<u>302,741</u>	<u>291,787</u>

SOUTH PACIFIC STOCK EXCHANGE and Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	2014	2013	2014	2013
2.4 Operating expenses	\$	\$	\$	\$
Auditors remuneration - audit services	6,891	6,891	4,528	4,528
Auditors remuneration - other services	2,256	2,446	863	1,396
Annual report competition	5,036	4,480	5,036	4,480
Compliance expenses	-	4,718	-	4,718
Electricity	4,177	4,819	2,911	3,460
Insurance	2,807	2,791	2,384	2,791
Investor education program	40,678	29,487	40,678	29,487
Loss on disposal	-	550	-	550
Marketing and branding	2,976	3,444	2,976	3,444
RBF licence	6,500	6,500	6,500	6,500
Regional expansion	-	2,905	-	2,905
Rent	41,428	39,231	28,874	27,343
Repair and maintenance	10,547	4,317	5,747	2,717
Sub-licensing fee and ETP costs	133,930	177,473	133,930	177,473
Other administration expenses	59,265	38,180	42,116	23,355
	<u>316,491</u>	<u>328,232</u>	<u>276,543</u>	<u>295,147</u>
3. INCOME TAX	\$	\$	\$	\$
a) A reconciliation between tax expense on the operating profit differs from the income tax provided in the accounts and is reconciled as follows:				
Accounting profit before income tax	48,267	26,314	45,956	33,731
Prima facie tax expense thereon at 20%	9,653	5,263	9,191	6,746
Tax losses (not recognised)/utilised	(767)	1,328	-	-
Over provision from prior year	-	(758)	-	(758)
Tax effect of non-deductible expenses	2,877	2,339	2,572	2,184
Income tax expense	<u>11,763</u>	<u>8,172</u>	<u>11,763</u>	<u>8,172</u>
b) <i>Deferred tax asset/(liability)</i>				
Provision for employees entitlement	278	1,324	278	1,324
Accelerated depreciation for tax purpose	(75)	(6,412)	(75)	(6,412)
Net deferred tax asset/(liability)	<u>203</u>	<u>(5,088)</u>	<u>203</u>	<u>(5,088)</u>
4. CASH AND CASH EQUIVALENTS	\$	\$	\$	\$
Cash at bank	46,199	51,639	40,424	-
Cash on hand	250	250	250	250
Interest bearing debt	-	(34,720)	-	(34,720)
Funds held in trust	270,755	704,577	-	-
	<u>317,204</u>	<u>721,746</u>	<u>40,674</u>	<u>(34,470)</u>
5. TRADE AND OTHER RECEIVABLES	\$	\$	\$	\$
Accrued revenue	7,500	4,740	7,500	4,740
Owing by subsidiary	-	-	2,092	46,090
VAT Receivable	2,410	-	-	-
Other receivables	7,455	11,317	6,986	10,297
	<u>17,365</u>	<u>16,057</u>	<u>16,578</u>	<u>61,127</u>

SOUTH PACIFIC STOCK EXCHANGE and Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	2014	2013	2014	2013
	\$	\$	\$	\$
6. HELD-TO-MATURITY INVESTMENTS				
Term deposits	435,000	625,000	435,000	575,000

Term deposits are placed at various financial institutions and earn interest at 1.00% to 3.55% per annum. The deposits are typically held for 3 to 12 month terms.

	\$	\$	\$	\$
7. INVESTMENT IN SUBSIDIARY				
Investment in Central Share Registry Limited	-	-	50,000	50,000

The company holds 100% shares in Central Share Registry Limited.

8. PLANT AND EQUIPMENT

Group	Motor vehicles	Furniture and fittings	Office equipment	Computer equipment	Total
Cost:	\$	\$	\$	\$	\$
At 1 January 2014	57,000	28,772	45,364	151,927	283,063
Additions	-	1,965	-	18,069	20,034
At 31 December 2014	57,000	30,737	45,364	169,996	303,097

Depreciation and impairment:

At 1 January 2014	29,925	28,372	43,915	134,254	236,466
Depreciation for the year	11,970	184	308	6,619	19,081
At 31 December 2014	41,895	28,556	44,223	140,873	255,547

Work in progress				47,775	47,775
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Net written down value:	-	-	-	-	-
At 31 December 2014	15,105	2,181	1,141	76,898	95,325

At 1 January 2014	27,075	400	1,449	17,673	46,597
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Company

Cost:	\$	\$	\$	\$	\$
At 1 January 2014	57,000	28,372	45,364	105,687	236,423
Additions	-	1,965	-	18,069	20,034
At 31 December 2014	57,000	30,337	45,364	123,756	256,457

Depreciation and impairment:

At 1 January 2014	29,925	27,972	43,915	88,166	189,978
Depreciation for the year	11,970	184	308	6,467	18,929
At 31 December 2014	41,895	28,156	44,223	94,633	208,907

Net written down value:					
At 31 December 2014	15,105	2,181	1,141	29,123	47,550

At 1 January 2014	27,075	400	1,449	17,521	46,445
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SOUTH PACIFIC STOCK EXCHANGE and Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 31 DECEMBER 2014

		Group	Company
		\$	\$
9. INTANGIBLE ASSETS			
Cost:			
At 1 January 2014		248,510	248,510
At 31 December 2014		248,510	248,510
Accumulated amortisation			
At 1 January 2014		216,356	216,356
Amortisation charge for the year		32,153	32,153
At 31 December 2014		248,510	248,510
Net written down value:			
At 31 December 2014		-	-
At 1 January 2014		32,154	32,154
	Group	Company	
	2014	2013	2014
	\$	\$	\$
10. TRADE AND OTHER PAYABLES			
Accrued expenditure	40,694	28,034	37,239
Sundry creditors	2,475	7,021	1,813
	43,169	35,055	39,052
			26,264
11. EMPLOYEE BENEFIT LIABILITY			
<u>Annual leave entitlements</u>			
Balance at 1 January	6,619	23,182	6,619
Arising during the year	13,020	11,317	13,020
Utilised	(18,248)	(27,880)	(18,248)
Balance at 31 December	1,391	6,619	1,391
12. DEFERRED INCOME			
<u>Grant income</u>			
Balance at 1 January	194,413	233,118	194,413
Release to income statement	(194,413)	(64,307)	(194,413)
Unexpended grant funds	16,274	25,602	16,274
Balance at 31 December	16,274	194,413	16,274
			194,413
In accordance with SPSE Board resolution, deferred income comprised of Government grants yet to be utilised. Deferred grant will be released to Income Statement as the grant is utilised.			
13. SHARE CAPITAL			
<u>Authorised Capital</u>			
50 ordinary shares of \$15,000 each	750,000	750,000	750,000
<u>Issued and Paid up Capital</u>			
8 ordinary shares at \$15,000 each	120,000	120,000	120,000
	120,000	120,000	120,000

SOUTH PACIFIC STOCK EXCHANGE and Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	2014	2013	2014	2013
	\$	\$	\$	\$
14. CAPITAL COMMITMENTS				
Approved but uncommitted.	128,197	-	-	-

15. COMMITMENTS

Operating lease commitments

Operating lease rentals in respect of rental of office premises is as follows:

	\$	\$	\$	\$
Not later than one year	37,661	37,661	37,661	37,661
Later than one year but not later than five years	18,831	56,492	18,831	56,492
	56,492	94,153	56,492	94,153

16. RELATED PARTY TRANSACTIONS

Transactions with other related parties

The financial statements include the financial statements of the Group and its subsidiary listed in the table below:

a) <u>Name</u>	% equity interest	
	2014	2013
Central Share Registry Limited	100%	100%
b) <u>Net owing by related companies</u>		
Owing by Central Share Registry	2,092	46,090
Net owing by Central Share Registry	2,092	46,090
c) <u>Transactions with other related parties</u>	\$	\$
The transactions between the entity during the year were:		
<u>Income</u>		
Management fees	27,773	26,081

During the financial year, the company had numerous transactions with its shareholders. The transactions involved lease of office and brokerage services. All transactions with related parties were conducted under commercial terms and conditions.

d) Directors

Common directors of South Pacific Stock Exchange Limited and Central Share Registry Limited during the year were:

Dr Nur Bano Ali	Mr Steven Pritchard
Mr Bhupendra Solanki	Mr Josua Satavu
Dr Roland Schultz	Mr Nouzab Fareed
Mr Griffon Emose	Mr Saiyad Hussain

	\$	\$
Directors' fees and allowance (Group)	29,400	42,901

Key Management Personnel

Key Management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly, including any director (whether executive or otherwise) of that entity.

	\$	\$
Compensation paid to key management personnel during the year was:		
Short term employee's benefits	174,506	70,139

SOUTH PACIFIC STOCK EXCHANGE and Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 31 DECEMBER 2014

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal financial liabilities comprise of trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, investments and cash, which arise directly from its operations.

Interest rate risk

Interest rates on financial assets are fixed over the term of the relevant contracts, thereby minimising the risk of fluctuations in interest rates.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations. This risk is managed by ensuring that the Group has a reserve of liquid funds and/or to ensure that an adequate portion of grant income is received to meet its obligations for daily operating expenses and for specific projects relating to public trading.

The group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The table below summarises the maturity profile of the group's financial liabilities at 31 December 2014 and 2013 based on contractual undiscounted payments.

	Consolidation		Holding Company	
	\$	\$	\$	\$
Year ended 31 December 2014	On demand	3 to 12 months	1 to 5 years	Total
	\$	\$	\$	\$
Accrued expenditure	40,694	-	-	40,694
Sundry creditors	2,475	-	-	2,475
	43,169	-	-	43,169
Year ended 31 December 2013	On demand	3 to 12 months	1 to 5 years	Total
	\$	\$	\$	\$
Accrued expenditure	28,034	-	-	28,034
Sundry creditors	7,021	-	-	7,021
Interest bearing debt	34,720	-	-	34,720
	69,775	-	-	69,775

Settlement risk

Settlement risk is the risk that the Group will encounter difficulty in enabling the effective settlement of all trades taking place. As a result, there could be a potential loss of facility fees. This risk is managed by ensuring that all stockbrokers have adhered to the business rules by administering all the procedures for the finalisation of the buying and selling of shares in listed companies. If the stockbrokers have exceeded their time limit for settlement, a fine is charged. To address this, the Group has access to broker guarantees that reduces the Group's exposures to any risks as a result of ineffective settlement.

Market risk

Market risk is the risk that certain economic conditions could adversely affect the share prices of listed companies. These factors would have an influence on the Group's facility fee income which is directly related to the number of trades taking place. To address this, the Group constantly monitors its trading activities and also carries out campaigns for raising investor awareness and advertising on the benefits to commercial companies of being publicly listed.

18. CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

SOUTH PACIFIC STOCK EXCHANGE and Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 31 DECEMBER 2014

18. CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'creditors and accruals and deferred grant income' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position.

	2014	2013
	\$	\$
The gearing ratios at 31 December are as follows:		
Trade and other payables	43,169	35,055
Less: cash and cash equivalents	(46,449)	(17,169)
Net debt	(3,280)	17,886
Equity	618,113	581,609
Total equity plus debt	614,833	599,495
Gearing ratio	-1%	3%

19. 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, to affect significantly the operations of the company or the group, the results of those operations or the state of affairs of the company and the group in the subsequent financial year.

20. SEGMENT INFORMATION

Geographical Segment

The group operates in Fiji and is therefore one geographical area for reporting purposes.

21. COMPANY DETAILS

Company Incorporation

The company is a private company, incorporated in Fiji under the Companies Act, 1983 and domiciled in Fiji.

Number of employees at the end of the year: 6 (2013: 5).

Registered office

The company's registered office is located at Level 2, Provident Plaza One, Ellery Street, Suva.

22. PRINCIPAL ACTIVITY

The principal activities of the company and the subsidiary during the financial year were the provision of stock exchange and share registry services. There were no significant changes in the nature of these activities during the year.

23. 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 broker's clients. The company has no beneficial interest in these funds and, accordingly, such funds are not recorded in the statement of financial position.

LICENSED BROKERS & DEALERS

1) FHL STOCKBROKERS LTD

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91 Gordon Street, Suva, Fiji
PO Box 2110
Government Buildings
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Phone: (679) 3307 025
Fax: (679) 3317 153
Email: fhls@fijianholdings.com.fj
Web: www.fhlstockbrokers.com.fj
Licensed Broker Representatives
1) Ms Loveleen Chetty
2) Ms Elenoa Vuniwa
3) Ms Rowena Fong
4) Mr Sowani Tuidrola
5) Ms Joana Saqalagilagi
6) Ms Archana Chand

Services Provided

- Stock broking for companies listed on SPSE
- Overseas Trading Facility
- Over the Counter trading on unlisted stocks
- Dealing in Bonds issued in Fiji for individuals & institutions
- Comprehensive financial planning
- Investment advisory services to investors

2) FIJISTOCK BROKERS LTD

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Phone: (679) 3304 675
Fax: (679) 3304 679
Email: mail@fijistockbrokers.com.fj
Web: www.fijistockbrokers.com.fj
Licensed Broker Representatives
1) Ms Elenoa Galotaki
2) Mr Esrom Immanu'el
3) Mr Steven Pritchard
4) Mr Brett Hall
5) Mr Enzo Pirillo

Services Provided

- Stock broking for companies listed on SPSE
- Bond broking for individual and institutions on bonds issued in Fiji
- Overseas Trading Facility – on any shares listed on any recognized overseas Stock Exchange
- Corporate finance and Advisory services
- Expatriate investment Advisory services

3) KONTIKI STOCKBROKING LTD

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PO Box 17904
Suva, Fiji
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Email: broking@kontiki.com.fj
Web: www.kontikicapital.com
Licensed Broker Representatives
1) Ms Raghni Khatri
2) Ms Siale Yee
3) Mr Jack Lowenstein
4) Mr David Oliver

Services Provided

- Stock broking services – on listed and unlisted equity securities in Fiji
- Debt securities trading for individual and institutions in Fiji
- Overseas Trading Facility
- Over the counter trades
- Customised dealing execution and selected market making
- Research Reports
- Kontiki Weekly
- First to market
- Underwriting

LICENSED INVESTMENT ADVISERS

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1) Mr Nouzab Fareed

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3) Mr Enzo Pirillo
4) Mr Esrom Immanu'el

3) KONTIKI CAPITAL LTD

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Licensed Investment Adviser Representatives
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2) Mr Jignesh Pala

3) Mr David Oliver

4) Mr Jack Lowenstein

4) BDO CORPORATE FINANCE (FIJI) LTD

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Licensed Investment Adviser Representatives
1) Mr Nalin Patel
2) Mr Pradeep Patel

5) KPMG FINANCIAL ADVISORY SERVICES (FIJI) LTD

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1) Ms Lisa Apted

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n.pal@pln.com.au

Licensed Investment Adviser Representatives

1) Mr John Ridgway

2) Mr Nitij Pal

7) PRICEWATERHOUSECOOPERS CORPORATE FINANCE LTD

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Licensed Investment Adviser Representatives

1) Mr Jerome Kado

2) Ms Jenny Seeto

3) Mr Chirk Yam

4) Mr Nitin Ghandhi

5) Mr Kaushick Chandra

8) MR DEVEN MAGAN

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