

2014

UNIT TRUST OF FIJI  
ANNUAL REPORT

Unlocking your Investment Potential

## OUR VISION

“Your Equal-Opportunity Fund for  
Creating and Growing Wealth”

## OUR MISSION

### Our Customers

We will create customers' value by:

- providing consistent returns;
- managing a well diversified investment portfolio within acceptable risk parameters;
- developing unique products;
- using modern technology to provide timely and accessible services; &
- exceeding expectations through excellent service.

### Our People

We will build a motivated, committed and empowered team by:

- creating equal opportunities;
- providing a safe and enthusiastic working environment;
- communicating effectively;
- training and encouraging self-development; &
- rewarding outstanding performance.

### Our Stakeholders

We will build a stakeholders' value by:

- complying with relevant regulatory and other requirements;
- delivering best possible returns; &
- fulfilling mandated social responsibilities.

## OUR VALUES

- Professionalism;
- Integrity;
- Equality;
- Loyalty;
- Trust; and
- Transparency.

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## MANAGER AND TRUSTEE'S REPORT

The Directors of Unit Trust of Fiji (Management) Limited "UTOFML" and Unit Trust of Fiji (Trustee Company) Limited "UTOFTCL" are pleased to present the financial statement for the period ended 31<sup>st</sup> December 2014.

This year Unit Trust of Fiji marked its 36<sup>th</sup> year of service and commitment to our unit holders, with an unprecedented growth rate of **19.68%** for total funds under management. The total funds under management grew from **\$93.0 million** to **\$111.3 million**. The Income Fund grew from **\$7.5 million** in 2013 to **\$15.8 million** for the year 2014. This milestone is the result of our combined determination, commitment and your confidence to the journey we had initiated four years ago to grow the funds under management and provide consistent return to the unit holders.

The number of unit holders registered an **8%** growth from **14,361** in 2013 to **15,512** in 2014. Contributing to majority of the growth are the young investors under our Children Investment Plan. The plan was developed and implemented under the provisions of the Memorandum of Understanding (MOU) executed between Unit Trust of Fiji (Management) Limited and Ministry of Education in the year 2013.

Our dividend payouts to the unit holders remained competitive in the Unit Trust market as well as the other financial markets. The total return to the unit holders was **8.89%** with a dividend yield of **4.26%** and capital growth of **4.63%**. The total dividend paid to the unit holders was **5.80 cents per unit**. The annualized "tax-free" dividend rate for Income Fund for the year 2014 was **3.17%** which is very competitive when compared to the similar instruments in the market. As a result, we have paid out in excess of **\$4.1 million** to unit holders under both the Income & Growth Fund and Income Fund.

UTOF with the balanced and diversified investment portfolio is well positioned to meet its challenges and most importantly, continue to provide the best possible return on your investment. The fund will continuously focus on tailoring investment plans to meet the unit holders' investment objectives and expected return on investment.

We take this opportunity to thank all our investors and key stakeholders for continuous support and guidance during the year.

Wish you a happy and rewarding investment for 2015.

### *Unit Trust of Fiji (Management) Limited*



Mrs Shaenaz Voss  
Chairperson



Mr Maciusela N Lumelume  
Director

### *Unit Trust of Fiji (Trustee Company) Limited*



Mr Anil Kumar Tikaram  
Director



Mr Iowane Naiveli  
Director/Secretary

"THIS MILESTONE IS THE RESULT OF OUR COMBINED DETERMINATION, COMMITMENT AND YOUR CONFIDENCE TO THE JOURNEY WE HAD INITIATED FOUR YEARS AGO TO GROW THE FUNDS UNDER MANAGEMENT AND PROVIDE CONSISTENT RETURN TO THE UNIT HOLDERS."

# GENERAL MANAGER'S REPORT

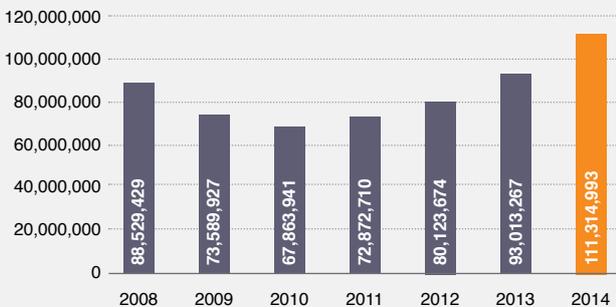
Ni sa bula vinaka and warm greetings from UTOF Team!

I am delighted to report that your fund had another fruitful year and recorded an unprecedented growth rate of 19.68% for the Total Funds under Management. It increased by \$19.3 million from \$93.0 million in 2013 to \$111.3 million for the year ended 31 December 2014, as shown in Chart 1.

The two key indicators that directly attributed to this significant growth were strong net unit sales from the existing and new investors and a positive growth in the market values of our investments.

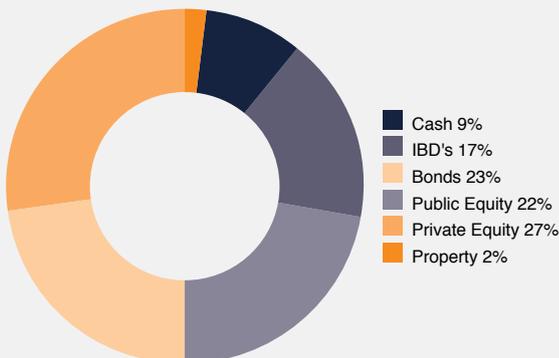
The investment portfolio was actively managed in line with the guideline of UTOF's Investment Policy Statement. As a result, this enabled the team to specifically focus on growth and high yield securities and further diversify the investment portfolio. This approach was adopted since 2009 to competitively align our investment portfolio and return on investment.

**CHART 1: FUNDS UNDER MANAGEMENT (\$M)**



As reflected in Chart 2, UTOF held 49% of its investment portfolio in the equity sector followed by 23% in government bonds. The remaining 28% was held as interest bearing deposits, on-calls and cash at bank. The investments under Income Fund were largely held in interest bearing deposits as mandated by the Investment Policy Statement.

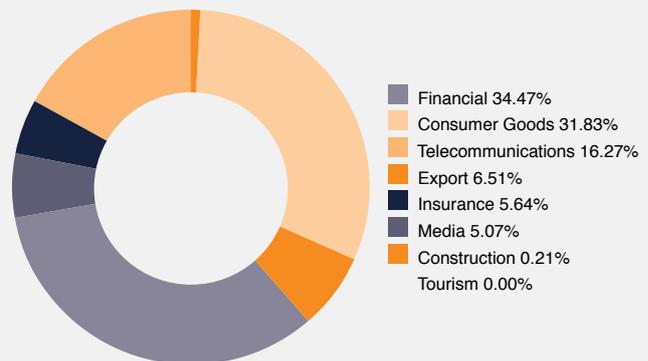
**CHART 2: ASSET ALLOCATION**



The equity portfolio under Income & Growth Fund is diversified across different key sectors with higher placements in consumer goods and financial sectors. The key equity companies in the investment portfolio are HFC Bank, Marsh Limited, South Seas Towage Limited, Amalgamated Telecom Holdings Limited, Fiji Gas Limited, FMF Foods Limited, RB Patel Group Limited, Fiji TV Limited and Communications (Fiji) Limited.

Chart 3 provides the classification of equity investments by sector for the year ended 31 December 2014.

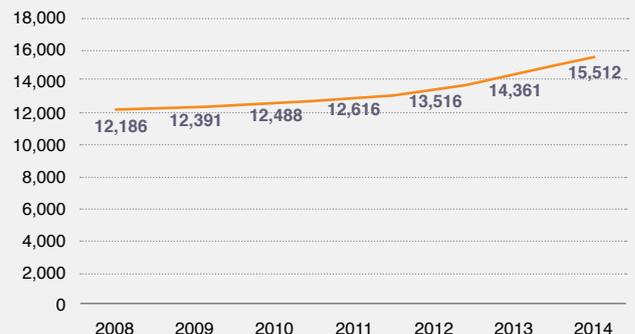
**CHART 3: EQUITY SECTOR - INCOME & GROWTH FUND**



A positive growth of 8% was recorded for the number of unit holders (investors) for the period under review. An average growth rate of 4.2% was recorded over the last 7 years (2008-2014). The growth in 2014 was mostly recorded from the young investors, high net worth individuals and institutional investors.

Chart 4 and Table 1 illustrates the increasing the number of unit holders and units in issue for respective funds under management.

**CHART 4: NUMBER OF UNIT HOLDERS**



**TABLE 1**

Year	Income Fund*		Income & Growth Fund	
	No: of Unit holders	Units in Issue	No: of Unit holders	Units in Issue
2008	-	-	12,186	65,998,021
2009	-	-	12,391	54,896,219
2010	-	-	12,488	54,566,961
2011	-	-	12,616	54,899,354
2012	863	1,422,317	12,653	57,063,712
2013	1,738	7,413,600	12,623	61,199,821
2014	2,840	15,650,936	12,672	64,861,625

\* Note: Income Fund was approved and established in the year 2012

Under Income & Growth Fund, the total return to the unit holders was **8.89%** (dividend yield - **4.26%** and capital growth - **4.63%**) with a total dividend payout of **5.80 cents per unit**. The annualized “tax-free” dividend rate for Income Fund was **3.17%**.

Therefore, a total dividend in excess of **\$4.1 million** was paid out to unit holders for the year ended 31<sup>st</sup> December 2014. The dividend paid-out and total returns for both the funds are further illustrated in Table 2, Chart 5 and 6.

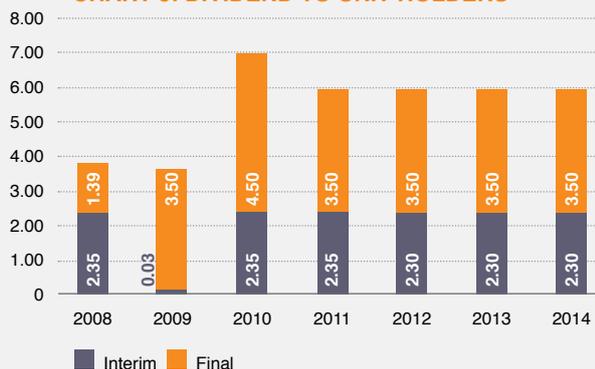
## INCOME FUND

**TABLE 2**

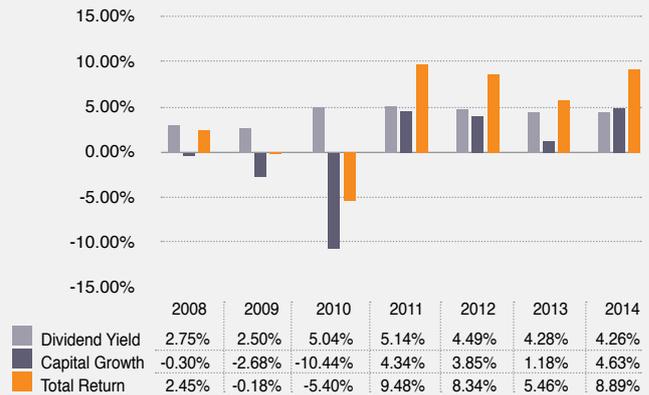
Year	Dividend Paid			Annualised Dividend Rate
	Interim	Final	Total	
2012	\$4,329	\$20,643	\$24,973	3.35%
2013	\$25,947	\$53,339	\$79,286	3.16%
2014	\$166,551	\$237,766	\$404,317	3.17%

## INCOME & GROWTH FUND

**CHART 5: DIVIDEND TO UNIT HOLDERS**



**CHART 6: TOTAL RETURN TO UNIT HOLDERS**



Finally, I would like to extend my sincerest appreciation to the Board of Directors of Unit Trust of Fiji (Management) Limited, Directors of Unit Trust of Fiji (Trustee Company) Limited and our shareholders, Ministry of Public Enterprises and Ministry of Finance for their support and guidance.

Importantly, our loyal unit holders who have evidently shown their unwavering support and confidence that has enabled us to record unprecedented growth for the period under review and at the same build a strong platform for future growth and development.

We are committed to providing excellence through our personalised investment facilities and competitive returns offered by our two Funds.

Thank you for continuous support and having confidence in the future direction of Unit Trust of Fiji.

Have a productive and enjoyable journey in 2015.

Vilash Chand  
General Manager

# UNIT TRUST OF FIJI FINANCIAL STATEMENTS 31 DECEMBER 2014

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**TRUSTEE'S AND MANAGER'S REPORT  
YEAR ENDED 31 DECEMBER 2014**

**Date of formation**

The Trust was established on 25<sup>th</sup> April 1978.

**Principal activity**

The principal activity of the Trust during the financial year was to provide an investment vehicle that allowed investors to pool their funds and have them invested by the Trust Manager across a range of investments in accordance with the investment guidelines contained in the prospectus and the investment policy statement.

**Approval of financial statements**

The financial statements for the year ended 31 December 2014 together with the accompanying notes set out on pages 3 to 18 are approved as being in accordance with the books and records of the Unit Trust of Fiji. The statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Unit Trust of Fiji show a true and fair view of the state of affairs as at 31 December 2014, and results, changes in equity and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Trustee and Manager.



Unit Trust of Fiji (Trustee Company) Limited  
Trustee of the Unit Trust of Fiji



Unit Trust of Fiji (Management) Limited  
Manager of the Unit Trust of Fiji

Dated at Suva this 12<sup>th</sup> day of June 2015.



## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF UNIT TRUST OF FIJI

### Report on the Financial Statements

We have audited the accompanying financial statements of Unit Trust of Fiji, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes 1 to 13, comprising a summary of significant accounting policies and other explanatory information.

#### *Directors' and Management's Responsibility for the Financial Statements*

Directors of the Trustee Company and Directors of the Management Company ("directors"), and management are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the directors and management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *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 entity's preparation of financial statements that give a true and fair view 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 entity'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 audit opinion.

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Unit Trust of Fiji as at 31 December 2014 and of its financial performance, its changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Report on Other Legal and Regulatory Requirements

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.

In our opinion the accompanying financial statements give the information required by the Unit Trust Act 1978 and provisions of the Trust Deed in the manner so required.

15 June 2015  
Suva, Fiji

  
KPMG  
Chartered Accountants

## STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 DECEMBER 2014

	Notes	2014 \$	2013 \$
<b>Investment income:</b>			
Interest Income		2,126,244	1,858,482
Dividend Income		2,779,949	2,403,492
Net gains/(losses) on financial instruments held at fair value through profit or loss		4,540,626	1,019,071
Realized Gains on Disposal of Investments		362,033	599,004
Net Equalization		40,000	79,957
Rental Income		120,913	-
		9,969,765	5,960,006
<b>Less Expenses:</b>			
Investment property maintenance expenses		39,045	-
Manager's Remuneration		1,353,668	1,208,916
		1,392,713	1,208,916
<b>Profit for the year attributable to unit holders</b>		<b>8,577,052</b>	<b>4,751,090</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>8,577,052</b>	<b>4,751,090</b>

The Statement of Comprehensive Income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 26.

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Notes	2014 \$	2013 \$
<b>EQUITY</b>			
Unit holders' equity – Income & Growth Fund			
64,861,625 Class A units fully paid (2013: 61,199,821)			
496,076 Class B units fully paid (2013: 496,076)		67,559,475	62,267,273
Unit holders' equity – Income Fund 15,650,936 fully paid (2013:7,413,600)		15,650,936	7,413,600
Income reserve	2	20,271	20,271
Other reserve		25,303,125	20,762,499
		<u>108,533,807</u>	<u>90,463,643</u>
<b>ASSETS</b>			
Cash and cash equivalents		9,576,024	11,219,552
Financial assets at amortized cost	3	19,954,875	14,459,419
Financial assets held at fair value through profit or loss	4	80,019,698	67,405,106
Investment Property	5	1,957,000	-
<b>Total assets</b>		<u>111,507,597</u>	<u>93,084,077</u>
<b>LIABILITIES</b>			
Sundry creditors and accruals	6	192,604	68,529
Unclaimed distribution		-	2,280
Declared for distribution		269,426	354,293
Proposed final distribution	7	2,511,760	2,195,332
<b>Total liabilities</b>		<u>2,973,790</u>	<u>2,620,434</u>
<b>Net Assets attributable to unit holders</b>		<u>108,533,807</u>	<u>90,463,643</u>

Signed in accordance with a resolution of the Trustee and the Manager.



Trustee



Manager

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 26.

## STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 DECEMBER 2014

	Income reserve \$	Other reserve \$	Unit Holders Equity \$	Dividend \$	Income available For distribution \$	Total \$
Balance as at 01 January 2013	20,271	19,743,428	58,149,102	-	-	77,912,801
<b>Total comprehensive income for the year</b>						
Profit for the year	-	1,019,071	-	-	3,732,019	4,751,090
Total comprehensive income for the year	-	1,019,071	-	-	3,732,019	4,751,090
<b>Transactions with unit holders, recorded directly in equity</b>						
<i>Contributions by and distributions to unit holders</i>						
Income available for distribution	-	-	-	3,732,019	(3,732,019)	-
Expenditure on prospectus	-	-	14,556	-	-	14,556
Creations during the year	-	-	15,313,405	-	-	15,313,405
Equalization on creations	-	-	(130,346)	-	-	(130,346)
Repurchase of units	-	-	(3,716,233)	-	-	(3,716,233)
Equalization on repurchases	-	-	50,389	-	-	50,389
Declared for distribution – 2012	-	-	-	193,000	-	193,000
Interim distribution paid	-	-	-	(1,375,395)	-	(1,375,395)
Proposed final distribution	-	-	-	(2,195,332)	-	(2,195,332)
Declared for distribution – 2013	-	-	-	(354,292)	-	(354,292)
<b>Total contributions by and distributions to unit holders</b>	-	-	11,531,771	-	(3,732,019)	7,799,752
<b>Balance at 31 December 2013</b>	<b>20,271</b>	<b>20,762,499</b>	<b>69,680,873</b>	<b>-</b>	<b>-</b>	<b>90,463,643</b>
Balance as at 01 January 2014	20,271	20,762,499	69,680,873	-	-	90,463,643
<b>Total comprehensive income for the year</b>						
Profit for the year	-	4,540,626	-	-	4,036,426	8,577,052
Total comprehensive income for the year	-	4,540,626	-	-	4,036,426	8,577,052
<b>Transactions with unit holders, recorded directly in equity</b>						
<i>Contributions by and distributions to unit holders</i>						
Income available for distribution	-	-	-	4,036,426	(4,036,426)	-
Transfer of Unclaimed dividend to deposited property	-	-	(8,859)	-	-	(8,859)
Creations during the year	-	-	18,802,160	-	-	18,802,160
Equalization on creations	-	-	(73,055)	-	-	(73,055)
Repurchase of units	-	-	(5,223,763)	-	-	(5,223,763)
Equalization on repurchases	-	-	33,055	-	-	33,055
Declared for distribution – 2013	-	-	-	354,292	-	354,292
Interim distribution paid	-	-	-	(1,609,532)	-	(1,609,532)
Proposed final distribution	-	-	-	(2,511,760)	-	(2,511,760)
Declared for distribution – 2014	-	-	-	(269,426)	-	(269,426)
<b>Total contributions by and distributions to unit holders</b>	-	-	13,529,538	-	(4,036,426)	9,493,112
<b>Balance at 31 December 2014</b>	<b>20,271</b>	<b>25,303,125</b>	<b>83,210,411</b>	<b>-</b>	<b>-</b>	<b>108,533,807</b>

The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 26.

## STATEMENT OF CASH FLOWS YEAR ENDED 31 DECEMBER 2014

	2014 \$	2013 \$
<b>Cash flows from operating activities</b>		
Cash receipts in course of operations		
- Interest received	2,090,906	1,833,355
- Dividends received	2,781,420	2,426,304
- Rental income received	8,438	-
Cash payments to Manager and suppliers	(1,311,994)	(1,184,240)
Proceeds from sale of investments	3,723,486	661,464
Purchase of investments	(16,753,194)	(8,215,144)
Purchase of investment property	(1,957,000)	-
	<u>(11,417,938)</u>	<u>(4,478,261)</u>
<b>Net cash (used in) operating activities</b>		
<b>Cash flows from financing activities</b>		
Payments on repurchase of units	(5,223,763)	(3,716,233)
Proceeds from issue of units	18,803,037	15,302,515
Distributions paid to unit holders	(3,804,864)	(3,393,268)
	<u>9,774,410</u>	<u>8,193,014</u>
<b>Net cash from financing activities</b>		
<b>Net (decrease)/increase in cash and cash equivalents</b>	(1,643,528)	3,714,753
<b>Cash and cash equivalents at the beginning of the year</b>	<u>11,219,552</u>	<u>7,504,799</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>9,576,024</u>	<u>11,219,552</u>

The Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 26.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unit Trust of Fiji ("the Trust") is a unit trust incorporated and domiciled in Fiji. The address of its registered office and principal place of business are disclosed in note 11 to the financial statements.

#### Principal Activity

The trust is an investment vehicle that allows investors' monies to be pooled with other unit holders' monies that in return are re-issued with units and become unit holders in the unit trust. The pooled funds in the trust are then invested by the manager in accordance with the investment guidelines contained in the prospectus.

The significant accounting policies which have been adopted in the preparation of these financial statements are set out below. The financial statements were authorised for issue by the Trustees and Managers on 12<sup>th</sup> June 2015.

#### (a) Statement of compliance

The financial statements have been drawn up in accordance with the Unit Trust Act 1978, the Trust Deed, Trust Act 1966, the Capital Markets Development Authority Act 1996 and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

#### (b) Basis of preparation

The financial statements have been presented in Fiji dollars, which is the Trust's functional currency, rounded to the nearest dollar. The financial statements are prepared on the basis of fair value measurement of assets and measurement at amortized cost for liabilities except where otherwise stated.

#### (c) New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations that are effective for annual periods beginning after 1 January 2014 have not been applied in preparing these financial statements. These are not expected to have a significant effect on the financial statements of the Trust.

#### (d) Use of estimates and judgments

The preparation of annual financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

##### (a) Assumptions and estimation uncertainties

##### (i) Measurement of fair values

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2014 is included in Note (e) (iv).

#### (e) Financial assets and financial liabilities

##### (i) Recognition and initial measurement

Financial assets at fair value through profit or loss are recognised initially on the trade date, which is the date that the Trust becomes a party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date they are originated.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014 - Continued

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) Financial assets and financial liabilities (continued)

Financial assets at fair value through profit or loss are recognised initially at fair value, with the transaction costs recognised in profit or loss. Financial assets or financial liabilities not at fair value through profit or loss are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or issue.

#### (ii) Classifications

The Trust classifies financial assets and financial liabilities into the following categories:

##### *Financial assets:*

- Measured at fair value through profit or loss – Government bonds, listed and unlisted equity investments and convertible notes
- Measured at amortised cost – cash and cash equivalents, other receivables, accrued income and term deposits.

##### *Financial liabilities at amortised cost*

- Other liabilities –sundry payables and distributions payable

A financial asset is subsequently measured at amortised cost, if it is held within a business model with an objective to hold assets in order to collect contractual cash flows; and the contractual terms of the financial assets give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Financial assets other than those classified as financial assets measured at amortised cost are subsequently measured at fair value with all changes in fair value recognised in profit or loss.

Notes 3 to 6 provide a reconciliation of line items in the statement of financial position to the categories of financial instruments, as defined by IFRS 9.

#### (iii) Amortized cost

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

#### (iv) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and the measurement date in the principal or, in its absence, the most advantageous market to which the fund has access at that date. Consistent with established practice in Fiji, listed equity investments are measured at the closing share price on the South Pacific Stock Exchange at each reporting date. Fiji Government Bonds are measured at the prices quoted by the Reserve Bank of Fiji at each reporting date, as adjusted for accrued interest where this is material.

When available, the Trust measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as “active” if transactions for the asset or liabilities take place with sufficient frequency and volume to provide pricing information on an on-going basis. The fair value of other unlisted equities is estimated with the assistance of independent valuers approved by the Fund Manager and Trustee as per the Trust Deed.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014 - Continued

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) Financial assets and financial liabilities assets – continued

Where possible, the valuations use applicable price earnings ratios for similar listed companies, adjusted to reflect the specific circumstances of the issuer and may be based on following methodologies:

1. Future Maintainable Earnings
2. Net Tangible Assets
3. Capitalization of Dividends
4. Price to Book

If there is no quoted price in an active market, then the Trust uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique seeks to incorporate all of the factors that market participants would take into account in pricing a transaction. The Trust recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the changes have occurred.

#### (v) Impairment

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset(s), and that loss event(s) had an impact on the estimated future cash flows of that asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes significant financial difficulty of the issuer or indications that an issuer will enter bankruptcy.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### (vi) Derecognition

The Trust derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Trust neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. Any interest in such transferred financial assets that is created or retained by the Trust is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received is recognized in profit or loss. The Trust derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

#### (vii) Offsetting

Financial assets and liabilities are offset and net amount presented in the statement of financial position when, and only when, the Trust has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis when permitted under IFRSs, e.g. for gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit or loss.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014 - Continued

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) Revenue recognition

Interest income is recognised in profit or loss for all interest bearing financial assets using the effective interest method. Income from offshore investments is recorded net of any withholding tax deducted at source. This withholding tax is recorded as an expense.

Dividend income from listed or quoted securities is recognised when the right to receive payment is established (normally the ex-dividend date). Dividends from unlisted and private equities are recognised when the Trust has received formal notification that a dividend has been declared and the right to receive the dividend is established.

Other income is brought to account on an accrual basis.

#### (g) Manager's remuneration

Under the terms of the Trust Deed, the Manager is entitled to receive manager's remuneration being 1.5% of the value of the deposited property for the Income & Growth Fund.

For the Income Fund, the manager is entitled to receive manager's remuneration being 0.5% of the net asset value. Manager's remuneration is recognised in profit or loss on an accruals basis.

#### (h) Distributions

In accordance with the Trust Deed, the Trust distributes income adjusted for amounts determined by the Managers to unit holders by cash or reinvestment. The distributions are recognised in the statement of changes in equity as distributions to unit holders.

Clause 19 of the Trust Deed permits the Managers in their absolute discretion to determine annually such amounts arising from the surplus on disposal of investments that year as being available for distribution. Any balance of the surplus from disposal of investments is then transferred to unit holders equity.

#### (i) Income tax

The Trust is not subject to income tax provided the distributable income is declared for distribution to unit holders either by way of cash or reinvestment.

#### (j) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### (k) Other receivables and accrued income

Other receivables include amounts receivable from the sale of units and bank charges receivable from the "Management Company". Interest receivable and dividends declared but unpaid on shares owned are included under accrued income.

#### (l) Sundry creditors

Liabilities are recognized for amounts to be paid in the future for goods and services received, whether or not invoiced to the Trust. Liabilities are stated at amortised cost as they are expected to be settled within next twelve months.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014 - Continued

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(m) Foreign exchange translation**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets are translated into the functional currency using the exchange rate prevailing at the balance sheet date.

**(n) Investment Property**

Investment property is initially measured at cost and subsequently at fair value with any changes therein recognized in profit or loss.

Any gains or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

### 2. RESERVES

The Income reserve represents interest earned on funds advanced by the Government of Fiji prior to the establishment of the Trust.

Other reserve consists of the cumulative movements in fair value of investments classified as fair value through profit or loss that are not available for distribution to unit holders until realized.

### 3. FINANCIAL ASSETS AT AMORTISED COST

	2014	2013
	\$	\$
<b>Term deposits:</b>		
Income & Growth Fund	4,020,000	6,280,000
Income Fund	15,338,000	7,188,000
<b>Loans and receivables:</b>		
Other receivables	44,591	587,014
Interest receivable	439,809	402,934
Dividends receivable	-	1,471
Rent receivable	112,475	-
	19,954,875	14,459,419

### 4. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

Designated at fair value through profit or loss:

	2014	2013
	\$	\$
<b>Listed equities:</b>		
Shares quoted on stock exchanges:		
South Pacific Stock Exchange	23,950,773	19,411,543
<b>Unlisted equities</b>		
Shares in Fiji Companies	30,420,030	20,270,574
<b>Fiji Government Bonds</b>	25,648,895	27,722,989
	80,019,698	67,405,106

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014 - Continued

### 4. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

#### Determining fair values

The trust measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

**Level 1:** Quoted market price (unadjusted) in active market for an identical instrument.

**Level 2:** Valuation technique based on observable inputs, either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active market for similar instrument; quoted prices for identical or similar instrument in the market that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

**Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted price for similar instruments where significant unobservable adjustments or assumption are required to reflect differences between the instruments.

Fair values of financial assets that are traded in active markets are based on quoted prices or dealer price quotations. For unlisted equity investments the Trust determines fair values using valuation techniques. Some or all of the significant inputs these valuations use may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions.

Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used and any key assumptions used in those valuation models such as appropriate price/earnings ratio. The Trust uses price/earnings ratios and other key assumptions based on observable inputs from Australia and then adjusts these to reflect risks specific to the underlying investment and the Fiji environment such as size risk, Fiji market risk, liquidity risk and etc.

The table below analyses financial assets measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Local listed equities	23,950,773	-	-	23,950,773
Unlisted equities	-	23,076,425	7,343,605	30,420,030
Government bonds	-	25,648,895	-	25,648,895
<b>Balance as at 31 December 2014</b>	<b>23,950,773</b>	<b>48,725,320</b>	<b>7,343,605</b>	<b>80,019,698</b>
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Local listed equities	19,411,543	-	-	19,411,543
Unlisted equities	-	17,177,739	3,092,835	20,270,574
Government bonds	-	27,722,989	-	27,722,989
<b>Balance as at 31 December 2013</b>	<b>19,411,543</b>	<b>44,900,728</b>	<b>3,092,835</b>	<b>67,405,106</b>

During the financial year ended 31 December 2014, no transfers between levels 1 to 3 were made.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014 - Continued

### 4. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	<b>Unlisted private equity investments</b>
	<b>\$</b>
Balance at 1 January 2014	3,092,835
Total gains or losses recognized in profit or loss	950,770
Purchases	3,300,000
Transfers into Level 3	-
Transfer out of Level 3	-
<b>Balance as at 31 December 2014</b>	<b>7,343,605</b>
Total gains or losses for the period included in profit or loss relating to assets and liabilities held at the end of the reporting period:	950,770

These gains and losses are recognized in profit or loss as net gain from financial instruments at fair value through profit or loss.

### 5. INVESTMENT PROPERTY

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Balance at 1 January	-	-
Acquisitions	1,957,000	-
Change in fair value	-	-
Balance at 31 December	<u>1,957,000</u>	<u>-</u>

The value of Trust's investment property was made on the basis of recent market transactions on arm's length terms and is categorized as Level 3.

### 6. SUNDRY CREDITORS AND ACCRUALS

Other sundry payables	<u>192,604</u>	<u>68,529</u>
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### 7. DISTRIBUTIONS

#### Proposed final distribution

The manager has proposed a final distribution for Income & Growth Fund of \$2,273,994 (2013: \$2,141,994) or 3.50 cent (2013: 3.50 cent) per unit for all unit holders as at 31 December 2014. Interim Dividend Paid: \$1,442,981 or 2.20 cent per unit (2013: \$1,349,447, 2.30 cent per unit)

The manager has proposed a final distribution for Income Fund of \$237,766, \$1 per unit (2013: \$53,338, \$1 per unit for all unit holders as at 31 December 2014. Interim Dividend Paid: \$166,551 or \$1 per unit (2013: \$25,948, \$1 per unit)

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014 - Continued

### 8. RECONCILIATION OF UNITS ISSUED AND FULLY PAID

	Income & Growth Fund Total Units (Class A & B units) 2014	Income Fund Total Units 2014	Income & Growth Fund Total Units (Class A & B units) 2013	Income Fund Total Units 2013
Opening balance at 1 January	61,695,897	7,413,600	57,559,788	1,422,317
Issues	5,829,826	10,489,025	6,711,870	6,291,514
Redemptions	(2,168,022)	(2,251,689)	(2,575,761)	(300,231)
Closing balance at 31 December	<u>65,357,701</u>	<u>15,650,936</u>	<u>61,695,897</u>	<u>7,413,600</u>

As stated in the Trust Deed, Class A and B units represent an undivided share in the deposited property of the Trust. Class A units are entitled to a dividend whereas for class B units, any dividend is solely at the discretion of the Manager. Class B units are held by the Government of the Republic of Fiji.

### 9. CONTINGENT LIABILITIES AND COMMITMENTS

The Trustee and the Manager are not aware of any contingent liabilities or commitments for the year ended 31 December 2014 (2013: Nil).

### 10. RELATED PARTIES

#### Manager

The Manager of the Trust is Unit Trust of Fiji (Management) Limited. The directors of the management company during the year were:

1. Shaenaz Voss
2. Maciusela N. Lumelume

#### Manager's fees

Under the terms of the Trust Deed, the Manager is entitled to receive manager's remuneration being 1.5% of the value of the deposited property, manager's rounding being the lower of 1% of the value of each unit created or 1.25 cents per unit and preliminary charges being 2% of total funds available for transfer to capital. During the year the Manager received \$1,353,668 (Income & Growth Fund - \$1,336,811 and Income Fund - \$16,857) as Manager's Remuneration (2013: \$1,208,916).

#### Trustee

The Trustee of the Trust is Unit Trust of Fiji (Trustee Company) Ltd. The directors of the Trustee Company during the year were:

1. Iowane Naiveli
2. Anil Kumar Tikaram

#### Trustee's fee

The Trustee is currently entitled to receive a fee of 1/8 of 1% of the value of the deposited property capped to \$50million, and 1/16 of 1% of the deposited property in excess of \$50million. During the year the Trustee was paid \$95,541 VIP (2013: \$82,934 VIP) for its services by the Manager of the Trust.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014 - Continued

### 10. RELATED PARTIES (continued)

#### Trustee's fee (continued)

	2014	2013
	\$	\$
<b>Amounts due to/from related parties</b>		
Net amount (owing to) Managers	(3,830)	(12,269)

### 11. TRUST DETAILS

#### Date of Formation

Unit Trust of Fiji was established on 25<sup>th</sup> April 1978.

#### Registered Office

The Trust's registered office is located at level 2, Provident Plaza 2, Ellery Street, Suva.

### 12. RISK MANAGEMENT POLICIES

The Trust's activities expose it to a variety of financial risks: market risk (including interest rate risk, credit risk, performance risk, foreign exchange risk, and price risk), liquidity risk and operational risk. The Trust's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Trust's financial performance.

The Manager has the overall responsibility for the establishment and oversight of the Trust's risk management framework. The Trust's risk management policies are established to identify and analyse the risks faced by the Trust, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Trust's activities.

#### Market risk

##### i) Political climate

The Trust operates in Fiji and changes to governments and the policies they implement may affect the overall economic situation and ultimately the returns of the Trust. To address this, the Trust reviews its pricing and investment portfolios regularly and responds to change in policies appropriately. In addition changes to the Government's tax policies may impact on the returns of the Trust.

##### ii) Interest rate

This is the risk borne by interest bearing assets such as term deposits and Government bonds due to the changes in interest rates. Through its investment policy the Trust aims to balance its portfolio through short term deposits and medium to long term Government bonds. At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

#### Fixed rate instruments

	2014	2013
	\$	\$
Term deposits	19,358,000	13,468,000
Fiji Government Bonds	25,648,895	27,722,989
	<u>45,006,895</u>	<u>41,190,989</u>

#### *Value sensitivity analysis for fixed instruments*

As the Trust accounts for Fiji Government Bonds at fair value through profit and loss, a change in interest rates at the reporting date may impact on the fair value of the financial asset.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014 - Continued

### 12. RISK MANAGEMENT POLICIES (continued)

#### Variable rate instruments

	2014 \$	2013 \$
Cash at bank	<u>9,576,024</u>	<u>11,219,552</u>

The Trust is subject to limited exposure to cash flow interest rate risk due to minimal fluctuations in the prevailing levels of market interest rates.

#### iii) Credit risk

This refers to the risk of losing investment funds due to companies, banks and financial institutions in which the Trust has deposits and provided short term loans, defaulting on their repayments of principal or interest or both.

For deposits with banks and financial institutions, only reputable parties with known sound financial standing are accepted.

The Trust minimizes credit risk by conducting thorough due diligence on any investments its makes, ensure that there are guarantees on these investments by principal directors or sister companies, limit the amount that is given as loans and implement certain conditions and obtaining securities to secure funds advanced.

The total exposure of credit risk in the Trust's portfolio is as follows:

	2014 \$	2013 \$
Cash at bank	9,576,024	11,219,552
Other receivables	596,875	991,419
Term deposits	19,358,000	13,468,000
Bonds	<u>25,648,895</u>	<u>27,722,989</u>
	<u>55,179,794</u>	<u>53,401,960</u>

The Trust monitors credit risk by sector. An analysis of concentrations of credit risk is shown below:

	2014 \$	2014 %	2013 \$	2013 %
<b>Concentration by sector</b>				
Financial Institutions	28,934,024	52%	24,687,552	47%
Fiji Government	25,648,895	47%	27,722,989	52%
Other	596,875	1%	991,419	1%
	<u>55,179,794</u>	<u>100%</u>	<u>53,401,960</u>	<u>100%</u>

#### Market risk

#### iv) Performance risk

This risk relates to the performance of the investment in which the Trust has invested. The return on a particular investment such as a share, is affected by the performance of the issuer of the investment, and in the case of bonds the movement in interest rates and the ability of the Trust to hold the bond to maturity in the normal course of its operations.

Different investments tend to perform differently under the same operating environment. Therefore, the Trust at all times will try to have different types of investments in its portfolio.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014 - Continued

### 12. RISK MANAGEMENT POLICIES (continued)

#### Market risk (continued)

##### v) Foreign exchange risk

The Trust does not currently have investments nor holds funds offshore and is not currently exposed to foreign exchange risk arising from currency exposures.

##### vi) Price risk

Price risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. Different investments (cash, shares, bonds, property) tend to perform differently under the same operating environment.

#### *Sensitivity analysis*

The table below sets out the effect on net assets attributable to unit holders and profit or loss of a reasonably possible weakening in the individual equity market prices of listed equities of 5% at 31 December. The estimates are made on an individual investment basis. The analysis assumes that all other variables, in particular interest and foreign currency rates, remain constant.

	2014	2013
	\$	\$
Net loss from exchange-traded equity investments	<u>(1,197,539)</u>	<u>(970,577)</u>

A strengthening in the individual equity market price of 5% at 31 December would have resulted in an equal but opposite effect to the amounts shown above.

#### Liquidity risk

This is the risk that the Trust will not be able to facilitate its unit holders' redemptions on request. The Trust aims to maintain a buffer fund in liquid assets at all times to meet expected normal redemptions. The Trust's financial assets include unlisted equity investments, which are generally illiquid. As a result the Trust may not be able to liquidate some of its investments in these instruments in due time in order to meet its liquidity requirements. Under the Trust Deed, the manager, with the concurrence of the Trustee, may suspend the redemption of units for such time as may be necessary to realize sufficient liquid funds to meet any unusual redemption requests. The expected cash outflow on redemption is to be at \$3.7m (2013: \$3.7m) per year for the next three years, which was based on past performance and repurchase trends.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014 - Continued

### 12. RISK MANAGEMENT POLICIES (continued)

#### Liquidity risk (continued)

The table below analyses the Trust's financial assets into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	No specific Maturity	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years	Total	Carrying amount
	\$	\$	\$	\$	\$	\$	\$
<b>At 31 December 2014</b>							
<b>Financial assets</b>							
Term Deposits	-	10,623,865	7,030,225	3,033,000	-	20,687,090	19,358,000
Listed and unlisted securities	54,370,803	-	-	-	-	54,370,803	54,370,803
Bonds	-	5,596,330	5,582,360	14,757,200	14,799,010	40,734,900	25,648,895
	54,370,803	16,220,195	12,612,585	17,790,200	14,799,010	115,792,793	99,377,698
<b>Financial liabilities</b>							
Sundry creditors and accruals	-	192,604	-	-	-	192,604	192,604
Unclaimed distribution	-	-	-	-	-	-	-
Declared for distribution	-	269,426	-	-	-	269,426	269,426
Proposed final distribution	-	2,511,760	-	-	-	2,511,760	2,511,760
	-	2,973,790	-	-	-	2,973,790	2,973,790
<b>At 31 December 2013</b>							
<b>Financial assets</b>							
Term Deposits	-	7,262,605	4,456,690	1,404,225	1,684,000	14,807,520	13,468,000
Listed and unlisted securities	39,682,117	-	-	-	-	39,682,117	39,682,117
Bonds	-	1,774,250	9,107,420	5,988,780	16,296,640	33,167,090	27,722,989
	39,682,117	9,036,855	13,564,110	7,393,005	17,980,640	87,656,727	80,873,106
<b>Financial liabilities</b>							
Sundry creditors and accruals	-	68,529	-	-	-	68,529	68,529
Unclaimed distribution	-	2,280	-	-	-	2,280	2,280
Declared for distribution	-	354,293	-	-	-	354,293	354,293
Proposed final distribution	-	2,195,332	-	-	-	2,195,332	2,195,332
	-	2,620,434	-	-	-	2,620,434	2,620,434

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014 - Continued

### 12. RISK MANAGEMENT POLICIES (continued)

#### Operational risk

##### i) Data risk

This is the risk of losing information including unit holder account details even though there is dual system storage of a hard copy filing system and electronic database. The Manager ensures confidentiality and security of all unit holders information. The Trust has developed a database system to adequately store information, conducts daily backups of electronic information and has developed a Disaster Recovery Plan.

##### ii) Legal risk

Legal risks refer to the risk of being legally non-compliant due to changes in Government and Regulators current policies and regulations. The Manager has an independent compliance officer who reports directly to the General Manager and Board of Directors.

##### iii) Operational risk

Operational risk is defined as the risk arising from the Trust's and its related entities business functions and from the practical implementation of the Manager's strategy for growing the Trust.

The Manager has developed a three year strategic plan and annual key performance indicators to ensure performance of the Trust. The Manager also conducts third party due diligence on new investments before recommending any investment to Trustees.

### 13. EVENTS SUBSEQUENT TO YEAR END

There has not arisen in the interval between the end of the 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, the results of those operations or the state of affairs of the Company in subsequent financial years.



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