



*together, we grow*

ANNUAL REPORT 2012

*together, we grow*

## 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 & TRUSTEE'S REPORT

*The Directors of Unit Trust of Fiji (Trustee Company) Limited "UTOFTCL" and Unit of Trust of Fiji (Management) Limited "UTOFML" are pleased to present the financial statement for the period ended 31st December 2012 and the Independent Audit Report thereon.*

### YEAR UNDER REVIEW

2012 was another exciting year for Unit Trust of Fiji (*herein referred to as "Trust" or "UTOF"*) as we continue to realise fruition of our strategies implemented since 2009, for this reason our results have truly exceeded expectations amidst challenging economic conditions.

For the year under review, we recorded the following key results:-

#### **\$7 million increase in our Total Funds under Management (Investment Portfolio)**

- The total funds under management increased from \$72,872,710 in 2011 to \$80,123,674 for the year ended 31st December 2012, representing a growth of 9.95%.
- Comparatively, the 2012 investment portfolio growth is one of the highest recorded in the last 4 years. It is interesting to note that when we initiated our growth strategies in 2009, the value of the investment portfolio was \$73.6 million.
- Subsequently, this growth directly contributed to the appreciation of unit holders' capital for the respective investment period.
- One of the many factors attributed to this growth is the revitalization of our investment policy framework in correlation with the capital & financial markets and the investment income from the high yield securities.

#### **Establishment of Income Fund with its two new Investment Plans**

- We are pleased to announce that our newly established Income Fund has surpassed the allocated budget and achieved the investment portfolio in excess of \$1.5 million as at 31st December 2012. UTOF was able to achieve this positive result in just less than 10 months since we created the first investment account of \$20.00



for our Children **Investment** Plan "CIP". This investment plan will certainly encourage our young investors to learn about savings and investment.

- This new fund has been very popular for risk-averse investors and especially young investors who have been able to gain knowledge about the salient features of our investment plans namely Children **Investment** Plan (CIP) and Income **Plus** Plan (IPP). This is also in line with the Fijian Government's vision to elevate the living standards of all Fijians.
- UTOF strongly supports the promotion of savings and investment for young investors and it is indeed a necessary life skills that will empower our future generation.

### COMPETITIVE DIVIDEND YIELD

- The annual tax-free dividend payout of 5.85 cents per unit to the unit holders under the Income and Growth Fund remained very competitive in the market. A total dividend of \$3,311,311 was distributed to the unit holders in the year 2012 compared to a sum of \$3,176,444 in 2011.
- As for the newly established Income Fund, an annualised tax-free dividend rate of 3.35% was paid to the unit holders which was indeed a good performance considering the high rate of liquidity in the market.
- We will continue to explore avenues to maximise returns to our unit holders and we are confident of yet another good year.





## 2013 AND BEYOND

In the next financial year, UTOF will celebrate 35 years of existence which will certainly be a year of reflection for the Trust. Also, the Trust will continue to diversify, incorporate the new trends within the industry, lift the standards and position itself on a global platform.

For over three decades, UTOF has been promoting savings and investment and today our results speak for itself. For the last 4 years, we have seen a steady growth in the number of unit holders as well as competitive tax-free dividend payout to the unit holders. The total number of unit holders increased from 12,616 in 2011 to 13,516 in 2012.

Overall, UTOF is now well positioned to meet its challenges after it has successfully introduced a number of key policies, enhanced the ICT system to improve our customer service, introduced a new Income Fund with its two Investment Plans and rehabilitated our non-performing or low performing investments.

Looking ahead, UTOF will continue to work towards improving our rate of return to the unit holders, increase our market share and most importantly, enhance our customer service deliveries.

We would like to acknowledge the growing support and confidence of our valuable unit holders who have entrusted us with their investment, your unwavering support is surely indicative of your confidence in our current Board, Trustees and Management Team.

Finally, we would also like to thank our Shareholders, Regulators and UTOF Team for their support and guidance in making the year 2012 a successful one.

Thank you and vinaka vakalevu!

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

Mrs Shaenaz Voss  
Interim Chairperson/Director

Mr Maciusela N Lumelume  
Director

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

Mr Iowane Naiveli  
Director/Secretary

Mr Anil Kumar Tikaram  
Director

## GENERAL MANAGER'S REPORT

Over the last 3 years, Unit Trust of Fiji has been able to significantly improve its results due to number of factors which are:

1. Deployment of appropriate strategies as outlined in Corporate Plan;
2. Streamlining of business and work processes;
3. Adopting the active portfolio management approach;
4. Re-balancing of Investment Portfolio as well as divestment of non-performing investments;
5. Introduction and implementation of new innovative investment products and services (for specific target market); and
6. Enhancement of ICT platform to manage both the funds i.e. Income & Growth Fund and Income Fund.

The high-level fund's performance for the last 3 years is tabulated in Table 1.

Table 1

Funds' Performance	2012	2011	2010 (15 months)
Investment Portfolio	\$80,123,674	\$72,872,710	\$67,863,941
Portfolio Growth Rate	9.95%	7.38%	-7.78%
No: of unit holders	13,516	12,616	12,488
Income from Investment Portfolio	\$4,347,430	\$3,589,131	\$3,971,171
Dividend paid to unit holders (per unit)	5.80 cents	5.80 cents	6.85 cents*
<i>Interim Dividend Payout</i>	2.30 cents	2.35 cents	2.35 cents
<i>Final Dividend Payout</i>	3.50 cents	3.50 cents	4.50 cents
Total dividend paid to unit holders	\$3,311,311	\$3,176,444	\$3,722,114
Dividend Yield	4.49%	5.14%	5.04%
Capital Growth	3.85%	4.34%	-10.44%
Total Return	8.35%	9.48%	-5.40%
Annualised dividend rate – Income Fund	3.35%	n/a	n/a
Market Share	65%	61%	59%
Investment Exposure (benchmark limit of 15%)	14.23%	10.16%	17.68%

\* inclusive of special dividend of 1 cents due to change in UTOF's financial year from 30 September to 31 December.

Table 2

Fund - Asset Allocation	2012	2011	2010 (15 months)
Cash & cash equivalents	\$15,491,713	\$11,597,488	\$2,545,210
Fixed Income	\$26,944,985	\$27,758,328	\$33,357,273
Public Equity	\$19,657,038	\$20,257,134	\$20,082,003
Private Equity	\$18,029,938	\$13,259,760	\$11,879,455
Property	\$0.00	\$0.00	\$0.00
Total	\$80,123,674	\$72,872,710	\$67,863,941

## INVESTMENT PORTFOLIO

The funds under management grew by 9.95%, from \$72.87m in 2011 to \$80.12m in 2012. The growth was attributed to increase in unit sales and the value of investment securities. The cash and cash equivalents was recorded at 19% which was 4% above the IPS allocation of 15%. The fixed income allocation was 2% below the requirements of Investment Policy Statement (IPS). UTOF is considering number of private equity investments to generate high level of portfolio return and enhance the return to the unit holders. The funds asset allocation for the last 3 years is tabulated in Table 2.

The cash & cash equivalents also include the interest bearing deposits with credit institutions and local banks. As shown on the chart below, UTOF's growth was primarily in the private equity and interest bearing deposits in line with

our Investment Policy Statement and Risk Management Framework. The public equity (listed stocks at SPSE) was maintained at the consistent level over the 3 year period and the fixed income was reduced from \$33.4 million in 2010 to \$26.9 million in 2012 (refer to Chart 1).

The chart on the right show the investment portfolio managed by UTOF over the last 5 years and the exposure of UTOF's equity portfolio to various sectors of the economy as at 31 December 2012 (refer to Chart 2).

UTOF has 35.3% exposure to the consumer goods sector, the investment comprising of Flour Mills of Fiji, Rice Company of Fiji, Foster's Group, Atlantic & Packaging, Toyota Tsusho, RB Patel Group and Fiji Gas Limited. The financial sector is second at 30.2% and the telecommunications sector is on the third ranking with 20.4%. The construction and export sectors are the lowest (refer to Chart 3).

### TAX-FREE DIVIDEND PAYOUT AND TOTAL RETURN TO UNIT HOLDERS

UTOF's total return for 2012 was 8.35% which was attributed to deployment of appropriate strategies, active management of investment portfolio and divestment of non/low performing investments. The funds realized from such divestments were invested in selected high yield and growth securities. The unit holders under Income & Growth Fund received a total dividend payout of 5.85 cents per unit in the year 2012 which equated to a dividend yield of 4.49%. The appreciation in the value of investment portfolio provided a capital growth of 3.85% for the year under review. In respect to Income Fund, UTOF paid out the annualized tax-free dividend rate of 3.35% to its unit holders.

### MARKET SHARE

UTOF holds a very strong market position in relation to total funds under management and number of unit holders. According to RBF's Economic Review dated December 2012, UTOF holds 65% of the market share in terms of funds under management and 82% of the total number of unit holders in the Unit Trust Market (refer to Tables 3 & 4 on the next page).

Chart 1: Comparison of Asset Allocation

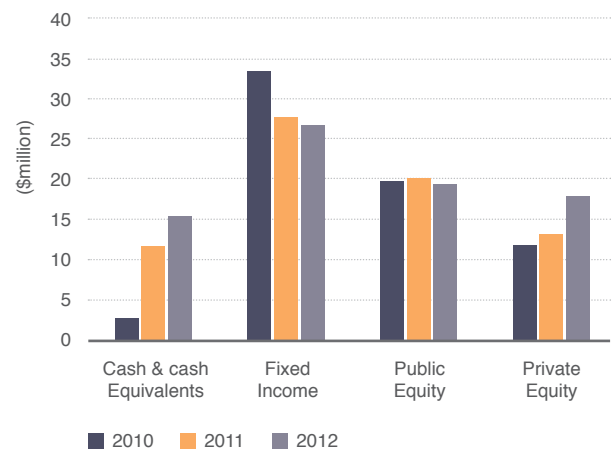


Chart 2: Investment Portfolio

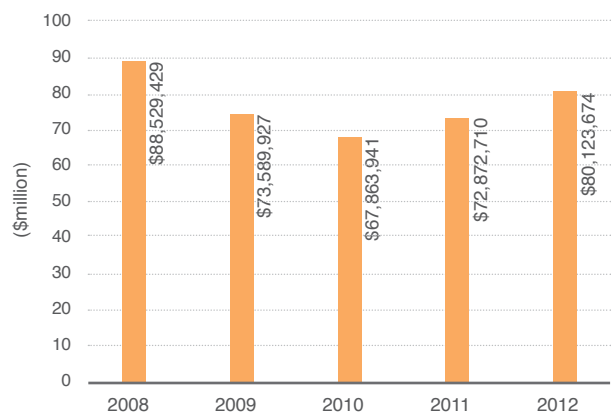
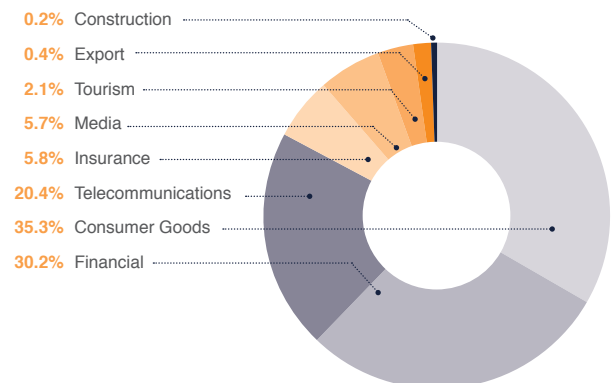


Chart 3: % of Equity Portfolio



## UNIT TRUST INDUSTRY COMPARISON

Table 3

Performance Indicators	2012	2011
Funds under Management (\$m)	122.6	119
Number of Managed Funds	2	2
Number of Unit Holders	16,559	15,346

(Source: RBF's Economic Review Report, December 2012)

## UTOF INDUSTRY STANDING

Table 4

Performance Indicators	2012	2011
Funds under Management (\$m)	80.1	72.9
Number of Unit Holders	13,516	12,616
Market Share (size of funds)	65%	61%
Market Share (no. of unit holders)	82%	

The growth in the market share was achieved from increase in unit sales from both Income & Growth Fund and Income Fund and increase in value of investment portfolio.

## BUSINESS PROCESSES AND ICT ENHANCEMENT

The continuous improvement in business processes and ICT system contributed to the positive growth and development of the fund and reduced the overall operational costs. The new IT system provided a solid platform for future growth in terms of innovative investment products and services to the unit holders. The new IT system will also have the investment module which would assist the team in tracking the performance of investment portfolio more effectively.

## UNIT HOLDER COMPOSITION

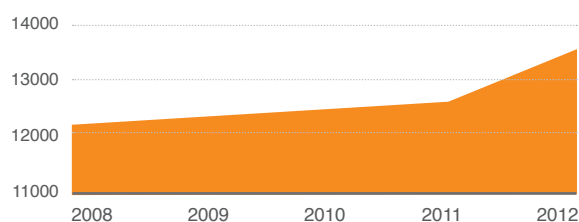
The number of unit holders grew by 7.2% which was mostly due to new unit holders registering for Income Fund. Based on the unit holder composition, the growth is mainly in "Individual" investor base which is UTOF's key target market and augurs well with UTOF's mandate. These were all in line with UTOF's strategies to create innovative investment products and services in accordance with the market trend and investors' appetite. The Income Fund recorded a unit holder base of 863 in its first year of operation (refer to Table 5 & Chart 4).



Table 5

Types	2012	2011	2010
Individuals	10,041	9,145	9,047
Institutions/Companies	4	4	4
Provincial Councils	18	18	18
Clubs & Associations	3,411	3,411	3,380
Tikina Trust	42	38	39
Total	13,516	12,616	12,488

Chart 4: Growth in Number of Unitholders



## COMPLIANCE AND CORPORATE GOVERNANCE

UTOF promotes good governance in our daily operations which are reflected in the number of key internal policies. These policies were introduced over the years in line with the industry best practises. As a Government Commercial company "GCC" and also as an intermediary of Reserve Bank of Fiji, we are governed and regulated by the Ministry of Public Enterprises Act, RBF's Capital Market Decree, Unit Trust Act and other related legislations.





UTOF's internal governance structure clearly provides demarcation of roles and responsibilities of Managers and Trustees in relation to the execution of our respective duties as outlined below:-

- **Unit Trust of Fiji (Trustee Company) Limited "UTOFTCL"**- The Trustee Company plays a fiduciary role in ensuring the interest of unit holders and shareholders are protected and safeguarded. The Trustees are expected to exercise "duty of care" in ensuring that all investment and monies entrusted in the care are administered in accordance with good governance principles.
- **Unit Trust of Fiji (Management) Limited "UTOFML"** - The Board's role is to effectively represent and promote the interests of shareholders and unit holders with a view to adding long-term value. Having regard to its role, the Board directs and supervises the management of the business and affairs of the company.
- **Role of the Management Team** - The management team is headed by the General Manager and is directly responsible for the day to day operations of the Trust.

The role and functions of Manager and Trustees are further outlined in the Unit Trust Act, Trust Deed and Deed of Appointment that stipulates the relationship between the Manager and the Trustee.

To conclude, the results achieved for the year 2012 were only possible by having a continuous guidance and support from the Board, Trustees, Shareholders and Regulators. Notwithstanding, the commitment and dedication from the team enabled UTOF to achieve the desired level of performance in the year 2012. I must thank the team for their exceptional performance and meeting the expectation of UTOF's vision and mission statements.

Thank you all!

Vilash Chand  
General Manager & Company Secretary

Are you looking for TAX-FREE DIVIDENDS, CAPITAL PRESERVATION, CAPITAL APPRECIATION and CHILDREN'S INVESTMENT or simply looking for an ideal investment opportunity to GROW YOUR WEALTH over a short, medium or long term?

We offer you the following investment products:

### **1 Income Fund (for short-medium term investment objective)**

- 2 Investment Plans
- Children Investment Plan (CIP) and Income Plus Plan (IPP)
- Designed for short-medium term investment with low level of risk
- Suitable to investors who are opting for capital preservation (unit prices are fixed in value)
- Ideal for Children, Mums & Dads, Individuals, Groups, Associations, Corporate Companies
- Minimum investment required is 20 units for CIP and 50 units for IPP
- No entry, exit and switching fee

### **2 Income & Growth Fund (medium-long term investment objective)**

- Single Investment Plan
- Designed for medium-long term investment with tolerance level of risk
- Suitable to investors who are opting for higher dividend return and potential capital gain from investment
- Ideal for Mums & Dads, Individuals, Groups, Associations, Corporate Companies
- Minimum investment required is 100 units

#### **Taxation**

The dividend income from both funds are exempted from tax (applicable to resident investors only)

*Please obtain a copy of our Prospectus today for further information or contact our Customer Care on 3301 052 or email [info@unittrust.com.fj](mailto:info@unittrust.com.fj)*

## FINANCIAL STATEMENTS 31 DECEMBER 2012

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## TRUSTEE'S AND MANAGER'S REPORT YEAR ENDED 31 DECEMBER 2012

### Date of formation

The Trust was established on 25th 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 2012 together with the accompanying notes set out on pages 12 to 29 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 2012, and results, changes in equity and cash flows for the year ended on that date.

Signed in accordance with 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 20th day of March, 2013.



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

We have audited the accompanying financial statements of Unit Trust of Fiji, which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 12 to 29.

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

Directors of the Trustee Company and 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 our judgement, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 the 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 2012 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.

21 March, 2013  
Suva, Fiji Islands

  
KPMG  
Chartered Accountants

## STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 DECEMBER 2012

	Notes	2012 \$	2011 Restated \$
<b>Investment income:</b>			
Interest Income		1,995,394	1,642,031
Dividend Income		1,569,847	1,406,396
Net gains/(losses) on financial instruments held at fair value through profit or loss		1,715,971	4,958,577
Realised Gains on Disposal of Investments		736,682	32,483
Bad Debts Recovered		-	500,000
Net Equalisation		<u>45,507</u>	<u>8,221</u>
		6,063,401	8,547,708
<b>Less Expenses:</b>			
Investment Expenses		33,935	38,977
Manager's Remuneration		<u>1,104,239</u>	<u>1,046,599</u>
<b>Profit for the year attributable to unit holders</b>		<u>4,925,227</u>	<u>7,462,132</u>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<u>4,925,227</u>	<u>7,462,132</u>

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 16 to 29.

STATEMENT OF FINANCIAL POSITION  
31 DECEMBER 2012

	Notes	2012 \$	2011 Restated \$	2010 Restated \$
<b>EQUITY</b>				
Unit holders' equity – Income & Growth Fund				
57,063,712 Class A units fully paid (2011: 54,899,354)				
496,076 Class B units fully paid (2011: 496,076)		56,726,785	53,768,279	53,263,682
Unit holders' equity – Income Fund				
(1,422,317 units fully paid) (2011: nil)		1,422,317	-	-
Income reserve	2	20,271	20,271	20,271
Other reserve	2	19,743,428	18,027,457	13,068,880
		<u>77,912,801</u>	<u>71,816,007</u>	<u>66,352,833</u>
<b>ASSETS</b>				
Cash and cash equivalents		7,504,799	1,754,588	2,221,025
Financial assets at amortised cost	3	8,169,479	9,895,059	13,815,254
Financial assets held at fair value through profit or loss	4	64,530,602	62,435,971	53,318,732
<b>Total assets</b>		<u>80,204,880</u>	<u>74,085,618</u>	<u>69,355,011</u>
<b>LIABILITIES</b>				
Sundry creditors and accruals	5	64,411	12,294	1,420,030
Unclaimed distribution		16,795	40,785	68,534
Declared for distribution		193,000	295,055	967,944
Proposed final distribution	6	2,017,873	1,921,477	545,670
<b>Total liabilities</b>		<u>2,292,079</u>	<u>2,269,611</u>	<u>3,002,178</u>
<b>Net Assets attributable to unitholders</b>		<u>77,912,801</u>	<u>71,816,007</u>	<u>66,352,833</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 16 to 29.

## STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 DECEMBER 2012

	Income	Other reserve	Unit Holders Equity	Dividend	Income available For distribution	Total
	\$	\$	\$	\$	\$	\$
Balance as at 01 January 2011 (Restated)	20,271	13,068,880	53,263,682	-	-	66,352,833
<b>Total comprehensive income for the year</b>						
Profit for the year (Restated)	-	4,958,577	-	-	2,503,555	7,462,132
Total comprehensive income for the year	-	4,958,577	-	-	2,503,555	7,462,132
<b>Transactions with unit holders, recorded directly in equity</b>						
<i>Contributions by and distributions to unit holders</i>						
Income available for distribution	-	-	-	2,503,555	(2,503,555)	-
Expenditure on prospectus	-	-	(5,000)	-	-	(5,000)
Creations during the year	-	-	3,855,801	-	-	3,855,801
Equalization on creations	-	-	61,005	-	-	61,005
Repurchase of units	-	-	(3,337,983)	-	-	(3,337,983)
Equalization on repurchases	-	-	(69,226)	-	-	(69,226)
Declared for distribution - 2010	-	-	-	967,944	-	967,944
Interim distribution paid	-	-	-	(1,254,967)	-	(1,254,967)
Proposed final distribution	-	-	-	(1,921,477)	-	(1,921,477)
Declared for distribution - 2011	-	-	-	(295,055)	-	(295,055)
<b>Total contributions by and distributions to unit holders</b>						
<b>Balance at 31 December 2011 (Restated)</b>	<b>20,271</b>	<b>18,027,457</b>	<b>53,768,279</b>		<b>(2,503,555)</b>	<b>(1,998,958)</b>
Balance as at 01 January 2012	20,271	18,027,457	53,768,279	-	-	71,816,007
<b>Total comprehensive income for the year</b>						
Profit for the year	-	1,715,971	-	-	3,209,256	4,925,227
Total comprehensive income for the year	-	1,715,971	-	-	3,209,256	4,925,227
<b>Transactions with unit holders, recorded directly in equity</b>						
<i>Contributions by and distributions to unit holders</i>						
Income available for distribution	-	-	-	3,209,256	(3,209,256)	-
Expenditure on prospectus	-	-	(14,700)	-	-	(14,700)
Creations during the year	-	-	8,211,449	-	-	8,211,449
Equalization on creations	-	-	(118,027)	-	-	(118,027)
Repurchase of units	-	-	(3,770,419)	-	-	(3,770,419)
Equalization on repurchases	-	-	72,520	-	-	72,520
Declared for distribution - 2011	-	-	-	295,055	-	295,055
Interim distribution paid	-	-	-	(1,293,438)	-	(1,293,438)
Proposed final distribution	-	-	-	(2,017,873)	-	(2,017,873)
Declared for distribution - 2012	-	-	-	(193,000)	-	(193,000)
<b>Total contributions by and distributions to unit holders</b>						
<b>Balance at 31 December 2012</b>	<b>20,271</b>	<b>19,743,428</b>	<b>58,149,102</b>		<b>(3,209,256)</b>	<b>77,912,801</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 16 to 29.



STATEMENT OF CASH FLOWS  
YEAR ENDED 31 DECEMBER 2012

	Notes	2012 \$	2011 \$
<b>Cash flows from operating activities</b>			
Cash receipts in course of operations			
- Interest received		1,981,817	1,559,172
- Dividends received		1,605,564	1,346,396
Cash payments in course of operations		(1,100,775)	(6,497,489)
Proceeds from sale of investments		9,012,576	13,782,708
Purchase of investments		(7,036,553)	(9,395,968)
<b>Net cash from operating activities</b>		<u>4,462,629</u>	<u>794,819</u>
<b>Cash flows from financing activities</b>			
Payments on repurchase of units		(3,770,419)	(3,337,984)
Proceeds from issue of units		8,272,915	3,905,114
Distributions paid to unit holders		(3,214,914)	(1,828,387)
<b>Net cash from/(used in) financing activities</b>		<u>1,287,582</u>	<u>(1,261,257)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		5,750,211	(466,437)
<b>Cash and cash equivalents at the beginning of the year</b>		<u>1,754,588</u>	<u>2,221,025</u>
<b>Cash and cash equivalents at the end of the year</b>		<u>7,504,799</u>	<u>1,754,588</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 16 to 29.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

### 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 10 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 20 March, 2013.

#### (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”).

#### (b) Basis of preparation and adoption of new and revised standards

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 amortised cost for liabilities except where otherwise stated.

Commencing from 1 January 2012, the Trust has changed its accounting policies in the following area:

##### *Change in accounting policy*

The Trust has elected to early adopt IFRS 9 Financial Instruments issued in October 2010 (IFRS 9) as amended in December 2011 with a date of initial application of 1 January 2012.

IFRS 9 contains two primary measurement categories for financial assets: amortised cost and fair value. Unless it is designated as measured at fair value, a financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset’s contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied on a retrospective basis with restatement of prior periods as permitted by the transition provisions of IFRS 9.

The Trust classified the following as available-for-sale under IAS 39: term deposits, listed and unlisted equities, convertible notes and bonds. In applying the transitional provisions of IFRS 9, the Trust has classified financial assets held at the date of initial application based on the facts and circumstances of the business model in which the financial assets were held at that date. This classification resulted in the Trust reclassifying on the date of initial application term deposits from available-for sale to amortised cost and bonds, listed and unlisted equity investments, convertible notes from available-for-sale to fair value through profit or loss.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
YEAR ENDED 31 DECEMBER 2012

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

**(b) Basis of preparation and adoption of new and revised standards** (continued)

The effect of the adoption of IFRS 9 on the opening balance sheet and statement of changes in equity at 1 January 2011 was to reclassify unrealised fair value gains/losses on financial assets of \$13,068,880 from the available for sale reserve to Other Reserve. The effect on the 31 December 2011 statement of financial position was to reclassify financial assets of \$62,435,971 (2010: \$53,318,732) and \$5,480,000 (2010: \$13,815,254) from available for sale to fair value through profit and loss and amortised cost classification respectively. There was no material change to the value of these financial assets on adoption of IFRS9. The impact on the statement of comprehensive income for the year ended 31 December 2011 was to reclassify unrealised fair value gains/losses on financial assets of \$4,958,577 from other comprehensive income to profit or loss.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Trust, except for IFRS 13 Fair Value Measurement, which becomes mandatory for the Trust's 2013 financial statements. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. This standard is applied prospectively. The Trust does not plan to adopt this standard early and the extent of the impact has not been determined.

**(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.

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

**(i) Recognition and initial measurement**

Financial assets and liabilities 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.

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 cost that are directly attributable to their acquisition or issue.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued) YEAR ENDED 31 DECEMBER 2012

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

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

##### (ii) Classifications

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

##### *Financial assets:*

- Measured at fair value through profit or loss – 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 5 provides a reconciliation of line items in the statement of financial position to the categories of financial instruments, as defined by IFRS 9.

##### (iii) Amortised cost

The amortised 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 recognised and the maturity amount, minus any reduction for impairment.

##### (iv) Fair value measurement

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Trust measures the fair value of an instrument using quoted prices in an active market for that instrument. 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. The fair value of other unlisted equities are estimated with the assistance of independent valuers approved by the Fund Manager and Trustee as per the Trust Deed. 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 Asset
3. Capitalisation of Dividends



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued) YEAR ENDED 31 DECEMBER 2012

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

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

##### (iv) Fair value measurement (continued)

All changes in fair value, other than interest and dividend income and expense, are recognized in profit or loss as part of net gain from financial instruments at fair value through profit or loss.

##### (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 a issuer will enter bankruptcy.

An impairment loss in respect of a financial asset measured at amortised 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 derecognises 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 (continued) YEAR ENDED 31 DECEMBER 2012

### 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. Dividend from unlisted and private equities is recognised when it is formally notified that dividend has been declared and the right to receive dividends is established.

Other income's are 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 Income & Growth Fund.

For 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 dividend declared but unpaid on shares owned are included under accrued income.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
YEAR ENDED 31 DECEMBER 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Sundry creditors

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

(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.

2. RESERVES

The Income reserve represents interest earned on funds advanced by the Government of Fiji prior to the establishment of the Trust. Government approval has been received for an amount of \$8,069 transferred to the distribution statement in 1979 to be reimbursed and the total to be utilized as deemed necessary by the Board of the Managers.

Other reserve consists of changes net gain/losses on fair value of investments classified as fair value through profit or loss but are not distributed to unit holders until realised.

3. FINANCIAL ASSETS AT AMORTISED COST

Term deposits:

Income & Growth Fund	6,280,000	5,480,000
Income Fund	1,473,000	-

Loans and receivables:

Other receivables	16,096	4,000,193
Interest receivable	376,100	354,866
Dividends receivable	24,283	60,000
	<u>8,169,479</u>	<u>9,895,059</u>

The fair value gains or losses that would have been recognized in the profit or loss if term deposits had not been reclassified would be \$Nil as under IAS 39 the fair value of term deposits was not materially different to its fair value. Hence there was no impact on the profit or loss as a result of fair value revaluations.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
YEAR ENDED 31 DECEMBER 2012

**4 FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS**

Designated at fair value through profit or loss:

	2012 \$	2011 Restated \$
<b>Listed equities:</b>		
Shares quoted on stock exchanges:		
South Pacific Stock Exchange	19,657,038	20,257,135
<b>Unlisted equities</b>		
Shares in Fiji Companies	18,029,938	14,420,508
<b>Convertible notes</b>		
Local	585,714	591,428
<b>Fiji Government Bonds</b>	26,257,912	27,166,900
	<u>64,530,602</u>	<u>62,435,971</u>

**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 judgement and estimation in the determination of fair value. Management judgement 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 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	19,657,038	-	-	19,657,038
Unlisted equities	-	-	18,029,938	18,029,938
Local bonds	-	26,257,912	-	26,257,912
Convertible notes	585,714	-	-	585,714
<b>Balance as at 31 December 2012</b>	<u>20,242,752</u>	<u>26,257,912</u>	<u>18,029,938</u>	<u>64,530,602</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
YEAR ENDED 31 DECEMBER 2012

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

Valuation of financial instruments - *continued*

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Local listed equities	20,257,135	-	-	20,257,135
Unlisted equities	-	-	14,420,508	14,420,508
Local bonds	-	27,166,900	-	27,166,900
Convertible notes	591,428	-	-	591,428
<b>Balance as at 31 December 2011</b>	<b>20,848,563</b>	<b>27,166,900</b>	<b>14,420,508</b>	<b>62,435,971</b>

During the financial year ended 31 December 2012, there were no transfers in and out of fair value hierarchy levels mentioned above. However, due to adoption of IFRS 9 as noted in note 1(b) term deposits have been reclassified from available-for-sale to amortised cost and hence is not longer stated at fair value, hence the value of term deposits has been removed from the Level 1 category for prior year.

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:

	Unlisted private equity investments \$
Balance at 1 January 2012	14,420,508
Total gains or losses recognized in profit or loss	2,155,109
Purchases	1,454,321
Transfers into Level 3	-
Transfers out of Level 3	-
<b>Balance as at 31 December 2012</b>	<b>18,029,938</b>
Total gains or losses for the period included in profit or loss relating assets and liabilities held at the end of the reporting period:	2,155,109

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

**5. SUNDRY CREDITORS AND ACCRUALS**

	2012 \$	2011 \$
Other sundry payables	64,411	12,294

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued) YEAR ENDED 31 DECEMBER 2012

### 6 DISTRIBUTIONS

#### Proposed final distribution

The manager has proposed a final distribution for Income & Growth Fund of \$1,997,230 (2011: \$1,921,477) or 3.50 cent (2011:3.50 cent) per unit for all unit holders as at 31 December 2012.

Interim Dividend: \$1,289,107 (3.00 cent per unit)  
Proposed Final Dividend: \$1,997,230 (3.50 cent per unit)

The manager has proposed a final distribution for Income Fund of \$20,643 (2011: Nil)  
Interim Dividend: \$4,329.54  
Proposed Final Dividend: \$20,643

### 7 RECONCILIATION OF UNITS ISSUED AND FULLY PAID

	Income & Growth Fund 2012 Units	Income Fund 2011 Units
Opening balance at 1 January	55,395,430	-
Issues	5,107,107	1,443,625
Redemptions	(2,942,749)	(21,308)
	<hr/>	<hr/>
Closing balance at 31 December	57,559,788	1,422,317

### 8 CONTINGENT LIABILITIES AND COMMITMENTS

The Trustee and the Manager are not aware of any contingent liabilities or commitments for the year ended 31 December 2012 (2011: Nil).

### 9 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:

Shaenaz Voss  
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 \$1,104,239 (Income & Growth Fund - \$1,100,488 and Income Fund - \$3,751) as Manager's Remuneration (2011: \$1,046,599).



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
YEAR ENDED 31 DECEMBER 2012

**9 RELATED PARTIES (continued)**

**Trustee**

The Trustee of the Trust is Unit Trust of Fiji (Trustee Company) Ltd.

The present directors of the Trustee Company are:

Iowane Naiveli  
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 \$77,677 VIP (2011: \$74,862 VIP) for its services by the Managers.

	2012 \$	2011 \$
<b>Amounts due to/from related parties</b>		
Net amount owing by/(owing to) Managers	(3,491)	6,704
Net amount owing by/(owing to) Trustees	-	-
	<u>(3,491)</u>	<u>6,704</u>

**10 TRUST DETAILS**

**Date of Formation**

Unit Trust of Fiji was established on 25th April 1978.

**Registered Office**

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

**11 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
YEAR ENDED 31 DECEMBER 2012

11 RISK MANAGEMENT POLICIES (continued)

**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 loans, and medium to long term Government bonds.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	2012	2011
	\$	\$
<b>Fixed rate instruments</b>		
Term deposits	7,753,000	5,480,000
Convertible notes	585,714	591,428
Bonds	26,257,912	27,166,900
	<u>34,596,626</u>	<u>33,238,328</u>

*Fair value sensitivity analysis for fixed instruments*

As the Trust accounts for Convertible notes and 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.

**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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
YEAR ENDED 31 DECEMBER 2012

11 RISK MANAGEMENT POLICIES (continued)

iii) Credit risk (continued)

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

	2012	2011
	\$	\$
Cash at bank	7,504,799	1,754,588
Other receivables	16,096	4,000,193
Term deposits	7,753,000	5,480,000
Convertible notes	585,714	591,428
Bonds	26,257,912	27,166,900
	<u>42,117,521</u>	<u>38,993,109</u>

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

	2012	2012	2011	2011
	\$	%	\$	%
<b>Concentration by sector</b>				
Financial Institutions	15,257,799	37%	7,234,588	19%
Fiji Government	26,257,912	63%	27,166,900	71%
Other	16,096	0%	4,000,193	10%
	<u>41,531,807</u>	<u>100%</u>	<u>38,401,681</u>	<u>100%</u>

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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
YEAR ENDED 31 DECEMBER 2012

11 RISK MANAGEMENT POLICIES (continued)

**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 realise sufficient liquid funds to meet any unusual redemption requests. The expected cash outflow on redemption is to be maintained at \$3.5m per year for the next three years, which was based on past performance and repurchase trends.

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 & 2 years	Between 3 & 5 years	Over 5 years	Total
	\$	\$	\$	\$	\$	\$
<b>At 31 December 2012</b>						
<b>Financial assets</b>						
Term Deposits	-	633,745	6,402,240	1,626,550	-	8,662,535
Listed and unlisted securities	37,686,976	-	-	-	-	37,686,976
Bonds	-	1,439,760	6,917,740	2,855,100	22,874,780	34,087,380
Convertible notes	-	35,000	632,604	-	-	667,604
	37,686,976	2,108,585	13,952,584	4,481,650	22,874,780	81,022,605
<b>Financial liabilities</b>						
Sundry creditors and accruals	-	64,411	-	-	-	64,411
Unclaimed distribution	-	16,795	-	-	-	16,795
Declared for distribution	-	193,000	-	-	-	193,000
Proposed final distribution	-	2,017,873	-	-	-	2,017,873
	-	2,292,079	-	-	-	2,292,079
<b>At 31 December 2011</b>						
<b>Financial assets</b>						
Term Deposits	-	2,076,498	3,651,309	290,596	-	6,018,403
Listed and unlisted securities	34,677,643	-	-	-	-	34,677,643
Bonds	-	4,959,471	1,697,536	6,521,958	21,336,569	34,515,534
Convertible notes	-	35,000	70,000	511,858	-	616,858
	34,677,643	5,285,000	3,785,000	5,605,000	17,000,000	75,828,438
<b>Financial liabilities</b>						
Sundry creditors and accruals	-	12,294	-	-	-	12,294
Unclaimed distribution	-	40,785	-	-	-	40,785
Declared for distribution	-	295,055	-	-	-	295,055
Proposed final distribution	-	1,921,477	-	-	-	1,921,477
	-	2,269,611	-	-	-	2,269,611

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued) YEAR ENDED 31 DECEMBER 2012

### 11 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.

### 12 INTRODUCTION OF NEW FUND

Unit Trust of Fiji has introduced its new Income fund with its Investment plans [Children Investment Plan and Income Plus Plan] in the current financial year.

This will provide investors with more investment options when compared against the existing Income and Growth Fund (UTOF) has been operating on a single fund since 25th April 1978).

The Income Fund was approved by Cabinet in its deliberations in April 2011.

### 13 EVENT 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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