

**FUVALU TRUST FUND**

**FINANCIAL STATEMENTS**

**YEAR ENDED 30 SEPTEMBER 2007**

**TUVALU TRUST FUND**

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**YEAR ENDED 30 SEPTEMBER 2007**

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**TUVALU TRUST FUND**

**DIRECTORS' STATEMENT TO THE GOVERNMENT OF TUVALU**

In the opinion of the Directors, the accompanying Balance Sheet, Statement of Financial Performance, Statement of Cash Flows and Movements in Fund Account, which have been prepared in accordance with the Trust Agreement, are properly drawn up so as to give a true and fair view of the state of affairs of the Fund as at 30 September 2007 and of the transactions and results for the year ended on that date. The Fund has been conducted in accordance with its constituent trust agreement.

Signed in accordance with a resolution of Directors of the Tuvalu Trust Fund Board.

Director:



Place:

Date:

## **INDEPENDENT AUDITOR'S REPORT**

To the Government of Tuvalu and Directors of the Tuvalu Trust Fund Board.

### **Scope**

We have audited the financial statements of the Tuvalu Trust Fund for the year ended 30 September 2007 as set out on pages 3 to 11. The directors of the Tuvalu Trust Fund are responsible for the financial statements in order to express an opinion on them to the Government of Tuvalu and Directors of the Tuvalu Trust Fund Board.

Our audit has been conducted in accordance with International Standards on Auditing to provide reasonable assurance whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with the International Financial Reporting Standards set out in Note 1, other mandatory reporting requirements and the requirements of the Trust Deed as to present a view which is consistent with our understanding of the Tuvalu Trust Fund's financial position and performance as represented by the results of its operations and cash flows.

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

### **Audit Opinion**

In our opinion, the financial statements present fairly in accordance with International Financial Reporting Standards outlined in Note 1 and the requirements of the Trust Deed, the financial position of the Tuvalu Trust Fund as at 30 September 2007 and its performance for the year then ended.

Suva, Fiji

**Ernst & Young  
Chartered Accountants**

**TUVALU TRUST FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2007**

	Note	2007 \$A'000	2006 \$A'000
<b>ASSETS</b>			
Cash and cash equivalents		146	102
Financial assets held at fair value through profit and loss	2	<u>108,245</u>	<u>103,011</u>
<b>TOTAL ASSETS</b>		<u>108,391</u>	<u>103,113</u>
<b>LIABILITIES</b>			
Accrued charges		<u>74</u>	<u>65</u>
<b>TOTAL LIABILITIES</b>		<u>74</u>	<u>65</u>
<b>NET ASSETS</b>		<u>108,317</u>	<u>103,048</u>
<b>FUND ACCOUNT</b>		<u>108,317</u>	<u>103,048</u>

This Statement of Financial Position should be read in conjunction with the accompanying notes.

**TUVALU TRUST FUND****MOVEMENTS IN FUND ACCOUNT****FOR THE YEAR ENDED 30 SEPTEMBER 2007**

	<b>Note</b>	<b>2007</b> <b>\$A'000</b>	<b>2006</b> <b>\$A'000</b>
Balance of account at 1 October		<u>103,048</u>	<u>100,086</u>
Contribution received	4(a)	1,902	3,819
Other		-	-
Net gain/(loss) for the year transferred from statement of gains and losses		10,304	10,525
Drawdown of funds	4(b)	<u>(6,937)</u>	<u>(11,382)</u>
Net increase for the year		<u>5,415</u>	<u>2,962</u>
<b>BALANCE OF ACCOUNT AT 30 SEPTEMBER</b>		<u><b>108,317</b></u>	<u><b>103,048</b></u>

The Movements in Fund Account should be read in conjunction with the accompanying notes.

TUVALU TRUST FUND

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 SEPTEMBER 2007

Note	2007 \$A'000	2006 \$A'000
<b>REVENUE FROM ORDINARY ACTIVITIES</b>		
Investment income received	11,116	5,086
Net gain/(loss) from foreign investments	(645)	6,259
Other income	-	8
	<u>10,471</u>	<u>11,353</u>
<b>EXPENDITURE FROM ORDINARY ACTIVITIES</b>		
Audit fees	(15)	(15)
Fund Monitor's fee	(52)	(89)
Management fee	(45)	(721)
Other expenses	(55)	(3)
	<u>(167)</u>	<u>(828)</u>
<b>PROFIT FROM ORDINARY ACTIVITIES TRANSFERRED TO FUND ACCOUNT</b>	<u>10,304</u>	<u>10,525</u>

The Statements of Gains and Losses should be read in conjunction with the accompanying notes.

TUVALU TRUST FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Note	2007 \$A'000	2007 \$A'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Investment income received		5,237	7,757
Management fees and operating expenses paid		(158)	(816)
<b>NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES</b>	5(a)	<u>5,079</u>	<u>6,941</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments		(8,384)	(26,626)
Proceeds on sale of investments		8,384	26,626
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>			
Contributions received		1,902	3,819
Drawdowns		(6,937)	(11,382)
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		<u>(5,035)</u>	<u>(7,563)</u>
<b>NET (DECREASE)/ INCREASE IN CASH HELD</b>		44	(622)
ADD opening cash brought forward		102	724
<b>CLOSING CASH CARRIED FORWARD</b>	5(b)	<u>146</u>	<u>102</u>

The Statements of Cash Flows should be read in conjunction with the accompanying notes.



**TUVALU TRUST FUND**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This financial report is a general purpose financial report, and has been prepared in accordance with International Financial Reporting Standards. A summary of significant accounting policies adopted by the Fund is set out in this note. Unless stated otherwise the accounting policies are consistent with those applied in the previous financial year. The financial statements of Tuvalu Trust Fund for the year ended 30 September 2007 were authorised for issue in accordance with a resolution of the directors on 11 May 2007.

**(a) Operations of the Fund**

The Fund was established on 21 August 1987 as an international organization by Treaty among the Governments of Tuvalu, Australia, New Zealand and the United Kingdom and has the legal capacity to enter into contracts.

The stated objectives of the Tuvalu Trust Fund are:

- (i) to enable the Government of Tuvalu to achieve greater financial autonomy in the management of its affairs;
- (ii) to enable the Government to maintain, and if possible, improve, existing levels of social infrastructure and services;
- (iii) to enhance the capacity of the Government to receive and effectively utilize costs of social and economic infrastructure and services, and;
- (iv) to ensure that revenue is available to cover long term maintenance and operating costs of social and economic infrastructure and services, and;
- (v) to prevent the Government to participate directly in the development of the economy.

**(b) Basis of measurement**

The Financial Statements have been prepared on a historical cost basis, except for the valuation of investments in financial assets, which have been measured in fair value. Both the functional and presentation currency is Australian dollars.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 September 2007 and the comparative information presented in these financial statements.

**(c) Statement of compliance**

The financial report complied with International Financial Reporting Standards (IFRS).

**TUVALU TRUST FUND**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 SEPTEMBER 2007**

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

**(d) Basis of Recording Income**

Income from investments is taken to account as follows:

- (i) Fixed interest and property income – on the date due and receivable.
- (ii) Dividend income – on the date the dividends are declared.

**(e) Expenditure and Outgoings**

Expenditure and outgoings are taken to account on an accruals basis.

**(f) Foreign Currency**

Investments are denominated in Australian currency or equivalent and likewise these financial statements are expressed in Australian currency (\$A). Where necessary foreign currency amounts have been converted to Australian currency at the rate ruling at the date of the transaction.

**(g) Investments**

All financial assets have been designated at fair value through profit or loss on adoption of IFRS. These are assets held for trading or designated upon initial recognition as at fair value through profit or loss. Unrealised gains or loss on revaluation of investments is taken into account in determining the net gain for the year. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market prices at the close of business on the balance sheet date.

**(h) Comparative Figures**

The corresponding amounts for the preceding year have, where necessary, been reclassified to facilitate comparison.

**TUVALU TRUST FUND**

**NOTES TO AND FORM PART OF THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(i) Fund Account**

The fund account consists of initial and subsequent contribution made, plus subsequent net earnings, less any withdrawals including transfers made between the Tuvalu Trust Fund and the Consolidated Investment Fund account.

**(j) Cash**

For the purposes of the Statement of Cash Flows, cash includes cash at banks and liquid assets, held in the secretariat account as well as in the investment fund. These comprise cash at bank and at hand and short term deposits with an original maturity of three months or less.

**(k) Goods and Services Tax (GST)**

Where applicable, GST incurred by the Fund, that is not recoverable from the Australian Taxation Office, has been recognized as part of the expense to which it applies.

**2. INVESTMENTS**

	Market Value 2007 \$A'000	Market Value 2006 \$A'000
Indexed bonds	38,385	35,278
Equities	18,341	18,332
Property	6,310	8,060
International investment	45,209	41,341
	<u>108,245</u>	<u>103,011</u>

Investments are recognized at their fair value.

**TUVALU TRUST FUND**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

**3. INCOME TAX**

The Fund has been granted exemption from all taxation on its investment in the participating countries: Tuvalu, Australia, New Zealand and the United Kingdom.

**4. FUNDS**

In accordance with the objects of the Trust the following amounts were paid to the Government of Tuvalu and/or to the Trustee:

**(a) Contribution To Funds**

	2007 \$A'000	2006 \$A'000
- Australia	1,649	2,268
- New Zealand	243	318
- Tuvalu	-	1,233
	<u>1,902</u>	<u>3,819</u>

**(b) Drawdown Of Funds**

Total drawdown:	<u>6,937</u>	<u>11,382</u>
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**5. STATEMENT OF CASH FLOWS**

	2007 \$A'000	2006 \$A'000
(a) Reconciliation of loss & gain for the year to the net cash flows from operations		
Net gain/(loss) for year	10,304	10,525
Less: Unrealised gain/loss	645	(6,259)
Income received	(5,879)	2,663
Other changes in assets and liabilities	9	12
Net cash flows from/(to) operations	<u>5,079</u>	<u>6,941</u>
(b) Reconciliation cash		
Cash balance comprised		
Cash at bank	<u>146</u>	<u>102</u>
	<u>146</u>	<u>102</u>

Cash at bank earns interest at prevailing bank rates based on daily bank deposit rates. The fair value of cash at bank is \$146,000 (2006: \$102,000).

## TUVALU TRUST FUND

### NOTES TO AND FORM PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

#### 6. SEGMENT INFORMATION

The trust operates solely in one area of investment.

#### 7. FINANCIAL INSTRUMENTS

The investments of the Fund (other than cash held for liquidity purposes), are managed on behalf of the Trustee by Citigroup Asset Management Australia Limited, Credit Suisse Asset Management Australia Limited, Wellington International Management Company Pte Limited, BT Financial Group Ltd, Barclays Global Investors Ltd, UBS Global Partners Ltd, Bridgewater Associates Inc and MIR Investment Management. Each investment manager is required to invest the assets managed by it in accordance with the terms of a written investment mandate.

The Trustee has determined that appointment of these managers is appropriate for the Fund and is in accordance with the Fund's investment strategy.

The Trustee obtains regular reports from each investment manager on the nature of the investments made on its behalf and the associated risks.

#### 8. TRUST DETAILS

The Tuvalu Trust Fund was incorporated under the International Organisations (Privileges and Immunities) Act 1964 which was enacted by the administrator of the Government of the Commonwealth of Australia on 16 June 1987.

##### Registered Office

Ministry of Finance, Economic Planning & Industries  
Headquarters Division  
Vaiaaku  
Funafuti  
Tuvalu.

Number of employees: 0