

**TUVALU TRUST FUND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

**TUVALU TRUST FUND**  
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**TUVALU TRUST FUND  
DIRECTORS' STATEMENT TO THE GOVERNMENT OF TUVALU  
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

In the opinion of the directors of Tuvalu Trust Fund ("the Fund"):

- (a) the accompanying statement of financial position of the Fund is drawn up so as to give a true and fair view of the state of affairs of the Fund as at 30 September 2022;
- (b) the accompanying statement of changes in equity of the Fund is drawn up so as to give a true and fair view of the changes in equity of the Fund for the year ended 30 September 2022;
- (c) the statement of profit or loss and other comprehensive income of the Fund is drawn up so as to give a true and fair view of the results of the Fund for the year ended 30 September 2022;
- (d) the accompanying statement of cash flows of the Fund is drawn up so as to give a true and fair view of the cash flows of the Fund for the year ended 30 September 2022;
- (e) the accompanying financial statements have been prepared in accordance with the Trust Agreement;
- (f) at the date of this statement there are reasonable grounds to believe the Fund will be able to pay its debts as and when they become due and payable; and
- (g) all related party transactions have been adequately recorded in the books of the Fund.

Dated at Funafuti this 10<sup>th</sup> day of July 2023.

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

SEVE PAENIU

Director

OMAR AZIZ

Director



## **Independent Auditor's Report**

To the Members of the Tuvalu Trust Fund

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the accompanying financial statements of Tuvalu Trust Fund (the 'Fund'), which comprise the statement of financial position as at 30 September 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 September 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

#### *Independence*

We are independent of the Fund in accordance with the ethical requirements of the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the financial statements in Fiji, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

#### *Other Information*

Directors and management are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### *Responsibilities of Directors and Management for the Financial Statements*

Directors and management are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and other mandatory professional reporting requirements in Tuvalu, 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.

In preparing the financial statements, the directors and management are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors and management either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The directors and management are responsible for overseeing the Fund's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors and management.
- Conclude on the appropriateness of the directors' and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with directors and managements regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Report on Other Legal and Regulatory Requirements**

In our opinion the financial statements have been prepared in accordance with the requirements of the Tuvalu Trust Fund (Finance and Information) Act 1987 in all material respects, and;

- a) we have been given all information, explanations and assistance necessary for the conduct of the audit; and
- b) the Fund has kept financial records sufficient to enable the financial statements to be prepared and audited.

#### **Restriction on Use**

This report is made solely to the Fund's members, as a body. Our audit work has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.



**PricewaterhouseCoopers  
Chartered Accountants**



**Paritosh Deo  
Partner**

**25 July 2023  
Suva, Fiji**

**TUVALU TRUST FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2022**

	Notes	2022 \$A'000	2021 \$A'000
<b>Assets</b>			
Cash and cash equivalents	8	188	163
Financial assets held at fair value through profit and loss	4	183,240	205,656
<b>Total Assets</b>		<u>183,428</u>	<u>205,819</u>
<b>Liabilities</b>			
Trade and other creditors	5	<u>13</u>	<u>66</u>
<b>Total liabilities</b>		<u>13</u>	<u>66</u>
<b>Net Assets</b>		<u>183,415</u>	<u>205,753</u>
<b>Equity Account</b>		<u>183,415</u>	<u>205,753</u>

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements on pages 9 to 19.

**TUVALU TRUST FUND  
STATEMENT OF CHANGES IN EQUITY  
AS AT 30 SEPTEMBER 2022**

	<b>Notes</b>	<b>2022 \$A'000</b>	<b>2021 \$A'000</b>
<b>Balance as at 1 October</b>		205,753	183,343
Contributions received	7(a)	1,504	2,000
Total comprehensive (loss) / income		(16,439)	20,410
Distributions to the Government of Tuvalu	7(b)	(7,403)	-
		<hr/>	<hr/>
Net (decrease) / increase for the year		(22,338)	22,410
<b>Balance as at 30 September</b>		<hr/> <b>\$183,415</b>	<hr/> <b>\$205,753</b>

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements on pages 9 to 19.

**TUVALU TRUST FUND  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2022**

	Notes	2022 \$A'000	2021 \$A'000
<b>Revenue</b>			
Investment income		8,406	7,796
Increase in fair value of financial assets		-	13,989
Other income		1	4
Interest income	2	1	1
		<hr/>	<hr/>
		8,408	21,790
<b>Expenditure</b>			
Audit fees		(38)	(14)
Decrease in fair value of financial assets		(23,577)	-
Fund monitor's fee		(93)	(197)
Management fee		(841)	(1,022)
Other expenses	3	(298)	(147)
		<hr/>	<hr/>
		(24,847)	(1,380)
<b>(Loss) / Profit from Ordinary Activities</b>		(16,439)	20,410
Other comprehensive income		<hr/>	<hr/>
		-	-
<b>Total comprehensive (loss) / income for the year</b>		<hr/> <hr/>	<hr/> <hr/>
		(16,439)	20,410

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements on pages 9 to 19.

**TUVALU TRUST FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

	Note	2022 \$A'000	2021 \$A'000
<b>Cash flows from operating activities</b>			
Interest income		1	1
Other income		1	-
Operating expenses paid		(482)	(356)
		<hr/>	<hr/>
<b>Net cash flows used in operating activities</b>		(480)	(355)
<b>Cash flows from investing activities</b>			
Purchase of new investment units		(1,503)	(2,000)
Redemption of units		7,908	357
		<hr/>	<hr/>
<b>Net cash flows from/ (used) in investing activities</b>		6,405	(1,643)
<b>Cash flows from financing activities</b>			
Contributions received		1,503	2,000
Distribution to the Government of Tuvalu		(7,403)	-
		<hr/>	<hr/>
<b>Net cash flows used financing activities</b>		(5,900)	2,000
<b>Net increase in cash and cash equivalents</b>		25	2
Cash and cash equivalents at beginning of the year		163	161
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year</b>	8	\$188	\$163

The Statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements on pages 9 to 19.

**TUVALU TRUST FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

**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 as issued by the International Accounting Standards Board (IASB). A summary of significant accounting policies adopted by Tuvalu Trust Fund (“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 2022 were authorised for issue in accordance with a resolution of the directors on \_\_\_\_\_.

**a) General information**

The Fund was established on 16 June 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 assist 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 utilise costs of social and economic infrastructure and services;
- (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 permit the Government to participate directly in the development of the economy.

**b) Basis of preparation**

The financial statements are presented in Australian dollars, rounded to the nearest thousand dollar. They are prepared on a historical cost basis, except for the valuation of investments in financial assets, which have been measured at fair value. The accounting policies have been consistently applied by the Fund.

**c) Statement of compliance**

The financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board.

**TUVALU TRUST FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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

**d) Standards, Amendments and Interpretations Issued**

i. Standards, amendments and interpretations effective in the year ended 30 September 2022

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective 1.1.22) were effective as follows:

- Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.
- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions (effective 1.4.21). On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022.

The above changes did not have any material impact on the Fund.

ii. Standards, amendments and interpretations issued but not yet effective for the year ended 30 September 2022 and not adopted early

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the entity's accounting periods beginning on or after 1 October 2023 or later periods, but the entity has not early adopted them:

- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 (effective 1.1.23). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction (effective 1.1.23). These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Amendment to IFRS 16 - Leases on sale and leaseback (effective 1.1.24). These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- Amendment to IAS 1 - Non current liabilities with covenants (effective 1.1.24). These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. They also add new disclosure requirements in relation to covenants.

The above are not expected to have any material impact on the Fund.

**TUVALU TRUST FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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

**e. Revenue recognition**

Income from investments is taken to account as follows:

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

**f. Expenditure and outgoings**

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

**g. Foreign currency**

Transactions in foreign currencies are translated to Australian currency at the foreign exchange rate ruling at the date of the transactions. Amounts receivable and payable denominated in foreign currencies at the reporting date are converted to Australian currency at the foreign exchange rate ruling at that date.

Foreign exchange differences arising on translation are recognised in profit or loss.

**h. 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 Fund becomes a party to the contractual provisions of the instrument. Other 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 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.

**TUVALU TRUST FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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

**h) Financial assets and financial liabilities (continued)**

ii. Classifications

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

*Financial assets:*

- Measured at fair value through profit or loss – Listed equity investments; and
- Measured at amortised cost – cash and cash equivalents, other receivables.

*Financial liabilities at amortised cost*

- Other liabilities – trade and other creditors.

iii. 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.

When available, the Fund 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.

iv. Derecognition

The Fund 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 Fund 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 Fund is recognised 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 recognised in profit or loss. The Fund derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

v. Offsetting

Financial assets and liabilities are offset and net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and it intends either to settle on a net basis or to realise 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.

**TUVALU TRUST FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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

**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 and cash equivalents**

Cash and cash equivalents comprise of cash at bank at balance date. Cash and cash equivalents are short-term, highly liquid investments with original maturity term of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**k) Trade and other receivables**

Trade and other receivables are stated at amortised cost less impairment losses. The carrying amount of these assets are reviewed at each reporting date to determine whether there is any indication of impairment. The recoverable amount of trade receivables is the estimated future cash flows expected from the asset.

**l) Trade and other creditors**

Trade and other payables are stated at amoritised cost.

**m) Goods and services tax (GST)**

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

**n) Going concern**

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

**o) Leases**

At inception of a contract, the Fund assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Fund uses the definition of a lease in IFRS 16.

**(i) As a lessee**

The Fund recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or the site on which it is located, less any lease incentives received.

**TUVALU TRUST FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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

**o) Leases (continued)**

**(i) As a lessee (continued)**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Fund by the end of the lease term or the cost of the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Fund's incremental borrowing rate. Generally, the Fund uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- the exercise price under a purchase option that the Fund is reasonably certain to exercise, lease payments in an optional renewal period if the Fund is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Fund is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Fund's estimate of the amount expected to be payable under a residual value guarantee, or if the Fund changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Fund presents right-of-use assets and lease liabilities separately in the statement of financial position.

The Fund used the following practical expedients when applying IFRS 16:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

**(ii) As a lessor**

The Fund does not have any leases where it acts as a lessor.

**TUVALU TRUST FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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

**p) Comparative figures**

Where necessary, the comparative figures have been adjusted to confirm with changes in the current period.

**2. INTEREST INCOME**

	<b>2022</b>	<b>2021</b>
	<b>\$A'000</b>	<b>\$A'000</b>
Interest	1	1

**3. OTHER EXPENSES**

Salary	82	73
Travel	2	-
Rent	6	6
Others	208	68
	<u>298</u>	<u>147</u>

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

	<b>Market Value</b>	<b>Market Value</b>
	<b>2022</b>	<b>2021</b>
	<b>\$A'000</b>	<b>\$A'000</b>
Defensive assets	-	94,396
Diversified assets	-	40,103
Growth assets	-	71,157
Australian Shares	50,374	-
International Shares	47,238	-
Property & Infrastructure	20,119	-
Fixed Income & Cash	65,509	-
	<u>183,240</u>	<u>205,656</u>

Investments are recognised at their fair value. Detail is disclosed in Note 11.

*Determining fair values*

The Fund 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.

**TUVALU TRUST FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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

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 Fund 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.

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 categorised:

	<b>Level 1 \$A'000</b>	<b>Level 2 \$A'000</b>	<b>Level 3 \$A'000</b>	<b>Total \$A'000</b>
Listed equities	183,240	-	-	183,240
Balance as at 30 September 2022	183,240	-	-	183,240

  

	<b>Level 1 \$A'000</b>	<b>Level 2 \$A'000</b>	<b>Level 3 \$A'000</b>	<b>Total \$A'000</b>
Listed equities	205,656	-	-	205,656
Balance as at 30 September 2021	205,656	-	-	205,656

**5. TRADE AND OTHER CREDITORS**

	<b>2022 \$A'000</b>	<b>2021 \$A'000</b>
Auditor's remuneration	13	14
Sundry accruals	-	4
Fund monitor fee	-	48
	<u>13</u>	<u>66</u>

**TUVALU TRUST FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

**6. INCOME TAX**

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

**7. FUNDS**

In accordance with the objectives of the Fund the following amounts were paid to the Government of Tuvalu and/or to the Fund:

**(a) Contribution to Fund**

	<b>2022</b>	<b>2021</b>
	<b>\$A'000</b>	<b>\$A'000</b>
Australia	1,000	2,000
New Zealand	504	-
	<hr/>	<hr/>
	<b>\$1,504</b>	<b>\$2,000</b>
	<hr/>	<hr/>

**(b) Distribution from Fund**

Distribution to the Government of Tuvalu	7,403	-
	<hr/>	<hr/>
	<b>\$7,403</b>	<b>\$-</b>
	<hr/>	<hr/>

**8. CASH AND CASH EQUIVALENTS**

Cash at bank	188	163
	<hr/>	<hr/>
	<b>\$188</b>	<b>\$163</b>
	<hr/>	<hr/>

Cash at bank earns interest at floating bank rates based on daily bank deposit rates.

**9. RELATED PARTY TRANSACTIONS**

The names of the directors during the period were:

Hon. Seve Paeniu (Chairman)  
Mr. Matthew Fehre (Australian Director)  
Mr. Matthew Howell (New Zealand Director up to 31 March 2022)  
Mr. Omar Aziz (New Zealand Director commenced 1 April 2022)

**Transactions with related parties are as follows:**

*Transactions with related parties during the year ended 30 September with transaction value are summarised as follows:*

		<b>Distribution</b>	<b>Amounted owed by</b>
		<b>\$A'000</b>	<b>\$A'000</b>
Government of Tuvalu	2022	7,403	-
	2021	-	-

**TUVALU TRUST FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

**10. COMMITMENTS AND CONTINGENCIES**

Commitments and contingent liabilities amounted to nil (2021: nil).

**11. FINANCIAL INSTRUMENTS**

The investments of the Fund (other than cash held for liquidity purposes), was monitored on behalf of the Trustee by Russel Investments and include investments placed with two principal fund managers, AMP Capital and Schroders, from October 2021 to May 2022.

The Board approved to adopt the Strategic Asset Allocation (SAA) Implemented Consulting in accordance with the Fund's investment strategy. In November 2021, Mercer Investments Limited Australia was appointed as the new Implemented Consultant. The Trustee had determined that appointment of this Implemented Consultant was appropriate for the Fund and was in accordance with the Fund's investment strategy.

Russel Investments officially ended its contract with the Fund in February 2022. The funds from AMP and Schroders were redeemed and transferred to Mercer Investments in May 2022 finalising the transition to Implemented Consulting.

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

**12. FINANCIAL RISK MANAGEMENT OBJECTIVES**

Principal financial liabilities comprise trade payables. The Fund has various financial assets and cash which arise directly from its operations.

The main risk arising from the Fund's financial statements are interest rate risk, credit risk, and liquidity risk.

Interest rate risk

Interest rates on financial assets and liabilities are fixed over the terms of the relevant contracts, thereby minimising the risk of mismatches in interest rates.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Fund. The Fund has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from default, the Fund's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by dealing with reputable managers and these are monitored by the Implemented Consultant and are reviewed and approved by management and the Board of Directors on a regular basis. The carrying amount of financial assets represents the maximum credit exposure.

Cash and cash equivalents

The Fund held cash at bank of \$188,000 (2021: \$163,000). Cash are held with banks which are rated AA- and B- based on Standard & Poor's ratings.

Financial assets held at fair value through profit and loss

The Fund held investment of \$183,240,000 (2021: \$205,656,000). Investment are held with fund managers which are rated A+ and BBB- based on Standard & Poor's ratings.

Liquidity risk

The Fund manages liquidity risk by maintaining adequate funding and by continuously monitoring forecast and actual cash flows. However, liquidity risk is minimal as the Fund only has minimal trade payables which are all current.

**TUVALU TRUST FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

**13. 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  
Headquarters Division  
Vaiaku  
Funafuti  
Tuvalu

**Number of employees – 3**

**14. SIGNIFICANT EVENTS DURING THE YEAR**

The Inflation continues to have effects on the Fund's investment return. The Trust's return on investment is estimated at -7.4% for its financial year 2022. Returns over the financial year have lagged the inflation linked objective of CPI+4.5% as inflation spiked, and most asset classes had negative returns over the year.

**15. SUBSEQUENT EVENTS**

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 to affect significantly the operations of the Fund, the results of those operations or the state of affairs of the Fund in subsequent financial years.