

FIJIAN HOLDINGS
UNIT TRUST
While I Live, I Grow

Annual Report
2016



Opportunity for growth



OUR VISION

"FHL Fund Management Limited will be the leading Fund Manager operating in the South Pacific Region."

OUR MISSION

FHL Management Limited is committed to the following mission statements:

1. We aspire to be the market leader in managed funds;
2. We will exceed our customer's expectations at all times;
3. We will grow our managed funds portfolio at least 10% per annum;
4. We will be the preferred fund management employer;
5. We will aspire to have the best corporate governance standards and practices;
6. We will provide our shareholders with the maximum sustainable return on their investment.

CORE PURPOSE

The principal reason for FHL Fund Management Limited's existence is:

"To maximize unit holders' wealth through the management of high quality investment products that are affordable and offers competitive returns and in doing so maximizes our shareholders value."

ORGANISATIONAL VALUES

FHL FML "HERLP" core values are the underlying principles that strongly bind our people and the organization together:

i. HONESTY, LOYALTY AND INTERGRITY

Our people adhere to high moral principles, they have respect for one another and are treated with fairness. We ensure that our environment nurtures loyalty and open communication. We have no hidden agendas.

ii. EMPLOYEE EMPOWERMENT AND TRUST AND TEAMWORK

We delegate to our people with authority and accountability giving them a high degree of responsibility resulting in the achievement of superior results.

We will work together as a team using our employee's unique talents and skills in a spirit of cooperation and trust, holding each other responsible for achieving our mission.

iii. RECRUIT, COMPETITIVELY REWARD AND RETAIN THE BEST

We are always looking for people that will exceed our expectations, dynamic, high-achievers, conscientious, highly motivated and a team player.

We ensure that our work environment facilitates lifetime commitment of our people and continuous achievement of superior results.

We also challenge our people to be the best at whatever they do and nothing is impossible for them to do - having a "can do attitude".

iv. LIFE-TIME LEARNING AND GROWTH

We nurture and develop all our people through progressive lifetime learning, coaching and mentoring and we also encourage everyone to participate and get involved in the business all the time.

v. PLAY TO WIN, CREATIVE AND CELEBRATE

Every opportunity is a challenge for our people to achieve business solutions ahead of everyone and where there is no opportunity, we will create it.

Our people and our network facilitate the maximization of shareholder value. We always celebrate the achievement of our people and the business.

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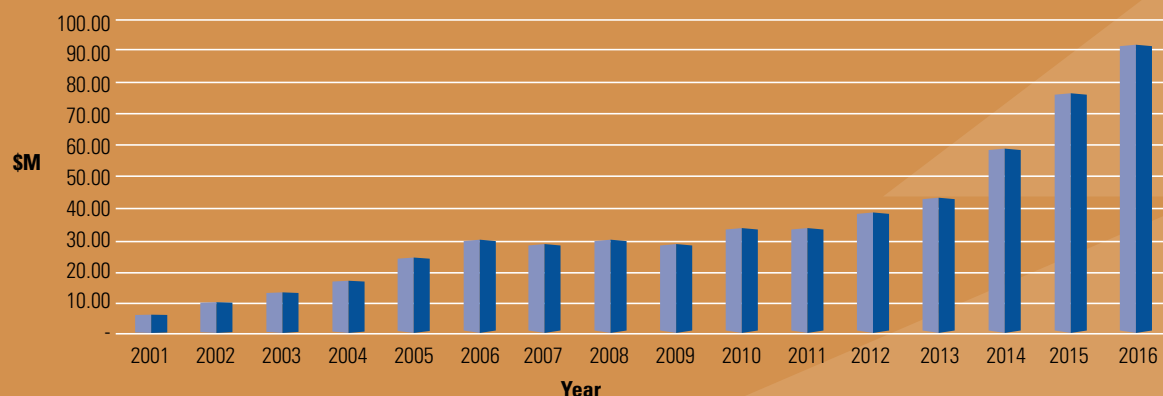
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The Fijian Holdings Unit Trust was first launched on 27th April 2001 as an investment product under the Fijian Holdings Limited (FHL) umbrella designed to offer investors an affordable, high quality investment product that offers attractive returns.

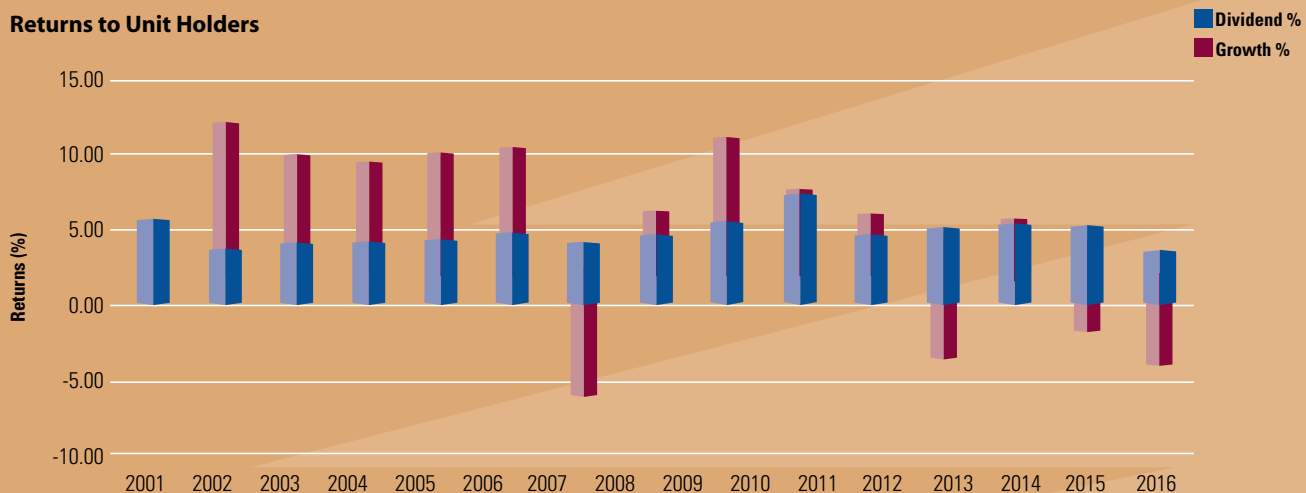
Investment is open to all races, residents and non-residents.

FINANCIAL HIGHLIGHTS

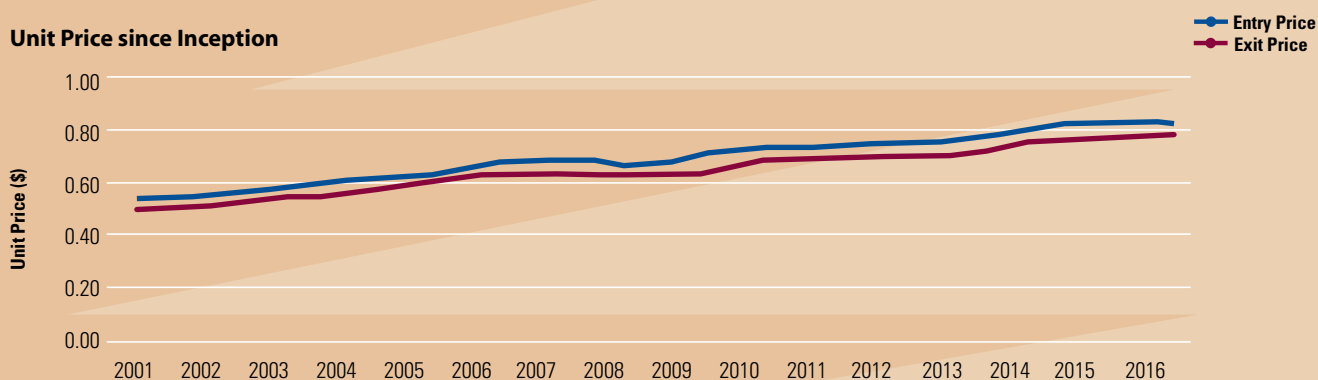
Portfolio Value F(\$m)



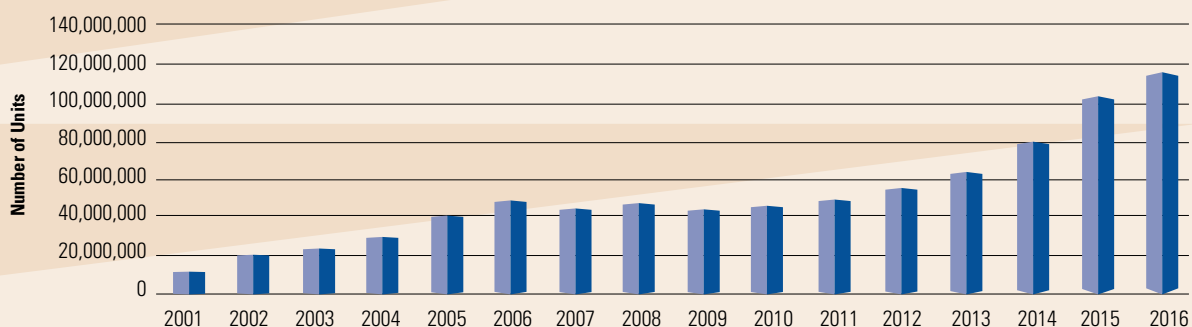
Returns to Unit Holders



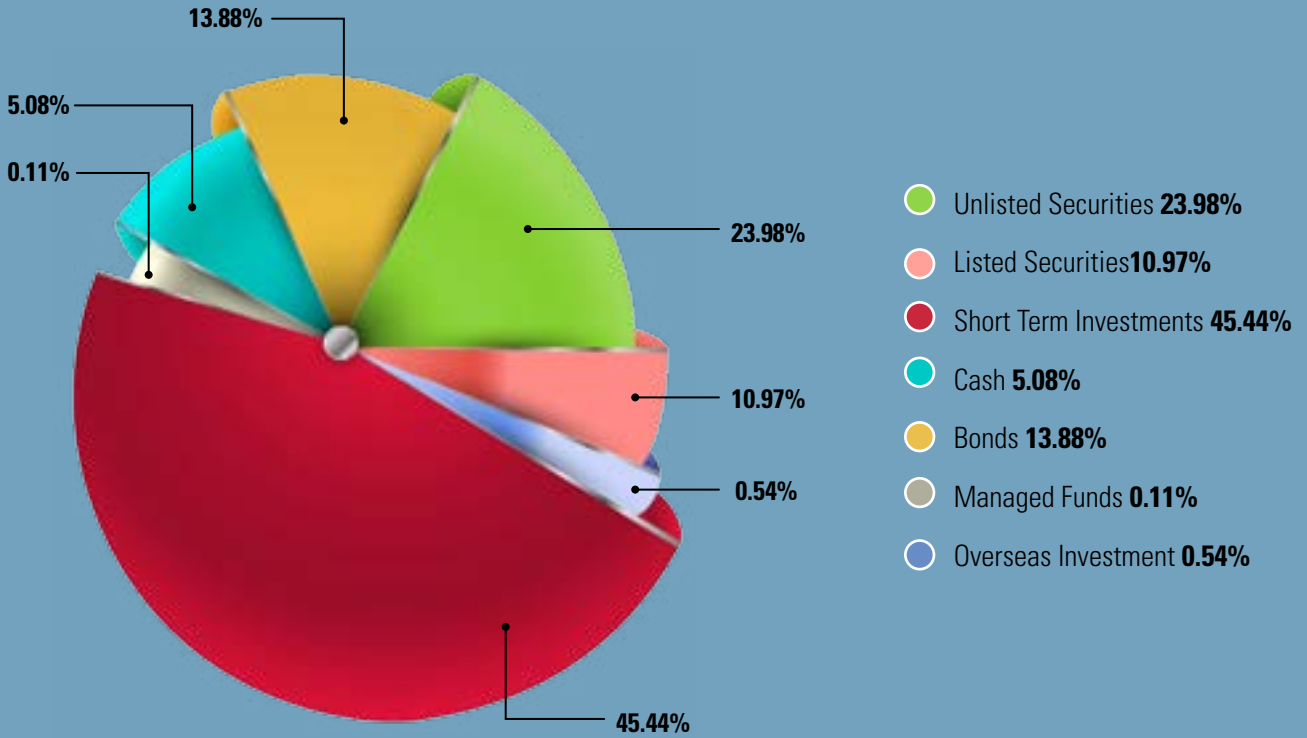
Unit Price since Inception



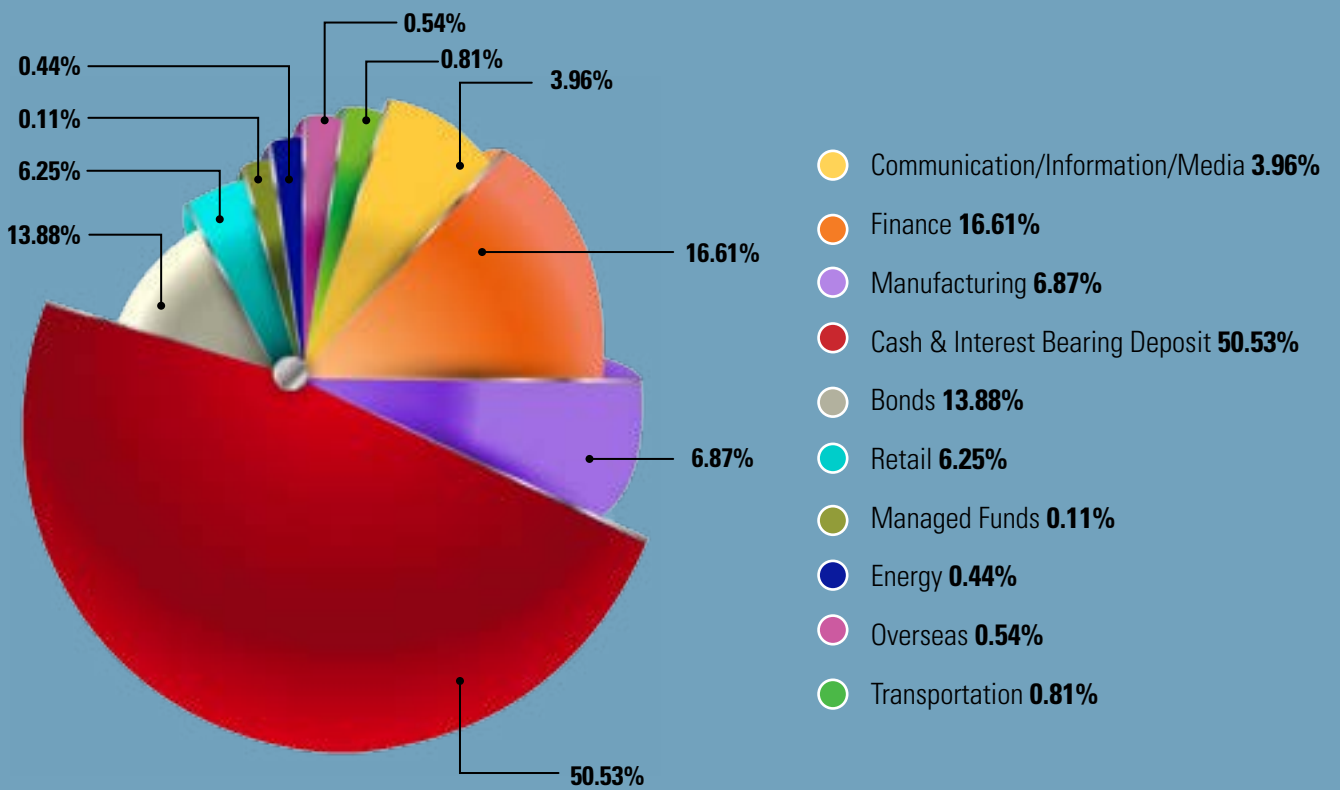
Units on Issue



INVESTMENT PORTFOLIO (MARKET VALUE)



PORTFOLIO BY SECTOR



CORPORATE GOVERNANCE

As at 30 June 2016

In compliance with the Reserve Bank of Fiji's (RBF) Corporate Governance Code for the Capital Markets, FHL Fund Management Limited (FHL FML), the Fund Manager for Fijian Holdings Unit Trust (FHUT) acknowledges and supports this requirement and reports on the Company's Corporate Governance Code.

FHL FML Corporate Governance Code is aligned to the Fijian Holdings Limited (FHL) Code as a fully owned subsidiary.

Principle	FHL FML Comments
Establish Clear Responsibilities for Board Oversight	The FHUT Trust Deed stipulates the powers and duties of the Manager and the Trustee. The FHL FML Memorandum & Articles of Association sets out the powers and duties of the Board to manage the company effectively and efficiently. FHL FML continuously develops policy guidelines to strengthen its role.
Constitute an Effective Board	The FHL FML Memorandum & Articles of Association covers the required constitution of the Board. Directors are selected for their experience and competencies and are evaluated on their suitability for the Board by the FHL Board of Directors. FHL FML also has a Compliance Committee that addresses all compliance issues and complaints. This committee meets quarterly and comprises of three independent members and a representative from the Board of FHL FML.
Appointment of a General Manager	FHL FML structure including the appointment of the officer/s in charge is determined by the Board and Holding Company of FHL FML.
Board and Company Secretary	The Board appoints a suitable, qualified and Company Secretary who is the administrative link between the Board and the Management and is responsible for ensuring compliance with regulatory requirements.
Timely and balanced reporting	FHUT complies with its disclosure obligations under the Fiji Companies Act 2015. FHL FML Board meetings are held once every two months a minimum, to update Directors on the Fund's performance and to review and provide approvals and confirmations of key aspects of the operations of the Fund
Promote ethical and responsible decision-making	FHL FML has adopted the FHL Group approved Code of Conduct that sets out the principles of ethical behaviour by all Group personnel. This ethical framework commits its Directors, employees, contractors and consultants to not only comply with the law, but to conduct business in accordance with the highest ethical standards. FHL FML also ensures it complies with the RBF Capital Markets policies and the Companies Act 2015 whereby directors and employees of the Fund Manager cannot purchase units created by the Fund.
Register of Interests	Directors and Officers of the Fund Manager must disclose any conflict of interest that may arise in the course of the business.
Respect the rights of shareholders	FHUT complies with all disclosure requirements under the Trust Deed, Companies Act 2015 and Capital Markets Decree 2009. FHL FML with the concurrence of the Trustees ensures that all material changes made during the course of operations are communicated to unit holders in a press release and individually through mail. FHL FML also conducts training sessions for the unit holders upon request.
Accountability and Audit	Financial statements of FHUT are audited annually by independent auditors who provide their report to the unit holders. Regular internal audits are conducted by our Group Auditors on operational matters whilst the RBF conducts routine on-site examination of the Fund.
Recognize and manage risk	Based on the Funds operations FHL FML has developed a detailed procedures manual to manage operational and data risks with appropriate controls and procedures. FHL FML continues to review the Fund operations and develop appropriate mitigation strategies.
Evaluation of Board Performances	FHL FML undertakes to conduct an evaluation of Board performance on an annual basis to ensure that individual directors and the Board as a whole work efficiently and effectively in achieving their functions.
Securities Trading Policy	Based on the operations, the Company has established a policy that imposes certain restrictions on FHL FML Directors, senior management and employees directly owning an investment account with FHUT.
Insolvency – Directors Duties	If the Company is insolvent or there is a real risk of insolvency, Directors duties expand to include creditors (including employees with outstanding entitlements) such as: <ul style="list-style-type: none"> • The duty to exercise powers and duties with the care and diligence that a reasonable person would have which includes taking steps to ensure the financial position of the Company is properly informed and ensuring the Company doesn't trade if it is insolvent. • The duty to exercise powers and duties in good faith in the best interests of the Company and for a proper purpose; • The duty not to improperly use position to gain a personal advantage or o cause detriment to the Company

FHL TRUSTEES LIMITED – DIRECTORS



Mr. Inia Naiyaga, Mrs. Seruwaia Hong-Tiy and Mr. Nesbitt Hazelman

Mr. Inia Naiyaga - Chairman

Inia Naiyaga is a Chartered Accountant and was a Central Banker for 39 and half years. He retired as the Deputy Governor of the Reserve Bank of Fiji in May 2014. Prior to his retirement he also served as the Deputy Governor of the National Reserve Bank of Tonga for 5 years and was a member of the Executive Management team of The Reserve bank of Fiji for 25 years. He is a full-member of the Fiji Institute of Accountants (CA), a Fellow of the Fiji Institute of Bankers, FFIB(Hon) and was a Fellow of the Australian Institute of Company Directors, FAICD. He is also a former President of The Fiji Institute of Accountants, former President of the Institute of Internal Auditors (Fiji Chapter) and former National President of the Fiji Bank Employees Union. He has also served as a Director of the Fiji Electricity Authority and a Director of Transparency International (Fiji Chapter). Currently he is a Director of the Fiji Development Bank, a Member of the University of the South Pacific Finance and Investment Committee and a Member of the Christian Mission Fellowship International Church Executive Board.

Mrs. Seruwaia Hong-Tiy - Director

Seruwaia Hong-Tiy is a Health Professional – Physiotherapist who obtained a Diploma in Physiotherapy from the University of Otago, New Zealand. In 1992, together with her husband, they established a family business called the Shipping Services (Fiji) Limited. She formerly held the Health Portfolio and Women & Social Welfare in the SVT government. Currently, Seruwaia is a member of the sub-committee for the iTaukei Education Committee, the Investment Committee and a Director for the Nadroga Navosa Provincial development company.

Mr. Nesbitt Hazelman - Director

Nesbitt Hazelman is the Chief Executive Officer of Fiji Commerce Employers Federation. He holds a Masters in Industrial Relations & Human Resource Management from Sydney University, a Post Graduate Certificate in Human Resource Management from Australian Quality College, a BA with Double Majors in Management and Sociology with a Diploma in Industrial Relations and Personnel Management from the University of the South Pacific. He has more than 15 years' experience in Human Resource & Industrial Relations with 9 years in Executive Management.

FHL FUND MANAGEMENT LIMITED DIRECTORS



Mr Robin Yarrow, Mr Sakiasi Seru, Mr Ulaiasi Taoi, Ms Catherine Grey, Mr Nouzab Fareed and Mr Craig Strong

Ulaiasi Taoi

Chairman

Taoi is managing director of utech systems Ltd and holds a Bachelor of Arts Degree from the University of the South Pacific. He is currently chairman for FHL Fund Management and by appointment is a Board Member of Fiji Television Limited. He is also Chairman of Audit and Risk Committee. He serves as director of Fiji Indigenous Business Council and member of Australian Institute of Company Directors. He was former Board member of Fiji Trade & Investments Board, Fiji Labour Advisory Council, Fijian Education Board, National Economic Development Council and Monitorial Committee on Affirmative Program.

Robin Yarrow

Director

Robin Yarrow was educated at Suva Grammar School and then at Sydney and London Universities, after growing up in Vatukoula. Mr Yarrow was a Fiji civil servant for 30 years and served as Permanent Secretary in 4 Ministries, including Agriculture for 10 years and Foreign Affairs for 3 years. Also served as Fiji Ambassador to Japan. Mr. Yarrow retired 15 years ago and currently is a member of several Boards, including the National Trust of Fiji, Nature Fiji, Vodafone Fiji Ltd and Fiji Red Cross Council. Has served on many Government Boards and Committees during his career. Is especially interested in the environment, Fiji's heritage and sustainable development and is strongly committed to serving Fiji and the community. Has been awarded the Fiji Civil Service Medal and in 2014 received the Order of Fiji for service to the Nation.

Sakiasi Seru

Director

Sakiasi Seru is a Chartered Engineer and a member of the Institute of Electrical and Electronic (MIEE) UK. He graduated with BSc in Electronics & Computer Engineering (UK), Diploma in Telecommunication Management (UK) and attended Kellogg Business School (North Western University). He is a former Acting CEO of Telecom Fiji Limited. Sakiasi has over 38 years' experience in the telecom industry and 22 years of which he held various senior management positions at Telecom Fiji Limited. He was previously a board member of Airport Fiji Limited, Xceed Pasifika Limited and Internet Services Fiji Limited. Mr Seru was also the Chairman for FHL Trustees Limited from 2012 to 2014. He is currently involved in community and charitable work.

Craig Strong

Director

Craig was born and raised in Suva, educated at Kings College Auckland and then attended Massey University in Palmerston North graduating with a Bachelor of Business Studies. With an extensive background in senior commercial roles for NZX listed industrial companies such as James Hardie, Fletchers and Crane Distribution, Craig returned to Fiji over 10 years ago and continued a successful career in General Management of significant Fijian trading companies such as Vinod Patel & Company Limited and RB Patel Group. Craig is currently the General Manager of Pacific Agencies Fiji Limited. Craig is also heavily involved in the board governance of commercial, government and not for profit organisations in Fiji. Craig is the current President of the Fiji NZ Business Council and is the Chairman of the Friends of Fiji Heart Foundation. Craig sits on the Board of the Fiji Australia Business Council and on the Board of the Fiji Export Council as well as the Board of the Fiji Commerce and Employers Federation. Craig is the Executive Director of Pacific Agencies Fiji Limited; Craig is a Director of Container Services Fiji Limited, the Civil Aviation Authority of Fiji, the Housing Authority of Fiji, and Public Rental Board of Fiji, is an Independent Director of Fijian Holdings Fund Management Limited and a Board Credit Committee member of Merchant Finance Limited. Craig holds professional membership of the Australian Institute of Company Directors

Nouzab Fareed

Group Chief Executive Officer, Fijian Holdings Group

Nouzab Fareed is the Group Chief Executive Officer for Fijian Holdings Group. He is a Board Director for all FHL Group companies. In addition, he is also a Board Director for Goodman Fielder Ltd, Marsh Fiji Ltd and South Pacific Stock Exchange. Fareed is the President of Fiji - PNG Business Council and the Vice President of Fiji Chamber of Commerce. He is Board member for Fiji Employers & Commerce Federation, CPA Australia - Fiji Chapter and Fiji Exporters Council. In addition, he sits on MBA Advisory Committee of University of South Pacific. He is a Past - President of Fiji Institute of Accountants as well as Australian Institute of Directors - Fiji Chapter. Fareed has more than 25 years of Corporate Executive Experience in diverse sectors ranging from Corporate Finance, Financial Services, Education, IT, Tourism, Media, Commodity Broking, Building & Construction, Logistics, Investment Research & Manufacturing. Prior to joining FHL,

he was the Director Business Development with Mercantile Merchant Bank Ltd in Sri Lanka and a Board Director for FedEx, NIIT and Western Union in Sri Lanka. Fareed is a Chartered Accountant (Fiji), Chartered Management Accountant (FCMA-UK) and a Fellow of CPA (Australia). He is also Chartered Marketer (UK), a Licensed Investment Advisor (Fiji), a Certified Fraud Examiner (CFE) of USA. He is a Graduate Member of Australian Institute of Company Directors (GAICD) and has a MBA in Banking & Marketing and a Master of Arts in International Economics. He is a guest lecturer for MBA Program at University of South Pacific and has made presentations at several international conferences. Fareed has received Executive Training from Harvard Business School, University of Oxford, Australian Graduate School of Management (AGSM), Graduate Business School of Auckland, Asian Productivity Organization and AOTS (Japan). Nouzab Fareed is the only Distinguished Toastmaster (DTM) in South Pacific.

Catherine Grey

Director

Catherine Grey joined the Fijian Holdings Group in 2004 and for the past 8 years she was the Compliance Officer, later Assistant Manager Risk & Compliance for FHL Stockbrokers Ltd, FHL Fund Management Limited and Fijian Holdings Ltd (FHL). She was transferred in late 2012 to 2013 as the Basic Industries Ltd Manager Human Resources and Employee Relations. She is currently the Human Resources Manager for Fijian Holdings Limited, a member of the Fiji Human Resources Institute, Australian Institute of Company Directors, Merchant Finance Human Resources Sub-Committee and served as Company Secretary for a few FHL subsidiaries and FHL Audit Sub-Committee. She is also the Chairperson of the FHL Group Tender Committee. Prior to joining the FHL Group she was the Officer-In-Charge of the Central Share Registry and held few positions at the South Pacific Stock Exchange. She holds a Post Graduate Certificate in Human Resources, Post Graduate Diploma for General Managers from the University of the South Pacific and completed the Securities Licensing Examination with the Securities Institute of Australia. She initially served as an Alternate Director and was appointed in 2014 as a Director for FHL Stockbrokers Limited and FHL Fund Management Ltd.

FHL FUND MANAGEMENT LIMITED TEAM



Standing (L-R): Epeli Vakatawa, Sainiana Serevi, Priscilla Greig, Loveleen Chetty, Mereseini Serevi, Sainimili Balenagaga, Sakiusa Takirua, Kelera Gade, Joana Saqalagilagi **Sitting (L-R):** Mereti Monomono, Elenoa Vuniwa, Latu Rokotuwei, Simione Vitiarai

Elenoa Vuniwa

Elenoa Vuniwa is the General Manager for FHL Fund Management Limited. She holds a Bachelor of Arts degree in Economics and Management & Public Administration. She has successfully completed a Post Graduate Diploma for General Managers and Masters of Business Administration from the University of the South Pacific. Ms Vuniwa is a licensed representative for Managed Investment Scheme for FHUT and a Broker/Dealer representative with more than 8 years' experience in the Capital Markets industry. She holds a professional membership with Australian Institute of Company Directors and has successfully completed the Fiji Directors Course by AICD

Priscilla Greig

Priscilla is the Manager Sales and Marketing. She is a licensed representative for Managed Investment Scheme for FHUT and a Broker/Dealer Representative with over 10 years' experience in the Capital Markets Industry. She is a member of Capital Toastmaster (TM) Suva and professional membership for Australian Institute of Company Directors. Ms Greig is also a committee member of the Reserve Bank of Fiji's Working Group One. She has recently acquired Investment Advisor representative license from the Reserve Bank of Fiji.

Sainiana Serevi

Sainiana is the Assistant Manager Risk and Compliance and also Company Secretary for the Fund Manager, FHL Fund Management Limited. She holds a Bachelor of Commerce majoring in Accounting and Economics from the University of the South Pacific. She joined FHL FML on November 2013. She holds a professional membership for the Institute of Internal Auditors, Fiji Institute of Accountants and Fiji Institute of Companies Directors. She has successfully completed the Capital Markets Securities Licensing Examination and is a licensed representative for Managed Investment Scheme for FHUT. Sainiana is currently pursuing Postgraduate Diploma in Commerce at the University of the South Pacific.

Sainimili Balenagaga

Sainimili is the Accountant for FHL Fund Management Limited. She holds a Bachelor in Commerce with Accounting and Economics from the University of the South Pacific. She has successfully completed the Capital Markets Securities Licensing Examination. Sainimili has been with the FHL Group since 2012 and is currently pursuing Postgraduate Diploma in Professional Accounting at the University of the South Pacific. She holds a provisional membership for the Fiji Institute of Accountants.

Epeli Vakatawa

Epeli is the Assistant Manager Sales & Marketing for FHL Fund Management Limited. He holds a Bachelor of Arts Degree in Journalism & Pacific Language from the University of the South Pacific. He recently joined the team from August 1st 2016.

Loveleen Chetty

Loveleen is the Assistant Manager Investment for FHL Fund Management Limited. She holds a Postgraduate Diploma in Commerce with Management & Public Administration and a Bachelor of Commerce in Management & Public Administration and Accounting from the University of the South Pacific. She has successfully completed Capital Markets Securities Licensing Examination and is a licensed representative for Managed Investment Scheme for FHUT. She has been with the FHL Group since 2012.

Joana Saqalagilagi

Joana is the Assistant Manager Stockbroking for FHL Stockbrokers Limited. She holds a Bachelor of Arts Degree in Economics & Management and Public Administration from the University of the South Pacific. She has successfully completed the Fijian Securities Licensing Examination and is a Licensed Broker/Dealer and a licensed representative for Managed Investment Scheme for FHUT.

Simione Vitiarai

Simione is a Sales & Business Development Officer for FHL Fund Management Limited. He has successfully completed the Fijian Securities Licensing Examination and is a Licensed Broker/Dealer and a licensed representative for Managed Investment Scheme for FHUT.

Mereti Monomono

Mereti is a Registry Officer. She joined FHL Fund Management Limited in 2013. She has graduated with a Diploma in Business Accounting from the Fiji National University. She is currently pursuing the Capital Markets Securities Licensing Examination (SIIA) and also Bachelor of Accounting from Fiji National University.

Latu Rokotuwei

Latu recently joined FHL Fund Management Limited as a Finance Officer, she has been with FHL Group for one and half years. She holds a Bachelor of Arts Degree in Accounting & Economics from the University of the South Pacific.

Kelera Gade

Kelera Gade is the Customer Relations Officer. She joined FHL in 2013. She has attained a Certificate in Purchasing & Inventory Management with TPAF and a Certificate for Customer Service and Front Office Management from the Fiji National University. She is a member of the Capital Toastmaster (TM) Suva and is currently pursuing the Capital Markets Securities Licensing Examination (SIIA)

Mereseini Serevi

Mereseini is the Admin Officer for FHL Fund Management Limited. She joined FHL Group in 2013.

Sakiusa John Clark Takirua

Sakiusa John Clark Takirua is the Graduate Trainee for FHL Fund Management Limited. He joined FHL FML on October 2015.

FUND MANAGER'S REPORT



Dear Unit Holders,

We are pleased to deliver our report on Fijian Holdings Unit Trust for the year ended 30th June 2016. As Directors of FHL Fund Management Limited (the Fund Manager for FHUT) we present the Financial Statement for the year ended 30th June 2016 for Fijian Holdings Unit Trust and the Independent Audit Report to you our valued unitholders.

The 2016 financial year saw a few key changes implemented for the Fund as detailed in our new FHUT Prospectus Issue No. 5, duly approved by the Reserve Bank of Fiji. These new features include the reduction in the minimum requirement to open an account from 100 units to 50 units; the change in dividend payout schedule from twice a year to three times a year and the reduction in our management and entry fees. These changes further position the FHUT product to remain a relatively competitive investment product for an average investor with the lowest entry price in the market for any income and growth fund or other comparable financial product.

Fijian Holdings Unit Trust recorded a negative total return of 0.23% which consist of a dividend return 3.72% and a negative growth return of 3.94%. The negative capital growth for the year was caused by a lower value recorded for income received from our investments in correlation to the increasing total units on offer. By the end of FY2016, the total units on issue had surpassed 116 million mark.

Despite the challenging operating environment the Fund paid out a total of \$3.42million during the year, bringing the total dividend paid out since inception to over \$27 million. The FHUT investment portfolio grew by 17% to \$90.20m concurrently a 36% growth in total number of unit holders was also recorded at the end of FY2016.

As we proceed to the next financial year, we expect it to be challenging in view of the current investment environment, however we remain optimistic and wish to reassure our unitholders that we will do our best to return a competitive yield on your investment.

We acknowledge the contribution of our external service providers and their continued assistance in the promotion and sale of our product within Fiji and abroad this year. Last but not the least, we would like to record our sincere gratitude to you our unitholders for your support and confidence in the Fund.

FHL Fund Management Limited

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Mr. Nouzab Fareed
 Director

GENERAL MANAGER'S REPORT

Dear Unit Holders,

I am pleased to present the FHUT operational report for the financial year ending 30th June 2016 marking the fifteenth year of operation for the Fund since inception. This report highlights the achievements and the business challenges faced by the Fund on various levels from an operational aspect to the investment environment.

Despite the impact of tropical Cyclone Winston which devastated the nation in the second half of our financial year, the FHUT investment portfolio recorded a growth of 17% which stood at \$90.20 million at the end of FY2016. Simultaneously, FHUT recorded an increase in the number of new unitholders by 36% from FY2015 relating with the growth in the total units on issue to over 116 million.

Operating Environment

As reported in the RBF June review, sectoral performance was generally positive with the exception of those affected by TC Winston. Tourism and construction were the key drivers of growth in 2016 while downward revision reflects the impact of TC Winston on agriculture. Investment sentiments remain positive for stable economic performance for the medium term and investment spending showed mixed results in the year so far but is expected to grow further for the year. Looking ahead, Government's planned capital spending for post cyclone reconstruction is expected to stabilize investment in the new fiscal year.

FHUT 2016 HIGHLIGHTS

As mentioned in our last report on the new issue of our FHUT Prospectus, the Reserve Bank of Fiji during the operational year, approved Issue No 5 detailing some key changes to our income and growth product specification. These key changes are centered on improving our operational efficiency, and most importantly further enhances the merits of investing with FHUT.

A key feature for the Fund was the change in dividend payout schedule, in which unitholders are now able to realise returns through dividends every four months. Detailed below is the payout summary by FHUT for FY2016.

	1st Interim	2nd Interim	Final	Total (FY2016)
Close of Register	31st October	29th February	30th June	
Payout Date	21st November	21st March	21st July	
Rate (cents)	0.400	1.030	1.595	3.025
Total Payout (\$)	431,137	1,139,546	1,852,509	3,423,192



“As at 30th June 2016, the total portfolio is valued at \$90.20million, an increase of \$13.13million compared to \$77.07 million as at end of FY2015.”



Financial Performance

During the year, FHUT recorded a dividend return of 3.72% and a negative growth of 3.94%. The dividend return was lower than that achieved for FY2015 as a result of decreased dividend income from some of our unlisted equities during the year. Nonetheless, a total of \$3.42 million was paid out to over 8,000 unit holders during the year, with a dividend payout rate of 3.025 cents. Since inception, the total dividend paid out by the Fund has accumulated to over \$27million including the payout for FY2016.

Sales and Marketing

Our Sales and Marketing team pursued revised initiatives with zeal and commitment to ensure that the Fund remains compatible and at the same time, affordable and accessible to all current and potential investors. Current trend indicates, FHUT achieved more than 2000 new unit holders as at June 2016. The growth is directly attributed to the awareness and initiatives by our sales and marketing team through our various media partnerships and service providers which resulted in a greater part of the sales achieved, coming in from our various target markets specifically accounts opened for minors, land and resource owners, institutional investors. A concentrated effort has also been targeted towards our Employee Deduction Scheme (EDS), which has seen the expansion of EDS from civil servants to other organisation, with deduction done at source, with the minimum of 50 units and regular salary deductions established thereafter. Through this platform we continue to advocate the importance of savings and the merits of investments that is available to them in growing their portfolio in the medium to long term.

As we continue to improve our reach to rural areas and mark our presence in the community, we also acknowledge the support of the respective Provincial Councils, village headmen and key stakeholders in granting us access to create awareness on investment opportunities at FHUT. We are continuing to work on better access to information for all unit holders by improving our website, frequently updating our social media pages, LED advertising, and radio awareness, specifically the Domo Ni Vanua program on FBC that we sponsor and use as means of reaching out to the public, especially those outside the greater city areas.

Sales and Marketing initiatives earmarked for the new financial year includes the continued penetration of our investment awareness to the remote rural areas, in collaboration with key stakeholders and the launch of the money box initiative for students at primary school level whereby savings and investment is fostered from an early age, building the platform for a financially secured generation.

Investment

The objective of FHUT is to generate income with potential for capital growth through investment exposure in various sectors of financial market and increasing returns from these investment. It has been a challenging year for us against the backdrop of operating environment nonetheless, securing good investments continues to be one of the main challenges for the Fund Manager as there was a high level of liquidity and frequent challenges faced across the market in finding the appropriate platforms to invest these funds to earn the desired return.

During the year, the following new investments were made in line with the Investment objectives of the Fund duly approved by the Fund Manager and its Trustee which will further improve our current exposure in growth assets for FHUT. FY2016 saw FHUT, with the approval granted by RBF make its first ever offshore investment in five of the listed equities on the Australian Securities Exchange (ASX). These stocks include ANZ Banking Group, Telstra Corporation, Woolworth Corporation, Wesfarmers Limited and BHP Billiton Limited. The Fund Manager will continuously monitor and assess the performance of these investments in line with its relevant policies and also explore further opportunities in offshore investment when the opportunity arises. As a condition of the Regulator's approval, a report on the performance of our overseas investment is provided to RBF on a quarterly basis.

On the local front, FHUT also invested in the newly listed Vision Investment Limited which further strengthened our exposure in the retail sector in addition to our investments in Newworld, Punjas Ltd and RB Patel Group. During the year, the Fund Manager acquired additional stocks in Life Cinema Limited increasing our exposure in the Media sector. In addition to our investment on Communications Fiji Limited, Data Bureau Limited and Amalgamated Telecom Holdings Limited.

As at June 2016, the total portfolio was valued at \$90.20million. The portfolio comprised of unlisted securities 23.98%, listed securities 10.97%, overseas investment 0.54%, short term investments 45.44%, cash 5.08%, bond 13.88% and managed funds 0.11%.

Moreover, an independent valuation of unlisted equities was also carried out for the year which accounts for 23.98% of the total portfolio. The Fund noted a positive revaluation of shares in New World Limited, however other unlisted equities had negative revaluation based on economic market and other conditions prevailing at the date of the report. This was also a contributing factor to the negative growth recorded at the end of the financial year.

The short term investments valued at 45.44% of the total portfolio \$90.20 million as at year end compared to 32.82 % of \$77.07 million for FY2015. In addition, the value of bonds held by the fund had slightly appreciated during the financial year. In general, the fund had no major changes in the portfolio mix apart from the 17% growth of the total portfolio.

As an active, medium to long term investment manager, we measure success by returns from our investment and returns to our unit holders. A key focus in the year ahead will be the objective on attracting compatible returns to unit holders and also in terms of capital growth.

Compliance

During the year, Management, in consultation with our legal advisors reviewed our policies and processes to ensure full compliance to the Company's Act 2015. We strive to be vigilant in our commitment to integrity by establishing the policies and plans in line with our stringent corporate governance requirements. The annual review of key policies, risks and mitigation strategies has been driven by our Risk & Compliance department, concurrently with the Board of the Fund Management and Trustee.

Service Providers

Our service providers continue to contribute immensely towards providing the platform for accessibility to our valued unit holders. For compliance and governance purposes, the service providers are now audited three times a year before registry closure periods to ensure that funds are accounted for and units are correctly allocated to investors. Management also conducts training to enable the service providers to better serve you, our unit holders and be updated on any changes that directly affects the Fund. In our efforts to make FHUT more accessible at the same time provide an efficient means of depositing funds into their FHUT accounts, our internet banking platform has further expanded to include HFC bank and we are currently working on having similar access for our investors through Bank of Baroda.

The Year Ahead

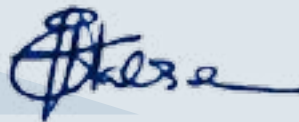
In positioning ourselves for FY2017, we anticipate it to be challenging in view of the current operating environment, nonetheless we will continue to focus and develop strategies that complements our goals of meeting both our income and capital growth targets. Delivering exceptional customer services will continue to be one of our high priority and we will work closely with our service providers to ensure these standards are upheld.

My sincere appreciation goes to the Board of Directors for FHL Fund Management Limited and FHL Trustees Limited for their professional guidance, positive contribution and commitment during the year. On the same token, I would like to thank the Management team, for their passion, hard work and look forward to their continued support in the next financial year.

I would like to express our gratitude to our service providers Mr Deven Magan, Mr Praful Patel, Merchant Finance Limited, Post Fiji Limited, Fiji Stock brokers Limited, Kontiki Stockbroking Limited, FHL Stockbrokers Limited and other internet banking platforms through ANZ, BSP, Bred Bank and WBC for the immense support.

Most importantly, I wish to thank you; our valued unit holders for your continued confidence in the Fund

We look forward to a brighter FY2017



Elenoa Vuniwa
General Manager
FHL Fund Management Limited



FHUT INVESTMENT PORTFOLIO



The finance sector makes up 16.61% of the FHUT Portfolio, which is the investment in and Merchant Finance & Investment Company Limited and BSP Convertible Notes

Merchant Finance Limited

FHUT's Portfolio: 16.05 %

Despite a challenging year for Fiji, Merchant Finance Limited recorded a healthy interest income of \$20.2 million for Financial Year 2016 (FY16) compared to \$18.9 million last year. This 7% increase in interest income was due to the rise in customer confidence in the loan products which resulted in the increase in loan book by 26% compared to prior year. The increase was also driven by competition where MFL had to offer competitive interest to keep potential customers, attract new customers and support the growing demand.

To fund their increasing loan book, MFL had to offer competitive term deposit rates to attract more customers. This resulted in the increase in interest expense by 24% in FY16 compared to prior year. Half way through the year MFL also improved their provision methodology by increasing their security discounting factor, which in turn raised their loan impairment expense by 50% from prior year. The end result was a profit of \$9.39 million this year compared to \$10.02 million previous year.

Earlier this year the country experienced devastating effects of two (2) Tropical Cyclones Winston and Zena. The cyclones tremendously affected customer repayment ability and slowed down business activities. These conditions challenged the economy as a whole and more specifically the company in terms of management of arrears. To assist the Government in the Cyclone Relief Merchant Finance did the following:

1. Offered customers 3 months' repayment holiday
2. Donated school stationeries, school bags to affected schools in Ra
3. Donated food, clothes, and financial assistance to MFL affected staff

To counteract the negative impact of tropical cyclones, MFL introduced four (4) new lending products under Trade Finance namely Agri Trade, Trade Export, Trade Local and Trade Import in March 2016. These products were launched together with their new company name changing from Merchant Finance & Investment Company Limited to Merchant Finance Limited with a new logo and official colors of wealth green and gold. MFL also prompted the new loan products to provide better financial assistance to support their customers, the general public and assist the economy recover as a whole. With 4 new products and a fresh image of the company MFL's aim is to champion recovery and new beginnings for their customers.

Looking ahead Merchant Finance's strategic direction is well on-point. The company will continue to roll out their 4 new loan products in the market adding to their current Trade Finance portfolio, valued at \$7m as at June 2016. The company also plans to open new branches in Sigatoka and Rakiraki to bring these services closer to rural customers. The upcoming financial year is highly anticipated to be a good year for Merchant Finance, as the drive is to keep delivering exceptional service and continue to improve their competitive edge to satisfy the evolving financial needs of the public.

BSP Convertible Notes Limited

FHUT's Portfolio: 0.56%

BSP Convertible Noted Limited is a wholly owned subsidiary of the Bank of South Pacific (BSP) and has been incorporated in Fiji as a special purpose vehicle which lends funds to BSP. The company was formerly known as Tourmaline Limited and changed its name to BSP Convertible Notes Limited in October 2009. BCN has mandatorily converted into Fiji Class Shares which has been quoted on SPSE. In 2015, BSP Group had an outstanding profit outcome, despite a number of adverse events.

RETAIL

The retail sector is one of the fastest growing sectors in Fiji and currently makes up 6.25 % of the FHUT portfolio. FHUT has investments in three of the largest retailers in the Fiji market, RB Patel Group Limited, New World Limited and Vision Investments Limited.

RB Patel Group Limited

FHUT's Portfolio: 1.74 %

The financial year ended 30 June 2016, saw RBG reach a net profit after tax of \$ 7.35 million compared to \$5.91 million. During the year, the company declared and paid a total dividend of \$4.50 million (which includes the proposed final dividend payout) compared to \$4.20 million the previous year.

The company operates supermarket stores in Nausori, Nakasi, Nasinu, Suva, Sigatoka, Nadi, Lautoka, Labasa and Lami. There were no significant changes in the nature of these activities during the financial year. The company has a diversified business portfolio and is involved in supermarket, department store, distributors, importers, exporters, wholesalers, cinema and property development

Additionally there was also an increase in revenue from sales from supermarket stores in Nausori, Nakasi, Nasinu, Suva, Sigatoka Nadi, Lautoka, Labasa and Lami. The revenue turnover of \$114 million is

9% increase from 2015. The reported period results are pleasing and company's performance reflects the improving economic and financial conditions both locally and globally. Profit after tax was \$7.35 million for this financial year, an increase of 24% from 2015.

The future outlook for RBG is very promising with the new introduction of Online trading platform whereby customers can now do their shopping online placing orders from either locally or anywhere in the world using their credit card. This was launched by RBG in May, 2016 where Fijian families and friends can now purchase selected grocery and household items, stationeries, toys and other products available at RB Patel supermarkets. Additionally, the restriction on margins imposed on some high volume items continues to provide challenges for businesses in maintaining profitability.

Construction works at the company's residential property in Suva has commenced and the apartment complex is expected to be completed in the next financial year. The JetPoint car park development is also in progress and is expected to be completed later this year. The Board is considering further development of their Harbour Point property in Lami soon. RBG continues to search for new sites for stores keeping in mind that these should add value for their shareholders.

The company's recent share price was of just over \$3.10 continues to reflect shareholders confidence share price in June 15 was \$3.00 which is an increase of just over 3% during the year.

NEWWORLD LIMITED

FHUT's Portfolio: 1.35%

The Financial year 2015 was challenging for the company. The competitiveness and other challenges of retail industry are ever increasing in Fiji and the company is making all efforts to out-perform them which are reflected in the results achieved by the Company. The Company posted an increase in sales of 15.19% and a NPAT of \$3.91 million. The Management of NWL is confident of posting a better performance in terms of sales and profits FY16 based on its current business plans and strategies.

VISION INVESTMENT LIMITED

FHUT's Portfolio: 3.17%

Vision Investments Limited is a diversified and successful enterprise with a solid track record of growth and sustained earnings and a long history of trading in Fiji. The company comprises of a mix of established and mature businesses with a solid track record of profitability and other relatively new businesses, in early stages of growth and profitability. Currently VIL consists of Courts, Vision Motors, Mahogany Industries (Fiji) and Vision Finance.

MANUFACTURING

Manufacturing makes up 6.87 % of the FHUT portfolio consisting of equity investments with Punjas Flour Limited, Golden Manufactureres Limited, Atlantic & Pacific Packaging Company Limited, Pacific Green Industries (Fiji) Limited, Rice Company of Fiji, Pleass Global Limited and FMF Foods Limited

Punjas Flour Limited

FHUT's Portfolio : 2.22%

Punjas Flour Limited began in 1935 as a one-man business and today is one of the largest privately owned group of companies in the South Pacific, employing more than 800 people. Punjas is a Fast Moving Consumer Goods (FMCG) Company with processing, packaging, manufacturing and distribution capabilities in the South Pacific Region.

Punjas Flour Limited operates a multi-million dollar flour mill where premium Australian wheat is processed and packaged into a range of quality products for the Pacific market. Punjas invests heavily in its people, quality control, research and development. Punjas facilities operate to internationally recognised standards & certification,

using the latest technology from the world's leading machinery manufacturers.

Punjas Flour range includes Normal, Premium Atta, Wholemeal Flour, Semolina, and Bakers Flour. The hygiene and quality management systems for Punjas Flours are world standard, accredited by the International Organisation for Standardization, ISO 9001:2008 and ISO 22000:2005, and HACCP (Hazard Analysis and Critical Control Point) for food safety.

Punjas incorporate the latest technology into their flour milling process. Every ounce of Punjas Flour is milled at their multi-million dollar, high-tech, fully integrated flourmill, located in Lautoka. The facility has been designed, installed and commissioned by the worlds leading mill engineering companies – Switzerland-based Buhler Group. The mill produces a wide range of flours such as normal flour, bakers flour, noodle flour, atta flour, wholemeal and semolina for the domestic and export market as well as mill mix for animal feed. The entire process is computer controlled, monitored and operated with stringent hygiene standards.

As an innovative and progressive company, Punjas is always looking at new opportunities and technologies to grow its business and product lines. In addition to their range of brands and services, Punjas also represents a number of world leading brands in the South Pacific. These include Heineken, Moet & Chandon, Anchor, Goodman Fielder and Coca Cola.

Golden Manufacturers Limited

FHUT's Portfolio : 3.17%

Golden Manufacturers is the leading manufacturer of corrugated packaging in the South Pacific. From inception as a small time operator in 1980, the company has grown into one of the largest manufacturers in the region. GML is based in Fiji but serves the entire South Pacific, New Zealand, Australia as well as the Asian rim. GML delivers packaging globally with competitive efficiency that matches and goes beyond market standards all over the world. Their commitment means they deliver the goods to specification and the highest quality standards. A diverse range of international and local clients have been relying on Golden Manufacturers for over 30 years. Whether it's a small local distributor or a multi-faceted corporate, all of their clients feel confident with entrusting their packaging operations with Golden Manufacturers Limited.

GML has continually invested in new technology and equipment. In 2014 the company installed an eight colour flexographic printing press capable of producing high definition and multi-colour print. In September 2015 they installed a new state of the art folder gluer capable of producing straight line folding cartons, crash lock bottom cartons, double wall compound fold cartons, conical case cartons and 4 or 6 point collapsible boxes. Some of GML's products are; Die-cut, pre-printed boxes, wax cartons, heavy duty cartons, corner boards, sheeting & reels and flexible packaging. GML is in the course of strengthening its organization structure, market share and revenue while ensuring that existing customer base is maintained and has successfully achieved it's budget for its 2015 financial year and anticipates to achieve it's projected forecast for the financial year ending December 2016. GML is constantly working on innovative ways to raise the standard of their service and improve their packaging to ensure the success of 'customer's brands'.

Golden Manufacturers is working towards introducing a 11 colour label manufacturing press in the last quarter of the year which will allow GML to offer a wide range of services to its current customer base as well as creating new export opportunities in the region including Australia and New Zealand.

Atlantic & Pacific Packaging Company Limited

FHUT's Portfolio: 0.49%

Atlantic & Pacific Packaging Company Limited or Atpack as it is commonly known is a subsidiary of FMF Foods Limited was established in 1998, to produce a wide range of good quality, attractive packaging

corrugated cartons and assorted containers. In 2015 Atpack ventured into producing plastic pails and polypropylene bags (PP bags). The pails are used for FMF Breakfast Cracker Biscuits and the PPs bags for FMF Flour.

Atpack provides packaging solutions to FMF Foods Group of companies as well as a number of other customers both locally and regionally: Tonga, Samoa, American Samoa and Vanuatu. In addition to excellent quality products, the company's strongpoint is its ability to fast-track the design-to-delivery cycle, thanks to high flexibility in its production processes and in-house graphic capabilities. Atpack production facility and processes are Certified under ISO: 9001:2000 to provide the best quality and service.

In their first half of the financial year for 2016, there was an increase in sales revenue by APP by 53% as compared to the same period the previous year. The half yearly results under review have been adversely impacted by a provision made for raw material variances of \$1.40 million, of which \$1.10 million pertains to prior periods. Furthermore, a stronger US Dollar has resulted in higher procurement cost for raw materials.

With ongoing improvements in its corrugating and printing processes, APP expects the company to be in a much stronger competitive position in next financial year, while the capability to manufacture PP Bags and Extruded Plastics will take it into a new realm of packaging solutions. APP looks forward to the coming year with optimism.

Pacific Green Industries (Fiji) Limited

FHUT's Portfolio: 0.28%

Pacific Green Industries (Fiji) Limited (PGI) specialises in unique collection of tropical furniture, island furniture and resort furniture, with influences from traditional indigenous arts. Recent development in the company is adoption of comprehensive Insurance Policy for 2015 effective 1st January 2015 to 31st December 2015. At PGI AGM, held on 23rd June 2016, shareholders approved a final dividend of \$0.04 per share for the year 2016 based on the sale of shares in China subsidiary. Income derived from this sale continues to be distributed to shareholders as dividend over a five year period.

Rice Company of Fiji

FHUT's Portfolio: 0.07%

Rice Company of Fiji, a subsidiary of FMF Foods Limited is a dealer in rice and allied products. The company which began operation in 1996 has developed a highly efficient processing line using fully automated machinery where the imported rice is milled, cleaned, repacked, and sold. For the financial year 2016, the company declared & paid \$0.25 per share dividend to shareholders. This is an increase of \$0.05 compared to dividend last year. RCF also gained a positive net profit after tax (NPAT) of 21% and a turnover of 2.40% as compared to the same period the previous year.

Pleass Global Limited

FHUT's Portfolio: 0.62%

Pleass Global Limited (PBP) is a Fiji based company publicly listed on the South Pacific Stock Exchange. Pleass principally bottles water and distributes food and beverage packaging across the South Pacific. PBP engages in marketing of beverages, single use items and equipment within Fiji and throughout Oceania targeting major customers and distributors with a goal to offer better service than the customer expects. Pleass Global Limited, doing business as Pleass Beverages & Packaging, trades in non-alcoholic beverages, wholesaling packaging materials, and operates the Kila Eco Adventure Park in Fiji and Australia. It distributes disposable tableware, films and packaging products, foam trays, and publications. The company also provides mosquito magnet products. In addition, it offers bottled water under the AquaSafe and VAIWAI brands; and provides water dispensers, filter housing and fountains, and filter cartridges. The company's plan to invest in a new \$10 million dollar "green fields" state of the art and environmentally sustainably designed warehouse and water bottling

facility on their own 420 acres of land in Namosi, Fiji, is underway. The company recorded a net profit after tax (NPAT) of \$536,188; an increase on the six month period ending 30 June 2015 (NPAT \$333,671). Earnings per share increased to 9 cents compared to 2015 half year of 6 cents.

FMF Foods Limited

FHUT's Portfolio: 0.02%

FMF Foods Limited deals in activities of flour milling, managing of SNAX factory production including biscuits and potato chips with two of its subsidiaries. The company has been listed on the stock exchange since 1979.

Notwithstanding the sluggish sales growth in 2015, the Company did well on the operating results. Tight operations assisted the company beat inflationary cost increases and deliver a 9% higher Net Profit of \$17.46 m against \$ 16.00 m last year.

Beginning of 2016, Board of Directors announced the commencement of new biscuit factory in Veisari Lami, primarily for the export markets. Dividend payout from the holding company has been retained at \$1.8 m. Shareholder equity has again increased substantially from \$84.40 m to \$99.56 m, an 18% growth. A prudent policy has been adopted with regards to dividend, keeping in mind the large capital outlay that is required in 2015-16 for the new biscuit factory being set up by your Company's 100% subsidiary, Bakery Company (Fiji) Ltd. This factory located on the outskirts of Suva will manufacture biscuits primarily targeted at the Melanesian market.

TRANSPORTATION

Transportation makes up 0.81% of the FHUT portfolio consisting of equity investments with VB Holdings Limited.

VB Holdings Limited

FHUT's Portfolio: 0.81%

VB Holdings Limited, pioneer Asset Management Company, established in 1945 offers property and fleet management services. With positive market conditions during the year, VBH property management division also showed growth of around 12.82%, as compared to the corresponding period last year. VB Holdings Ltd with its core business of Fleet Management and Property Management, recorded revenue of \$3.7 million (Unaudited) compared to \$3.8 million for the previous year. The financial results of the Company for the 1st half year recorded a pre-tax profit of \$ 0.58 million (Unaudited). Profit after tax was \$ 0.52 million (Unaudited), which is a decrease of 42% compared to previous year's corresponding period results.

For the first half of 2016, VB Holding's revenue grew by 34.82% under challenging conditions and profit before income tax grew by 2.94%. The company recorded modest growth of 1.85% in net profit after tax in 2015. With positive market conditions during the year, the property management division also showed marginal growth, as compared to the corresponding period last year. The Fleet Management Division contributed 95% (Unaudited) of the total business, there is a plateau in growth to the total business of the company during first half of the year as compared to last year.

ENERGY

Energy - solar makes 0.44% of the FHUT portfolio consisting of equity investments with Pernix (Fiji) Limited

Pernix (Fiji) Limited

FHUT's Portfolio: 0.44%

Pernix (Fiji) Limited (PFL), a subsidiary of Pernix Group Inc. was established in 2000 to diesel fired power generation plants and later operation and maintenance services in the Fiji Islands. The company was formerly known as Telesource Fiji Limited. Currently PFL is under contract with the Fiji Electricity Authority (FEA) to operate and maintain

two separate power generation plants, Kinoya and Vuda, and to sell electrical energy produced, on a wholesale level. Kinoya and Vuda are the two largest diesel based power plants in Fiji. Most recently, PFL was instrumental in providing local man power support to its parent company for work on the New U.S. Embassy Compound.

Pernix (Fiji) Limited announced the award of a 13 year Fiji Electric Authority operations and maintenance (O&M) contract at the recently completed 36-megawatt Kinoya expansion plant in Suva, Fiji. Construction of the plant was completed by Pernix (Fiji) Limited in November 2015. Additionally, the Pernix subsidiary was awarded a five (5) year extension, on its twenty (20) year FEA O&M contract for the existing Kinoya and Vuda Power Stations. The new agreement and the existing contract extension are expected to generate approximately \$42 million dollars in gross revenue through 2028.

INFORMATION, COMMUNICATION, MEDIA & TECHNOLOGY

Though a dynamic sector with lots of growth potential, the communication and information sector makes up only 3.96 % of the FHUT Portfolio. This consists of Amalgamated Telecom Holdings Limited, Data Bureau Limited, Communications Fiji Limited and Life Cinema Limited.

Amalgamated Telecom Holdings Limited

FHUT's Portfolio: 2.11%

Amalgamated Telecom Holdings Limited group of companies comprises, ATH, Telecom Fiji Limited, Vodafone Fiji Limited, Fiji International Telecommunications Limited, Fiji Directories Limited, Datec (Fiji) Limited and its subsidiary, Datec Australia Pty Limited (New subsidiary companies) and Amalgamated Telecom Holdings (Kiribati) Limited (New subsidiary company)

Amalgamated Telecom Holdings Limited, through its subsidiaries, offers telecommunications and related services in Fiji. The company operates through three segments: Fixed Line Telecommunications (Fixed Line Telecom), Mobile Telecommunications (Mobile Telecom), and Other. The Fixed Line Telecom segment offers fixed line telecommunication services, including the sale or lease of telecommunications related office equipment, accessories, and services, such as prepaid telephony and card services. The Mobile Telecom segment provides mobile telecommunication services comprising the sale of associated equipment, accessories, and services. The Other segment offers international public and dedicated telecommunications, data, and Internet services; sells computer hardware and software; and provides technical support and directory services. It is also involved in the compilation and publication of the Fiji telephone directory, as well as provision of call center services.

The profit after income tax of the holding company for the year was over \$34 million (2015: \$28 million), this was a 21% increase from the previous year. The consolidated profit after income tax attributable to the members of the holding company for the financial year was \$56 million compared to \$49 million for 2015.

Data Bureau Limited

FHUT's Portfolio: 0.34%

Data Bureau Limited (DBL) was established in 2001 by a number of leading financial institutions and has established Credit Bureau operations in Fiji, Tonga and Vanuatu. DBL is the leading provider of credit historical information on individual and businesses in the South Pacific.

It began its operations in Fiji in 2001 as a limited liability company, which has been an initiative of a group of financial institutions and insurance companies. However, in April 2016 the Parliament of Fiji had enacted legislation that could force a reset of all credit history held by credit reporting company, Data Bureau Limited. With the closure of

its Fiji operations, while Tonga and Vanuatu operations still remained intact.

Communications Fiji Limited

FHUT's Portfolio: 1.10%

Communications Fiji Ltd (CFM), the largest radio broadcasting company in the South Pacific. CFM operates five radio stations in Fiji and, under subsidiary PNG FM, a further three in Papua New Guinea.

The principal business activity of the company and the subsidiary company in the course of the year was the operation of commercial radio stations and there has been no significant change in this activity during the year. The associate companies provide wireless internet services, cinema entertainment and renting of a property respectively.

The operating profit (NPAT) for the holding company for its 2015 financial year ended 31 December was \$1.73 million compared to \$1.26 million the previous year.

Life Cinema Limited

FHUT's Portfolio: 0.42%

The 2016 financial year has been a very challenging year for Life Cinema Limited with their local team still getting to know the local market and the demographics of the West in the early part of the year. The team have learnt a great deal and have seen much more successes and positive growth in the cinema industry. A lot of time was also spent during the year to fine-tuning their customer experience, film selection and product range to provide a movie experience far greater than what has been considered the norm in Fiji.

Life Cinema is continually viewing more customers from all over Fiji traveling to experience the innovative cinema experience. Many outstanding and remarkable movies have been released with some amazing results at the box office. Life Cinema plans to open two multiplexes in the next financial year in Lautoka with two cinema screens and in Nakasi with three cinema screens. This is expected to improve their overall performance and provide a wider coverage for Life Cinemas. With the commitment from their local team, Life Cinema is optimistic to attaining growth at the cinemas in the year to come.

OVERSEAS INVESTMENT

The Fund has also invested in the Australian Stock Exchange listed stocks; Market – ASX, ANZ Banking Corp, Telstra Corp, Woolworth Corp, Wesframers Ltd, and BHP Billiton Ltd. FHUT has 0.54% of its portfolio invested in Overseas listed stocks.

MANAGED FUNDS

FHUT has less than 1% of its portfolio invested in other local managed funds.

BONDS

FHUT investments in bonds make up 13.88% of the portfolio consisting of Fiji Development Loan, Fiji Development Bonds, Fiji Infrastructure bonds, Housing Authority bonds, and Treasury Bill Bonds.

CASH & FIXED INTEREST SECURITIES

This sector makes up 50.53 % of the FHUT portfolio consisting mainly of on-call, term deposits and secured short term loans with various financial institutions and well established reputable companies to allow the Fund to access funds readily for investment opportunities that may arise.



**FIJIAN HOLDINGS UNIT TRUST
FINANCIAL STATEMENTS**
Year Ended 30 June 2016

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FIJIAN HOLDINGS UNIT TRUST

TRUSTEE'S AND MANAGER'S REPORT

For the year ended 30 June 2016

In accordance with resolutions of the Trustee and Manager, the Trustee and Manager herewith submit the statement of financial position of the Fijian Holdings Unit Trust ("Trust") as at 30 June 2016, the related statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date and report as follows:

Trustee and Manager

The names of Trustee and Manager in office at the date of this report are:

FHL Trustees Limited	Trustee
FHL Fund Management Limited	Manager

Date of Formation

The Trust was formed on 27 April 2001 and has a life of 60 years from its inception.

Principal Activity

The Trust is an investment vehicle that allows investors' monies to be pooled with other unit holders' monies that in return are issued with units and become unit holders in the trust. The pooled funds are then invested by the Manager across a range of investments in accordance with the investment guidelines contained in the Investment Policy statement.

Results

The Trust recorded a net income available for distribution of \$3,410,737 (2015: \$4,164,398).

Dividends

The Trust declared and paid a final dividend for 2015 of \$2,772,591 and an interim dividend for 2016 of \$1,570,683 during the year.

Assets

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

As at the date of this report, the Trustee and Manager are not aware of any circumstances, which would render the values attributed to assets in the Trust's financial statements misleading.

Unusual Transactions

In the opinion of the Trustee and Manager, the results of the operations of the Trust during the financial year were not substantially affected by any item, transaction or event of a material unusual nature, nor has there arisen between the end of the financial year and the date of this report any item, transaction or event of a material unusual nature likely, in the opinion of the Trustee and Manager, to affect substantially the results of the operations of the Trust in the current financial year, other than those reflected in the financial statements.

Fair Value Reserves

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised, disposed or impaired.

Basis of Accounting

The Trustee and Manager believe that the basis of preparation of the financial statements is appropriate and the Trust will be able to continue in operation for at least 12 months from the date of this report. Accordingly, the Trustee and Manager believe that the classification and carrying amounts of the assets and liabilities as stated in the financial statements to be appropriate.

FIJIAN HOLDINGS UNIT TRUST

TRUSTEE'S AND MANAGER'S REPORT - CONTINUED

For the year ended 30 June 2016

Related Party Transactions

In the opinion of the Trustee and Manager all related party transactions have been adequately recorded in the books of the Trust and reflected in the financial statements.

Significant Events

As at the date of this report, the Trustee and Manager are not aware of any other significant event, other than those already included in the financial statements.

Events Subsequent to Balance Date

In July 2016 the Directors declared a final dividend of \$1,852,509 for the year ended 30 June 2016. Apart from this, the Trustee and Manager are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements that will significantly or may significantly affect the operations of the Trust, the results of those operations or state of affairs of the Trust in subsequent financial years.

Other Circumstances

As at the date of this report:

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

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

Trustee's and Manager's Benefits

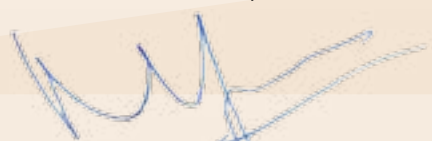
Since the end of the previous financial year, no Trustee or Manager has received or become entitled to receive a benefit (other than those included in the aggregate amount of emoluments received or due and receivable by Trustee and Manager shown in the financial statements or received as the fixed salary of a full-time employee of a related party) by reason of a contract made by the Trust or by a related party with the Trustee or Manager or with a firm of which they are a member, or with a company in which they have a substantial financial interest.

Approval of the Financial Statements

The financial statements for the year ended 30 June 2016 together with the accompanying notes set out on pages 25 to 35 are approved as being in accordance with the books and records of the Fijian Holdings Unit Trust.

Signed for and on behalf of the Trustee and Manager in accordance with resolutions of the Trustee and Manager.

Dated at Suva this 19th day of October 2016.



FHL Fund Management Limited
Manager - Fijian Holdings Unit Trust



FHL Trustees Limited
Trustee - Fijian Holdings Unit Trust

FIJIAN HOLDINGS UNIT TRUST
STATEMENT BY TRUSTEE AND MANAGER

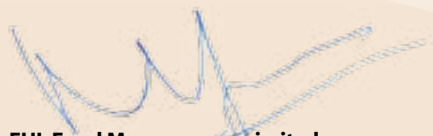
For the year ended 30 June 2016

In accordance with resolutions of the Trustee and Manager, we state that in our opinion:

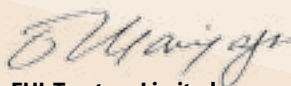
- (i) the accompanying statement of comprehensive income of the Trust is drawn up so as to give a true and fair view of the results of the Trust for the year ended 30 June 2016;
- (ii) the accompanying statement of changes in equity of the Trust is drawn up so as to give a true and fair view of the changes in equity of the Trust for the year ended 30 June 2016;
- (iii) the accompanying statement of financial position of the Trust is drawn up so as to give a true and fair view of the state of affairs of the Trust as at 30 June 2016;
- (iv) the accompanying statement of cash flows of the Trust is drawn up so as to give a true and fair view of the cash flows of the Trust for the year ended 30 June 2016;
- (v) at the date of this statement there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they fall due; and
- (vi) all related party transactions have been adequately recorded in the books of the Trust.

Signed for and on behalf of the Trustee and Manager in accordance with resolutions of the Trustee and Manager .

Dated at Suva this 19th day of October 2016.



FHL Fund Management Limited
Manager - Fijian Holdings Unit Trust



FHL Trustees Limited
Trustee - Fijian Holdings Unit Trust



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INDEPENDENT AUDIT REPORT

TO THE UNIT HOLDERS OF FIJIAN HOLDINGS UNIT TRUST

We have audited the accompanying Financial Statements of Fijian Holdings Unit Trust, which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year ended and a summary of significant accounting policies and other explanatory notes.

Trustee's and Manager's Responsibility for the Financial Statements

The trustee and manager are responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting Standards ("IFRS"), the requirements of the Unit Trust Act 1978, provisions of the Trust Deed, Trustee Act 1966 and Capital Markets Decree 2009. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Fijian Holdings Unit Trust as at 30 June 2016 and its financial performance, changes in equity and cashflows for the year 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, provisions of the Trust Deed, Trustee Act 1966 and the Capital Markets Decree 2009 in the manner so required.

Suva, Fiji
19 October 2016

Ernst & Young
Chartered Accountants

FIJIAN HOLDINGS UNIT TRUST

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Revenue			
Interest income	2(a)	1,782,153	1,842,707
Dividend income	2(b)	3,063,464	3,363,202
Net equalization		65,747	360,713
		4,911,364	5,566,622
Expenses			
Bank charges		155	1,809
Management fees	1.2(g)	1,380,126	1,150,875
Professional fees	2(c)	31,276	26,684
Trustee's fees	1.2(h)	58,488	81,589
Doubtful debts		-	96,580
Other expenses		30,582	44,687
		1,500,627	1,402,224
Net income available for distribution		3,410,737	4,164,398
Net income for the year attributable to unit holders		3,410,737	4,164,398
Other comprehensive income			
Fair value gain on financial assets	3	1,154,264	1,666,641
Total comprehensive income for the year		4,565,001	5,831,039

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

FIJIAN HOLDINGS UNIT TRUST
STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Unit holders' equity			
At 1 July		64,709,915	47,960,250
17,981,842 units created during the year (2015: 26,055,055 units)		13,586,610	19,083,031
3,763,132 units redeemed during the year (2015: 3,200,935 units)		(2,811,538)	(2,333,366)
At 30 June	8	75,484,987	64,709,915
Net income available for distribution			
At 1 July		2,850,881	2,138,978
Net income available for distribution		3,410,737	4,164,398
Dividend declared and paid during the year		(4,343,274)	(3,452,495)
At 30 June	6	1,918,344	2,850,881
Fair value reserves			
At 1 July		11,532,162	9,865,521
Fair value gain on financial assets		1,154,264	1,666,641
At 30 June	3	12,686,426	11,532,162
Total unit holders' equity		90,089,757	79,092,958

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

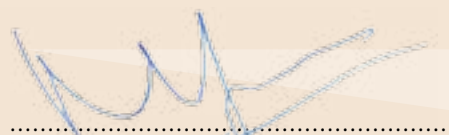
FIJIAN HOLDINGS UNIT TRUST
STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Assets			
Cash and short term deposits	10	5,164,053	13,572,675
Accrued income	5	838,670	2,279,048
Loans and receivables financial assets	4(a)	5,190,000	5,190,000
Available-for-sale financial assets	4(b)	43,644,899	38,152,572
Held-to-maturity financial assets	4(c)	35,800,000	20,107,546
		90,637,622	79,301,841
Liabilities			
Net income declared for distribution		6,637	2,211
Other liabilities	7	541,228	206,672
		547,865	208,883
Net assets		90,089,757	79,092,958
Unit holders' equity			
Unit holders equity repayable on demand: 116,160,883 units fully paid (2015: 101,942,173 units)	8	75,484,987	64,709,915
Net income available for distribution	6	1,918,344	2,850,881
Fair value reserves	3	12,686,426	11,532,162
Total unit holders' equity		90,089,757	79,092,958

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

Signed for and on behalf of the Trustee and Manager in accordance with resolutions of the Trustee and Manager .



FHL Fund Management Limited
 Manager - Fijian Holdings Unit Trust



FHL Trustees Limited
 Trustee - Fijian Holdings Unit Trust

FIJIAN HOLDINGS UNIT TRUST
STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
Operating activities			
Cash received in the course of operations		6,692,444	3,834,500
Cash payments in the course of operations		(1,502,347)	(1,322,410)
Net cash flows from Operating Activities		5,190,097	2,512,090
Investing activities			
Acquisition of available-for-sale financial assets		(4,338,063)	(6,086,569)
Acquisition of term deposits		(1,500,000)	(1,800,000)
Issue of short-term loans		(20,000,000)	(8,000,000)
Repayment from short-term loans		5,807,546	4,392,454
Net cash flows (used in) Investing Activities		(20,030,517)	(11,494,115)
Financing activities			
Proceeds from issue of units		13,586,610	19,083,031
Payments for repurchase of units		(2,811,538)	(2,333,366)
Distributions paid		(4,343,274)	(3,452,495)
Net cash flows from Financing Activities		6,431,798	13,297,170
Net (decrease)/increase in cash and short term deposits		(8,408,622)	4,315,145
Cash and short-term deposits at 1 July		13,572,675	9,257,530
Cash and short-term deposits at 30 June	10	5,164,053	13,572,675

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

FIJIAN HOLDINGS UNIT TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

1. GENERAL INFORMATION

Fijian Holdings Unit Trust ("the Trust") is a unit trust domiciled in Fiji. Significant accounting policies which have been adopted in the preparation of these Financial Statements are noted below.

The financial statements were authorised for issue by the Trustee and Manager on 19 October 2016.

1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies adopted by the Trust is set out in this note. The policies adopted are in accordance with International Financial Reporting Standards ("IFRS"), and unless stated otherwise are consistent with those applied in the prior period.

a) Statement of compliance

The financial statements of the Trust have been prepared in accordance with the Unit Trust Act 1978, provisions of the Trust Deed, Trustee Act 1966, the Capital Markets Decree 2009 and International Financial Reporting Standards ("IFRS").

b) Basis of preparation

The financial statements have been prepared primarily on the basis of historical costs and except where specifically stated, do not take into account current valuations of assets.

Standards issued but not effective

A number of standards and interpretations have been issued by the IASB during the year, but not yet effective, up to the date of issuance of the Trust's financial statements. The Trust intends to adopt these standards, if applicable, when they become effective.

- IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Trust's financial assets, but no impact on the classification and measurement of the Trust's financial liabilities.

- IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

c) Use of estimates and judgments

The preparation of the financial statements requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

FIJIAN HOLDINGS UNIT TRUST

NOTES TO THE FINANCIAL STATEMENTS - continued

For the year ended 30 June 2016

1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**c) Use of estimates and judgments- continued**

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements including the following notes:

Note 1.2(d) - Financial assets

Note 1.2(e) - Revenue recognition

d) Financial assets

Financial assets are classified into the following categories: fair value through profit or loss (FVTPL), held-to-maturity, loans and receivables and available-for-sale financial assets. The classification is dependent on the purpose for which the financial assets are acquired. The Manager determines the classification of financial assets at the time of the purchase and re-evaluates such designation at each reporting date.

(i) Fair value through profit or loss

Financial assets that are acquired principally for the purposes of generating a profit from short-term fluctuations in price are classified as fair value through profit or loss. Fair value through profit or loss are carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of these financial assets are included in the statement of comprehensive income in the period in which they arise. During the year, the Trust did not designate any financial asset through profit or loss.

(ii) Held-to-maturity financial assets

Held-to-maturity financial assets are non derivative financial assets with fixed or determinable payments and fixed maturities that the Trust's Manager has the positive intention and ability to hold to maturity.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non derivative financial assets that are either designated in this category or not classified in any of the other categories.

Purchases and sales of available-for-sale financial assets are recognised on trade-date – the date on which the Trust commits to purchase or sell the asset. Available-for-sale financial assets are initially recognised at fair value plus transaction costs for all financial assets. Loans and receivables and held-to-maturity financial assets are carried at amortised costs using the effective interest method.

Unrealised gains and losses arising from changes in the fair value of non-monetary financial assets classified as available-for-sale financial assets are recognised in other comprehensive income and presented in the fair value reserve in equity. When available-for-sale financial assets are derecognised or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses.

(iv) Loans and receivables

Loans and receivables are recognised at recoverable amount, after assessing required provisions for impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement.

Impairment is assessed by specific identification in relation to individual loans and estimation of expected losses in relation to loan portfolios where specific identification is impracticable. Bad debts are written off when identified. If an allowance for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the allowance. If no allowance for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the statement of comprehensive income.

The fair values of quoted financial assets are based on current market prices. Other unlisted equities are valued by independent valuers approved by the Manager and Trustee as per the Trust Deed.

1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

d) Financial assets - continued

Fair value in an inactive or unquoted market

The fair value of financial assets that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on the Manager's best estimates and the discount rate used is a market rate at the balance date applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data such as their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs at the balance date. Fair values for unquoted equity financial assets are estimated, if possible, using applicable pricing/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

Financial assets in other unlisted unit trusts are recorded at the redemption value per unit as reported by the manager of such trusts.

The Manager with the endorsement of the Trustee assesses at balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired.

If such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from reserves and recognised in the statement of comprehensive income.

e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trust and revenue can be reliably measured. Amounts disclosed as operating revenue are net of sales discounts, duties and taxes. Revenue is measured at the fair value for the consideration received or receivable.

Dividend income from listed or quoted entities is recognised when a market announcement is made. Dividend income from private equities is recognised on a receipt basis.

f) Distributions

In accordance with the Trust Deed, the Trust may distribute, by cash or reinvestment, all distributable income to unit holders. Distributable income is the Manager's estimate, with the Trustee's approval, of the amount the Trustee may distribute, not exceeding the net income of the Trust for an accrual period.

g) Management fees

Management fees are standard fees stated under the terms of the Trust Deed and based on 1.65% (2015: 1.75%) on the value of total Trust Fund. This is payable after creation end and is calculated on the net asset value of the unit trust at the beginning of the next creation.

h) Trustee fees

Trustee fees payable to FHL Trustees Limited were fixed at \$38,000 (2015: \$32,000) until the Trust's portfolio reaches \$100 million (2015: \$45 million) or 0.05% (2015: 0.125%) of the total value of the Trust Fund when it exceeds \$100 million. This amount is paid semi-annually in arrears to the Trustee.

FIJIAN HOLDINGS UNIT TRUST

NOTES TO THE FINANCIAL STATEMENTS - continued

For the year ended 30 June 2016

1.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**i) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Trust prior to the end of the financial year and which are unpaid.

j) Entry fees

The Manager is entitled under the Trust Deed to an entry fee of up to 3.5% (2015: 4%). The entry fees only applies to units that are purchased.

k) Taxes*Income taxes*

The Trust is not subject to income tax provided the distributable income is declared for distribution to unit holders.

Value Added Tax ("VAT")

The Trust is exempted from VAT.

l) Cash and short term deposits

For the purposes of the statement of cash flows, cash and short term deposits comprise cash on hand, deposits held at call with banks and other short-term highly liquid financial assets.

m) Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Distributions are recognised as a liability in the period in which they are declared.

n) Reporting currency

All figures are reported in Fiji dollars.

o) Comparative figures

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

FIJIAN HOLDINGS UNIT TRUST
NOTES TO THE FINANCIAL STATEMENTS - continued
 For the year ended 30 June 2016

2. REVENUE AND EXPENSES

	2016 \$	2015 \$
a) Interest income	1,782,153	1,842,707

Interest income is earned from short-term loans and receivables and bonds. The interest rate on short-term loans ranged from 3.5% to 7.75% (2015: 2.5% to 12.5%). The average bond price is 1.0931 (2015: 1.1119).

b) <u>Dividend income</u>		
Listed securities	507,677	235,006
Unlisted securities	2,555,787	3,128,196
	3,063,464	3,363,202

Listed securities refers to financial assets listed on the South Pacific Stock Exchange.

c) <u>Professional fees</u>		
Auditor's remuneration - audit fees	7,000	7,000
- other services	4,276	3,009
Investment valuation fees	20,000	16,675
	31,276	26,684

3. FAIR VALUE RESERVES

	\$	\$
Net change in the fair value of available-for-sale financial assets	12,686,426	11,532,162
This is represented by as follows:		
Balance as at 1 July	11,532,162	9,865,521
Movement during the year	1,154,264	1,666,641
Balance as at 30 June	12,686,426	11,532,162

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the financial assets are derecognised, disposed or impaired.

4. FINANCIAL ASSETS

	\$	\$
(a) <u>Loans and receivables</u>		
On-call facility	5,190,000	5,190,000
	5,190,000	5,190,000
(b) <u>Available-for-sale financial assets</u>		
<i>Listed equities</i> (quoted on the South Pacific Stock Exchange)	10,382,347	5,946,416
<i>Unlisted equities</i>		
Shares in unlisted companies	20,643,270	18,423,817
Quoted managed fund	100,629	96,631
Bonds	12,518,653	13,685,708
	33,262,552	32,206,156
Less: Allowance for impairment losses	-	-
	33,262,552	32,206,156
Total value of equities held by the Trust as at balance date	43,644,899	38,152,572

FIJIAN HOLDINGS UNIT TRUST

NOTES TO THE FINANCIAL STATEMENTS - continued

For the year ended 30 June 2016

4. FINANCIAL ASSETS - continued

(b) Available-for-sale financial assets - continued

Unrealised net change in fair value of available-for-sale financial assets at balance date is \$12,686,426 (2015: \$11,532,162).

Maturity profile of investments in Bonds are as follows:

Bonds	Year of Maturity	2016 \$	2015 \$
Promissory Notes	2015	-	578,176
Treasury Bill Bond	2015	-	195,183
Fiji Development Bank Bond	2016	1,511,034	2,163,041
Fiji Infrastructure Bond	2016	200,471	198,580
Housing Authority	2016	200,721	198,318
Treasury Bill Bond	2016	291,607	287,371
Fiji Development Bank Bond	2017	1,802,921	1,806,021
Fiji Infrastructure Bond	2017	100,008	100,000
Housing Authority	2017	199,756	197,905
Treasury Bill Bond	2017	191,914	-
Fiji Development Bank Bond	2018	2,580,420	2,637,152
Fiji Infrastructure Bond	2018	301,405	300,214
Housing Authority	2019	204,037	201,878
Fiji Infrastructure Bond	2021	104,255	105,999
Housing Authority	2021	202,017	201,311
Fiji Development Bank Bond	2022	121,414	127,112
Fiji Infrastructure Bond	2022	645,710	369,220
Fiji Development Bank Bond	2023	332,415	347,885
Fiji Infrastructure Bond	2024	144,643	149,568
Fiji Development Bank Bond	2025	248,616	258,914
Fiji Development Bank Bond	2026	689,617	716,798
Fiji Infrastructure Bond	2027	1,123,747	1,163,716
Fiji Development Bank Bond	2028	184,028	191,533
Fiji Development Bank Bond	2029	793,737	832,364
Fiji Infrastructure Bond	2029	94,048	97,031
Fiji Development Bank Bond	2030	250,111	260,418
		12,518,653	13,685,708
		\$	\$
(c) <u>Held-to-maturity financial assets</u>			
Short-term loans		15,500,000	18,307,546
Short-term deposits		18,800,000	1,800,000
Long-term deposits		1,500,000	-
		35,800,000	20,107,546
Less: Allowance for impairment losses		-	-
		35,800,000	20,107,546

The short term deposits have a term of 6 to 12 month whereas long term deposits have a term of more than 12 months and earn interest at 3.72% to 5.5% per annum.

Short-term loans have a term of 6 to 24 months and earn interest at 3.5% to 7.5% per annum.

FIJIAN HOLDINGS UNIT TRUST

NOTES TO THE FINANCIAL STATEMENTS - continued

For the year ended 30 June 2016

5. ACCRUED INCOME

	2016 \$	2015 \$
Accrued interest income	176,984	334,069
Accrued dividend income	758,266	2,041,559
Less: provision for doubtful debts	(96,580)	(96,580)
	<u>838,670</u>	<u>2,279,048</u>

6. NET INCOME AVAILABLE FOR DISTRIBUTION

	\$	\$
Final distribution payable to unit holders	<u>1,918,344</u>	<u>2,850,881</u>

7. OTHER LIABILITIES

	\$	\$
Trust Clearing	469,990	129,288
Sundry creditors	21,629	21,629
Accruals	49,609	55,755
	<u>541,228</u>	<u>206,672</u>

8. UNIT HOLDERS' EQUITY

	\$	\$
Unit holders' equity - 116,160,883 units (2015: 101,942,173 units)	<u>75,484,987</u>	<u>64,709,915</u>

9. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTSContingent liabilities

The Trustee and Manager are not aware of any contingent liabilities at balance date (2015: \$Nil).

Capital commitments

There were no capital commitments at balance date (2015: \$Nil).

Operating lease commitments

There were no operating lease commitments at balance date (2015: \$Nil).

10. CASH AND SHORT TERM DEPOSITS

Cash and short term deposits consist of cash on hand and balances with banks. Cash and short term deposits included in the statement of cash flows comprise the following amounts:

	\$	\$
Cash at bank	<u>5,164,053</u>	<u>13,572,675</u>

FIJIAN HOLDINGS UNIT TRUST

NOTES TO THE FINANCIAL STATEMENTS - continued

For the year ended 30 June 2016

11. RELATED PARTY DISCLOSURES

	2016 \$	2015 \$
(a) Identity of related parties		
<i>Trustee</i>		
The Trustee of the Trust is FHL Trustees Limited ("FTL").		
<i>Manager</i>		
The Manager of the Trust is FHL Fund Management Limited ("FHLFML").		
<i>Other</i>		
The Trust holds investments with companies in the Fijian Holdings Group, including Fijian Holdings Limited, Merchant Finance Limited and RB Patel Group Limited. FHL Stockbrokers Limited acts as broker for the Trust's listed investments.		
(b) Transactions with related parties		
<i>(i) Transactions with Fijian Holdings Limited and its subsidiary companies ("FHL Group")</i>		
Related party	Nature of transaction	
Fijian Holdings Limited	Distributions	(205,437) 282,518
Fijian Holdings Limited	Interest income	272,289 222,120
FHL Fund Management Limited	Management fees	(1,380,126) (1,150,875)
Basic Industries Limited	Interest income	- 44,646
South Seas Cruises Limited	Interest income	1,818 263,025
RB Patel Group Limited	Interest income	116,020 148,510
RB Patel Group Limited	Dividend	70,585 70,000
Merchant Finance Limited	Interest income	89,807 8,066
Merchant Finance Limited	Dividend	3,013,600 2,435,000
		<u>1,978,556 1,757,974</u>
<i>(ii) FHL Trustees Limited ("FTL")</i>		
Under the terms of the Trust Deed, FTL as Trustee is entitled to receive a fixed yearly fee of \$38,000 until the total value of the FHUT investment portfolio reaches \$100 million calculated semi-annually. When the total value of the Trust's investment portfolio reaches \$100 million and over, the Trustee fee will be calculated and paid out semi-annually on the basis of 0.05% of the total value of the Trust's investment portfolio per annum.		
During the year, fees to FHL Trustees Limited amounted to \$58,488 (FHL Trustees Limited 2015: \$81,589).		
<i>(iii) Owing by related parties</i>		
Owing by Fijian Holdings Limited	6,150,000	4,150,000
Owing by Merchant Finance Limited	4,000,000	-
Owing by South Seas Cruises Limited	-	3,200,000
Owing by RB Patel Group Limited	3,040,000	3,040,000
	<u>13,190,000</u>	<u>10,390,000</u>
<i>(iv) Investments in related parties</i>		
<u>Listed securities</u>	<u>\$</u>	<u>\$</u>
RB Patel Group Limited	1,566,446	1,499,399
<u>Unlisted securities</u>		
Merchant Finance Limited	14,478,000	11,684,000

FIJIAN HOLDINGS UNIT TRUST

NOTES TO THE FINANCIAL STATEMENTS - continued

For the year ended 30 June 2016

12. TRUST DETAILS*Date of formation*

The Trust was formed on 27 April 2001 and has a life of 60 years from its inception.

Registered office

The Trust's registered office is located at Ground Floor, Ra Marama, 91 Gordon Street, Suva.

Principal activity

The unit trust is an investment vehicle that allows investors' monies to be pooled with other unit holders' monies that in return are issued with units and become unit holders in the unit trust. The pooled funds are then invested by the Manager across a range of investments in accordance with the investment guidelines contained in the Investment Policy Statement.

13. SUBSEQUENT EVENTS

In July 2016 the Directors declared a final dividend of \$1,852,509 for the year ended 30 June 2016. Apart from this, the Trustee and Manager are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements that will significantly or may significantly affect the operations of the Trust, the results of those operations or state of affairs of the Trust in subsequent financial years.

14. RISK MANAGEMENT POLICIES

The Trust has exposure to the following risks:

- Market risk;
- Operational risk;
- Credit risk; and
- Liquidity risk.

This note presents information about the Trust's exposure to each of the above risks, the Trust's objectives, policies and processes for measuring and managing risk, and the Trust's management of funds.

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

Market risk*(i) Interest rate*

This is the risk borne by interest bearing assets such as loans and bonds due to the changes in interest rate. Through its investment policy the Trust will aim to balance its portfolio through short term deposits and long term loans. At the reporting date the interest rate profile of the Trust's interest bearing financial instruments carrying amounts were:

	2016 \$	2015 \$
<i>Fixed rate instrument</i>		
Short-term loans and receivables	5,190,000	5,190,000
Held-to-maturity financial assets	35,800,000	20,107,546

Fair value sensitivity analysis

The Trust does not account for any financial assets and liabilities at fair value through income and expenses. Therefore a change in interest rates at the reporting date would not affect the income and expenses.

FIJIAN HOLDINGS UNIT TRUST

NOTES TO THE FINANCIAL STATEMENTS - continued

For the year ended 30 June 2016

14. RISK MANAGEMENT POLICIES - continued*(ii) Performance*

This relates to the risk that the Manager's investment selection may not achieve the objective of the Trust or produce acceptable returns for unit holders.

All unit holders (including potential ones) are fully informed of the risks involved.

(iii) Conflicts of interests

Conflicts of interests between the Trust, FHL FML, FTL and FHL may exist and also arise in the future in a number of areas relating to FHL past and on-going relationships, including potential acquisition or dispositions of business or real properties, payment of dividends and FHL FML management arrangements.

Under the Trust Deed, written approval is required from the Trustee for any Trust dealings with the associates of the Manager.

Operational risk*(i) 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 FHL Group Chief Executive Officer and the Compliance Committee. The Manager monitors changes to regulations for compliance and implementation of market best practices.

(ii) 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 an operations manual to deal with all operational processes in line with necessary regulations.

The Manager also conducts third party due diligence on new investments.

(iii) Data risk

This is the risk of losing information including unit holder account details even though there is a 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 store more information, conducts daily backups of electronic information and has developed a disaster recovery plan.

Credit risk

This refers to the risk of losing investment funds due to companies the Trust has provided short term loans defaulting on their repayments of principal or interest or both.

The Trust will minimize risk by conducting thorough due diligence on any investments it makes, ensure that there are guarantees on these investments by principal stakeholders or sister companies, limit the amount that is given as loans and implement certain conditions to allow the Trust to collect the funds.

NOTES TO THE FINANCIAL STATEMENTS - continued

For the year ended 30 June 2016

14. RISK MANAGEMENT POLICIES continued**Credit risk continued**

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2016	2015
	\$	\$
Cash and short term deposits	5,164,053	13,572,675
Loans and receivables financial assets	5,190,000	5,190,000
Available-for-sale financial assets	43,644,899	38,152,572
Held-to-maturity financial assets	35,800,000	20,107,546
Accrued income	838,670	2,279,048
	90,637,622	79,301,841

Liquidity risk

This is the risk that the Trust will not be able to facilitate its unit holders' redemption request. The Trust aims to maintain a buffer fund in liquid assets at all times to meet expected normal redemptions.

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.

