RECOMMENDED ACCOUNTING PRACTICE

RAP 7

Reporting Framework for Unit Trusts

The Statement of Recommended Accounting Practice, RAP 7, was first approved by the Council of the Institute of Singapore Chartered Accountants (formerly known as Institute of Certified Public Accountants of Singapore) in March 2002. It was then revised and approved by the Council of the Institute of Singapore Chartered Accountants in December 2003; and reissued in January 2004 and again revised, approved and reissued in May 2005.

This RAP was revised and approved by the Council of the Institute of Singapore Chartered Accountants in June 2012; and issued in June 2012.

This revised RAP 7 supersedes the RAP of the same title in May 2005.

RECOMMENDED ACCOUNTING PRACTICE 7
REPORTING FRAMEWORK FOR UNIT TRUSTS

(Effective for audits of unit trusts for periods beginning on or after 30 June 2012)

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RECOMMENDED ACCOUNTING PRACTICE	**RAP 7**

Foreword

This statement of Recommended Accounting Practice (”RAP”) was first approved in 2002 and is based on the Statement of Recommended Practice (“SORP”) on Financial Statements of authorised unit trusts schemes issued by the Investment Management Regulatory Organisation Limited (“IMRO”) in the United Kingdom. This RAP was subsequently revised in 2004 and 2005 based on the SORP on Financial Statements of Authorised Funds issued by the Investment Management Association (“IMA”) in the United Kingdom. The Institute acknowledges its gratitude to both IMRO and IMA.

This RAP sets out recommendations on the way in which the managers of a unit trust should prepare the unit trust financial statements for unitholders. This RAP is intended to be applicable to all authorised unit trusts in the Republic of Singapore, regardless of their constitution, size or complexity. Managers and trustees are encouraged to comply with the recommendations set out in this RAP.

For the purposes of this RAP 7, an authorised unit trust is a collective investment scheme constituted in Singapore and authorised by the Monetary Authority of Singapore under Section 286 of the Securities and Futures Act (Chapter 289) or any other unit trust that elects to adopt RAP 7 in the preparation of its financial statements.

The Code on Collective Investment Schemes requires authorised unit trusts to prepare their annual and semi-annual financial statements in the manner prescribed under RAP 7.

Introduction

Status

1 This statement of Recommended Accounting Practice (“RAP”) sets out recommendations as to how the managers of a unit trust authorised by the Monetary Authority of Singapore (“MAS”), including unit trusts registered with the Central Provident Fund Board (“CPF”) should prepare the unit trust’s financial statements for unitholders.

2 This RAP is issued by the Institute of Singapore Chartered Accountants (“ISCA”) in consultation with the Investment Management Association of Singapore (“IMAS”).

3 Managers of unit trusts are required to comply with the Securities and Futures Act (Chapter 289), its subsidiary legislation and the Code on Collective Investment Schemes (“Code”) issued by the MAS and where applicable, guidelines issued by the CPF (Collectively called “Regulations and Guidelines”). They are also required to comply with the provisions of the trust deeds governing the respective unit trusts.

4 The recommendations of this RAP have been arrived at taking into consideration the accounting standards in force.

General Accounting Recommendations

5 The fundamental accounting concepts apply equally to unit trusts.

6 Accounting policies should generally comply with the principles relating to recognition and measurement of the Financial Reporting Standards (“FRSs”) issued by the Accounting Standards Council. Appropriate disclosure of the accounting policies should be made in the notes to the financial statements.

Other Regulations and Guidelines

7 The recommendations of this RAP should be read in conjunction with the Code and any Regulations and Guidelines relating to unit trusts which are in force. The financial statements of a unit trust should state whether they have been prepared in accordance with RAP 7.

In the extremely rare circumstances in which the managers and trustees conclude that compliance with a requirement in this RAP would be so misleading that it would conflict with the objective of financial statements set out in the Framework of FRS, the unit trust shall depart from that requirement in the manner set out in paragraph 8 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.

8 When a unit trust departs from a requirement of this RAP in accordance with paragraph 7, it shall disclose:

(a) that the managers and trustees have concluded that the financial statements present fairly the unit trust's financial position and total return;
(b) that it has complied with RAP 7 except that it has departed from a particular requirement to achieve a fair presentation;
(c) the nature of the departure, including the treatment that RAP 7 would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in the Framework of FRS, and the treatment adopted; and
(d) for each period presented, the financial impact of the departure on each item in the financial statements that would have been reported in complying with the requirement.

When a unit trust has departed from a requirement of RAP 7, and that departure affects the amounts recognised in the financial statements for the current period, it shall make the disclosures set out in paragraph 8(c) and (d).

9 For the sake of completeness, this RAP also takes into consideration the Regulations and Guidelines relevant to the manager's annual and interim report to unitholders. The manager will need to ensure that its reports comply with the Regulations and Guidelines and with any relevant IMAS guidelines.

Approach

10 **Whilst the whole of this document represents the RAP, in order to distinguish required practice from what is primarily explanatory background, the specific recommendations of the RAP are printed in bold throughout the document.**

11 In preparing this RAP, ISCA has been greatly assisted by a working party consisting of representatives from the accounting profession, the asset management industry, the trustees and other service providers to the industry. The approach has been to seek to give the clearest possible information to unitholders in the light of current developments in the market place. This has led to the concept of the Statement of Total Return.

Contents of the Report

12 The main thrust has been to concentrate on the Statement of Total Return. By showing in one statement the combined return of net income and net gains/losses to the unit trust, the unitholders will be given a complete picture of the financial performance of the unit trust during that period.

13 The annual report will contain the financial statements as set out below, together with the reports of the managers and trustees.

14 The recommendations concerning the annual and interim reports of unit trusts are set out in paragraphs 19 and 20.

Review and Future Changes

15 It is intended that this RAP will be reviewed periodically. During the period from which RAP is effective until the next re-issue of the RAP 7, the RAP will not be subject to any mandatory changes resulting from changes in accounting standards.

16 Where recommendations change as a result of changes in Regulations and Guidelines, product developments or adoption of new and/or revised FRS, the implications for this RAP may be dealt with by ISCA guidance until such time as the RAP itself is revised.

Date from which Effective

17 It is intended that the recommendations of this RAP will be applicable for all accounting periods (including interim financial statements) commencing on or after 30 June 2012. Earlier adoption is encouraged. If a unit trust applies the amendments for an earlier period, it shall disclose that fact.

As a transitional provision, in the first year of application, a unit trust need not provide comparative information exempted by the FRSs and for direct expenses relating to the purchase and sale of financial instruments referred in paragraph 35.

Where comparative information is not provided, a disclosure highlighting the difference in presentation should be made in the year of application.

Contents of Financial Statements

Annual Report and Financial Statements

19 **The annual report to unitholders should contain the audited financial statements and the information required to be disclosed by the Regulations and Guidelines. It should also contain the investment report prepared by the manager together with the reports of the auditor and the trustee. The audited financial statements should contain appropriate information on the transactions in the portfolio during the period, the total return over the period, comprising net capital gains/losses and net income, and distributions for the period, the movement of the net assets attributable to unitholders together with the value of the portfolio at the period end. The following items should be included:**

- **Statement of Total Return**
- **Statement of Financial Position**
- **Statement of Movements in Unitholders' Funds**
- **Statement of Portfolio**
- **Notes to the financial statements including material accounting policies used in preparing the financial statements**

For Property Funds, the following items should be included in addition to the above:

- **Statement of Cash Flow**
- **Statement of Distribution**

Pro-forma financial statements, which meet the recommendations set out in this RAP, are included in Appendix 1. In addition, a pro-forma Statement of Cash Flow and Statement of Distribution are set out in Appendix 2 and Appendix 3, respectively. **These pro-forma statements as set out in Appendix 1, Appendix 2 and Appendix 3 are not prescriptive.** Additional disclosure is recommended to reflect any special circumstances and to ensure that the financial statements are presented fairly, in all material respects.

Interim Report and Financial Statements

20 **The interim report to unitholders should contain the interim financial statements and information required to be disclosed by the Regulations and Guidelines. It should also contain an investment report prepared by the manager.**

The interim financial statements (which are not required to be audited) should be prepared using the same accounting policies and format as the annual financial statements and include the following items:

- **Statement of Total Return**
- **Statement of Financial Position**
- **Statement of Movements in Unitholders' Funds**
- **Statement of Portfolio**

For Property Funds (see paragraph 65-xx), the following items should be included in addition to the above:

- **Statement of Cash Flow**
- **Statement of Distribution**

Comparative figures should be given for all items in the Statement of Total Return, Statement of Financial Position, Statement of Movements in Unitholders' Funds, for sector percentage totals in the Statement of Portfolio, Statement of Cash Flow (for Property Funds) and Statement of Distribution (for Property Funds). There should be comparative figures for the same interim period in the previous financial year for the Statement of Total Return, but the last audited figures (i.e. at the end of the last full accounting period) for the other statements.

Funds or sub-funds with different classes of units

21 **Where there are different classes of units, the investments of the fund or sub-fund remain as a single pool, and are not separately allocated to unit classes. Where there is a different fee structure for each class, such differences will be reflected in the price of each class and the proportion of the pool of investments attributable to each class. The price will determine the amount receivable or payable by the fund or sub-fund in respect of issues and cancellations of units. The share of the fund's or sub-fund's net assets, the net asset attributable to unitholders of each unit in each class (at the beginning and end of the period) and the distributions attributable to each class should be included in the financial statements. The different rights and terms attached to each unit class, including the rights on winding-up and the policy for allocating taxation and distributable income, should be summarised in the notes to the financial statements.**

Statement of Total Return

22 As new products have developed, with the increasing use of financial derivatives and other complex financial instruments to meet the needs of different groups of investors, the distinction between capital and income has become increasingly blurred. As a result, comparability of performance between unit trusts has become difficult because of the conversion of capital to income and vice versa and, therefore, the definition of income, and its subsequent distribution, has become contentious.

23 It is considered, therefore, that the best way to report to unitholders is to provide a Statement of Total Return, which sets out the total return comprising net investment gains or losses together with income after tax.

24 **The Statement of Total Return should show, with corresponding figures for the preceding equivalent period:**

- **Income**
- **Expenses**
- **Net income**
- **Net gains or losses on the value of investments and financial derivatives**

25 **These components will require more detailed analysis in the financial statements;** examples of which are given in Appendix 1.

Income

26 Income shall include dividend income, interest income and other income such as fee income from securities lending.

Expenses

27 The following expenses should be shown separately:

- Management fee (with gross amount less rebate, if any)
- Performance fee
- Trustee fee
- Valuation fee
- Custodian fee
- Audit fee

Net Income/Expense

28 **The section for net income/expense should show gross income and total expenses, with details of the individual components being given either on the face of the Statement of Total Return or in the notes to the financial statements**. An example of the disclosure required is included in Appendix 1.

Net Gains or Losses on the Value of Investments and Financial Derivatives

29 The investment gains or losses should be analysed to show separately the net gains/losses on investments and the net gains or losses in financial derivatives (if not already included within investments).30 For unit trusts investing in financial derivatives, the intention can be derived from the stated investment objectives of the unit trust and the accounting treatment would normally reflect this. For example, return from financial derivatives used to protect investors' capital should be included in net gains or losses on investments in the Statement of Total Return.

There may be circumstances when this treatment is not appropriate, and it will be necessary to consider the economic substance of the transactions as a whole. In particular, where the return of the financial derivative is essentially interest (i.e. the financial derivative closely resembles a deposit arrangement), **it should be included in net income in the Statement of Total Return**. Whether the return is essentially interest is to be determined by reference to all the facts and circumstances of the particular case, including (but not limited to):

- the relationship with prevailing rates
- susceptibility to market fluctuations

- any evidenced intention, including the way in which the trust/fund is promoted by the managers

Interest and Income on Securities

31 **Interest and income on securities should be recognised when earned**. Interest income on debt instruments should be recognised using the effective interest method. The effective interest is the rate that discounts future cash flows of a debt instrument to the initial cost at inception. Recognising interest income using this method automatically includes amortisation of premiums or discounts in the initial costs.

Deduction of Income Tax

32 **In cases where income is received after the deduction of income tax, whether Singapore or overseas, the income should be shown gross of income tax, and the tax consequences should be shown within the tax charge.**

Stock Lending

33 **Any fees arising from stock lending should be recognised as income on an accrual basis**.

Expenses

34 At present there is some diversity in the treatment of expenses incurred in respect of transacting in financial instruments. To facilitate comparability between unit trusts, all **expenses relating to the purchase and sale of financial instruments should be charged against income**, regardless of any alternative treatment which may be permitted in determining the distribution.

Pre-operating expenses such as incorporation expenses, professional fees, etc should be expensed as and when incurred.

Income Tax

35 Where applicable, t**he following items should be separately identified within the notes to the financial statements together with any other material components of the income tax charge:**

- **income tax credits recovered (being the excess of income tax deducted at source over Singapore income tax payable, as a result of offsetting allowable expenses against total income)**
- **Singapore income tax**
- **overseas income tax**
- **adjustments in respect of prior periods**

36 **If necessary, an explanation of the relationship between tax expense/(credit) and accounting profit in either or both of the following forms should be disclosed within the notes to the financial statements:**

(i) a numerical reconciliation between tax expense/(credit) and the product of accounting profit multiplied by the applicable tax rate(s), also disclosing the basis on which the applicable tax rate(s) is (are) computed, or

(ii) numerical reconciliation between the average effective tax rate and the applicable tax rate, also disclosing the basis on which the applicable tax rate is computed;

Overseas Income Tax

37 **Overseas withholding tax on income suffered should be separately shown in the financial statements.** In addition there may be a large amount of overseas income tax recoverable under double tax treaties. There may often be a significant time lag between the receipt of the overseas dividend net of income tax and the receipt of the tax refund. Whether the distribution should assume that all tax claims will be recovered in full will depend on the circumstances and recovery experience in respect of the investments and territories involved as well as any restrictions provided in the Singapore tax legislation (i.e. for unit trusts invested overseas, the recoverable foreign tax in the form of double tax relief is restricted to the actual Singapore tax payable on that income). If provision is considered necessary owing to significant uncertainty as to receipt, this should be deducted from the amount receivable and included as part of overseas income tax. The estimated expense of recovering the income tax should also be provided for and included within expenses.

Deferred Taxation

38 There may be temporary differences between the accounting treatment of certain items and their taxation. Because it is important to maintain equity in entitlements between accounting periods, deferred taxation should be provided on all temporary differences, with details being given in the notes to the financial statements.

Distributions

39 **Distributions should be accrued for at the reporting date if the manager has the discretion to declare distributions without the need for unitholder or trustee approval and a constructive or legal obligation has been created. The format and content of the information to be provided about distributions is summarised in the pro-forma financial statements in Appendix 1. Details of the type or types of distribution being made should be given in the notes to the financial statements**.

39A If the number of units increases as a result of a capitalisation, bonus issue, rights issue or unit split, or decreases as a result of a reverse unit split, the calculation of distribution per unit for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorised for issue, the per unit calculations for those and any prior period financial statements presented shall be based on the new number of units. The fact that per unit calculations reflect such changes in the number of units shall be disclosed. In addition, distribution per unit of all periods presented shall be adjusted for the effects of errors and adjustments resulting from changes in accounting policies accounted for retrospectively.

An illustration of the retrospective adjustments to distribution per unit as a result of a bonus issue and rights issue are set out in Appendix 4.

Statement of Financial Position

Stock Lending Activities

40 **Securities lent should be included in the financial statements as if they were registered in the name of the unit trust**, and no account should be taken of any collateral held unless the recoverability of the securities lent is in doubt. In order that the unitholder is aware of the extent to which the unit trust's securities are the subject of stock lending arrangements, **disclosure should be given in a note to the financial statements of the aggregate value of securities on loan at the reporting date.**

Securities Awaiting Settlement

41 **Purchases and sales of investments should be accounted for on the trade date. Balances due to and due from brokers in respect of these trades should be separately shown in the Statement of Financial Position or in the notes to the financial statements under "Receivables and Payables". Balances due to and from the same broker can be netted off only where there is a legal right of set-off and intention to set-off.**

Borrowings

42 Unit trusts are permitted to borrow only in accordance with the {Regulations and Guidelines} and the Trust Deed. Borrowings should be shown in the Statement of Financial Position if the borrowings are secured or unsecured. For secured borrowings, the nature and carrying amount of the assets pledged as collateral should also be disclosed.

Financial Derivatives (including foreign exchange contracts)

43 **Financial derivatives held by the unit trust should be stated at fair value at the reporting date.**

Statement of Movements in Unitholders' Funds

44 **The unit trust shall classify the units, or its component parts, on initial recognition as equity. The net assets attributable to unitholders comprise the residual interest in the assets of the unit trust after deducting its liabilities.**

45 **The financial statements should contain a Statement of Movements in Unitholders' Funds. The Statement of Movements in Unitholders' Funds should summarise the movements in the total value of the trust/fund.**

46 **This Statement reconciles the changes in net assets during the period in summary form. It draws on the Statement of Total Return for the net increase/decrease in assets attributable to the investment activities, shows the extent to which the trust/fund has grown or contracted as a result of the creation or cancellation of units as well as any reduction in trust/fund size due to distributions to unitholders during the period.**

The format and content of the information to be provided is summarised in the pro-forma financial statements in Appendix 1.

Statement of Portfolio

Investments in Securities

47 **Investments of the unit trust should be stated at fair value at the reporting date. Where applicable, income on investments should be accrued separately and the investments should be valued to exclude any element of accrued income. The value of foreign currency securities should be translated into the reporting currency at exchange rates prevailing at the reporting date. The fair value for an asset held or liability to be issued is usually the current bid price and, for an asset to be acquired or liability held, the current offer or asking price. In exceptional circumstances when the last quoted price is not used, for example when the market is suspended, the notes should describe clearly the basis of valuation and the reasoning behind it.**

48 In most unit trusts, the determination of the fair value of the portfolio should be reasonably straightforward since the values are readily available through published sources. **Where the value cannot be readily determined, the securities should be stated at the manager's valuation and the notes to the financial statements should include adequate details about the basis of the manager's valuation**.

49 **For each holding in the portfolio, the value and the percentage (in relation to the net asset of the unit trust) of the value of the property of the unit trust that the holding represents should be shown. The percentage should also be shown for each category of holding in the investment of the unit trust.** These categories should be the most appropriate in the light of the investment policy of the unit trust (e.g. industry, geographic or currency). **Comparative percentages for these sector statistics** (rather than comparative percentages for each holding) **should be given in the Statement of Portfolio**. A suggested format for the Statement of Portfolio is set out in Appendix 1.

50 The Statement of Portfolio should be presented based on key segment considerations.

51 **There will be a primary and secondary segment reporting**. The investment objectives of the unit trust will provide guidance for determining the primary format of segment reporting. For a predominantly single-country unit trust, it will report by industry segment. Similarly for a unit trust that invests predominantly in a particular industry, its primary reporting format will be by geographical segment.

52 If a unit trust's primary format is geographical segment, the required secondary format is to disclose the industry segment (aggregated amount by industry and not by individual security) in a tabular form. Similarly, if a unit trust's primary segment is industry segment, the required secondary format is to disclose the geographical segment (aggregated amount for each geographical segment, not listed by individual security). An illustration of the primary and secondary format reporting is set out in Appendix 1.

53 **The Statement of Portfolio should distinguish between quoted and unquoted securities.**

Financial Derivatives (including Foreign Exchange Contracts)

54 As a general rule, **financial derivatives should be accounted for in accordance with generally accepted accounting principles.**

55 For disclosure purposes it is the exposure to the market which is significant rather than the number of individual contracts and terms. Therefore, in the Statement of Portfolio, **the aggregate nominal value of positions held on financial derivatives for each security or index should be shown in the description of the item in the portfolio, together with the fair value. The cash committed, to the extent that it has not been advanced, should be shown as a deduction from cash balances**.

Investment in Units in another Collective Investment Scheme

56 **Where a unit trust invests in shares/units of another collective investment scheme, the shares/units should be stated at fair value, as for any other investment. The valuation of units**

held at the reporting date should be the bid price or net asset value of the underlying fund, whichever is applicable.

Property Funds

57 A valuation for each immovable property in the trust/fund should be conducted by the Independent Valuers of the unit trust to support the carrying values. Immovable property should be valued at fair value.

58 **The name and qualifications of the valuers should be given by way of note to the financial statements, together with details of the basis of valuation of the properties, and the date of the most recent full valuation of each property**.

59 The information on the individual properties held by the unit trust to be shown in the annual financial statements is set out in the Code applicable to property trusts/funds.

Notes to the Financial Statements

Financial Instruments: Disclosures

60 As a general rule, **financial instruments should be disclosed and presented in accordance with generally accepted accounting principles, with reference to Singapore Financial Reporting Standard 107 "Financial Instruments: Disclosures" wherever possible. Appropriate risk management policies should be disclosed and analysed in the notes to the financial statements in order to provide unitholders with a perspective of the risk management of the Fund in which they have invested in. An illustration of the disclosures on financial instruments is set out in Appendix 1.**

Net Assets Attributable to Unitholders

61 **At times, the application of different valuation policies or treatment of expenses between pricing net asset values used for the subscription and redemption of units, and the accounting net asset values determined based on accounting policies adopted under the RAP 7 may result in differences between pricing net asset values and accounting net asset values. Where the difference is considered material, a reconciliation of net assets attributable to unitholders per unit for issuing/redeeming units at the reporting date and the net assets attributable to unitholders per unit per the financial statements should be presented in the notes to the financial statements**. **An illustration of the disclosures on financial instruments is set out in Appendix 1.**

Related Party Transactions

62 **Transactions and balances with related parties should be set out in the financial statements**. Related parties will include the manager and trustee and parties by reason of their relationship with the manager and trustee. **Related party transactions should be disclosed in accordance with generally accepted accounting practices.**

Contingent Liabilities and Commitments

63 A unit trust should disclose any outstanding contingent liabilities and commitments at the reporting date. A commitment may exist on partly paid shares, nil paid shares and warrants. Even though there may be intention to sell these shares before the calls become due, **the aggregate commitment on partly paid shares, nil paid shares and warrants should be shown**.

Financial Ratios

64 The ratio of expenses to average net asset value ("expense ratio") and the turnover ratio should be presented in the notes to the financial statements. The expense ratio should be calculated in accordance with the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The turnover ratio should be calculated in accordance with the guidelines laid down in the Code.

For interim financial statements, comparative figures for financial ratios should be computed and presented on the same basis as the current period.

APPENDIX 1

TYPICAL UNIT TRUST

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 20CY

This pro-forma report is an illustration of the annual report and financial statements of a typical unit trust.

The figures included in this pro-forma report are provided for illustrative purposes only.

(Information on service providers)

MANAGERS

DIRECTORS OF THE MANAGERS

INVESTMENT ADVISERS

TRUSTEE

CUSTODIAN

REGISTRAR

INDEPENDENT VALUERS (for property funds)

AUDITORS

CONTENTS

*Specimen wording not provided, as this is dealt with either by the Regulations and Guidelines or each reporting unit trust will have its own specific wording.

REPORT OF THE TRUSTEE

The Trustee is under a duty to take into custody and hold the assets of the Fund in trust for the unitholders. In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting period and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the period covered by these financial statements, set out on pages xx to xx, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee

STATEMENT BY THE MANAGER

In the opinion of the directors of Fund Managers Limited, the accompanying financial statements set out on pages xx to xx, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of the Fund as at 31 December 20CY , and the total return and changes in unitholders' funds for the year then ended in accordance with *the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants*. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of directors of Fund Managers Limited

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INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF (NAME OF FUND)

(Constituted under a Trust Deed in the Republic of Singapore)

We have audited the financial statements of (Name of Fund) (the "Fund"), which comprise the Statement of Financial Position and Statement of Portfolio as at __________(date), the Statement of Total Return and Statement of Movements of Unitholders' Funds for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages x to xx.

Manager's Responsibility for the Financial Statements

The Fund's Manager (the "Manager") is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants*, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, 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 present fairly, in all material respects, the financial position of the Fund as at __________(date) and the total return for the year then ended in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants.*

______________________ (Firm)
Public Accountants and
Chartered Accountants

Singapore
_______________________ (Date)

STATEMENT OF TOTAL RETURN

FOR THE YEAR ENDED 31 DECEMBER 20CY

	Note	20CY S$000	20PY S$000
Income			
Dividends		417	690
Interest		7	13
Other income		-	1
		424	704
Less: Expenses			
Management fees		324	351
Performance fees		-	20
Registration fees		15	17
Trustees' fees		16	18
Custody fees		10	15
Valuation fees		10	10
Audit fee		17	16
Other expenses		130	60
		522	507
Net income		(98)	197
Net gains or losses on value of investments and financial derivatives			
Net gains/(losses) on investments		2,621	(7,415)
Net losses on financial derivatives		(775)	(619)
		1,846	(8,034)
Total return for the year before income tax		1,748	(7,837)
Less: Income tax	3	(83)	(93)
Total return for the year after income tax before distribution		1,665	(7,930)

The accompanying notes form an integral part of the financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 20CY

	Note	20CY S$000	20PY S$000
ASSETS			
Portfolio of investments		28,348	32,320
Sales awaiting settlement		1,016	311
Receivables	5	51	55
Cash and bank balances	6	124	994
Financial derivatives at fair value	8	220	149
Total assets		29,759	33,829
LIABILITIES			
Payables	7	231	141
Purchases awaiting settlement		-	189
Financial derivatives at fair value	8	45	185
Total liabilities		276	515
EQUITY			
Net assets attributable to unitholders	9	29,483	33,314

The accompanying notes form an integral part of the financial statements

STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 20CY

	Note	20CY S$000	20PY S$000
Net assets attributable to unitholders at the beginning of financial year		33,314	48,920
Operations			
Change in net assets attributable to unitholders resulting from operations		1,665	(7,930)
Unitholders' contributions/(withdrawals)			
Creation of units		8,186	3,018
Cancellation of units		(13,582)	(10,694)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(5,396)	(7,676)
Distributions	4	(100)	-
Total decrease in net assets attributable to unitholders		(3,831)	(15,606)
Net assets attributable to unitholders at the end of financial year	9	29,483	33,314

The accompanying notes form an integral part of the financial statements

STATEMENT OF PORTFOLIO

AS AT 31 DECEMBER 20CY

Primary	Holdings at 31 December 20CY	Fair value At 31 December 20CY S$000	Percentage of total net assets attributable to unitholders at 31 Dec 20CY %
By geography[1]			
Quoted			
Equities and Funds			
SINGAPORE			
Singapore A	3,000	283	0.95
Singapore B	6,000	298	1.01
Etc		Etc	Etc
Total Singapore		9,901	33.58
JAPAN			
Japan A	17,000	371	1.26
Japan B	25,000	102	0.34
Etc		Etc	Etc
Total Japan		12,987	44.05
UNITED STATES			
USA A	50,000	258	0.88
USA B	60,000	580	1.97
Etc		Etc	Etc
Total USA		3,735	12.67
Total Equities and Funds		26,623	90.3
Debt securities			
Luxembourg			
Lux A		1,600	5.43
Accrued interest receivable on debt securities		86	0.29
Total Debt securities		1,686	5.72
Unquoted			
Equity			
SINGAPORE			
Singapore 123	20,000	39	0.13
Portfolio of investments		28,348	96.15
Other net assets/liabilities		1,135	3.85
Net assets attributable to unitholders		29,483	100.00

The accompanying notes form an integral part of the financial statements

STATEMENT OF PORTFOLIO

AS AT 31 DECEMBER 20CY

Primary **By geography[1] (summary)**	**Percentage of total net assets attributable to unitholders at 31 December 20CY %**	**Percentage of total net assets attributable to unitholders at 31 December 20PY %**
Quoted securities		
Singapore	33.58	49.99
Japan	44.05	29.44
United States	12.67	12.68
Luxembourg	5.72	4.91
Unquoted securities		
Singapore	0.13	-
Portfolio of investments	96.15	97.02
Other net assets/liabilities	3.85	2.98
Net assets attributable to unitholders	100.00	100.00

Secondary **By industry[1]**	**Fair value at 31 December 20CY S$000**	**Percentage of total net assets attributable to unitholders at 31 December 20CY %**	**Percentage of total net assets attributable to unitholders at 31 December 20PY %**
Financial services	15,765	53.47	52.78
Manufacturing	10,434	35.39	36.77
Telecommunications	2,149	7.29	7.47
Portfolio of investments	28,348	96.15	97.02
Other net assets/liabilities	1,135	3.85	2.98
Net assets attributable to unitholders	29,483	100.00	100.00

The accompanying notes form an integral part of the financial statements

[1]Primary and secondary segment reporting (i.e. by geography or by industry) is determined based on the Fund's investment objectives. See RAP 7, paragraph 50 and 51.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 20CY

These notes form an integral part of and should be read in conjunction with the accompanying financial statements**.**

1 GENERAL

(Name of the Fund/) (the “Fund”) is a unit trust constituted by a Deed of Trust dated _________ together with its Supplemental Deeds thereon (thereafter referred to as “Trust Deed”) between (Name of Manager) (the “Manager”) and (Name of Trustee) (the “Trustee”). The Trust Deed is governed by the laws of the Republic of Singapore.

[To include a description of the Fund, investment objectives, benchmark and other relevant information]

2 ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of financial instruments at fair value, and in accordance with the Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Singapore Chartered Accountants.

(b) Recognition of income

(c) Distribution policy

(d) Investments

(e) Basis of valuation of investments

(f) Foreign currency translation

(g) Financial derivatives

(h) Income tax

Note: The accounting policies adopted should generally comply with Singapore Financial Reporting Standards.

3. INCOME TAX

The Fund has been granted the status of Designated Unit Trust and is included in the Central Provident Fund Investment Scheme. Therefore, the following income is exempted from tax in accordance with Section 35(12) and (12A) of the Income Tax Act (Cap 134):

(a) gains or profits derived from Singapore or elsewhere from the disposal of securities;
(b) interest (other than interest for which tax has been deducted under Section 45 of the Income Tax Act);
(c) dividends derived from outside Singapore and received in Singapore;
(d) gains or profits derived from foreign exchange transactions, transactions in futures contracts, transactions in interest rate or currency forwards, swaps or option contracts and transactions in forwards, swaps or option contracts relating to any securities or financial index; and
(e) distributions from foreign unit trusts derived from outside Singapore and received in Singapore.

	20CY	20PY
	S$000	**S$000**
Singapore income tax	15	9
Overseas income tax	73	91
Income tax credit	(5)	(3)
Adjustments in respect of prior periods	-	(2)
Deferred tax expense relating to the origination and reversal of temporary differences	-	(2)
Total income tax	83	93

4 DISTRIBUTIONS

	20CY S$000	20PY S$000
Interim ($xx per unit based on units outstanding as at xx)	75	-
Final ($xx per unit based on units outstanding as at xx)	25	-
	100	-

5 RECEIVABLES

	20CY $000	20PY $000
Receivable from unitholders for creation of units	8	49
Dividends receivable	38	4
Accrued interest receivable	-	1
Other receivables	5	1
	51	55

6 CASH AND BANK BALANCES

The cash and bank balances are placed with a financial institution related to the trustee.

7 PAYABLES

	20CY S$000	20PY S$000
Payable to unitholders for cancellation of units	163	15
Accruals for expenses	32	91
Other payable	36	35
	231	141

8 FINANCIAL DERIVATIVES AT FAIR VALUE

Financial derivative contracts comprise options, futures and spot and forward foreign exchange contracts due for settlement within 1 year (20PY: within 1 year) from the reporting date. The contract or underlying principal amounts of these financial derivatives and their corresponding gross fair values at the reporting date are analysed below.

		20CY	
	Notional amount S$000	Fair value assets S$000	Fair value liabilities S$000
Options purchased	8,750	63	41
Futures contracts	3,670	1	-
Foreign exchange contracts	6,998	156	4
		220	45

		20PY	
		Fair value assets S$000	Fair value liabilities S$000
Futures contracts	10,456	87	183
Foreign exchange contracts	9,327	62	2
		149	185

9 UNITS IN ISSUE

During the year ended 31 December the number of shares issued, redeemed and outstanding were as follows:

	20CY '000		20PY '000	
	Class A	Class B	Class A	Class B
Units at beginning	2,000	1,485	1,933	1,463
Units created	461	198	582	193
Units cancelled	(266)	(114)	(515)	(171)
Units at ending	2,195	1,569	2,000	1,485
Net assets attributable to unitholders – S$ '000	24,480	5,003	25,933	7,381
Net asset value per unit – S$	11.15	3.19	12.97	4.97

For subscriptions and redemptions and for various fee calculations, investments are stated at the last traded price on the valuation day for the purpose of determining net asset value per unit while for reporting purpose is to value the investments at the relevant bid market prices as at the reporting date.

The effect of bid market prices in the net assets attributable to unitholders is as follow:

	20CY S$'000	20PY S$'000
Net assets attributable to unitholders per financial statements	29,483	33,314
Effect of adopting bid prices at fair value	1,234	2,345
Net assets attributable to unitholders for issuing/redeeming	30,717	35,659

10 FINANCIAL RISK MANAGEMENT

Risk Management Objectives and Policies

The Fund's activities expose it to a variety of market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Fund's overall risk management programme seeks to minimise potential adverse effects on the Fund's financial performance. The Fund may use financial futures contracts, options and/or currency forward contracts subject to the terms of the Trust Deed to moderate certain risk exposures. Specific guidelines on exposures to individual securities and certain industries are in place for the Fund at any time as part of the overall financial risk management to reduce the Fund's risk exposures. The Manager continually monitors the Fund's exposure to risk and appropriate procedures are in place to manage the risks.

The following is a summary of the main risks and risk management policies:

a) Market risk

Market risk is …………

The Fund's investments are substantially dependent on changes in market prices. The Manager monitors the Fund's investments closely so as to …..

i. Price risk

The Fund's sensitivity to the market is measured using its beta, a ratio that describes how the expected return of a portfolio is correlated to the return of the financial market as a whole. The daily Fund price movements are measured against the daily price movement of the benchmark to derive the beta. As at 31 Dec 20CY, the Fund's beta is calculated based on the daily returns over the preceding 12 months for the Fund and benchmark (31 Dec 20CY is based on the daily returns over the preceding 12 months for the Fund and benchmark).

The table below summarises the impact of increases/decreases from the Fund's underlying investments on the Fund's net assets attributable to the unitholders as at 31 Dec 20CY and 31 Dec 20PY. The analysis was based on the assumptions that the index components within the benchmark index increased/decreased by a reasonable possible shift, with all variables held constant and that the fair value of the Fund's investments moved according to the beta.

Benchmark	**Beta for 20CY/20PY**	**Impact of 10% (20PY 5%) movement in benchmark on net assets attributable to the unitholders**	
		20CY S$000	**20PY S$000**
Similarly Index Fund	1.5/1.3	4,000	1,680

ii. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The tables below summarise the Fund’s exposure to interest rate risks. They include the Fund’s assets and liabilities at fair value, categorised by interest rate types.

31 Dec 20CY

	Variable rates	Fixed rates	Non-interest bearing	Total
Assets	S$000	S$000	S$000	S$000
Portfolio of investments	1,100	586	26,662	28,348
Receivables	-	-	51	51
Cash and bank balances	124	-	-	124
Financial derivatives at fair value	-	-	220	220
Sales awaiting settlement	-	-	1,016	1,016
Total assets	1,224	586	27,949	29,759
Liabilities				
Payables	-	-	231	231
Purchases awaiting settlement	-	-	-	-
Financial derivatives at fair value	-	-	45	45
Total liabilities	-	-	276	276

31 Dec 20PY

	Variable rates	Fixed rates	Non-interest bearing	Total
Assets	S$000	S$000	S$000	S$000
Portfolio of investments	5,818	646	25,856	32,320
Receivables	-	-	55	55
Cash and bank balances	994	-	-	994
Financial derivatives at fair value	-	-	149	149
Sales awaiting settlement	-	-	311	311
Total assets	6,812	646	26,371	33,829
Liabilities				
Payables	-	-	141	141
Purchases awaiting settlement	-	-	189	189
Financial derivatives at fair value	-	-	185	185
Total liabilities	-	-	515	515

The duration, a measure of the sensitivity of the price of a fixed income security to a change in interest for the 12 month period is 1.97 (20PY: 1.45). As of 31 Dec 20CY, should interest rates lower or rise by 1% (20PY: 1%), with all other variables remaining constant, the increase or decrease in net assets attributable to unitholders would be $0.011 million (20PY: $0.009 million):

iii. Currency risk

The Fund operates internationally and holds both monetary and non-monetary assets denominated in currencies other than the Singapore dollar, the functional currency.

31 Dec 20CY	USD	JPY	SGD	Others	Total
Assets	S$000	S$000	S$000	S$000	S$000
Monetary assets	361	-	403	2,113	2,877
Non-monetary assests	3,735	12,987	9,940	220	26,882
Liabilities					
Monetary liabilities	28	-	203	-	231
Non-monetary liabilities	-	-	-	45	45

31 Dec 20PY	USD	JPY	SGD	Others	Total
Assets	S$000	S$000	S$000	S$000	S$000
Monetary assets	208	177	263	712	1,360
Non-monetary assets	8,810	3,699	12,908	7.052	32,469
Liabilities					
Monetary liabilities	1	-	140	189	330
Non-monetary liabilities	-	-	-	185	185

Equity/mutual fund investments are non-monetary financial assets and are exposed to both currency risk and price risk. As these financial assets are non-monetary, no separate sensitivity analysis has been performed to analyse currency risk. The impact of currency risk arising from these financial assets on the Fund's net asset value has been included in the above price risk sensitivity analysis.

The Fund’s monetary assets/liabilities are measured for their sensitivity to exchange rate movements based on the balance of the monetary assets/liabilities, forecasted exchange rate movements and the net asset value of the Fund.

As at 31 Dec 20CY and 20PY, with respect to the monetary assets and monetary liabilities of the Fund, had the Singapore Dollar increased/decreased by 10% and 7% (20PY: 8% and 5%) against US Dollar and Japanese Yen, respectively, with all other variables remaining constant, the increase or decrease in net assets attributable to unitholders would be as follows:

	USD	JPY
	S$000	S$000
31 Dec 20CY	33	-
31 Dec 20PY	17	9

b) Liquidity risk

The Fund is exposed to daily redemption of units in the Fund. It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

The tables below analyse the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

31 Dec 20CY	Less than 3 months S$000	3 months to 1 year S$000	More than 1 year S$000
Payables	231	-	-
Financial derivatives at fair value	45	-	-

31 Dec 20PY	Less than 3 months S$000	3 months to 1 year S$000	More than 1 year S$000
Payables	141	-	-
Due to brokers	189		
Financial derivatives at fair value	185	-	-

c) Credit risk

Credit risk is the risk that counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

The main concentration to which the Fund is exposed arises from the Fund's investments in debt securities. The Fund is also exposed to counterparty credit risk on trading derivative products, cash and cash equivalents, amounts due from brokers and other receivable balances.

The Fund invests mostly in financial assets, which have an investment grade as rated by Rating Plc. The credit ratings are reviewed regularly.

All transactions in listed securities are settled/paid upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Fund may also enter into derivatives to manage its exposures to currency risk and price risk, including foreign exchange forward contracts and options. Hence, the Fund is also exposed to the risk that its derivatives held with counterparties may not be recoverable in the event of any default by the parties concerned. The Manager minimises the Fund's credit risk by undertaking transactions with banks that are part of banking groups with good credit-ratings assigned by international credit rating agencies.

The table below analyses the Fund's investments by credit ratings.

Debt securities by rating category	20CY	20PY
AAA/Aaa	52%	54%
AA/Aa	20%	23%
A/A	15%	13%
BBB/Baa	13%	10%

The tables below summarise the credit rating of banks and custodians (source: Rating Plc) in which the Fund's assets are held as at 31 Dec 20CY and 31 Dec 20PY.

Counterparty	20CY	20PY
Custodian Plc	Aa	Aa
Bank Plc1	A/A	A/A
Bank Plc2	AAA	AAA

d) Capital management

The Fund's capital is represented by the net assets attributable to unitholders. The Fund strives to invest the subscriptions of redeemable participating units in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholders' redemptions.

e) Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at 31 December 20CY and 20PY:

31 Dec 20CY

	Level 1	Level 2	Level 3	Total
Assets	S$000	S$000	S$000	S$000
Equity securities and funds	26,623	-	39	26,662
Debt securities	-	1,686	-	1,686
Derivatives	64	156	-	220
Liabilities				
Derivatives	41	4	-	45

31 Dec 20PY

	Level 1	Level 2	Level 3	Total
Assets	S$000	S$000	S$000	S$000
Equity securities and funds	25,800	-	56	25,856
Debt securities	-	6,464	-	6,464
Derivatives	87	62	-	149
Liabilities				
Derivatives	183	2	-	185

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities and exchange traded derivatives. The Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include investment-grade corporate bonds and over-the-counter derivatives.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. The level 3 equity amount consists of a single private equity position. The main inputs into the Fund's valuation model for this investment include earnings multiples and discounted cash flows.

If the earnings multiple used in the price to earnings valuation model was increased/decreased by 30% (20PY: 25%), this would have resulted in an increase/decrease in value of S$12,000 (20PY: S$14,000).

The following table presents the movement in level 3 instruments for the year ended 31 December 20CY and 20PY by class of financial instrument.

31 December 20CY

	S$000 Equity Securities	S$000 Debt securities	S$000 Total
Opening balance	56	-	56
Purchases	-	-	-
Transfers into Level 3	-	-	-
Gains/losses recognised in the Statement of Total Return	(17)	-	(17)
Closing balance	39	-	39

31 December 20PY

	S$000 Equity Securities	S$000 Debt securities	S$000 Total
Opening balance	38	-	38
Purchases	5	-	5
Transfers into Level 3	2	-	2
Gains/losses recognised in the Statement of Total Return	11	-	11
Closing balance	56	-	56

11 RELATED PARTY TRANSACTIONS

In the normal course of business of the Fund, management fees and trustee fees have been paid or are payable to the Manager and the Trustee respectively, as noted in the Statement of Total Return.

[To disclose all related party transactions in tabular form, as appropriate]

12 COMMITMENTS

The Fund has committed to acquire shares of $200,000 in an initial public offering. No amount has been paid as at the date of this financial report as the subscription allocation is yet to be determined.

13 FINANCIAL RATIOS

	20CY	20PY
Expense ratio[1]	XX %	XX %
Turnover ratio[2]	XX %	XX %

[1] The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at 20CY was based on total operating expenses of S$XX (20PY: S$XX) divided by the average net asset value of $xx (20PY: S$xx) for the year. The total operating expenses do not include (where applicable) brokerage and other transaction costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received, and the average net asset value of S$XX (20PY: S$XX). The Fund does not pay any performance fee. The average net asset value is based on the month-end (or daily) balances.

[2] The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the total value of purchases (or sales) of the underlying investments of S$XX (20PY: S$XX) divided by the weighted average daily net asset value of S$XX (PY:XX).

APPENDIX 2: TYPICAL STATEMENT OF CASH FLOW (FOR PROPERTY FUNDS)

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 20CY

	20CY S$'000	20PY S$'000
Cash flows from operating activities		
Net income		
Adjustments for:		
Asset management fees paid/payable in units		
Net finance costs		
Operating income before working capital changes		
Changes in working capital:		
Trade and other receivables		
Trade and other payables		
Security deposits		
Net cash from operating activities		
Cash flows from investing activities		
Capital expenditure on investment properties		
Interest received		
Purchase of investment properties		
Purchase of plant and equipment		
Net cash from/(used in) investing activities		
Cash flows from financing activities		
Distributions to unitholders		
Interest paid		
Proceeds from interest-bearing borrowings		
Proceeds from issue of units, net of expenses		
Repayment of interest-bearing borrowings		
Net cash (used in)/from financing activities		
Net (decrease)/increase in cash and cash equivalents		
Cash and cash equivalents at beginning of the year		
Cash and cash equivalents at end of the year		

APPENDIX 3: TYPICAL STATEMENT OF DISTRIBUTION (FOR PROPERTY FUNDS)

STATEMENT OF DISTRIBUTION

FOR THE YEAR ENDED 31 December 20CY

	20CY $'000	20PY $'000
Amount available for distribution to unitholders at the beginning of the year		
Total return for the year attributable to unitholders before distribution		
Net tax adjustments		
Taxable income		
Tax exempt income		
Income available for distribution to unitholders		
Amount available for distribution to unitholders		
Distributions to unitholders:		
Distribution of xx cents per unit for the period from xx to xx		
Amount available for distribution to unitholders at end of the year		
No of units entitled to distributions		
Distribution per unit (cents)		

Appendix 4: ILLUSTRATIVE EXAMPLES

Example 1: Bonus Issue

	20CY	**20PY**
Amount available for distribution to unitholders at end of the year	$600,000	$180,000
No. of units as at 30 September 20CY	200,000	
Bonus issue 1 October 20CY	2 units for each unit outstanding at 30 September 20CY 200,000 x 2 = 400,000	
Distributions per unit 20CY	$\frac{\$600,000}{(200,000 + 400,000)}$	= $1.00
Distributions per unit 20PY	$\frac{\$180,000}{(200,000 + 400,000)}$	= $0.30

Because the bonus issue was without consideration, it is treated as if it had occurred before the beginning of 20PY, the earliest period presented.

Example 2: Rights Issue

		20CY	20PY
Amount available for distribution to unitholders at end of the year		$1,500,000	$1,100,000

Units outstanding before rights issue	500,000 units
Rights issue	One new unit for each five outstanding units (100,000 new units total) Exercise price: $5.00 Date of rights issue: 1 January 20CY Last date to exercise rights: 1 March 20CY
Market price of one unit Immediately before exercise on 1 March 20CY:	$11.00
Reporting date	31 December

Calculation of theoretical ex-rights value per share

$$\frac{\text{Fair value of all outstanding units before the exercise of rights + total amount received from exercise of rights}}{\text{Number of units outstanding before exercise + number of units issued in the exercise}}$$

$$\frac{(\$11.00 \times 500{,}000 \text{ units}) + (\$5.00 \times 100{,}000 \text{ units})}{500{,}000 \text{ units} + 100{,}000 \text{ units}}$$

Theoretical ex-rights value per unit = $10.00

Calculation of adjustment factor

$$\frac{\text{Fair value per unit before exercise of rights}}{\text{Theoretical ex-rights value per unit}} \quad \frac{\$11.00}{\$10.00} = 1.10$$

Calculation of distribution per unit

		20PY	20CY
20PY DPU as originally reported:	$\frac{\$1{,}100{,}000}{500{,}000 \text{ units}}$	$2.20	
20PY DPU restated for rights issue:	$\frac{\$1{,}100{,}000}{(500{,}000 \text{ units} \times 1.10)}$	$2.00	
20CY DPU including effects of rights issue (Note 1):	$\frac{\$1{,}500{,}000}{600{,}000}$		$2.50

Note 1: Assuming that units at the end of the period is entitled to the distributable income for the entire period.