

Without doubt, 2008 presented some economic challenges for Fiji. The flow-on effect of the global financial crises directly affected the Fund's collection of members' contributions and our investment performance. Contributions declined from \$289.63 million in 2007 to \$281.68 million, whilst withdrawals were also at an all time high at \$297.70 million, compared to \$292.33 million in 2007. Consequently, the Fund recorded a negative net contribution of \$16.02 million.

Nevertheless, the Fund's overall performance for 2008 is commendable with total assets increasing by \$125 million. Total assets as at 30 June 2008 was \$3.5 billion and \$2.61 billion is members' funds.

Financial statement

In compliance with the new requirement, the Fund adopted and has presented its financial statements in accordance with International Financial Reporting Standards (IFRS). In preparing its opening IFRS balance sheet, the Fund has adjusted amounts reported previously in the financial statement prepared in accordance with Fiji Accounting Standards (FAS). The adjustments involved two types of changes: those concerning presentation and disclosure of items in the financial statement; and those concerning recognition and measurements of items in the financial statements.

The 2008 financial statements have been qualified by our auditors KPMG as they were unable to access all the financial



Chairman's Report

information of the 51%-owned Natadola Land Holding Limited and its subsidiary Yatule Beach Resort.

Interest payment

Based on the year's result, the Board resolved and paid interest of 6% to members' accounts.

Investment performance

The decision by the Reserve Bank of Fiji (RBF) to repatriate FPNF offshore investment led to both a reduction in investment returns and realized exchange losses. With

limited investment opportunities available locally, the Fund has excess liquidity in the financial system with limited earning opportunities. The Fund continues to be constrained by the restrictions placed by RBF on its offshore investment.

Investment in government securities remains our largest asset base accounting for 54% of the total investment portfolio and contributed 57% of total investment income.

In terms of our subsidiaries, Amalgamated Telecom Holdings paid the Fund dividends of \$22.10 million on a net profit after tax of \$64.19 million. Home Finance Limited paid a dividend of \$2.14 million.

Pension Actuary

A major pension review to assess the viability and sustainability of the Fund would be undertaken in the next financial year, following the recently completed World Bank Pension Review Study and International Labour Organization (ILO) study. The review is also necessary to factor in the valuation of the pension liability, a requirement under IAS26.

Future

The Board is continually working towards maintaining a sustainable Fund. The challenge of investing a large pool of assets will remain a priority for the Board in line with its investment mandate.

Having laid the foundations for future growth in our revised strategic alignment in

2007, our focus in this past year has been to build the organization to face current and future challenges. For this reason, Board approved the Strategic Plan for FY2009 - 2011, which focuses on repositioning the Fund to face the challenges of the next decade. The plan is a clearly-defined road map that outlines Key Result Areas, Performance Indicators and timelines.

The Board adopted a new organizational structure that will ensure the Fund's operations are streamlined to a manageable and leaner formation, designed to lift performance and enhanced further through the Business Process Re-engineering and Change Management initiatives.

Acknowledgement

I must acknowledge the contribution of Management and Staff for their dedication, commitment and hard work during this difficult period.

I also take this opportunity to thank the former Chairman, Mr Peceli Vocea, and other directors, who rose to the challenge of ensuring the Board's fiduciary responsibilities as custodians of members' funds.

TAITO WAQA
Chairman FY08

FIJI NATIONAL PROVIDENT FUND AND ITS SUBSIDIARIES STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		The Fund	
	2008 \$000	Restated 2007 \$000	2008 \$000	Restated 2007 \$000
Investment revenue				
Interest	192,857	188,247	178,409	173,927
Property income	3,258	5,254	4,154	6,148
Dividends	3,265	4,048	3,202	3,972
Dividends from subsidiaries	-	-	24,116	16,029
<i>Changes in net market value of investments:</i>				
Unrealised (losses) from revaluation of investment properties	(5,617)	(8,483)	(5,617)	(8,483)
Unrealised (losses)/gains on other investments	(1,770)	(3,987)	(1,675)	(3,830)
Realised (losses)/gains on investments	(8,712)	9,305	(8,712)	9,305
Unrealised exchange gains/(losses)	(1,139)	1,744	3,554	3,691
Realised exchange gains/(losses)	3,742	4,495	(1,353)	1,263
	185,884	200,623	196,078	202,022
Direct investment expense	(2,042)	(2,728)	(2,042)	(2,728)
Net investment revenue	183,842	197,895	194,036	199,294
Other revenue				
Sales revenue	277,768	265,629	-	-
Other revenue	12,731	6,329	1,284	1,592
	290,499	271,958	1,284	1,592
Contributions				
Contributions from employers and members	281,675	289,634	281,675	289,634
	756,016	759,487	476,995	490,520
Benefits paid and expenses incurred				
Airtime and PSTN charges	32,785	28,035	-	-
Bad and doubtful debts	64,230	8,351	37,665	1,516
Benefits paid	297,696	292,326	297,696	292,326
Depreciation	39,124	43,081	1,649	2,082
Equipment and ancillary charges	23,028	26,018	-	-
Impairment in value of investment in movie production	4,068	550	-	-
Impairment loss on investment	10,200	5,276	-	-
Impairment loss on property and equipment	29	9,683	-	-
Interest expense	3,478	2,067	-	-
Personnel expenses	57,136	52,600	9,222	9,007
Other expenses	65,048	58,065	7,755	5,086
	596,822	526,052	353,987	310,017
Net change before tax	159,194	233,435	123,008	180,503
Income tax expense	28,012	19,897	-	-
Net change after tax	131,182	213,538	123,008	180,503
Non controlling interest	38,009	32,166	-	-
Net change for the year	93,173	181,372	123,008	180,503
Total recognised income and expense:				
Net assets available to pay benefits at the beginning of the year	3,407,919	3,224,700	3,374,430	3,193,927
Adjustment for accumulated losses of subsidiary not consolidated in the current year	-	1,847	-	-
Increase in available for sale reserve	492	-	-	-
Net assets available to pay benefits at the end of the year	3,501,584	3,407,919	3,497,438	3,374,430



Over half a million customers served in 2008

Customer Services centres in the three branches and three agencies around the country served 599,823 customers, of which 380,619 visited for a personalized service.

Of those that were personally served at the centres, 13.3% sought partial withdrawal assistance, 12.7% education assistance, 7.7% housing withdrawal and 7.3% unemployment assistance.

At the Pension Centre, partial withdrawals for members over 55 dominated the services required, recording 43% of the total 32,697 that were served. Among other services, members also received pension advisory services, issuance and filling of renewal certificates and identification services.

A further 6,054 members accessed the self service e-lobby that permits members to view their FPNF account details themselves.

UNPAID CONTRIBUTIONS TOTALS \$5.69MILLION

Employers failed to pay \$5.69 million of their workers contribution in the financial year. The Fund continues to encourage members to report on defaulting employers. Employers that deduct FPNF contributions from their workers' wages/salaries are law-bound to pay these contributions to FPNF. It is also the members' responsibility to check that their FPNF contributions are in their accounts.

PROSECUTION RECOVERS \$4.1MILLION

The Fund filed 363 employers' cases with the Courts to recover \$3.0 million. 252 cases were completed with about \$4.1 million recovered.

UNIDENTIFIED CONTRIBUTIONS AT \$4.5MILLION

A total of \$4.5 million of contributions was unidentified contributions. This is contribution collected but not distributed to members' accounts because of insufficient information supplied by employers. The Fund is working with

employers, emphasizing the need to correctly register all new employees, to eliminate the ambiguity arising out of their personal records.

FUND'S SUBSIDIARIES

Amalgamated Telecom Holdings Limited (58% FPNF shares)

- Telecom Fiji Limited
- Fiji Directories Limited
- Vodafone Fiji Limited
- Internet Services Fiji Limited
- Transtel Limited
- Xceed Pasifika Limited
- Amalgamated Telecom Nominees Limited
- ATH Technology Park
- Home Finance Company Limited (75% FPNF shares)
- FPNF Nominee Company Limited (100% owned)
- FPNF Investment Limited (100% owned)
- Natadola Land Holdings Limited
- Yatule Beach Resort Limited
- Natadola Bay Resort Limited
- FPNF Hotel Resorts Limited
- Penina Limited
- Grand Pacific Hotel Limited
- Dareton Limited

KEY INDICATORS FOR FY06-FY08

	FY2008	FY2007	FY2006
Membership	352,358	343,453	331,050
Employers	6,701	6,647	6,227
Contributions	\$281.68m	\$289.63m	\$267.66m
Withdrawals	\$297.70m	\$292.33m	\$250.62m
Net Contributions*	-\$16.02m	-\$2.70m	\$17.04m
Interest to Members	6% (\$131.06m)	6.3% (\$128.35m)	6.5% (\$124.57m)
Investment Income	\$194.04m	\$199.29m	\$240.04m
Members' Funds	\$2.61b	\$2.47b	\$2.33b
Total Assets	\$3.50b	\$3.40b	\$3.35b

* Net Contributions = Contributions - Withdrawals

INVESTMENTS OVERVIEW

The Fund's investment objective is to maximize long-term returns, subject to constraints. The Fund attempts to achieve returns, after fees in excess of increases in inflation by a minimum 1% per year, rolling over a three-year period.

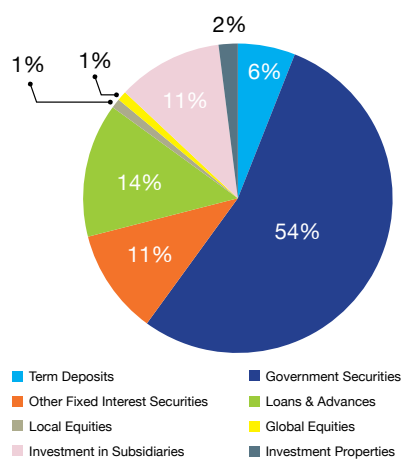
The average inflation rate for the past 3 years ending 30 June 2008 was 3.98% compared to 4.10% last year. This meant that the Fund achieved a real return of 2.24% during the year.

Asset Allocation

The impact of the Reserve Bank's directive to repatriate offshore funds in 2006 continued to affect the asset allocation of funds and with the political and economic environment, it was extremely difficult to correct the imbalance. Thus the portfolio remained with Growth Assets being grossly underweight and the Fixed Income assets being overweight.

Strategies are being formulated to reduce the Fund's exposure in the Fixed Income portfolio and concentrate on Growth Assets to help achieve our long term objectives and obligations. The review of the Investment Policy in the next financial year is intended to address this anomaly.

The chart below shows the Allocation of the investment Portfolios at the end of the financial year.



Rate of Return

The rate of return on our investments in 2008 was 6.22% compared to 6.30% (restated) in 2007.

Interest Rate Movements for the Year

Type of Investment	July 07 (%)	December 07 (%)	June 08 (%)
Treasury Bill (91 days)	2.99	0.28	0.10
Term Deposits (3 months)	3.42	0.38	0.30
Government Bonds	Jul-07	Dec-07	Jun-08
3 years	8.25	3.00	3.25
10 years	8.75	6.39	7.00
15 years	9.00	6.58	7.05

FIXED INCOME

Government and Quasi Government Bonds

Total Government borrowing through bonds for the financial year amounted to \$182 million compared to \$219.97 million the same period last year. Government used the same strategy as last year in reducing Government borrowings and restructuring their debt.

The Fund however, maintained its bond holdings as at 30th June 2008 with the portfolio closing at \$1.69 billion compared to \$1.7 billion last year.

Offshore Term Deposits

Most of our offshore term deposits were recalled as a result of the RBF directive to repatriate funds in 2006. However, due to the portfolio rebalancing exercise carried out in this financial year, the balance of offshore term deposits portfolio increased to \$48.33 million compared to \$2.5 million in FY2007.

Local Term Deposit

Local term deposits locked at higher rates from December 2006 matured during this financial year and was reinvested at very low rates as projected. This was due to excessive liquidity in the system which impacted not only our income but the Fund's total term deposits with the commercial banks, which reduced from \$302 million to \$181 million.

MORTGAGES

FNPF investments in Mortgages over the year almost doubled. As at 30 June 2008 funds invested in Mortgages were \$306.2 million compared to \$157.7 million for the same period last year.

EQUITIES

Offshore Equities

The Australian Equities market was subdued during the financial year, feeling the after effects of the US sub-prime market. As a result, the Fund rebalanced its portfolio by shifting funds from the lower-yielding equities portfolio to higher yielding term deposits. As at 30th June 2008, balance of offshore equities was \$24 million compared to \$74.3 million for the same period in 2007.

Local Equities

The Fund was fairly active in the local market during the financial year. Total trading volume was 6,723,026 shares for a total consideration of \$6.97million.

The market value of the Fund's local equity portfolio was \$441.6 million, compared to \$374.6 million for the same period last year, a growth of 17.89%. The increase was mainly due to increase in the ATH share price, which gained 25cents to rest at \$1.04 compared to \$0.79 as at 30 June 2007.

SUBSIDIARIES

Amalgated Telecom Holdings (ATH)

In the financial year 2008, FNPF received \$22.1 million on a net profit after tax of \$64.19 million, an increase of 50% over previous year's income. The increase is due to higher dividend per share declared to shareholders of 9cents compared to 6cents in 2007.

FNPF continues to benefit from this investment both in dividends and loans to ATH and its subsidiaries.

Home Finance Company (HFC)

During the year FNPF received \$2.14 million from HFC as dividends, a significant increase from \$131,200 in 2007, which resulted mainly from improved cost of borrowing and account performance, as well as tighter control on costs.

FNPF Investments Limited

FNPF Investments Limited is a fully owned subsidiary of FNPF that was incorporated in July 2004.

The total capital utilized for capital investments as at end of the financial year was \$138.16 million.

QUESTIONS & ANSWERS

Why was the FY08 report late?

The 2008 Financial Statements are the first financial statements of the Fund and the Group to be prepared in accordance with International Financial Reporting Standards (IFRS). Previously, the financials were prepared under Fiji Accounting Standards (FAS). Under IFRS, the Fund needed to adjust/amend certain accounting, measurement and valuations methods. The comparative figures for 2007 were restated to reflect these adjustments.

Why are the accounts qualified?

Auditors qualify accounts if they are not able to justify that proper books of accounts are kept by an organization or the financial statements do not give a true and fair view of the state of affairs. In 2008 financial statements, our auditors KPMG were unable to access all the financial information of the FNPF subsidiary, Natadola Land Holdings Limited and Yatule Beach Resort hence they placed qualification around consolidation of these 2 subsidiaries. Other than this, they have confirmed that the Fund and its other subsidiaries comply with accounting standards. These qualifications have since been removed after FNPF had assumed control of management in these 2 companies.

Why did the Investment income decrease this year?

The decrease is attributed to the revaluation of our property portfolio and realised losses as the Fund was instructed to bring back its offshore investments.

What's the difference between Consolidated account and the Fund that is reflected in the accounts?

The Consolidated accounts include the results of all performing FNPF subsidiaries, while the Fund reflects the position of the FNPF on its own.

Is it true that the Fund is running out of money thus the reason it continually reviews withdrawal grounds and amounts?

No, this is not true. The major reason the Fund continually reviews its withdrawal policy is to ensure the realignment of our services to our core role, that of a retirement fund tasked with ensuring members' financial security when they retire.

What is the Fund doing about recovering unpaid contributions?

The Fund prosecutes all defaulters and also regularly inspects and sends out reminders to these defaulters to ensure that contributions are paid. The Fund is pursuing other stringent measures including the review of the Act to increase penalties against defaulters and other restrictions.

What can a member do about these unpaid FNPF contributions?

Members must report on their employers while still employed by the defaulting employers. Currently, members only report about unpaid contributions when they are no longer employed. The Fund assures members of complete confidentiality when such complaints are received. It is also the members' responsibility to check their FNPF contributions are in their accounts by visiting any of our office or through statements sent out every six months.

What is Suspense account?

This account contains unidentified contributions. This means that employees have not been registered by the employer, or the FNPF membership number of the employee is not stated or that other details provided by the employer do not match FNPF records. Members' funds are temporarily placed in these accounts because of lack of personal information or incorrect information supplied by employers. Unless, these are identified and verified then FNPF is able to transfer these funds to members' accounts.

What can a member do to ensure his/her funds are not in suspense?

Members need to check their statement of accounts to ensure their contributions are up to date. They also need to ensure that they have registered the correct personal details with both their employer and the FNPF.

Explain SDB or Special Death Benefit

Special Death Benefit is a prescribed sum paid out to members' nominees in the event of the member's death, before he/she reaches retirement age. Currently, the SDB is \$8,500. An annual premium is deducted from members' account, which is currently pegged at \$35. For example, should a member die at the age of 45 and has a balance of \$40,000. The Fund will pay out \$48,500 (\$40,000 + \$8500) to his/her nominees.

What happens to members' that die without filling a nomination form?

The members' funds are paid to the High Court, who then decides how it is distributed. This process can be lengthy and painful. People other than those intended by the member may lay claim. Thus, we encourage all members to actively ensure they have a VALID nomination filed with us so that their monies are distributed by FNPF to those he/she chooses.

When will the 2009 accounts be ready?

Draft accounts are now being reviewed by the Board and should be presented to Cabinet in May.

BENEFIT PAYMENTS TO MEMBERS

	FY2008	FY2007	FY2006
Withdrawals at Age 55	\$57.95m	\$58.25m	\$46.77m
Pension Annuity	\$41.20m	\$38.29m	\$37.42m
Migration - Expatriates	\$7.36m	\$6.72m	\$7.35m
Migration - Fiji Citizens	\$33.33m	\$33.09m	\$33.03m
Incapacitation	\$4.25m	\$3.46m	\$3.44m
Death	\$12.34m	\$11.79m	\$9.32m
Special Death Benefit	\$8.11m	\$3.70m	\$4.83m
Housing Withdrawals	\$41.20m	\$37.09m	\$37.43m
Partial Withdrawals	\$97.04m	\$99.9m	\$73.07m

