



- Annual Report 2008

FIJI NATIONAL PROVIDENT FUND
FIJI NATIONAL PROVIDENT FUND

Our Vision

Securing your future through globally competitive superannuation services

Our Mission

To deliver maximum and sustainable returns and service to members through fair and equitable means

Our Values

- | | |
|------------------------|---|
| Accountability | - Being answerable and taking ownership of our actions |
| Fairness | - Treating everyone in an equitable and non-discriminatory manner |
| Professionalism | - Conducting ourselves ethically |
| Integrity | - Being honest and fair to all our stakeholders |
| Innovation | - Continuously developing and improving our services and products |
| Excellence | - Always striving to maintain the highest standards |

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HIGHLIGHTS for FY2008

Contributions collected during the year was \$281.68 million

Total benefit payments to members (including pension and SDB) was \$297.69 million

Investment portfolio increased by 2.7% from \$3.14 billion the previous year to \$3.23 billion

Total investment income during the financial year was \$194.03 million.

Fund membership increased by 2.5% from 343,453 the previous year to 352,358.

Interest credited to members on 30th June 2008 at 6% was \$131.07 million compared to \$128.35 million at 6.3% the previous year

Members balance totaled \$2.61 billion on 30th June 2008 compared to \$2.47 billion in 2007.

Board Members Financial Year 2008

5



Mr Taito Waqa

Chairman
from 24/04/08
to 01/10/08
Government
Representative
since 26/03/07



Mr Howard
Politini

Employer
Representative
from 29/12/06
to 23/06/09



Mr Felix Anthony

Employee
Representative
from 29/12/06
to 23/06/09



Mr James Datta

Employer
Representative
from 04/06/07
to 23/06/09



Mr Daniel Urai

Employee
Representative
from 29/12/06
to 23/06/09

Chairman's Report



As Chairman of the Fund for the financial year ended 30 June, 2008, I have much pleasure in submitting this report to our stakeholders.

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 of \$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, of which \$2.61 billion is members' funds.

Financial statement

In compliance to 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 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 FNPF 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.

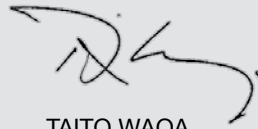
The Board adopted a new organizational structure that will ensure the Fund's operations are streamlined to a manageable and leaner formation, designed to lift performance and enhanced further through the Business Process Re-engineering and Change Management initiatives.

Chairman's Report (continued)

Acknowledgement

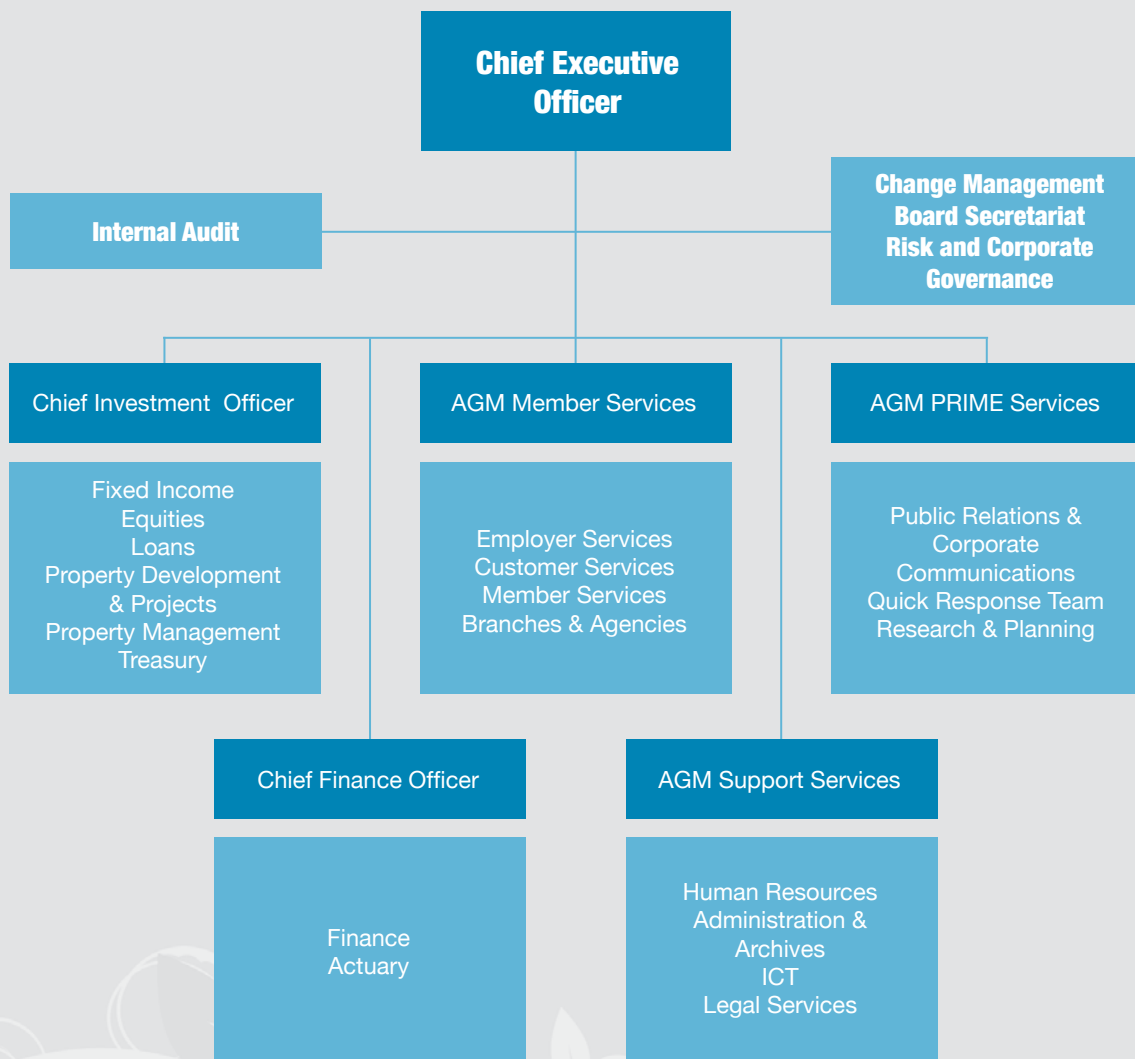
I must acknowledge the contribution of Management and Staff for their dedication, commitment and hard work during this difficult period.

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

Organisation Structure



Chief Executive Officer's Report



AISAKE TAITO

Considerable effort has been put into refining our business practices to ensure they best meet the high standards expected of an organization entrusted with members' retirement savings.

Business processes and the organizational structure was reviewed to both support the Fund as it is now, and more importantly, its expansion in the future. The Fund focused on building intellectual capacity, adding human resources with technical skills, expertise and specialized training across the organization.

Despite the challenging operating environment, we continued to maintain the momentum in our transformation initiatives to achieve key performance targets for this financial year.

I am pleased to present to you a review of the Fund's overall performance for the financial year ending 30 June, 2008.

CORPORATE GOVERNANCE

Prudential Supervision

The Reserve Bank of Fiji conducted an on-site examination in May 2008 which focused on the assessment of the effectiveness of the Fund's oversight functions in mitigating the inherent risks for investments, asset and liability management, contributions and benefit payments.

Total number of recommendations made by RBF was 147 for the three on-site examinations of which over 70% have been implemented, and action plans are in place to implement the remaining recommendations. The recommendations included corporate governance issues, investments, operations and oversight functions.

Implementation of the recommendations of the RBF and those of the external and internal audits is a top priority for management and the Board.

Risk Management, Compliance & Quality Assurance

The Fund continued to strengthen its oversight functions in the areas of risk management, compliance and quality assurance. A Board Risk sub-committee with the mandate to oversee the Fund's enterprise risk management was established during the year, and meetings were held to discuss reports on risk management submitted by the Enterprise Risk Management unit. A framework for compliance with the anti-money laundering and financial transactions reporting act was also implemented.

The Fund's Quality Assurance framework was also in the process of being developed based on the ISO standard for quality management systems.

Policy-Based Corporate Governance

The Fund developed, reviewed and approved 15 policies during the year to June 2008. These were:

- Whistle Blower Policy, Partial Withdrawal, Housing Finance Assistance Policy;
- Budget Policy, Procurement Policy, Investment Properties, Capital Works Policy;
- Motor Vehicle Policy, Communications, Media Relations, Information Security Policy; and
- Internal Audit Policy, External Audit, Board ALCO Charter, Management HR Committee Charter

The policy development was in accordance with the Fund's overarching philosophy of governance by policy which entails implementing a structured approach in reviewing, and developing clear and transparent policies governing the Board, management, staff and external stakeholders.

INTERNAL AUDIT

The Internal Audit function was strengthened with the appointment of a manager to oversee the operations of the Fund in October 2007. A revised work plan was formulated aligned to the identified risks within the organisation.

The expansion of the audit's role as approved by the Board Audit Committee (BAC) led to further recruitment and the appointment of personnel for the function.

The need for improvements in workflows and processes, saw the implementation of the Field Audit manual. This provides guidance on audit planning, conduct and reporting.

Special investigations directed by the BAC and those resulting from Whistleblower complaints were also investigated and reported. The function was involved in three projects during the financial year

These were: i) Audit of Information Technology
ii) Audit of Investments
iii) Quality Assurance of the Internal Audit Division

Training and capacity building were also encouraged for staff with representation at the Enterprise Risk Management workshop in December 2007, South Pacific Asian Conference in Sydney, Australia and attendance at the Fiji Institute of Accountants Congress.

OPERATIONS

Membership

In 2008, 13,730 new members were registered bringing the total membership of the Fund to 352,358 members. This is an increase of 2.5% compared to FY2007.

Employers

The Fund's active employers totaled 6,701 for this year. Of these, 634 new employers were newly registered and 580 employers' accounts were closed.

Total Contribution

The total contribution collected was \$281.68 million – averaging \$23.5 million per month. This is a 2.74% decrease from previous year's collection of \$289.63 million.

Members' Balance

This totaled \$2.61 billion on 30 June 2008 compared to \$2.47 billion in 2007.

Contribution Debtors

Unpaid contributions balance was \$5.69 million at end of financial year. The Fund will continue to pursue strategies such as inspection, reminders, prosecution and public relations to collect contribution payable.

Unidentified Contribution

A total of \$4.5 million or 1.6% of contributions collected was unidentified contribution. This is contribution collected but not distributed

to members' accounts because of insufficient information supplied by employers.

This is an increase of 11% as compared to June 2007 balance of \$4.0 million.

To address this, the Fund is working with all employers, emphasizing the need to correctly register all new employees, to eliminate the ambiguity arising out of their personal records. Likewise, members are continually advised to check their membership accounts to ensure their contributions are updated.

Nomination

During the year, 26,761 nominations were filed. Only 70% of total members have filed their nominations.

Benefit payments

In 2008, benefit payments totaling \$297.70 million was paid out, which includes Pension Annuity and Special Death Benefit (SDB) costs.

Withdrawals at Age 55

Members that reach age 55, the compulsory retirement age, have the option of withdrawing all their funds.

In 2008, 4,820 applications were approved. Total paid out was \$57.95 million; compared to \$58.25 million the previous year.

Migration Withdrawals

Expatriate members who leave Fiji can withdraw their entire savings under this withdrawal. Likewise, Fiji citizens who leave the country with no intention of returning may withdraw their savings on successful acquisition of relevant visas of countries of settlement.

A total of 2,608 applications were approved, amounting to \$7.36 million for expatriates and \$33.33 million for Fiji citizens.

Incapacitation Withdrawals

Members who become physically and mentally incapacitated can withdraw their entire saving. In 2008, a total of \$4.25 million was paid out, compared to \$3.46 million in 2007.

Death Withdrawals

The Fund paid out \$12.34 million for Death Withdrawals in 2008 as opposed to \$11.79 million in 2007. These withdrawals are paid out to members' nominees and to the High Court for members who do not have valid nominations.

Special Death Benefit

For 2008, the maximum payable for Special Death Benefit was \$8,500 at a premium of \$35. During the year, the Fund paid out \$8.11 million compared to \$3.70 million in 2007.

Housing Withdrawals

Total housing transfers for 2008 was \$41.20 million, an increase of \$2.9 million from that paid out in 2007.

Partial Withdrawals

Total paid out this year was \$97.04 million compared to \$99.69m in 2007. The decrease is attributed to stringent guidelines that came into effect in January 2008.

Customer Service

The total number of customers served in 2008 was 599,823. Of these 380,619 visited our various customer service centres in our three branches and three agencies.

Personalised Service

Of those that came in for personalized services, 13.3% sought partial withdrawal assistance, 12.7% education assistance, 7.7% housing withdrawal and 7.3% unemployment partial.

Pension Centre

Partial withdrawal for members over 55 dominated services required at the Pension Centre recording 43% of the total 32,697 served. The provision of pension advisory, issuance and filing of renewal certificates and identification and other services were also offered from this centre.

E-Lobby

A total of 6,054 members accessed e-lobby services during the year.

Improvised Services

Management implemented the following strategies to minimize waiting time for customers.

- Utilisation of the staff from other division to assist the Customer Services staff
- The hiring of retired FNPF workers to assist during peak periods.
- Utilisation of a vacant shop space at the Downtown Boulevard to provide service to members requiring assistance under Low Wage and Unemployment. These members were served or managed by the Quick Response Team while members seeking assistance under Local Education were looked after by the Customer Services Centre team.

INVESTMENTS

The Fund's investment objective is to maximize long-term returns, subject to constraints imposed to contain short term fluctuations within acceptable limits.

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.

The Tappo City building in Downtown Suva, owned by Penina Ltd. FNPF has 51% shares in Penina.



Asset Allocation

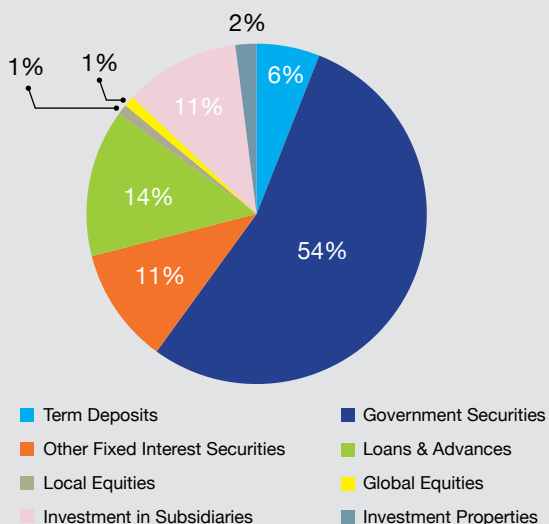
The impact of the Reserve Bank's directive to repatriate offshore funds in 2006 continued to affect the asset allocation of funds and with the political and economic environment, it was extremely difficult to correct the imbalance.

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.



Interest Rates

The excess liquidity in the market saw interest rates declining to historical lows which continued throughout the year, especially in the short term money market. However, the trend was different for the long term market where rates started to move upwards towards the second half of the year.

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. The funds are now placed in term deposits in various currencies including AUD, GBP, NZD and USD.

Income

Income for the year was \$194.04 million compared to \$199 million the previous year. The decrease was from the Fund's revaluation of its Property portfolio and rebalancing of its investments offshore.

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



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.

Majority of the funding went towards two of the Fund's two major projects namely Natadola Beach Resort Limited and Momi Bay Marriot Resort. Both projects will play an integral part in the growth of the tourism industry.

The Fund also engaged in capacity building by strengthening the Credit Policy and Due Diligence procedures to set the platform for future lending activities, with a view to protect and maintain good quality investments.

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. The Fund is working on an option to transfer these funds into active management in order to maximize returns.

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.

The FIRCA complex along Queen Elizabeth Drive in Nasese owned by the Fund.



SUBSIDIARIES

Amalgamated 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)

FNPF holds the majority shares with HFC, with Unit Trust of Fiji (UTOF) holding the remaining 25% shares. The company is a well established licensed financial institution, serving the people of Fiji in the home lending market for the past 44 years. 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.

Some subsidiary companies established through equity participation include:

- Natadola Bay Resort (100%)
- FNPF Hotel Resorts Limited – Trading as Holiday Inn (100%)
- Grand Pacific Hotel Limited (80%)
- Penina Limited (51%)

FNPF Nominees Limited

FNPF Nominees is a fully owned subsidiary of FNPF.

The objective of the establishment of this subsidiary is to manage the Fund's Share Investment Scheme. It is also responsible for managing the Fund's Small Business Equity Scheme and is the custodian for FNPF Member's Housing Titles.

Treasury

The management of the Fund's balance sheet involves a wide range of activities including the management of the balance sheet interest rate risk, liquidity, funding and other regulatory issues.

Interest rate management involves minimizing fluctuations in net interest income that occur over time as a result of changes in market interest rates.

Interest Rate fluctuations affect earnings by changing net interest income and other interest sensitive income and expense levels.

Most of these risk arises when the re-pricing characteristics of the assets and liabilities making up the balance sheet are not matched.

The greater the extent of mismatch between assets and liabilities, the greater the potential for volatility in future net interest income.

Treasury uses a simulation model to replicate the impact of earnings in a number of scenarios of rate changes and future balance sheet structures. This allows management to accurately quantify the risk and formulate strategies to manage current and future risk profiles.

It is important to note that the characteristics of investments and products offered have a direct bearing on the balance sheet or Interest Rate Risk.

FNPF management is tasked with effectively identifying measures, monitoring and controlling the interest rate risk.

The repricing GAP model is generated every month and the Board is advised on the sustainability of the Fund in terms of ensuring that sufficient returns are generated to meet pension liabilities.

The Fund, however, is constrained from achieving its sustainability returns due to the restrictions currently placed by the Reserve Bank of Fiji on its offshore investments. Thus, it is faced with a concentrated and non-diversifiable risk.

With limited investment opportunities available locally, the Fund has excess liquidity in the financial system through the financial year with almost no interest earned.

Properties and Projects

Management has commence the strengthening and restructuring of the Investment Properties and Projects functional areas by focusing on the development of these sections to provide an acceptable level of return on members funds by marketing, leasing and collections through the Properties Section and the provision of competent technical support services through the Projects Section.

Major Capital Works Policy

In accordance with the recommendations of the external audit, the Board directed management to submit a Board paper that presented a comprehensive policy for major capital works projects financed by the Fund.

The Major Capital Works Policy came into effect in the second half of this financial year with the following key outcomes:

- Project conceptual design shall be guided by the principles of value for the investment of members' funds, health and safety and practicality for ongoing maintenance over the life of the asset.
- The Board shall be at liberty to appoint a qualified person to administer any construction contract as the Supervising Officer and shall not be constrained to the employment of an architect to act in that capacity.
- The Board will seek all means to reduce the Fund's exposure to risk including discontinuing the practice of employing nominated subcontractors whose contractual status draws the Fund into a higher risk profile.
- The selection of building contractors to a Panel of Preferred Contractors and the invitation to tender on the Fund's capital works projects shall be conducted in an entirely transparent manner with clear guidelines.

FNPF PROPERTIES

The following are a list of FNPF's properties

Suva

- FNPF Place, Victoria Parade
- HFC Centre, Victoria Parade
- Harbour Front Building, Rodwell Road
- Provident Plaza/Downtown Boulevard, Ellery Street
- FIRCA Complex, Queen Elizabeth Drive
- Harbour Centre, Thompson Street
- Vodafone Building, Princess Road, Tamavua
- Victoria Corner, Victoria Parade & Gordon Street

- Kwong Tiy Plaza, Marks Street
- Parshotam Building, Greig Street
- Greig Street Carpark, Greig Street
- Hugh Robinson Complex, Grantham Road, Raiwaqa
- Orica Fiji Complex, Wailada, Lami
- Grantham Plaza, Grantham Road, Raiwaqa

Lautoka/Nadi/Labasa

- Lautoka City (vacant land) Naviti Street/Vidilo Street, Lautoka
- FNPF Branch, Drasa Avenue, Lautoka
- FNPF Branch, Main Street, Labasa
- Nadi Hotel Complex, Korivolou Avenue, Nadi
- Labasa Manager's residence, Nadawa subdivision, Labasa

PROJECTS

The current projects were still being pursued during this financial period.

- FIRCA complex
- Natadola Bay Tourism Development
- Lautoka Retail Project

LEGAL SERVICES

The Legal arm of the Fund is in charge of all prosecution, civil litigation, conveyancing and procurements, providing opinions and advice to the Board, management and staff of the Fund, maintaining ethical standards and promoting good governance.

Civil Litigation

In the year ending 2008, a total number of 30 civil litigation cases were handled by the fund.

Prosecution

A total of 363 employers cases were registered with the Courts amounting to \$3.0 million. A total of 252 cases were completed with \$4.1 million being recovered.

Corporate Conveyancing

A total of 1,613 applications were settled therefore generated a total income of \$0.24 million.



Applications for Provisional Titles

These are cases where the Fund assisted members in obtaining a replacement duplicate of their Title or Lease.

There were a total of 66 Provisional Title applications in the financial year ending 30 June 2008.

INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

Products & Services

ICT facilitates and supports the customer services and agencies around the country.

ICT also initiated a helpdesk facility that logs, tracks and monitor calls, contributing to the better delivery of services and staff productivity.

Road Map

An ICT Road Map aligned to the Strategic Plan 2009-2011 was developed providing the necessary implementation of critical information systems, upgrade of ICT infrastructure and re-engineering of business processes.

Information Security

The appointment of an Information Security Officer, has strengthened the safeguarding of the Fund's customer and corporate information.

Electronic Funds Transfer (EFT)

FNPF Members that have accounts with the Bank of Baroda can now also opt for payment of benefits through EFT like members who have accounts with other commercial banks. This initiative aims at improving Customer Service delivery.

Disaster Recovery

The Fund continues to strengthen the ICT disaster recovery plan to ensure the FNPF can continue to serve valuable customers in unplanned events or disasters.



Infrastructure Upgrades

The FNPF wide area network was once again upgraded for greater bandwidth to accommodate additional data traffic and provide voice-over-IP telephony services to branch offices and agencies.

FNPF has enhanced its Terminal Services technology offering redundancy in the event of a hardware or software failure, this would particularly enhance Customer Services through better systems availability.

Preparational work has begun for the implementation of a new telephone system in the next financial year. Customers will experience better telephone services and members will benefit from cost savings from new more cost effective and smart technologies.

Network performance has been enhanced through upgrades to switching and router equipment.

Staff Development

Technology is a fast changing area that requires constant update of information and upgrade of technology. ICT staffs have been provided necessary and relevant training on systems to remain productive.

ADMINISTRATION AND ARCHIVING

Procurement and Tender Facilitation

Total tenders advertised for this financial year was 40. All tenders undergo a stringent Evaluation Process by an independent committee. This is to ensure that transparency and due diligence is continuously upheld in all of the Fund's dealings.



Cost Controls

The Fund continues to adopt control measures to minimize operating costs. These measures are in place to ensure proper utilization of all resources that includes recycling.

Office Security

The Fund continues to uphold the safety of its members' information. In this respect it recruited 20 security officers, introduced Closed Circuit Television (CCTV) camera monitoring and upgraded all office door locks.

Archiving & Weeding Project

In anticipation of the implementation of the Electronic Document Management System (EDMS), the Fund undertook the Weeding Project to sort out member documents at the FNPF Archives. This project has paved the way for efficient filing system information and a reduction in storage space.

HUMAN RESOURCES

The Fund strives to provide effective HR Services for all its 289 staff.

Risk Action Plan

In line with good corporate governance practices, HR was tasked with the HR Risk Action Plan involving Competency review and Manpower planning and also strengthening OHS Management commitment.

Efficient services

To support the provision of an effective and efficient customer services, FNPF reviewed the CS structure, staffing and training requirements, developed a Part-time Worker policy and facilitated the Telephone Etiquette workshops for all staff;

Resource planning

A review was undertaken for the ICT, Employers and Investment division which involved both structural and resource planning and capacity building to cater for growing demands for these divisions.

Training

Training for all staff was also undertaken in Change Management; and other development and specialized programme to ensure that staff continued to meet the demands of their jobs. The Training Plan was also reviewed in line with the new measures and targets as reflected in the Key Responsibility Areas (KRAs). IT was tasked with system improvements including performance management.

Management and Executives also attended leadership, management development and specialized training in line with the Fund's institutional strengthening and executive development plan to ensure managers acquire knowledge on the latest developments in the market.

Employment relations

A one-day industrial action was taken by unionized staff on Dec 13, 2007 but the resolution of the 2005 and 2006 market salary adjustment dispute was a major achievement and was accepted by majority of staff. The alignment of HR policies and current terms and conditions of employment to the new Employment Relations Bill will continue to be prioritised.

PRIME SERVICES

The Public Relations, Intelligence, Marketing and Enabling Services division is responsible for the Fund's strategic planning, research and its relationship with stakeholders.

Pension Actuary Valuation

The Fund engaged the World Bank to conduct an actuary valuation. The three-member team visited Fiji twice recommending that pension reforms be seriously considered for the sustainability of the Fund. It also recommended that a private actuary firm be engaged to undertake the actuarial review so that the Fund can comply with the new International Financial Reporting Standard (IFRS) to disclose the pension liability figures in the financials.



Customer Satisfaction Index

A Customer Satisfaction Survey to formulate a Customer Satisfaction Index (CSI) was conducted during this period by the University of the South Pacific. The basis of the survey was to allow the Fund to pursue effective and efficient customer service by addressing what is important for our members. This initiative assisted the Fund to lift its customer service standards and prompted other support functions to seriously align to customer needs.

Strategic Plan FY2009-2011

The implementation of the Strategic Plan FY2008 was monitored by the Research & Planning team. Face-to-face interviews with respective managers were conducted to consolidate Progressive Scorecards for each function confirming the implementation on the Strategic Plan via Key Performance Indicators.

A new Strategic Plan for the financial years FY2009-2011 was developed and the Fund's strategies for the next three years were mapped out following a series of workshops that included employer reps, workers reps and other stakeholders, who joined board, management and staff. The introduction of the Balance Scorecard was endorsed as a measuring tool for the new plan – this was a significant improvement in the planning process.

Quick Response Team

The Quick Response Team was frequently deployed to assist various FNPF sections in need of urgent support services and this affected its objective of registering a record number of voluntary members. There were demands for urgent skilled manpower support for Customer Services, Information Centre and Pension Centre. The team was also deployed to tertiary institutes where they receive Education assistance applications from members who were financing their studies through the Fund.

Public events & seminars

The Fund's booth at the Fiji Showcase 2008 was a popular choice for attendees. During the year, the Fund was also represented at Careers Expos for secondary school students in various parts of the country. Eight expos were organized by the Ministry of Education and nine by the Fund. The team also met requests from Fiji School of Nursing, Lautoka Teachers College, IOTA, Prison Services, Tavarua Island Resort, Namau Village in Korovou and Natovi Parish Youth.

The Fund also conducted several public seminars as part of its ongoing awareness programs to members employed by security forces, Fijian Teachers Association, Fiji Principals Associations. The Fund was also represented at the Technical

Assistance & Support Secretariat forums as part of its continued commitment to the development of the nation.

Awareness programs

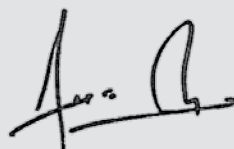
The Fund continued to advocate a saving for retired members in all its awareness programs. This was further enhanced when changes were made to the Withdrawal Policies that came into effect on January 01, 2008. A four-page newspaper lift-out was designed to raise awareness on these changes. Our team fronted radio and television talkback shows to relay the important message that savings matter when members retire. A newspaper column focusing on this theme was also pursued with one of the vernacular papers. The Fund also engaged in dedicated advertising campaigns to highlight the importance of nomination and suspense accounts.

Media relations

The FNPF appreciates the role the media plays in disseminating critical information to our members. As such, the Fund was responsive to media requests for information on a wide range of issues that included withdrawal figures, management issues and investment projects. Media statements were issued on all major developments within the Fund. The wide coverage and continued media interest on the activities of this organization is indicative of the important role it plays in our members' lives. The Fund continues to encourage a smart relationship with the media, supporting the ethics of responsible reporting.

Acknowledgement

On behalf of the Management and Staff, I would like to thank the Chairman and members of the Board for their wise counsel which enabled us to execute our responsibilities effectively. My appreciation goes to all FNPF staff for their dedication to their duties during this period. I also wish to convey my sincere thanks to all FNPF members, employers and stakeholders, for their support and cooperation. The Fund looks forward to your continued support as we continually strive to lift our standards and services.



AISAKE TAITO
Chief Executive Officer

GENERAL RESERVE -



Financial Statements

For the year ended 30 June 2008



Report to the members For the year ended 30 June 2008

The Board presents its report together with the financial statements of Fiji National Provident Fund (“the Fund”) and its subsidiaries for the financial year ended 30 June 2008 and the auditors’ report thereon.

Board Members

The Board members of the Fund during the year were and up to the date of this report were:

Board member	Appointed	Resigned
Mr John Prasad – Chairman	23.06.09	
Mr Ajith Kodagoda	23.06.09	
Mr Tom Ricketts	14.07.09	
Mr Taito Waqa (Chairman from 28.04.08 to 01.10.08)	26.03.07	
Mr Parmesh Chand (Chairman from 1.10.08 to 23.6.09)	01.10.08	23.06.09
Mr Daniel Urai	29.12.06	23.06.09
Mr Felix Anthony	29.12.06	23.06.09
Mr Howard Politini	29.12.06	23.06.09
Mr James Datta	04.06.07	23.06.09
Mr Peceli Vocea	26.03.07	28.04.08

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State of Affairs

In our opinion the accompanying consolidated financial statements, as set out on pages 22 to 70, give a true and fair view of the state of affairs of the Fund and its subsidiaries as at 30 June 2008 and of the changes in net assets and cash flows of the Fund and its subsidiaries for the year then ended.

Operation of the Fund

The Fund is a defined benefit fund and the operation of the Fund has been carried out in accordance with the provisions of the Fiji National Provident Fund Act and the Trustee Act.

Principal Activities

The principal activity of the Fund during the financial year was the provision of superannuation services to its members.

The principal activities of the subsidiary entities during the year were those of investment, provision of telecommunications services, the ownership of hotel and resort facilities, commercial and home mortgage lending and provision of financing facilities for acceptance of term deposits.

Operating Results

The benefits accrued as a result of operations for the year ended 30 June 2008 amounted to \$123,008,000 (2007: \$180,503,000). The consolidated results for the Group for the year ended 30 June 2008 were a surplus of \$93,173,000 (2007: \$181,372,000).

Report to the members
For the year ended 30 June 2008 (continued)

Reserves

The Board approved the transfer from the statement of changes in net assets to the following reserves during the year:

- \$9,449,000 (2007: \$7,880,000) to the Special Death Benefit Reserve.
- \$20,912,000 (2007: \$22,157,000) to the Pension Buffer Reserve.
- \$718,000 from the General Reserve (2007: \$47,016,000)

Significant Events

Significant events that occurred during the year included

Liberalisation of the Telecommunications Sector

During the year, a subsidiary company, Amalgamated Telecom Holdings Limited (ATH), participated in a mediation process, which also involved the Government of Fiji, Telecom Fiji Limited, Fiji International Telecommunications Limited and Vodafone Fiji Limited. The purpose of the mediation was to discuss and agree arrangements, and the terms and conditions for the liberalisation of the telecommunications sector of Fiji, including the treatment of exclusivity provisions, on-going litigation, the enactment of a new law governing telecommunications and related matters. Subsequently, competition in mobile telecommunications commenced on 1 October 2008.

The settlement deed was finalised and executed by all parties in January 2008. At the same time, the Interim Government promulgated the Telecommunications Promulgation 2008.

The settlement deed provides greater certainty of the future telecommunication environment in Fiji, and new 15 year unrestricted licenses to then existing exclusive license holders at no initial upfront cost. The directors of the Fund believe that the licenses held by ATH and its subsidiaries, including Telecom Fiji Limited and Vodafone Fiji Limited, are of significant value to the ATH Group.

Event Subsequent to the Balance Date

Syndicate loan to Matapo Limited

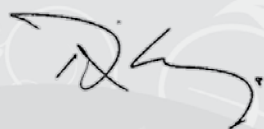
The Fund has a loan to Matapo Limited for the Momi Bay project in the form of a syndicate loan. Securities for the loan include the hotel and golf development on site and the residential land available for sale at the project site.

Subsequent to balance date, the FNPF repossessed the loan securities of Matapo Limited which were then put to auction in order to recover the loan amount. Offers have been received from investors on the hotel and golf development. However, as at the date of this report, all offers have not been accepted.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Board Members of the Fund, to affect significantly the operations of the Group, the changes in net assets of those operations, or the state of affairs of the Group in future financial years.

Dated at Suva this 25th day of September 2009.

Signed in accordance with a resolution of the Board:



Independent auditors' report to the members of the Fiji National Provident Fund and its subsidiaries

Scope

We have audited the financial statements of the Fiji National Provident Fund for the year ended 30 June 2008, consisting of the statement of changes in net assets, statement of net assets, statements of cash flows and accompanying notes, set out on pages 22 to 70. The financial statements comprise the financial statements of the Fund and the consolidated financial statements of the Group, being the Fund and its subsidiaries. The Fund's Board Members are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Fund.

Our audit has been conducted in accordance with Fiji Standards on Auditing to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether in all material respects the financial statements are presented fairly in accordance with International Financial Reporting Standards and statutory requirements so as to present a view which is consistent with our understanding of the Fund's and the Group's net asset position, changes in net assets and cash flows.

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

Basis for Qualified audit opinion

Financial statements of a 51% owned company, Natadola Land Holdings Limited and its subsidiary company, Yatule Beach Resort Limited for the year ended 30 June 2008 have not been included in the consolidated financial statements as at 30 June 2008. The Fund is unable to finalise the completion of the financial statements of these companies due to the inability to access all financial information for the preparation of the financial statements.

In this respect, the consolidated financial statements of the Fund and the Group are not in accordance with International Accounting Standard 27, Consolidated Financial Statements and Accounting for Investments in Subsidiaries.

Qualified audit opinion

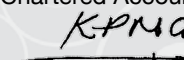
In our opinion, except for the effect of non-consolidation of Natadola Land Holdings Limited and its subsidiary, Yatule Beach Resort Limited, as outlined above,

- (a) proper books of account have been kept by the Fund, so far as appears from our examination of those books; and
- (b) the accompanying financial statements which have been prepared under the International Financial Reporting Standards:
 - (i) are in agreement with the books of account;
 - (ii) to the best of our information and according to the explanations given to us:
 - (a) give a true and fair view of the state of affairs of the Fund and the Group as at 30 June 2008 and of the changes in net assets and cash flows of the Fund and the Group for the year ended on that date;
 - (b) give the information required in accordance with section 12 of the Fiji National Provident Fund Act in the manner so required.

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.

Suva, Fiji Islands
25th September, 2009

KPMG
Chartered Accountants



Fiji National Provident Fund and its subsidiaries
Statement of changes in net assets
For the year ended 30 June 2008

	Note	Consolidated		The Fund	
		2008	Restated	2008	Restated
		\$000	2007	2008	2007
		\$000	\$000	\$000	\$000
Investment revenue					
Interest	5	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	15	-	-	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	6	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	27 (c)	297,696	292,326	297,696	292,326
Depreciation	21	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	7	57,136	52,600	9,222	9,007
Other expenses	8	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	9(a)	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 carried to page 23		93,173	181,372	123,008	180,503

The statement of changes in net assets is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 26 - 70.

Fiji National Provident Fund and its subsidiaries
 Statement of changes in net assets
 For the year ended 30 June 2008 (continued)

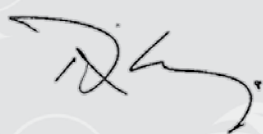
Note	Consolidated		The Fund	
	2008 \$000	Restated 2007 \$000	2008 \$000	Restated 2007 \$000
Net change for the year brought forward from page 22	93,173	181,372	123,008	180,503
Total recognised income and expense:				
Net assets available to pay benefits at the beginning of the year	3,407,919	3,224,700	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	26(c) 492	-	-	-
Net assets available to pay benefits at the end of the year	26 3,501,584	3,407,919	3,497,438	3,374,430

The statement of changes in net assets is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 26 - 70.

Fiji National Provident Fund and its subsidiaries
Statement of net assets
As at 30 June 2008

Note	Consolidated		The Fund		
	2008	Restated	2008	Restated	
	\$000	2007 \$000	\$000	2007 \$000	
Investments					
<i>Financial assets</i>					
Term deposits	10	217,052	243,241	203,831	276,630
Government securities	11	1,746,070	1,801,241	1,677,139	1,714,095
Other fixed interest securities	12	329,605	334,642	329,605	333,142
Loans and advances	13	313,428	360,201	429,912	345,690
Equities	14	75,199	86,532	64,193	77,655
Investment in subsidiaries	15	-	10,200	359,882	356,648
<i>Non-financial assets</i>					
Investment properties	16	56,571	61,803	54,837	59,910
		2,737,925	2,897,860	3,119,399	3,163,770
Other assets					
Cash	17	327,929	161,538	278,066	124,620
Trade receivables	18	26,453	21,307	-	-
Other receivables	22	85,137	77,156	70,858	57,547
Inventories	19	8,363	7,572	-	-
Property, plant and equipment	21	522,284	397,330	38,288	34,619
Intangible assets	20	138,260	144,006	537	706
Deferred expense		146	1,369	-	-
Deferred tax assets	9(d)	10,624	10,404	-	-
		1,119,196	820,682	387,749	217,492
Total assets		3,857,121	3,718,542	3,507,148	3,381,262
Liabilities					
Creditors and borrowings	23	142,862	119,876	5,060	2,418
Other liabilities	24	42,486	42,240	2,686	2,647
Employee entitlements	25	10,169	9,140	1,964	1,767
Income tax payable	9(b)	13,252	11,076	-	-
Deferred tax liability	9(c)	19,967	17,234	-	-
Total liabilities (excluding net assets available to pay benefits)		228,736	199,566	9,710	6,832
Net assets		3,628,385	3,518,976	3,497,438	3,374,430
Less: Non controlling interest		126,801	111,057	-	-
Net assets available to pay benefits	26	3,501,584	3,407,919	3,497,438	3,374,430

Signed in accordance with a resolution of the Board:




The statement of net assets is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 26 - 70.

Fiji National Provident Fund and its subsidiaries
 Statements of cash flows
 For the year ended 30 June 2008

Note	Consolidated		The Fund	
	2008	Restated 2007	2008	Restated 2007
	\$000	\$000	\$000	\$000
Cash flows from operating activities				
Contributions received	280,226	286,784	280,226	286,784
Cash receipts from customers	274,998	267,429	-	-
Interest received	185,337	175,380	172,748	163,891
Dividends received	1,597	4,241	20,601	20,195
Rental received from properties	3,311	5,062	4,198	5,912
Other income received	7,182	3,029	1,917	1,777
Withdrawal payments to members	(297,696)	(292,326)	(297,696)	(292,326)
Payments to suppliers and employees	(185,781)	(145,134)	(12,370)	(14,044)
Interest paid	(1,140)	(2,564)	-	-
Income taxes paid	(23,235)	(25,917)	-	-
Investment expenses paid	(2,042)	(2,728)	(2,042)	(2,728)
(Payments)/ Receipts from members for shares	(227)	(383)	-	-
Receipts from brokers for shares	519	577	-	-
Net cash provided by operating activities	243,049	273,450	167,582	169,461
Cash flows from investing activities				
Government securities realised / (purchased)	56,832	(44,005)	36,956	(50,534)
Other securities realised	3,537	37,127	3,537	27,953
Loans and advances (issued)	(57,618)	(64,526)	(121,013)	(17,517)
Payments for investment in movie production	-	(1,142)	-	-
Term deposits realised / (purchased)	112,751	(172,900)	72,799	(157,623)
Shares in subsidiaries (purchased)	-	3,315	(3,210)	(25,930)
Shares and units disposed/(purchased)	3,705	171,934	5,250	171,934
Proceeds from sale of property, plant and equipment	4,494	38	106	38
Purchase of property, plant and equipment	(151,697)	(155,327)	(8,003)	(14,070)
Acquisition of intangible assets	(154)	(10)	(154)	-
Purchase of investment properties	(423)	(629)	(423)	(629)
Net cash used in investing activities	(28,573)	(226,125)	(14,155)	(66,378)
Cash flows from financing activities				
Proceeds from borrowings	36,488	117,300	-	-
Repayment of borrowings	(68,272)	(98,737)	-	-
Dividends paid	(17,168)	(23,337)	-	-
Net cash provided by financing activities	(48,952)	(4,774)	-	-
Net increase / (decrease) in cash held	165,524	42,551	153,427	103,083
Less cash from subsidiary not consolidated	-	(1,755)	-	-
Cash at beginning of the financial year	161,538	120,742	124,620	21,537
Cash at end of the financial year	29 (a) 327,062	161,538	278,047	124,620

The statement of cash flows are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 26 - 70.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2008

1 General Information

The Fiji National Provident Fund (the "Fund") is a superannuation fund domiciled in Fiji. The Fund is constituted by the Fiji National Provident Fund ("FNPF") Act, Cap 219, to provide superannuation benefits for workers in Fiji. Its head office is located at Provident Plaza 2, 33 Ellery Street, Suva, Fiji Islands.

These financial statements were authorised for issue by the board of directors on 25th day of September, 2009.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Fund and the Group (being the Fund and its subsidiaries) have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment properties, financial assets at fair value through profit or loss and available for sale assets.

The preparation of financial statements in conformity with IFRS required the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's and the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.2 Application of IFRS 1 First-time Adoption of International Financial Reporting Standards

These financial statements are the first financial statements for the Fund and the Group to be prepared in accordance with IFRS. IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied in preparing these financial statements. Financial statements of the Fund and the Group until 30 June 2007 had been prepared in accordance with Fiji Accounting Standards ("FAS"). FAS differs in certain respects from IFRS. When preparing the financial statements for the Fund and the Group, management has amended certain accounting, measurement and valuation methods applied in the FAS financial statements to comply with IFRS. The comparative figures in respect of 2007 were restated to reflect these adjustments.

Reconciliations and descriptions of the effect of transition from FAS to IFRS on the Fund's net assets and its net change in net assets are set out in Note 33 to the financial statements.

2.3 Standards, amendments and interpretations issued but not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them. No significant impact is expected to arise out of these standards, amendments and interpretations.

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008).

2 Summary of significant accounting policies (continued)

2.4 Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Fund has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Fund. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Fund. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non controlling interest. The excess of the cost of the acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost or acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of changes in net assets.

Inter-entity transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Fund.

2.5 Foreign currency translation

(a) Functional and presentation currency

The Fund and the Group operate in Fiji and hence the financial statements are presented in Fiji dollars, which is both the functional and presentation currency.

(b) Transaction and balances

Foreign currency transactions are translated into the Fiji currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of changes in net assets. Translation differences on revalued or non-monetary assets and liabilities held at fair value are recognised in net surplus or deficit as part of the fair value gain or loss.

2.6 Property, plant and equipment

Land and buildings are shown at cost. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of changes in net assets during the financial period in which they are incurred.

Land is not depreciated; cost of leasehold land is amortised over the term of the lease. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2008

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment (continued)

Leasehold land	Term of lease
Buildings	40 – 80 years
Exchange plant and telecommunication infrastructure	10 – 15 years
Subscriber equipment	10 – 20 years
Trunk network plant	15 years
Plant and machinery	5 – 15 years
Vehicles	4 – 7 years
Furniture, fittings and equipment	3 – 8 years
Computer equipment and software	5 years

The assets' useful lives are reviewed, and adjusted if appropriate, at each financial year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of changes in net assets.

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in profit or loss. When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised directly in equity. Any loss is recognised immediately in profit or loss.

2.7 Investment properties

Investment property, principally comprising freehold and leasehold land and buildings, is held for long-term rental yields and is not occupied by the Fund. Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value, determined by external independent valuers who have appropriate recognised professional qualification and recent experience in the location and category of property being valued. Changes in fair values are recorded in the statement of changes in net assets.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of changes in net assets during the financial period in which they are incurred.

Land held under operating lease is classified and accounted for as investment property when the rest of the definition of investment property is met.

2.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on

2 Summary of significant accounting policies (continued)

2.8 Intangible assets (continued)

(a) Goodwill (continued)

Acquisitions of subsidiaries is included in 'intangible assets' and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Management rights

The Fund paid management rights to the Republic of the Fiji Islands (Fiji Government) pursuant to a management agreement entered in 1998 between the Fiji Government and a subsidiary company, Amalgamated Telecom Holdings Limited (ATH). The agreement provides ATH the right to manage all of the issued shares in Fiji International Telecommunications Limited (FINTEL) owned beneficially by the Fiji Government for a period of 20 years with an option of a further 10 years. In return ATH is entitled to receive 80% of the Government of Fiji's share of dividends from FINTEL. The control over the transfer of this right lies with the Fund.

The amount paid for these management rights is amortised over a 20 year period.

(c) Computer software

Acquired computer software licences, which have a finite life, are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Fund, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

(d) Investment in movie productions

Investments in movie productions, which have an indefinite life, have been valued at cost and reduced by an impairment charge to arrive at a carrying amount which is an amount the company expects to recover from the exploitation of the copyright in accordance with the Production Investment Agreement.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life, goodwill and management rights, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of significant accounting policies (continued)

2.10 Financial assets

Financial instruments comprise investments in equity, government and other fixed interest securities, term deposits, trade and other receivables, cash and cash equivalents, loans and advances, and trade and other payables. The Group classifies their financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

(a) Financial assets at fair value through profit or loss

This category has financial assets that are designated at fair value through profit or loss at inception. This largely consists of equity investments which are managed and evaluated on a fair value basis in accordance with the Group's investment strategy and reported to key management personnel on that basis. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

(b) Held to maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as fair value through profit or loss. The Group's held to maturity financial assets comprise of Government and other fixed interest securities. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses. Term deposits, Government securities and Other fixed interest securities are included under this category.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund's loans and receivables comprise loans and advances, and trade receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and advances, cash and cash equivalents and trade receivables are included under this category.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the financial year end. Certain private equity investments are included under this category.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

2 Summary of significant accounting policies (continued)

2.11 Impairment of financial assets carried at amortised cost

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of changes in net assets in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of changes in net assets when the Group's right to receive payments is established.

The fair values of quoted equity investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Fund establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assess at each financial year end whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Delinquency in contractual payments of principal or interest, cash flow difficulties experienced by the borrower, breach of loan covenants or conditions, initiation of bankruptcy proceedings, deterioration of the borrower's competitive position, and deterioration in the value of collateral are all factors which the Fund considers in determining whether there is objective evidence of an impairment.

The Group first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of changes in net assets.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of changes in net assets.

2 Summary of significant accounting policies (continued)

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories has been determined on a weighted average cost basis and first-in-first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Allowances for inventory obsolescence are raised based on a review of inventories. Inventories considered obsolete or un-saleable are written off in the year in which they are identified.

2.13 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Allowances are made for impairment, further details on which are in note 2.11. Trade receivables are categorised as loans and receivables under financial assets.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flows. Cash and cash equivalents are categorised as loans and receivables under financial assets.

2.15 Finance leases

Leases of property, plant and equipment where the Group have substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised and corresponding lease liabilities are recorded at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term. Lease liabilities are reduced by the principal component of lease payments. The interest component is charged against net surplus or deficit.

2.16 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.17 Employee entitlements

(a) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, incentives and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Payments for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(b) Long service leave and gratuity benefits

The liability for long service leave and gratuity benefits is recognised in employee entitlements measured as the present value of expected future payments to be made in respect of services

2 Summary of significant accounting policies (continued)

2.17 Employee entitlements (continued)

(b) Long service leave and gratuity benefits (continued)

provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognise termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the financial year end are discounted at their present value.

(d) Retirement benefits

The liability for retirement benefits is recognised in employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

(e) Bonus plans

The Group pays bonuses to employees based on performance of the Group and achievement of individual objectives by the employees. The Group recognises a provision where contractually obliged or where there is a past practice, subject to performance valuation.

2.18 Trade payables

Trade payables are categorised as other liabilities under financial instruments and recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are categorised as other liabilities under financial instruments and recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of changes in net assets over the period of the borrowing using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the financial year end.

2.20 Borrowing costs

The borrowing costs that are directly attributable to the acquisition of a qualifying capital asset are capitalised until substantially all the activities necessary to prepare the capital assets for its intended use or sale are complete. Other borrowing costs are recognised as an expense in the year in which they are incurred.

2.21 Income tax

The Fund is exempt from income tax under section 16 (26) of the Income Tax Act 1976. Hence income tax is not separately accounted for in the Fund's financial statements.

2 Summary of significant accounting policies (continued)

2.21 Income tax (continued)

In respect of the subsidiaries, the balance sheet liability method of tax effect accounting has been adopted to arrive at the tax balances in the consolidated financial statements.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the financial year end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of the assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss or goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the financial year end and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and the eligible tax losses can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred tax is recognised as an expense or income in the statement of changes in net assets, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

2.22 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

2.23 Guarantees

Guarantees issued to third parties are treated as insurance contracts and classified as contingent liabilities.

2.24 Liability for accrued benefits

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries, and has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the sundry liabilities, net of reserves, as at reporting date. Interests on pension buffer reserve and special death benefit reserve are included in the general reserve.

2 Summary of significant accounting policies (continued)

2.25 Unclaimed deposits

Unclaimed deposits represent amounts transferred to the General Reserve Account of amounts remaining unclaimed for greater than 10 years in accordance with Regulation 49(1) of the Fiji National Provident Fund Regulations.

2.26 Contributions

Contributions from employers and members are recorded on an accrual basis.

2.27 Revenue recognition

(a) Sale of telecommunication and related services

Revenue is recognised based on billing cycles through the month. Unbilled revenue from the billing cycle date to the end of each month is recognised as revenue in the month the service is provided.

Revenue from prepaid products and fixed monthly charges billed in advance is deferred and recognised as revenue either once the related service has been provided or when the product date has expired, whichever falls earlier.

Revenue from the provision of internet services is recognised upon the use of service by its customers.

Revenue from installation, connection and associated costs are recognised upon completion of the installation or connection.

Revenue from publication of telephone directories is recognised upon dispatch of the directories for distribution. Advance billings and monies collected in advance are deferred. Revenue from fixed-priced contracts in relation to on-line directory is recognised over the term of the contract. Revenue earned from the publication of the telephone directory is stated net of allowances.

(b) Sale of equipment

Sale of equipment is recognised when risks and rewards are transferred to the customer. Revenue is recognised at the point the product is dispatched from the warehouse or sold at a group retail outlet.

(c) Interest income

Interest income is earned from investments such as government securities, other fixed securities, loans and advances and term deposits. Interest income is recognised when earned on a time-proportion basis using the effective interest method.

(d) Rental income

Property rental income from operating lease is recognised on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(e) Dividend income

Dividend income from investments is recognised when the right to receive payment is established, which is when it has been declared.

(f) Investment in movie production

Income from exploitation of the copyright in movie production is brought to account when the right to receive royalty income is established.

2 Summary of significant accounting policies (continued)

2.27 Revenue recognition (continued)

(g) Government grants

Government grants are recognised in the statement of net assets initially as deferred revenue when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. These conditions have been fulfilled by the Group. Grants that compensate the Group for expenses incurred are recognised as revenue in the statement of changes in net assets on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the statement of changes in net assets as revenue on a systematic basis over the useful life of the asset.

(h) Fees and commissions

Fees and commission comprises of housing application, withdrawal, voluntary contribution application, documentation, investment application, loan confirmation, commitment and computer service fees. Revenue from fees and commissions are recognised on an accrual basis when related services have been provided to the members.

(i) Hotel and resort revenue

Revenue from rooms, food and beverage, and telephone is recognised in the income statement on an accruals basis. Revenue from the rendering of service and sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the guest or customer on provision of services or sale of goods. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the associated costs.

2.28 Expenses

Expenses are recognised in the statement of changes in net assets when incurred on an accrual basis.

2.29 Rounding

Amounts have been rounded to the nearest thousand dollars except where otherwise noted.

3 Financial risk management

3.1 Financial risk factors

The Group's objective is to take a strategic and consistent approach to managing risks across the entity through its Enterprise Risk Management ("ERM") framework and associated activities that assists in the safeguarding of the Group's assets and seeks to avoid potential adverse effects on the group's financial performance.

The Group has in place a Risk Management Policy and Guidelines, together with a Risk Management Process Document, designed to:

- formalise the ERM function across the entity;
- sensitise staff more strongly to risk identification, measurement, control and ongoing monitoring;
- coordinate and standardise the understanding and application of ERM within the Group;
- ensure compliance by FNPF's Board with its organisational obligations and duties of care in accordance with the requirements set out by the FNPF Act and the Reserve Bank of Fiji ("RBF").

The following level of personnel form the centralised risk management, monitoring and reporting function:

- FNPF's Board of Directors;
- FNPF's Risk Sub-Committee;

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3 Financial risk management (continued)

3.1 Financial risk factors (continued)

- FNPF's Audit Sub-Committee;
- FNPF's Corporate Governance and Enterprise Risk Department; and
- FNPF's Internal Audit Department.

Risk management is carried out by executive management under policies approved by the board of directors.

FNPF caters to the retirement funding of its members and invests significantly to cater to this fund. The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The Group has investments in foreign currencies and procures certain services from abroad and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US, Australian and NZ dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Group's Treasury department manages its foreign exchange risk against their functional currency, in this case the Fiji dollar. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency other than the Fiji Dollar. For significant settlements, the Group is required to seek quotations from recognised banks and use the most favourable exchange rate for purposes of the settlement.

As at year end, assets and liabilities denominated in foreign currencies are minimal and hence changes in the US, Australian and NZ dollars by 10% (increase or decrease) is expected to have minimal impact on the net surplus or deficit balance currently reflected in the Group's financial statements. Because of minimal asset and liability balances in overseas currencies, there has been little sensitivity to movements in the US, Australian and NZ dollars in 2008 and 2007.

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the statement of net assets as at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group and restrictions by RBF over offshore investments. The Group's investments in equities are largely those which publicly trade on the South Pacific Stock Exchange (for local investments) and Australian Stock Exchange (for offshore investments). The table below summarises the impact of increases / decreases of the above two exchanges on the Fund and Group's net surplus / deficit, assuming that the equity investments listed on the South Pacific Stock Exchange increased / decreased in value by 5% and for the offshore investments, the equity indexes for Australian Stock Exchange increased / decreased by 5%. All other variables are assumed to be held constant.

Index	Group		Fund	
	Impact on net surplus / deficit	Impact on net surplus / deficit	Impact on net surplus / deficit	Impact on net surplus / deficit
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
South Pacific Stock Exchange	15,213	12,200	15,161	12,148
Australian Stock Exchange	1,202	1,975	1,202	1,975

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

Net surplus/deficit would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss.

(iii) Cash flow and fair value interest rate risk

The Group has significant interest-bearing assets in the form of short and long-term cash deposits, fixed interest securities, and loans and advances. These are at fixed interest rates and hence there are no interest rate risks arising from fluctuations in market interest rates during the period of investment or loan. Consequently there is very limited cash flow interest rate risk. Since these assets are either measured at cost or at amortised cost, fair value interest rate risk is also very limited.

For re-investment of short and long term cash deposits, the Group negotiates an appropriate interest rate with the banks and invests with the bank which offers the highest interest return. For fixed interest securities, the prices and terms are usually set by the issuer and the terms are determined and agreed at the start. Terms for loans and advances are set by the Group and agreed at the start.

The Group does not have significant interest-bearing borrowings.

Given the fixed nature of interest rates described above, the Group has a high level of certainty over the impact on cash flows arising from interest income and expenses. Accordingly the Group does not require simulations to be performed over impact on net surplus/deficit arising from changes in interest rates.

(b) Credit risk

The Group is subject to credit risk through its lending and investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. The Group's primary exposure to credit risk arises through the provision of lending facilities. The amount of credit exposure in this regard is represented by the carrying amounts of the loans and advances on the statement of net assets. In addition, the Group is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued. Credit risk is the potential risk for loss arising from failure of a debtor or counterparty to meet their contractual obligations.

Deposits are only made with banks known to have sound financial standing. Investment in fixed interest securities with Government of Fiji or Government related entities are guaranteed by Government. Loans and advances are made after appropriate credit checks and they are monitored and viewed, with regular inspections being undertaken to test the quality of the credit exposures and the effectiveness of management control.

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3 Financial risk management (continued)

3.1. Financial risk factors (continued)

(b) Credit risk (continued)

	Consolidated				The Fund			
	2008 \$000	%	2007 \$000	%	2008 \$000	%	2007 \$000	%
Agriculture	19,152	5%	18,743	5%	15,500	3%	15,764	5%
Construction	5,143	1%	5,312	1%	133	0%	149	0%
Financial institution	-	0%	39	0%	88,842	19%	77,553	22%
Government and statutory bodies	24,225	6%	29,299	8%	24,225	5%	29,299	8%
Telecommunications	20,000	5%	-	0%	50,000	11%	60,000	17%
Energy	10,442	3%	14,367	4%	10,442	2%	14,367	4%
Manufacturing	11,030	3%	13,192	4%	2,453	1%	2,740	1%
Mining	1,265	0%	1,265	0%	-	0%	-	0%
Private motor vehicle (includes staff loans)	1,551	0%	1,846	1%	724	0%	805	0%
Private others (includes staff loans)	94,913	26%	107,217	29%	7,867	2%	7,937	2%
Professional and business services	18,473	5%	25,933	7%	-	0%	-	0%
Public enterprise	11,785	3%	11,486	3%	11,785	3%	11,486	3%
Real estate development	65,732	17%	56,743	15%	31,983	7%	20,086	6%
Transport and storage	4,850	1%	5,213	1%	280	0%	342	0%
Wholesale and retail	8,364	2%	10,260	3%	-	0%	126	0%
Other (Hotels & Restaurants)	82,416	23%	66,225	19%	227,011	47%	108,753	32%
Total	379,341	100%	367,140	100%	471,245	100%	349,407	100%

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay members and fulfil commitments to lend.

The Group has significant investments but is indirectly restricted by the exchange controls of RBF in terms of offshore investments. As Fiji's capital market is not mature, the majority of the Group's local investments do not have any significant sizable trading activities. These investments include Fiji Government and quasi government securities which are held to maturity and there is very little opportunity for the Group to dispose or trade these investments.

The Group also engages in commercial mortgages and property investments. These investments have limited liquidity within the local markets and significant sell down of positions may not be practicable. Additionally, these investments also have different maturity horizons which may not be in line with the timing of member withdrawals which are allowed under the circumstance of retirement, death or incapacitation.

As a result, the Group is susceptible to a risk that these investments may not be readily liquidated as the capital markets in Fiji may not be developed enough due to the limited number of major financial market players (inadequate volume for an active market for these instruments). Also, the sale of large blocks of investments may be difficult or may result in the sale of these investments at a price which is a discount to the perceived market rate.

The Group's Treasury Department manages the above liquidity risk through:

- monthly reporting on the position of these investments to the Board and Board Investment Committee ("BIC");

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

- an established prudent asset allocation strategy which has been approved by the Board; and
- monitoring of maturities of investments and investment outflows including the forecasting of the availability of funds.

The Group expects to settle all its financial liabilities, principally trade and other payables, within one year of the balance date.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical estimates in applying the Group's accounting policies

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of equity instruments

Management uses judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each financial year end. Given that the entities subject to these investments are primarily subsidiaries of the holding company the fair value of the equity instruments is estimated to assume their carrying values.

Equities include listed and unlisted shares and interests in unit trusts. Equity investments are classified as being available-for-sale and those designated as fair value through profit or loss and are stated at fair value, with any resultant gain or loss being recognised in the statement of changes in net assets. The fair value of equity investments are determined as follows:

- Value of listed equities is determined using their latest available market value as quoted on stock exchanges; and
- Value of unlisted equities is determined based on independent valuation of the equity investments.

Realised gains and losses on disposals and unrealised market value adjustments are reflected in 'Investment revenue' within the statement of changes in net assets.

(b) Estimated impairment of investment in movie productions

The investment in movie productions by the group comprises of a guaranteed and a non-guaranteed portion. The guaranteed portion is recovered through minimum return guaranteed by the producers or promoters of the movie. Part of the non-guaranteed portion is recovered through tax savings benefits. The group has assumed that other than tax savings benefits and minimum guaranteed returns, investment is not likely to be recovered, and accordingly has made impairment provisions once tax benefits or the guaranteed returns are recognised.

(c) Impairment of accounts receivable

Impairment of accounts receivable balances is assessed at an individual as well as on a collective level. At a collective level all debtors in the + 90 days category (excluding those covered by a specific impairment provision) are estimated to have been impaired and are accordingly provided for.

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4. Critical accounting estimates and judgments (continued)

(d) Impairment of property, plant and equipment

The group assesses whether there are indicators of impairment of all property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment and when there are indicators that the carrying amount may not be recoverable, reasonable provision for impairment are created. For the year ended 30 June 2008, no additional provision for impairment has been made as the group reasonably believes that no indicators for impairment exist.

5. Interest income

	Consolidated		The Fund	
	2008 \$000	Restated 2007 \$000	2008 \$000	Restated 2007 \$000
Fixed interest securities				
- Government	111,945	111,345	110,897	110,280
- Other	20,454	21,637	20,454	21,637
Loans and advances	44,142	30,988	30,730	17,657
Term deposits	11,074	15,673	15,869	23,279
Other interest income	5,242	8,604	459	1,074
	192,857	188,247	178,409	173,927

6. Other revenue

Fees and commission	2,202	1,559	444	235
Gain on sale of fixed assets	555	89	-	-
Bad debts recovered	600	73	-	-
Surcharge income	783	423	502	423
Unclaimed deposits (deemed contributions)	82	108	82	108
Royalty income from movie investment	3,559	-	-	-
Stock write-off	794	1,173	-	-
Other revenue	4,156	2,904	256	826
	12,731	6,329	1,284	1,592

7. Personnel expenses

Salaries and wages	45,963	41,467	6,807	6,515
Employee benefits	493	682	480	682
TPAF contributions	105	354	87	86
FNPF contributions	5,028	3,463	1,263	1,009
Gratuity benefit	4,729	3,468	-	39
Other staff expenses	818	3,166	585	676
	57,136	52,600	9,222	9,007

8. Other expenses

Amortisation – Management rights	1,500	1,500	-	-
Amortisation – Software costs	361	357	354	350
Auditors' remuneration : Audit – KPMG	90	117	32	29
: Audit – Other firms	137	101	-	-
: Other services - KPMG	86	53	19	20
: Other services – Other firms	203	211	115	16
Directors : fees	506	514	82	90
: remuneration – full time employees	110	669	-	-
Deemed contributions	-	14	-	14

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	Consolidated		The Fund	
	2008 \$000	Restated 2007 \$000	2008 \$000	Restated 2007 \$000
8. Other expenses (continued)				
Loss on sale of assets	61	64	61	60
Hotel operation expenses	2,010	2,136	-	-
Discounts and rebates allowed	-	4	-	-
Unrealised loss on revaluation of property and equipment	2,072	-	2,072	-
Marketing and promotion	12,013	9,291	-	-
Provision for stock obsolescence	300	1,804	-	-
License fees	8,632	6,252	-	-
Other operating and general expenses	36,967	34,978	5,020	4,507
	65,048	58,065	7,755	5,086
9. Income tax				
(a) Income tax expense				
Prima facie income tax expense calculated at 31% (2007: 31%) on the net surplus	49,350	72,365	38,132	55,956
Income tax expense on income not subject to tax	(19,436)	(48,694)	(38,132)	(55,956)
	29,914	23,671	-	-
Increase/(decrease) in income tax expense due to:				
Export income allowances	(679)	(524)	-	-
Amortisation of government grant	-	(138)	-	-
Tax losses brought to account	19	(179)	-	-
Timing differences not previously brought to account	(1,033)	(435)	-	-
(Over) provision in prior year	(48)	(2,510)	-	-
Others	(161)	12	-	-
	28,012	19,897	-	-
Income tax expense is made up of:				
Current income tax expense	25,545	26,363	-	-
Deferred tax expense/ (benefit)	2,515	(3,956)	-	-
(Over) provision in prior years	(48)	(2,510)	-	-
	28,012	19,897	-	-
(b) Income tax payable				
Movements during the year were as follows:				
Balance at the beginning of the year	11,076	12,925	-	-
Income tax paid	(23,235)	(25,917)	-	-
(Over) provision on prior years	(134)	(2,295)	-	-
Current income tax expense on operating profit	25,545	26,363	-	-
Balance at the end of the year	13,252	11,076	-	-

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9. Income tax (continued)

(c) Deferred tax liability

Provision for deferred income tax comprises the estimated expense at current income tax rates of the following items:

Deferred revenue
Difference in depreciation for accounting and Income tax purposes on property, plant and equipment

Consolidated		The Fund	
2008	Restated 2007	2008	Restated 2007
\$000	\$000	\$000	\$000

407	872	-	-
19,560	16,362	-	-
19,967	17,234	-	-

(d) Deferred tax assets

Deferred tax assets comprises the estimated deferred tax assets at current income tax rate of the following items:

Provision for inventory obsolescence
Deferred revenue
Employee entitlements
Provision for impairment and doubtful debts
Tax losses
Difference in depreciation for accounting and income tax purposes on property, plant and equipment
Other

442	596	-	-
718	1,687	-	-
2,510	2,289	-	-
5,710	4,743	-	-
555	902	-	-
672	167	-	-
17	20	-	-
10,624	10,404	-	-

All movement in temporary differences relating to deferred tax assets and deferred tax liability are recorded through the Statement of changes in net assets.

(e) Deferred tax assets not brought to account

Tax losses carried forward
Difference in depreciation for accounting and income tax purposes on property, plant and equipment

351	1,023	-	-
1	2	-	-
352	1,025	-	-

Deferred tax assets, which have not been recognised as an asset, will only be obtained if:

- (i) the subsidiaries derive future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- (ii) the subsidiaries continue to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the subsidiaries in realising the benefit.

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10. Term deposits

Local banks and financial institutions—
local currency
Local banks – foreign currency
Related parties – local currency

Represented as:

Less than or equal to 3 months
3 to 12 months
1 to 5 years

	Consolidated		The Fund	
	2008 \$000	Restated 2007 \$000	2008 \$000	Restated 2007 \$000
Local banks and financial institutions— local currency	168,721	178,661	155,500	212,050
Local banks – foreign currency	48,331	2,475	48,331	2,475
Related parties – local currency	-	62,105	-	62,105
	217,052	243,241	203,831	276,630
Represented as:				
Less than or equal to 3 months	60,095	50,525	60,095	112,630
3 to 12 months	140,257	151,416	108,336	123,000
1 to 5 years	16,700	41,300	35,400	41,000
	217,052	243,241	203,831	276,630

11. Government securities

Fiji Government Registered Stock
Reserve Bank of Fiji Notes
Treasury Bills

Represented as:

Less than or equal to 3 months
3 to 12 months
1 to 5 years
Greater than 5 years

Fiji Government Registered Stock	1,738,744	1,760,840	1,669,813	1,673,694
Reserve Bank of Fiji Notes	-	14,843	-	14,843
Treasury Bills	7,326	25,558	7,326	25,558
	1,746,070	1,801,241	1,677,139	1,714,095
Represented as:				
Less than or equal to 3 months	56,225	97,464	55,725	85,509
3 to 12 months	103,997	95,890	103,117	94,740
1 to 5 years	626,253	603,288	615,783	588,238
Greater than 5 years	959,595	1,004,599	902,514	945,608
	1,746,070	1,801,241	1,677,139	1,714,095

The above investments are accounted for as held-to-maturity and valued in accordance with note 2.10 to the financial statements. The carrying values of treasury bills reflect their fair value as these investments are short term. Fair values for the securities, determined by indicative prices quoted by the Reserve Bank of Fiji are as follows:

Fiji Government Registered Stock
Reserve Bank of Fiji Notes
Treasury Bills

Fiji Government Registered Stock	1,823,236	1,667,760	1,756,609	1,590,755
Reserve Bank of Fiji Notes	-	14,843	-	14,843
Treasury Bills	7,326	25,558	7,326	25,558
	1,830,562	1,708,161	1,763,935	1,631,156

12. Other fixed interest securities

Promissory notes
Bonds

Represented as:

Less than 3 months
3 to 12 months
1 to 5 years
Greater than 5 years

Promissory notes	16,493	13,000	16,493	13,000
Bonds	313,112	321,642	313,112	320,142
	329,605	334,642	329,605	333,142
Represented as:				
Less than 3 months	15,893	17,624	15,893	16,624
3 to 12 months	62,450	32,680	62,450	32,180
1 to 5 years	155,998	180,250	155,998	180,250
Greater than 5 years	95,264	104,088	95,264	104,088
	329,605	334,642	329,605	333,142

Other fixed interest securities are guaranteed by the Government of Fiji.

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12. Other fixed interest securities (continued)

The above investments are accounted for as held-to-maturity as they are considered likely to be held to maturity in line with investment objectives and fixed price nature of the investments. They are hence stated at amortised cost. The carrying values of promissory notes reflect their fair value as these investments are short term. Fair values for the securities, determined by indicative prices quoted by the Reserve Bank of Fiji are as follows:

	Consolidated		The Fund	
	2008 \$000	Restated 2007 \$000	2008 \$000	Restated 2007 \$000
Promissory notes	16,493	13,000	16,493	13,000
Bonds	325,905	322,021	325,905	320,517
	342,398	335,021	342,398	333,517
13. Loans and advances				
Loans and advances (quasi-government)	50,167	59,431	50,167	59,431
Loans to subsidiaries	20,800	20,800	301,132	137,514
Customer term loans	298,665	276,375	111,355	143,720
Staff loans	9,709	10,534	8,593	8,741
	379,341	367,140	471,247	349,406
Less: Provision for impairment	(65,913)	(6,939)	(41,335)	(3,716)
	313,428	360,201	429,912	345,690
Represented as:				
Less than or equal to 3 months	16,369	10,286	11,794	28,217
3 to 12 months	23,304	77,466	46,922	83,201
1 to 5 years	80,072	94,188	198,994	149,514
Greater than 5 years	259,596	185,200	213,537	88,473
	379,341	367,140	471,247	349,405

The carrying values of loans and advances are considered to be a reasonable approximation of their fair values. The maximum exposure to credit risk at the reporting date before collateral held or other credit enhancements is the fair value of each class of the asset above. Collaterals held against each of the above category of loans and advances are as follows:

- Loans and advances – For quasi government loans, a government guarantee or a debenture over all the assets is required.
- Loans to subsidiaries – First charge and third party mortgage.
- Customer term loans – The head security is first registered mortgage over property and improvements.
- Staff loans – First registered mortgage over property and improvements and Bill of Sale for car loans.

A loan is assessed as impaired if the loan is non-performing and the loan balance is greater than the security value. An impairment provision is created for the difference between the loan and the security value.

The Group has recorded an impairment of \$20.8m relating to loans to its subsidiary, Natadola Land Holdings Limited (NLH). The financial statements of NLH and its subsidiary company, Yatul Beach Resort Limited has not been consolidated. The operations of NLH ceased in March 2007 and the company has not operated since this date. The Directors of NLH are not certain that the company will operate and generate any revenue, as such the loan balance has been fully impaired.

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13. Loans and advances (continued)

Movements in the provision for impairment – **Consolidated** are as follows:

	Loans & advances	Loans to subsidiaries	Customer term loans	Total
Collectively Assessed Provisions				
Balance as at 1 July 2006	2,347	-	1,794	4,141
New and increased provisioning	193	-	106	299
Provisions no longer required	-	-	-	-
Impairment losses recovered	-	-	-	-
Balance as at 30 June 2007	2,540	-	1,900	4,440
New and increased provisioning	200	-	-	200
Provisions no longer required	-	-	(172)	(172)
Impairment losses recovered	-	-	-	-
Balance as at 30 June 2008	2,740	-	1,728	4,468
Individually Assessed Provisions				
Balance as at 1 July 2006	-	-	936	936
New and increased provisioning	1,176	-	1,542	2,718
Bad debt written off	-	-	(94)	(94)
Provisions no longer required	-	-	(1,061)	(1,061)
Impairment losses recovered	-	-	-	-
Balance as at 30 June 2007	1,176	-	1,323	2,499
New and increased provisioning	626	20,800	38,668	60,094
Bad debt written off	-	-	(970)	(970)
Provisions no longer required	-	-	(178)	(178)
Impairment losses recovered	-	-	-	-
Balance as at 30 June 2008	1,802	20,800	38,843	61,445
Total provision for impairment at 1 July 2006	2,347	-	2,730	5,077
Total provision for impairment at 30 June 2007	3,716	-	3,223	6,939
Total provision for impairment at 30 June 2008	4,542	20,800	40,571	65,913

Movements in the provision for impairment – **the Fund** are as follows:

Collectively Assessed Provisions				
Balance as at 1 July 2006	2,347	-	-	2,347
New and increased provisioning	193	-	-	193
Provisions no longer required	-	-	-	-
Impairment losses recovered	-	-	-	-
Balance as at 30 June 2007	2,540	-	-	2,540
New and increased provisioning	200	-	-	200
Provisions no longer required	-	-	-	-
Impairment losses recovered	-	-	-	-
Balance as at 30 June 2008	2,740	-	-	2,740
Individually Assessed Provisions				
Balance as at 1 July 2006	-	-	-	-
New and increased provisioning	1,176	-	-	1,176
Provisions no longer required	-	-	-	-
Impairment losses recovered	-	-	-	-
Balance as at 30 June 2007	1,176	-	-	1,176
New and increased provisioning	626	-	36,793	37,419

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13. Loans and advances (continued)

Movements in the provision for impairment – **the Fund** are as follows (continued):

	Loans & advances	Loans to subsidiaries	Customer term loans	Total
Provisions no longer required	-	-	-	-
Impairment losses recovered	-	-	-	-
Balance as at 30 June 2008	1,802	-	36,793	38,595
Total provision for impairment at 1 July 2006	2,347	-	-	2,347
Total provision for impairment as 30 June 2007	3,716	-	-	3,716
Total provision for impairment as 30 June 2008	4,542	-	36,793	41,335

Total impairment losses for the period are:

	Consolidated		The Fund	
	2008 \$000	Restated 2007 \$000	2008 \$000	Restated 2007 \$000
Collectively assessed provisions	4,468	4,440	2,740	2,540
Individually assessed provisions	61,445	2,499	38,595	1,176
	65,913	6,939	41,335	3,716
Local equities	34,183	29,035	23,177	20,158
Unit trusts	16,979	17,997	16,979	17,997
Kula Fund – foreign currency	787	730	787	730
Overseas equities	23,250	38,770	23,250	38,770
	75,199	86,532	64,193	77,655

Equity investments are valued in accordance with note 2.11 to the financial statements.

15. Investment in subsidiaries

Investments in subsidiaries	10,200	10,200	443,182	439,948
Less accumulated impairment allowance	(10,200)	-	(83,300)	(83,300)
	-	10,200	359,882	356,648

The Group has recorded an impairment of \$10.2m relating to its investment in one of its subsidiary, Natadola Land Holdings Limited (NLH). The financial statements of NLH and its subsidiary company, Yatul Beach Resort Limited, has not been consolidated. The operations of NLH ceased in March 2007 and the company has not operated since this date. The Directors of NLH are not certain whether the company will operate and generate any revenue, as such the investment has been fully impaired. Investment in subsidiaries consists of the following:

Name	Principal activities	Balance Date	2008 Cost \$000	2007 Cost \$000
Amalgamated Telecom Holdings Limited	Telecommunications	31 March	295,787	295,763
Home Finance Company Limited	Financing	30 June	9,134	9,134
FNPF Nominee Company Limited	Nominee services	30 June	98	98
FNPF Investments Limited	Investments	30 June	138,163	134,953

Dividends received from the above entities for the year ended 30 June 2008 amounted to \$24,116,020 (2007: \$16,028,916).

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	Consolidated		The Fund	
	2008 \$000	Restated 2007 \$000	2008 \$000	Restated 2007 \$000
16. Investment properties				
Balance as at 1 July	61,803	68,152	59,910	66,259
Acquisitions	423	629	423	629
Net transfers from property, plant and equipment	121	4,156	121	4,156
Disposals	(159)	(2,651)	-	(2,651)
Fair value adjustments	(5,617)	(8,483)	(5,617)	(8,483)
Balance as at 30 June	56,571	61,803	54,837	59,910

An independent valuation of the Fund's investment properties was carried out by Mr Mark A Chung AAPI, B.Bus (Land Eco.) Aust, PG Dip (Tourism Mgmt) Aust., Registered Valuer (Fiji & NSW, Australia) of Bayleys Valuations and Consultancy Services (Fiji) Limited, which was adopted by the Fund on 30 June 2008. The basis of valuation was at market value of the properties at that date. In assessing the current market value of each property within the portfolio, two main valuation approaches have been adopted, namely, the sales comparison and income approach. The sales approach was utilised as a means of analysing recent sales to extrapolate yields for commercial and industrial properties. Recent commercial sales reflect yields from 7.5 to 10.5% for commercial properties. Yields for industrial properties are more difficult to extrapolate because of scarcity of data. Recent sales of commercial properties was analysed to assist with valuation of vacant sites.

17. Cash

Cash at bank	290,831	129,943	240,969	90,618
Cash on hand	13,457	13,370	13,456	13,361
Cash with agents	541	541	541	541
Deposits at call	23,100	17,684	23,100	20,100
	327,929	161,538	278,066	124,620

18. Trade receivables

Trade debtors	41,785	34,710	-	-
Less: Unearned income	(705)	(665)	-	-
Allowances for doubtful debts	(14,627)	(12,738)	-	-
	26,453	21,307	-	-

19. Inventories

Consumables and finished goods	9,536	6,896	-	-
Less Allowances for obsolescence	(1,427)	(1,921)	-	-
	8,109	4,975	-	-
Goods in transit	254	2,597	-	-
	8,363	7,572	-	-

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20. Intangible assets

	Consolidated		The Fund	
	2008 \$000	Restated 2007 \$000	2008 \$000	Restated 2007 \$000
Software costs	545	723	537	706
Movie productions and audio visual copyright	5,355	9,423	-	-
Goodwill on consolidation	115,860	115,860	-	-
Management rights	16,500	18,000	-	-
	138,260	144,006	537	706
Represented by:				
Software costs				
Cost				
Balance at the beginning of the year	2,786	2,327	2,759	2,301
Additions during the year	167	459	154	458
Disposals during the year	(113)	-	(1,804)	-
Transfers from property, plant and equipment	129	-	322	-
Balance at the end of the year	2,969	2,786	1,431	2,759
Amortisation				
Balance at the beginning of the year	2,063	1,706	2,053	1,703
Amortisation charge for the year	361	357	354	350
Disposals during the year	-	-	(1,647)	-
Transfers from property, plant and equipment	-	-	134	-
Balance at the end of the year	2,424	2,063	894	2,053
Carrying amount				
At the beginning of the year	723	621	706	598
At the end of the year	545	723	537	706

The above comprises of acquired software licenses and internally generated software development costs.

Movie productions and audio visual copyright

Gross carrying amount				
Opening balance	21,923	21,281	-	-
Additions during the period	-	642	-	-
Closing balance	21,923	21,923	-	-
Accumulated impairment allowance				
Opening balance	12,500	11,950	-	-
Impairment allowance	4,068	550	-	-
Balance at end of year	16,568	12,500	-	-
Net carrying amount				
At beginning of the year	9,423	9,331	-	-
At end of the year	5,355	9,423	-	-

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20. Intangible assets (continued)

Movie productions

Investments in movie productions comprises of investments in “Straight Edge”, “Smiladon”, “The Great North Pole Elf Strike” and “Pirate Islands 2” movie projects. All movie projects have been granted F1 Provisional Certificates by the Fiji Audio Visual Commission and thereby incentives by way of 150% tax deductions are available. They have been valued at cost and reduced by an impairment charge to arrive at a carrying amount which is an amount the group expects to recover from the exploitation of the copyright in accordance with the Production Investment Agreement.

Audio visual copyright

Proceeds from the exploitation of the copyright in an audio visual production is brought to account when received in accordance with the copyright's related Investment Agreement.

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	Consolidated		The Fund	
	2008 \$000	Restated 2007 \$000	2008 \$000	Restated 2007 \$000
Goodwill on consolidation				
Carrying value				
Balance at the beginning of the year	115,860	115,860	-	-
Balance at the end of the year	115,860	115,860	-	-
Management rights				
Cost				
Balance at the beginning of the year	30,000	30,000	-	-
Balance at the end of the year	30,000	30,000	-	-
Amortisation				
Balance at the beginning of the year	12,000	10,500	-	-
Amortisation charge for the year	1,500	1,500	-	-
Balance at the end of the year	13,500	12,000	-	-
Carrying value				
At the beginning of the year	18,000	19,500	-	-
At the end of the year	16,500	18,000	-	-

A management agreement between the Republic of the Fiji Islands and a subsidiary company, Amalgamated Telecom Holdings Limited (ATH), was entered into in 1998 which provided ATH the right to manage all of the issued shares in Fiji International Telecommunications Limited (FINTEL) owned beneficially by the State. The right is for a period of 20 years with an option of a further 10 years. ATH is entitled to 80% of the Government of Fiji's share of dividends from FINTEL. The management right was paid to the Government of Fiji by the Fund, accordingly control over the transfer of this right lies with the Fund.

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21. Property, plant and equipment – Consolidated

											Total \$'000
	Land \$'000	Buildings at valuation \$'000	Buildings At cost \$'000	Telecommunication equipment & plant \$'000	Capital spares \$'000	Plant and machinery \$'000	Office equipment \$'000	Motor vehicles \$'000	Furniture & fittings \$'000	Work in progress \$'000	
Cost											
Balance at the beginning of the year	3,978	45,042	30,494	450,770	3,771	2,686	56,068	14,836	15,283	124,953	747,881
Acquisitions	3,185	838	11,350	27,631	2,301	333	3,240	3,966	1,943	115,357	170,144
Disposals	-	(239)	-	(235)	-	(22)	(1,812)	(2,479)	(286)	(30)	(5,103)
Transfers	-	1,062	-	22,300	-	-	(950)	39	420	(23,519)	(648)
Revaluation	(173)	(1,781)	-	-	-	-	(62)	-	(56)	-	(2,072)
Consumed during the year	-	-	-	-	(3,072)	-	-	-	-	-	(3,072)
Balance at the end of the year	6,990	44,922	41,844	500,466	3,000	2,997	56,484	16,362	17,304	216,761	907,130
Depreciation											
Balance at the beginning of the year	77	16,499	2,423	268,226	-	1,079	43,266	7,815	11,166	-	350,551
Transfers	-	462	-	-	-	-	(674)	35	42	-	(135)
Depreciation charge for the year	15	1,180	297	28,393	-	201	5,577	2,227	1,234	-	39,124
Depreciation absorbed in construction	-	-	-	-	-	-	-	-	-	(42)	(42)
Disposals during the year	-	(31)	-	(223)	-	(4)	(1,745)	(2,321)	(259)	(40)	(4,623)
Impairment loss	-	-	-	-	-	-	-	-	-	(29)	(29)
Balance at the end of the year	92	18,110	2,720	296,396	-	1,276	46,424	7,756	12,183	(111)	384,846
Carrying amount											
At the beginning of the year	3,901	28,543	28,071	182,544	3,771	1,607	12,802	7,021	4,117	124,953	397,330
At the end of the year	6,898	26,812	39,124	204,070	3,000	1,721	10,060	8,606	5,121	216,872	522,284

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21. Property, plant and equipment – the Fund

Cost/ valuation	Freehold Land	Leasehold Land	Buildings at valuation	Office Equipment	Motor vehicles	Furniture & fittings	Work in Progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at the beginning of the year	423	240	9,326	7,586	993	2,082	22,429	43,079
Additions	-	-	119	1,148	351	203	6,182	8,003
Disposals	-	-	-	(1,392)	(324)	(16)	-	(1,732)
Transfers	-	-	751	(1,178)	39	66	(326)	(648)
Revaluation	(52)	(121)	(1,781)	(62)	-	(56)	-	(2,072)
Balance at the end of the year	371	119	8,415	6,102	1,059	2,279	28,285	46,630
Depreciation								
Balance at the beginning of the year	-	77	1,713	4,431	579	1,660	-	8,460
Depreciation charge for the year	-	15	26	1,271	191	146	-	1,649
Disposals	-	-	-	(1,338)	(285)	(9)	-	(1,632)
Transfers	-	-	462	(674)	35	42	-	(135)
Balance at the end of the year	-	92	2,201	3,690	520	1,839	-	8,342
Carrying amount								
Balance at 1 July 2007	423	163	7,613	3,155	414	422	22,429	34,619
Balance at 30 June 2008	371	27	6,214	2,412	539	440	28,285	38,288

An independent valuation of the Fund's investment properties was carried out by Mr Mark A Chung AAPI, B.Bus (Land Eco.) Aust, PG Dip (Tourism Mgmt) Aust., Registered Valuer (Fiji & NSW, Australia) of Bayleys Valuations and Consultancy Services (Fiji) Limited, which was adopted by the Fund on 30 June 2008. The basis of valuation was at market value of the properties at that date. In assessing the current market of each property within the portfolio, two main valuation approaches have been adopted, namely, the sales comparison and income approach. The sales approach was utilised as a means of analysing recent sales to extrapolate yields for commercial and industrial properties. Recent commercial sales reflect yields from 7.5 to 10.5% for commercial properties. Yields for industrial properties are more difficult to extrapolate because of scarcity of data. Recent sales of commercial properties was analysed with valuation of vacant sites. The carrying amount of these buildings under cost model would have been \$40,360,000 as at 30 June 2008. As there was a loss on revaluation the unrealised loss on revaluation has been taken to Statement in changes in net assets.

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	Consolidated		The Fund	
	2008 \$000	Restated 2007 \$000	2008 \$000	Restated 2007 \$000
22. Other receivables				
Contributions receivable	7,199	5,750	7,199	5,750
Less: Provision for impairment	(1,259)	(1,259)	(1,259)	(1,259)
	5,940	4,491	5,940	4,491
Interest receivable	47,856	40,514	46,009	40,348
Less: Provision for impairment	(2,445)	-	-	-
	45,411	40,514	46,009	40,348
Dividends receivable	185	250	14,343	7,627
Rent receivable	403	410	403	446
Less: Provision for impairment	(403)	(357)	(403)	(357)
	-	53	-	89
Accrued revenue	3,312	-	-	-
Receivable from related parties	2,453	-	-	-
Other deposits and receivables	30,200	31,848	4,566	4,992
Less: Allowance for doubtful debts	(2,364)	-	-	-
	27,836	31,848	4,566	4,992
	85,137	77,156	70,858	57,547

The carrying value of other receivables is considered to be its reasonable approximation of its fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of the asset above. There are no collaterals held as security against any of the above receivable balances.

Movements on the provisions for impairment – **Consolidated** are as follows:

	Contributions receivables	Rent receivables	Interest	Others
Balance as at 1 July 2006	1,259	210	-	-
New and increased provisioning	-	147	-	-
Provisions no longer required	-	-	-	-
Impairment losses recovered	-	-	-	-
Balance as at 30 June 2007	1,259	357	-	-
New and increased provisioning	-	46	2,445	2,364
Provisions no longer required	-	-	-	-
Impairment losses recovered	-	-	-	-
Balance as at 30 June 2008	1,259	403	2,445	2,364

Total impairment losses charged to expenses is \$4,855,000 (2007 - \$147,000)

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22. Other receivables (continued)

Movements on the provisions for impairment – **the Fund** are as follows:

	Contributions receivables	Rent receivables
Balance as at 1 July 2006	1,259	210
New and increased provisioning	-	147
Provisions no longer required	-	-
Impairment losses recovered	-	-
Balance as at 30 June 2007	1,259	357
New and increased provisioning	-	46
Provisions no longer required	-	-
Impairment losses recovered	-	-
Balance as at 30 June 2008	1,259	403

Total impairment losses charged to expenses is \$46,308 (2007 - \$147,000)

23. Creditors and borrowings

	Consolidated		The Fund	
	2008	Restated 2007	2008	Restated 2007
	\$000	\$000	\$000	\$000
Sundry creditors and accruals	59,543	57,556	5,041	2,418
Bank overdraft	5,867	-	19	-
Finance lease	71	165	-	-
Due to related parties	2,899	1,942	-	-
Borrowings – secured	5,354	134	-	-
Borrowings – unsecured	69,128	49,225	-	-
Term loans	-	10,854	-	-
	142,862	119,876	5,060	2,418
Represented as:				
Less than or equal to 3 months	35,898	85,404	5,060	2,418
3 to 12 months	95,874	1,225	-	-
1 to 5 years	11,090	33,247	-	-
	142,862	119,876	5,060	2,418

The fair value of creditors and borrowings equal its carrying value due to their short term nature.

Bank overdraft

The bank overdraft is secured by a letter of comfort from Telecom Fiji Limited, a subsidiary company of Amalgamated Telecom Holdings Limited, and Vodafone Europe Holdings B.V.

Finance lease

The Group has finance lease agreements with Westpac Banking Corporation over the acquisition of five motor vehicles and has a term of 36 months. Refer to note 30 (e) for reconciliation of finance lease commitments.

Borrowings – secured

Limited recourse loans – the term loans have been provided and guaranteed by Fine Arts (Fiji) Limited are repayable on demand and is interest free.

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Note	Consolidated		The Fund	
	2008	Restated 2007	2008	Restated 2007
	\$000	\$000	\$000	\$000
24. Other liabilities				
Deposits	5,893	5,995	757	762
Government grants	6,370	5,926	-	-
Less: Provision for amortisation	(5,926)	(5,926)	-	-
Other deferred revenue	15,190	16,544	-	-
Owing to FNPF members	5,646	5,070	-	-
Provision for dividends	13,330	12,350	-	-
Pensions payable	1,929	1,885	1,929	1,885
Other payables	54	396	-	-
	42,486	42,240	2,686	2,647

The fair value of other liabilities equals its carrying value due to its short term nature.

25. Employee entitlements

Annual leave	2,001	2,114	307	385
Long service leave and gratuity	253	397	84	48
Retirement benefits	1,742	1,565	1,573	1,334
Bonus	6,173	5,064	-	-
	10,169	9,140	1,964	1,767
As at 1 July 2007	9,140	5,803	1,767	498
Additional provisions recognised	5,108	3,635	486	1,396
Paid during the year	(4,079)	(298)	(289)	(127)
Carrying amount as at 30 June 2008	10,169	9,140	1,964	1,767
Current	8,358	7,553	322	411
Non-current	1,811	1,587	1,642	1,356
Total	10,169	9,140	1,964	1,767

(a) Annual leave – generally annual leave is taken within one year of entitlement and accordingly it is expected that a significant portion of the total annual leave balance will be utilised within the next financial year.

(b) Long service leave and gratuity – is accrued in accordance with the accounting policy as outlined in Note 2.17. The Group expects a significant portion of the above balance to be settled in the next 5 years.

26. Net assets available to pay benefits

Net assets available to pay benefits		3,501,584	3,407,919	3,497,438	3,374,430
Represented by:					
Liability for accrued benefits	27	2,612,197	2,470,949	2,612,197	2,470,949
Retained earnings	26 (a)	(79,646)	(49,811)	-	-
General Reserve Account (GRA)	26 (b)	968,541	986,781	885,241	903,481
Available for sale reserve	26 (c)	492	-	-	-
		3,501,584	3,407,919	3,497,438	3,374,430

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26. Net assets available to pay benefits (continued)

Note	Consolidated		The Fund	
	2008 \$000	Restated 2007 \$000	2008 \$000	Restated 2007 \$000
(a) Retained earnings				
Balance at the beginning of the year	(49,811)	7,748	-	-
Adjustments as at 1 July 2006 as per IFRS 1 – First time adoption of IFRS	-	(60,275)	-	-
Add adjustment for accumulated losses of subsidiary not consolidated in the current year	-	1,847	-	-
Add transfers (to)/from statements of changes in net assets	(29,835)	869	-	-
Balance at the end of the year	(79,646)	(49,811)	-	-
(b) General Reserve Account (GRA)				
Balance at the end of the year	968,541	986,781	885,241	903,481
GRA comprises of the following reserves:				
Special death benefit reserve				
Balance at the beginning of the year	9,354	5,182	9,354	5,182
Add/(less) transfers from/(to) statements of changes in net assets:				
Transfer from	28 9,449	7,880	9,449	7,880
Transfer to	28 (8,118)	(3,708)	(8,118)	(3,708)
Balance at the end of the year	10,685	9,354	10,685	9,354

The amounts transferred to the Special Death Benefit Reserve of \$9,449,000 (2007: \$7,880,000) represent deductions of \$30 (2007: \$25) or less from the accounts of each entitled member.

The amounts transferred from the Special Death Benefit Reserve of \$8,118,000 (2007: \$3,708,000) represent disbursements to the nominees of those members who died during the year of \$8,000 (2007: \$7,000) per member. These disbursements are in addition to the amounts standing to the deceased member's credit.

Pension buffer reserve

Balance at the beginning of the year	170,482	186,624	170,482	186,624
Add/(less) transfers from/(to) statements of changes in net assets:				
Transfer from	28 20,912	22,157	20,912	22,157
Transfer to	28 (41,201)	(38,299)	(41,201)	(38,299)
Balance at the end of the year	150,193	170,482	150,193	170,482

The amounts transferred to the Pension Buffer Reserve relate to members who have opted to purchase annuities during the year of \$20,912,000 (2007: \$22,157,000).

The amounts transferred from the Pension Buffer Reserve of \$41,201,000 (2007: \$38,299,000) represent payment of annuities during the year.

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26. Net assets available to pay benefits (continued)

	Note	Consolidated		The Fund	
		2008	Restated	2008	Restated
		\$000	2007 \$000	\$000	2007 \$000
General reserve					
Balance at the beginning of the year		806,945	720,424	723,645	637,124
Adjustments as on 1 July 2006 as per IFRS 1 – First time adoption of IFRS		-	39,505	-	39,505
Add transfers from statements of changes in net assets:					
Transfer from	28	718	47,016	718	47,016
Transfer to	28	-	-	-	-
Balance at the end of the year		807,663	806,945	724,363	723,645
(c) Available for sale reserve					
Balance at the beginning of the year		-	-	-	-
Fair value movements		492	-	-	-
Balance at the end of the year		492	-	-	-
27. Liability for accrued benefits					
Balance at the beginning of the year		2,470,949	2,325,492	2,470,949	2,325,492
Add transfers from statements of changes in net assets	27(b)	141,248	145,457	141,248	145,457
Balance at the end of the year		2,612,197	2,470,949	2,612,197	2,470,949
(a) Allocation of Benefits					
Allocated to Members' Accounts		2,607,639	2,466,851	2,607,639	2,466,851
Unallocated to Members' Accounts		4,558	4,098	4,558	4,098
		2,612,197	2,470,949	2,612,197	2,470,949

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries and has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the sundry liabilities (net of reserves) as at reporting date.

(b) Benefits accrued during the year

Contributions received	281,675	289,634	281,675	289,634
Benefits paid	(297,696)	(292,326)	(297,696)	(292,326)
Interest credited on members' accounts	131,066	128,350	131,066	128,350
Interest on withdrawals	7,245	7,829	7,245	7,829
Add: Net amounts transferred from 'Special Death Benefit' and 'Pension Buffer' reserve	18,958	11,970	18,958	11,970
	141,248	145,457	141,248	145,457

The Board declared an annual interest rate of 6.0% to be credited to the members' accounts as at reporting date (2007: 6.3%).

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27. Liability for accrued benefits (continued)

	Consolidated		The Fund	
	2008 \$000	Restated 2007 \$000	2008 \$000	Restated 2007 \$000
(c) Benefits paid during the year				
1 - 55 years and over	57,950	58,252	57,950	58,252
2 - Death	12,349	11,979	12,349	11,979
3 - Disability	4,253	3,460	4,253	3,460
4 - Migration	33,328	33,095	33,328	33,095
5 - Marriage	1	14	1	14
6 - Non-Citizens migrating	7,361	6,725	7,361	6,725
7-8 - Partial/Small Business Equity Scheme	97,047	99,695	97,047	99,695
9 - Housing transfers	36,088	37,099	36,088	37,099
Pension Annuity	41,201	38,299	41,201	38,299
Special Death Benefit costs	8,118	3,708	8,118	3,708
	297,696	292,326	297,696	292,326

(d) Actuarial valuation

	As at 30 June 2008 \$'000
Net assets available for benefits	3,497,438
Actuarial present value of accrued benefits	
Vested benefits for current workers	2,626,250
Vested benefits for pensioners	398,974
Non-vested benefits	7,747
Total actuarial present value of accrued benefits	3,032,971
Excess / (deficit)	464,467

The actuarial valuation has been calculated by Mercer as required under International Accounting Standards 26 "Accounting and Reporting by Retirement Benefit Plans"

28. Net change for the year

The net change for the year has been appropriated to accrued benefits, reserves and retained earnings as follows:

Net change for the year attributable to members of the Fund (Less)/ Add net transfers to/from:	123,008	180,503
Liability for accrued benefits	(141,248)	(145,457)
Special death benefit	(1,331)	(4,172)
Pension buffer	20,289	16,142
General reserve	(718)	(47,016)
Retained earnings	-	-
	(123,008)	(180,503)

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29. Notes to the statements of cash flows

(a) Reconciliation of cash

For the purposes of the statements of cash flows, cash includes cash on hand and 'at call' deposits with other financial institutions. Cash at the end of the reporting period as shown in the statement of cash flows is reconciled to the related items in the statement of net assets as follows:

Note	Consolidated		The Fund		
	2008	Restated 2007	2008	Restated 2007	
	\$000	\$000	\$000	\$000	
Cash and short term liquid assets	17	327,929	161,538	278,066	124,620
Short term deposits		5,000	-	-	-
Bank overdraft	23	(5,867)	-	(19)	-
Cash at end of financial year		327,062	161,538	278,047	124,620

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the statements of cash flows:

- (i) sales and purchases of maturing fixed interest securities; and
- (ii) purchase and realisation of term deposits.

30. Commitments and contingent liabilities

(a) Commitments

Capital expenditure commitments	290,692	379,356	-	-
Other commitments	71,380	146,843	71,380	146,843
Undrawn facilities in relation to mortgage loans	84,264	103,749	73,082	88,199
	446,336	629,948	144,462	235,042

The Fund has committed to providing finance for the construction of several investment properties.

(b) Contingent liabilities

Customer claims	16	-	-	-
Performance bonds	186	186	-	-
Letter of credit	3,578	5,746	-	-
Guarantees	2,437	1,942	1,203	-
Immigration bond	3	-	-	-
Movie investment tax incentive allowance	2,490	2,490	-	-
	8,710	10,364	1,203	-

The Fund has committed to provide adequate financial support to Home Finance Company Limited ("HFC"), a subsidiary of the Fund, in meeting all its obligations as and when due, in the event HFC is unable to do so. This support is for at least 12 months from signing of the financial statements for HFC for the year ended 30 June 2008. Various claims have been brought against the Fund by third parties. The directors have obtained legal advice on these claims and are confident that no significant liability other than those that have been brought to account will eventuate.

Fiji National Provident Fund and its subsidiaries
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30. Commitments and contingent liabilities (continued)

(c) Operating lease commitments

Non cancellable operating lease rentals are payable as follows:

Not later than 1 year
Later than 1 years but not later than 5 years
Greater than 5 years

(d) Operating lease revenue

Non cancellable operating lease rentals are receivable as follows:

Not later than 1 year
Later than 1 years but not later than 5 years
Greater than 5 years

(e) Finance lease commitments

Finance lease expenditure contracted for motor vehicle is payable as follows:

Not later than one year
Later than one year but not later than two years
Later than two years but not later than three years

Future finance charges
Net finance lease liability

Reconciled to:
Current liability
Non current liability

	Consolidated		The Fund	
	2008 \$000	Restated 2007 \$000	2008 \$000	Restated 2007 \$000
	4,475	1,472	-	-
	5,803	4,447	-	-
	22,092	18,232	-	-
	32,370	24,151	-	-
	1,923	4,063	1,923	4,063
	3,343	4,083	3,343	4,083
	1,385	1,874	1,385	1,874
	6,651	10,020	6,651	10,020
	62	-	-	-
	14	-	-	-
	-	-	-	-
	76	-	-	-
	(5)	-	-	-
	71	-	-	-
	57	-	-	-
	14	-	-	-
	71	-	-	-

Natadola Bay Resort Limited, a subsidiary company has finance lease agreements with Westpac Banking Corporation over the acquisition of five motor vehicles and has a term of 36 months with monthly repayments ranging from \$1,000 to \$3,000.

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31. Related parties

(a) Related parties

Directors

The names of persons who were directors of the Fund at any time during the financial year are as follows:

Board member	Appointed	Resigned
Mr Taito Waqa (Chairman from 28.04.08)	26.03.07	
Mr Daniel Urai	29.12.06	
Mr Felix Anthony	29.12.06	
Mr Howard Politini	29.12.06	
Mr James Datta	04.06.07	
Mr Peceli Vocea	26.03.07	28.04.08

(b) Transactions with related parties

Directors*

Directors remuneration
- fees and allowances
- for other services provided to the Fund

	Consolidated		The Fund	
	2008 \$000	Restated 2007 \$000	2008 \$000	Restated 2007 \$000
	506	514	82	90
	110	669	-	-
	616	1,183	82	90

Any director who is a member of the Fund contributes and receives benefits on the same terms and conditions as those available to other members.

Directors remuneration includes amounts received by the directors of the Fund and its subsidiary companies.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

During the reporting period the following persons were the executives identified as key management personnel, with the greatest authority and responsibility for the planning, directing and controlling of activities.

The following were the Key Management Personnel of the Fund at any time during the reporting period:

- Mr Aisake Taito
- Mr Thomas Cottam
- Mr Alipate Waqairaiwai
- Mr John Konrote
- Mr Winston Chan

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31. Related parties (continued)

Key management personnel (continued)

The key management personnel compensation in relation to services to the Fund are as follows:

	Consolidated		The Fund	
	2008	Restated 2007	2008	Restated 2007
	\$000	\$000	\$000	\$000
Short-term employee benefits	6,876	5,488	656	1,179

Any management personnel who is a member of the Fund contributes and receives benefits on the same terms and conditions as those available to other members (except in some instances the Fund contributes over and above the minimum statutory levels in line with the individuals employment contract).

Transactions with other related parties

All transactions with other related parties and controlled entities are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. These transactions principally arise out of the provision of loans, debenture, promissory notes and deposits with subsidiaries.

For amounts due to and receivable from related parties, please refer to Notes 22 and 23.

The investments and ownership interests in subsidiary companies are disclosed in Note 15 and 30 respectively.

(c) Group enterprises – significant subsidiaries

	Country of Incorporation	Ownership Interest
Amalgamated Telecom Holdings Limited*	Fiji Islands	58%
- 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 (formerly Reach Fiji Limited) *		
Home Finance Company Limited*	Fiji Islands	75%
FNPF Nominee Company Limited	Fiji Islands	100%
FNPF Investments Limited	Fiji Islands	100%
- Natadola Land Holding Limited*		51%
- Yatule Beach Resort Limited*		100%
- Natadola Bay Resort Limited		100%
- FNPF Hotel Resorts Limited		100%
- Penina Limited*		51%
- Grand Pacific Hotel Limited*		80%
- Dareton Limited*		100%

* Not audited by KPMG

A subsidiary company of Amalgamated Telecom Holdings Limited (ATH) is Amalgamated Telecom Nominees Limited (ATN). The principal activity of ATN is to hold the shares in ATH for the qualifying employees of the ATH Group under the Employee Share Option Plan. Accordingly, the financial statements were preferred not to be consolidated in the ATH consolidated financial statements.

In accordance with the Employee Share Option Plan Trust Deed dated 8 October 2002, any surplus balance in the Cash Fund upon liquidation of ATN and after satisfaction of all obligations will be paid to the holding company.

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32. Event Subsequent to the Balance Date

The Fund has a loan to Matapo Limited for the Momi Bay project in the form of a syndicate loan. Securities for the loan include the hotel and golf development on site and the residential land available for sale at the project site.

Subsequent to balance date, the FNPF repossessed the securities which were then put to auction in order to recover the loan amount. Offers have been received from investors on the hotel and golf development. However, as at the date of this report, all offers have not been accepted.

Other than the above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Fund and the Group, the changes in net assets of those operations, or the state of the affairs of the Fund and the Group, in the subsequent financial year.

33. Explanation of transition to IFRSs

As stated in note 2.2, these are the Group's first financial statements prepared in accordance with IFRS. The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 30 June 2008, the comparative information presented in these financial statements for the year ended 30 June 2007 and in the preparation of an opening IFRS balance sheet at 1 July 2006 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (Fiji Accounting Standards (FAS)). An explanation of how the transition from FAS to IFRS has affected the Group's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

(1) Reconciliation of equity reported under previous FAS to equity under IFRSs

(a) At the date of transition to IFRS: 1 July 2006 - Consolidated

	Note	Previous FAS \$000	Effect of Transition to IFRS \$000	IFRS \$000
Investments				
<i>Financial assets</i>				
Term deposits		103,565	-	103,565
Government securities		1,741,278	-	1,741,278
Other fixed interest securities		348,595	-	348,595
Loans and advances		307,404	-	307,404
Equities	4(ii)	254,574	(9,331)	245,243
<i>Non-financial assets</i>				
Investment properties	4(i)	63,949	30,821	94,770
		2,819,365	21,490	2,840,855
Other assets				
Cash		124,009	-	124,009
Trade receivables	4(v)	18,844	300	19,144
Other receivables		61,426	-	61,426
Inventories	4(vi)	13,488	(3,823)	9,665

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33. Explanation of transition to IFRSs (continued)

(1) Reconciliation of equity reported under previous FAS to equity under IFRSs (continued)

(a) At the date of transition to IFRS: 1 July 2006 - Consolidated (continued)

	Note	Previous FAS \$000	Effect of Transition to IFRS \$000	IFRS \$000
Other assets (continued)				
Property, plant and equipment	4(i, ii)	306,559	2,009	308,568
Intangible assets	4(ii, xiv)	149,556	(4,260)	145,296
Land held for resale	4(i)	28,511	(28,511)	-
Deferred expense	4(iv)	-	1,231	1,231
Deferred tax assets	4(vii)	6,591	1,421	8,012
		708,984	(31,633)	677,351
Total assets		3,528,349	(10,143)	3,518,206
Liabilities				
Creditors and borrowings		104,827	-	104,827
Other liabilities	4(viii)	33,239	6,155	39,394
Provision for income tax	4(vii)	13,341	(416)	12,925
Deferred tax liability	4(vii)	15,127	3,885	19,012
Provisions	4(iii)	5,777	1,084	6,861
Total liabilities		172,311	10,708	183,019
(excluding net assets available to pay benefits)		172,311	10,708	183,019
Net assets		3,356,038	(20,851)	3,335,187
Less Non controlling interest		110,568	(81)	110,487
Net assets available to pay benefits		3,245,470	(20,770)	3,224,700

(b) At the end of the last reporting period under previous FAS: 30 June 2007 - Consolidated

Investments

Financial assets

Term deposits		243,241	-	243,241
Government securities		1,801,241	-	1,801,241
Other fixed interest securities		334,642	-	334,642
Loans and advances		360,201	-	360,201
Equities	4(ii, xvi)	106,155	(19,623)	86,532
Investment in subsidiaries	4(xvi)	-	10,200	10,200
<i>Non-financial assets</i>				
Investment properties	4(i)	57,600	4,203	61,803
		2,903,080	(5,220)	2,897,860

Other assets

Cash		161,538	-	161,538
Trade receivables	4(v)	21,007	300	21,307
Other receivables		76,924	232	77,156
Inventories	4(vi)	11,343	(3,771)	7,572
Property, plant and equipment	4(i, ii)	395,491	1,839	397,330
Intangible assets	4(ii, xiv)	135,474	8,532	144,006
Land held for resale	4(i)	1,893	(1,893)	-
Deferred expense	4(iv)	-	1,369	1,369
Deferred tax assets	4(vii)	8,754	1,650	10,404
		812,424	8,258	820,682

Total assets

3,715,504 3,038 3,718,542

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2008

33. Explanation of transition to IFRSs (continued)

(b) At the end of the last reporting period under previous FAS: 30 June 2007 - Consolidated (continued)

	Note	Previous FAS	Effect of Transition to IFRS	IFRS
		\$000	\$000	\$000
Liabilities				
Creditors and borrowings		119,873	3	119,876
Other liabilities	4(viii)	35,121	7,119	42,240
Employee entitlements	4(iii)	8,360	780	9,140
Income tax payable	4(vii)	11,524	(448)	11,076
Deferred tax liability	4(vii)	13,396	3,838	17,234
Total liabilities				
(excluding net assets available to pay benefits)		188,274	11,292	199,566
Net assets		3,527,230	(8,254)	3,518,976
Less Non controlling interest		111,151	(94)	111,057
Net assets available to pay benefits		3,416,079	(8,160)	3,407,919

2) Reconciliation of net change in assets for the period ended 30 June 2007 - Consolidated

Investment revenue				
Interest	4(ix)	188,222	25	188,247
Property income		5,254	-	5,254
Dividends		4,048	-	4,048
Changes in net market value of investments:				
Unrealised (losses) / gains from revaluation of Investment properties		(8,483)	-	(8,483)
Unrealised (losses)/gains on other investments		(3,987)	-	(3,987)
Realised gains / (losses) on investments		9,305	-	9,305
Unrealised exchange gains / (losses)		1,744	-	1,744
Realised exchange gains / (losses)		4,495	-	4,495
		200,598	25	200,623
Direct investment expense		(2,728)	-	(2,728)
Net investment revenue		197,870	25	197,895
Other revenue				
Sales revenue	4(viii)	257,990	(629)	257,361
Other revenue	4(x, xi)	14,728	(131)	14,597
		272,718	(760)	271,958
Other income				
Income from employer and member contributions		289,634	-	289,634
		760,222	(735)	759,487
Benefits paid and expenses incurred				
Airtime and PSTN charges	4(xiii)	-	28,035	28,035
Bad and doubtful debts		8,351	-	8,351
Benefits paid		292,326	-	292,326
Depreciation	4(xii)	43,101	(20)	43,081
Equipment and ancillary charges	4(xiii)	-	26,018	26,018
Impairment on investment in movie production	4(xiii)	-	550	550
Impairment loss on investment	4(xiii)	-	5,276	5,276
Impairment loss on property and equipment	4(xiii)	-	9,683	9,683

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2008

33. Explanation of transition to IFRSs (continued)

2) Reconciliation of net change in assets for the period ended 30 June 2007 - Consolidated (continued)

	Note	Previous FAS	Effect of Transition to IFRS	IFRS
		\$000	\$000	\$000
Benefits paid and expenses incurred (continued)				
Interest expense		2,067	-	2,067
Personnel expenses	4(iii)	52,764	(164)	52,600
Other expenses	4(xiii)	140,467	(82,402)	58,065
		539,076	(13,024)	526,052
Net change before tax		221,146	12,289	233,435
Income tax expense	4(xv)	(20,205)	308	(19,897)
Net change after tax		200,941	12,597	213,538
Non controlling interest		(32,179)	13	(32,166)
Net change for the year		168,762	12,610	181,372

(a) At the end of the last reporting period under previous FAS: 1 July 2006 - The Fund

Investments

Financial assets

Term deposits		119,007	-	119,007
Government securities		1,663,561	-	1,663,561
Other fixed interest securities		361,095	-	361,095
Loans and advances		329,543	-	329,543
Equities	4(xvi)	611,135	(332,946)	278,189
Investment in subsidiaries	4(xvi)	-	289,037	289,037

Non-financial assets

Investment properties	4(i)	63,949	2,310	66,259
		3,148,290	(41,599)	3,106,691

Other assets

Cash		23,857	-	23,857
Other receivables		44,965	-	44,965
Property, plant and equipment	4(i, ii)	29,393	(1,727)	27,666
Intangible assets	4(ii)	-	589	589
		98,215	(1,138)	97,077

Total assets

		3,246,505	(42,737)	3,203,768
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Liabilities

Creditors and borrowings		5,056	-	5,056
Other liabilities		3,229	-	3,229
Provisions	4(iii)	498	1,058	1,556

Total liabilities (excluding net assets available to pay benefits)

		8,783	1,058	9,841
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Net assets available to pay benefits

		3,237,722	(43,795)	3,193,927
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Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
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33. Explanation of transition to IFRSs (continued)

(b) At the end of the last reporting period under previous FAS: 30 June 2007 - The Fund

	Note	Previous FAS \$000	Effect of Transition to IFRS \$000	IFRS \$000
Investments				
<i>Financial assets</i>				
Term deposits		276,630	-	276,630
Government securities		1,714,095	-	1,714,095
Other fixed interest securities		333,142	-	333,142
Loans and advances		345,690	-	345,690
Equities	4(xvi)	414,277	(336,622)	77,655
Investment in subsidiaries	4(xvi)	-	439,948	439,948
<i>Non-financial assets</i>				
Investment properties	4(i)	57,600	2,310	59,910
		3,141,434	105,636	3,247,070
Other assets				
Cash		124,620	-	124,620
Other receivables		57,547	-	57,547
Property, plant and equipment	4(i, ii)	36,463	(1,844)	34,619
Intangible assets	4(ii)	-	706	706
		218,630	(1,138)	217,492
Total assets		3,360,064	104,498	3,464,562
Liabilities				
Creditors and borrowings		2,418	-	2,418
Other liabilities		2,647	-	2,647
Employee entitlements	4(iii)	1,015	752	1,767
Total liabilities		6,080	752	6,832
(excluding net assets available to pay benefits)		6,080	752	6,832
Net assets available to pay benefits		3,353,984	103,746	3,457,730

(2) Reconciliation of net change in assets for the period ended 30 June 2007 - the Fund

Investment revenue				
Interest		173,927	-	173,927
Property income		6,148	-	6,148
Dividends		20,001	-	20,001
Changes in net market value of investments:				
Unrealised (losses) / gains from revaluation of investment properties		(8,483)	-	(8,483)
Unrealised (losses)/gains on other investments	4(xvi)	(67,764)	63,934	(3,830)
Realised gains / (losses) on investments		9,305	-	9,305
Unrealised exchange gains / (losses)		3,691	-	3,691
Realised exchange gains / (losses)		1,263	-	1,263
		138,088	63,934	202,022
Direct investment expense		(2,728)	-	(2,728)
Net investment revenue		135,360	63,934	199,294
Other revenue		1,592	-	1,592
Other income				
Income from employer and member contributions		289,634	-	289,634
		426,586	63,934	490,520

33. Explanation of transition to IFRSs (continued)

(2) Reconciliation of net change in assets for the period ended 30 June 2007 - the Fund (continued)

	Note	Previous FAS \$000	Effect of Transition to IFRS \$000	IFRS \$000
Benefits paid and expenses incurred				
Bad and doubtful debts		1,562	-	1,562
Benefits paid		292,326	-	292,326
Depreciation		2,082	-	2,082
Personnel expenses	4(iii)	9,313	(306)	9,007
Other expenses		5,040	-	5,040
		310,323	(306)	310,017
Net change for the year		116,263	64,240	180,503

(3) Reconciliation of cash flow statement for the period ended 30 June 2007

The adoption of IFRSs has not resulted in any material adjustments to the cash flow statement.

(4) Notes to the reconciliations

(i) Investment properties

Under FAS certain properties were classified under Property, plant and equipment, whereas they qualified for classification as Investment properties under IFRS. These have been reclassified from Property, plant and equipment to Investment properties and revalued upon reclassification. Land held for resale qualifies as an Investment property since it is idle and future intended use of the land is unknown and hence has been transferred to Investment property.

(ii) Intangible assets - Software development, license costs, audio visual copyright and goodwill

Under FAS the Group accounted for these as property, plant and equipment. Under IFRS these qualify for treatment as intangible assets and hence have been reclassified and accounted for in accordance with the accounting policy in note 2.8.

Software that does not form an integral part of the computer hardware has been reclassified to intangible assets. Accordingly, depreciation calculated on these assets has been reclassified as amortisation expense.

Investment in audio visual copyright has been reclassified from equity investments to intangible assets on transition to IFRS.

Under IFRS, goodwill cannot be amortised and should be tested for impairment annually. This has resulted in the reversal of amortisation.

(iii) Revision in measurement of provision for long service leave and gratuity

Under FAS the Group was only accruing for the above employee entitlement provisions as and when the benefits became vested. The measurement basis has been revised in line with the new accounting policy in note 2.19.

33. Explanation of transition to IFRSs (continued)

(iv) Deferred expenses

Under FAS, expenses incurred in relation to compilation, publication and distribution of printed telephone directories for the upcoming year were booked in the year the expenses were incurred. Under IFRS, these expenses are being deferred and recognised at the same time the revenues associated with upcoming years printed directories are recognised.

(v) Trade and other receivables

General allowance for doubtful debts amounting to \$300,000 were reversed to retained earnings as IFRS does not permit recognition of losses that are expected to arise as a result of future events and negative debtors amounting to \$232,000 were re-classified to creditors.

(vi) Inventories

Capital spares have been regrouped from inventories to property, plant and equipment.

(vii) Deferred tax assets/ liabilities

Under superseded policies, the group adopted tax-effect accounting principles whereby income tax expense was calculated on pre-tax accounting profits after adjustments for permanent differences. The tax-effect of timing differences were recognised at current taxation rates as deferred tax assets and deferred tax liabilities, as applicable.

Under IFRS, deferred tax is determined using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases.

(viii) Deferred revenue

Under FAS, revenues collected in relation to prepaid cards and internet access cards sold were booked as income. Under IFRS, these revenues are deferred and recognised when the cards are used and/or expired.

Furthermore, under FAS revenues billed/ collected in relation to the compilation, publication and distribution of printed directories for the upcoming year were booked in the year the transaction was carried out. Under IFRS, these revenues are being deferred and recognised at the point when the directories are dispatched for distribution.

Loan establishment fees have been amortised over the term of the loans and advances on transition to IFRS. Unamortised loan application fees have been reclassified to deferred revenue and this will be released to the income statement as the loan progresses.

(ix) Interest income

Interest income has been reclassified to financial income, consistent with IFRS.

(x) Sales income

Adjustment represents the net impact of deferred revenues for 2006 and 2007 in relation to subsidiary entities, Fiji Directories Limited and Transtel Limited.

(xi) Other income

Loan establishment fees have been amortised over the term of the loans and advances on transition to IFRS. Unamortised loan application fees have been reclassified to deferred revenue and this will be released to the income statement as the loan progresses.

Fiji National Provident Fund and its subsidiaries
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33. Explanation of transition to IFRSs (continued)

(xii) Depreciation

Software that does not form an integral part of the computer hardware has been reclassified to intangible assets. Accordingly, depreciation calculated on these assets has been reclassified as amortisation expense.

The adjustment represents the net impact of expenses in relation to printed directory deferred from 2006 and realised in 2007, and expenses deferred from 2007.

(xiii) Other expenses

The adjustment represents the reversal of accumulated amortisation of goodwill and the net impact of expenses in relation to printed directory deferred from 2006 and realised in 2007, and expenses deferred from 2007. Also expenses that are material have been shown separately on the face of the Statement in changes in net assets.

(xiv) Impairment on Goodwill

Impairment loss of \$83m was recorded on goodwill from one of the subsidiaries of the Group, Amalgamated Telecom Holdings Limited.

(xv) Income tax expense

Decrease in income tax expense by \$308,000 represents the cumulative impact of all the IFRS adjustments.

(xvi) Investment in subsidiaries

Previously certain investments in subsidiaries were stated at fair value. Under IFRS the Group has chosen to apply IAS 27 and state investments in subsidiaries at cost. Hence the fair value movements in investments have been reversed. Upon restating the investment in subsidiaries to cost, an impairment loss was then recognised.

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