

# 09

ANNUAL REPORT

FIJI NATIONAL PROVIDENT FUND



# Corporate Statement

## **OUR VISION**

Securing your future through globally competitive superannuation services

## **OUR MISSION**

To deliver maximum and sustainable returns and services 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

## Table Of Contents

Financial Highlights	02
Board Members	03
Chairman's Report	04
Chief Executive Officer's Report	
<i>Operations</i>	06
<i>Investments</i>	10
<i>Corporate Governance</i>	13
<i>Internal Audit</i>	14
<i>Legal Services</i>	14
<i>Administration and Archiving</i>	15
<i>ICT</i>	16
<i>Human Resources</i>	17
<i>Change Management</i>	18
<i>PRIME Services</i>	18
Financial Statements	21

## *Financial Highlights*

Contributions collected during the year was \$288.49 million compared with \$281.68 million in 2008 - an increase of 2.4%

Total benefit payments to members (including pension and SDB) was \$352.30 million compared with \$297.70 million in 2008

Investment portfolio increased by 2.8% from \$3.12 billion the previous year to \$3.21 billion

Total investment income during the financial year was \$227.39 million from \$194.03 million in 2008

Fund membership increased by 1.5% to 357, 662 from 352,358 the previous year

Interest credited to members on 30th June 2009 at 5% was \$113.63 million

Members balance totaled \$2.69 billion on 30th June 2009 compared with \$2.61 billion in 2008, an increase of 2.7%

## Board Members



Mr Ajith Kodagoda

CHAIRMAN  
since 22.01.10  
*Appointed 23.06.09*



Mr Taito Waqa

*Appointed 26.03.07*



Mr Tom Ricketts

*Appointed 14.07.09*



Mr Sashi Singh

*Appointed 22.01.10*



Mr Tevita Kuruvakadua

*Appointed 22.01.10*

### Board Members Financial Year 2009

- Mr John Prasad - Chairman, 23.06.09 to 22.01.10
- Mr Parmesh Chand - Chairman, 1.10.08 to 23.06.09
- Mr Daniel Urai - 29.12.06 to 23.06.09
- Mr Felix Anthony - 29.12.06 to 23.06.09
- Mr Howard Politini - 29.12.06 to 23.06.09
- Mr James Datta - 04.06.07 to 23.06.09

## Chairman's Report



The financial year ending 30 June 2009, was the “year of consolidation” for the Fiji National Provident Fund as the flow-on effects of the global financial crises led to an impairment of about 9% of the Fund’s total investment portfolio. Whilst the write-down was at the low end of the international trend, it was significant to the size of the Fund. This raised the urgency to undertake major structural reforms, as well as the need to overhaul internal processes, procedures and systems.

Notwithstanding the complexity of this challenge, the Fund under my chairmanship will undertake to deliver on these reforms to ensure that obligations to our members are sustained in the long-term.

We are grateful that the Government has supported us and we also urge other key stakeholders to understand and help the Fund with its reform programs.

### Impairment

Part of the Natadola Intercontinental Hotel was completed during the year. The project was developed with a significant investment from the Fund against a backdrop of deteriorating international financial condition.

The Board engaged two international valuers to conduct valuations of the Hotel and its other development including the Golf Course. Both valuations confirmed that impairment was imminent. Consequently, the Board approved the loan and investment write-down totalling \$302.15 million for Natadola Bay Resorts Limited (NBRL) and Natadola Land Holdings Limited (NLH).

During the year, efforts were also made to divest the uncompleted hotel development at Momi

through an auction. The highest bid did not attract the reserved price. Consequently, the Board also approved to write-down an additional \$18.21 million of its loan to the project. The total impairment for Momi hotel development project is \$55.0 million.

Investment and loan write-down approved by the directors totaled \$327.65 million for the financial year. Bulk of this were for the two hotel developments in Natadola and Momi. The Board has directed all immediate efforts towards the rehabilitation of these assets to ensure that these losses are recovered over time.

In particular, specific actions are being undertaken to create value for NBRL including the opportunity to develop residential blocks as well as to work with the current hotels managers to improve the profitability of the hotel. Renewed efforts are also being made to either divest or jointly complete the Momi project.

In addition, the Board is commissioning a forensic investigation for NBRL to identify the causes of these problems. The Board has also taken all measures to ensure that similar mistakes are not repeated in future.

Equally important, the Fund initiated the application of due diligence processes that allowed for the improved screening of prospective loan applications and the review of current loan accounts to better protect FNPF’s interests.

### Fund Results

As a result of the impairment, FNPF recorded a net loss of \$181.15 million in 2009. Nevertheless, the underlying performance of the Fund (excluding the one-off write-down), showed an

“ To ensure that the pension fund is equitable, fair and sustainable for our current and future contributors, it is critical that management take the necessary steps now to review and reform the pension scheme. ”

- Prime Minister Voreqe Bainimarama during the launch of the new FNPF brand in June 2009

improvement in 2009. Net investment income increased by 17% to \$227.39 million.

The Fund collected \$288.49 million in contributions, an increase of \$6.81 million from 2008. Member withdrawals totaled \$352.30 million, from \$297.70 million the previous year, mainly attributable to the flood assistance withdrawals. Consequently, the Fund recorded a negative net contribution of \$63.81 million.

The Fund's total assets as at June 30, 2009 stood at \$3.30 billion compared with \$3.50 billion the previous year.

In accordance with International Accounting Standards 26, the valuation by Mercer showed an excess of assets over actuarial present value of accrued benefits of \$168.76 million in 2009, as opposed to \$464.47 million in 2008.

### Interest payment

The Board resolved and paid interest of 5% to members. This saw the distribution of \$113.63 million to member's accounts.

### Rebranding

The Board and Management decided that to achieve a new direction, and bring the members along, the Fund needed a new image – a rebranded FNPF. The new FNPF brand was launched by the Prime Minister and Minister of Finance in June 2009 and effectively signals the beginnings of reform initiatives that the Fund has undertaken to ensure that the Fund is sustainable not only for today, but for generations to come.

### Member Withdrawals

The Fund introduced a \$20 processing fee to all members for pre-retirement withdrawals, which became effective on April 6, 2009. The fee ensures that those who access these benefits pay for it. It is also an attempt to discourage partial withdrawals so that there would be more money for members' retirement - the main purpose of the Fund.

The Fund will continue to review its withdrawal policies to align it to its core function as a pension fund. Members affected by the flood in early

2009 withdrew \$41.26 million of their savings to rehabilitate their lives.

While the Fund has assisted members during such natural calamities, it is imperative that members change their expectations of FNPF and its role. Put simply, the Fund cannot continue to fund all aspects of welfare.

### Board assurance

While the sustainability issue has been raised as a potential risk in the future, I would like to assure members that we are taking all necessary measures through the reforms to address it now.

Like any other business, the Fund is focussed on the need to transform and change, so that it can better meet its core purposes. In that respect, I must convey my appreciation to the Government for the political will to support the reform programs.

I also plead for support from other stakeholders including the employers and members to address these challenges.

It has been my privilege to have enjoyed the support of my colleagues on the Board and the outstanding contribution by our hardworking Management and Staff.

To all of you, thank you.



AJITH KODAGODA  
Chairman

## CEO's Report



In his report, the Chairman has raised the need for reforms to be undertaken by the Fund. In many ways, 2009 marked a new beginning for the FNPF. The Fund undertook an operational and performance audit of its strategies that resulted in sweeping changes in all facets of our work. These included a rebranded FNPF, revised withdrawal guideline and review of investment policies.

A Customer Service Satisfaction Index revealed the need to improve on work processes to ensure better service delivery. The Fund is addressing this through its Business Process Re-engineering and Change Management projects.

Proper governance frameworks have been put in place to ensure compliance at all levels of the decision making process. This is to ensure transparency, accountability and to minimize risks.

There have been marked improvements in the Fund's operational performance through structural and policy reforms that were mandated by the Board. It is evident that the work undertaken this year provides the backdrop for the reforms that we will undertake in the next financial year.

A review of the Fund's performance for the financial year ending 30 June 2009 is presented below.

## OPERATIONS

### Membership

In 2009, 11,594 new members were registered, bringing the total membership of the Fund to 357,662. This is an increase of 1.5% compared with Financial Year (FY) 2008.

### Employers

The Fund's active employers totaled 6,944 for this year compared with 6,701 in 2008. Of the 6944, 456 new employers were registered. More than 200 employers' accounts were closed.

### Total Contribution

Total contributions collected were \$288.49 million – averaging \$24.04 million per month. This is an increase of 2.36% on the previous year's collection of \$281.68million.

### Members' Balance

The total balance for all members' accounts was \$2.69 billion, as at 30 June 2009, compared with \$2.61 billion in 2008.

### Contribution Debtors

The balance of unpaid contributions was \$7.65 million at the end of the financial year, compared with \$7.20 million in 2008. The Fund is working with the Government and pursuing smarter ways of ensuring that employers conform to the mandatory payment of their workers' FNPF contributions. This will supplement current strategies such as inspections, reminders, prosecution and public relations.

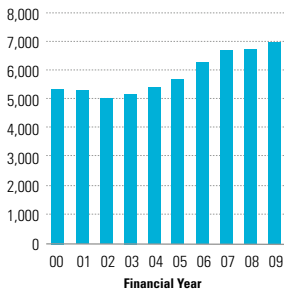
### Unidentified Contribution

A total of \$5.82 million in unidentified contributions was collected. These contributions are collected but not distributed to members' accounts because of insufficient information supplied by employers. This is an increase of 21.6% as compared with June 2008 balance of \$4.56 million. The Fund is working with employers to ensure that these unidentified contributions are minimised through proper identification of those who own these contributions.

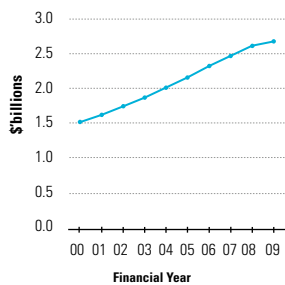
“ After four decades of growth and diversification, the Fund is now the country's largest financial institution. It stands unrivalled in its influence – it reaches every corner of this country and the lives of almost all the people of Fiji. ”

- Prime Minister Voreqe Bainimarama during the launch of the new FNPF brand in June 2009

**ACTIVE EMPLOYERS  
(FY2000-FY2009)**



**TOTAL MEMBERS' BALANCE  
(FY2000-FY2009)**



### Nomination

During the year, 17,890 nominations were filed. Only 70% of total members have filed their nominations.

### Flood Assistance

The Fund provided assistance to members who were affected by the flash floods in early 2009. The total number of applications processed was 45,181. This amounted to \$41.26 million being paid out to FNPF members. Staff members were dispersed to the various centres around Fiji to cater for the large number of applications that were received.

### Review of Policies

The Fund continued to streamline and minimise withdrawals, by reviewing its Housing and Partial Withdrawal Policies in 2009. Further reviews will be undertaken as part of the upcoming reforms.

The review resulted in a vast reduction of cases being paid out in the second half of the financial year. The reviewed Partial Policy was implemented on 06 April 2009.

### Benefit payments

In 2009, benefit payments totaling \$352.30 million were paid out, which includes Pension Annuity of \$43.45 million and \$6.25 million in Special Death Benefit (SDB) costs.

### Withdrawals at Age 55

Members that reach age 55, the compulsory retirement age, have the option of withdrawing their funds as a lump sum or a life-time pension. In 2009, 3,711 applications were approved for lump sum payment. Total paid out was \$75.43 million; compared to \$57.95 million the previous year.

### Migration Withdrawals

Fiji citizens who leave the country with no intention of returning may withdraw their savings on the successful acquisition of the relevant resident and work visas from their new country of settlement. Likewise, expatriate members who leave Fiji can withdraw their entire savings under this scheme.

A total of 1,787 applications were approved, amounting to \$6.27 million being withdrawn by departing expatriates and \$39.79 million by migrating Fiji citizens.

### Incapacitation Withdrawals

In 2009, a total of \$2.35 million was paid out to members who have been medically certified to be 100% physically incapacitated. The Fund paid \$4.25 million under this ground in 2008.

### Death Withdrawals

\$12.54 million was paid out for for Death Withdrawals in 2009 as opposed to \$12.35 million in 2008. These withdrawals, which totaled 183 applications, were paid out to members' nominees

#### SUMMARY OF KEY INDICATORS (2005-2009)

	2005	2006	2007	2008	2009
Annuity payments (\$millions)	31.74	37.43	38.30	41.20	43.45
Investment Portfolio (\$billions)	2.94	3.15	3.16	3.12	3.21
Interest rate credited to Members (%)	6.25%	6.5%	6.3%	6.0%	5%
Interest paid to members (\$millions)	111.96	124.57	128.35	131.07	113.63
Employers	5,620	6,227	6,647	6,701	6,944
Inflation (%)	2.80%	2.03%	4.03%	5.8%	5.0%
Membership	316,791	331,050	343,453	352,358	357,662
Contributions (\$millions)	245.68	267.66	289.63	281.68	288.49
Members' Funds (\$billions)	2.16	2.32	2.47	2.61	2.68
Investment Income (\$millions)	168.59	240.04	\$199.29	194.04	227.39
Total Assets (\$billions)	\$3.01	\$3.25	\$3.38	\$3.50	\$3.33
Withdrawals (excludes SDB and pension annuity)	181.09	208.36	250.32	248.38	302.59
Age 55 (\$millions)	45.84	46.77	58.25	57.95	75.43

and to the High Court of Fiji for members who do not have valid nominations.

### Special Death Benefit

In addition to Death Withdrawals paid to nominees, the Fund also pays out a prescribed sum in Special Death Benefit to members' nominees. The SDB is \$8500, and each member deducts \$35 as the premium for this benefit. In 2009, the Fund paid out \$6.25million compared with \$8.1million in 2008. Total applications processed for 2009 was 102.

### Partial Withdrawals

These encompass withdrawals for education (local and overseas), medical (local and overseas), unemployment, low wage, short-term tour-of-duty, natural disaster, re-settlement overseas, re-employment for security services, employment opportunities overseas, funeral assistance, and excess contribution.

The total paid out this year was \$135.66 million compared with \$97.04 million in 2008. The increase is attributed to members who were affected and accessed their funds for Natural Disaster assistance in early 2009.

### Housing Withdrawals

A member can withdraw up to two thirds of his/her savings to buy, build, or renovate a house/property, or to reduce a housing loan. This includes those applying under Village Housing.

The total of housing transfers for 2009 was \$30.55 million, a decrease of \$5.54 million from that paid out in 2008. The decrease is attributed to the high real estate market and lending rates, which disqualified a lot of members from a home loan. The tightening of policies and compliance also attributed to the decrease.

## CUSTOMER SERVICES

The total number of customers served in 2009 was 656,698. This figure includes those that were served via our Information Centre. 565,760 visited our various Customer Services Centres in Suva, Lautoka and Labasa, and our four agencies – Namaka, Savusavu, Valelevu and Ba.

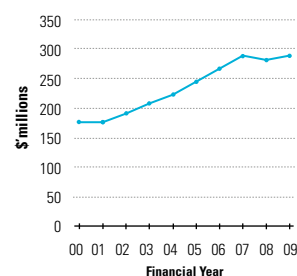
### Personalised Services

Of those that visited us at our branches and agencies, 21% sought partial withdrawal assistance, 11.89% education assistance, 4.52% housing withdrawal and 16.19% unemployment partial withdrawal.

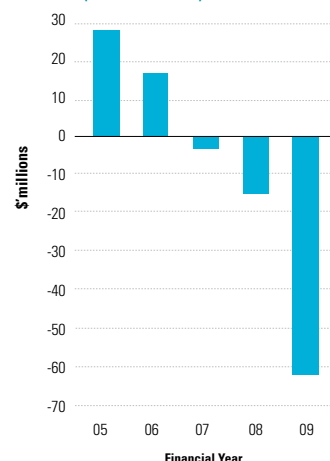
### Pension Centre

Partial withdrawal applications for members over 55 years of age dominated the demand for services required at the Pension Centre, which recorded a total of 37,009 members being served. The provision of pension advisory, issuance and filing of renewal certificates, identification and other partial withdrawal services were also offered from this centre.

TOTAL CONTRIBUTIONS (FY2000-FY2009)



NET CONTRIBUTIONS (FY2005-FY2009)



Net contributions = Contributions - Benefit Payments

## WITHDRAWALS (2005-2009)

Grounds	2005 \$000	2006 \$000	2007 \$000	2008 \$000	2009 \$000
55 years and over	45,844	46,767	58,252	57,950	75,434
Death	10,467	9,321	11,979	12,349	12,357
Disability	3,897	3,449	3,460	4,253	2,348
Migration (Fiji Citizens)	28,967	33,026	33,095	33,328	39,788
Marriage	0	14	14	1	2
Non-Citizens Migrating	4,876	7,534	6,725	7,361	6,272
Partial	52,108	73,077	99,695	97,047	135,661
Housing Transfers	34,930	35,171	37,099	36,088	30,552
Pension Annuity	31,743	37,428	38,299	41,201	43,448
Special Death Benefit costs	3,949	4,835	3,708	8,118	6,253
<b>TOTAL</b>	<b>216,781</b>	<b>250,622</b>	<b>292,326</b>	<b>297,696</b>	<b>352,295</b>



“ Total number of customers served in 2009 was 656,698 compared with 599,823 the previous year ”

### Information Centre

The total number of calls processed at the Information Centre in 2009 was 90,938. Of these, 17,121 calls were manually recorded from July to September 2008. The new Telephone system PABX was launched in October 2008, and automatically recorded a total of 73,817 calls for the remainder of the financial year.

The implementation of the new PABX system enabled the Fund to attain a more accurate measurement of performance in service level and efficiency, average processing time per call, and average time of waiting per call.

### Ba Agency

In line with the Fund's effort to bring services closer to its members, the new agency, in Ganga Singh Street, Ba was opened on Monday, 01 June this year.

### Special Services

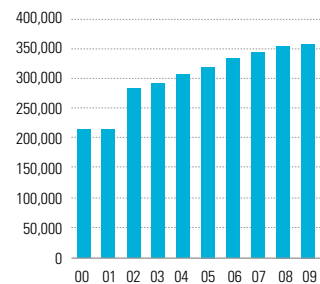
During the year, there was an increase in customer enquiries about Unemployment, Low Income Assistance, Local Education and Flood Withdrawals Scheme.

To cater for this demand, management set-up a temporary office at Downtown Boulevard, Suva, manned by staff from Member Benefits, Quick Response and Public Relations to assist the Customer Services staff.

### Complaint Facility

Complaint boxes have been placed in all Customer Service Centres to assist customers who wish to lodge their written complaints, suggestions and comments regarding any of our services. This was a corporate governance requirement, a key avenue in identifying areas raised by members as in need of improvement.

TOTAL MEMBERSHIP (FY2000-FY2009)



Financial Year

## INVESTMENTS

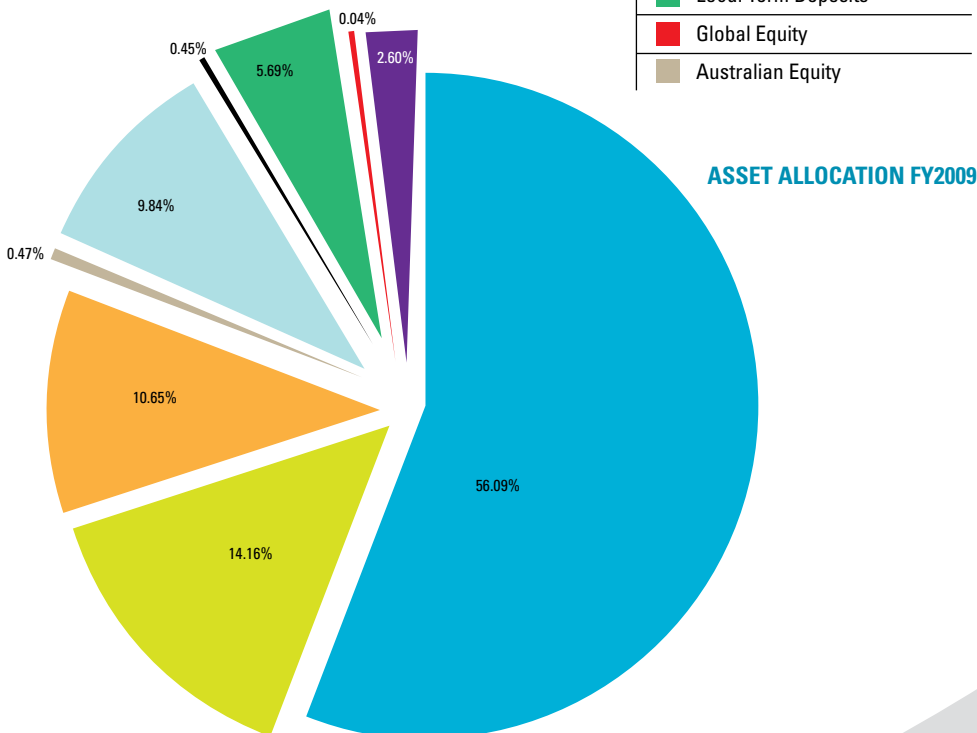
The Fund's investment objective is to maximise long-term returns to sustain the members' pension fund.

### Asset Allocation

The graph below shows the asset allocation for the year ended 30 June 2009. The Investment Policy Statement which sets the strategic allocation limits for the Fund is reviewed bi-annually to facilitate tactical asset allocation decisions.

It must be noted that the offshore portfolio has continued to decline over the years as a result of the RBF's directive to repatriate the funds to stabilize the level of foreign reserves given the high Balance of Payment deficit.

In April 2009, the FNPF was again instructed to bring back \$50 million from its offshore portfolio and as a result the offshore term deposit portfolio decreased from 1.55% in June 2008 to 0.45% of total investment portfolio in June 2009.



### Income

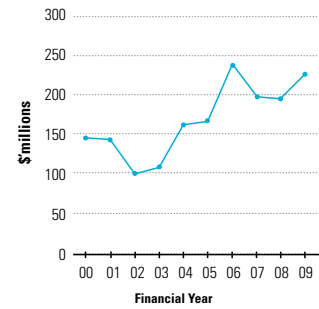
Income for the year was \$227.39 million compared with \$194.04 million the previous year. The increase was largely due to higher interest rates particularly from Government Bonds and Term Deposits.

The return on investments in 2009 was 7.09% compared to 6.22% in 2008. This enabled the Fund to credit 5% interest to members' accounts.

### Interest Rates

Interest rates both long and short-term rose significantly due to the conservative position of most financial institutions in response to the global financial crisis and monetary policies enforced by the RBF.

### INVESTMENT INCOME (FY2000-FY2009)





Interest Rate Movement for the Year

Security	June 08	December 08	June 09
Treasury Bills (91 days)	0.10%	0.40%	6.99%
Term Deposits (91 days)	0.28%	6.67%	6.70%
<b>Government Bonds</b>			
3 years	3.25%	3.20%	7.85%
5 years	5.90%	5.90%	8.30%
10 years	7.00%	7.80%	10.75%
15 years	7.05%	8.30%	12.00%
20 years	7.25%	9.50%	13.00%

“ These investments contributed to the overall development of the economy, despite the global financial crisis experienced worldwide. ”

**FIXED INCOME**

**Government Securities**

The increase in interest rates was reflected in an increase in fixed interest income by 6.47% compared to the same period last year. The total fixed income in 2009 was \$139.84 million which was 61.5% of total investment income.

**Offshore Term Deposits**

As a result of the Reserve Bank of Fiji directive to repatriate funds during FY2009, \$50 million was recalled and re-invested in bonds and local term deposits. The balance at the year end of the offshore term deposits was \$14.38 million compared with \$48.33 million in 2008.

**Local Term Deposits**

Interest rates deposits on commercial banks increased dramatically during the year. The average 91-day term deposit rate closed at 6.70% compared with 0.28% at end of FY2008. Taking advantage of the favorable investment environment, the portfolio increased from \$155.50 million in FY2008 to \$182.57 million at 30 June 2009.

**Commercial Loans**

FNPF investments in Commercial Loans over the year increased to \$454.32 million (net off write-down) as at 30th June 2009 compared with \$429.91 million for the same period last year.

The bulk of the funding was invested in the Fund’s major tourism project in Natadola. The Intercontinental Hotel at Natadola was opened in May 2009, followed by the opening of the Natadola Bay Golf Course in June.

Other loan investments were also made in the retail and real estate sectors by providing funding towards the development of Tappoo City, Rydges Hideaway Resort, Fijians’ Trust Fund (GCC Complex) and Kadavu House.

These investments contributed to the overall development of the economy, despite the global financial crisis experienced worldwide. It is anticipated that all these mortgage investments have the potential to reap greater returns and spin-off benefits for our members in the future.

**EQUITIES**

**Offshore Equities**

The Fund continued its passive approach to this investment but is considering active management of its portfolio from FY 2011.

As at 30th June 2009, the balance of offshore equities held was \$16.37 million compared with \$24.04 million for the same period in 2008.

**Local Equities**

The Fund was not an active trader in the local market during the financial year. The value of the Fund’s local equity portfolio was \$315.62 million, compared with \$400.04 million for the same period in 2008. The decline was mainly due to the impairment of the Fund’s investment in FNPF Investments Limited by \$86.65 million.

**FNPF SUBSIDIARIES**

**Amalgamated Telecom Holdings (ATH)**

The impact of deregulation of the telecommunications industry and the resulting competition had an immediate impact on the company’s earnings. While consolidated sales revenue increased by 5.4%, ATH recorded a decline in net profit after tax by 19% from \$64.19

million in 2008 to \$51.99 million in 2009. Dividends to the Fund were reduced from \$22.14 million in 2008 to \$19.68 million in 2009. The weak trading conditions in the local economy and competition from Digicel will require a repositioning of ATH in a position of strength to regain its level of profitability in the past.

### Home Finance Company (HFC)

FNPF owns 75% of HFC while Unit Trust of Fiji (UTOF) holds the remaining 25% shares. The company is an established licensed financial institution, serving the people of Fiji in the home lending market for the past 45 years. Although net profit after tax reduced by 34.13% during the year, the company has consistently paid dividends over the years. FNPF received a dividend of \$1.39 million in 2009 compared with \$1.98 million in 2008.

Despite the challenging operating environment, the company has managed to maintain its market share.

### FNPF Investments Limited (FIL)

FNPF Investments Limited is a fully owned subsidiary of FNPF. It was incorporated on 1 July 2004 as an investment vehicle for the Fund to invest in ventures previously restricted under the Trustees Act.

The total capital utilised for investments until 2009 was \$138.16 million, of which \$86.65 million was impaired during the year.

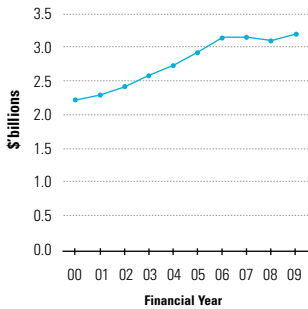
FNPF Investments has invested in various asset categories such as listed and unlisted equities, commercial loans and term deposits.

Subsidiary companies under the FNPF Investments Limited include:

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



**TOTAL INVESTMENT PORTFOLIO (FY2000-FY2009)**



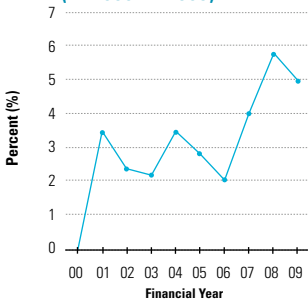
- Dareton Limited –Votualevu Land (100%)
- Penina Limited (51%)

The Fund has put together plans to review and work out some of these investments. No new initiative will be undertaken by FIL.

**Treasury**

Treasury provides Board the Fund’s liquidity status and the impact of the interest rate movements on the Fund’s interest rates book. It also assists in investment strategies to ensure that the Fund’s liquidity is well managed and minimizes fluctuation in the interest income.

**INFLATION (FY2000-FY2009)**



During the year, Treasury acquired new software from Visual Risk in Australia for the management of the Fund’s fixed income portfolio and Asset Liability management (ALM). The software assists the division in liquidity forecasting, the management of interest rate risk and gap analysis reporting whereby the Fund matches its maturing financial assets with the pension liabilities.

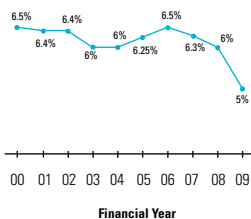
**PROPERTIES**

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

**INTEREST RATE (%) CREDITED (FY2000-FY2009)**



**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, Koroivolu Avenue, Nadi
- Labasa Manager’s residence, Nadawa subdivision, Labasa

**PROJECTS**

FNPF Projects was created in 2008 as a section of the Investments Division to provide technical support services for project management of major capital works and the repair and maintenance of commercial properties and FNPF offices serving members throughout Fiji. Its core functions are to provide technical and project management services for all FNPF properties including all major capital works, upgrading projects, supervise works in progress, office refurbishments for both internal and external customers.

**CORPORATE GOVERNANCE**

The compliance team continued to facilitate the Fund’s compliance with the requirements of the Reserve Bank of Fiji under the Prudential Supervision Policy Statement, and also the implementation of the recommendations of the Bank’s on-site examination.

The Fund stepped up the monitoring of the quality of its service delivery by establishing a complaints function with the Corporate Governance department.

The Fund upholds integrity and the practice of ethical standards in all its dealings. In view of this, FNPF established a separate unit to promote ethical standards awareness and monitoring/ compliance of the staff code of conduct and business ethics.

As part of capacity building, the function recruited key personnel including a Senior Compliance Officer, Ethical Standards Officer and a Complaints Officer.

### Policy Based Corporate Governance

The Fund, in accordance with its overarching philosophy of governance by policy, developed, reviewed and approved a number of policies during the year ending June 2009. They are the:

- Internal Audit Policy
- Partial Withdrawal of Funds
- Capital Assets
- Credit Risk Management
- Complaints Management

### ERM Framework Review

The Fund engaged Deloitte Australia to conduct a review of its Enterprise Risk Management framework that was established in August 2006. The review was completed in April 2009. Currently, the Fund is implementing the recommendations arising from this review.

### Compliance, Quality Assurance and Ethics

The compliance function provided online reporting of the Financial Transaction Reporting issues to RBF. The function also developed the Anti-Money Laundering and Compliance policy. The Fund also re-enforced its monitoring of Delegated Legal Authority (DLA) by regularly updating its DLA register. Quality Awareness for staff and Quality Assurance monitoring is ongoing. Updating of procedure manuals is being driven by Quality Assurance to ensure consistency in service and information.

The Ethical function addresses the Business ethics of the staff of the Fund. It outlines the measurement of business behavior required for the achievement and success of the Fund's objectives. Such measurement is based on standards of right and wrong, principles of conduct, behaviors, fairness and integrity, high practice standards,

accountability, professionalism, innovation and excellence.

## INTERNAL AUDIT

A total of 29 audits were completed, while 10 were still in progress as at June 30, 2009. 11 ad-hoc audit requests were also received during this reporting period. Out of the 55 audits planned during the reporting period, 27 were deferred to 2010 because external review reports were being finalized while new appointees to the Executive positions were in the process of making the desired changes to the Divisions in which audits were planned to be carried out.

Significant audit findings arising from the audits were reported to the Board Audit Subcommittee, and Management took appropriate actions to implement the recommendations.

In May 2009, an Internal Investigator was appointed, responsible for carrying out all internal investigations in the Fund, including those received under the Fund's Whistleblower Policy.

The Division employed 11 staff as at 30 June 2009, including six Graduate Trainees who would be completing their two-year on-the-job training between January and May 2010.

Three Division staff attended training in Australia and Malaysia in areas relating to IT and Investment Audits and Fraud Detection, while other staff attended local training and a conference.

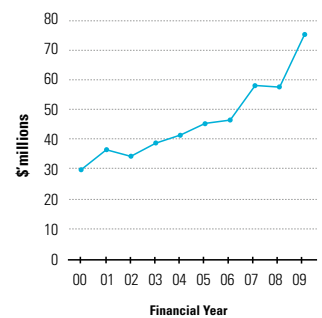
A review of the Internal Audit Policies and Procedures Manual was completed during the year, and related training, including use of Audit Command Language (ACL) software, is being planned in the upcoming financial year.

## LEGAL SERVICES

The Legal Services Division is the arm of the Fund in charge of all legal matters, namely; prosecution, civil litigation, corporate conveyancing and procurements, providing opinions and advice to the Board, management and staff of the Fund,

“Significant audit findings arising from the audits were reported to the Board Audit Subcommittee, and Management took appropriate actions to implement the recommendations”

WITHDRAWALS 55 YEARS & OVER (FY2000-FY2009)





maintaining ethical standards, and promoting good governance.

### Corporate

A total of 32 civil litigations were handled by the Fund. Of these, three have been completed, while 29 are still pending in court.

### Prosecution

Legal Services registered 118 employers' cases with the courts countrywide, seeking outstanding contributions amounting to \$1.96 million. A total of 122 cases were completed with \$1.19 million being recovered. Surcharges recovered totaled \$0.03 million.

### Corporate Conveyancing

In all, 2,232 housing loan applications were processed and completed. The legal fees collected from these applications amounted to \$0.37 million.

### Applications for Provisional Titles

The Fund assisted members in obtaining a replacement duplicate of their Title or Lease. There were a total of 109 Provisional Titles applications outsourced to other solicitors for the year ending 30th June 2009, of which 24 were completed and 85 are still pending.

## ADMINISTRATION AND ARCHIVING

### Procurement and Tender Facilitation

Administration administers and facilitates the procurement services for the organisation to ensure, among other things, the effectiveness and timely procurement of goods and services from all suppliers.

Service contracts were organised with all preferred suppliers in all areas, so that strategic procurement is continuously practiced. All procurements where the annual volume costs were more than \$20,000, or where goods or services are required periodically, are tendered annually.

A total of 73 tenders were advertised, evaluated and confirmed during the year. The Fund continues to tender a majority of its services to ensure that transparency and good corporate governance is upheld at all times.

### Records Management

The Fund has 40 years of members' and employers' records that need to be managed for easy retrieval. After completing a scoping and feasibility study during the financial year 2008/2009, the Fund anticipated the implementation of the Electronic Document Management System Project to maintain these records, and facilitate quick retrieval.

### Security and CCTV

Since 2008, the Fund has recruited its own security personnel. The main objective of this is to protect the wellbeing and security of all FNPF assets, including personnel and members' records. Currently, the security arrangement for Downtown Boulevard is managed by the Fund's own security officers, while security for the branches and agencies are outsourced. The effectiveness of security arrangements in FNPF offices has been enhanced with the installation of closed circuit television cameras.

### Fleet Management

The Fund has a total of 28 vehicles that are allocated as follows: Suva 22, Lautoka four and Labasa two. Based on the Fund's motor vehicle policy, vehicles are replaced on reaching 100,000 km or every four years, whichever comes first. A total of five vehicles were purchased during the financial year 2008/2009 and three vehicles were sold through the public Tender process. All vehicles are part of the car pool and allocated for usage based on need.

### Mail and Inventory Management

Administration also fulfils the critical role of internal mail management, ensuring that the daily operation and processes of the Fund are

carried out efficiently. The function also manages the Fund's inventory management system, and adopted certain measures to reduce wastage.

## INFORMATION and COMMUNICATIONS TECHNOLOGY

### IT System Audit

The IT systems, Matai V (Ingres Application and Database) and the Finance system (Epicor) were audited by the Australian Audit consulting firm, Oakton. Audit recommendations provided are being addressed which will enhance IT governance, system controls, data transfer, integration and reporting. A number of issues are being addressed, through the implementation of the Business Process Re-engineering (BPR) project, which will review and make recommendations on improvements to processes in the Fund as a whole.

### New Services

A new initiative during the financial year enabled staff to access their emails via Outlook Web Access from any location. This contributes to staff being able to tend to their work through email in a timelier manner, thus increasing productivity levels, and meeting customers' demands.

### Information Security Awareness

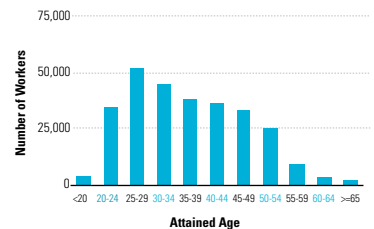
Workshops were facilitated by the IT Division for management and staff on the importance of Information Security. The workshops also introduced staff to security related topics, raising their awareness of all Information Security threats that could be encountered in the course of a day's work.

### Telephone System Upgrade

In the second quarter of the financial year 2009, the Fund replaced the obsolete NEC Telephone system with an Alcatel Enterprise Call Server solution in order to help improve customer services by providing better system availability, and cost efficiency, through smart-call-routing management.



DISTRIBUTION OF CURRENT WORKERS BY AGE



FNPF also implemented the Alcatel Contact Centre service to help improve the Information Centre's handling the 2000 calls received on a normal day, as well as provide the capacity to handle more calls during abnormally busy periods, such as natural disasters, where the Fund was able to effectively handle 75,000 calls in one month.

The new reliable and timely reporting system has helped manage phone bills costs through prudent monitoring and control.

### Network Infrastructure Improvements

The Fund has invested in the CISCO technology to provide the necessary network backbone to carry its services and data throughout the country. Virtual Local Area Networks have been successfully implemented, but will need further improvements in the form of Access Lists to be introduced in the upcoming financial year.

### Agency and Remote Office Installations

Several Computer System installations took place at the Ba Agency, Properties and Projects, FIL and NBRL, Yatulau Office, Quick Response Team and other engagements including the Flood Assistance Scheme.

### Disaster Recovery Site

Remote Disaster Recovery Database servers were updated on a daily basis by utilising the available bandwidth after hours. However, the main Matai operations database is copied once a week in addition to normal daily backups and off site procedures.

### New Systems and System Development

The following new systems have been successfully installed and are now operational:

- Visual Risk investment systems
- HRmonize - HR Performance Management Software
- CURA Compliance and Risk Software.

In-house systems development continued

during the year where the following systems were developed:

- Balanced Score Card
- Member Statement Printing
- Complaints System.

## HUMAN RESOURCES AND DEVELOPMENT

### Strategic Direction

The Fund continues to improve its People Performance in all Functional Areas, in a cohesive move towards achieving sustainable growth through improved people's performance.

### Services

The Fund is committed to aligning its services with International Motivational benchmarks that includes building capacity through training and development, job value and rewards and recognition. A country wide road-show, on Vision and Values, was launched to clearly articulate the expectations set by these benchmarks.

### Human Capital

The staff remains the most valuable asset of FNPF. Motivation and retention strategies are continually reviewed to show support. A lot of work has been put into aligning the Human Resources policy to the Employment Relations Promulgation to promote a better team environment.

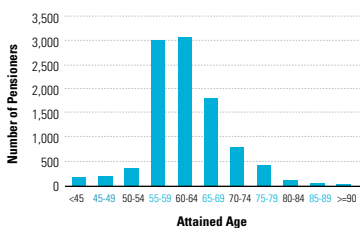
### Training and Development

An aggressive approach is being adopted through identifying Skill and Knowledge gaps, and providing the necessary information in order to assist executives, managers and leaders to quickly embrace the changes that are required at both operational and strategic levels. FNPF staff members are encouraged to contribute new ideas to improve efficiency and productivity, and are rewarded in recognition of any such ideas that are successfully implemented.

The Management and Staff attended a series of customer services training provided by the Human Resources Development South Pacific. The objective of the training was to reinforce excellent



DISTRIBUTION OF PENSIONERS BY AGE



customer service delivery, to enhance efficiency in handling internal and external customers' needs.

### Health and Wellbeing

The health and wellbeing of the staff is highly valued. Teambuilding time is available in the afternoons and regular medical check-ups are encouraged through the Fund's initiatives.

## CHANGE MANAGEMENT

The Change Management Unit was established towards the end of the financial year, tasked with mapping out reforms and programs to transition staff and the organisation to a benchmarked level of performance, productivity and service.

This year, the unit began preliminary assessment, to determine the best approach that would suit the Fund. The highlight for the unit during the year was the introduction of short term, or Quick Win projects. This was developed to engage staff in the change process, enabling them to 'think outside the box' and therefore contribute to the improvement of some of the Fund's processes and/or system.

The idea was introduced to staff during the latter part of the financial year, with the commencement of each project to begin from August 2009. A full reform roadmap will be finalised in the next financial year that aims for the completion of all reforms by July 2012.

## PRIME SERVICES

### Pension Actuary Valuation

The Fund engaged an overseas private actuary, Mercer, to conduct an actuary valuation for FNPF. This valuation forms the basis for urgent pension reforms that could be implemented in years to come for the sustainability of the Fund in the long term.

Mercer is expected to be engaged for the next three years.

### Customer Service Satisfaction Index

Researchers from the University of the South Pacific were engaged to conduct an independent Customer Satisfaction Survey. The Customer Satisfaction Index was pegged at 2.66 compared to 2.1 in FY2008. The customer satisfaction scale is from 1 to 5, with 1 representing very bad customer service and 5, excellent customer service.

This exercise becomes an additional medium for members to voice their concerns regarding services provided, enabling the Fund to work towards effective and efficient customer service.

### Strategic Plan FY2009-2011

The implementation of the Strategic Plan is continuously monitored to ensure compliance to plans and completion of all works assigned.

### Intranet Site

The Research & Planning intranet developed in the financial year serves as data storage, allowing for easy access to current and historical information.

### Website enhancement

The Fund revamped its website during its rebranding exercise under the domain address myfnpf.com.fj. The website now boasts enhanced homepage and Frequently Asked Questions features. An online pension calculator now provides members with an opportunity of pre-calculating their pension income for different pension options so as to enable them to make more informed choices. The website has more useful content, is user friendly, and has a more appropriate design and layout aligned to the new FNPF brand.

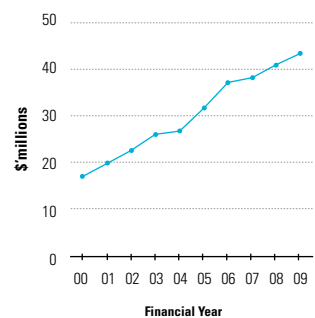
### Public Events and Seminars

The Fund continues its financial literacy programme by raising awareness of its role and responsibilities via the media, public events and awareness exercises.

Organisations that sought our assistance included

“Members are continually reminded that the Fund is a retirement body, funds invested with FNPF are for members' financial security on retirement.”

PENSION ANNUITY PAYMENTS (FY2000-FY2009)





the Fiji Principals Association, Fiji Teachers Union, Fijian Teachers Association, Republic of Fiji Military Forces, church groups, and tertiary institutions. The team was part of the Retirement Expo organised by Westpac Bank.

The Fund also conducted updated briefings to authorities on latest developments at the Fund.

*Member Awareness*

A major focus of our awareness of the Fund is creating awareness that its essential role and function is that of saving. Members are continually reminded that the Fund is a retirement body and that funds invested with FNPF are for members'

financial security on retirement.

The Board and Management appeared on television and radio talkback shows in a bid to encourage members to minimise withdrawals. Dedicated advertising programs were also undertaken to raise awareness on unidentified suspense funds, nominations, and members who have attained 65 years without claiming their funds.

The Fund also reviewed its newsletter format and distribution, and now publishes a one-page "Saving Matters".

*Media relations*

The FNPF values the role the media plays in publicising issues surrounding the Fund and therefore encourages a healthy relationship with media organisations.

The Fund clarified a wide range of issues raised by the public including the \$20 processing fee, revised withdrawals guidelines, management issues and investment projects.

The Fund understands that it will continue to attract a lot of media interest given the pivotal role it plays in the lives of all workers of Fiji and in the development of this nation. As such

it will continue to advance a positive working relationship with the media.

*Regional work attachments*

Officers from the Samoa, Solomon Islands, Tuvalu and Tongan Provident Fund came on work attachments to the Fund varying from one-day to two-week visits throughout the year. This attachment reflects the high-regard in which the Fund is held by its regional counterparts.

*Brand Management*

The rebranding led to a new FNPF logo and a review of our brand management procedures. A rebranding manual was produced, to define brand usage. To ensure compliance, the manual is distributed to FNPF designated suppliers of stationery, graphic works, vehicles, building signage and advertisements.

All Customer Service Centres were acquainted with the new FNPF brand on 11 June 2009 as the new FNPF logo was erected in all branches and agencies. This was in line with the FNPF’s strategic direction of improving the Fund’s image, and streamlining its services for providing financial security for its members.

*Corporate Social Responsibility – Charity Work*

As a good corporate citizen, the Fund undertook several Corporate Social Responsibility initiatives during this period. Staff raised funds for the

Prime Minister’s Natural Disaster appeal for flood victims, the annual Fiji Red Cross appeal, and bought essential supplies and hosted residents of the Samabula Old People’s Home to a Christmas morning tea.

The Fund also organised two blood drives internally that were administered by the Fiji Blood Bank.

**ACKNOWLEDGEMENT**

On behalf of the Management and Staff, I would like to thank the members of the Board, both past and current, for their guidance and direction that allowed us to execute our responsibilities effectively during this challenging period.

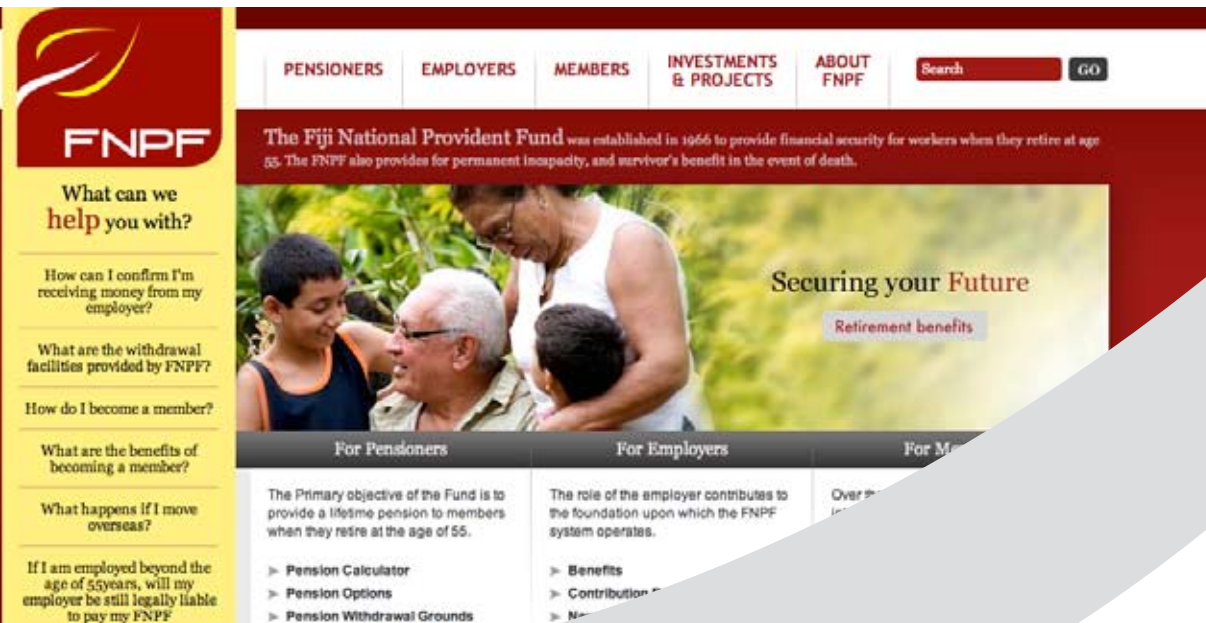
I also extend our gratitude to Government for continually supporting and driving the Fund to set high standards in all facets of our business.

I also wish to convey my sincere thanks to all FNPF members, employers and stakeholders, for their support and cooperation. The Fund appreciates your support and anticipates your continued assistance in ensuring that we continually strive to lift our standards and services for the benefit of our members.



AISAKE TAITO  
Chief Executive

“ The Fund understands that it will continue to attract a lot of interest given the pivotal role it plays in the lives of all workers of Fiji ”





**0** | Financial  
**9** | Statements

## Contents

Report to the members	23
Independent auditors' report	25
Statement of changes in net assets	26
Statement of net assets	28
Statements of cash flows	29
Notes to and forming part of the financial statements	30

## Report to the members For the year ended 30 June 2009

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 2009 and the auditors’ report thereon.

### Board Members

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

Board member	Appointed	Resigned
Mr Ajith Kodagoda	23.06.09 (Chairman from 22.01.10)	
Mr John Prasad	23.06.09 (Chairman from 23.06.09 to 22.01.10)	22.01.10
Mr Sashi Singh	22.01.10	
Mr Tevita Kuruvakadua	22.01.10	
Mr Tom Ricketts	14.07.09	
Mr Taito Waqa	26.03.07 (Chairman from 28.04.08 to 01.10.08)	
Mr Parmesh Chand	01.10.08 (Chairman from 1.10.08 to 23.6.09)	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

### State of Affairs

In our opinion the accompanying financial statements, as set out on pages 26 to 68, give a true and fair view of the state of affairs of the Fund and the Group (being the Fund and its subsidiaries) as at 30 June 2009 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.

## Report to the members

### For the year ended 30 June 2009 (continued)

24

#### Operating Results

The benefits accrued as a result of operations for the year ended 30 June 2009 amounted to a deficit of \$181,153,000 (2008: surplus of \$123,008,000). The consolidated results for the Group for the year ended 30 June 2009 were a deficit of \$176,263,000 (2008: surplus of \$93,173,000).

#### Reserves

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

- \$9,633,000 (2008: \$9,449,000) to the Special Death Benefit Reserve.
- \$21,861,000 (2008: \$20,912,000) to the Pension Buffer Reserve.
- \$239,852,000 from the General Reserve (2008: transfer to \$718,000)

#### Significant Events During the Year

- The Telecommunication Promulgation and the Commerce (Amendment) Promulgation came into effect on 1 August 2008. The two pieces of legislation provide the regulatory framework for the recently liberalised telecommunications market in Fiji.
- On 7 August 2008, the Minister for Commerce, Industry, Tourism and Communication issued a Price Control Order which purported to regulate the prices of all telecommunications services in Fiji. However, the Price Control Order was lifted on 16 March 2009.
- On 15 April 2009, the Fiji dollar was devalued by 20% by the Reserve Bank of Fiji. The Fund and the Group has foreign currency transactions and balances. The devaluation of the Fiji dollar could result in losses on these foreign transactions and balances. The Board members are of the view that the devaluation has not had any significant impact on the financial results and position of the Fund and the Group.
- On 8 May 2009 and 11 June 2009, the Intercontinental Hotel Resort & Spa and Champion Golf Course, owned by related entity, Natadola Bay Resort Limited, were respectively open to the public.

#### 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, FNPF repossessed the loan securities of Matapo Limited which were then put to auction in order to recover the loan amount. Offers had been received from investors for the hotel and golf development. However, no offers have been accepted.

Other than the matter noted 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 results of those operations, the changes in net assets of those operations, or the state of affairs of the Group in future financial years.

Dated at Suva this 7 day of May 2010.

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 2009, consisting of the statement of changes in net assets, statement of net assets, statements of cash flows and accompanying notes, set out on pages 26 to 68. 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.

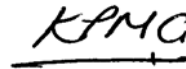
### Audit opinion

In our opinion:

- (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 2009 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  
7 May, 2010



KPMG  
Chartered Accountants

# Fiji National Provident Fund and its subsidiaries

## Statement of changes in net assets

### For the year ended 30 June 2009

26

	Note	Consolidated		The Fund	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>Investment revenue</b>					
Interest	5	174,230	192,857	198,629	178,409
Net property income		3,392	3,258	4,380	4,154
Dividends		1,889	3,265	1,747	3,202
Dividends from subsidiaries	15	-	-	21,061	24,116
<i>Changes in net market value of investments:</i>					
Unrealised (losses) on revaluation of investment properties	16	(1,794)	(5,617)	(1,794)	(5,617)
Unrealised (losses) on other investments		(2,233)	(1,770)	(2,247)	(1,675)
Realised gains/(losses) on investments		166	(8,712)	166	(8,712)
Unrealised exchange gains/(losses)		7,261	(1,139)	5,121	3,554
Realised exchange gains/(losses)		2,560	3,742	2,366	(1,353)
		185,471	185,884	229,429	196,078
Direct investment expense		(2,041)	(2,042)	(2,041)	(2,042)
<b>Net investment revenue</b>		183,430	183,842	227,388	194,036
<b>Other revenue</b>					
Reversal of impairment loss	22	869	-	-	-
Sales revenue		293,727	277,768	-	-
Other revenue	6	12,326	12,731	2,054	1,284
		306,922	290,499	2,054	1,284
<b>Contributions</b>					
Contributions from employers and members		288,492	281,675	288,492	281,675
		778,844	756,016	517,934	476,995
<b>Benefits paid and expenses incurred</b>					
Airtime and PSTN charges		43,331	32,785	-	-
Bad and doubtful debts – loans and advances	13	24,533	59,152	240,992	37,619
Bad and doubtful debts – trade and other receivables		6,689	5,078	2,974	46
Benefits paid	29(c)	352,295	297,696	352,295	297,696
Depreciation	22	39,874	39,124	1,297	1,649
Equipment and ancillary charges		31,110	23,028	-	-
Impairment loss on equity investments	14	1,850	-	-	-
Impairment loss on investment in subsidiary	15	-	10,200	86,653	-
Impairment loss on property held for development	17	39,914	-	-	-
Impairment in value of investment in movie production	21	5,355	4,068	-	-
Impairment loss on property and equipment	22	225,012	29	-	-
Impairment loss on cost to complete project	27	10,101	-	-	-
Impairment loss on software costs	21	225	-	225	-
Interest expense		3,475	3,478	-	-
Personnel expenses	7	61,188	57,136	10,283	9,222
Unrealised loss on revaluation of property and equipment		-	2,072	-	2,072
Other expenses	8	73,639	62,976	4,368	5,683
		918,591	596,822	699,087	353,987
<b>Net change before tax</b>		(139,747)	159,194	(181,153)	123,008
Income tax expense	9(a)	(23,164)	(28,012)	-	-
<b>Net change after tax</b>		(162,911)	131,182	(181,153)	123,008
Non controlling interest		(13,352)	(38,009)	-	-
<b>Net change for the year carried forward to page 27</b>		(176,263)	93,173	(181,153)	123,008

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 30 to 68.

Fiji National Provident Fund and its subsidiaries  
Statement of changes in net assets  
For the year ended 30 June 2009 (continued)

	Note	Consolidated		The Fund	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>Net change for the year brought forward from page 26</b>		(176,263)	93,173	(181,153)	123,008
<b>Total recognised income and expense:</b>					
Net assets available to pay benefits at the beginning of the year		3,501,584	3,407,919	3,497,438	3,374,430
Adjustment due to consolidation of subsidiary previously not consolidated	15	31,432	-	-	-
Increase in available for sale reserve	28(c)	675	492	-	-
Increase in credit loss reserve	28(d)	1,333	-	-	-
Increase in asset revaluation reserve	28(e)	339	-	-	-
<b>Net assets available to pay benefits at the end of the year</b>	28	<b>3,359,100</b>	<b>3,501,584</b>	<b>3,316,285</b>	<b>3,497,438</b>

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 30 to 68.

# Fiji National Provident Fund and its subsidiaries

## Statement of net assets

### As at 30 June 2009

28

	Note	Consolidated		The Fund	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>Investments</b>					
<i>Financial assets</i>					
Term deposits	10	249,205	217,052	196,943	203,831
Government securities	11	1,869,086	1,746,070	1,799,102	1,677,139
Other fixed interest securities	12	341,693	329,605	341,693	329,605
Loans and advances	13	314,394	313,428	454,323	429,912
Equities	14	69,316	75,199	57,726	64,193
Investment in subsidiaries	15	-	-	274,264	359,882
<i>Non-financial assets</i>					
Investment properties	16	85,228	56,571	83,494	54,837
Properties held for/under development	17	2,000	-	-	-
		2,930,922	2,737,925	3,207,545	3,119,399
<b>Other assets</b>					
Cash	18	74,792	327,929	45,367	278,066
Trade receivables	19	31,140	26,453	-	-
Other receivables	23	91,405	85,137	61,083	70,858
Inventories	20	17,211	8,363	-	-
Property, plant and equipment	22	463,999	522,284	11,464	38,288
Intangible assets	21	130,864	138,260	-	537
Deferred expense		43	146	-	-
Deferred tax assets	9(d)	7,961	10,624	-	-
		817,415	1,119,196	117,914	387,749
<b>Total assets</b>		3,748,337	3,857,121	3,325,459	3,507,148
<b>Liabilities</b>					
Creditors and borrowings	24	188,928	142,862	4,597	5,060
Other liabilities	25	34,424	42,486	2,473	2,686
Employee entitlements	26	10,488	10,169	2,104	1,964
Provision	27	10,101	-	-	-
Income tax payable	9(b)	10,736	13,252	-	-
Deferred tax liability	9(c)	22,314	19,967	-	-
<b>Total liabilities (excluding net assets available to pay benefits)</b>		276,991	228,736	9,174	9,710
<b>Net assets</b>		3,471,346	3,628,385	3,316,285	3,497,438
Less: Non controlling interest		112,246	126,801	-	-
<b>Net assets available to pay benefits</b>	28	3,359,100	3,501,584	3,316,285	3,497,438

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 30 to 68.

Fiji National Provident Fund and its subsidiaries  
 Statements of cash flows  
 For the year ended 30 June 2009

	Note	Consolidated		The Fund	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>Cash flows from operating activities</b>					
Contributions received		287,953	280,226	287,953	280,226
Cash receipts from customers		288,000	274,998	-	-
Interest received		214,571	185,337	202,648	172,748
Dividends received		3,068	1,597	27,080	20,601
Rental received from properties		3,383	3,311	4,371	4,198
Other income received		3,520	3,623	2,138	1,917
Withdrawal payments to members		(352,295)	(297,696)	(352,295)	(297,696)
Payments to suppliers and employees		(260,127)	(185,768)	(16,406)	(12,357)
Interest paid		(1,000)	(1,140)	-	-
Income taxes paid	9(b)	(20,670)	(23,235)	-	-
Investment expenses paid		(2,041)	(2,042)	(2,041)	(2,042)
(Payments) to members for shares		(76)	(227)	-	-
Receipts from brokers for shares		423	519	-	-
Royalty received		5,355	3,559	-	-
Receipt from government grant		89	-	-	-
<b>Net cash provided by operating activities</b>		<b>170,153</b>	<b>243,062</b>	<b>153,448</b>	<b>167,595</b>
<b>Cash flows from investing activities</b>					
Government securities (purchased)/realised		(123,021)	56,832	(121,964)	36,956
Other securities (purchased)/realised		(12,088)	3,537	(12,088)	3,537
Loans and advances (issued)		(119,066)	(57,618)	(265,402)	(121,013)
Term deposits realised		21,624	112,751	9,254	72,799
Shares in subsidiaries (purchased)		-	-	(1,035)	(3,210)
Shares and units disposed		7,591	3,705	9,507	5,250
Proceeds from sale of property, plant and equipment		692	4,494	55	106
Purchase of property, plant and equipment		(197,622)	(151,697)	(4,373)	(8,003)
Acquisition of intangible assets		(147)	(167)	(147)	(167)
Purchase of investment properties		(987)	(423)	(987)	(423)
<b>Net cash (used in) investing activities</b>		<b>(423,024)</b>	<b>(28,586)</b>	<b>(387,180)</b>	<b>(14,168)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		111,765	36,488	-	-
Repayment of borrowings		(61,649)	(68,272)	-	-
Dividends paid		(27,779)	(17,168)	-	-
<b>Net cash provided by / (used in) financing activities</b>		<b>22,337</b>	<b>(48,952)</b>	<b>-</b>	<b>-</b>
Net (decrease) / increase in cash held		(230,534)	165,524	(233,732)	153,427
Cash from subsidiary previously not consolidated		258	-	-	-
Cash at beginning of the financial year		327,062	161,538	278,047	124,620
<b>Cash at end of the financial year</b>	31 (a)	<b>96,786</b>	<b>327,062</b>	<b>44,315</b>	<b>278,047</b>

The statements of cash flows are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 30 to 68.

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

30

#### 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 \_\_\_\_\_.

#### 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 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 2009 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.

- IFRS 1 (Amendments), 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009).
- IAS 1 (Revised and Amendment), 'Presentation of financial statements' (effective from 1 January 2009).
- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009).
- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).

##### 2.3 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 deconsolidated 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.

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

## 2. Statement of significant accounting policies (continued)

### 2.3 Basis of consolidation (continued)

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.

### 2.4 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.

### 2.5 Property, plant and equipment

Freehold land is shown at cost. All other property, plant and equipment is stated at historical cost less depreciation or amortisation. 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 Group 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:

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 2.8).

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.

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

32

## 2. Statement of significant accounting policies (continued)

### 2.5 Property, plant and equipment (continued)

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 the statement of changes in net assets. 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 or loss arising on remeasurement is recognised directly in the statement of changes in net assets.

### 2.6 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 Group. 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 Group 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.

### 2.7 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 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.

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

## 2. Statement of significant accounting policies (continued)

### 2.7 Intangible assets (continued)

#### (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.

### 2.8 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.

### 2.9 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.

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

## 2. Statement of significant accounting policies (continued)

### 2.9 Financial assets (continued)

#### (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 the statement of changes in net assets.

#### (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.

### 2.10 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.

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

## 2. Statement of significant accounting policies (continued)

### 2.10 Impairment of financial assets carried at amortised cost (continued)

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 Group 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 Group 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.

### 2.11 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 unsaleable are written off in the year in which they are identified.

### 2.12 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 2.10. Trade receivables are categorised as loans and receivables under financial assets.

### 2.13 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.

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

36

## 2 Statement of significant accounting policies (continued)

### 2.14 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.

### 2.15 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 statement of changes in net assets on a straight-line basis over the period of the lease.

### 2.16 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 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 recognises 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.

### 2.17 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.

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

## 2 Statement of significant accounting policies (continued)

### 2.18 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.

### 2.19 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.

### 2.20 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.

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 for goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively 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.

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

## 2 Statement of significant accounting policies (continued)

### 2.21 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.

### 2.22 Guarantees

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

### 2.23 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.

### 2.24 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.

### 2.25 Contributions

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

### 2.26 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.

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

## 2 Statement of significant accounting policies (continued)

### 2.26 Revenue recognition (continued)

#### (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.

#### (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.

### 2.27 Expenses

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

### 2.28 Rounding

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

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

### 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; and
- ensure compliance by FNPF 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 Board Audit Risk 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 2009 and 2008.

##### (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.

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (a) Market risk (continued)

###### (ii) Price risk (continued)

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 the Australian Stock Exchange increased / decreased by 5%. A 5 percent increase or decrease of the equity indexes would have had the equal but opposite effect, on the basis that all other variables remain constant.

Index	Group		Fund	
	Impact on net surplus / deficit		Impact on net surplus / deficit	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
South Pacific Stock Exchange	15,331	15,213	15,259	15,161
Australian Stock Exchange	758	1,202	758	1,202

The 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 the 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.

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

42

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk (continued)

Credit risk concentration on loans and advances disclosed in note 13 are as follows:

	Consolidated				The Fund			
	2009		2008		2009		2008	
	\$000		\$000		\$000		\$000	
Agriculture	16,114	4%	19,152	5%	14,860	2%	15,500	3%
Construction	2,750	1%	5,143	1%	-	0%	135	0%
Financial institution	8,623	2%	-	0%	75,408	10%	88,842	19%
Government and statutory bodies	38,366	10%	24,225	6%	38,366	5%	24,225	5%
Telecommunications	-	0%	20,000	5%	100,000	14%	50,000	11%
Energy	6,376	2%	10,442	3%	6,376	1%	10,442	2%
Manufacturing	11,084	3%	11,030	3%	1,857	0%	2,453	1%
Mining	1,706	0%	1,265	0%	-	0%	-	0%
Private motor vehicle (includes staff loans)	1,211	0%	1,551	0%	382	0%	724	0%
Private others (includes staff loans)	94,600	25%	94,913	26%	7,985	2%	7,867	2%
Professional and business services	18,806	5%	18,473	5%	-	0%	-	0%
Public enterprise	15,823	4%	11,785	3%	15,823	2%	11,785	3%
Real estate development	55,632	15%	65,732	17%	47,363	6%	31,983	7%
Transport and storage	5,064	1%	4,850	1%	247	0%	280	0%
Wholesale and retail	7,569	2%	8,364	2%	-	0%	-	0%
Other (Hotels & Restaurants)	98,502	26%	82,416	23%	427,983	58%	227,011	47%
<b>Total</b>	<b>382,226</b>	<b>100%</b>	<b>379,341</b>	<b>100%</b>	<b>736,650</b>	<b>100%</b>	<b>471,247</b>	<b>100%</b>

##### (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 are not 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.

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Liquidity risk (continued)

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");
- 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:

- (i) Value of listed equities is determined using their latest available market value as quoted on stock exchanges; and
- (ii) 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.

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

44

#### 4. Critical accounting estimates and judgments (continued)

##### (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.

##### (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.

	Consolidated		The Fund	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>5. Interest</b>				
Fixed interest securities				
- Government	119,219	111,945	118,943	110,897
- Other	20,900	20,454	20,900	20,454
Loans and advances	17,318	44,142	46,405	30,730
Term deposits	12,016	11,074	11,846	15,869
Other interest income	4,777	5,242	535	459
	174,230	192,857	198,629	178,409
<b>6. Other revenue</b>				
Fees and commission	2,597	2,202	1,178	444
Gain on sale of fixed assets	315	555	-	-
Bad debts recovered	813	600	-	-
Surcharge income	458	502	458	502
Unclaimed deposits (deemed contributions)	79	82	79	82
Royalty income from movie investment	5,355	3,559	-	-
Stock write-off	-	794	-	-
Other revenue	2,709	4,437	339	256
	12,326	12,731	2,054	1,284
<b>7. Personnel expenses</b>				
Salaries and wages	47,750	46,077	7,679	6,801
Employee benefits	662	493	256	486
TPAF contributions	119	105	75	87
FNPF contributions	5,734	5,028	1,306	1,263
Gratuity benefit	5,948	4,615	-	-
Other staff expenses	975	818	967	585
	61,188	57,136	10,283	9,222
<b>8. Other expenses</b>				
Amortisation – Management rights	1,500	1,500	-	-
Amortisation – Software costs	272	361	267	354
Auditors' remuneration :Audit – KPMG	96	90	34	32
:Audit – Other firms	167	137	-	-
:Other services - KPMG	126	86	28	19
:Other services – Other firms	236	203	-	115

Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2009

	Consolidated		The Fund	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>8. Other expenses (continued)</b>				
Directors: fees	585	506	69	82
: remuneration – full time employees	-	110	-	-
Loss on sale of assets	427	61	418	61
Hotel operation expenses	2,324	2,010	-	-
Marketing and promotion	13,403	12,013	-	-
Provision for stock obsolescence	676	300	-	-
Licence fees	10,823	8,632	-	-
Electricity	5,112	4,051	836	736
Insurance	4,906	4,791	1,075	1,102
Operating leases	3,594	3,945	-	-
Repairs and maintenance	4,909	4,710	769	1,148
Consultancy and contractors fees	4,294	999	-	-
Other operating and general expenses	20,189	18,471	872	2,034
	73,639	62,976	4,368	5,683
<b>9. Income tax</b>				
<b>(a) Income tax expense</b>				
Prima facie income tax expense calculated at 31% (2008: 31%) on the net (deficit) /surplus	(43,322)	49,350	(56,157)	38,132
Income tax expense/(benefit) on income not subject to tax	61,529	(19,436)	56,157	(38,132)
	18,207	29,914	-	-
Increase/(decrease) in income tax expense due to:				
Export income allowances	(564)	(679)	-	-
Effect of change in tax rate	(1,035)	-	-	-
Royalty income	(1,660)	-	-	-
Amortisation of government grant	(9)	-	-	-
Tax losses brought to account	6,376	19	-	-
Tax losses not recognised as deferred tax asset	(223)	-	-	-
Timing differences not previously brought to account	297	(1,033)	-	-
Under/(over) provision in prior year	59	(48)	-	-
Others	1,716	(161)	-	-
	23,164	28,012	-	-
Income tax expense is made up of:				
Current income tax expense	18,075	25,545	-	-
Deferred tax expense/ (benefit)	5,010	2,515	-	-
Under/(over) provision in prior years	79	(48)	-	-
	23,164	28,012	-	-



Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2009

9. Income tax (continued)

(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

	Consolidated		The Fund	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Tax losses carried forward	1,201	351	-	-
Difference in depreciation for accounting and income tax purposes on property, plant and equipment	-	1	-	-
	1,201	352	-	-

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

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

10. Term deposits

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

Local banks and financial institutions— local currency	234,829	168,721	182,567	155,500
Local banks – foreign currency	14,376	48,331	14,376	48,331
	249,205	217,052	196,943	203,831

*Represented as:*

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

Less than or equal to 3 months	50,121	60,095	50,121	60,095
3 to 12 months	129,584	140,257	77,322	108,336
1 to 5 years	69,500	16,700	69,500	35,400
	249,205	217,052	196,943	203,831

11. Government securities

Fiji Government Registered Stock  
Treasury Bills

Fiji Government Registered Stock	1,862,318	1,738,744	1,792,334	1,669,813
Treasury Bills	6,768	7,326	6,768	7,326
	1,869,086	1,746,070	1,799,102	1,677,139

*Represented as:*

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

Less than or equal to 3 months	57,722	56,225	57,659	55,725
3 to 12 months	90,025	103,997	87,125	103,117
1 to 5 years	650,138	626,253	640,198	615,783
Greater than 5 years	1,071,201	959,595	1,014,120	902,514
	1,869,086	1,746,070	1,799,102	1,677,139

The above investments are accounted for as held-to-maturity and valued in accordance with note 2.9 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  
Treasury Bills

Fiji Government Registered Stock	1,640,450	1,823,236	1,570,466	1,756,609
Treasury Bills	6,768	7,326	6,768	7,326
	1,647,218	1,830,562	1,577,234	1,763,935

## Fiji National Provident Fund and its subsidiaries

### Notes to and forming part of the financial statements

#### For the year ended 30 June 2009

48

#### 12. Other fixed interest securities

	Consolidated		The Fund	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Promissory notes	17,099	16,493	17,099	16,493
Bonds	324,594	313,112	324,594	313,112
	341,693	329,605	341,693	329,605
<i>Represented as:</i>				
Less than 3 months	24,733	15,893	24,733	15,893
3 to 12 months	20,016	62,450	20,016	62,450
1 to 5 years	196,376	155,998	196,376	155,998
Greater than 5 years	100,568	95,264	100,568	95,264
	341,693	329,605	341,693	329,605

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

The above investments are accounted for as held-to-maturity as they are considered likely to be held to maturity in line with the fixed investment objectives and the 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:

Promissory notes	17,099	16,493	17,099	16,493
Bonds	297,047	325,905	297,047	325,905
	314,146	342,398	314,146	342,398

#### 13. Loans and advances

Loans and advances (quasi-government)	69,765	50,167	69,765	50,167
Loans to subsidiaries	-	20,800	513,665	301,132
Customer term loans	302,546	298,665	144,853	111,355
Staff loans	9,915	9,709	8,367	8,593
	382,226	379,341	736,650	471,247
Less: Provision for impairment	(67,832)	(65,913)	(282,327)	(41,335)
	314,394	313,428	454,323	429,912
<i>Represented as:</i>				
Less than or equal to 3 months	18,835	16,369	14,588	11,794
3 to 12 months	98,678	23,304	149,757	46,922
1 to 5 years	125,993	80,072	176,874	198,994
Greater than 5 years	138,720	259,596	395,431	213,537
	382,226	379,341	736,650	471,247

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.

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

#### 13. Loans and advances (continued)

##### *Impairment of loan with Natadola Bay Resort Limited*

The Fund has provided for impairment of \$215,906,440 on loan advances to its subsidiary company, Natadola Bay Resort Limited as the subsidiary company has a deficiency in shareholder's equity, following an impairment recorded by the subsidiary of \$225,012,382 after an independent valuation was obtained and impairment of \$5,004,845 on additional advance subsequent to balance date to complete project.

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

	Loans & advances \$000	Loans to subsidiaries \$000	Customer term loans \$000	Total \$000
<b>Collectively Assessed Provisions</b>				
Balance as at 1 July 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
New and increased provisioning	867	-	22	889
Transfer to credit loss reserve	-	-	(1,778)	(1,778)
Reclassified to credit loss	-	-	46	46
Impairment losses recovered	-	-	-	-
Balance as at 30 June 2009	3,607	-	18	3,625
<b>Individually Assessed Provisions</b>				
Balance as at 1 July 2007	1,176	-	1,323	2,499
New and increased provisioning	626	20,800	38,668	60,094
Bad debt written off	-	-	(178)	(178)
Provisions no longer required	-	-	(970)	(970)
Impairment losses recovered	-	-	-	-
Balance as at 30 June 2008	1,802	20,800	38,843	61,445
Reversal of allowance for doubtful debts from opening balance provided on related party balances	-	(20,800)	-	(20,800)
New and increased provisioning	3,604	-	21,018	24,622
Bad debt written off	-	-	(36)	(36)
Provisions no longer required	-	-	(1,024)	(1,024)
Impairment losses recovered	-	-	-	-
Balance as at 30 June 2009	5,406	-	58,801	64,207
Total provision for impairment at 1 July 2007	3,716	-	3,223	6,939
Total provision for impairment at 30 June 2008	4,542	20,800	40,571	65,913
Total provision for impairment at 30 June 2009	9,013	-	58,819	67,832

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

50

#### 13. Loans and advances (continued)

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

	Loans & advances \$000	Loans to subsidiaries \$000	Customer term loans \$000	Total \$000
<b>Collectively Assessed Provisions</b>				
Balance as at 1 July 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
New and increased provisioning	867	-	-	867
Provisions no longer required	-	-	-	-
Impairment losses recovered	-	-	-	-
Balance as at 30 June 2009	3,607	-	-	3,607
<b>Individually Assessed Provisions</b>				
Balance as at 1 July 2007	1,176	-	-	1,176
New and increased provisioning	626	-	36,793	37,419
Provisions no longer required	-	-	-	-
Impairment losses recovered	-	-	-	-
Balance as at 30 June 2008	1,802	-	36,793	38,595
New and increased provisioning	-	220,911	19,214	240,125
Provisions no longer required	-	-	-	-
Impairment losses recovered	-	-	-	-
Balance as at 30 June 2009	1,802	220,911	56,007	278,720
Total provision for impairment at 1 July 2007	3,716	-	-	3,716
Total provision for impairment as 30 June 2008	4,542	-	36,793	41,335
Total provision for impairment as 30 June 2009	5,409	220,911	56,007	282,327

Total impairment losses for the period are:

	Consolidated		The Fund	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Collectively assessed provisions	3,625	4,468	3,607	2,740
Individually assessed provisions	64,207	61,445	278,720	38,595
	67,832	65,913	282,327	41,335

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

#### 14. Equities

	Consolidated		The Fund	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Local equities	37,610	34,183	24,170	23,177
Unit trusts	17,182	16,979	17,182	16,979
Kula Fund – foreign currency	1,224	787	1,224	787
Overseas equities	15,150	23,250	15,150	23,250
Less accumulated impairment allowance	(1,850)	-	-	-
	69,316	75,199	57,726	64,193

Equity investments are valued in accordance with note 2.9 to the financial statements.

#### 15. Investment in subsidiaries

Investments in subsidiaries	-	10,200	444,217	443,182
Less accumulated impairment allowance	-	(10,200)	(169,953)	(83,300)
	-	-	274,264	359,882

Investment in subsidiaries consists of the following:

Name	Principal activities	Balance Date	2009	2009	2008	2008
			Cost \$000	Fair value \$000	Cost \$000	Fair value \$000
Amalgamated Telecom Holdings Limited	Telecommunications	31 March	295,823	212,523	295,788	212,488
Home Finance Company Limited	Financing	30 June	9,134	9,134	9,134	9,134
FNPF Nominee Company Limited	Nominee services	30 June	98	98	98	98
FNPF Investments Limited	Investments	30 June	139,162	52,509	138,162	138,162

Dividends received from the above entities for the year ended 30 June 2009 amounted to \$21,061,378 (2008: \$24,116,020).

#### *Consolidation of controlled entities*

The financial statements of a 51% owned company, Natadola Land Holdings Limited and its subsidiary company, Yatul Beach Resort Limited, had not been consolidated, in the prior financial year as accounting records and general ledger of the company were not available. The accounting records and general ledger have now been obtained and audited and the financial results for the year ended 30 June 2009 and financial position as at 30 June 2009 of Natadola Land Holdings Limited and its subsidiary have been included in the consolidated financial statements resulting in an adjustment of \$31,432k to the net assets available to pay benefits at the beginning of the year.

#### *Impairment of investment in FNPF Investments Limited*

The Fund has written down its investment in its subsidiary company, FNPF Investments Limited by \$86,652,607 to an amount equivalent to shareholder's equity in the subsidiary. The directors of the company are of the view that no returns are expected from the company until the subsidiary company's financial position improves.

#### 16. Investment properties

Balance as at 1 July	56,571	61,803	54,837	59,910
Acquisitions	987	423	987	423
Net transfers from property, plant and equipment	29,464	121	29,464	121
Disposals	-	(159)	-	-
Fair value adjustments	(1,794)	(5,617)	(1,794)	(5,617)
Balance as at 30 June	85,228	56,571	83,494	54,837

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

52

#### 16. Investment properties (continued)

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 Directors' consider the valuation of investment properties carried out for the year ended 30 June 2008 in respect of investment properties in existence of that year as adequate and hence there have been no updated valuations of investment properties carried out in the current financial year. However, the valuation of new investment property completed during the year has been carried out. Details are as follows:

An independent valuation of the Fund's FIRCA property, that was completed during the financial year, was carried out by Mr Seru Navuta, BA (L M & D) Fiji, M Bus (Property) Aust., Registered Valuer of Rolle Associates, which was adopted by the Fund on 30 June 2009. The basis of valuation was at market value of the properties at that date. In assessing the current market value of the property, the income approach has been adopted.

	Consolidated		The Fund	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>17. Properties held for/under development</b>				
Land acquired	7,943	-	-	-
Integrated project development acquired	14,516	-	-	-
Project costs and other development expenditure	19,455	-	-	-
Less: provision for impairment	(39,914)	-	-	-
	2,000	-	-	-
<b>18. Cash</b>				
Cash at bank	68,285	290,831	38,869	240,969
Cash on hand	5,961	13,457	5,952	13,456
Cash with agents	546	541	546	541
Deposits at call	-	23,100	-	23,100
	74,792	327,929	45,367	278,066
<b>19. Trade receivables</b>				
Trade debtors	44,567	41,785	-	-
Less: Unearned income	(1,225)	(705)	-	-
Allowances for doubtful debts	(12,202)	(14,627)	-	-
	31,140	26,453	-	-

Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2009

	Consolidated		The Fund	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>20. Inventories</b>				
Consumables and finished goods	18,886	9,536	-	-
Less Allowances for obsolescence	(2,103)	(1,427)	-	-
	16,783	8,109	-	-
Goods in transit	428	254	-	-
	17,211	8,363	-	-
<b>21. Intangible assets</b>				
Software costs	4	545	-	537
Movie productions and audio visual copyright	-	5,355	-	-
Goodwill on consolidation	115,860	115,860	-	-
Management rights	15,000	16,500	-	-
	130,864	138,260	-	537
<i>Represented by:</i>				
<b>Software costs</b>				
<i>Cost</i>				
Balance at the beginning of the year	2,969	2,786	2,944	2,759
Additions during the year	148	167	147	167
Disposals during the year	-	(113)	-	(113)
Transfers from property, plant and equipment	-	129	-	131
Balance at the end of the year	3,117	2,969	3,091	2,944
<i>Amortisation</i>				
Balance at the beginning of the year	2,424	2,063	2,407	2,053
Amortisation charge for the year	272	361	267	354
Impairment loss	225	-	225	-
Disposals during the year	-	-	-	-
Transfers from property, plant and equipment	192	-	192	-
Balance at the end of the year	3,113	2,424	3,091	2,407
<i>Carrying amount</i>				
At the beginning of the year	545	723	537	706
At the end of the year	4	545	-	537

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	21,923	-	-
Additions during the period	-	-	-	-
Closing balance	21,923	21,923	-	-

*Accumulated impairment allowance*

Opening balance	16,568	12,500	-	-
Impairment allowance	5,355	4,068	-	-
Balance at end of year	21,923	16,568	-	-

*Net carrying amount*

At beginning of the year	5,355	9,423	-	-
At end of the year	-	5,355	-	-

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

54

#### 21. 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.

	Consolidated		The Fund	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>Goodwill on consolidation</b>				
<i>Carrying value</i>				
Balance at the beginning of the year	115,860	115,860	-	-
Balance at the end of the year	115,860	115,860	-	-
<b>Management rights</b>				
<i>Cost</i>				
Balance at the beginning of the year	30,000	30,000	-	-
Balance at the end of the year	30,000	30,000	-	-
<i>Amortisation</i>				
Balance at the beginning of the year	13,500	12,000	-	-
Amortisation charge for the year	1,500	1,500	-	-
Balance at the end of the year	15,000	13,500	-	-
<i>Carrying value</i>				
At the beginning of the year	16,500	18,000	-	-
At the end of the year	15,000	16,500	-	-

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.

## Fiji National Provident Fund and its subsidiaries Notes to and forming part of the financial statements For the year ended 30 June 2009

### 22. Property, plant and equipment – Consolidated

	Land	Buildings at valuation	Buildings at cost	Telecommunication equipment & plant	Capital spares	Plant and machinery	Office equipment	Motor vehicles	Furniture & fittings	Work in progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Cost</b>											
Balance at the beginning 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
Acquisitions	-	560	17,318	11,112	761	201	2,277	967	2,220	197,105	232,521
Disposals	-	(404)	-	(1,339)	-	-	(1,785)	(1,798)	(582)	(34)	(5,942)
Transfers	204	215	-	59,694	-	-	1,322	-	576	(91,287)	(29,276)
Revaluation	-	-	-	-	-	-	(218)	-	(10)	-	(228)
Consumed during the year	-	-	-	-	(2,455)	-	-	-	-	-	(2,455)
Cost from subsidiary previously not consolidated	-	-	5,738	-	-	444	-	245	753	(415)	6,765
Balance at the end of the year	7,194	45,293	64,900	569,933	1,306	3,642	58,080	15,776	20,261	322,130	1,108,515
<b>Depreciation</b>											
Balance at the beginning of the year	92	18,110	2,720	296,396	-	1,276	46,424	7,756	12,183	(111)	384,846
Transfers	-	-	-	-	-	-	(27)	-	(2)	-	(29)
Depreciation charge for the year	3	1,283	530	29,344	-	362	4,790	2,385	1,221	-	39,918
Depreciation absorbed in construction	-	-	-	-	-	-	-	-	-	(57)	(57)
Disposals during the year	-	(10)	-	(1,175)	-	-	(1,519)	(1,691)	(570)	-	(4,965)
Reversal of impairment loss	-	-	-	-	-	-	-	-	-	(869)	(869)
Impairment loss	-	-	-	-	-	-	-	-	-	225,012	225,012
Accumulated depreciation from subsidiary previously not consolidated	-	-	291	-	-	88	170	111	-	-	660
Balance at the end of the year	95	19,383	3,541	324,565	-	1,726	49,838	8,561	12,832	223,975	644,516
<b>Carrying amount</b>											
At the beginning 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
At the end of the year	7,099	25,910	61,359	245,368	1,306	1,916	8,242	7,215	7,429	98,155	463,999

On adoption of IFRS, depreciation charges associated with publication of telephone directories are deferred until associated revenues are recognised. During the year, depreciation charge for the previous financial year amounting to \$13,000 were realized during the year. As a result, total depreciation expense in the Statement of changes in net assets is \$39,874,000 as against the amount of \$39,861,000 (Depreciation charge of \$39,918,000 less depreciation absorbed in construction \$57,000).

## Fiji National Provident Fund and its subsidiaries Notes to and forming part of the financial statements For the year ended 30 June 2009

### 22. Property, plant and equipment – Consolidated (continued)

An independent valuation of the Fund's, subsidiary company Natadola Bay Resort Limited's assets recorded under work in progress was carried out by Mr Allen Beagley (ANZIV), of Bayleys Valuations Limited, which was adopted by the group on 30 June 2009. The valuation represents the fair value of the properties at that date. In arriving at the fair value, a discount rate of 16.75% with a capitalisation rate of 11% has been applied on 10 year net operating profit forecasts. The carrying amount of asset at cost would have been \$309,934,382 as at 30 June 2009 (2008: \$166,638,798). As there was a loss on revaluation this loss amounting to \$225,012,382 has been taken to statement of changes in net assets.

### 22. Property, plant and equipment – the Fund

	Freehold Land \$000	Leasehold Land \$000	Buildings at valuation \$000	Equipment \$000	Office vehicles \$000	Furniture & fittings \$000	Work in Progress \$000	Total \$000
Balance at the beginning of the year	371	119	8,415	6,102	1,059	2,279	28,285	46,630
Additions	-	-	259	968	369	161	2,616	4,373
Disposals	-	-	-	(1,550)	(139)	(1)	-	(1,690)
Transfers	-	-	-	(182)	-	(4)	(29,294)	(29,480)
Balance at the end of the year	371	119	8,674	5,338	1,289	2,435	1,607	19,833
<b>Depreciation</b>								
Balance at the beginning of the year	-	92	2,201	3,690	520	1,839	-	8,342
Depreciation charge for the year	-	3	129	748	260	157	-	1,297
Disposals	-	-	-	(1,107)	(137)	-	-	(1,244)
Transfers	-	-	-	(24)	-	(2)	-	(26)
Balance at the end of the year	-	95	2,330	3,307	643	1,994	-	8,369
<b>Carrying amount</b>								
Balance at 1 July 2008	371	27	6,214	2,412	539	440	28,285	38,288
Balance at 30 June 2009	371	24	6,344	2,031	646	441	1,607	11,464

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

#### 22. Property, plant and equipment – the Fund (continued)

An independent valuation of the Fund's buildings 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 carrying amount of these buildings under cost model would have been \$2,496,957 as at 30 June 2009 (2008: \$2,594,612). As there was a loss on revaluation the unrealised loss on revaluation has been taken to statement in changes in net assets.

#### 23. Other receivables

	Consolidated		The Fund	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Contributions receivable	7,649	7,199	7,649	7,199
Less: Provision for impairment	(4,233)	(1,259)	(4,233)	(1,259)
	3,416	5,940	3,416	5,940
Interest receivable	43,410	47,856	41,989	46,009
Less: Provision for impairment	(3,064)	(2,445)	-	-
	40,346	45,411	41,989	46,009
Dividends receivable	234	185	11,169	14,343
Rent receivable	412	403	412	403
Less: Provision for impairment	(403)	(403)	(403)	(403)
	9	-	9	-
Accrued revenue	3,357	3,312	-	-
Receivable from related parties	3,961	2,453	-	-
Other deposits and receivables	41,125	30,200	4,500	4,566
Less: Allowance for doubtful debts	(1,043)	(2,364)	-	-
	40,082	27,836	4,500	4,566
	91,405	85,137	61,083	70,858

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 is no collateral held as security against any of the above receivable balances.

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

	Rent	Interest	Interest	Others
	receivables	receivables		
	\$000	\$000	\$000	\$000
<b>Balance as at 1 July 2007</b>	1,259	357	-	-
New and increased provisioning	-	46	2,445	2,364
Provisions no longer required	-	-	-	-
<b>Balance as at 30 June 2008</b>	1,259	403	2,445	2,364
Reversal of allowance for doubtful debts from opening balance provided on related party balances	-	-	-	(2,364)
New and increased provisioning	2,974	-	619	1,043
Provisions no longer required	-	-	-	-
<b>Balance as at 30 June 2009</b>	4,233	403	3,064	1,043

Total impairment losses charged to expenses is \$4,636,000 (2008 - \$4,855,000).

## Fiji National Provident Fund and its subsidiaries

### Notes to and forming part of the financial statements

#### For the year ended 30 June 2009

58

### 23. Other receivables (continued)

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

	Contributions receivables \$000	Rent receivables \$000
<b>Balance as at 1 July 2007</b>	1,259	357
New and increased provisioning	-	46
Provisions no longer required	-	-
Impairment losses recovered	-	-
<b>Balance as at 30 June 2008</b>	1,259	403
New and increased provisioning	2,974	-
Provisions no longer required	-	-
Impairment losses recovered	-	-
<b>Balance as at 30 June 2009</b>	4,233	403

Total impairment losses charged to expenses is \$2,974,000 (2008 - \$46,308)

### 24. Creditors and borrowings

Sundry creditors and accruals  
Bank overdraft  
Finance lease  
Due to related parties  
Borrowings – secured  
Borrowings – unsecured

Note	Consolidated		The Fund	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
	89,879	59,543	3,545	5,041
31(a)	24,012	5,867	1,052	19
32(e)	16	71	-	-
	503	2,899	-	-
	-	5,354	-	-
	74,518	69,128	-	-
	188,928	142,862	4,597	5,060
<i>Represented as:</i>				
Less than or equal to 3 months	55,205	10,739	4,597	5,060
3 to 12 months	35,402	51,552	-	-
1 to 5 years	84,957	72,722	-	-
Greater than 5 years	13,364	7,849	-	-
	188,928	142,862	4,597	5,060

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

#### *Bank overdraft*

The bank overdraft of subsidiary, Vodafone Fiji Limited, is unsecured and repayable on demand and subject to effective interest rate of 6.46% per annum.

#### *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 32 (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.

Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2009

	Consolidated		The Fund	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>25. Other liabilities</b>				
Deposits	5,791	5,893	765	757
Government grants	-	6,370	-	-
Less: Provision for amortisation	-	(5,926)	-	-
Other deferred revenue	7,111	15,190	-	-
Owing to FNPF members	-	5,646	-	-
Provision for dividends	19,762	13,330	-	-
Pensions payable	1,708	1,929	1,708	1,929
Other payables	52	54	-	-
	<b>34,424</b>	<b>42,486</b>	<b>2,473</b>	<b>2,686</b>

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

**26. Employee entitlements**

Annual leave	1,851	2,001	401	307
Long service leave and gratuity	216	253	105	84
Retirement benefits	1,811	1,742	1,598	1,573
Bonus	6,610	6,173	-	-
	<b>10,488</b>	<b>10,169</b>	<b>2,104</b>	<b>1,964</b>
As at 1 July 2008	10,169	9,140	1,964	1,767
Additional provisions recognised	6,610	5,108	256	486
Paid during the year	(6,291)	(4,079)	(116)	(289)
Carrying amount as at 30 June 2009	<b>10,488</b>	<b>10,169</b>	<b>2,104</b>	<b>1,964</b>
Current	7,388	8,358	502	322
Non-current	3,100	1,811	1,602	1,642
Total	<b>10,488</b>	<b>10,169</b>	<b>2,104</b>	<b>1,964</b>

(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, retirement benefit and gratuity – is accrued in accordance with the accounting policy as outlined in Note 2.16. The Group expects a significant portion of the above balance to be settled in the next 5 years.

**27. Provision**

Provision	10,101	-	-	-
-----------	--------	---	---	---

The directors and management a subsidiary company, Natadola Bay Resort Limited, expect that no future benefits will be derived from costs incurred to complete the Hotel and Golf Course projects. Accordingly, a provision has been recorded on the amount expected to be incurred in respect of costs to complete the project.

# Fiji National Provident Fund

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

60

#### 28. Net assets available to pay benefits

	Consolidated		The Fund	
	2009	2008	2009	2008
Note	\$000	\$000	\$000	\$000
Net assets available to pay benefits	3,359,100	3,501,584	3,316,285	3,497,438
<b>Represented by:</b>				
Liability for accrued benefits	29	2,689,101	2,612,197	2,689,101
Retained earnings	28 (a)	(351,112)	(79,646)	-
General Reserve Account (GRA)	28 (b)	1,018,272	968,541	627,184
Available for sale reserve	28 (c)	1,167	492	-
Credit loss reserve	28 (d)	1,333	-	-
Asset revaluation reserve	28 (e)	339	-	-
		3,359,100	3,501,584	3,316,285
				3,497,438
<b>(a) Retained earnings</b>				
Balance at the beginning of the year		(79,646)	(49,811)	-
Adjustments relating to subsidiary previously not consolidated		31,432	-	-
Add transfers (to)/from statements of changes in net assets		(302,898)	(29,835)	-
Balance at the end of the year		(351,112)	(79,646)	-
<b>(b) General Reserve Account (GRA)</b>				
Balance at the end of the year		1,018,272	968,541	627,184
GRA comprises of the following reserves:				
Special death benefit reserve		14,067	10,685	14,067
Pension buffer reserve		128,606	150,193	128,606
General reserve		875,599	807,663	484,511
				724,363
<i>The movements of the above reserves are as follows:</i>				
<b>Special death benefit reserve</b>				
Balance at the beginning of the year		10,685	9,354	10,685
Add/(less) transfers from/(to) statements of changes in net assets:				
Transfer from	30	9,633	9,449	9,633
Transfer to	30	(6,251)	(8,118)	(8,118)
Balance at the end of the year		14,067	10,685	14,067

The amounts transferred to the Special Death Benefit Reserve of \$9,633,000 (2008: \$9,449,000) represent deductions of \$35(2008: \$30) or less from the accounts of each entitled member.

The amounts transferred from the Special Death Benefit Reserve of \$6,251,000 (2008: \$8,118,000) represent disbursements to the nominees of those members who died during the year of \$8,500 (2008: \$8,000) per member. These disbursements are in addition to the amounts standing to the deceased member's credit.



# Fiji National Provident Fund

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

62

**29. Liability for accrued benefits**

Balance at the beginning of the year  
Add transfers from statements of changes  
in net assets  
Balance at the end of the year

Note	Consolidated		The Fund	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
	2,612,197	2,470,949	2,612,197	2,470,949
29(b)	76,904	141,248	76,904	141,248
	2,689,101	2,612,197	2,689,101	2,612,197
<b>(a) Allocation of Benefits</b>				
Allocated to Members' Accounts	2,683,277	2,607,639	2,683,277	2,607,639
Unallocated to Members' Accounts	5,824	4,558	5,824	4,558
	2,689,101	2,612,197	2,689,101	2,612,197

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  
Benefits paid  
Interest credited on members' accounts  
Interest on withdrawals  
Add: Net amounts transferred from 'Special Death  
Benefit' and 'Pension Buffer' reserve

	288,492	281,675	288,492	281,675
	(352,295)	(297,696)	(352,295)	(297,696)
	113,634	131,066	113,634	131,066
	8,868	7,245	8,868	7,245
	18,205	18,958	18,205	18,958
	76,904	141,248	76,904	141,248

The Board has declared an annual interest rate of 5% to be credited to the members' accounts as at reporting date (2008: 6%).

**(c) Benefits paid during the year**

1 - 55 years and over  
2 - Death  
3 - Disability  
4 - Migration  
5 - Marriage  
6 - Non-Citizens migrating  
7-8 - Partial/Small Business Equity Scheme  
9 - Housing transfers  
Pension Annuity  
Special Death Benefit costs

	75,434	57,950	75,434	57,950
	12,537	12,349	12,537	12,349
	2,348	4,253	2,348	4,253
	39,788	33,328	39,788	33,328
	2	1	2	1
	6,272	7,361	6,272	7,361
	135,661	97,047	135,661	97,047
	30,552	36,088	30,552	36,088
	43,448	41,201	43,448	41,201
	6,253	8,118	6,253	8,118
	352,295	297,696	352,295	297,696

Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2009

29. Liability for accrued benefits (continued)

	The Fund	
	2009 \$000	2008 \$000
<b>(d) Actuarial valuation</b>		
<b>Net assets available for benefits</b>	3,316,285	3,497,438
Actuarial present value of accrued benefits		
Vested benefits for current workers	2,705,900	2,626,250
Vested benefits for pensioners	423,317	398,974
Non-vested benefits	18,304	7,747
<b>Total actuarial present value of accrued benefits</b>	3,147,521	3,032,971
<b>Excess</b>	168,764	464,467

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

30. Net change for the year

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

	The Fund	
	2009 \$000	2008 \$000
<b>Net change for the year attributable to members of the Fund</b>	(181,153)	123,008
(Less)/ Add net transfers to/from:		
Liability for accrued benefits	(76,904)	(141,248)
Special death benefit	(3,382)	(1,331)
Pension buffer	21,587	20,289
General reserve	239,852	(718)
	181,153	(123,008)

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

64

#### 31. 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	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Cash and short term liquid assets	18	74,792	327,929	45,367	278,066
Short term deposits		46,006	5,000	-	-
Bank overdraft	24	(24,012)	(5,867)	(1,052)	(19)
Cash at end of financial year		96,786	327,062	44,315	278,047

##### (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.

#### 32. Commitments and contingent liabilities

##### (a) Commitments

Capital expenditure commitments	114,388	290,692	-	-
Other commitments	30,635	71,380	30,635	71,380
Undrawn facilities in relation to mortgage loans	22,648	84,264	7,994	73,082
	167,671	446,336	38,629	144,462

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

##### (b) Contingent liabilities

Customer claims	16	16	-	-
Performance bonds	360	186	-	-
Letter of credit	-	3,578	-	-
Guarantees	2,114	2,437	357	1,203
Immigration bond	3	3	-	-
Movie investment tax incentive allowance	2,490	2,490	-	-
	4,983	8,710	357	1,203

The Fund has committed to provide adequate financial support to Natadola Bay Resort Limited (NBRL), a related company of the Fund, in meeting all its obligations as and when due, in the event NBRL is unable to do so. This support is for at least 12 months from signing of the financial statements for NBRL for the year ended 30 June 2009. Various claims have been brought against the Fund and the Group 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  
Notes to and forming part of the financial statements  
For the year ended 30 June 2009

32. Commitments and contingent liabilities (continued)

	Consolidated		The Fund	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>(c) Operating lease commitments</b>				
Non cancellable operating lease rentals are payable as follows:				
Not later than 1 year	14,804	4,475	12,529	-
Later than 1 years but not later than 5 years	8,804	5,803	-	-
Greater than 5 years	21,868	22,092	-	-
	45,476	32,370	12,529	-
<b>(d) Operating lease revenue</b>				
Non cancellable operating lease rentals are receivable as follows:				
Not later than 1 year	1,242	1,923	1,242	1,923
Later than 1 years but not later than 5 years	2,723	3,343	2,723	3,343
Greater than 5 years	896	1,385	896	1,385
	4,861	6,651	4,861	6,651
<b>(e) Finance lease commitments</b>				
Finance lease expenditure contracted for motor vehicle is payable as follows:				
Not later than one year	16	62	-	-
Later than one year but not later than two years	-	14	-	-
Later than two years but not later than three years	-	-	-	-
	-	76	-	-
Future finance charges	-	(5)	-	-
Net finance lease liability	16	71	-	-
Reconciled to:				
Current liability	16	57	-	-
Non current liability	-	14	-	-
	16	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.

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

66

### 33. 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 John Prasad - Chairman	23.06.09	
Mr Ajith Kodagoda	23.06.09	
Mr Taito Waqa	26.03.07 (Chairman from 28.04.08 to 01.10.08)	
Mr Parmesh Chand	01.10.08 (Chairman from 01.10.08 to 23.06.09)	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

#### (b) Transactions with related parties

##### Directors\*

Directors remuneration - fees and allowances  
Other services provided to the Fund

	Consolidated		The Fund	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Directors remuneration - fees and allowances	585	506	69	82
Other services provided to the Fund	-	110	-	-
	585	616	69	82

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 Dominic Mobbs
- Mr Alipate Waqairaiwai
- Mr John Konrote
- Mr Ambrish Gupta

The aggregate compensation of the key management personnel for the Fund, comprises of only short-term benefits and is set out below:

Short-term benefits	7,802	6,855	572	656
Post employment benefits	55	21	-	-
	7,857	6,876	572	656

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2009

### 33. Related parties - continued

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 23 and 24.

The investments and ownership interests in subsidiary companies is disclosed in Note 15.

#### (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) *		
- ATH Call Centre 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%
- Yatul 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), ATH Call Centre Limited, was incorporated during the year and is in the process of setting up its operations.

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.

Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2009

68

**34. 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, FNPF repossessed the loan securities of Matapo Limited which were then put to auction in order to recover the loan amount. Offers had been received from investors for the hotel and golf development. However, no offers have been accepted.

Other than the matter noted 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 results of those operations, the changes in net assets of those operations, or the state of affairs of the Group in future financial years.

**Suva**

Head Office, Provident Plaza Two  
33 Ellery Street, Suva  
Private Mail Bag, Suva, Fiji.  
Phone: (679) 330 7811  
Fax: (679) 330 7611

**Valelevu Agency**

Valelevu Complex Building,  
Saqa Place, Nasinu  
Phone: (679) 334 3670,  
Fax: (679) 334 3670

**Lautoka Branch**

Drasa Avenue, Lautoka  
Phone: (679) 666 1888,  
Fax: (679) 666 5232

**Nadi Agency**

Namaka, Nadi  
Phone: (679) 672 8981,  
Fax: (679) 672 8982

**Ba Agency**

Ganga Singh Street, Ba.  
Phone: (679) 667 0003  
Fax: (679) 667 0009

**Labasa Branch**

Rosawa Street, Labasa  
Phone: (679) 881 2111,  
Fax: (679) 881 2741

**Savusavu Agency**

PO Box 89, Savusavu  
Main Street, Savusavu  
Phone: (679) 885 3396,  
Fax: (679) 885 3397

