2011 Annual REPORT FIJI NATIONAL PROVIDENT FUND

CHANGE FOR A SUSTAINABLE FUTURE

FNPF
securing your future

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Our Vision
Securing your future

Our Mission
To deliver excellent services and ensure sustainable returns for stakeholders

Our Values

Accountability	- Being answerable and having the courage and honesty to take ownership of our actions
Fairness	- Treating everyone in an equitable and non-discriminatory manner
Team Work	- Supportive of others efforts, loyal to one another personally and professionally
Integrity	- Being honest and fair to all our stakeholders
Innovation	- Continuously developing and improving our services and products
Excellence	- Always maintaining highest standards

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FINANCIAL HIGHLIGHTS

- A net surplus of $242.6 million was recorded in Financial Year 2011 compared with $209 million the previous year
- Contributions collected was $303.5 million from $292.3 million in 2010.
- Total benefit payments to members (including pension and SDB) was $309.5 million, an increase of $32 million from last year
- Total investment income was $240.4 million compared with $221.7 million in 2010
- The Fund's active members increased by 14,258 to 302,729.
- Interest credited to members on 30 June 2010, at 5.25 per cent totalling $133.2 million
- Members' balance totalled $3.0 billion from $2.9 million last year
- Total assets increased to $3.8 billion compared with $3.5 billion in 2010

BOARD MEMBERS

BOARD MEMBERS

From left: Mr Taito Waqa, Mr Tom Ricketts, Mr Ajith Kodagoda, Mr Tevita Kuruvakadua and Mr Sashi Singh

CHAIRMAN'S REPORT

Mr Ajith Kodagoda
Chairman

Dear Member,
It is with pleasure that I present the annual report for the financial year ending 30 June, 2011. In this report you will find key information on the operations of the Fund including highlights of major achievements. These include strong results in a net surplus of $242.6 million and asset write-back at an early stage of the Investment rehabilitation program. Whilst the Fund recognizes the urgency to complete the Reforms as scheduled, the need for members to understand the basis and implications of the reform has always been a priority to ensure it is done right the first time.

Given the Fund's size relative to Fiji's financial system and Gross Domestic Product (GDP) it is important that corporate governance and appropriate technical policies are in place to safeguard members' interest in ensuring the Fund is sustainable in the long-term.

FNPF Reforms
Reform measures adopted are aligned to the Fund's corporate objectives of ensuring the financial security of members, sustaining growth and providing excellent standards of services. As such, the provision of pension needs to be on a sustainable and prudent financial basis. To achieve this alternative products are being considered to give members more choices at retirement.

Measures are also being proposed to ensure members accumulate a meaningful level of savings at retirement through preservation of a larger portion of their contributions. The FNPF also intends to cover as many workers as possible, especially those who are currently missing out. Significant changes are being considered to ensure that the Board acts first and foremost in the interest of members.

Consultants were engaged to provide independent and technical expertise in the development of a modern and efficient legislative framework that provides for prudent and sustainable delivery of retirement savings and related services.

Operating Environment
The global economy, as it continues to emerge from recession, sees uneven and unstable progress. The rate of recovery is widely disparate across the Western and the Eastern economies. Economic growth has plummeted in the so-called developed Eurozone, Japan and USA, resulting in a new challenge of "negative interest".

Despite having to grapple with some global negatives, it is encouraging to note that the Fund recorded a surplus of $242.6 million.

Record growth in tourist arrivals augurs well for our interest in the tourism sector. While we are aware that tourism is a "fickle" industry, it is important for us to support the infrastructure development of this sector to protect our investments.

The stability of the country's foreign reserves has led to easing of the monetary policy. This has resulted in some relaxation of foreign exchange controls. While the Fund's interest earnings grew in the year, the yield curve fell for the review period. There is no doubt that the domestic economy needs some impetus to revive investment and economic activity.

Despite the relaxation of foreign exchange controls, 97 per cent of our investments are domiciled locally. This exposes FNPF to concentration risks with immense challenge of generating the appropriate return that is viable for the Fund's long-term sustainability. We will continue to work with the Reserve Bank of Fiji to find an acceptable level of offshore investments.

Financial Performance
At a Group level, net surplus after tax came in at $236.5 million, up 15.1 per cent from 2010. The Fund Group's total assets as at 30 June, 2011 was $4.2 billion.

FNPF's total assets of the Fund increased to $3.8 billion from $3.5 billion in 2010.

Net surplus increased by 16 per cent from $209.5 million in 2010. This is a 16 per cent improvement from last year and has been a result of increased Contributions and Investment Income. Contributions collected recorded $303.5 million, the highest in the Fund's history.

Investment income grew steadily from $221.7 million in 2010 to $240.4 million in 2011. This is a growth of 8.4 per cent resulting in a 6.8 per cent Return on Investment (ROI).

Interest paid to Members
The Board resolved and paid interest of 5.25 per cent to members for 2011, which is relatively better compared to last year's payment. This saw the distribution of $133.2 million to members' accounts.

Way forward
Long term sustainability is the most critical issue facing the Fund. Short-term "pain" will be a small price to pay to ensure that the all workers in Fiji have a sustainable and stable retirement fund. Petty politics, self-interest and narrow-minded outlook by some members would not divert our attention from the core purpose of the Fund.

Your Board will ensure that there is transparency in the way we conduct our business. We are guided by our vision to be Fiji's corporate inspiration, and it's the people at FNPF who will get us there.

I am privileged to be at the helm of this organization during a period of change and reform. I am determined to see it through for the benefit of our working population to ensure that their life savings are safe, sound and invested wisely to ensure security in retirement.

It is my view that the future holds many opportunities that will outweigh these challenges. Your Fund is well-positioned to embrace the future with confidence.

Acknowledgement
We are thankful to Government and other key stakeholders for their continued support during this challenging period.

Your board and members of the board sub-committees have contributed their time and effort to ensure that we are on the path to sustainability. I would like to thank them for their support and guidance through the year.

Lastly, I thank you, our members, for your steadfast support during this reporting period and we reiterate our commitment to you.

AJITH KODAGODA
Chairman

EXECUTIVE TEAM

Mr Aisake Taito
Chief Executive Officer

Mr Jaoji Koroi
Chief Investments Officer

Mr Alipate Waqairawai
Assistant General Manager
Member Services

Mr Tevita Nagataleka
Assistant General Manager
Prime Services

Mr Pravinesh Singh
Acting Chief Financial Officer

SUMMARY of KEY INDICATORS						
	2006	2007	2008	2009	2010	2011
Annuity payments ($millions)	37.43	38.3	41.2	43.4	46.8	49.1
Investment Portfolio ($billions)	3.1	3	3.1	3.2	3.4	3.5
Interest rate credited to Members (%)	6.5%	6.3%	6%	5%	5%	5.25%
Interest paid to members ($millions)	124.6	128.4	131.1	113.6	121.2	133.6
Employers	6,227	6,647	6,701	6,944	7,105	7,508
Inflation (%)	2.03%	4.03%	5.08%	3.22%	6.83%	5.55%
Membership	331,050	343,453	352,358	357,662	364,717	368,186
Contributions ($millions)	267.7	289.6	281.7	288.5	292.3	303.5
Members' Funds ($billions)	2.3	2.5	2.6	2.7	2.8	3.0
Investment Income ($millions)	240.0	199.3	194.0	227.4	219.5	238.1
Total Assets ($billions)	3.3	3.4	3.5	3.3	3.5	3.8
Withdrawals ($millions)	208.4	250.3	248.4	302.6	222.0	250.6
Age 55 ($millions)	46.8	58.3	58.0	75.4	86.9	120.7
Grounds of Withdrawals	2006	2007	2008	2009	2010	2011
55 years and over ($millions)	46.8	58.3	58.0	75.4	86.9	120.7
Death ($millions)	9.3	12.0	12.3	12.4	11.6	10.7
Disability ($millions)	3.4	3.5	4.3	2.3	2.4	3.6
Migration ($millions)	33.0	33.1	33.3	39.8	24.7	31.9
Marriage ($millions)	14.0	14.0	1.0	2.0	1.0	0.0
Non-Citizens migrating ($millions)	7.5	6.7	7.4	6.3	5.6	5.1
Partial ($millions)	73.1	99.7	97.0	135.7	61.7	45.2
Housing transfers ($millions)	35.2	37.1	36.1	30.6	29.1	33.3
Pension Annuity ($millions)	37.4	38.3	41.2	43.4	46.8	49.1
Special Death Benefit ($millions)	4.8	3.7	8.1	6.3	8.7	9.8

CHIEF EXECUTIVE'S REPORT

The Fund registered an improved performance for the financial year ending 30 June, 2011. This result was reassuring and set a good platform for the Reforms. The long term sustainability of the Fund and improving services to our stakeholders remain at the forefront as we commenced the implementation phase of the Reforms. Accordingly, we began to challenge some core issues facing the Fund. The Reforms required major decisions to be taken and warranted the full support of key stakeholders.

Against this backdrop, I am pleased to report a net surplus of $242.6 million for the year. Total asset at year end was $3.53 billion when compared with $3.43 billion last year. Other highlights include:

- Investment income grew steadily from $221.7 million in 2010 to $240.4 million in 2011, representing a 6.8 per cent Return on Investment (ROI).
- Contributions grew by 3.8 per cent to a record of $303.5 million reflecting improved enforcement and compliance; however this was offset by total withdrawals of $309.5 million, which led to a negative net contribution of $6.0 million.
- Investment rehabilitation resulted in the write-back of $30.4 million;
- The Fund increased its offshore investments to $114.2 million, aimed at diversifying the investment portfolio;
- With the commencement of the 12 reform initiatives, wide public consultations on the key changes including the FNPF Act policy principles and the proposed actuarially-sound pension rates were conducted;
- 15,000 members are now receiving their monthly FNPF balances through the SUPERTxt Service – a Short Messaging Service (SMS) that enables members to view their balances monthly;
- The implementation of the Balance Scorecard that facilitates effective monitoring of the Strategic Plan targets.

FNPF REFORMS

Given the comprehensive nature of the Reforms, the work demanded a lot of resources. In anticipation the Fund had started preparatory groundwork in 2010 to ensure that clearly defined plans were in place for the roll-out phase of the 12 Reforms programs. The execution of these reform measures commenced simultaneously to ensure completion by 2013. These proved quite a challenge but given the integrated approach adopted by the Board and the commitment from Management and Staff, the Reforms progressed as scheduled with the allocation of proper resources required for the listed major reform groupings:

- Structural Reforms – review of the Pension Scheme and FNPF Act
- Investment Reforms – aimed at rehabilitating the non-performing assets and growing the Investment Portfolio
- Operation Reform - review of business processes, designs and the overhaul of the Information Communication Technology system.

Consultation with key stakeholders was crucial in disseminating the challenges and proposed solutions during this process. This was especially critical in the resolution of the long term sustainability through the Review of the Pension Scheme and FNPF Act. A symposium and public consultations was conducted to ensure comprehensive and open dialogue on the proposed changes.

The key Reform activities for FY11 are outlined below:

Pension Review

The Fund engaged Mercer (Australia) Propriety Limited and Tower Watson Australia Propriety Limited to conduct actuarial assessments on the proposed pension options. Some of the key findings to ensure sustainability include the need to:

- Adopt a sustainable age-based pension conversion rates
- Review the current pension design and
- Introduce new retirement products

The two Consultants reports reaffirmed previous Independent reports by the International Labour Organization (ILO), World Bank (WB), Blaxland, Financial Sector Assessment Program (Joint International Monetary Fund and World Bank), Singapore Cooperation Enterprise and other Actuary Consultants that the Pension system is unsustainable.

Review of the FNPF Act

Promontory Financial Group Australasia was appointed as the independent consultant for the FNPF Act Review. The key objective of the review is to ensure that the new Act has a modern and efficient framework that provides for prudent and sustainable delivery of retirement savings and related services that are in the best interests of members. This includes stronger Governance, Supervision and Disclosure requirements to promote transparency in the operation of the Fund.

The policy principle framework was adopted to govern the new FNPF Act. Key principles are that:

- Pensions must be provided on a sustainable and prudent basis,
- Members accumulate a meaningful level of savings through their working lives by appropriate preservation arrangements and
- The Board's primary fiduciary responsibility is to act first and foremost in the best interest of members.

The new Act would be in place in the next financial year.

ICT Reform

Laying the foundation for the framework of the ICT Reform was the major focus during the year. The Project Management Office was set up to develop the framework that would be used for the Administration system that will be operational by 2013. As part of strengthening capacity under the ICT Reform, staff from Government ICT joined the Fund.

Review of Benefits/Withdrawals

Changes were made to the Partial Withdrawal policies to realign members' pre-retirement benefits to the core purpose of the Fund, which is to ensure workers have sufficient savings for their financial security in retirement. This led to the reduction of partial withdrawal grounds from 17 to 5.

Review of Contribution and Coverage

The Fund continued to improve our relationship with employers and also strengthened alliances with key stakeholders to enforce compliance. One such alliance was undertaken in collaboration with the Department of Immigration. This initiative resulted in a significant recovery of unpaid contributions.

Investment Rehabilitation

The year in review achieved the following milestones with the rehabilitation of the following investments:

- Natadola Bay Resort Limited – Strong financial performance by the InterContinental hotel led to the increased valuation of the project, as the hotel began to generate positive cash flow. This allowed the debt to be restructured and a portion of the loan is now serviced on commercial basis. The marketing and development of the hotels residential lots are expected to commence from next year and is the key to further unlocking the value of this investment.
- Momi - the Fund continued its efforts to find a viable solution for the project including selling it. However despite various attempts, the Fund failed to secure a genuine buyer for the project. Under this circumstance, the Board took a conscious decision to commence work to complete the project preferably with a right partner.
- Grand Pacific Hotel – the Fund completed the partial sale of its shareholding in the Hotel and achieved a major trans-regional partnership with PNG-based National Superannuation Fund. The re-development works of the hotel has commenced.

Business Process Re-engineering (BPR)

The workflow re-design commenced during the year based on the Lean Methodology. The area of focus has been the alignment of processes to customer value – to reduce processing turnaround time and people to processes - by using the right people with the right skill and work environment to processes through the development of roles, responsibilities and targets to ensure accountability

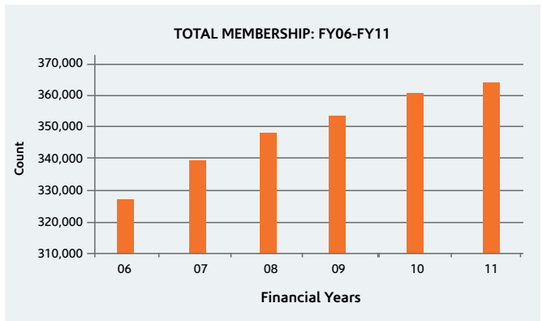
Withdrawal, housing and pension processes were re-designed. The Fund strengthened its partnership with housing lenders to exchange relevant information to ensure that we serve our members better.
More improvement is anticipated with the implementation of the new ICT administration system, which will ensure the automation of the key processes.

FY 2011 in Review

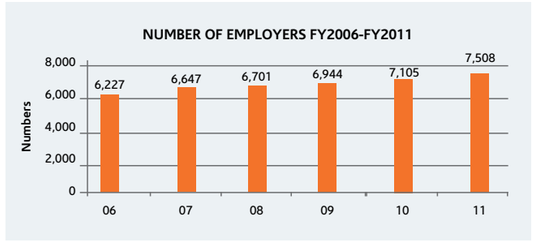
Operations

Membership

In 2011, 14,258 new members were registered, bringing the total active membership of the Fund to 302,729.
This is an increase of 7.3 per cent from Financial Year (FY) 2010.



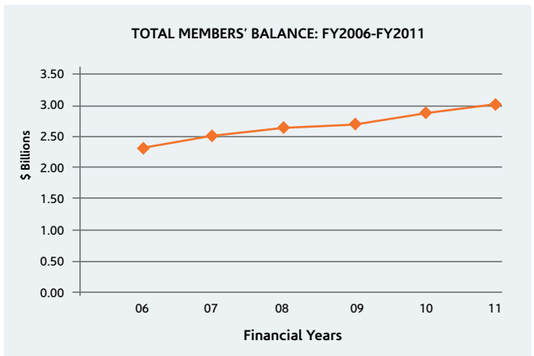
Employers
The Fund's active employers totaled 7,508 for this year compared with 7,105 in 2010. 745 new employers were registered and 342 employers' accounts were closed.



Total Contribution
Total contributions collected was $303.5 million – averaging $25.3 million per month. This is an increase of 3.9 per cent from the previous year's collection of $292.3 million.

Contribution collected for January 2011, was $31.7 million – the highest ever collected by the Fund in a month. The Fund pursued other collection mechanism apart from legal action that include strengthening compliance checks through networking and sharing information with government and statutory bodies.

Members' Balance
The total balance for all members' accounts grew by $100 million or 5.1 per cent to $3.0 billion as at 30 June 2011, compared with $2.9 billion in 2010.



Contribution Debtors
The balance of unpaid contributions was $8.2 million at the end of the financial year, compared with $9.0 million in 2010. This is a decrease of 8.5 per cent. The Fund is working with Government agencies and employers in pursing smarter ways of compliance.

Unidentified Contribution
A total of $1.8 million was transferred to unidentified contributions during the year. These contributions are collected but not distributed to members' accounts. This is an increase of 31 per cent compared with June 2010 balance of $5.7 million. This is attributed mainly to insufficient and inaccurate information supplied by employers for its contributing workers and unregistered members that are in the workforce.
The Fund is working closely with employers to ensure that these unidentified contributions are minimized through proper identification of owners of these funds.

$3.3 million of unidentified contribution was transferred to the Unclaimed Deposits Account (UDA). Another $6.1 million was transferred to the UDA for members over 65 years of age, whose accounts have been inactive for more than 10 years.

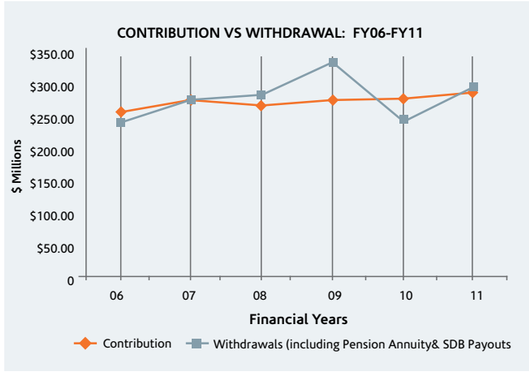
Nomination
During the year 20,624 nominations were filed compared with 14,331 in 2010. The Fund continues to remind members to file their nominations as it allows members to choose who shall receive their FNPF savings upon death.

Memorandum of Administration (MOA)
This product, introduced in January 2011, allows relatives of deceased members to access $2,000 from the members' Special Death Benefit payment. This service allows members to will these funds to those who would administer their funeral arrangements.

SUPERTxt (SMS)
FNPF members who are Vodafone and Inkk customers can now receive a monthly update of their FNPF balance through the SUPERTxt service, which was introduced in February, 2011. This service provides members the opportunity to receive their monthly balances as opposed to the six-monthly statements that the Fund issues bi-annually.

Withdrawals
A number of changes were made to withdrawal policies. Partial withdrawal grounds were reduced, conditions of withdrawal were changed and new grounds of withdrawal were introduced. In addition, the BPR exercise, under the reform program, saw processes being streamlined to ensure efficiency.

REPORT
CHIEF EXECUTIVE OFFICER



55 years
Members are eligible to withdraw their funds once they attain age 55. They have the option of taking lump sum payment, full pension, part pension and part lump sum payment. Contributions are payable for those members who have active account till they are 65 years old.

In 2011, 7686 applications were approved for lump sum payment totalling $120.7 million, an increase of 39 per cent from 2010, which totalled $86.9 million. The increase is attributed to eligible members who have opted to withdraw their savings in anticipation of the Pension Reforms.

636 members opted for pension compared with 630 in 2010.

Migration
Members who leave Fiji to settle in another country permanently can withdraw their FNPF savings. Non-Fiji citizens who are returning to their country are also eligible to withdraw.
A total of $31.9 million was paid out to members under migration ground compared with $24.7 million in 2010.

Incapacitation
Members who are deemed incapable of securing further employment by the Fund's medical board, because of physical and/or mental condition can also withdraw their savings. In 2011, members withdrew a total of $3.6 million compared with $2.4 million in 2010.

Death
Nominees of deceased members are allowed to withdraw members' savings upon the death of the member. In the absence of valid nomination, funds are sent to High Court for distribution in accordance with the law. Where the beneficiary is under 18 years funds are sent to Fiji Public Trustee Corporation Ltd (FPTCL), who administers the funds until the beneficiary comes of age.

In 2011, payment under death ground reduced by 7 per cent resulting in the Fund paying out $10.7 million compared with $11.6 million in 2010. Of the 1738 applications approved, 1133 were paid to the nominees, 383 to High Court and 222 to FPTCL.

Special Death Benefit (SDB)
Eligible members pay a premium of $35 annually to qualify for SDB. A sum of $8,500 is added to the deceased members account and paid out to the nominees. In January 2011, the Fund allowed the deceased members next of kin to collect $2,000 from the $8,500 to assist in meeting the funeral expenses of the deceased member.

$9.8 million was paid as SDB compared with $8.74 million paid in 2010.

Pre-retirement
Members can only access their funds for housing, education, medical, unemployment and funeral assistance. Members, who have rejoined the Fund after withdrawing on retirement grounds, are allowed to partially withdraw their funds once every 6 months.

The review has seen a reduction in partial withdrawal by 27 per cent whereby a total of $45.2 million was paid out in 2011 compared with $61.7 million in 2010.

Of the above amount, $24.6 million was paid for local and overseas education, $1.93 million paid for local and overseas medical, $3.4 million was paid for unemployment, $2.9 million was paid for funeral expenses and $12.3 million paid under general withdrawals.

Members can now repay the amounts withdrawn under any partial withdrawal ground to grow their balance for healthy retirement.

Housing
Housing withdrawals are permitted to allow members to purchase or build a house, reduce or pay off debt or to carry out major renovations. Members can also access funds to build a house in the village under the village housing scheme.

Housing transfers totaled $33.3 million compared with $29.13 million in 2010.

Customer Service
Total number of customers served during this period was 539,628. Of these, 493,757 (91 per cent) visited the Fund's branches and agencies. The remaining 9 per cent were served

by our Agents and Operators in the Tele-Information Centre.

Personalized Services
Of those that visited the Fund, 12 per cent sought Education Assistance, 3 per cent Housing withdrawal, 6 per cent sought Unemployment Partial Withdrawal Assistance and 7 per cent sought Other Partial Withdrawal assistance, 19 per cent of members that came in for personalized services were also served for membership card applications, 6 per cent for correction and changes to their membership records and 16 per cent for balance and eligibility statements.

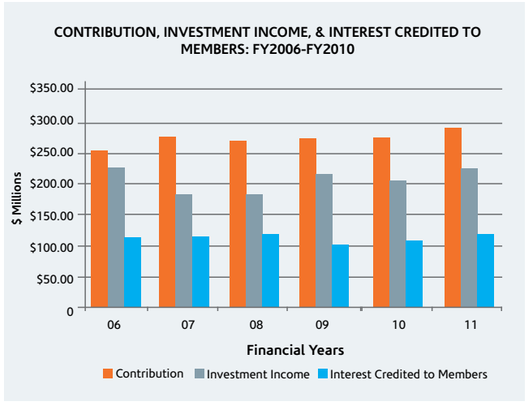
Pension Centre
Total number of customers served at the Pension Centre was 25,835. Of those that came for pensions services, 31 per cent were for pension orders, 21 per cent partial withdrawals assistance for over 55 years, and 8 per cent sought pension advice.

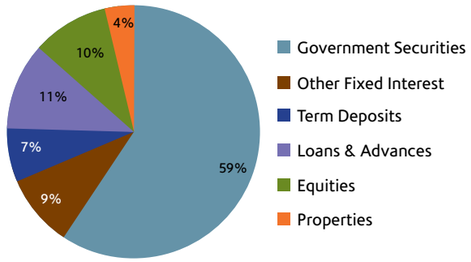
Information Centre
49,531 telephone calls were received at Information Centre as opposed to 62,085 the previous year. The 20 per cent reduction in calls is attributed to changes made to our housing and partial withdrawal policies which restricted members from taking advantage of some of the withdrawal benefits that FNPF used to offer before.

INVESTMENT
The Fund's investment objective is to maximize long term returns to grow members' funds and sustain the pension requirement. The investment activities and performance during the year were influenced by the following factors:

- Continuation of the rehabilitation of the non-performing investments
- Increased liquidity in the banking system, which led to a significant reduction in interest rates
- Reduced local borrowing by Government as a result of the successful float of their USD denominated bonds
- Approval by the Reserve Bank for additional offshore investments

Asset Allocation
The graph below shows the asset allocation for the year ended 30 June, 2011. The strategic asset allocation is reviewed bi-annually to capture investment opportunities that arise during the year. While the Board recognizes the need for asset diversification and reducing its exposure to Government, it is very limited in its options locally. Given this challenge, the Fund will strive to find ways to address the imbalance and improve its asset allocation to the desired benchmark.





Income
Income for the year was $238.1 million compared with $219.5 million last year. The increase was a result of better yielding of the interest rates instrument. In particular, the full impact of our refocusing to longer term instruments in 2010 flowed through during the year.

The return on investments was 6.8 per cent compared with 6.4 per cent in 2010. This enabled the Fund to credit 5.25 per cent interest to the members accounts, compared with 5 per cent last year.

Interest Rates
The yield curve fell sharply over the 12 months under review as excess liquidity more than doubled from $256 million as at 30 June, 2010 to $580 million as at 30 June, 2011. Lack of government appetite for domestic funds due to the successful float of their US denominated bonds, further dampened the interest rate market. Consequently, most of the public tenders were oversubscribed and the accepted yield for the 15-year bond fell by 195 basis points.

Unfortunately, this trend is continuing and gives a precarious outlook for the next 12 months.

The table below outlines the interest rate movements in the year:

FDL Rate					
	30-Jun-10	30-Sep-10	30-Dec-10	30-Mar-11	30-Jun-11
3 Years	3%	n/t	n/t	n/t	2.90%
5 Years	4%	n/t	n/t	n/t	
8 Years	-	6.70%	6.70%	n/t	6.55%
10 Years	5.50%	n/t	n/t	n/t	
15 Years	7.75%	8.95%	8.99%	8.00%	7.00%
20 Years	9.50%	10.00%	n/t	n/t	n/t
30 Years	-	14.00%	n/t	n/t	n/t
Treasury Bills					
91 Days	-		-	3.40%	1.75%
Term Deposits					
1 month	5.00%	3.50%	3.00%	3.00%	0.70%
3 months	5.00%	4.00%	3.50%	3.50%	0.75%
6 months	5.00%	4.25%	3.75%	3.75%	1.25%
9 months	5.25%	4.50%	3.75%	3.75%	1.50%
12 months	5.50%	5.00%	4.00%	4.25%	1.75%

Fixed Income
The fixed income portfolio made up approximately 87 per cent of the portfolio in 2011. Total income from this portfolio was $222 million compared with $198 million last year. This equated to 93per cent of the total investment income for FY2011.

Government Securities
Investments in the Fijian Government securities remained the dominant asset class, making up approximately 59 per cent of the investment portfolio. Total portfolio closed at $2.1 billion compared with $2.0 billion in 2010. Investment in government bonds for the financial year was $237 million compared to $317 million the previous year.

Quasi-Government Securities
This portfolio consists of Government guaranteed securities in statutory bodies. The portfolio closed at $321 million compared with $348 million last year. Total investments in quasi-Government securities totaled $51 million compared with $70 million previous year. As indicated by the above figures, the decline was due to lack of floats due to high liquidity experienced in the financial system. Most statutory bodies were able to source cheaper short-term funding from the commercial banks. The portfolio also declined due to repayment of major investments upon maturity and through early redemptions of some securities.

Local Term Deposits
The local rates declined sharply during the financial year, mainly as a result of sharp increase in the financial liquidity. The portfolio closed at $173 million compared with $201.65 million last year.

Offshore Investments
The strengthening of its offshore portfolio was one of the key objectives of the Fund. This involved engagement of the Management and Board with the Government and the Reserve Bank on a regular basis, which resulted in the RBF approving a total of $110 million for offshore investment for the calendar year 2011. This recent approval came after a period of 5 years and is supported by the strong Foreign Reserves levels. A total of $70 million was utilized in FY2011 for investment in foreign bonds and term deposits.

Fiji Government US Denominated Bonds
The Fund for the first time ventured into holding foreign currency denominated bonds, investing in Fiji Government US denominated bonds. These 5 year government guaranteed bonds offered a 9 per cent coupon return, making it a very attractive class of security to hold in terms of returns. Total holding as at 30 June, 2011 was US$20.246 million or $34.9 million. This investment was possible from the offshore allocation of $70 million approved by RBF for the FY2011 out of which $33.5 million was allocated towards purchase of the bonds.

Foreign Term Deposits
A total of $36.5 million was invested in foreign term deposits which offered higher rates compared to what is available locally. As a result the term deposit portfolio grew by 268% to close at $59 million.

Equities
Offshore Equities
The offshore equity portfolio grew by 18.6% to close at $19.2 million compared to $16.2 million last year. The growth was as a result of dividend reinvestment and gains in the market price of the portfolio.
The Board started the process of seeking Expressions of Interest from suitable Fund Managers to actively manage the portfolio to enhance the returns. This process is expected to be completed in the first quarter of FY2012.

Local Equities
The Fund continued to focus on rehabilitation of non-performing companies and hence no major equity investments were undertaken. The market value of the Fund's local equity portfolio at year-end was $320.5 million, compared with

$312.0 million at 30 June 2010. The marginal growth resulted from some write back in the value of our investments with FNPF Investments Limited.

Loans and Advances

The Loans and Advances portfolio decreased from $466.4 million (net off write down) in FY2010 to $393.5 million this year. The reduction was due to implementation of rehabilitative measures to major loan accounts that were impaired last year. In particular, the foreclosure process for Momi Bay project was completed successfully and as a result the formerly impaired loan was reclassified as other non- financial assets.

The Fund continued to focus on rehabilitation of its other loan accounts and through this mandate, Natadola's debt was restructured and the hotel has begun to repay its loans to the Fund, while foreclosure for Savusavu is underway. The Fund is finalizing options to develop both properties in order to create valuable assets that could generate returns to the Fund.

The other achievement was processing of all loan accounts through the Loan Management System, thereby streamlining the internal processes for lending and the divestment of the staff loans scheme to HFC.

Treasury

Treasury assists the Investments Division in assessing and managing the Fund's financial risks. Part of its risk management was the implementation of the Treasury Policy which was approved in February 2011.

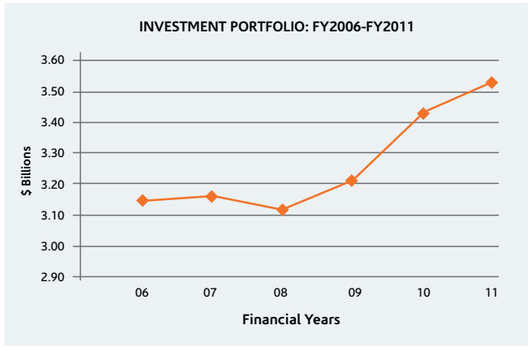
Liquidity in the banking system increased sharply to close at $580 million as at 30 June which saw interest rates declining rapidly in the second half of the financial year. This was a major challenge for the Fund, as majority of its Investment Portfolio is interest-rate sensitive.

The Board and Management are continually advised on the liquidity status of the Fund, the impact of interest rates movement on its assets and the Fund's strategies in managing its financial risks.

Properties

The Property Investment Portfolio consists of a total of 18 properties with a current market value of $86 million as at 30 June, 2011. Of the 18 properties, there is an undeveloped vacant block located in the Lautoka Central Business District, 1 industrial property, 1 car park while the remaining 15 are a mixture of commercial/retail properties. During the year, the industrial property at Wailada was sold.

The major challenge faced by the portfolio in FY10 and FY11 was the effect of the economic climate on the rent



serviceability and vacancy levels. The Fund is optimistic that with the forecast improvement in the economic climate, the portfolio performance is expected to improve further in FY11 as vacancy levels are reduced.

Projects

FNPF Project Section continues to provide technical, project management services and support to the Properties Section including some investment projects within the Investment Division. During the financial year, works to the value of $2.5 million were completed. In conforming to the reform program, the section has been reviewing its' processes, system and resources to achieve required levels of productivity and efficiency.

FNPF Subsidiaries

Amalgamated Telecom Holdings (ATH)

The Group results showed some recovery from the previous year which may indicate that the profitability has stabilized from the impact of the industry deregulation in 2008. This is reflected in the Group profit before tax of $42.1 million up 18.5 per cent from the previous year. The net profit after tax was $236.5 million from $205.5 million last year. A very positive aspect of the group was the strong performance by Vodafone Fiji Limited which achieved an operating profit of $27.7 million up 25.7 per cent from last year. While the company reduced the dividends to 3 cents from 5 cents in 2010, the improving performance and strong operating cash flow could see an increase in dividends in 2012.

Home Finance Company (HFC)

HFC is majority owned by FNPF, which has a 75 per cent shareholding, with Unit Trust of Fiji (UTOF) holding the remaining 25 per cent. The company is an established licensed financial institution, serving the people of Fiji in the home lending market for the past 45 years. Revenue grew by 7.6 per cent, while taxable profit increased by 4 per cent.

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 with the total capital utilized for investments at the end of the financial year of $141 million.
FIL maintains its own portfolio comprising various asset categories including listed and unlisted equities, commercial loans and term deposits.
Some of the investments under FIL were rehabilitated under the FNPF Reforms program which includes the Natadola Project, GPH and some distressed loans.
Subsidiary companies include:

- Natadola Bay Resort Limited (100%)
- Natadola Land Holdings (100%)
- FNPF Hotel Resorts Limited – trading as Holiday Inn (100%)
- Grand Pacific Hotel Limited (25%)
- Dareton Limited –Votualevu Land (100%)
- Penina Limited (51%)

CORPORATE GOVERNANCE

The Fund continued to exercise good governance principles in improvements to its operations and obligations to stakeholders. The Board and Board sub-committee meetings were held in accordance with the Fund's legislative mandate. The Board held 30 meetings inclusive of the monthly meetings during the financial year. Special Board meetings were held to address reform related and other policy matters for the Fund.

The sub-committees of the Board assisted the Board in scrutinizing and endorsement of papers for Board's consideration. The briefs of the four sub-committees are as follows:

1. Board Audit and Risk Management Committee (BARC)

The key role of the sub-committee is to assist the Board in fulfilling its statutory and judiciary responsibilities and carrying out oversight function to provide assurance on the effectiveness of the Fund's internal controls, compliance and risk management. The committee met 10 times during the financial year.

2. Board Investment Committee (BIC)

The BIC met 6 times during the financial period to discuss Investment related matters. The Committee assists the Board in meeting its statutory and governance responsibilities in relation to the Investment Policy, investment strategies and implementation for the Fund.

3. Human Resource Sub-committee of the Board (BHR)

The BHR reviews, assesses and recommends for Board to make decisions on remuneration policies and related matters relevant to the effective management of the Fund's employees. The Committee met 3 times during the financial period.

4. Information Technology Sub-committee of the Board (BIT)

The Committee oversees all Information Technology related issues. The key role of the BIT is to ensure implementation of the IT Reform project. There were 8 meetings held for the BIT during the financial year.

Independent members were co-opted on the sub-committees to ensure transparency and integrity in decision making and the ensure skills mix. At the management level, relevant Reform and Project Committees were set up during the year to deal with reforms and operational matters.

Enterprise Risk Management (ERM)

The ERM Unit has been implementing the recommendations arising from the Risk Review carried out in 2009 and ensuring the implementation of the risk treatment plan to address the enterprise wide risks identified.
Progress reports on the implementation of risk treatment plans were provided to the Board Audit & Risk Sub-committee.

A significant milestone was the completion of the Business Continuity Plan which has been developed to ensure that the Fund restores its business as soon as possible in the event of a crisis.

Compliance Management

Regular meetings were held to facilitate the Fund's compliance with the requirements of Reserve Bank of Fiji (RBF) under the Prudential Supervision Policy Statements. The meetings were useful in providing updates on reforms, Governance, Risk Management and Investment matters to RBF.
Networking with the Fiji Financial Intelligence Unit (FIU), Fiji Revenue & Customs Authority (FRCA), Immigration Department and other related agencies continued to discuss issues of mutual interest.

Quality Assurance & Complaints

The Quality Assurance function with the business unit established operational procedures to capture service delivery standards with the aim of delivering excellent services to members and stakeholders. A Quality policy was prepared. The aim is to align documentation of procedures according to the ISO standards.

The Complaints Management Policy has been developed and aligned to the RBF Supervision Policy Statement No. 3 "Minimum Guidelines on Complaints Management". The Fund has a complaints management system where complaints from members are addressed.

Ethical Standards

In support of the Fund's vision and mission statements, the Code of Ethics was strengthened to guide behaviour and business

conduct. The Code also articulates the Fund's due diligence to the requirements of the Crimes Decree 2009 and the Financial Transactions Reporting Act and Regulation and other laws of Fiji. Frequent awareness on these were conducted to staff and management.

Policy Based Corporate Governance

The Fund in accordance with its overarching philosophy of good corporate governance, reviewed 16 policies that included:

(1) Quality Assurance Policy;
(2) Anti-Fraud Policy;
(3) Outsourcing Policy;
(4) Anti -Money Laundering Policy;
(5) Operational Risk Policy;
(6) Treasury Policy; and
(7) Information Technology Policies

INTERNAL AUDIT

As at 30 June, 2011, a total of 28 (80 per cent) audits were completed while 6 were in final stages of completion. A total of 96 complaints were received from 2009 to 2011 (2009 – 45; 2010 – 24; 2011-27) out of which 65 (68 per cent) were investigated and reported at the end of June 2011. Investigations on the remaining 31 (22 per cent) complaints were in progress at year end.

In addition to assurance audits, the department also carried out review of monthly bank reconciliations for FNPF and subsidiary bank accounts and conducted spot audits.

During the financial year, the Department's focus was to review the various reforms undertaken by the Fund. The primary objective of the review was to identify areas where improvements could be made in the management of reforms, cost management and record keeping.

Audit and investigation findings also highlighted areas for improvement in controls and measures to minimize fraudulent activities. The investigations resulted in a number of members and staff being prosecuted and disciplined.

68 per cent of recommendations made in internal/external audit reports were implemented while 32 per cent were in the process of being implemented. The recommendations relating to internal audit reports which were implemented during the year was 71 per cent compared with 51 per cent as at 30 June 2010.

The improvement of 20 per cent is significant and reflects a commitment by Management to improve compliance and strengthen internal controls in the Fund's operations. This is consistent with expected outcomes of the various reforms which are being taken throughout the Fund and strong stance adopted by the Board Audit & Risk Subcommittee on audit findings.

INFORMATION TECHNOLOGY and ADMINISTRATION

The FNPF ICT Strategic Plan for the 2010 - 2011 identified and developed three sub-strategies that consolidate related technologies, form suites of initiatives and synergistically leverage a range of specific needs and issues within a broader strategic solution. The analysis by consultants IQ Business Group recommended the following sub-strategies:

- The establishment of foundation themes for successful execution of the Reform program
- The implementation of enabling themes to solve a broad range of business problems
- The development of operational themes for data management purposes

The Digital Group (TDG) was engaged to strengthen group governance for the Fund. The first of two projects was to establish a robust Project Management Office [PMO] charged with increasing FNPF's project management capabilities to:

- Consolidate Common Service
- Introduce project governance to business units
- Improve risk management
- Provide consistency to the IT Reforms, and
- Enable service structures, capabilities and processes.

TDG is also charged with establishing a framework focusing on governance, best practices and processes to:

- Introduce IT governance and frameworks to the business units
- Improve risk management
- Manage regulatory risks
- Provide staff training and improve their capabilities
- Review group IT systems and provide consistency to the IT Reforms, and
- Enable service structures, capabilities and processes.

New Systems

The Fund commenced work to replace the core Provident Fund Administration Platform that will also provide automation support for all aspects of administration including reporting, business process management, marketing, and online services.

Other IT initiatives identified as part of the IT reforms are Customer Relationship Management (CRM), Executive Reporting & Business Intelligence (REP), Data Management (DAT), Business Process Management (BPM), Enterprise Content Management (ECM) and Learning Management (LRN).

Procurement and Tender Facilitation

The Fund through a public Expression of Interest (EOI) established a panel of preferred suppliers for services and goods below the value of $20,000. Apart from these a total of 69 Tenders and EOI were advertised, evaluated and confirmed during the year. The Fund continues to tender all procurement over $20,000 to ensure that transparency and good governance is practiced at all times.

Fleet Management

To improve and monitor vehicle usage, the Fund tested the vehicle tracking systems on some of its vehicles using the GPS satellite systems to record speed, current location, direction of travel and automatic mileage reminder.

HUMAN RESOURCES

Human Capital

A transformational holistic approach to our human resources has been adopted where "quality of life" has been brought to the forefront to ensure a highly productive workforce. This covers 3 areas of development

- Intellectual – specialized training for core functions
- Physical – team building activities including participation in business house competitions and medical workshops
- Spiritual – sharing of religious values

The Fund's 3 year Strategic Plan has been driven down to all levels where competencies and skills are being developed to achieve the Funds strategic goals.

Training and Development

Systematic training is encouraged aimed at building capacity through a carefully planned "Training Need Analysis" process to enable staff to acquire the required skills, knowledge and related qualifications and to develop their potential to meet the organizations strategic objective.
The Fund has shown its commitment to training through the recent upgrading of its training facilities to a fully fledged training center where most of its training and workshops take place.

Occupational Health & Safety (OHS)

The Fund formalized its OHS Policy with compliance to standards prescribed by the Ministry of Labour. An OHS committee was set up, and several training sessions was organized in relation to fire safety and evacuation procedures to ensure that procedures are observed and practiced.

PRIME SERVICES

Actuary Services

Mercer (Australia), was engaged to conduct the actuarial valuation. The results will, in compliance with the International Accounting Standards (IAS 26) on accounting for employee benefits and entitlements, provide valuation of future accrued benefits for members and pensioners.

The key findings of the valuation are;

- Excess surplus of assets over liabilities due to the retention of return on investment not credited to members to support the unsustainable pension system
- Additional provision on liability to allow for the current pension conversion factors which is higher than the actuarially sound pension conversion rate.
- Need for continued monitoring of key projection assumptions with the view to change variables on basis of sustained trends over time

With the establishment of the Actuarial Unit, it is anticipated that clarity will be obtained on FNPF pensioner mortality and investment return analysis to enhance the actuarial valuation process.

Member Survey

Independent assessment has been sought on the Member Behavior Survey (MBS) involving 14,000 members and 1,000 students to gauge their understanding of the current pension options and members' issues on savings for retirement. The key recommendations will be implemented with the view to enhance member perception of services provided and improve attitude to retirement savings.

Balanced Scorecard

The Balanced Scorecard (BSC) monitoring system consisted of Key Performance Indicators for Management Team. Quarterly reporting was conducted on respective KPI deliverables. The BSC Monitoring and Evaluation process was strengthened to ensure effectiveness of KPI status reporting against the Fund's strategies. A key outcome of this system is to drive a corporate culture that is performance-driven.

Website Management

91,527 visits were registered on the FNPF website www.myfnpf.com.fj during the financial year compared with 79,586 last year. There were 374,194 page views during this period. Visits to the sites were sourced from 133 countries and territories. A majority of these visitors were from Fiji and there were more than 5,000 visitors from New Zealand and Australia. More than 3,000 visitors were recorded from the United States, while the others included visitors from Inda, Canada, United Kingdom and Malaysia.

The Fund continues to update its content to keep our members and all stakeholders informed of vital Fund matters like policy changes, news pertaining to the Reform, media releases and advertisements.

Public Awareness

The Fund undertook a major awareness exercise to inform key stakeholders of the review of the FNPF Act and Pension Scheme. A major symposium outlining the rationale and outcomes of independent studies by actuaries, was opened by Prime Minister and Minister of Finance Commodore Voreqe Bainimarama at the Holiday Inn on April 8 & 9, 2011.

The symposium was followed by public forums and pocket meetings including seminars for business houses and professional bodies, conducted at 40 different locations around Fiji, attended by about 3000 members and pensioners.

The Fund also undertook various awareness programs to its members via seminars on special topics ranging from suspense to the Revised Withdrawal Policies.

Media relations

A pro-active engagement with the media was a key objective this financial year to ensure that we continued to inform and educate our key stakeholders of important FNPF developments. This also enabled us to fully involve and integrate the media on key issues such as the FNPF reforms.

The Fund ensured that timely responses to queries on a wide range of issues that included investment performance, pension reforms and the revised withdrawal guidelines. Several media conferences were also organized to clarify issues regarding the reforms, interest pay-out and new products.

The executive team took a lead role in further disseminating information through radio and television talkback. This proved an effective interactive medium.

Public Events

The Fund participated in numerous public events including the Fiji Day 40th Anniversary celebration held at Albert Park in October last year and the Fiji Showcase held in May 2011, recorded a crowd of 5000 people being served at the FNPF Booth.

We were also part of the Fiji Development Bank Navua -Roadshow and the Reserve Bank National Financial Literacy Awareness outreach shows in Taveuni, Savusavu , Lomaiviti, Labasa, Ba and Lautoka. The Fund also participated at the USP orientation weeks and the University of Fiji Open Day.

Strategic Alliance

The new FNPF Student Investment programme was incorporated as a compulsory component of the Form 4 Commercial Studies assessment task this year. A Memorandum of Understanding was signed between the FNPF and the Ministry of Education to formalize this collaboration. Teachers' workshops were conducted in the North, East, Central and Maritime divisions.

The Fund also had informal *talanoa* sessions with other key stakeholders including the Housing Authority of Fiji, RBF, Ministry of Finance, Immigration Department and the Titles Office.

Corporate Social Responsibility

The Fund also encourages staff to positively contribute to the less fortunate. Staff raised funds and donated donate essentials items to the Dilkusha Home, St. Christopher's Home, the Veilomani Boys in Ba, and the senior citizens homes in Lautoka and Labasa. The Fund also organized a blood drive administered by the Fiji Blood Bank.

Acknowledgement

I take this opportunity to thank all members and all other stakeholders for your continuous feedback and support. The Fund recognizes that it has a fiduciary responsibility to members and will always continue to work in their best interest.

The need to rebuild and grow our members' confidence remains a priority for the Fund. Improved Governance, transparency of the Fund's operations through greater disclosure and consistent communication with our members are areas that the Fund will continue to improve on.

I would like to acknowledge the leadership and stewardship of all Board members. I also express my gratitude and appreciation to staff and management, who have embraced, endured and secured the challenge of delivering our reform objectives in the last few months.

Your commitment has been crucial in our achievements this financial year.

Vinaka vakalevu

AISAKE TAITO
Chief Executive Officer

Financial STATEMENTS

For the year ended 30 June 2011

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The Board members present their report together with the financial statements of Fiji National Provident Fund ("the Fund") and its subsidiaries ("the Group") for the year ended 30 June 2011 and report as follows:

Board Members

The Board members of the Fund during the year and up to the date of this report were:
Mr Ajith Kodagoda (Chairman)
Mr Sashi Singh
Mr Taito Waqa
Mr Tevita Kuruvakadua
Mr Tom Ricketts

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 and operation of hotel and resort facilities, commercial and home mortgage lending, provision of finance for home ownership, other personal loans and acceptance of term deposits and insurance agency business.

Operating Results

The benefits accrued as a result of operations for the year ended 30 June 2011 amounted to a surplus of $242,612,000 (2010: $209,486,000). The consolidated results of the Group for the year ended 30 June 2011 was a surplus of $236,487,000 (2010: $205,478,000).

Reserves

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

- $10,071,000 (2010: $9,707,000) to the Special Death Benefit Reserve.
- $23,266,000 (2010: $25,438,000) to the Pension Buffer Reserve.
- $108,443,000 (2010: $68,486,000) to the General Reserve.

Bad and Doubtful debts

The Board members took reasonable steps before the Fund's and the Group's financial statements were made out to ascertain that all known bad debts were written off and adequate provision was made for doubtful debts.

At the date of this report, the Board members are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the provision for doubtful debts, inadequate to any substantial extent.

Significant Events during the year

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. During the year the Fund called upon the 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.

The Board has approved to transfer the loan to Other non-financial asset.

Staff Loan Portfolio

The Board in September 2010, approved staff loans portfolio be purchased by a subsidiary, Home Finance Company Limited at book value. The purchase was made in January 2011.

Three-year Reform Project

The Fund started its 3 year Reform Project during 2010 with the overall objectives of "Deliver Excellent Services and Ensure Sustainable Returns" to the Fund's Stakeholders. The Reform Project designed under the following three categories with the following major projects and objectives:

a) Investment Rehabilitation

Designed to actively manage the assets to create value and recover the write down in 30 June 2009 financial year. The major Investment Projects rehabilitation included Natadola, Momi and Savusavu Harbourside Projects.

b) Structural Reform

i) Pension Scheme reform with the objectives of implementing a scheme that is actuarially sound, viable and self sustaining in the long run. In December 2010, the Board appointed Mercer (Australia) Pty Ltd and Tower Watson Australia Pty Ltd for the actuarial exercise. Actuarial assessment on Pension scheme was undertaken during the year. The proposed sustainable pension conversion rate is now under consideration with implementation expected by 2012.

ii) Fiji National Provident Fund Act review to strengthen the governing laws by encompassing best practice provisions, in particular the areas of governance, coverage, retirement income policy and prudential supervision. Promontory Financial Group Australasia was engaged to provide technical assistance in the development of a policy and legislative framework for new Retirement Savings Laws. The FNPF has conducted extensive consultations on the reforms.

iii) Review of the Fund's Withdrawal policy to realign the policy back to the core objective of the Fund which is to provide for its members' retirement. The Fund revised education, medical and housing policies within the year and was implemented in September 2010. The Unemployment and Funeral assistance was implemented in January 2011.

c) Internal Reform

i) Information Technology Strategic Review and Reform to provide the Fund with an integrated system and support interactive services to its members. The Strategic Review part of the reform was completed during the financial year.

ii) The new FNPF Provident Fund Administration System Tender was completed during the year and proposals received are currently being evaluated.

iii) Business Process Re-engineering (BPR) exercises are to re-engineer processes. The scope of the BPR exercise has been extended to other support functions of the Fund to ensure delivery of excellent services to the stakeholders.

iv) Short Message Services (SMS)
The Fund launched its SMS – (SUPER txt) services to provide members information of their account status. The key benefits of the services include providing members regular updates. Other advantages include reduction in complaints and assist members to ascertain payment of their contribution.

v) Member Statement Outsource
The Fund outsourced the printing of member statement to Post Fiji Limited to optimize efficiency.

Event Subsequent to the Balance Date

Apart from those disclosed in the notes to the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report, transactions or events of a material and unusual nature likely, in the opinion of the Board members, to affect significantly the operations of the Fund and of the Group, the results of those operations or the state of affairs of the Fund and of the Group.

Basis of preparation

The financial statements of the Fund and of the Group have been drawn up in accordance with International Financial Reporting Standards and the requirements of law.

Related party transactions

In the opinion of the Board members all related party transactions have been recorded in the books of the Fund and its subsidiaries and adequately disclosed in the attached financial statements.

Other circumstances

At the date of this report, the Board members are not aware of any circumstances not otherwise dealt with in this report or financial statements which render any amounts stated in the financial statements misleading.

Unusual transactions

The results of the Fund and its subsidiaries' operations during the financial year have not in the opinion of the Board members been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

Board member's interest

No Board member of the Fund has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by Board members as shown in the Fund's financial statements) by reason of a contract made by the Fund or related corporation with the Board member or with a firm of which he is a member, or with a entity in which he has substantial financial interest.

Dated at Suva this 28th day of September 2011.
Signed in accordance with a resolution of the Board:

In the opinion of the Board members:

(a) the accompanying statements of changes in net assets are drawn up so as to give a true and fair view of the movements in net assets available to pay benefits for the year ended 30 June 2011;

(b) the accompanying statements of net assets are drawn up so as to give a true and fair view of the state of affairs of the Fund and of the Group at 30 June 2011;

(c) the accompanying statements of cash flows are drawn up so as to give a true and fair view of the cash flows of the Fund and of the Group for the year ended 30 June 2011;

(d) at the date of this statement there are reasonable grounds to believe that the Fund and the Group will be able to pay its debts and pension obligations as and when they fall due; and

(e) all related party transactions have been recorded and adequately disclosed in the attached financial statements.

Dated at Suva this 28th day of September 2011.
Signed in accordance with a resolution of the Board:

Independent auditor's report

To the Members of the Fiji National Provident Fund

We have audited the accompanying financial statements of the Fiji National Provident Fund (the 'Fund') and the consolidated financial statements of the Fund and its subsidiaries (together the 'Group'). The financial statements comprise the statements of net assets of the Fund and the Group as at 30 June 2011 and the statements of changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 26 to 75.

The Board Members' and Management's Responsibility for the Financial Statements
The Board and Management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Fiji National Provident Fund Act, 1966. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
This report is made solely to the Fund's members, as a body, in accordance with Section 12(1) of the Fiji National Provident Fund Act, 1966. Our audit work has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

PricewaterhouseCoopers, Level 8 Civic Tower, 272 Victoria Parade, Suva, Fiji.
GPO Box 200, Suva, Fiji.
T: (679)3313955 / 3315199, F: (679) 3300981 / 3300947
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Independent auditor's report (continued)

To the Members of the Fiji National Provident Fund (continued)

Opinion

In our opinion

(a) proper books of account have been kept by the Fund, so far as it appears from our examination of those books, and

(b) the accompanying financial statements which have been prepared in accordance with 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 2011 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
28th September 2011

PricewaterhouseCoopers
PricewaterhouseCoopers
Chartered Accountants

Fiji National Provident Fund and its subsidiaries

Statements of changes in net assets

For the year ended 30 June 2011

	Notes	Consolidated 2011 $000	Consolidated 2010 $000	The Fund 2011 $000	The Fund 2010 $000
Investment income					
Interest income	6	228,791	206,912	221,903	198,307
Net property income		10,865	8,262	7,800	7,917
Dividends		3,192	2,510	3,168	2,444
Dividends from subsidiaries	16(a)	-	-	8,506	13,559
Movement in net market value of investments:					
Unrealised gains/(losses) on revaluation of investment properties	17	(1,385)	103	(1,385)	103
Unrealised gains/(losses) on other investments		1,180	(1,213)	1,227	(911)
Realised gains/(losses) on investments		2,565	2	(292)	2
Unrealised exchange gains/(losses)		549	(1,547)	(511)	307
Realised exchange gains		835	267	-	-
		246,592	215,296	240,416	221,728
Direct investment expenses		(2,288)	(2,202)	(2,288)	(2,202)
Net investment revenue		244,304	213,094	238,128	219,526
Other revenue					
Sales revenue		295,977	282,909	-	-
Other revenue	7	10,301	13,436	2,407	3,092
		306,278	296,345	2,407	3,092
Contributions revenue					
Contributions from employers and members		303,518	292,267	303,518	292,267
		854,100	801,706	544,053	514,885
Benefits paid and expenses incurred					
Airtime and PSTN charges		34,320	40,380	-	-
Bad and doubtful debts – loans and advances	14	46	322	(23,823)	1,031
Bad and doubtful debts – trade and other receivables		1,591	5,152	1,415	(668)
Benefits paid	30(c)	309,509	277,486	309,509	277,486
Depreciation and amortisation		63,358	53,673	1,538	1,346
Equipment and ancillary charges		31,526	30,750	-	-
Impairment on equity investments	15	3,652	1,330	-	1,953
Impairment on investment in subsidiary	16	-	-	(6,529)	4,468
Impairment on property held for development	18	1,518	2,067	-	-
Reversal of impairment on property, plant and equipment	23	(30,166)	-	-	-
Reversal of cost to complete project		-	(6,386)	-	-
Impairment on intangibles	22	2,502	2,980	-	-
Interest expense		6,466	5,278	-	-
Personnel expenses	8	62,660	66,464	10,251	9,482
Other expenses	9	96,857	94,051	9,080	10,301
		583,839	573,547	301,441	305,399
Change in net assets for the year before income tax		270,261	228,159	242,612	209,486
Income tax expense	10(a)	17,791	4,879	-	-
Change in net assets for the year after income tax		252,470	223,280	242,612	209,486
Non controlling interest		(15,983)	(17,802)	-	-
Change in net assets for the year after income tax carried forward to page 27		236,487	205,478	242,612	209,486

The statements of changes in net assets are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 30 to 75.

Fiji National Provident Fund and its subsidiaries

Statements of changes in net assets (continued)

For the year ended 30 June 2011

	Notes	Consolidated 2011 $000	Consolidated 2010 $000	The Fund 2011 $000	The Fund 2010 $000
Change in net assets for the year after income tax brought forward from page 26		236,487	205,478	242,612	209,486
Net assets available to pay benefits at the beginning of the year		3,551,495	3,359,100	3,525,771	3,316,285
Acquisition/transfer of non – controlling interest		(2,522)	(12,000)	-	-
Increase/(decrease) in available for sale reserve	29(c)	311	(1,260)	-	-
Increase/(decrease) in asset revaluation reserve	29(e)	(339)	-	-	-
Others		424	177	-	-
Net assets available to pay benefits at the end of the year	29	3,785,856	3,551,495	3,768,383	3,525,771

The statements of changes in net assets are to be read in conjunction with the notes to and forming part of the financial statements set out on 30 to 75.

Fiji National Provident Fund and its subsidiaries

Statements of net assets

As at 30 June 2011

	Notes	Consolidated 2011 $000	Consolidated 2010 $000	The Fund 2011 $000	The Fund 2010 $000
Investments					
Financial assets					
Term deposits	11	244,228	241,937	232,435	217,647
Government securities	12	2,133,192	2,038,692	2,063,397	1,971,679
Other fixed interest securities	13	365,867	356,481	365,867	356,481
Loans and advances	14	235,969	320,070	393,494	466,395
Equities	15	72,820	74,384	63,540	59,792
Investment in subsidiaries	16(a)	-	-	276,209	269,680
Investment in associate	16(b)	3,103	-	-	-
Non-financial assets					
Investment properties	17	138,415	138,494	85,755	84,684
Property held for development	18	7,841	9,290	-	-
Other non-financial asset	25	44,712	-	44,712	-
		3,246,147	3,179,348	3,525,409	3,426,358
Other assets					
Cash and cash equivalents	19	223,559	65,807	182,072	41,765
Trade receivables	20	23,108	31,246	-	-
Other receivables and assets	24	88,946	89,059	58,896	58,290
Inventories	21	11,482	11,451	-	-
Property, plant and equipment	23	445,404	425,476	12,001	11,968
Intangible assets	22	154,085	140,168	347	179
Deferred tax assets	10(d)	17,407	22,530	-	-
		963,991	785,737	253,316	112,202
Total assets		4,210,138	3,965,085	3,778,725	3,538,560
Liabilities					
Creditors and borrowings	26	206,381	190,466	4,670	8,120
Other liabilities	27	34,022	41,449	2,548	2,380
Employee entitlements	28	9,311	10,963	3,124	2,289
Income tax payable	10(b)	7,524	5,525	-	-
Deferred tax liabilities	10(c)	32,993	31,783	-	-
Total liabilities (excluding net assets available to pay benefits)		290,231	280,186	10,342	12,789
Net assets		3,919,907	3,684,899	3,768,383	3,525,771
Less: Non controlling interest		134,051	133,404	-	-
Net assets available to pay benefits	29	3,785,856	3,551,495	3,768,383	3,525,771

Signed in accordance with a resolution of the Board:

The statements of net assets are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 30 to 75.

Fiji National Provident Fund and its subsidiaries

Statements of cash flows

For the year ended 30 June 2011

	Notes	Consolidated 2011 $000	Consolidated 2010 $000	The Fund 2011 $000	The Fund 2010 $000
Cash flows from operating activities					
Contributions received from employers and members		304,279	290,945	304,279	290,945
Cash receipts from customers		308,836	285,496	-	-
Interest received		223,869	206,919	217,002	195,722
Dividends received		3,319	1,940	14,394	20,188
Property rentals received		10,944	9,720	7,890	10,716
Other income received		1,673	7,790	1,997	6,095
Withdrawal payments to members		(309,447)	(277,486)	(309,447)	(277,486)
Payments to suppliers and employees		(228,168)	(217,653)	(23,897)	(19,207)
Interest paid		(11,668)	(7,212)	-	-
Income taxes paid	10(b)	(9,435)	(15,145)	-	-
Net cash from operating activities		294,202	285,314	212,218	226,973
Cash flows from investing activities					
Government securities acquired		(94,500)	(169,706)	(91,718)	(172,577)
Other securities acquired		(9,386)	(14,788)	(9,386)	(14,788)
Loans and advances repaid/(provided)		39,343	(5,658)	50,743	(9,496)
Term deposits (invested)/matured		1,742	(21,070)	(15,299)	(20,397)
Shares in subsidiaries (acquired)/disposed		6,514	-	-	(3,491)
Shares and units (acquired)/ disposed		(649)	(4,871)	(1,544)	(4,928)
Proceeds from sale of property, plant and equipment		188	613	61	103
Payment by related parties		-	2,842	-	-
Purchase of property, plant and equipment		(63,016)	(75,130)	(1,445)	(3,520)
Acquisition of intangible assets		(1,821)	(13,423)	(300)	(208)
Proceeds from sale of investment properties		1,150	-	1,150	-
Amounts spent on investment properties		(3,326)	(1,068)	(3,326)	(1,068)
Net cash used in investing activities		(123,761)	(302,259)	(71,064)	(230,370)
Cash flows from financing activities					
Receipts from shares issued to minority shareholders		-	1,451	-	-
Dividends paid		(22,273)	(11,103)	-	-
Net cash used in financing activities		(22,273)	(9,652)	-	-
Net increase/(decrease) in cash and cash equivalents		148,168	(26,597)	141,154	(3,397)
Effect of exchange rate movement		(257)	(131)	-	-
Cash and cash equivalents at beginning of the financial year		70,058	96,786	40,918	44,315
Cash and cash equivalents at end of the financial year	32 (a)	217,969	70,058	182,072	40,918

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 75.

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.

The financial statements were authorised for issue by the Board of Members on 28th September 2011.

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 Statement of compliance

The financial statements of the Fund and the Group (being the Fund and its subsidiaries) have been prepared inaccordance 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 requires 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 accounting periods beginning on or after 1 July 2011 or later periods, but the Group has not early adopted them. The Group is yet to assess the full impact if these standards, amendments and interpretations.

Standard/ interpretation	Contents	Applicable for financial years beginning on/after
IFRS 1 Amendment	First-time adoption: Exemption for severe hyperinflation and removal of fixed dates	1 July 2011
IFRS 7 Amendment	Financial instruments: Disclosures on transfer of financial Assets	1 July 2011
IAS 1 Amendment	Financial statement presentation regarding other comprehensive income	1 July 2012
IAS 12 Amendment	Income taxes: Deferred tax	1 January 2012
IFRS 9 Amendment	Financial instruments: Classification and measurement	1 January 2013
IAS 19 Amendment	Employee benefits	1 January 2013
IAS 27 (Revised)	Separate financial statements	1 January 2013
IAS 28 (Revised)	Associates and joint ventures	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2011

2. Summary of significant accounting policies (continued)

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 de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Fund. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of the purchase, 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.

Investment in subsidiaries are accounted for as cost less impairment.

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 gains/losses on transactions between Group entities are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Fund and the Group.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The Fund carries investments in associates at cost less impairment. The Group statement of net assets include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influences ceases. When the Group's share of losses exceeds its interest in an associate, the equity accounted carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate. Refer Note 16(b) for details on the associates. Where an associate's accounting policies differ significantly to that of the Fund, adjustments are made to the associate's gains and losses to conform to the Fund's accounting policies before they are incorporated into the Group statement of net assets.

2.4 Foreign currency translation

(a) *Functional and presentation currency*
The Fund and the Group operate principally 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 the statement of changes in net assets.

2. Summary of significant accounting policies (continued)

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/ amortisation and impairment. 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.

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.

Freehold 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 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	4 – 15 years
Vehicles	4 – 7 years
Furniture, fittings and equipment	3 – 8 years
Computer equipment and software	3 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9). Upon impairment, the revised carrying value of the asset is depreciated over the remaining estimated useful life of the asset.
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.

2.6 Investment properties

Investment properties, principally comprising freehold and leasehold land and buildings, are held for long-term rental yields and are 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.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2011

2. Summary of significant accounting policies (continued)

2.6 Investment properties (continued)

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.

2.7 Property held for development

Property held for development is 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 selling expenses.

2.8 Intangible assets

(a) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on 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 Fiji Government pursuant to a management agreement entered in 1998 between the Fiji Government and a subsidiary company, Amalgamated Telecom Holdings Limited (ATH). The agreement provides ATH the right to manage all of the issued shares in Fiji International Telecommunications Limited (FINTEL) owned beneficially by the Fiji Government, for a period of 20 years with an option of a further 10 years. In return ATH is entitled to receive 80% of the Government of Fiji's share of dividends from FINTEL. The control over the transfer of this right lies with the Fund.

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

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

Costs associated with 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 Group, 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).

2. Summary of significant accounting policies (continued)

2.8 Intangible assets (continued)

(d) Investment in movie productions
Investments in acquiring the copyright to 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 Group expects to recover from the exploitation of the copyright in accordance with the Production Investment Agreement.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life 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.

2.10 Financial assets

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

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

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

(a) Financial assets at fair value through profit or loss
This category has financial assets that are designated at fair value through profit or loss at inception. This largely consists of equity investments which are managed and evaluated on a fair value basis in accordance with the Group's investment strategy and reported by 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, other than those that meet the definition of loans and receivables.

Fiji National Provident Fund and its subsidiaries
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2. Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. 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. 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. 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 the statement of changes in net assets.

The fair values of quoted equity investments are generally based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group 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.

2.11 Impairment of financial assets carried at amortised cost

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

Delinquency in contractual receipts 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 assesses 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 then 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.

2. Summary of significant accounting policies (continued)

2.11 Impairment of financial assets carried at amortised cost (continued)

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.

2.12 Inventories

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

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

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

2.13 Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. Allowances are made for impairment, further details on which are in note 2.11. Trade receivables are categorised as loans and receivables under financial assets.

2.14 Cash and cash equivalents

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

2.15 Finance leases

Assets of the Group acquired under finance lease are capitalised. The initial amount of the leased asset and the corresponding lease liability are recorded at the present value of minimum lease payments. Leased assets are amortised over the life of the relevant lease or, where it is likely the Group will obtain ownership of the asset on expiration of the lease, the expected useful life of the asset. Lease liabilities are reduced by the principal component of lease payments. The interest component is charged to the statement of changes in net assets.

2.16 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Where the Group is the lessee, the lease rentals payable on operating leases are recognized in the statement of changes in net assets over the term of the lease.

Fiji National Provident Fund and its subsidiaries
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2. Summary of significant accounting policies (continued)

2.17 Employee entitlements

(a) Wages and salaries and sick leave
Liabilities for wages and salaries and incentives 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) Annual Leave, long service leave, gratuity benefits and retirement benefits
The liability for annual leave, long service leave, gratuity benefits and retirement 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 recognise termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the financial year end are discounted at their present value.

(d) Bonus plans

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

2.18 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowing costs

The borrowing costs that are directly attributable to the acquisition or construction of the capital assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. 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.

2. Summary of significant accounting policies (continued)

2.20 Income tax (continued)

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.

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 can be 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 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 Fund's net assets as stated on the statement of net assets less the general reserve account as at reporting date.

2.23 Contributions

Contributions from employers and members are recorded when control of the asset is ascertained which is upon receipt of the CS forms from the employers and the registration of the forms by the Fund. The Fund does not accrue for contributions for which no CS forms are received or received but not registered as it is not able to reliably estimate the contributions balance.

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2. Summary of significant accounting policies (continued)

2.24 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 when the related service has been provided or when the product date has expired, whichever falls earlier.

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

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

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

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

(c) Interest income
Interest income is earned from investments such as government securities, other fixed securities, loans and advances and term deposits. Interest income is recognized on an accrual basis.

(d) Property rentals
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 a movie production is brought to account when the right to receive royalty income is established.

(g) 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 is recognised on an accrual basis when related services have been provided.

(h) Revenue from hotel and golf activities
Revenue from rooms, food and beverage, and golf activities is recognised on an accruals basis. Revenue from the rendering of service and sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the guest or customer on provision of services or sale of goods.

2. Summary of significant accounting policies (continued)

2.25 Expenses

(a) Benefits paid
Benefits paid include member withdrawals, pension annuity and other member payments. These are recognised upon payment of such benefits.

(b) Other Expenses
Expenses are recognised in the statement of changes in net assets on an accrual basis.

2.26 Rounding

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

2.27 Comparative figures

Where necessary, amounts relating to prior years have been reclassified to facilitate comparison and achieve consistency in disclosure with current year amounts.

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 Group through risk management 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 risk management policies and guidelines designed to:
- formalise the risk management function across the Group entities;
- sensitise staff more strongly to risk identification, measurement, control and ongoing monitoring;
- coordinate and standardise the understanding and application of risk management within the Group; and
- ensure compliance by respective Boards with its organisational obligations and duties of care in accordance with the requirements set out by the FNPF Act, the Reserve Bank of Fiji ("RBF") and other applicable legislation.

The respective Board of Directors and Board Audit Risk Committees are responsible for the risk management, monitoring and reporting functions. At the Fund level, they are supported by:
- FNPF's Board Investment 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 individual Group entities' Board of Directors.

FNPF caters for the retirement funding of its members and invests significantly to cater for 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.

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3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(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 individual Group entities' 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.

At the reporting dates, had the Fijian dollar strengthened/weakened by the implied volatility of 5% against the respective currencies, with all other variables held constant, the Fund's change in net assets would have been higher/lower as follows:

	2011 $000	2010 $000
AUD	3,360	975
USD	481	446
NZD	1,875	147

(ii) Price risk
The Group is exposed to equity securities price risk because of investments held by the Group and classified in the statement of net assets as at fair value through profit or loss. The Group is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group and restrictions by RBF over offshore investments. The Group's investments in equities are largely those which publicly trade on the South Pacific Stock Exchange (for local investments) and Australian Securities 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 Securities Exchange increased / decreased by 5%. Shares in a listed subsidiary, ATH, are not included in this analysis, which is recorded by the Fund at cost less impairment.

	Group Impact on change in net assets		Fund Impact on change in net assets	
Index	**2011 $000**	**2010 $000**	**2011 $000**	**2010 $000**
South Pacific Stock Exchange	1,627	1,600	1,375	1,267
Australian Securities Exchange	960	810	960	810

The net surplus/deficit would increase/decrease as a result of gains/losses on equity securities classified 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.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)
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.

Apart from fixed term and at call deposits, the Group does not have any other significant interest-bearing borrowings. The fixed term deposits are at interest rates which are fixed at the time of the investment/renewal.

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 the impact on the change in net assets arising from changes in interest rates.

(b) Credit risk

Credit risk is the potential risk for loss arising from failure of a debtor or counterparty to meet their contractual obligations. The Group is subject to credit risk through its lending, investing and provision of goods and services. 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.

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 and security checks and they are monitored and reviewed.

Credit risk concentration on loans and advances disclosed in note 14 are as follows:

	Consolidated				The Fund			
	2011		2010		2011		2010	
	$000	%	$000	%	$000	%	$000	%
Agriculture	14,923	6	44,648	12	12,785	2	43,412	6
Construction	6,832	3	3,770	1	-	-	-	-
Financial institution	-	-	-	-	60,891	11	68,083	10
Government & statutory bodies	24,289	10	7,563	2	24,289	4	27,194	4
Telecommunications	-	-	-	-	108,915	18	100,000	13
Energy	-	-	2,163	1	-	-	2,163	-
Manufacturing	8,015	3	13,052	3	474	-	634	-
Mining	1,903	1	2,012	1	-	-	-	-
Private motor vehicle (includes staff loans)	1,069	-	1,078	-	31	-	369	-
Private others (includes staff loans)	97,714	40	121,851	31	12,501	2	13,656	2
Professional and business services	17,715	7	18,486	5	-	-	-	-
Public enterprise	-	-	1,310	-	-	-	1,310	-
Real estate development	62,646	25	61,760	16	57,490	10	55,220	7
Transport and storage	2,848	1	5,015	1	201	-	208	-
Wholesale and retail	8,876	4	7,150	2	-	-	-	-
Tourism	1,093	-	97,975	25	316,845	53	433,897	58
Total	**247,923**	**100**	**387,833**	**100**	**594,422**	**100**	**746,146**	**100**

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3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

	Notes	Group 2011 $000	Group 2010 $000	The Fund 2011 $000	The Fund 2010 $000
Financial assets					
Term deposits	11	244,228	241,937	232,435	217,647
Government securities	12	2,133,192	2,038,692	2,063,397	1,971,679
Other fixed interest securities	13	365,867	356,481	365,867	356,481
Loans and advances	14	235,969	320,070	393,494	466,395
Equities	15	72,820	74,384	63,540	59,792
Investments in subsidiaries	16(a)	-	-	276,209	269,680
Investment in associate	16(b)	3,103	-	-	-
Cash and cash equivalents	19	223,559	65,807	182,072	41,765
Trade receivables	20	23,108	31,246	-	-
Other receivables and assets	24	88,946	89,059	58,896	58,290
		3,390,792	3,217,676	3,635,910	3,441,729

(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 pay member funds when they are withdrawn. The consequence may be the failure to meet obligations to repay members and fulfil commitments to lend.

The Group is indirectly restricted by the exchange controls of RBF in terms of offshore investments (RBF has imposed limit on amounts that can be invested offshore). 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 the risk that these investments may not be readily liquidated as the capital market in Fiji is 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.

The individual Group entities' 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.

For maturity analysis on Creditors and Borrowings, refer Note 26.

3. Financial risk management (continued)

3.2 Capital risk management

The capital of the Fund is represented by the net assets available to pay benefits to its members. The amount of net assets available to pay benefits to its members can change significantly on a daily basis as the Fund receives contributions and pays benefits to members on a daily basis. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns and benefits to its members and to maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Fund's policy is to, monitor the level of monthly contributions income and benefits payable relative to the assets it expects to be able to liquidate and adjust the amount for investments and interest credited to the members account at the end of each reporting period.

The Board members and executive management monitor capital on the basis of the value of net assets available to pay benefits.

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.
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 private 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. Valuations are carried out either in-house or by the independent experts. Methods used are a combination of discounted cashflow analysis, net assets, capitalization of dividends and capitalization of future maintainable earnings.

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

(c) *Impairment of trade receivable*
Impairment of trade 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.

(e) *Actuarial present value of accrued benefits*
The Fund determines the actuarial present value of the accrued benefits using economic and demographic assumptions, and taking into account likely future macroeconomic conditions and the recent experience of the Fund.

Using the assumptions, the value of all future benefits payable from the Fund is calculated year by year, allowing for future interest crediting rates and pension increases (if any), until all benefits accrued to the valuation date have been paid.
The annual benefit payments are then discounted to the valuation date, based on the assumed rate of future investment returns. Future investment return is assumed to be 7% (2010: 7%) and discount rate used is 6.5% (2010: 6.5%).
Actuarial present value of accrued benefits for the Fund is determined by Mercer (Australia) Pty Ltd.

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5. Fair Value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Consolidated				
Balance as at 30 June 2010				
Financial assets at fair value through profit & loss	43,573	18,241	15	61,829
Available for sale financial assets	4,617	3,806	4,132	12,555
	48,190	22,047	4,147	74,384
Balance as at 30 June 2011				
Financial assets at fair value through profit & loss	47,281	16,816	15	64,112
Available for sale financial assets	4,467	3,154	1,087	8,708
	51,748	19,970	1,102	72,820
The Fund				
Balance as at 30 June 2010				
Financial assets at fair value through profit & loss	41,536	18,241	15	59,792
Balance as at 30 June 2011				
Financial assets at fair value through profit & loss	46,709	16,816	15	63,540

The following table reconciles the Fund's and the Group's Level 3 fair value measurements from 30 June 2010 to 30 June 2011.

	Consolidated		The Fund	
	2011 $000	2010 $000	2011 $000	2010 $000
Balance at 1 July	4,147	5,094	15	15
Gain (loss) included in statements of changes in net assets	(3,045)	(947)	-	-
Balance at 30 June	1,102	4,147	15	15

6. Interest

Fixed interest securities				
- Government	161,615	137,602	161,772	137,873
- Other	25,458	24,079	25,458	24,079
Loans and advances	24,082	24,943	20,891	22,012
Term deposits	11,594	14,082	10,864	13,391
Other interest income	6,042	6,206	2,918	952
	228,791	206,912	221,903	198,307

	Consolidated		The Fund	
	2011 $000	2010 $000	2011 $000	2010 $000
7. Other revenue				
Other revenue includes the following specific items:				
Gain on sale of fixed assets and investment property	402	333	333	-
Bad debts recovered	478	43	-	-
8. Personnel expenses				
Salaries and wages	49,861	51,283	7,560	8,028
TPAF contributions	203	174	54	101
FNPF contributions	6,447	5,596	938	1,070
Other staff benefits and expenses	6,149	9,411	1,699	283
	62,660	66,464	10,251	9,482
9. Other expenses				
Auditors' remuneration : Audit - PricewaterhouseCoopers	167	137	78	71
: Audit - Other firms	138	181	-	24
: Other services - PricewaterhouseCoopers	53	75	45	51
: Other services - Other firms	165	249	37	83
Directors fees	377	372	50	27
Loss on sale of property, plant and equipment	200	200	-	94
Provision for stock obsolescence	548	887	-	-
Operating leases	6,255	4,860	-	-
Hotel operating expenses	12,291	8,908	-	-
Marketing and promotion	9,756	10,804	-	-
License fees	5,520	14,756	-	-
Electricity	5,904	4,669	511	777
Insurance	3,995	5,090	431	1,349
Repairs and maintenance	4,233	4,176	955	1,029
Reform expenses	2,162	674	2,162	674
Other operating and general expenses	45,093	38,013	4,811	6,122
	96,857	94,051	9,080	10,301

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	Consolidated		The Fund	
	2011 $000	2010 $000	2011 $000	2010 $000
10. Income tax				
(a) Income tax expense				
Prima facie income tax expense calculated at 28% (2010: 29%) on change in net assets	75,673	66,166	67,931	60,751
add/(deduct):				
Income not subject to tax/expenses not deductible	(55,693)	(63,487)	(67,931)	(60,751)
Export income allowances	(326)	(212)	-	-
Effect of change in tax rate	-	(230)	-	-
Investment allowances	(9,934)	(6,854)	-	-
Tax losses and temporary differences not recognised as deferred tax assets	7,706	7,423	-	-
Tax losses and temporary differences not previously brought to account	(78)	1,659	-	-
Under provision in prior year	403	438	-	-
Others	40	(24)	-	-
	17,791	4,879	-	-
Income tax expense is made up of:				
Current income tax expense	11,031	9,496	-	-
Deferred tax expense/ (benefit)	6,357	(5,055)	-	-
Under provision in prior years	403	438	-	-
	17,791	4,879	-	-
(b) Income tax payable				
Movements during the year were as follows:				
Balance at the beginning of the year	5,525	10,736	-	-
Income taxes paid	(9,435)	(15,145)	-	-
Under provision in prior years	403	438	-	-
Current income tax expense	11,031	9,496	-	-
Balance at the end of the year	7,524	5,525	-	-
(c) Deferred tax liabilities				
Provision for deferred income tax comprises the following at 28%:				
Deferred expense	22	14	-	-
Depreciation of property, plant and equipment	32,674	31,268	-	-
Unrealised exchange gain	297	501	-	-
	32,993	31,783	-	-

	Consolidated		The Fund	
	2011 $000	2010 $000	2011 $000	2010 $000
10. Income tax (continued)				
(d) Deferred tax assets				
Provision for deferred income tax comprises the following at 28%:				
Provision for inventory obsolescence	976	832	-	-
Deferred revenue	119	112	-	-
Employee entitlements	1,685	2,355	-	-
Provision for impairment and doubtful debts	3,048	3,296	-	-
Tax losses	11,018	15,292	-	-
Depreciation of property, plant and equipment	16	235	-	-
Other	545	408	-	-
	17,407	22,530	-	-

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

(e) Deferred tax assets not brought to account				
Tax losses carried forward	16,217	5,621	-	-
Provision for impairment and doubtful debts	17,249	-	-	-
Depreciation of property, plant and equipment	795	2,365	-	-
	34,261	7,986	-	-

The above deferred tax assets have not been brought to account as their realisation is not probable.

Pursuant to a letter from the Minister of Finance dated 16 September 2010 approving full SLIP to one of the Fund's subsidiary, Natadola Bay Resort Limited, the subsidiary is exempt from income tax on profits derived from the operations of the resort for a period of 20 years. The final approval took effect from 18 May 2009 which was the first day of the commercial operations for the resort.

Given that the subsidiary is exempt from income tax for a period of 20 years, no deferred tax assets in relation to accumulated tax losses have been brought to account. Under the existing income tax laws, tax losses may only be carried forward for 8 years. The Directors of the subsidiary believe that by virtue of the resort profits being exempt from income tax for the above period, the above losses would expire before the end of the tax exemption period. Consequently the subsidiary will not be able to generate sufficient taxable profits in order to utilise the tax losses. For these reasons, the tax losses are also not reflected in the above tax losses carried forward amount.

11. Term Deposits				
Local banks and financial institutions– local currency	184,793	225,940	173,000	201,650
Other banks – foreign currency	59,435	15,997	59,435	15,997
	244,228	241,937	232,435	217,647
Represented as:				
Less than or equal to 3 months	24,007	57,048	24,007	57,048
3 to 12 months	162,351	125,520	150,926	101,599
1 to 5 years	57,870	59,369	57,502	59,000
	244,228	241,937	232,435	217,647

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	Consolidated		The Fund	
	2011 $000	2010 $000	2011 $000	2010 $000
12. Government securities				
Fiji Government Registered Stock	2,123,482	2,038,692	2,053,687	1,971,679
Treasury Bills	9,710	-	9,710	-
	2,133,192	2,038,692	2,063,397	1,971,679
Represented as:				
Less than or equal to 3 months	49,095	43,063	49,095	40,253
3 to 12 months	113,578	118,681	112,158	113,981
1 to 5 years	439,199	489,967	434,769	486,037
Greater than 5 years	1,531,320	1,386,981	1,467,375	1,331,408
	2,133,192	2,038,692	2,063,397	1,971,679

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

Fiji Government Registered Stock	2,448,515	2,078,658	2,386,402	2,012,856

13. Other fixed interest securities				
Promissory notes	10,380	8,553	10,380	8,553
Bonds	320,616	347,928	320,616	347,928
Foreign Bonds	34,871	-	34,871	-
	365,867	356,481	365,867	356,481
Represented as:				
Less than 3 months	35,828	16,842	35,828	16,842
3 to 12 months	36,942	48,263	36,942	48,263
1 to 5 years	150,926	180,076	150,926	180,076
Greater than 5 years	142,171	111,300	142,171	111,300
	365,867	356,481	365,867	356,481

Other local 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 bonds, determined by indicative prices quoted by the Reserve Bank of Fiji are as follows:

Bonds	387,251	353,225	387,251	353,225

	Consolidated		The Fund	
	2011 $000	2010 $000	2011 $000	2010 $000
14. Loans and advances				
Loans and advances (quasi-government)	23,210	61,048	23,210	61,048
Loans to subsidiaries (Note 34(b))	-	-	523,864	528,863
Customer term loans	221,400	316,946	45,704	148,217
Staff loans	3,313	9,839	1,644	8,018
	247,923	387,833	594,422	746,146
Provision for impairment	(11,954)	(67,763)	(200,928)	(279,751)
	235,969	320,070	393,494	466,395
Represented as:				
Less than or equal to 3 months	22,709	30,089	21,156	27,304
3 to 12 months	93,350	110,964	145,730	163,239
1 to 5 years	47,518	142,794	118,372	191,362
Greater than 5 years	84,346	103,986	309,164	364,241
	247,923	387,833	594,422	746,146

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.
- Loans to subsidiaries – Usually a first charge and third party mortgage is obtained. For a subsidiary, Natadola Bay Resort Limited, the loan is largely unsecured. Refer below for further comments.
- 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.

Loan for Momi Bay Development
The Fund had advanced loans totaling $99,712,215 towards the above development. The development did not go as planned and remains incomplete. Securities for the loan included the hotel and golf development and residential land for resale. Up until 30 June 2010, the Fund had made impairment provisions totaling $55,000,000 and had repossessed the loan securities which were then put to auction in order to recover the loan amount. Offers received were not acceptable to the Fund.

During the year, with the assistance of the Momi Bay Development Decree 2010, the Fund managed to successfully complete the foreclosure exercise. Upon foreclosure, the loan carrying amount of $44,712,215 was derecognized and a corresponding asset (recognising that the Fund now had control of the incomplete development) was recognised. The management and the Board assessed the carrying value of the loan to be the fair value of the underlying assets at the time the transaction was recorded. Consequently, $44,712,215 was recognised as Other non-financial asset on the statement of net assets.

Natadola Bay Resort Limited (NBRL)
FNPF has provided loans totaling $302,830,241 (2010: $305,852,865) to NBRL. There are no loan agreements executed as at year end for any of the loans to NBRL and security over the loans is limited to comprehensive insurance cover over the property and improvement thereon with FNPF's interest noted thereon. Further details on the loan are in Note 34 (b).
In 2009, a provision for impairment of $220,911,285 was raised against the loan based on FNPF's assessment of the loan's recoverable amount. As at 30 June 2011, an independent valuation was done on NBRL's property, plant and equipment and property held for development, the details of which are in Notes 23 and 18. Based on the valuation, the provision for impairment was revised such that the carrying value of the loan equated the new valuation amount of $105,195,001. The provision was accordingly reversed by $23,276,045 and the reversal has been taken to the statement of changes in net assets.

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14. Loans and advances (continued)
Movements in the provision for impairment – **Consolidated** are as follows:

	Loans & advances $000	Loans to subsidiaries $000	Customer term loans $000	Staff loans $000	Total $000
Collectively Assessed Provisions					
Balance as at 1 July 2009	3,607	-	18	-	3,625
New and increased provisioning	-	-	109	1,031	1,140
Provision no longer required	(3,607)	-	-	-	(3,607)
Balance as at 30 June 2010	-	-	127	1,031	1,158
New and increased provisioning	-	-	16	144	160
Bad debt written off	-	-	(69)	-	(69)
Provisions no longer required	-	-	-	(179)	(179)
Balance as at 30 June 2011	-	-	74	996	1,070
Individually Assessed Provisions					
Balance as at 1 July 2009	5,406	-	58,801	-	64,207
New and increased provisioning	-	-	3,186	-	3,186
Bad debt written off	-	-	(391)	-	(391)
Provisions no longer required	-	-	(397)	-	(397)
Balance as at 30 June 2010	5,406	-	61,199	-	66,605
Bad debt written off	-	-	(786)	-	(786)
New and increased provisioning	-	-	1,121	-	1,121
Provisions no longer required	(512)	-	(55,544)	-	(56,056)
Balance as at 30 June 2011	4,894	-	5,990	-	10,884
Total provision for impairment at 1 July 2009	9,013	-	58,819	-	67,832
Total provision for impairment at 30 June 2010	5,406	-	61,326	1,031	67,763
Total provision for impairment at 30 June 2011	4,894	-	6,064	996	11,954

14. Loans and advances (continued)

Movements in the provision for impairment – **The Fund**

	Loans & advances $000	Loans to subsidiaries $000	Customer term loans $000	Staff loans $000	Total $000
Collectively Assessed Provisions					
Balance as at 1 July 2009	-	-	-	-	-
New and increased provisioning	-	-	-	1,031	1,031
Balance as at 30 June 2010	-	-	-	1,031	1,031
Provisions no longer required	-	-	-	(35)	(35)
Balance as at 30 June 2011	-	-	-	996	996
Individually Assessed Provisions					
Balance as at 1 July 2009	1,802	220,911	56,007	-	278,720
New and increased provisioning	-	-	-	-	-
Balance as at 30 June 2010	1,802	220,911	56,007	-	278,720
Provisions no longer required	(512)	(23,276)	(55,000)	-	(78,788)
Balance as at 30 June 2011	1,290	197,635	1,007	-	199,932
Total provision for impairment at 1 July 2009	1,802	220,911	56,007	-	278,720
Total provision for impairment as 30 June 2010	1,802	220,911	56,007	1,031	279,751
Total provision for impairment as 30 June 2011	1,290	197,635	1,007	996	200,928

Total impairment provisions as at balance date are:

Collectively assessed provisions	1,070	1,158	996	1,031
Individually assessed provisions	10,884	66,605	199,932	278,720
	11,954	67,763	200,928	279,751

15. Equities

Local equities	42,761	41,933	28,602	26,114
Unit trusts	16,816	18,241	16,816	18,241
Kula Fund – foreign currency	872	1,192	872	1,192
Overseas equities	19,203	16,198	19,203	16,198
Accumulated impairment provision	(6,832)	(3,180)	(1,953)	(1,953)
	72,820	74,384	63,540	59,792

Equity investments are valued in accordance with note 2.10 to the financial statements.

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	Consolidated 2011 $000	Consolidated 2010 $000	The Fund 2011 $000	The Fund 2010 $000
16. (a) Investment in subsidiaries				
Investments in subsidiaries	-	-	447,708	447,708
Accumulated impairment provision	-	-	(171,499)	(178,028)
	-	-	276,209	269,680

Investment in subsidiaries consists of the following:

Name	Principal Activities	Balance Date	2011 Cost $000	2011 Impairment $000	2010 Cost $000	2010 Impairment $000
Amalgamated Telecom Holdings Limited (ATH)	Telecommunications	31 March	295,823	83,300	295,823	83,300
Home Finance Company Limited	Financing	30 June	10,634	-	10,634	-
FNPF Nominee Company Limited	Nominee services	30 June	98	-	98	-
FNPF Investments Limited	Investments	30 June	141,153	88,199	141,153	94,728
			447,708	171,499	447,708	178,028

Dividends received from the above entities for the year ended 30 June 2011 amounted to $8,506,383 (2010: $13,558,916). For ownership interests, refer Note 34 (c).

Impairment of investment in FNPF Investments Limited

The Fund has written down its investment in a subsidiary company, FNPF Investments Limited by $88,199,000 (2010: $94,728,000). The Board members of the Fund are of the view that no returns are expected from FNPF Investments Limited until the subsidiary company's financial position improves.

Impairment of investment in Amalgamated Telecom Holdings Limited (ATH)

The above impairment was recorded in 2006. Based on an independent valuation done in the current year, the Board has reassessed the recoverable amount of the investment and have concluded that no further impairment is necessary.

16. (b) Investment in associate

Grand Pacific Hotel Limited (GPHL)				
At cost	3,609	-	-	-
Allowance for impairment	(506)	-	-	-
	3,103	-	-	-

FNPF Investments Limited, a subsidiary of FNPF sold down its interest in GPHL to 25% of GPHL's issued capital as at 30 June 2011. A loss of $1,515,570 was incurred, which has been reflected in the current year results. The balance of investment in GPHL is now reflected as an investment in associate.

	Consolidated		The Fund	
	2011 $000	2010 $000	2011 $000	2010 $000
17. Investment properties				
Balance as at 1 July	138,494	85,228	84,684	83,494
Acquisitions	3,326	1,068	3,326	1,068
Net transfers from property, plant and equipment	-	52,397	-	19
Disposals	(1,333)	(57)	(870)	-
Depreciation	(687)	(245)	-	-
Fair value adjustments	(1,385)	103	(1,385)	103
Balance as at 30 June	138,415	138,494	85,755	84,684

Included in the 2010 net transfers from property, plant and equipment is $52,377,463 which relates to a property owned by a subsidiary, Penina Limited.

18. Property held for development				
Opening carrying value	9,290	2,067	-	-
Additions	69	-	-	-
Impairment recorded during the year	(1,518)	(2,067)	-	-
	7,841	-	-	-
Value attributed to the asset	-	9,290	-	-
Closing carrying value	7,841	9,290	-	-

Pursuant to the Natadola Bay Decree 2010 which came into effect in the last financial year, Land held for development which was previously under the control of Natadola Land Holdings Limited (NLHL) was deemed to have been transferred to Natadola Bay Resort Limited's (NBRL) ownership. The titles, which are still under the NLHL's name, are in the process of being transferred to NBRL's name. The $9,290,000 initially brought to account last year was based on an independent valuation done in early 2010.

As at 30 June 2011, an independent valuation of the Residential land held for development was carried out by Mr Allen Beagley (ANZIV), of Bayleys Valuation Limited. Based on the valuation, an impairment loss amounting to $1,517,880 was recognised to bring the carrying value down to the valuation amount of $7,840,904.

19. Cash				
Cash at bank	221,909	62,054	181,721	41,415
Cash on hand and with agents	351	350	351	350
Deposits at call	1,299	3,403	-	-
	223,559	65,807	182,072	41,765
20. Trade receivables				
Trade receivables	41,634	49,766	-	-
Unearned income	(1,337)	(1,238)	-	-
Provision for impairment	(17,189)	(17,282)	-	-
	23,108	31,246	-	-
21. Inventories				
Consumables and finished goods	14,447	14,267	-	-
Allowances for obsolescence	(3,537)	(2,990)	-	-
	10,910	11,277	-	-
Goods in transit	572	174	-	-
	11,482	11,451	-	-

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	Consolidated		The Fund	
	2011 $000	2010 $000	2011 $000	2010 $000
22. Intangible assets				
Software costs	9,677	10,808	347	179
Movie productions and audio visual copyright	-	-	-	-
Goodwill on consolidation	115,860	115,860	-	-
Management rights	12,000	13,500	-	-
Indefeasible rights of use capacity	16,548	-	-	-
	154,085	140,168	347	179
Represented by:				
Software costs				
Cost				
Balance at the beginning of the year	33,847	3,117	3,294	3,091
Additions during the year	1,503	13,423	300	208
Disposals during the year	-	(5)	-	(5)
Transfers from property, plant and equipment	-	17,312	-	-
Balance at the end of the year	35,350	33,847	3,594	3,294
Amortisation and impairment				
Balance at the beginning of the year	23,039	3,113	3,115	3,091
Amortisation charge for the year	132	24	132	24
Impairment charge for the year	2,502	2,980	-	-
Transfers from property, plant and equipment	-	16,922	-	-
Balance at the end of the year	25,673	23,039	3,247	3,115
Carrying amount				
At the beginning of the year	10,808	4	179	-
At the end of the year	9,677	10,808	347	179

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

Movie productions and audio visual copyright				
Gross carrying amount				
Opening balance	18,272	21,923	-	-
Disposals during the year	-	(3,651)	-	-
Closing balance	18,272	18,272	-	-
Accumulated impairment allowance				
Opening balance	18,272	21,923	-	-
Impairment charge for the year	-	(3,651)	-	-
Balance at end of year	18,272	18,272	-	-
Net carrying amount				
At beginning of the year	-	-	-	-
At end of the year	-	-	-	-

Movie productions
Investments in movie productions comprise 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.

22. Intangible assets (continued)

Movie productions and audio visual copyright (continued)

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	
	2011 $000	2010 $000	2011 $000	2010 $000
Goodwill on consolidation				
Cost				
Balance at the beginning of the year	205,116	205,116	-	-
Balance at the end of the year	205,116	205,116	-	-
Accumulated impairment allowance				
Balance at the beginning of the year	89,256	89,256	-	-
Impairment charge for the year	-	-	-	-
Balance at the end of the year	89,256	89,256	-	-
Carrying value				
At the beginning of the year	115,860	115,860	-	-
At the end of the year	115,860	115,860	-	-

The carrying value of the goodwill comprises of $110,636,465 (net of $89,051,000 of impairment) in relation to the Fund's investment in Amalgamated Telecom Holdings Limited and $5,223,535 in relation to FNPF Hotel Resorts Limited. The Board is of the opinion that, after appropriate assessment, no further impairment is considered necessary.

Management rights				
Cost				
Balance at the beginning of the year	30,000	30,000	-	-
Balance at the end of the year	30,000	30,000	-	-
Amortisation				
Balance at the beginning of the year	16,500	15,000	-	-
Amortisation charge for the year	1,500	1,500	-	-
Balance at the end of the year	18,000	16,500	-	-
Carrying value				
At the beginning of the year	13,500	15,000	-	-
At the end of the year	12,000	13,500	-	-

A management agreement between the Government of Fiji 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 as part of the Fund's acquisition of ATH, accordingly control over the transfer of this right lies with the Fund.

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22. Intangible assets (continued)

	Consolidated		The Fund	
	2011 $000	2010 $000	2011 $000	2010 $000
Indefeasible rights of use capacity				
Cost				
Balance at the beginning of the year	-	-	-	-
Additions during the year	17,145	-	-	-
Balance at the end of the year	17,145	-	-	-
Amortisation				
Balance at the beginning of the year	-	-	-	-
Amortisation charge for the year	597	-	-	-
Balance at the end of the year	597	-	-	-
Carrying amount				
At the beginning of the year	-	-	-	-
At the end of the year	16,548	-	-	-

Indefeasible Rights of Use ("IRU") capacity relates to the lease of IRU network capacity by a sub-subsidiary, Telecom Fiji Limited for a period of 3 years (for IP Transit) and 10 years (for STM-1 and STM-4) via Australia and USA links. The IRU network capacity is capitalised to intangible assets, and is amortised over the contract periods. Where estimated useful lives or recoverable values have diminished due to technological change or market conditions, amortisation is accelerated.

23. 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
Cost											
Balance at the beginning of the year	35,823	49,963	274,132	606,669	1,780	4,314	54,313	19,430	32,910	27,929	1,107,263
Reclassification of opening balance	-	-	-	-	-	-	71	206	(277)	-	-
Acquisitions	1,369	429	2,502	1,101	619	317	1,976	710	784	51,384	61,191
Disposals	-	-	(26)	-	-	-	(250)	(124)	(262)	-	(662)
Transfer	-	276	-	66,655	-	-	4,709	-	1,673	(73,313)	-
Adjustment applied against accruals	(14)	-	(595)	-	-	-	-	-	-	-	(609)
Consumed during the year	-	-	-	-	(785)	-	-	-	-	(148)	(933)
Disposal of investment in subsidiary	-	-	(8,430)	-	-	-	-	-	(15)	(5,215)	(13,660)
Balance at the end of the year	37,178	50,668	267,583	674,425	1,614	4,631	60,819	20,222	34,813	637	1,152,590
Accumulated impairment											
Balance at the beginning of the year	23,873	-	191,425	10,406	-	-	310	-	9,555	4,379	239,948
Reversal of impairment	1,390	-	(28,482)	(845)	146	18	-	-	(2,393)	-	(30,166)
Disposal of investment in subsidiary	-	-	-	-	-	-	-	-	-	(4,379)	(4,379)
Balance at the end of the year	25,263	-	162,943	9,561	146	18	310	-	7,162	-	205,403
Accumulated depreciation/amortisation											
Balance at the beginning of the year	303	20,687	5,429	351,352	-	2,110	35,914	12,114	13,930	-	441,839
Depreciation/amortisation charge for the year	129	1,755	1,903	44,435	-	471	6,008	3,430	2,311	-	60,442
Disposal of investment in subsidiary	-	-	(81)	-	-	-	-	-	(7)	-	(88)
Disposals	-	-	-	-	-	-	(244)	(121)	(45)	-	(410)
Balance at the end of the year	432	22,442	7,251	395,787	-	2,581	41,678	15,423	16,189	-	501,783
Carrying amount											
At the beginning of the year	11,647	29,276	77,278	244,911	1,780	2,204	18,089	7,316	9,425	23,550	425,476
At the end of the year	11,483	28,226	97,389	269,077	1,468	2,032	18,831	4,799	11,462	637	445,404

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23. Property, plant and equipment – Consolidated (continued)

Assets owned by Natadola Bay Resort Limited (NBRL)

As at 30 June 2011, an independent valuation of the Intercontinental Fiji Golf Resort and Spa, Golf Course and Residential Development was carried out by Mr Allen Beagley (ANZIV), of Bayleys Valuation Limited. Based on the valuation, an impairment reversal of property, plant and equipment amounting to $29,485,650 was recognised to align the carrying value to the valuation amount of $97,354,097.

The land on which the Hotel and Golf Course has been constructed is registered under a related company. The Natadola Bay Decree 2010 provided for the deemed transfer of all titles and leases granted previously to related companies to Natadola Bay Resort Limited. As at balance date, the titles and leases are in the process of being transferred to NBRL's name.

23. Property, plant and equipment – The Fund

	Freehold Land $000	Leasehold Land $000	Buildings at valuation $000	Office equipment $000	Motor vehicles $000	Furniture & equipment $000	Work in vehicles $000	Total $000
Cost								
Balance at the beginning of the year	371	119	10,808	5,468	1,263	1,178	78	19,285
Reclassification of opening balance	-	-	(116)	-	-	116	-	-
Additions	-	-	429	468	328	220	-	1,445
Disposals	-	-	-	(155)	(121)	(43)	(3)	(322)
Balance at the end of the year	371	119	11,121	5,781	1,470	1,471	75	20,408
Accumulated depreciation/amortisation								
Balance at the beginning of the year	-	97	2,440	3,281	666	833	-	7,317
Depreciation/amortisation charge for the year	-	3	143	833	260	167	-	1,406
Disposals	-	-	-	(153)	(121)	(42)	-	(316)
Balance at the end of the year	-	100	2,583	3,961	805	958	-	8,407
Carrying amount								
Balance at 1 July 2010	371	22	8,368	2,187	597	345	78	11,968
Balance at 30 June 2011	371	19	8,538	1,820	665	513	75	12,001

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	Consolidated		The Fund	
	2011 $000	2010 $000	2011 $000	2010 $000
24. Other receivables and assets				
Contributions receivable	8,210	8,971	8,210	8,971
Provision for impairment	(5,257)	(3,888)	(5,257)	(3,888)
	2,953	5,083	2,953	5,083
Interest receivable	49,551	44,629	49,475	44,574
Dividends receivable	677	804	4,264	6,984
Rent receivable	142	232	142	232
Provision for impairment	(71)	(80)	(71)	(80)
	71	152	71	152
Accrued revenue	4,734	3,745	-	-
Receivable from related parties	1,664	1,396	730	168
Deferred expense	78	51	-	-
Other deposits and receivables	31,465	35,177	1,403	1,329
Provision for impairment	(2,247)	(1,978)	-	-
	35,694	38,391	2,133	1,497
	88,946	89,059	58,896	58,290

The carrying value of other receivables and assets 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:

Balance as at 1 July 2009	4,233	403	1,043
New and increased provisioning	-	-	935
Provisions reversed	(345)	(323)	-
Balance as at 30 June 2010	3,888	80	1,978
New and increased provisioning	1,369	46	269
Bad debts written off	-	(55)	-
Provisions reversed	-	-	-
Balance as at 30 June 2011	5,257	71	2,247

24. Other receivables and assets (continued)

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

	Contributions receivables $000	Rent receivable $000
Balance as at 1 July 2009	4,233	403
Provision no longer required	(345)	(323)
Balance as at 30 June 2010	3,888	80
New and increased provisioning	1,369	46
Bad debts written off	-	(55)
Provision no longer required	-	-
Balance as at 30 June 2011	5,257	71

Total impairment losses charged to expenses is $1,415,000 (2010: reversed to expenses - $668,000)

25. Other non-financial asset

Foreclosed Momi Bay assets		44,712	-	44,712	-

The above represents the fair value of the assets underlying the Momi Bay Development. Please refer to Note 14 for background details. The assets consist of an incomplete hotel and golf development and residential land for resale. The Fund has undertaken to complete this project itself and is currently working with various parties on the development plans. The management and the Board have assessed the above to be the fair value of the assets as at the balance date.

26. Creditors and borrowings

Sundry creditors and accruals		100,538	96,015	4,670	7,273
Bank overdraft	32(a)	6,590	11,597	-	847
Finance lease	33(e)	1	1	-	-
Due to related parties		3,390	4,763	-	-
Customer deposits – unsecured		95,862	78,090	-	-
		206,381	190,466	4,670	8,120
Represented as:					
Less than or equal to 3 months		38,566	66,431	4,670	8,120
3 to 12 months		112,259	72,459	-	-
1 to 5 years		18,945	46,351	-	-
Greater than 5 years		36,611	5,225	-	-
		206,381	190,466	4,670	8,120

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

Fiji National Provident Fund and its subsidiaries
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26. Creditors and borrowings (continued)

Bank overdraft

The bank overdraft of a sub-subsidiary, Vodafone Fiji Limited is unsecured and repayable on demand and subject to effective interest rate of 5.96% per annum.

The bank overdraft of a sub-subsidiary, Telecom Fiji Limited is secured by 1st registered mortgage over all assets and undertakings of the company with priority up to $10m. The facility is subject to interest at the rate of 6.3% per annum.

Customer Deposits - unsecured

This represents fixed term and at call deposits with Home Finance Company Limited.

27. Other liabilities

Deposits	5,797	5,871	918	812
Other deferred revenue	13,297	15,209	-	-
Provision for dividends	12,048	18,750	-	-
Pensions payable	1,630	1,568	1,630	1,568
Other payables	1,250	51	-	-
	34,022	41,449	2,548	2,380

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

28. Employee entitlements

Annual leave	2,221	1,936	340	499
Long service leave and gratuity	186	207	107	100
Retirement benefits	2,285	1,890	2,061	1,690
Bonus	4,619	6,930	616	-
	9,311	10,963	3,124	2,289
As at 1 July 2010	10,963	10,488	2,289	2,104
Additional provisions recognised	4,410	7,768	1,211	452
Paid during the year	(6,062)	(7,293)	(376)	(267)
Carrying amount as at 30 June 2011	9,311	10,963	3,124	2,289
Current	8,095	8,638	2,157	1,457
Non-current	1,216	2,325	967	832
Total	9,311	10,963	3,124	2,289

(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 2.17. The Group expects a significant portion of the above balance to be settled in the next 5 years.

	Notes	Consolidated 2011 $000	Consolidated 2010 $000	The Fund 2011 $000	The Fund 2010 $000
29. Net assets available to pay benefits					
Net assets available to pay benefits		3,785,856	3,551,495	3,768,383	3,525,771
Represented by:					
Liability for accrued benefits	30	2,997,319	2,849,668	2,997,319	2,849,668
Retained earnings	29 (a)	(353,718)	(375,195)	-	-
General Reserve Account	29 (b)	1,140,424	1,075,266	771,064	676,103
Available for sale reserve	29 (c)	218	(93)	-	-
Credit loss reserve	29 (d)	1,613	1,510	-	-
Asset revaluation reserve	29 (e)	-	339	-	-
		3,785,856	3,551,495	3,768,383	3,525,771
(a) Retained earnings					
Balance at the beginning of the year		(375,195)	(351,112)	-	-
Add transfers (to)/from statements of changes in net assets		21,477	(24,083)	-	-
Balance at the end of the year		(353,718)	(375,195)	-	-
(b) General Reserve Account (GRA)					
Balance at the end of the year		1,140,424	1,075,266	771,064	676,103
GRA comprises of the following reserves:					
Special death benefit reserve		18,073	15,822	18,073	15,822
Pension buffer reserve		81,447	107,284	81,447	107,284
General reserve		1,040,904	952,160	671,544	552,997
		1,140,424	1,075,266	771,064	676,103
The movements in the above reserves are as follows:					
Special death benefit reserve					
Balance at the beginning of the year		15,822	14,067	15,822	14,067
Add/(less) transfers from/(to) statements of changes in net assets:					
Transfer from	31	10,071	9,707	10,071	9,707
Transfer to	31	(7,820)	(7,952)	(7,820)	(7,952)
Balance at the end of the year		18,073	15,822	18,073	15,822

The amounts transferred to the Special Death Benefit Reserve of $10,071,000 (2010: $9,707,000) represent deductions of $35 (2010: $35) or less from the account of each entitled member.

The amounts transferred from the Special Death Benefit Reserve of $7,820,000 (2010: $7,952,000) represent disbursements to the nominees of those members who died during the year of $8,500 (2010: $8,500) per member. These disbursements are in addition to the amounts standing to the deceased member's credit.

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	Notes	Consolidated 2011 $000	Consolidated 2010 $000	The Fund 2011 $000	The Fund 2010 $000
29. Net assets available to pay benefits (continued)					
(b) General Reserve Account (GRA) (continued)					
Pension buffer reserve					
Balance at the beginning of the year		107,284	128,606	107,284	128,606
Add/(less) transfers from/(to) statements of changes in net assets:					
Transfer from	31	23,266	25,438	23,266	25,438
Transfer to	31	(49,103)	(46,760)	(49,103)	(46,760)
Balance at the end of the year		81,447	107,284	81,447	107,284

The amounts transferred to the Pension Buffer Reserve relate to members who have opted for annuities during the year of $23,266,000 (2010: $25,438,000).

The amounts transferred from the Pension Buffer Reserve of $49,103,000 (2010: $46,760,000) represent payment of annuities during the year.

General reserve					
Balance at the beginning of the year		952,160	875,599	552,997	484,511
Add transfers from liability for accrued benefits	30	10,104	-	10,104	-
Add transfers from statements of changes in net assets	31	78,640	76,561	108,443	68,486
Balance at the end of the year		1,040,904	952,160	671,544	552,997
(c) Available for sale reserve					
Balance at the beginning of the year		(93)	1,167	-	-
Fair value movements		311	(1,260)	-	-
Balance at the end of the year		218	(93)	-	-
(d) Credit loss reserve					
Balance at the beginning of the year		1,510	1,333	-	-
Movements during the year		103	177	-	-
Balance at the end of the year		1,613	1,510	-	-
(e) Asset revaluation reserve					
Balance at the beginning of the year		339	339	-	-
Movements during the year		(339)	-	-	-
Balance at the end of the year		-	339	-	-

Asset revaluation reserve represented valuation increment on leasehold land and buildings in a subsidiary. During the year, the investment in subsidiary was sold and hence the reserve has been reversed.

	Notes	Consolidated 2011 $000	Consolidated 2010 $000	The Fund 2011 $000	The Fund 2010 $000
30. Liability for accrued benefits					
Balance at the beginning of the year		2,849,668	2,689,101	2,849,668	2,689,101
Less transfers to general reserve	29(b)	(10,104)	-	(10,104)	-
Add transfers from statements of changes in net assets	30(b)	157,755	160,567	157,755	160,567
Balance at the end of the year		2,997,319	2,849,668	2,997,319	2,849,668
(a) Allocation of Benefits					
Allocated to Members' Accounts		2,989,860	2,843,986	2,989,860	2,843,986
Unallocated to Members' Account		7,459	5,682	7,459	5,682
		2,997,319	2,849,668	2,997,319	2,849,668

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries and has been calculated in accordance with Note 2.22.

(b) Benefits accrued during the year				
Contributions received	303,518	292,267	303,518	292,267
Benefits paid	(309,509)	(277,486)	(309,509)	(277,486)
Interest credited to members' accounts	133,627	121,170	133,627	121,170
Interest on withdrawals	6,533	5,049	6,533	5,049
Net amounts transferred from 'Special Death Benefit' and 'Pension Buffer' reserve	23,586	19,567	23,586	19,567
	157,755	160,567	157,755	160,567

The Board has declared an annual interest rate of 5.25% to be credited to the members' accounts as at reporting date (2010: 5%).

(c) Benefits paid during the year				
1 - 55 years and over	120,679	86,862	120,679	86,862
2 - Death	10,739	11,572	10,739	11,572
3 - Disability	3,613	2,384	3,613	2,384
4 - Migration	31,931	24,688	31,931	24,688
5 - Marriage	-	1	-	1
6 - Non-Citizens migrating	5,132	5,613	5,132	5,613
7-8 - Partial/Small Business Equity Scheme	45,171	61,737	45,171	61,737
9 - Housing transfers	33,324	29,134	33,324	29,134
Pension Annuity	49,103	46,760	49,103	46,760
Special Death Benefit costs	9,817	8,735	9,817	8,735
	309,509	277,486	309,509	277,486

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	The Fund 2011 $000	The Fund 2010 $000
30. Liability for accrued benefits (continued)		
(d) Actuarial valuation		
Net assets available for benefits	3,768,383	3,525,771
Actuarial present value of accrued benefits		
Vested benefits for current workers	3,015,107	2,871,291
Vested benefits for pensioners	565,220	536,183
Non-vested benefits	64,097	62,308
Total actuarial present value of accrued benefits	3,644,424	3,469,782
Excess	123,959	55,989

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

31. Net change for the year

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

Change in net assets for the year attributable to members of the Fund	242,612	209,486
(Less)/ Add net transfers (to)/from:		
Liability for accrued benefits	(157,755)	(160,567)
Special death benefit	(2,251)	(1,755)
Pension buffer	25,837	21,322
General reserve	(108,443)	(68,486)
	(242,612)	(209,486)

32. 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 statements of cash flows is reconciled to the related items in the statement of net assets as follows:

	Notes	Consolidated 2011 $000	Consolidated 2010 $000	The Fund 2011 $000	The Fund 2010 $000
Cash and short term liquid assets	19	223,559	65,807	182,072	41,765
Short term deposits		1,000	15,848	-	-
Bank overdraft	26	(6,590)	(11,597)	-	(847)
Cash at end of financial year		217,969	70,058	182,072	40,918

(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) Investment and maturity of term deposits.

33. Commitments and contingent liabilities

(a) Commitments

Capital expenditure commitments	28,064	31,114	1,074	-
Capital Commitments approved by the directors but not yet contracted	460	10,488	460	10,488
Undrawn facilities in relation to mortgage loans	11,531	14,213	3,967	5,064
	40,055	55,815	5,501	15,552

(b) Contingent liabilities

Performance bonds	225	225	-	-
Letters of credit	-	15,627	-	-
Litigation	730	395	-	-
Guarantees	2,077	2,086	357	357
Movie investment tax incentive allowance	2,490	2,490	-	-
	5,522	20,823	357	357

The Fund provided a written undertaking to financially support Natadola Bay Resort Limited (NBRL), a subsidiary of the Fund, in meeting all its obligations as and when due, in the event NBRL is unable to do so. This includes not calling upon any of its debts totaling $302,830,241 to NBRL, other than those repayments falling under the proposed restructure referred to in Note 34(b) and waiving interest on these debts for the 2011 financial year. This support is in place for at least twelve months from 31 August 2011.

Various claims have been brought against the Fund and the Group by third parties. The Board members have obtained legal advice on these claims and are confident that no significant liability other than those that have been brought to account will eventuate.

Fiji National Provident Fund and its subsidiaries
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	Notes	Consolidated 2011 $000	Consolidated 2010 $000	The Fund 2011 $000	The Fund 2010 $000
33. Commitments and contingent liabilities (continued)					
(c) Operating lease commitments					
Total commitments for future base lease rentals are as follows:					
Not later than 1 year		3,259	2,721	-	-
Later than 1 year but not later than 5 years		7,310	10,714	-	-
Greater than 5 years		39,845	40,143	-	-
		50,414	53,578	-	-
(d) Operating lease revenue					
Non cancellable operating lease rentals are receivable as follows:					
Not later than 1 year		13,869	13,088	9,983	9,202
Later than 1 year but not later than 5 years		38,540	37,686	22,996	22,142
Greater than 5 years		75,194	79,018	42,392	42,330
		127,603	129,792	75,371	73,674
(e) Finance lease commitments					
Finance lease expenditure contracted for motor vehicle is payable as follows:					
Not later than one year		1	1	-	-

34. Related parties

(a) Related parties

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

Mr Ajith Kodagoda (Chairman)
Mr Sashi Singh
Mr Taito Waqa
Mr Tevita Kuruvakadua
Mr Tom Ricketts

34. Related parties (continued)

(b) Transactions with related parties

	Notes	Consolidated 2011 $000	Consolidated 2010 $000	The Fund 2011 $000	The Fund 2010 $000
Directors*					
Directors remuneration - fees and allowances		377	372	50	27
Other services provided to the Fund		-	-	-	-
		377	372	50	27

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. No remuneration is paid to Mr. Ajith Kodagoda and Mr. Sashi Singh. Remuneration for Mr. Taito Waqa is paid directly to Ministry of Labour.

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 – Chief Executive Officer
- Mr Jaoji Koroi – Chief Investments Officer
- Mr Alipate Waqairaiwai – Assistant General Manager Member Services
- Mr Pravinesh Singh – Acting Chief Financial Officer
- Mr Tevita Naqataleka – Assistant General Manager Prime

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

Short-term benefits	6,113	5,962	790	612
Post employment benefits	-	-	-	-
	6,113	5,962	790	612

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 individual's employment contract).
During the year, FNPF charged a subsidiary FNPF Investments Limited $347,481 (2010: $Nil) in management fees. These fees represent costs recovered by FNPF in relation to time spent by the FNPF executives on matters which relate to the subsidiary.
The transactions undertaken with related parties during the financial year were on normal commercial terms and conditions.

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34. Related parties (continued)

(b) Transactions with related parties (continued)

Transactions with other related parties
All transactions with other related parties and controlled entities except for loans to NBRL are conducted on normal 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 24 and 26.

The investments and ownership interests in subsidiary companies are disclosed in Note 16.

Loans provided to subsidiaries as contained in Note 14 are as follows:

	2011 $000	2010 $000
Natadola Bay Resort Limited	302,830	305,853
Telecom Fiji Limited	79,518	81,459
Amalgamated Telecom Holdings Limited	29,397	20,275
FNPF Investments Limited	10,887	13,157
Home Finance Company Limited	60,890	68,083
Penina Limited	40,342	40,036
	523,864	528,863
Provision for impairment	(197,635)	(220,911)
	326,229	307,952

Natadola Bay Resort Limited (NBRL)

Loans were advanced to the subsidiary, NBRL for the construction of the Intercontinental Hotel and Golf Course at Natadola.

The loan agreements for these loans have not been executed as of the balance date. According to the loan offer documents, the loan period ranges between 15 to 19 years at interest rates between 9% to 13%, which were to be reviewed after the completion of the project. Thereafter the interest rates were to be revised to reflect 1% above the 15 year FDL bond rate prevailing at the time of review. As of balance date, there has been no movement in the interest rate. The only interest charged by FNPF in the current financial year is $110,136 (2010: $17,753). All remaining interest for the year has been waived by FNPF.

According to the offer documents, the loans are to be secured by:
i) Stamping and upstamping of first registered mortgage with improvement thereon over NLTB ref. No. 50035997, part of Sanasana, Natadola Beach, Malomalo. The security has not been executed as at the balance date.
ii) First registered mortgage with improvement thereon over CL 9379. The security has not been executed as at the balance date.
iii) Stamping and upstamping of first registered debenture over NBRL. The security has not been executed as at the balance date.
iv) First Registered Mortgage over all undeveloped land owned by Natadola Land Holdings Limited. This mortgage will be discharged once the hotel is completed. Partial discharge will not be withheld when needed. The security has not been executed as at the balance date. By virtue of the Natadola Bay Decree which came in to effect during the last financial year, the undeveloped land was deemed to be transferred to NBRL.
v) Comprehensive insurance cover over the property with improvement thereon and FNPF's interest noted thereon;
vi) Loan agreement to supersede all contract agreement relating to the development of the Phase one of the Natadola Project.
vii) Contractors Side Deed. This has ceased to apply as the project works have been completed.

34. Related parties (continued)

(b) Transactions with related parties

Transactions with other related parties (continued)

Natadola Bay Resort Limited (NBRL) (continued)

viii) An equitable mortgage over the bank accounts of the Mortgagor and assignment of income arising out of the Golf Operations to be effective when arrears of obligations are outstanding. The security has not been executed as at the balance date.
ix) FNPF is to be assured that prior to the disbursement of any funds by FNPF, the Golf & Hotel Operator under the their respective Management Agreement will not be entitled to terminate such agreement if FNPF should exercise any of its power as mortgagee or debenture holder. The obligation under this clause will also extend to any agreements entered into with any manager, agent, or other relevant parties connected with the management of the golf and phase one of the project.
x) Assignment of the performance bond by ANZ Bank for Heritage Golf (Fiji) Ltd. This is no longer relevant as the works on the Golf project has been completed.
xi) Corporate Guarantee by Asia Pacific Resort International Limited, (Fiji) (APRIL). This is no longer relevant as APRIL is no longer associated with the project.

Restructure of debt
During the year, the debts have been proposed to be restructured as follows effective from 1 August 2011.

Name	Amount ($)	Term of loan	Interest rate	Interest plus principal repayment schedule
Loan 1	$60,000,000	26 years	8.00 %	- Interest only for first 12 months and principal plus interest repayment to commence from 1 August 2012.
Loan 2	$40,000,000	26.5 years	8.00 %	- Interest only for first 18 months and principal plus interest repayment to commence from 1 February 2013.
Loan 3	$202,830,111	Indefinite	Interest free	- All surpluses from Natadola Residential Development shall be applied against the outstanding balance. - All cash surpluses that are not required by NBRL for expenses other than the normal course of the business shall be applied to the outstanding balance. - FNPF reserves the right to commence charging interest and capitalising against the balance outstanding at any time in the future.

The loan agreements in respect of the above restructure have not been executed as at balance date.

Amalgamated Telecom Holdings Limited (ATH) and Telecom Fiji Limited (TFL)

Loans to TFL are secured by 2nd registered mortgage debenture over all the assets and undertakings of TFL. The interest rate on this loan varies from 3.3% to 9% per annum.

Loans to ATH were provided, to be on lent to Vodafone Fiji Limited, a subsidiary of ATH, at an initial interest rate of 4%. The loan terms were restructured during the year and the interest rate increased to 7.95%. This loan is secured by a promissory note given by Vodafone Fiji Limited.

During the year, ATH borrowed $9 million from the Fund, which is secured by an assignment of Fiji Government Registered Stocks of $9.6 million which will mature between 2012 to 2013.

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34. Related parties (continued)

(b) Transactions with related parties

Transactions with other related parties (continued)

Penina Limited

Loans were advanced to Penina Limited for the construction of a shopping complex. The above is made up of the following:

	2011	2010
FNPF Loan No.1	$31,020,523	$32,000,000
FNPF Loan No.2	$ 9,321,670	$8,035,898
	$40,342,193	$40,035,898

FNPF Loan No.1

During the year ended 30 June 2007, FNPF approved a loan facility of $32 million for the construction of the Tappoo City complex. Term loan from FNPF is subject to interest at the rate of 6%.

According to the loan agreement, only interest was payable for the first two years on a six monthly basis on the drawn amount during construction and thereafter, principal and interest on the drawn amount payable on a six monthly basis. The loan is for a term of 12 years, with repayments based on loan amortisation over 20 years, after which the remaining balance at year 12 will be refinanced or rolled over.

The semi-annual repayment of principal and interest amounting to $1,384,396 was due on 30 June 2009 as per the initial loan agreement which was subsequently extended to 31 December 2010. During the year, the company had received approval from FNPF to defer commencement of semi-annual principal and interest repayments of $1,443,572 till 31 December 2010, which was paid accordingly.

FNPF Loan No.2

During the year, FNPF Loan No. 2 was restructured. FNPF provided the offer to restructure Loan No. 2 at 6.62% interest per annum for 15 years with interest rate of 6.62% fixed for 3 years and variable thereafter, subject to annual review with interest only repayments during the first 3 years.

On 9 February 2011, Penina Limited accepted the loan offer for 1 year term as a short term solution to the funding requirement and pending the review and evaluation of funding options available to Penina Limited. This has been accepted by FNPF Management subject to FNPF Board approval.

FNPF Loan 1 and FNPF Loan 2 are secured by the following:

1. First registered mortgage over title CT 39184, and improvements thereon.
2. First registered debenture over assets of the company.
3. Insurance cover over the properties with FNPF's interest noted thereon.

FNPF Investments Limited

Loans to FNPF Investments Limited are for a period of 15 years at a fixed interest rate of 6% for the first 5 years. Thereafter the interest rate is to be revised to reflect 1% above the 15 year FDB bond rate prevailing at time of review. The loan is secured by a first registered mortgage over the property described as Holiday Inn Suva together with all improvements thereon.

34. Related parties (continued)

(b) Transactions with related parties (continued)

Transactions with other related parties (continued)

Home Finance Company Limited (HFC)

The loan is secured by HFC's undertaking on all its property. The amount is made up of a loan of $13,890,936 (2010: $16,082,526) and convertible notes of $47,000,000 (2010: $52,000,000). Interest rates for the loan vary from 2.5% to 6.75% and repayments vary upto 7 years. For the convertible notes, interest rates are pegged to the current market rate decided by the Fund and is subject to adjustment and review on an annual basis. Six monthly interest only repayments with principal repayments for the convertible loans due over a period of 15 years.

Auditors

The Fund is a compulsory superannuation scheme legislated by the FNPF Act. Section 13 of the FNPF Act requires every employer and employee to make contributions to the Fund.

The Fund's External Auditors, PricewaterhouseCoopers, are considered to be a related party by virtue of the members of the audit team being members of the Fund. Members of the audit team contribute and receive benefits on the same terms and conditions as those available to other members.

(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		
- Pacific Emerging Technologies 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%
- Yatule Beach Resort Limited*		100%
- Natadola Bay Resort Limited		100%
- FNPF Hotel Resorts Limited		100%
- Penina Limited*		51%
- Dareton Limited*		100%

* Not audited by PricewaterhouseCoopers

Fiji National Provident Fund and its subsidiaries
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For the year ended 30 June 2011

34. Related parties (continued)

(c) Group enterprises – significant subsidiaries (continued)

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 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 ATH.

35. Pension and Legislative reform

The Fund has undertaken a review of the existing pension scheme with the objective of implementing a scheme that is actuarially sound, viable and self sustaining in the long term. In December 2010, the Board appointed Mercer (Australia) Pty Ltd and Tower Watson Australia Pty Ltd to carry out an actuarial review to assess the existing pension scheme and to propose a pension conversion rate for the future. The proposed conversion rate is currently under consultation with implementation expected by 2012. The Fund is also reviewing its options with regard to the pension rates for existing pensioners.

In addition to the above, the Fund is undertaking a review of the Fiji National Provident Fund Act with a view to strengthen the governing laws by encompassing best practice provisions, particularly in the area of corporate governance and effective collection of members' contributions. Promontory Financial Group Australasia was engaged to offer technical assistance in the formulation of the legislation Policy Principle framework for the new act. The framework was taken for public consultation during the year and the Fund is presently working on draft legislation.

36. Event Subsequent to the Balance Date

(i) Subsequent to balance date, a pensioner David Furner Burness has instituted a civil action against the FNPF Board primarily seeking to stop the FNPF Pension Reforms. The two primary relief that Mr Burness is seeking is to stop any decision to reduce his current pension and he wants the Reform to be undertaken by an Independent Commission of Inquiry. There are no current orders against the FNPF. FNPF's Solicitors are in the process of responding to the civil action.

(ii) Construction of the FRCA office building was completed by Raghwan Neo Joint Venture ("RNJV") on 1 September 2008. A number of issues arose between FNPF and RNJV which were put to arbitration under the arbitration provisions of the construction contract between FNPF and RNJV. The arbitration took place on the 11th and 12th of June 2010 and the arbitrator gave his award on 22 June 2011. The Award was almost entirely in favour of the case put forward by RNJV and based (in FNPF's opinion) on a number of legal and procedural errors. After receiving external legal advice on the merits of the Award FNPF made the decision to file an originating motion with the High Court in Fiji appealing the Award. The originating motion and affidavit in support have been duly filed and the parties are now working towards meeting the timetable set out by the High Court with the first mention date set down for 7 October 2011. The appeal is a direct result of the outcome of the arbitration process which in turn was conducted under the terms of the construction contract between FNPF and RNJV in an attempt to resolve the issues arising directly from the construction of the FRCA office building by RNJV.

(iii) The Fund purchased additional land at Momi Bay for $12m in July 2011, which will be developed as part of the Momi Bay Developmnent.

Apart from the above matters and other matters specifically referred to in the financial statements, 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, to affect significantly the operations of the Fund and the Group, the results of those operations, or the state of affairs of the Fund and the Group

www.myfnpf.com.fj

Suva - Head Office
Provident Plaza Two
33 Ellery Street, Suva
Private Mail Bag, Suva, Fiji.

Phone: (679) 330 7811
Fax: (679) 330 7611

Email: information@fnpf.com.fj
Website: www.myfnpf.com.fj

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) 323 8006
Fax: (679) 672 8982

Ba Agency
Ganga Singh Street,
Ba CBD
Phone: (679) 323 8007
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