securing your future

since 1966 50 FNPF

years on

ANNUAL REPORT 2016

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Our JOURNEY

50 years of FNPF

The last five decades have been spent securing the future of our members. While there have been a few challenges along the way, the story of the Fiji National Provident Fund has largely been one of unqualified success. Good, and sometimes painful decisions, have been made over the years with the ultimate aim to benefit our members.

Progress has been embraced and innovation has been encouraged. The Fund owes much to the leaders we have had, to the support from the Government, the commercial world, our members – and to the many thousands of staff who have helped us to achieve what we have. When the Fund started, few could have anticipated the FNPF that exists today.

Initially set up as a retirement fund, the FNPF has branched out to provide other services such as housing, medical and education assistance for its members while continuing to discharge its primary objective. For many of its members, the FNPF is a lifesaver. For others the FNPF is an institution that signifies security and a comfortable future. In fact, the FNPF is exactly this and more.

The Fund has played such a crucial role in the lives of so many Fijians, from those starting their working life at just 15 years of age, to those who are 55 and retiring. For most, there is an almost lifelong relationship with the Fiji National Provident Fund.

A self-funded defined contribution fund, FNPF is mandated by law to collect compulsory contributions from employees and employers towards the retirement savings of all workers in Fiji.

Apart from retirement savings, the Fund continues to provide pre-retirement benefits that has helped many of our members purchase their homes, afford medical care and tertiary education.

The Fund has also been there in times of personal crises through funeral assistance and natural disasters as was witnessed in the aftermath of Tropical Cyclone (TC) Winston.

As at 30 June 2016, FNPF's total assets were valued at $5.1 billion, of which, $4.4 billion is the balance for our 406,065 members. This is compared with the £10,000 pounds start-up capital, loaned from the Fiji Government in 1966 and repaid the following year. In 1967, FNPF had 46,000 members.

The FNPF has grown in the last 50 years to be a major player in Fiji's financial market. Not only is it a major investor, it is also one of the country's largest property owners.

The Fund also owns majority of shares in Amalgamated Telecom Holdings Limited, Vodafone Fiji Limited, HFC Bank, and fully-owns the Natadola Bay Resort Limited (InterContinental Fiji Golf Resort & Spa), Holiday Inn Suva, Momi Bay Resort Limited and 25% of the Grand Pacific Hotel.

As it journeys into the next 50 years, FNPF has never been better positioned, stronger or more resilient.

The Fund has never looked forward with more anticipation. Tomorrow, is an exciting place for the Fund and all our members.

Our
VISION, MISSION, VALUES

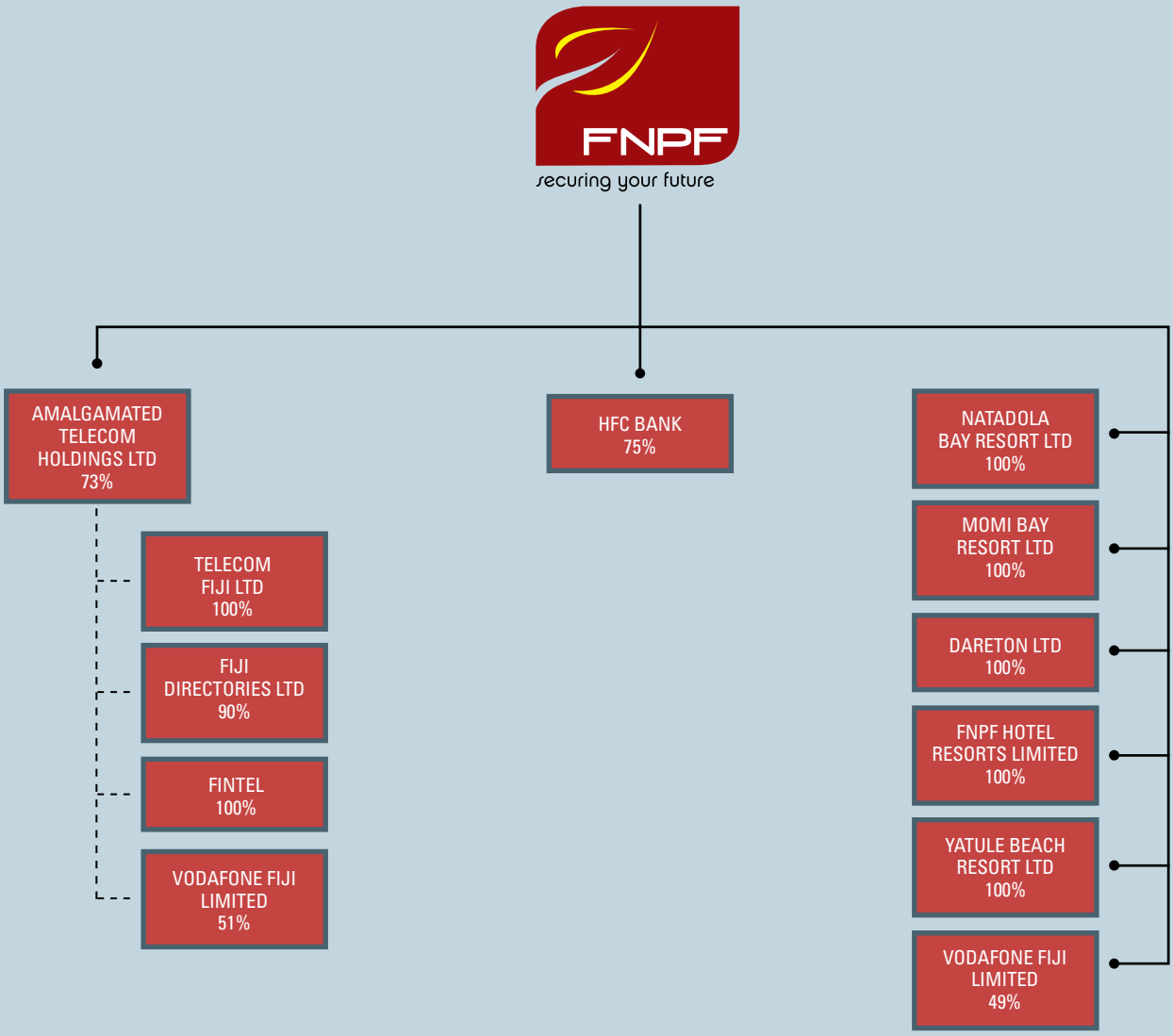
Vision:
Securing your Future

Mission:
To understand our customers, offer quality services and ensure sustainable returns for meaningful retirement.

Values:

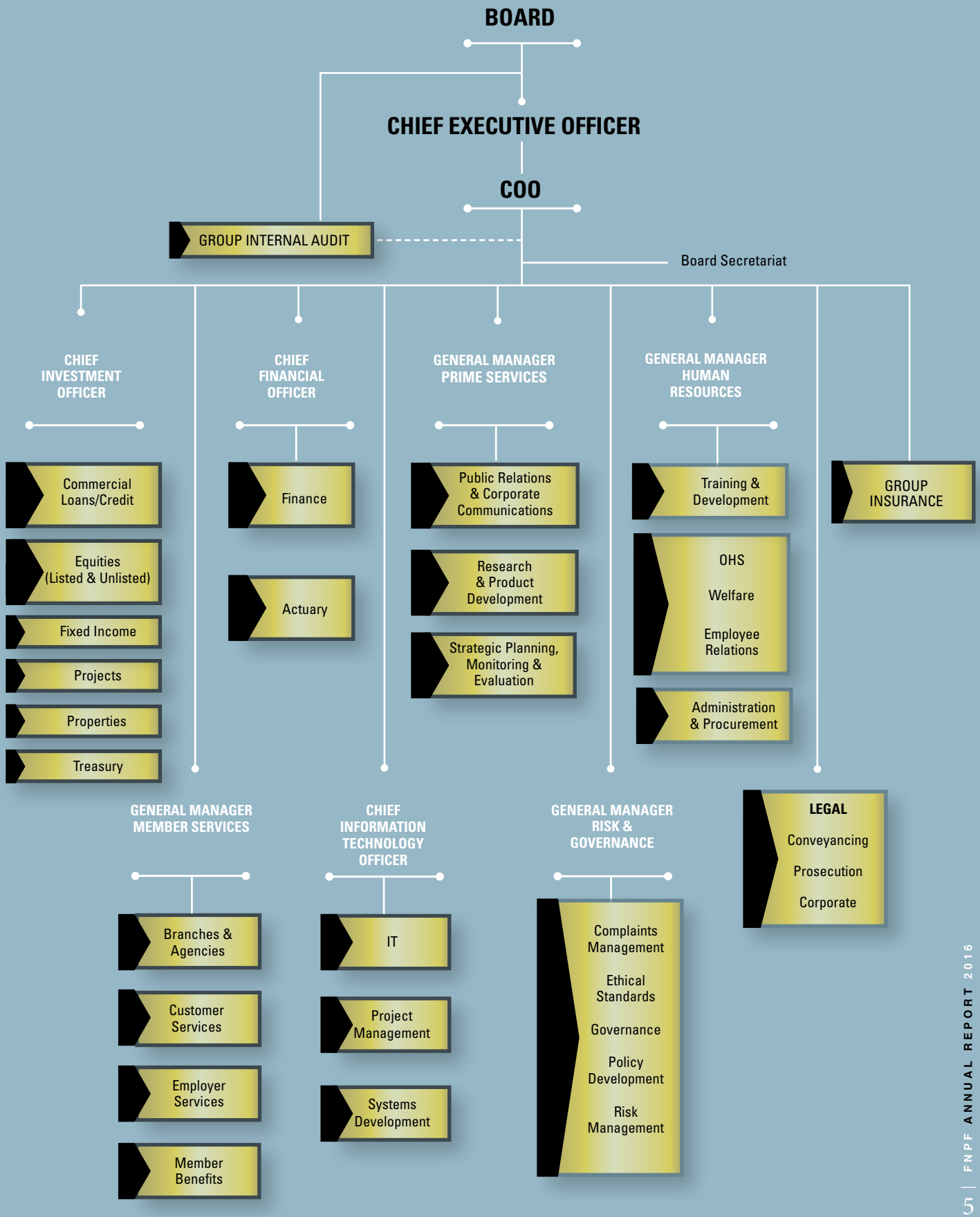
Humility	We value humility as a cornerstone of our service, showing respect to all, and willingness to learn and develop to serve better.
Accountability	We are answerable for the work that we do and take ownership of our actions
Integrity	We resolve to do what is right for our customers and our colleagues even when no one is looking.
Innovation	We transform through sustainable continuous improvement and innovation to stay relevant in the business and deliver best in class performance all the time
Teamwork	We are supportive of each others efforts, loyal to one another and caring personally and professionally
Excellence	We are always striving to maintain high standards
Passion	We have the passion in our being to deliver results and we will go all the way to ensure customer satisfaction.
Courage	We are courageous in our capacity as custodians of members' funds to do what is right for members and Fiji.

Our GROUP



The FNPF Group comprises strong local & international brands such as:

Our STRUCTURE



Our HIGHLIGHTS FY2016

Table 1: Summary of Key Indicators FY2012-2016					
	2012	2013	2014	2015	2016
Employers	7,840	8,383	8,900	9,770	10,646
Membership	372,831	381, 303	395,246	403,316	406,065
Members' Funds ($billions)	3.2	3.4	3.7	4.2	4.4
Contributions ($millions)	317.3	343.1	375.7	432.2	480.6
Interest paid to members ($millions)	132.8	155.6	175.0	214.0	239.5
Interest rate credited to Members (%)	5.0%	5.50%	5.75%	6.0%	6.25
Withdrawals ($millions)	318.2	276.1	272.0	300.5	574.9*
Investment Portfolio ($billions)	3.5	3.7	3.8	4.8	5.0
Annuity payments ($millions)	43.2	23.4	23.9	23.6	24.2
Net Investment Income ($millions)	249.9	280.1	252.8	296.5	310.8
Total Assets ($billions)	3.9	4.2	4.5	4.9	5.1

**Total withdrawal figures includes TC Winston Assistance withdrawals of $275.5m*

Table 2: Summary of Member Withdrawals FY2012-2016					
Grounds of Withdrawals	2012	2013	2014	2015	2016
55 years and over ($millions)	117.5	109.3	115.0	123.1	136.0
Death ($millions)	15.1	17.4	15.7	14.5	17.6
Disability ($millions)	3.5	4.9	3.2	3.2	4.8
Migration ($millions)	37.8	27.8	25.3	27.1	28.0
Non-Citizens migrating ($millions)	6.5	6.5	5.7	5.2	6.3
Partial ($millions)	45.5	52.7	49.8	58.2	52.6
TC Winston Assistance ($millions)	-	-	-	-	275.5
Housing transfers ($millions)	40.2	47.8	48.7	59.5	44.9
Special Death Benefit ($millions)	8.7	9.2	8.3	9.0	8.8

Financial Highlights

Net profit of **$331.6 million**
an increase of $67 million from 2015's restated figure

Increase in member contributions by 11.2% from last year to **$480.6 million**

Investment income grew by 6.8% from $310 million in 2015 to **$331.2 million**

Net Return on Investment was **6.9%**

Total member balances increased from $4.2 billion to **$4.4 billion** in 2016

6.25% interest credited to members on 30 June, 2016 resulting in the distribution of **$239.5 million**

Total benefit paid to members (excludes pension) was **$574.9 million** compared with $300.5 million in 2015

Our BOARD

Mr AJITH KODAGODA

CHAIRMAN

Member since June 2009. Member Board Investment Committee. Also Board Chairman Fiji Revenue & Customs Authority (FRCA), Amalgamated Telecom Holdings Ltd Group (ATH), & Vodafone Fiji Limited. Director FINTEL, Home Finance Company Limited (HFC) and FNPF Investments Ltd (FIL)

Mr TEVITA KURUVAKADUA

DEPUTY CHAIRMAN

Member since January 2010. Chairman Board Audit & Risk Committee, Chairman Board Information Technology Committee and Chair of Board Investment Committee. Chairman Fiji Ports Corporation Ltd. Director FIL, Fiji International Telecommunications Limited and TFL. Board Member Reserve Bank of Fiji and Fiji Sugar Corporation Ltd

Ms BHAVNA NARAYAN

DIRECTOR

Member since January, 2016. Member of the Board Investment Committee and Board Human Resources Committee. Member of Fiji's Public Service Commission.

Mr SANJAY KABA

DIRECTOR

Director FNPF Hotels Resorts Ltd and Natadola Bay Resorts Limited. Board Member Fiji Roads Authority, Member Constitutional Commission Fiji and Fiji Institute of Engineers.

Ms MAKERETA KONROTE

DIRECTOR

Member since January, 2016. Chairperson of Board Human Resources Committee. Member of the Board Audit and Risk Management Committee.

Our CHAIRMAN

It is with great honor and humility that I present the 2016 Annual Report for the Fiji National Provident Fund.

50 Years – a Milestone Achievement

This year marked a special event in the life of FNPF when it reached its 50th Anniversary on 1st August, 2016. I am privileged to be at the helm of this institution as we take stock of our humble beginnings, the challenges and the successes over the last half a century, which has seen FNPF grow from a £10,000 fund to be the single largest and an important social security institution in Fiji, with an asset base of $5.1 billion.

It is only proper that I firstly acknowledge all individuals who have contributed to bring the FNPF to where it is today. I pay tribute to all those who have served as members of the Board, Chief Executive Officers, Management and Staff and other key stakeholders over the last five decades. The FNPF is a respected and admired superannuation institution given your hard work and sacrifices over these years.

The Fund has positively impacted over hundreds of thousands of Fijian lives, and will continue to make a positive difference in the future. As Board Chairman, I am deeply indebted to you all, and I thank you most sincerely for contributing to the legacy we now have. It is my wish that we will continue to work together as we turn challenges into opportunities in our effort to ensure that members can embrace the future with confidence.

Change to Defined Contribution Plan

This year, the Fund changed its financial statements presentation from defined benefit superannuation fund to a defined contribution superannuation fund. The reason for the change in representation is due to the closure of the Supplementary Fund as a result of the pension reforms undertaken in 2012.

The Supplementary Fund was set up under the FNPF Decree at the time the Fund changed the method of calculating benefits payable to its members in 2012. The Fund is now a fully compliant defined contribution superannuation fund with no defined benefit fund activities.

An important feature of defined contribution plan is that retirement is dependent upon the amount of contribution and the performance of the investment vehicles utilized. Equally important to note is that under a defined contribution plan, the risk and responsibility lies with the members to ensure that their FNPF savings will be sufficient for their retirement.

In the case of the Fund, while members will not have any control over investment decisions, the Fund retains a significant degree of fiduciary responsibility over investment, including the selection of investment options and administrative providers.

This change will bring forth a stronger focus and emphasis on the fiduciary role of the Board in the matter of ethical and transparent handling of member business. The Actuary to the Fund has extended its roles beyond ensuring compliance with regulatory standards to developing technical capacity internally through the Reserve Bank of Fiji.

The Actuary has also completed the assessment of the Fund's performance in compliance with key prudential guidelines that governs the sustainability of the Fund business.

The Fund continues to work in partnership with the RBF to minimize risk at an acceptable level. It also ensures a level of offshore investment is attained where a balance between mitigating the risk of local concentration and generating appropriate level of return for the sustainability of the Fund business.

The Board is also required to promote timely dissemination of information through the Annual Member Forums. The forums provides opportunities for members to give feedback and interact directly with the FNPF Board and Management.

> "The Fund has positively impacted over hundreds of thousands of Fijian lives, and will continue to make a positive difference in the future"
>
> Ajith Kodagoda

Financial Performance

I am pleased to report a net profit of $331.6 million compared with last year's restated sum of $265.1 million. The investment income, which account for over 90% of the Fund income grew by 6.8% to $331.2 million compared with $310.7 million in 2015. The investment portfolio increased from $4.8 billion to $5.0 billion.

Return on Investment

The consolidated return on investment measured in accordance with internationally accepted practice, and net of all operating expenses is 6.9% compared with 5.9% in 2015. Variation in the ROI from year to year will reflect both the investment conditions for the year and the level of skill brought to the investing function.

Interest Allocated to Members

The Board declared an interest of 6.25%, resulting in the distribution of $239.5 million to members' accounts. The interest is calculated based on an accepted best practice daily averaging formula. The formula ensures that contributions received attract daily interest less withdrawals made.

Therefore, contributions paid on timely basis and controlled withdrawals ensure maximum interest and increased member balance for retirement, eventually. The growing interest rates are in line with the Funds strategic objective to grow member balances for a meaningful retirement.

Members' balance grew 3.1% over the last year to $4.4 billion, despite the payment of $275.5 million for TC Winston withdrawal assistance. The core purpose of the Fund is to ensure that members have sufficient balance for retirement. In addition to preserving 70% of their funds for retirement, members are given options to contribute an additional 12% on a voluntary basis.

Investment assets allocated to the business is in line with the Investment policy designed to meet the liabilities of the Board and related solvency requirements, for current members. The balance is credited to member accounts on 30 June, 2016.

To ensure solvency of Member Fund, the Board, as required under Section 32.–(1) of FNPF decree, sets Member assets with a value at least or equal to 110 % of the total value of the liabilities of the Fund. In other words Member assets must be 10% more than the liability for the Fund at any one time.

Members' balance grew 3.1% over the last year to $4.4 billion, despite $275.5 million being withdrawn for TC Winston Assistance.

Retirement Income Fund

The Fund has come a long way in its reform journey where it reduced a $565 million pension liability pre-reform to a sustainable $231 million to-date. In the process, the Fund has removed the inherent subsidy which was threatening FNPF's long term sustainability, in particular member financial well-being and savings for a meaningful retirement.

The return on investment, net of expenses incurred, and in accordance with business and international best practice is 8.72% for the year compared with 8.88% in 2015. Investment assets allocated to the business is in line with the Investment policy designed to meet the liabilities of the Board and related solvency requirements for current pensioners.

The Retirement Income Fund, (RIF), will be subjected to a review in 2016 and the outcome would determine, amongst other things, treatment of any benefits that may arise from the RIF's operation.

The Fund will ensure the performance of the RIF through strict financial scrutiny, good governance and best practice to ensure its sustainability in the future.

New Board Appointment

The year saw a change in the Board directorship, where for the first time, two females were appointed to the Board with relevant skills defined under section 7(3)(c) and stringent fit and proper person test performed by the Reserve Bank of Fiji.

The Permanent Secretary for Economy, Ms. Makereta Konrote and Ms. Bhavna Narayan, a partner at Lateef & Lateef lawyers, were appointed together with Mr. Sanjay Kaba, a Structural Engineer with design engineering and project management experience. These strategic appointments are reflective of the need to strengthen certain technical expertise to provide professional guidance to the Board and Management.

Strategic Plan – A Future with Clarity of Purpose

With a rapidly evolving economic environment, where exponential growth and advance in technology is significantly redefining the business landscape, there is a need for the Fund to adopt a new mindset and strategies to carry out its core business and remain relevant. Four key areas of focus will shape our future:

1. Going Digital – the Fund will leverage on the new IT system platform to provide more digital access and interactions to members and improve the quality of our services through enhanced operational efficiencies.
2. Diversification of Investment to Growth and Offshore - the Fund will continue on its strategy to increase offshore investments and also in growth assets including property developments. The Fund is also an active player in Government's privatization program. Our key strategy has been to pursue investments that grow and maximize return for members' meaningful retirement.
3. Refocusing our purpose of Social Security – the Fund will explore opportunities in tertiary health care, health insurance and retirement homes. These will complement our product offering and align our investments to areas that are demanded by our members.
4. Improving our Corporate Culture in line with business best practices. Special emphasis is placed on closing the skill gap to deliver the strategic outcomes for the Fund, including developing the right leadership qualities for the future of the Fund.

The Board is aware that the right leadership is critical in providing direction and support for a business to perform. We are confident our team of leaders have what it takes to lift performance, improve and build on the legacy we have created. We have emphasized and maintained that a test of a true leader is to mentor another to become a better leader and raise the organisation's performance.

Three years ago, I mentioned in my report that whilst it is difficult to predict how strong the economic headwinds could become, we are confident that our clear strategy and strong financial position will be the platform for future growth.

Members at the TC Winston assistance centre, Suva

Acknowledgement

On behalf of Board, I would like to extend my gratitude to everyone who has contributed to the Fund, especially Government for the support, without which, it would be difficult to be where we are. I am especially appreciative of the support of the Ministry of Economy and also the Reserve Bank of Fiji for ensuring a stringent regulatory role that protects the Fund. The Bank also deserves a commendation for facilitating processes critical for ensuring the success of our investments and continued advice received on matters relating to governance and risk management.

I thank the outgoing Directors who contributed significantly by providing guidance during the critical phase of the reform. Mr. Tom Ricketts, Mr. Taito Waqa and Mr. Sashi Singh were involved at the implementation stage of the reform, to whom I offer my deep and heartfelt appreciation. I also thank the Actuary to the Fund, Mr. Geoffrey Rashbrooke, for the technical support in ensuring compliance to the solvency standards, advice to Board and also building capacity for this rare skill.

The Management team has provided excellent leadership to the employees in providing quality and better service to members of the Fund. I owe heartfelt appreciation to staff, who are the key to the successful delivery of the Fund strategy.

Ajith Kodagoda
CHAIRMAN

Our LEADERSHIP TEAM

From left to right

1. Tevita Lomalagi
2. Frank Ryland
3. Olita Talemaibau
4. Ajay Nand
5. Uday Singh
6. Seema Shandil
7. Sitiveni Nabuka
8. Laisa Saumaki
9. Uraia Goneyali
10. Ravinesh Krishna
11. Millie Low
12. Jonetani Tonawai
13. Ying Yang
14. Jaoji Koroi
15. Ashwin Pal
16. Alipate Waqairawai
17. Shandiya Gounder-Pillay
18. Tevita Nagataleka
19. Asim Mohammed
20. Wainikiti Bogidrau
21. Suliano Ramanu
22 Pravinesh Singh

Our EXECUTIVE SUMMARY

The year ended 30 June, 2016 continued to reinforce FNPF's role as the social and economic anchor for Fiji. Whilst the operating performance may be overshadowed by the activities and payout of $275.5 million for the Tropical Cyclone Winston (TCW) assistance, it also demonstrated the financial strength of the organisation and the operational capabilities of our employees. The processing and injection of around 3% of the Gross Domestic Product provided the much-needed stimulus for economic activity and helped rebuild confidence in the Fijian economy, by allowing FNPF members to help themselves and their families recover from the damage sustained from TC Winston. The achievements for the year should help build confidence from our stakeholders and project the Fund firmly in its journey for the next 50 years.

The TC Winston assistance saw FNPF pooling itself together into one major processing centre where an excess of 160,000 members were served and over 182,571 applications processed. This is a significant volume as FNPF normally processes an average of 60,000 applications per year. This exercise was the biggest undertaken by the Fund in its 50 years history and tested the resolve of our IT system's capacity to absorb the loaded demand and our staff's ability to deliver for our members. This is a true testament of what the FNPF is all about.

During the year, the Fund also pushed and implemented other strategic initiatives including investment diversification and online offerings to benefit our members and employers. Prudent and targeted investment strategies propelled us to realise gains for the benefit of our members despite the difficult operating environment. Effecting these strategies ensured that the Fund continued to achieve sustainable growth and deliver excellent services, which are key objectives of the FNPF reform journey over the last five years.

One of the major operating highlights for the year was the introduction of the Employer portal, which now allows employers to submit and pay contributions on line. This is a major milestone in our digital strategy and is the only forward for employers. At the end of June, most of the top 500 employers which account for over 80% of contributions were registered and processing via the Employer portal. Other highlights include:

1. Renovation of the new Member Services Centre;
2. The completion of phase 1 of the Natadola residential development involving 44 lots which is now on sale;
3. The acquisition of 39% of Fiji Ports Corporation Limited (FPCL) shares through Government's privatisation program; and
4. Purchase of 15% of Vision Group Limited in its Initial Public Offer (IPO)

Operational Performance

The number of FNPF members increased by 5.6% to 406,065. Total member balances grew by 3.1% to $4.4 billion. Total employer numbers increased to 10,646, with 875 new employers registered during the year. Total contribution collected increased by 11.2% to $480.6million.

During the year, FNPF processed in excess of 240,000 withdrawal applications; these included members who applied for the TC Winston natural disaster assistance. A total of 182,571 applications were processed for TC Winston assistance resulting in $275.5 million being paid to members.

Membership and Low Member Balance

One of the Fund's major concern relates to low member balances, especially for those who are close to the retirement age. Amongst others, we associate this problem to excessive withdrawals over the years, irregular employment and contributions for those in the informal sector and generally wages.

As at June 30, a total of 75% (304,318) of our members have balances below $10,000. Of major concern are some 56,000 members who are above 50 years, have less than $10,000; not accumulating much for their retirement.

We are hopeful that the preservation rule now in place will greatly assist those 248,000 members below the age of 40 years save more for retirement.

A Quality Assurance project team is working on enhancing the quality of member data and the Fund would address accounts that have zero balance that are in the system.

Table 3: Member balances by Age Cohorts

Member Balance	< 15 yrs	15 - 24yrs	25 - 34yrs	35 - 44yrs	45 - 54 yrs	> 55yrs	Total	Percentage
< $5,000	161	50,791	76,643	53,250	41,457	30,578	252,880	62%
$5,000.01 - $10,000	1	3,126	22,580	14,276	9,599	1,856	51,438	13%
$10,000.01 - $50,000.01	0	290	27,233	32,164	22,880	2,725	85,292	21%
$50,000 - $100,000	0	0	703	4,874	6,255	658	12,489	3%
> $100,000	0	0	82	1,004	2,288	592	3,966	1%
Total	**162**	**54,207**	**127,240**	**105,568**	**82,479**	**36,409**	**406,065**	**100%**

Investment Highlights

The Board's investment strategy continued to provide positive outcomes for the Fund. Underpinning this strategy is the drive to achieve the right portfolio mix through diversification and increased exposure to growth assets. Accordingly, new equities investment during the year included the acquisition of shares in Fiji Ports Corporation Limited, Vision Investment Limited and shares in Bank South Pacific PNG.

Current investments are also being reviewed to ensure the Fund fully benefits from them, which includes continued implementation of our rehabilitation programs for non-performing investment and booking the right value for our properties that were written down in previous years. In 2016, significant upward movement was recorded for the investment portfolio despite the outflow resulting from the TC Winston assistance.

The Investment portfolio increased from $4.8 billion in 2015 to $5.0 billion in 2016. A re-evaluation gain was recorded for all investments properties totalling $13.8 million. Likewise, a reversal of impairment of $11.4 million was recorded for the Intercontinental Golf Resort & Spa, the Natadola Championship Golf Course and the land held by the NBRL for future development. The total impairment write-back for the Natadola project to date is approximately $81.8 million.

EXECUTIVE SUMMARY

Major projects

The Greig Street Development (which involved the demolition of the former Parshottam building) in the heart of Suva will open in the last quarter of 2016 providing the capital city with a new shopping centre. Construction work on the Momi Bay Hotel Project is expected to be completed by December, 2016 and the 250-room hotel is expected to open in early 2017. The residential development at Natadola has been completed and sales of these lots have now progressed with lots being offered on a 99 years prepaid lease rental.

Term Annuity Rates

The Board revised the term annuity rates for new retirees twice since October last year. The revised and increased rates takes into account investment returns expected to be obtained over the selected term based on the current market conditions. The Term Annuity product is offered as retirement choice for retiring FNPF members and the new rates apply only to new annuitants.

Member being served in Lautoka

Group Insurance

A Group Insurance Scheme was established and rolled out during the year, leading to overall premium savings being achieved, to protect the Fund's balance sheet. The group scheme created synergies in streamlining insurance management, ensuring uniformity with diversity in insurable risks, efficiencies, efficacies, self-retentions, capturing previously uninsured risks, providing wider coverage, and utilizing insurer strength. The Group Insurance Scheme has harnessed the strength of insurance market available locally and overseas, embraced tailor-made solutions, which enhances the overall objective of the FNPF and its Subsidiaries.

Helpdesk in Suva

myFund

FNPF launched a new product for its members, called myFund, a short messaging service (SMS) in February, 2016. This enquiry-based service addresses members' needs for information related to their balances and eligibility. The myFund initiative is part of the Fund's commitment to engage effectively with members and is a key tool in achieving the goal of financial inclusion as FNPF continues to make its services accessible and affordable. At the end of the financial year, approximately 6000 members have taken advantage of the ease and convenience provided by myFund.

e-Services Portal

The uptake on the Employers online portal has been quite encouraging. Following on from the Employer workshops that were held at the end of FY15, the Fund has been working closely with Employers to submit online their Contribution Schedule forms.

As of 30 June, 2016, 3033 employers have registered to use the online portal, ensuring quicker updates of their employees' contributions, reduction in errors & elimination of risks associated with posting, updated member records and the reduction of undistributed (suspense) contributions. Employers who have used this portal have highlighted key features, including faster turn-around time of registering new employee registration and obtaining their FNPF numbers in less than 24 hours. Employers can also check their payment history and other important notices from FNPF.

IMF Report on FNPF Reforms

The International Monetary Fund (IMF) in collaboration with the Financial Sector Assessment Program (FSAP) completed their report on the progress of the FNPF Reforms earlier this year. The report revealed key outcomes and challenges such as the following:

i. reform was a success and had positively contributed to the sustainability of the Fund and its cash position.
ii. Fund is sustainable from an actuarial perspective and that assessments were completed with proper assumptions and methodology and peer reviewed by an independent Actuary, Mercer.

iii. Fund's risks are well managed, particularly the enterprise wide risks and the project management risks.
iv. Fund still faces difficulties from the restrictions of the offshore investment imposed by the Reserve Bank of Fiji and lack of opportunities to invest in the local market.

Way forward

The Fund is currently commemorating its 50th anniversary and this occasion provides us with renewed focus on our vision, securing your future; also realigning us to our core business, which is to offer financial and social security for our members' retirement. This vision underscores the role the Board plays as trustees of members' funds.

To complement this, we will continue to strive to operate with the highest integrity to provide assurance to our members and stakeholders through robust governance, processes and operations. It also reflects our aspiration to be the leading superannuation firm in the region committed to delivering quality, relevant and excellent service to our members.

Crucial to the delivery of these is tapping on technological advances in relation to online and mobile applications. There are plans to enhance the online portals to make them more user friendly, to introduce e-kiosks in outer areas, introduce mobile applications and explore cloud options. The Fund will also explore increasing its presence on social media.

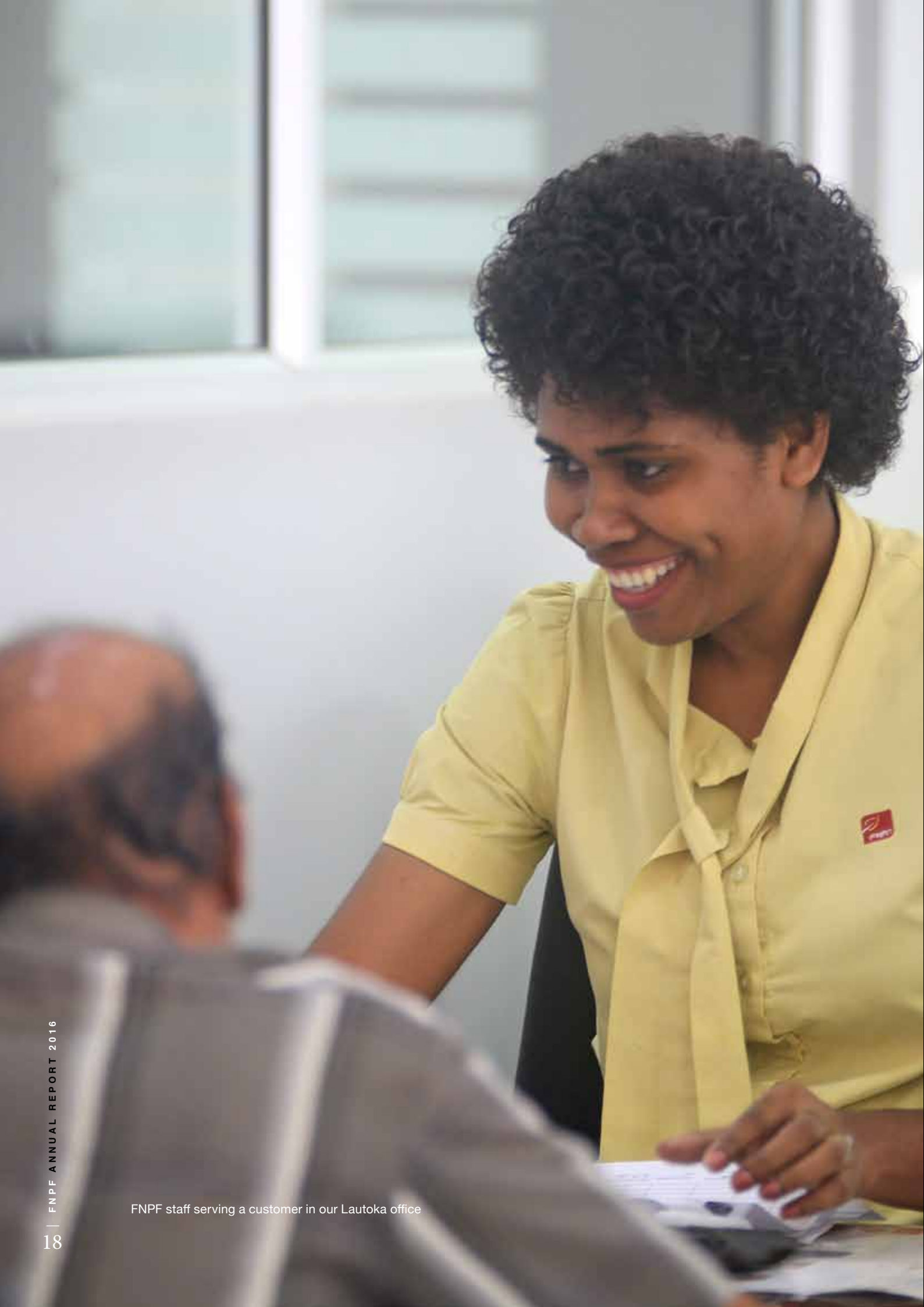
Acknowledgement

The feedback of our members, pensioners and employers is crucial in the continuous improvement of our services. We take this time to thank all of you, and other key stakeholders, for your support during the year. We recognize that the Fund has a fiduciary responsibility to all of you and will always continue to work in your best interest.

Management has been privileged to have the counsel and the support of our Chairman, board members, both past and present, and supporting committees during the financial year. The Board's effective guidance and stewardship allowed us to execute our responsibilities effectively and efficiently.

Finally, we express our gratitude and appreciation to our staff for their commitment and dedication to their work, especially when they endured long hours at work during the TC Winston assistance. We acknowledge that our staff are our key assets in delivering our services to our members. To all of you, vinaka vakalevu.

TC Winston assistance processing centre, Suva



FNPF staff serving a customer in our Lautoka office

Our GOVERNANCE

FNPF BOARD

The Board is entrusted with managing the affairs of the Fiji National Provident Fund in an efficient and effective way by establishing and implementing appropriate and effective governance systems and processes, including quality assurance processes and processes for measuring the performance of the Fund benchmarked to internationally accepted standards. The Board provides strategic guidance and advice to Management to ensure the sound management and investment of members' funds. The Board's responsibilities, inclusive of Management's duties, are articulated in the Fund's Governance Policy that includes a Board Charter.

The Board meets on a monthly basis to deliberate on decision papers. These papers are first scrutinized by the respective sub-committees of the Board and before their recommendations are provided to the Board for a decision. The decisions of the Board are conveyed to Management and the minutes of the meetings are confirmed and filed as corporate records.

Board Composition and Membership

The Board comprises five (5) members. As defined in the FNPF Decree, these members are to have between them appropriate skills and expertise in various fields inclusive of corporate governance, investment, accounting, finance, banking, risk management and information technology.

Mr Ajith Kodagoda and Mr Tevita Kuruvakadua were reappointed directors whist three new members have joined the Board effective from 23 January, 2016. The new members are Ms Makereta Konrote, Ms Bhavna Narayan and Mr Sanjay Kaba. Mr Kodagoda, remains Chairman and Mr Kuruvakadua is the Deputy Chairman. The Chairman continued to ensure that the Board functions effectively and independently in meeting its obligations and responsibilities.

Board Meetings

The Board met 10 times during the financial year. When required, as deemed appropriate, the Board sought professional advice on certain matters brought to its attention to ensure sound and informed decisions.

Board Committees

The Board is supported in its role by four (4) committees: Audit and Risk Management, Investment, Human Resources and Information Technology. The respective committees scrutinize Board papers from a technical point of view and endorse recommendations to the Board for final approval. Independent members, outside of the Board and the Fund, are co-opted on to these Committees to ensure the right skills mix as well as transparency and integrity in its decision making process.

Board Audit and Risk Management Committee (BARC)

The Board Audit and Risk Management Committee chaired by Mr Tevita Kuruvakadua assists the Board to meet its statutory and judiciary responsibilities, providing assurance on the effectiveness of the Fund's internal controls, compliance and risk management. The Committee met six times during the financial year and focused its attention in ensuring the completion of the IT reform project. Mr Raj Sharma is an existing member of the committee while Ms. Konrote joined recently.

Board Investment Committee (BIC)

The Board Investment Committee plays a vital role in the deliberations and assessment of the key investment projects in line with the Fund's objectives to grow members' funds within the investment parameters approved by the Board.

Table 4: Board and Board Committee Meetings and Attendance for the period 1 July, 2015 to 30 June, 2016

BOARD MEMBERS	BOARD		BARC		BIC		BHR		BIT	
	No of meetings		No of meetings		No of meetings		No of meetings		No of meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
1 JULY 2015 TO 22 JANUARY 2016										
Mr Ajith Kodagoda	6	5			3	2				
Mr Taito Waqa	6	6					8	8		
Mr Tom Ricketts	6	5	4	3	3	2				
Mr Sashi Singh	6	5					8	8		
Mr Tevita Kuruvakadua	6	5	4	4	3	1			3	3
OTHER BOARD COMMITTEE MEMBERS										
Mr Raj Sharma			4	4						
Ms Rosie Fong							8	8		
Mr Janaka Dishantha									3	3
Mr Timoci Tuisawau									3	3
23 JANUARY 2016 TO 30 JUNE 2016										
Mr Ajith Kodagoda	4	4			-	-				
Mr Tevita Kuruvakadua	4	4	2	2	-	-			1	1
Ms Makereta Konrote	4	3	2	-			-	-		
Ms Bhavna Narayan	4	3			-	-	-	-		
Mr Sanjay Kaba	4	4			-	-				
OTHER BOARD COMMITTEE MEMBERS										
Mr Raj Sharma			2	2						
Mr Taito Waqa							-	-		
Mr Janaka Dishantha									1	1
Mr Timoci Tuisawau									1	1
Mr Vilash Chand									1	1

These include projects such as the Momi redevelopment, Greig Street redevelopment and Natadola residential. The Committee is chaired by Mr Tevita Kuruvakadua and the other members of the Committee include Mr Ajith Kodagoda, Ms Bhavna Narayan and Mr Sanjay Kaba. The Committee met thrice.

Board Human Resource Committee (BHR)

The Chairperson Ms Makereta Konrote and Ms Bhavna Narayan are newly appointed members of this Committee. Mr Taito Waqa continued his membership as an independent member. The Committee focused on creating a member-focused and performance driven culture setting the platform for proper learning and growth for all FNPF staff. The BHR reviews, assesses and recommends remuneration policies and human resource related matters relevant to the effective management of the Fund's employees. The Committee met eight times during the financial year.

Board Information Technology Committee (BIT)

The Information Technology Committee is chaired by Mr Tevita Kuruvakadua. Mr Vilash Chand joined as an independent member alongside existing members Mr Janaka Dishantha and Mr Timoci Tuisawau. The BIT held 4 scheduled meetings and also met several times to discuss issues relating to the ProMIS project.

Board Fees

Under the FNPF Decree 2011, Board Members' allowances are determined by the Minister of Finance (now Minister of Economy) and paid in line with the Public Service Commission guidelines on the payment of allowances by Statutory Boards to their Board Members. The fees are processed on a monthly and quarterly basis. Board Chairman Mr Ajith Kodagoda and member Mr Sanjay Kaba have both opted not to take any Board fees and allowances.

Enterprise Wide Risk Management

The Fund ventures into new projects and investments to achieve higher returns for members. In doing so, the Fund is exposed to a variety of risks. To protect the Fund's assets and achieve returns, FNPF uses the Enterprise-wide Risk Management (ERM) that is benchmarked to International Standards ISO 31000:2009. The Fund's Operational Risk Management Policy is linked and supports the ERM framework in addressing such risks.

The Board Audit and Risk Committee continually reviews and approves the ERM and Operation Risk profiles that captures and mitigates current and emerging business risks. The implementation of the risk treatment plans are monitored and reported on a quarterly basis to Board and Management. Risk registers were also developed for the Fund's development projects, specifically, the Fiji Marriott Resort at Momi Bay and the Natadola residential lots.

As part of the Business Continuity Plan, the Fund conducted its first simulation test from the Business Resumption Site. This is to ensure that in case of a crisis or disaster, FNPF can continue to provide services to stakeholders, specifically to our members and pensioners.

The IMF technical assistance team also visited during the year to review the recommendations made under FSAP carried out jointly by IMF and World Bank in 2006. The final report issued indicated sound management of the Fund with its risks being rated low depicting an effective Enterprise-wide Risk management framework and prudent management of the Fund's Investments and Operations.

Compliance Management

FNPF continues to comply with the legislations and procedures on which it is governed. The Compliance Unit focused on ensuring that internal policies were followed during compliance checks conducted in the year. These Compliance Check reports are provided to Management and the Board Audit and Risk Committee as required under the Compliance Management Framework approved by the Board.

The Compliance Unit also initiated the review of its Compliance Management Framework in line with the ISO standard 19600.

Reserve Bank of Fiji Prudential Supervision

FNPF continues to support and adhere to the supervision requirements of the RBF. The supervisory powers of the Bank are implemented as per the mandate outlined in the FNPF Decree 2011. Prudential Consultation meetings are held between the Reserve Bank and the Fund on a monthly basis and discussions focus on the management and operations of the Fund.

On-site examinations are also conducted by the Reserve Bank of Fiji from time to time on critical areas and on-site reports with recommendations are issued which is implemented to strengthen the Fund's Operation and Governance.

FNPF team with the RBF Governor and executives

Our STANDARDS

Ethical Standards

Ethics is a critical component of business success and performance in the Fund. As such, the Ethical Standards Unit aims to adopt a proactive approach in eliminating any breaches which constitutes as unethical behavior.

This is most commonly carried out through regular awareness to Staff and Management with particular emphasis on building an organizational culture aligned to the vision and the values of the Fund.

The Ethical Standards Unit rolled out a series of awareness to inculcate the right business ethics and behavior across the Fund. The awareness plan executed particularly revolved around:

1. Policies and Procedures of the Fund;
2. Encouraging Good Work Culture & Managing Workplace Stress; and
3. The revised Values of the Fund as per the Board approved Strategic Plan

The Team also completed 10 investigations throughout the year which were in the areas of:

1. Usage of Fund's Motor Vehicle;
2. Non-compliance to Procurement Policy;
3. HR Policy breach; and
4. Breach of the Fund's Code of Ethics.

Proper disciplinary measures including terminations were taken by the Board as a result of these investigations.

Regular reporting to the Fund's Fraud & Corruption Control Committee and Ethics Management were done in an attempt to monitor progress on all ethical cases investigated.

Policy and Governance

The Fund continued to develop polices and strengthen the governance process in an endeavor to align its objectives to strategic themes and corporate values.

A conformance check of the Fund's Corporate Governance Policy against the ISSA Good Governance Guideline was completed during the year. The results were presented to the Board and the necessary amendments required will be incorporated during the next review of the Corporate Governance Policy.

The Team was involved in developing of the following Framework and Policies:

- Research & Development Unit;
- Performance Management System Framework
- Telecommunication Policy;
- I.T Data Recovery Plan; and
- Code of Ethics.

Table 5: Complaints FY2016

Month	Total
July	44
August	67
September	59
October	82
November	68
December	43
January	42
February	40
March	25
April	16
May	10
June	26
Total	**522**

The policies are updated regularly in line with the change in the standards, reforms and the efficiencies needed.

Complaints Management

The Fund continuously makes changes to the systems and efforts to improve customer services. A root cause analysis on complaints was undertaken to identify the causes of the complaints. The report was discussed by Management and the issues identified were resolved for implementation.

Monthly reports were provided to Management and quarterly reports are also provided to RBF. The Fund encourages a positive and open working relationship within departments to ensure a faster resolution turnaround time for all complaints received. The full implementation of the revised Complaints Management Policy continued during the year.

The total number of complaints recorded in 2016 was 522 compared with 416 in 2015. The increase is attributed mainly for the period under which the Provident Management Information System (ProMIS) was being rolled out and Data Maintenance was necessary to ensure accurate processing of withdrawal applications.

The Fund was also inundated with complaints for delays in processing of applications under the TC Winston Assistance scheme. A majority of the complaints were for delays in processing withdrawal applications and missing documentation. The TC Winston Assistance complaints process was closed in May 2016.

Our OVERSIGHT

GROUP INTERNAL AUDIT

Assurance Audits & Consulting Engagements

The concept of cyclical audit continued in 2016 where consulting engagements were conducted for business units whose assurance audits were carried out in the financial years 2014 and 2015. This arrangement allowed for implementation of audit recommendations and continuous audit in business units for which risks were assessed as high.

The Group IA team also carried out real-time audits using Computer-Assisted Audit Tool, Audit Command Language during the Natural Disaster Withdrawal Assistance provided to members.

Subsidiaries

Memorandums of Understanding (MOU) were signed between FNPF and Telecom Fiji Limited (TFL), HFC Bank Limited (HFC) and FINTEL for provision of internal audit services by GIA at no cost to these companies. The MOU also provides for alignment of the companies' internal audit policies and procedures to that of the Fund.

Staff from the TFL Internal Audit joined the Fund's GIA on 29 August, 2014 and several joint audits were carried out in the various business units of the company. The company's Internal Audit Policies and Procedures Manual and Whistleblower Policy were also updated. A staff was also attached with the Fund's Corporate Governance & Enterprises Risk Management team for three months. GIA also provided on-the-job training to TFL IA staff and assisted in the preparation of their training and professional development plans. An audit was also carried out at FINTEL during this period.

Our auditors continued to ensure internal controls were in place especially during the TC Wintson Assistance

However, FNPF Board in its meeting of 27 October 2015 decided that it accepted the position taken by ATH Group not to engage GIA for audits in the company and subsidiaries. It also decided that the internal audit arrangements existing in the individual entities will carry out the audits and the GIA can review these audit reports. It was also decided that should Board require any special audits to be carried out, then it will direct the Fund IA accordingly.

As a result, planned audits in ATH Group were suspended and TFL Internal Audit staff returned to the company. However, audits in wholly-owned subsidiaries of the Fund continued unaffected.

The FNPF Board, in its meeting of 23 November, 2015, discussed that the audit function has to be strengthened in light of plans to centralize common services. In this regard, sharing of skills in terms of human resources development and standardization of audit functionality are important and this would be achieved through a proper Group Internal Audit structure.

Following the finalization of the Fund's revised structure, a decision would be made to invest in an automated Audit Management System which will assist Management in audit administration and reporting.

Fraud Control Management

Fraud cases and cases referred under the Fund's whistleblower policy were investigated and reported. In addition, the team administered the Fund's Fraud and Corruption Plan and provided secretarial services to the Fraud and Corruption Control Management and Ethics Committee which met two times during the financial year. The team also carried out awareness on the whistleblower policy to encourage staff and other stakeholders to unanimously report unusual activities.

Significant Audit findings

Significant audit findings and results of fraud and related investigations relating to FNPF and TFL were reported to the FNPF Board Audit and Risk Management Subcommittee (BARC) and TFL Board Finance Subcommittee, respectively. Follow-up audits were conducted and the Management and BARC were updated on the progress made in the implementation of audit recommendations at the end of each quarter, majority of which were implemented during the financial year.

Quality Assurance & Business Excellence

Continuous quality assurance and improvement continued during the financial year through the assistance of the Quality Assurance Committee established within GIA. Action plans on the findings of the Committee were also prepared and implemented.

Our Pension Service centre provides dedicated services to all our pensioners

Our MEMBERS

Membership
In 2016, 21,621 new members were registered, bringing the membership tally to 406,065 .This is an increase of 5.4% over the 2015 figure. Of these new members, 1204 are those registered under the voluntary membership scheme.

Total Contribution
Total contributions collected was $480.6 million averaging $40 million per month. This is an increase of 11.2% from the previous year's collection of $432.2 million. The increase is attributed to business compliance checks, placements of garnishee orders against defaulting employers, departure prohibition orders, strategic alliance with the respective government ministries on the issuance of liquor licenses and security company's licenses and also the mandatory increase of employer's contribution from 8% to 10% from 1 January, 2015. Of the total contributions collected, $3.1 million was from voluntary members.

Members Balance
The total balance for all members' was $4.4 billion as at 30 June 2016, compared with $4.2 billion in 2015.

On 25 November, 2014, the Board established two accounts for members:

i) The Preserved account, which can only be fully-accessed when members retire or partly – accessed when they purchase their first property. This accounts for 70% of the balance of the member's account daily.

ii) The General account equals 30% of the balance of the member's account and these funds are available for early withdrawals inclusive of housing, medical and education purposes.

Members Additional Contribution
On 1 January 2015, the Board made effective the FNPF Decree 2011 provision for additional contribution from employees. This allows compulsory members to voluntarily contribute up to 12% of their total wages as additional contributions to boost their retirement funds.

Withdrawals
Withdrawal applications in excess of 240,000 were received and processed during the financial year, compared with 65,713 processed last year. The exorbitant increase was due to the Natural Disaster (ND) Assistance for Cyclone Winston totaling 182,571 member requests amounting to $275.5 million.

Full withdrawals
Members are eligible to withdraw their funds once they are 55-years-old. They have the option of joining the pension scheme or taking a lump sum and/or a combination of pension products and lump sum payment. In all, 11,509 members fully withdrew their savings, totaling $136 million, compared with $123 million withdrawn by 7,345 members the previous year.

Migration
Members who leave Fiji to settle permanently overseas can withdraw their FNPF savings and $28 million was paid out to 1, 522 members withdrawing under this scheme compared with $27 million withdrawn for 1, 613 members the previous year.

Incapacitation
Members who are not able to secure any further employment because of their physical or medical condition, as approved by the FNPF Medical Board, can withdraw their savings; 172 members' applications on this ground were processed, totaling $4.8 million, compared with $3.2 million paid out in 2015 for 201 members.

Death
Nominees of deceased members are allowed to withdraw members' savings upon the death of the member. In the absence of a valid nomination, funds were sent to High Court for distribution in accordance with the Law. In 2016, $17.6million was paid out of 1,765 deceased members' accounts.

Special Death Benefit (SDB)
Under SDB, $8.8 million was paid out compared with $9 million in 2015. All eligible members pay a premium of $35 annually to qualify for the SDB. A sum of $8,500 is added to the deceased member's account on a qualifying member's demise and paid out to the nominees. From 2011, the Fund has allowed the deceased member's next of kin through a Memorandum of Administration (MOA) to withdraw $2,000 from the $8,500 to assist with funeral expenses of the deceased member.

Pre-retirement assistance
Before their retirement, members can access their funds only for housing, education, medical, unemployment and funeral assistance. A total of $52.6 million was paid out for these grounds for 42,957 members compared with $58.2 million for 46,060 members in 2015. Of this, $36 million was for education for 30,721 members compared with $36.6 million for 31,470 members in 2015.

$9.2 million for unemployment for 6,572 members compared with $11.4 million for 7,369 members in 2015. $5.2 million was withdrawn for funeral assistance for 4,497 members compared wiht $4.6 million for for 4,218 members in 2015 and $2.2 million was withdrawn for medical.

Our EMPLOYERS

TC Winston assistance centre, Suva

Housing
The total paid out under housing withdrawals in 2016 was $44.9 million for 7,196 applications, compared with $60 million for 7,998 members assisted in 2015.

Memorandum of Nomination (MON)
During the year 19,825 nominations were filed, compared with 11,332 in 2015.

Memorandum of Administration (MOA)
In 2016, 742 members were registered for MOA compared with 1352 in 2015. The Fund continues to encourage FNPF members to register their nominee/executor to receive part of their SDB payment of $2,000, to facilitate their funeral expenses if they wish to do so. The Fund will not pay out the $2,000 if the MOA has not been completed and filed.

Employers
The Fund's active employers totaled 10,646 for the year, compared with 9,770 in 2015, an 8.9% increase, representing 875 new employers.

Contribution Debtors
The balance of unpaid contributions was $4.8 million at the end of the financial year, compared with $10.2 million in 2015. This is a decrease of 52.9%, attributed to defaulting employers paying up to avoid recovery of unpaid contributions as allowed and stipulated in the FNPF Decree 2011

Unidentified Contribution
A total of $8.3 million of unidentified contributions was collected but not distributed to member's account because of insufficient information supplied by employers.

This is an increase of 39.4% when compared with last year's balance of $5.98 million. The Fund continues to emphasise the importance of employers' obligation to register their employees within the first month of their employment.

Employers Portal
A total of 3,033 employers registered on the employer's portal as at June 2016 compared with 62 employers in 2015 after the service was made available to assist employers submit information to FNPF online. Employers can now submit their contribution schedule online at the end of every month.

Members Portal
The member's portal has also been made available at the end of June 2015 and members can now register with the Fund in order to view their account balance online.

Contribution Schedule Forms
On 1 November 2014, the Fund made compulsory the use of the new contribution schedule forms to record the detail of all employers' contribution deduction. This has been encouraged to help both employers and employees reconcile their accounts.

Unclaimed Deposits Account
In 2016, the Fund transferred a total of $2.4 million of unidentified contributions to the Unclaimed Deposits Account after reasonable diligence. A further $1.8 million was for members over 65 years whose accounts have been dormant for the last 10 years and have not claimed their funds.

Communication to Employers
During the financial year, the Fund conducted two day workshops attended by a total of 500 employers around Fiji. Of those that attended, 406 have successfully registered to use the portal as at year-end. The objectives of the workshop was to educate employers on the new changes to the FNPF Decree and Regulations. The Fund will continue to educate employers on their statutory obligations, inclusive of submitting their Contribution Schedule forms online.

Customers Served
Our Customers Services Centres in Suva, Lautoka, Labasa, Nausori, Namaka, Ba and Savusavu and served a total of 573,504 customers during the financial year compared with 466,906 in 2015.

This was a significant increase of 22.8% (106,598) attributed to TC Winston Assistance. Comparison analysis of customers served trend is illustrated in **Figure 1** on the following page.

Our CUSTOMERS

Figure 1: Monthly Customers Served Comparison Analysis

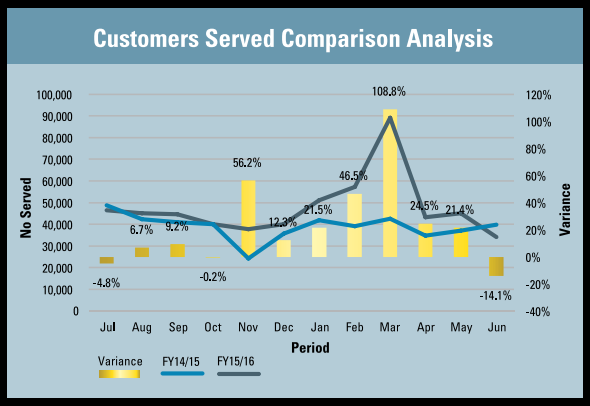


Table 6: Customers Served Quarterly Comparison Analysis

PERIOD	FY14/15	FY15/16	Variance	↑↓	%
Quarter 1	131,814	136,079	4,265	↑	3.2
Quarter 2	99,884	117,785	17,901	↑	17.9
Quarter 3	123,623	197,207	73,584	↑	59.5
Quarter 4	111,585	122,433	10,848	↑	9.7
Total	466,906	573,504	106,598	↑	22.8

FNPF staff manning calls related to the TC Winston assistance

Customers served also increased in each quarter of the Financial Year compared with the same period the previous year with the most increase recorded for Quarter 3. Quarterly figures are shown in **Table 6.** The number served in Quarter 3 increased by 59.5% or 73,584 compared with the same period in 2015 as members took advantage of the assistance provided for immediate relief and improvements to structural damage sustained by their homes by TC Winston.

Table 7: Customers Served by Contact Type Comparison Analysis

MODE	FY14/15	FY15/16	Variance	↑↓	%
Face to Face	407,755	491,024	83,269	↑	20.4
Telephone	50,027	71,417	21,390	↑	42.8
Email	9,124	11,063	1,939	↑	21.2
Total	466,906	573,504	106,598	↑	22.8

Table 8: Customers Served by Divisions

DIVISION	FY14/15	FY15/16	Variance	↑↓	%
Central	250,618	330,628	80,010	↑	31.9
Western	158,010	175,845	17,835	↑	11.3
Northern	58,278	67,031	8,753	↑	15.0
Total	466,906	573,504	106,598	↑	22.8

The average number of customers served per month is 47,792 compared with 38,908 in 2015.

Customers' mode of contact largely depends on the nature of their needs. Of the total number of customers served, 85.6% personally visited FNPF offices to access services while 12.5% and 1.9% accessed our services via phone and emails, respectively. Customers who visited our office during the financial year increased by 20.4%. Customers who called in increased by 2.8% compared with the last financial year. Members who prefer email contact via our information@fnpf.com.fj link increased by 21.3%. More of these figures can be seen on **Table 7.**

Of the total customers served, 57.7% accessed our services in the Central Division; 30.7% Western Division while 11.6% Northern Division. Comparison figures for services provided at our offices in these 3 geographical locations Fiji-wide are shown in **Table 8.**

Face to Face – Wait Time Distribution

This refers to the time spent waiting in the queue that is measured from the time a ticket is picked from the Queue Management System (QMS) Ticket Printer to the time the ticket is called by a FNPF officer.

QMS recorded customers queue time for 40.5% (232,434) of our customers served face to face during the financial year. Of this number, 76.2% (177,154) waited less than 20 minutes before being called to the counter to be served.

FNPF's helpdesk is popular with members enquiring for their account information

Our PENSIONERS

Service Types

Statement requests is still the most sought after service by members through the 3 modes of contact available. 100,046 or 17.4% of the total number of customers served sought balance, eligibility and detailed statements. Despite being the most sought after service, the number served actually reduced by 9.5%.

Major increases were recorded for contribution refunds, undistributed contribution, surcharge, natural disaster assistance, withdrawal payment follow ups and contribution schedule verification.

Significant increases were also recorded for these three full withdrawal grounds; Death of a Member withdrawal by nominees increased by 22.4%, migration increased by 9.5% while Retirement increased by 3.4%. Medical Incapacitation witthdrawals reduced by 42.7%. Reductions were also recorded for withdrawals under Further Payment and Small Account Ground by 29.9% and 5.5% respectively.

For early withdrawals, Funeral assistance increased by 26.4%, Education assistance increased by 18.8% and Urban Housing increased by 14.7%. On the other hand, Village Housing reduced by 32.1%, Unemployment reduced by 8.9% and SDB Funeral Assistance reduced by 4.7%

Of the total number of contacts made, 12.6% approached the Fund for TC Winston Assistance, 12.1% sought education, and 4.2% sought unemployment, 4.1% for urban housing, 1.8% for village housing and another 1.9% for funeral assistance.

In addition, 5.7% were served for Pension Services, 4.1% of our members were served for the FNPF/FRCA joint ID card, 2.1% were served for member registration and creation of new member accounts, 1.9% for nomination, and 1.9% for correction and changes to their membership records.

Customer satisfaction is our priority

A Pensioner at the Member Forum in Suva

Pension Service

Customer Served

A total of 32,853 customers were served for pension related services compared with 35,283 in 2015, a reduction of 6.9%
Of the total number of customers served for pension services, 60.2% were for payments, 28.3% for Renewal Certificates, 8.3% sought Pension Advice while the remaining 3.2% were served for Pension Orders.

Pension Renewal Certificates

A total of 18,584 Pension Renewal Certificates were processed in 2016, this was a slight increase of what was processed for 2015. The highest number of Renewal Certificates were processed in April at 12.2% while the lowest number was processed in February at 6% of the total figure processed during the year. FNPF processed 97.3% of all applications received within three working days.

Pension Take Up Rates

The Pension Take-Up Rate refers to the number of members who have opted for any combination of FNPF's Pension Products, against those that are eligible for pension and have exercised their options (lump sum + pension take up). Of the 6015 pensioners and nominees eligible for pension only 254 signed up for pension; 242 members took pension under retirement withdrawal, eight sole nominees opted for pension and 4 members opted for pension under spouse of deceased member claim and medical incapacitation.

Our GROWTH

FNPF collects dividends from Vodafone

INVESTMENT

Investment Overview

The Investment portfolio experienced considerable growth increasing from $4.8 billion in 2015 to finish at $5.0 billion in 2016. Liquidity during the year decreased from $680 million in 2015 to $496 million in 2016. As a result of the declining liquidity, long-term interest rates rose, with the 15 year government bond rate closing at 6.30% compared with 5.49% last year.

The pay-out related to the Tropical Cyclone Winston natural disaster assistance decreased the funds available for investment by $275.5 million. The payout to members was fully met from the cash buffer in the current accounts and did not require any liquidation of investments. Despite the significant out-flow, the Fund was able to achieve growth in the investment portfolio.

Some of the key highlights of the year included:

- The Equities portfolio recorded good growth compared with last year. Key investments included:
  - Additional shares in HFC Bank
  - Acquisition of 39% shareholding in Fiji Ports Corporation Limited
  - Additional investments in Momi Bay Resort Limited for the construction of Marriott Hotel
  - Acquisition of 15% stake in Vision Investments Ltd
  - Acquisition of shares in Bank South Pacific, PNG
  - Acquisition of additional shares in Amalgamated Telecom Holdings Ltd.

  These new acquisitions complemented the positive movements from listed shares on the South Pacific Stock Exchange and the offshore equity portfolio and contributed $8 million new income in 2016.
- Investment in the International Finance Corporation's (IFC) Emerging Asia Fund (EAF) – during the year, Board approved the investment commitment of US$50 million into the IFC EAF.
- Investment in Fiji Government's US bond – the Fund participated in the Fiji Government US denominated bonds float, acquiring over US$60 million in bonds.
- Greig Street Re-development - Significant progress on the construction of the project.
- Nadi Hotel redevelopment – the project progressed towards the finalization of the design and contract for the project.
- Revaluation of Investment properties – FNPF undertook a revaluation of its investment properties, resulting in a net revaluation gain of over $13.8 million.
- Reversal of Impairment on Natadola Bay Resort Limited – the Fund undertook an independent valuation of the Intercontinental Golf Resort & Spa, the Natadola Championship Golf Course and the land held by the NBRL for future development that resulted in a write-back of over $11.4 million. The total impairment write-back to date is approximately $81.8 million.

FNPF continued to explore privatisation opportunities announced by Government in Airports Fiji Limited and Fiji Electricity Authority.

Investment Rehabilitation

The Fund's rehabilitation programme increased significantly during the reporting period and escalated activities across a wide portfolio of underperforming asset classes.

The following milestones were achieved:

i) Natadola Bay Residential Development – The first stage of the residential development is completed along with the road works, essential utilities, installation of street lights and some element of landscaping work. The 44 lots now completed is offered on a 99 years prepaid lease rental, which is the first of its kind for tourism development in Fiji. Sales have now progressed and settlement with the first buyers is expected in the fourth quarter of 2016.

ii) Momi Bay Resort Redevelopment – Significant progress have been made towards completion of the Marriot Momi Bay Resort with the completion of major parts of the hotel precinct. The 250-room hotel that will be completed around December 2016 will be one of the iconic five-star hotels in Fiji and will change the face of resort style accommodation in Fiji.

Income

The Fund's total Income for the financial year was $331.2 million, compared with $310.0 million in 2015, an increase of approximately $21.2 million.

On asset class levels, all asset classes saw increases in income compared with last year. The income from Fixed Income portfolio increased compared with last year due to increased investments in fixed income securities and rising interest rates. Similarly, the commercial lending portfolio investment income also increased due to new investments.

Property rental income also increased as vacancy rates decreased and rental reviews were carried out to align to higher market rates. Income from properties acquired in 2015 also started to stream in.

The Equities portfolio saw increased dividends being paid out from subsidiaries such as ATH and HFC, as well as from new investee companies such as Vision Pacific, Fiji Ports Corporations Limited and Bank of the South Pacific.

Cash at Bank interest income was at a record high due to competitive rates negotiated on all current accounts with Commercial Banks.

During the year, the Fund undertook a market valuation exercise for its investment properties, which resulted in the increase in market value of properties by $13.8 million. Realized capital gains of approximately $6.1 million was also booked mostly due to trading activities conducted on the overseas equities portfolio. The portfolio also booked an unrealized capital gain due to increases in the share price of these equities.

The net return on investment was 6.9%, compared with 5.9% in 2015. This enabled the Fund to credit 6.25% to the members' accounts.

Fixed Income Portfolio

The Fixed Income portfolio remained the strength of the investment portfolio, making up of more than 77% of the total investment portfolio. While 2015 saw a rise in liquidity and decline in interest rates, 2016 saw the trend reversed. Liquidity in the financial system decreased from $680 million in 2015 to close at $496 million in 2016, leading to increase in interest rates in all tenors of public sector securities.

Figure 2: Consolidated Portfolio

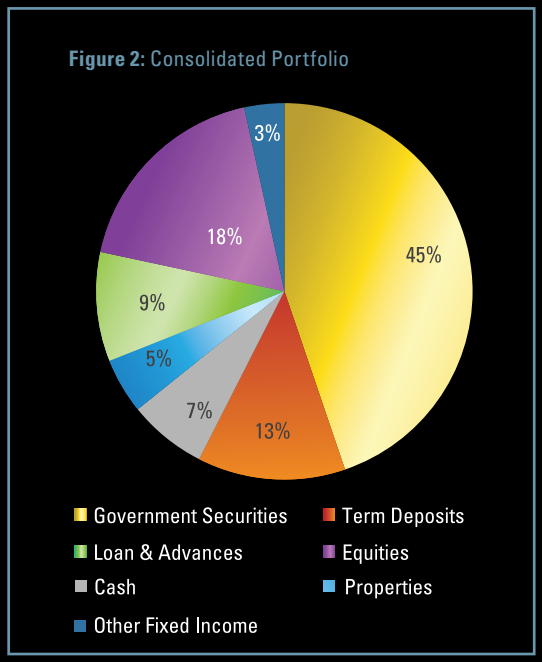
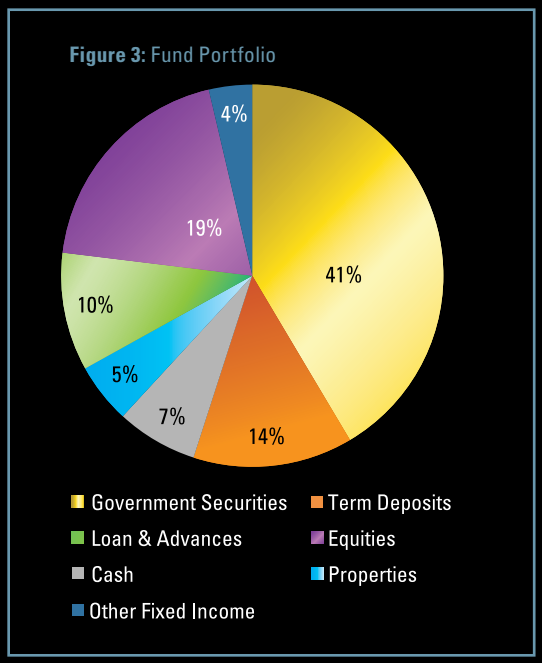


Figure 3: Fund Portfolio



Government Securities

The Government bonds portfolio increased from $1.98 billion in 2015 to close at $2.11 billion in 2016. Total investments in Government bonds for the review period was $235.07 million while maturities totalled $96.56 million.

The increase in investments came directly as a result of the government's increased appetite for long term debt to fund rehabilitation works post TC Winston.

New investments in treasury bills totalled $30 million while maturities totalled $33.88 million, bringing the portfolio closing balance to $9.79m from $23.4m at the start of the year.

Quasi-government Securities

The quasi-government securities portfolio consists of borrowings by statutory institutions such as Fiji Development Bank (FDB), Housing Authority (HA), Fiji Electricity Authority (FEA) and Fiji Sugar Corporation (FSC).

The investments in these bodies are guaranteed by the Government. The portfolio closed at $137.3 million compared with $107.3 million last year.

The increase in portfolio was a result of new investments in FDB and FSC, with maturities noted in HA and FEA balances.

Local Term Deposits

Local term deposits decreased from a total of $590.1 million last year to close at $412.9 million this year. The decrease was due to re-investment of maturing deposits into higher yielding Government Bonds.

Offshore Investments

The RBF approved a total of FJ$120.0 million in the 2016 financial year. Out of this approval $83.1 million was utilized for offshore investments, while FJ$36.9 million will be remitted in the next financial year. The Fund continued to actively engage with the RBF towards realizing its offshore target.

Fiji Government US Denominated bonds

During the year, the Fiji Government early redeemed its US$250 million bond that was floated in 2012, of which FNPF held US$36.7 million. The Government simultaneously launched a new 5-year parcel of US$200 million which will mature in 2020.

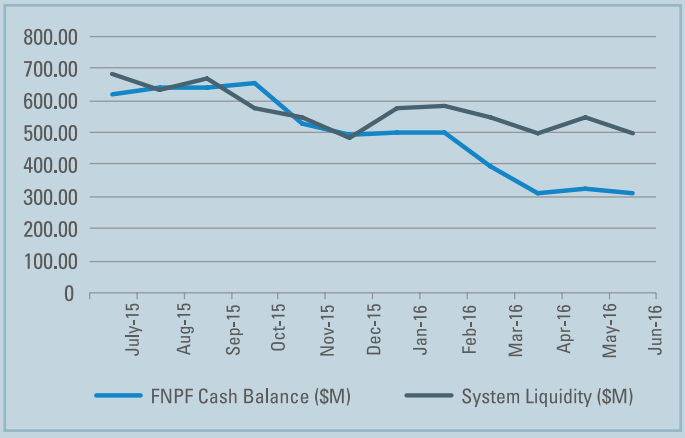
FNPF participated in this early recall program as well as bidding for the new parcel. As a result, FNPF was allotted a total of US$50 million while picking up an additional US$10.2 million in the secondary market.

Part of the new funds approved by RBF for offshore investments were utilized for this investment. Due to these transactions, the portfolio closed at $122.9 million compared with $75.5 million last year.

Foreign Term Deposits & Cash

The Foreign Term Deposit and cash portfolio closed at $221.6 million compared with $98.7 million last year. The increase was due to the remittance of new funds approved by RBF.

Figure 4: System Liquidity vs FNPF Cash



Commercial Loans

The market continued to pose challenges to commercial lending portfolio as strong competition from commercial banks kept the lending rates low. Total interest income earned in the year was $18.5 million compared with $17.7 million last year. The commercial lending portfolio increased from $387 million to $489.5 million which apart from new loans was also a result of impairment provision write backs of about $13.6 million.

New loans during the year included Momi Bay Resort Limited for the construction of the Marriott Hotel, FNPF Hotel Resorts Limited on the refurbishment of the Holiday Inn, completion of drawdowns by FEA for the purchase of 35 MW Heavy Fuel Oil Generators and the refinancing of a FEA Bond and Fiji Airways Limited for financing the purchase of two ATR aircrafts.

Equity Portfolio

Equity

The Fund actively pursued growth opportunities to diversify its portfolio, both locally and offshore. During the financial year, the Fund invested circa $194 million in the equity market as well as finalised prospective investment to the worth of over $180 million in offshore equities but yet to be invested during the financial year.

Local Equities

The local portfolio closed at $802.4 million compared with $576.9 million in 2015. This growth is a result of new investments in Fiji Ports Corporations Limited and Vision Investments Limited plus additional acquisitions in Momi Bay Resort Limited, Amalgamated Telecommunications Holdings Limited and HFC Bank, as well as positive movements from listed shares on the South Pacific Stock Exchange.

The local equities portfolio generated around $56.8 million in dividend income in 2016 compared with $55.3 million last financial year which included a one-off dividend income of $11 million from FNPF Investments Limited.

Offshore Equities

The Offshore Core Australian Equities portfolio managed by Martin Currie Australia continued its strong performance, generating a dividend income of about $6 million compared with $4.5 million in 2015.

During the year, the Fund re-balanced the Core Australian Equity portfolio with a divestment of A$30 million which was re-allocated into the Martin Currie Real Income Fund. The portfolio rebalancing was undertaken to mitigate downside capital risk exposure given the assessment of the market conditions.

Members being served at the Pension Centre

myFund launch in Suva

Members briefed on TC Winston assistance

Member lodges application in Suva

The Fund also acquired $4.4 million additional shares in Bank of South Pacific which also recorded an increase in dividends in 2016. The Board also approved the investment commitments of AUD$50 million into 'The Infrastructure Fund' managed by Hastings and US$50million into IFC's Emerging Asia Fund. Draw downs will commence in 2017.

Treasury

As an active participant in the financial market in Fiji, the Fund has to ensure it leverages itself with effective Treasury management strategies and practices. The financial year ended June 2016 witnessed achievement of key milestones with continuous changes in the business environment. Essentially, the Fund's Treasury function facilitated effective management of funds whilst deploying it towards investments locally and internationally.

Knotted with several new investments within the financial year has been management of investment funding. Challenges were faced as the overall general liquidity levels in the economy's financial system decreased from a total of $680 million in July 2015 to $496 million in June 2016. The payout resulting from TC Winston withdrawals further decreased the Fund's holdings from $656.2 million in 2015 to $337 million at end of this financial year. This was the the direct impact of TC Winston. The overall decrease in cash balances, however, was a witness of the Fund's continuous pursuit for growth opportunities and diversification of its portfolio with successful acquisitions of several investments as highlighted earlier in the specific portfolio reports above.

Projects

In the last financial year the key projects managed were the redevelopment of Greig Street building, demolition of Nadi Hotel and Retail Building, Momi Bay Resort, Natadola Beach Land Estates Stage 1 and the Holiday Inn refurbishment.

The Natadola Bay resort residential subdivision progressed smoothly over the last financial year with the first stage of the estate completed and earth works have begun on the commercial precinct. A review of the current master plan is also underway to develop Natadola and Momi to complement each other to become the premium destination of Fiji not just for tourist and residences but for Fiji residents in general.

Apart from key projects mentioned above, re-modernisation and capital works on existing properties continue to be a major focus. The continual works is necessary to maintain the integrity of the property and to add value to generate higher returns for the members.

Major works to be completed include the renovations of Downtown Boulevard and FNPF Member Services, Provident Plaza central chiller system upgrade, Hugh Robinson complex upgrade in Raiwaqa and the Ganilau House in Suva. These refurbishments are expected to be completed within the 2016/2017 financial year. The new member service offices works are currently underway and they are expected to be completed in the last quarter of 2016. The new offices would create a modernized hub for customer services, pension centre and employers section to provide improved services to our members.

Properties

The Property portfolio consists of 19 properties, which includes 16 commercial/ retail complexes, 1 undeveloped vacant block and 2 properties under re-development. The property portfolio increased in value from $206.0 million in 2015 to close at $238.3 million in 2016. This value included the Momi Bay project valued at $57.6 million.

During the year, the Fund undertook a market valuation of the investment properties. The growth in portfolio is the result of the re-evaluation exercise undertaken by Bayley's Valuation from New Zealand. An appreciation in value of $13.81 million was booked, an increase of 15.7% of the property value. Increase in work-in-progress was also booked for various properties under development.

The portfolio performance for the financial years is summarized as follows;

- The gross rental income increased by 9.1% from $13.8 million in 2015 to $15 million to June 2016.
- Expenses increased by 38.7% from $3.7 million in 2015 to $5.1 million. The increase is attributed to the write-off of the holding value of Nadi Retail that is under re-development.
- A net yield of 11.3% was achieved, reflecting the capital growth of the property.

The two properties, Greig Street property and Nadi Retail are undergoing re-development while the Downtown Boulevard is under refurbishment.

FNPF Subsidiaries

Amalgamated Telecom Holdings Limited (ATH)

The Group recorded a consolidated net profit after tax of $81.8 million for the financial year ended 31 March 2016, compared with $72.0 million last year. Based on these favourable performances, the Group declared a dividend of $33.8 million, an increase of 14.2% compared with last year. The result is due to favourable performance of major subsidiaries. The group consolidated results include new subsidiaries, ATH Kiribati Limited and Datec Fiji Limited.

Home Finance Company Limited (HFC)

HFC also declared a dividend of $4.2 million compared with $3.6 million last financial year. HFC Bank recorded a net profit of $7.0 million compared with $6.1 million the previous year.

Our TECHNOLOGY

Customer Service in Lautoka

LEGAL SERVICES

The Fund's Legal Services oversees all matters related to prosecution, civil litigation, corporate conveyancing and contracts. It also provides opinions and advice to Board and Management.

Corporate

Fifty four civil litigation cases were handled during the year. Of these, 18 have been completed while 36 are still pending in court. Legal Services also vetted and drafted 80 contracts; provided 114 legal opinions, recovered $33,608 in civil debts and processed 35 maintenance court transfers totaling $151,826.

Prosecution

The Fund recovered $618,446 contributions from 43 defaulting employers. Another 18 cases were registered with the courts in Fiji.

Corporate Conveyancing

The Titles Project was set up two years ago to assist in discharging members property titles, held by the Fund as security for providing equity for the purchase of members' properties. A total of 1,535 applications were received from members; the Legal team dispatched 1,952 documents. Fees collected from the discharge was approximately $98,000.

INFORMATION & COMMUNICATIONS TECHNOLOGY

TC WINSTON ASSISTANCE

The TC Winston Assistance tested the Provident Fund Management Information System (ProMIS), FNPF's newly implemented IT integrated system. Given the magnitude of the destruction, the Fund was aware that this exercise would be like no other natural disaster assistance provided to members in the past.

The challenge was to ensure that all FNPF staff were equipped with the right IT tools and linked to ProMIS to be able to provide accurate information to members and advise them accordingly.

Both assistance provided $1000 and $5000 per member were provided under a revised set of rules. The functionality required to meet the requirements for both assistance did not exist in ProMIS and this meant new business rules had to be developed and functionality of ProMIS had to be implemented.

A real-time executive monitoring dashboard tool was developed to ensure the Management team was able to monitor the processing and payments made for this assistance. This was an achievement for the Fund as it was the first time we had developed such a tool, which reviewed the daily progress of all applications received, processed and paid out to our members in the Central, Western and Northern divisions.

A new scanning solution was also developed to ensure application forms and accompanying documens were uploaded under the new barcoding and optical character recognition (OCR) system.

The ICT team also developed a simplified search tool to assist staff attend to queries from members. FNPF also leveraged on its business relationship with Vodafone Fiji Limited (VFL), setting up a cloud with VFL. All incoming calls were routed to this centre, before selected calls were then forwarded to FNPF. FNPF developed a simple version of ProMIS and this was provided to the Vodafone call centre to enable them to access and provide updated information to our members.

A document reconciliation system was developed to assist in the closure processes of all TC Winston assistance. This allowed for the collation and reconciliation of all physical applications received. These included the applications being validated, verified, sealed off and then archived accordingly.

FNPF developed six integrated software system to process 182,571 applications that were received from our members.

Our SUPPLY CHAIN

ISSA AWARD - PROMIS

FNPF's efforts to continually improve services to members and stakeholders through its integrated IT system – ProMIS – received global recognition last year.

The successful IT reforms which resulted in the implementation of ProMIS, was awarded the Certificate of Merit by the International Social Security Association (ISSA). FNPF's entry was titled "Transforming Super Service via an Integrated Administration System".

NETWORK UPGRADE

Network issues are a nightmare for any business or organization and FNPF is no different.

At the beginning of the financial year, an IT network upgrade resulted in the replacement of the Core Switch,which is the backbone of any IT network. This upgrade was necessary given the introduction of ProMIS. It led to enhanced accessibility to IT services.

This included the enabling of free Wi-Fi services for all our customers at our headquarters in Suva. Members, pensioners and other FNPF stakeholders have been able to connect to FNPF's Wi-Fi hotspots while accessing services -allowing members to log into their FNPF accounts and find out their eligibility or total balance.

MyFund – Super on the Go

MyFund was launched in February, 2016 and allows members to check their balances and eligibilities, at any time convenient to them. This was developed to maximise technological advances in regards to mobile phones and also in response to the high number of enquiries on eligibilities received from our members at our various Customer Service centres.

LOGISTICS & SUPPLY CHAIN

Tender Management

The procurement of all goods and services above $30,000 is facilitated by the Tender team guided by the Procurement Policy and accompanying tender procedures that delegates the Tender A Committee to purchases between $30,000.00 to $250,000.00; Tender B Committee $250,000 to $750,000 and the Board above $750,000. There were a total of 36 tenders and expressions of interests initiated during the year compared with 45 last year.

Table 9: Tender Type 2015/2016

Tender Type	FY15	FY16
Tender	36	24
Expression of Interest (EOI)	5	5
Restricted Tender	4	7
Total	45	36

The Tender A committee reviewed twenty four of the tenders whilst eight were decided on by the Tender B committee. Four tenders were still in process at the end of the financial year.

Management reviews the CCTV system

Office Security and CCTV

Closed Circuit Television was commissioned on 21 April, 2016 and were provided by Professional Electronics Limited. A total of 36 cameras were successfully installed at the Provident Plaza. The next phase of installation will be undertaken following the completion of renovation at the Retail Centre at Downtown Boulevard. The Fund employs 29 security officers to secure its property and interests in Suva and the Fiji Marriott Resort at Momi Developent. Grid Security were engaged to secure all our other branches and agencies.

Mailing, Archiving and Record Management

All mailing correspondences to and from the Fund is facilitated through our mail management system via Post Fiji and EMS.

Incoming mails totaled 39,027 for 2016 against 54,345 outgoing mails consisting mainly of pension renewal certificates for pensioners.

The Fund is obliged to archive its records of member withdrawals for at least seven years from processing date. Total number of requests for document retrieval was 3,336 of which more than half were contribution schedule confirmation requests.

Fleet Management

There are currently 32 vehicles in total with the following distribution: Suva (21), West (9) and North (2). There were nine replacement vehicles purchased in 2016. A vehicle is replaced when it exceeds 100,000km or has been in use for four years, whichever comes first.

FNPF Suva staff, 2016

For ease of communication, fleet champions were identified for each branch to provide updates on their vehicle management. Fleet reports are prepared on a monthly basis. The installation of GPS in all vehicles has assisted the Fleet team in monitoring all vehicle movements especially after hours to ensure that unnecessary runs were minimized.

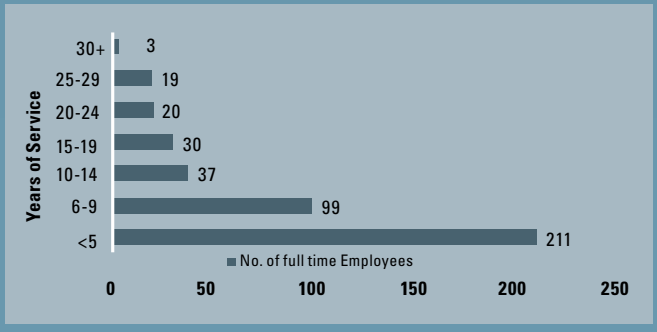
Awareness to staff on the Fund's Motor Vehicle Policy continues through to the next financial year as a measure to counter any level of abuse.

HUMAN RESOURCES

To a large extent, the Fund owes its success to the commitment and expertise of its staff. For that reason, FNPF focuses its attention on recruiting the best employees, providing them with an inspiring working environment accompanied by challenging tasks, developing their careers and retaining high performers on a long-term basis.

FNPF is committed to offering leadership and support to its staff by building relationships, employee connections and empowerment, to ensure employees add value to the organization.

Figure 5: Number of full time Employees vs Years of Service



*does not include Temporary and Project Workers

Staff Numbers

The total staff composition was 498 in comparison to 452 for 2015, out of which 392 are full-time employees, 79 Temporary and Project Workers, 18 Senior Management, 6 Executives and 3 Consultants.

Figure 6: Employee Profile

Gender	Male 48.4%; Female 51.6%
Ethnicity	iTaukei 67%; Indo-Fijian 26%; Rotuman 3% & Others 4%
Average age	34 years
Status	Full Time 84%; Temporary & Project Workers 16 %

Recruitment & Retention

A total of 47 positions were advertised in 2016 and 38 positions were filled respectively. The Fund's turnover rate decreased from 7.5% in 2015 to 7.1% in 2016. This reflects continued and improved staff retention strategies, such as management and leadership training, succession planning programs, talent management strategies, study support, competitive remuneration, acting appointments and internal mobility opportunities.

Employment Relations

The Fund has maintained very cordial relationship with the in-house union and has recognized the union under the Employment Relations Promulgation Amendment Act (2015). The Fund has embarked into forming a partnership agreement with the union to ensure amicable resolution of any employment disputes and log of claims. FNPF also recognizes other unions of which our staff are affiliated with.

Our PEOPLE

Learning & Development

2016 focused on key competencies in support areas. Effectiveness of accurately identifying technical training needs and addressing them through proper training was reflected in the FNU assessment with an all-time high score of 88.8% returning $107,300 to the Fund.

A total of 463 employees attended a wide range of learning & development opportunities, seminars and workshops throughout the financial year.

A total of 36 in-house, 54 external and seven overseas training programs and workshops were conducted during the year. 50 staff continued to further enhance their qualifications and were enrolled in either diploma, degree or postgraduate courses at the three local universities.

Leadership development continues to be at the focus of HR strategic initiatives. Middle management training at University of New South Wales, superannuation training with International Labour Organization Training Centre at Turin and attachment at Indian Technical & Economic Cooperation in India (ITEC) were the highlights of overseas trainings.

Specific soft skills training on Emotional Intelligence and Leadership training paid off showing a 76% score in our Employee Engagement Survey, 6% above target, highlighting FNPF being an Employer of Choice. It also revealed high engagement scores with the Fund's strategic themes and action plan.

Succession planning and coaching also remain the hallmark of the sustainable leadership framework at the Fund with constant feedback from 360 degrees. With proper frameworks in place, 2017 ushers in a focus on individual coaching with the Management and senior staff.

OHS and Staff Well-being Programs

Management remains committed to ensuring a safe, healthy work environment for its employees, members, contractors, tenants and the public at large, to prevent all types of health hazards and injury. This was evident in 2016 as there was no reported workplace accident and incidents.

A total of 24 fire warden and first-aiders from respective business units and agencies attended fire warden and first aid training whilst 58 staff attended the Occupation Health & Safety training.

Health and Wellness program was also implemented to foster a good work–life balance at the Fund which incorporated a structured program for the whole year.

The Fund also continues to support the community by increasing our visibility in Corporate Social Responsibilities (CSR) activities. Pinktober (Breast Cancer) and Prostate Cancer Awareness were organized in October and November 2015 respectively.

Other CSR initiatives were also organized such as the blood drive in November, 2015 in conjunction with Ministry of Health and TC Winston appeal in April, 2016, which was donated to Fiji Salvation Army.

Members waiting to be called in to the TC Winston assistance centre, Suva

A Pensioner speaks at the Member Forum in Nadi

Members at the Member Forum in Lautoka

A member makes his point Member Forum in Labasa

Cheque processing team for TC Winston assistance

Our COMMITMENT

PRIME SERVICES

Annual Member Forum

The Fund took the Annual Forum to three new centres, namely Rakiraki, Lami and Nausori, as it continued to provide members with information related to our financial performance, achievements and future plans. A total of 247 members attended the forums at the seven centres inclusive of Suva, Labasa, Lautoka and Nadi.

The effectiveness of the forum is usually assessed by a satisfaction rating where members provide their feedback on the usefulness of the information provided to them, presentation and on the presenter. The average rating for this year was 4.31 out of 5 (five) or 86%. The results reflect well on our continued efforts to raise public awareness and confidence; and building on public support and trust within our key stakeholders.

Research & Surveys

The FNPF continued to conduct ongoing research and strategy development to support long term sustainable retirement savings for our members. Various surveys were undertaken concerning the Fund's products and services and retirement income policy issues which includes:

Extending Micro Pension schemes to informal sector

The Fund in partnership with the Pacific Inclusion Programme undertook a research to explore on how to extend pension benefits to the Fijians who work in the informal sector.

The findings of the research will provide a baseline information on the viability of extending pensions scheme to workers in the informal sector to allow them to save for their retirement.

Retirement Qualitative Survey

The survey was conducted to explore benefits for the current pensioners and obtain the retirees' views on how best the Fund can achieve its vision of "securing your future". The feedback from this survey will support the Fund to establish the level of meaningful pension income to guarantee a comfortable retirement for its members, taking into account the cost of living adjustment.

Memorandum of Understanding

To further enhance data sharing, that will enable informed decision making by the Fund, a memorandum of understanding (MOU) was developed and signed with Reserve Bank of Fiji.

This MOU strengthens the collaborative relationship and capacities of the two parties to ensure the extraction & inclusion of disaggregated data and information to guide the actions and decisions in driving the national development and growth of the Fijian economy.

Member Forum in Rakiraki

Training Opportunities

The Fiji Bureau of Statistics in partnership with Statistics NZ organized courses to upskill staff to conduct data analytics using various methodologies in order to use these statistics for policy and decision-making.

Understanding the concept of big data analytics is important as this involves examining large data sets containing a variety of data types/categories to uncover hidden patterns, unknown correlations, market trends, member and pensioner preferences and other useful business indicators.

Media Relations

The Fund values its relationship with the media and attempts to respond to all questions received from different news organisations.

A total of 40 media releases were disseminated 2016. About 359 mentions were recorded for FNPF during the financial year. A majority of these were recorded in March and April, 2016 at the height of the Natural Disaster Assistance for the victims of TC Winston.

Media campaigns to educate our members were also conducted during the year that covered voluntary/additional contributions and the new SMS service, myFund.

This spread features newspaper clippings on FNPF from past years. On the right, are some media articles and notices that were published in relation to the TC Winston assistance

FNPF relaxes requirements for cyclone assistance

TC WINSTON CHEQUE COLLECTION DEADLINE

EXTENDED TO FRI, 6 MAY, 2016

Cheque collections & Reverse Payments

The Fiji Times ONLINE

FNPF pays out $4m in assistance

Fiji Sun online

FNPF: 10,000 Applications Already Paid Out

Fiji Time: Sunday, 23 October 2016

FBC TV

FBC NEWS

FIJI NEWS

Overseas FNPF members able to assist cyclone affected families

13:06 Fri Mar 11, 2016

Members of the Fiji National Provident Fund who are overseas can have applications for TC Winston withdrawals verified via Skype or any other virtual link.

FNPF Chief Operating Office Jaoji Koroi says the fund will decide in the coming days, what procedures people overseas will need to follow.

Koroi says Skype is one verification process that the fund is thinking of.

"We will come to them sometimes to actually explain to them then the process that we will follow maybe through Skype verification or whatever verification or whatever verification have to follow .The biggest risk is different person applying on behalf of somebody else, that's something that we want to ensure that we protect the members".

More than 80,000 applications have been received so far.

TC WINSTON ASSISTANCE PAYMENT OF CHEQUES

Taken from/By:
Report by: Savaira Tabua

The FNPF leadership team discusses future strategies at a workshop in Suva

A major campaign targeting employers, specifically, to register for the new employer online portal, was also pursued with newspapers, radio and television commercials.

This is in addition to the 2-day workshops conducted for more than 500 employers throughout Fiji.

Website Management

There were 207,798 sessions recorded from 109,111 unique visitors on myfnpf.com.fj for the 12 months ending 30 June, 2016. These visitors saw 732,467 pages. Sessions tally the number of people that accessed the site stayed & interacted with the site. Page views are the total number of pages that were viewed at any given session.

On average, a user will access about 3 to 4 pages per session & these sessions on average last about 4 minutes which would imply that the navigation is clear enough for users to get to what they want.

The bounce rate for visitors is quite good for this period was 36.9%, which means that these number of users navigated out of the FNPF homepage when they came to it. The global web analytic standards would rate good traffic below 40% bounce rate.

A huge spike in activity was seen during the period of March and April 2016. This can be attributed to members accessing information related to the TC Winston assistance.

For the first time the Fund actively ventured into social media with its Facebook page becoming a critical communication channel to reach its members, most especially during the TC Winston Assistance period.

The Fund will continue to explore strategies that will enable the proactive utilization of the social media platform in all communication efforts.

FIJI NATIONAL PROVIDENT FUND AND ITS SUBSIDIARIES

Financial Statements

30 June 2016

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Board of Members' Report

For the year ended 30 June 2016

The Board members present their report together with the financial statements of Fiji National Provident Fund ("the Fund") and the consolidated financial statements of the Fund and its subsidiaries ("the Group") for the year ended 30 June 2016 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. Tevita Kuruvakadua
Ms. Makereta Konrote (appointed 23/01/2016)
Ms. Bhavna Narayan (appointed 23/01/2016)
Mr. Sanjay Kaba (appointed 23/01/2016)
Mr. Sashi Singh (term expired 23/01/2016)
Mr. Tom Ricketts (term expired 23/01/2016)
Mr. Taito Waqa (term expired 23/01/2016)

Operation of the Fund

The Fund is a defined contribution fund and the operation of the Fund has been carried out in accordance with the provisions of the Trustee Act, Fiji National Provident Fund Decree 2011 and the Fiji National Provident Fund Transition Decree 2011.

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 telecommunication services, the ownership and operation of hotel and resort facilities, insurance agency business and the provision of comprehensive banking and related financial services.

Operating Results

The profit after tax of the Group attributable to members for the year ended 30 June 2016 was $339,207,000 (2015: restated $302,022,000) and for the Fund was $331,578,000 (2015: restated $265,064,000).

Reserves

The Board approved the allocation of profit to member's accounts from the Fund's income statement as annual interest at a rate of 6.25% (2015:6.00%).

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

Three-year Reform Project

The Fund started its three year Reform Project in 2010 with the overall objectives of "Delivering Excellent Services and Ensure Sustainable Returns" to the Fund Stakeholders. The Reform Project was designed under the following categories with the following major projects and objectives:

a) Investment Rehabilitation

i) Momi Bay Resort Limited project - Construction on the two hundred and fifty (250) room five star internationally branded resort at Momi Bay which commenced in October 2014 is tracking well and is expected to be completed by the end of 2016 and targeted for opening in the first quarter of 2017. On completion, it will be managed by the Marriott Group of hotels and resorts.

ii) Natadola Bay residential development – The development of Stage 1 Residential is targeted for completion in August 2016. This will include the subdivision of around 44 lots that have been launched for sale since the last quarter of 2015. The development of the land estates is expected to complement the Resort & Golf course earnings with proceeds expected to contribute towards reducing the NBRL debt. There is also a review of the 9 stages in the master plan for this development and we expect that the land development may be diversified as opposed to the initial residential sub-division concept.

b) Structural Reform

i) Except for Regulation 45 in relation to Special Death Benefits Fund which shall come into force on a date appointed by the Minister by notice in the Gazette, the FNPF Regulations 2014 came into effect on 22 August 2014.

Other events

a) As part of its investment strategy of directing investments towards growth assets, during the year:

i) in December 2015, the Fund acquired 39% of the shares in Fiji Ports Corporation Limited (FPCL) as part of the Government's Public Private Partnership program. The Fund formed a consortium with internationally renowned company, Aitken Spence PLC in response to the Government of Fiji's call for expression of interest in the partial divestment of FPCL.

ii) in January 2016, the Fund acquired an additional 14.4% shares in ATH in response to the Government of Fiji's partial divestment of its shares in ATH, increasing the Fund's interest in ATH to 72.6%.

iii) in February 2016, the Fund acquired 15% of the shares in Vision Investments Limited, a newly listed company on the South Pacific Stock Exchange.

b) In February 2016, tropical cyclone Winston produced one of the worst devastation in some parts of Fiji. In response to the disaster, the Fund assisted FNPF members' by relaxing withdrawal requirements to allow affected members in accessing assistance up to and including $5,000 and also to assist their affected families and relatives. A total of $275 million was paid out as a result of the assistance. There were no damages to any of the Fund's properties.

However, Amalgamated Telecom Holdings Limited and subsidiary companies (ATH Group) operations in Rakiraki, Tavua, Koro Island, Vanuabalavu, Taveuni, Tailevu, Ovalau, Wakaya, Southridge and parts of Central Eastern division of Fiji were significantly affected. The cyclone caused damage to the plant and equipment, in particular, telecommunications infrastructure, of the ATH Group. The ATH Group is in the process of assessing the overall impact of the damages sustained. The ATH Group is adequately covered by insurance and accordingly does not expect to sustain any losses.

Significant events during the year (continued)

Other events (continued)

c) During the year Home Finance Company Limited (HFC) engaged KPMG Sri-Lanka as consultant for its Core Banking System project.

d) In July 2014 HFC entered into a joint venture with Westpac Banking Corporation for banking services at AFL Nadi International Airport which became operational in October 2015.

e) On 20 June 2016 and 30 June 2016, additional shares of 9,375,000 and 3,125,000 were issued by HFC at $2 per share to Fiji National Provident Fund and Unit Trust of Fiji respectively to meet Capital Adequacy requirements and strengthening of shareholders equity.

f) During the year Momi Bay Resort Limited issued 7,000,000 ordinary shares at $1 each to Fiji National Provident Fund.

Events Subsequent to the Balance Date

On 4 July 2016, title to the land on which Momi Bay Resort is being constructed was transferred to Momi Bay Resort Limited by Fiji National Provident Fund for a consideration of $11.5 million.

Apart from the matters noted above, there has not arisen in the interval between the end of the financial year and the date of this report, any 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 Fiji National Provident Fund Decree 2011 (Decree No. 52).

During the 2016 year the Fund transitioned from preparing its financial statements as a defined benefit fund to a defined contribution fund. As a result the comparative figures for 2015 have been restated in the financial statements to allow comparison of the current year results with prior year.

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 a substantial financial interest.

Dated at Suva this 26 day of August 2016.

Signed in accordance with a resolution of the Board:

Statement by Board of Members

For the year ended 30 June 2016

In the opinion of the Board members:

(a) the accompanying income statements are drawn up so as to give a true and fair view of the results of the Fund and the Group for the year ended 30 June 2016;

(b) the accompanying statements of financial position are drawn up so as to give a true and fair view of the state of the affairs of the Fund and the Group at 30 June 2016;

(c) the accompanying statements of changes in member benefits are drawn up so as to give a true and fair view of movement in member benefits of the Fund and the Group for the year ended 30 June 2016;

(d) the accompanying statements of changes in reserves are drawn up so as to give a true and fair view of movement in reserves of the Fund and the Group at 30 June 2016;

(e) 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 the Group for the year ended 30 June 2016;

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

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

Dated at Suva this 26 day of August 2016.

Signed in accordance with a resolution of the Board:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIJI NATIONAL PROVIDENT FUND

Report on the Financial Statements

We have audited the accompanying financial statements of Fiji National Provident Fund (the "Fund") and the consolidated financial statements of the Fund and its subsidiaries (the "Group"), which comprise the statements of financial position of the Fund and the Group, and statement of financial position by Fund as at 30 June 2016, and the income statements, the income statement by Fund, the statements of changes in member benefits, the statements of changes in reserves and the statements of cash flows for the year then ended, and Notes 1 to 41 comprising a summary of significant accounting policies and other explanatory information.

Board of Members' and Management's Responsibility for the Financial Statements

The Board of Members and management are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Fiji National Provident Fund Decree 2011 (Decree No. 52), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund and of the Group as at 30 June 2016, and of their financial performance, changes in member benefits, changes in reserves and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

We draw attention to note 2.3 which sets out the impact on the comparative figures of the change in presentation of the Fund's financial statements from a defined benefit to a defined contribution fund.

Report on Other Legal and Regulatory Requirements

In our opinion, the Fund has complied with the Fiji National Provident Fund Decree 2011 (Decree No. 52), in all material respects, for the year ended 30 June 2016, in relation to:

i) the financial statements are in accordance with the Fiji National Provident Fund Decree 2011 (Decree No. 52); and

ii) the Board, Board members and staff members have given all the information, explanations and assistance necessary for the purposes of the audit.

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.

26 August, 2016
Suva, Fiji

KPMG
Chartered Accountants

Fiji National Provident Fund and its subsidiaries

Income statements

For the year ended 30 June 2016

	Notes	Consolidated 2016 $000	Consolidated 2015 $000 Restated*	The Fund 2016 $000	The Fund 2015 $000 Restated*
Superannuation activities					
Revenue					
Interest income	6	223,172	206,463	232,418	216,772
Dividends		9,941	8,304	11,919	8,238
Dividends from subsidiaries	16(a)	-	-	44,855	47,110
Property rental income		18,048	13,940	15,043	13,783
Change in fair value of investment properties	17	11,376	-	13,806	-
Net change in fair values of investments	7(a)	11,820	5,789	11,820	5,789
Net foreign exchange gain	7(b)	-	16,976	-	16,404
Sales revenue		419,970	376,132	-	-
Net interest income		19,288	19,614	-	-
Other income	8	13,436	30,115	1,304	1,936
Total revenue		727,051	677,333	331,165	310,032
Expenses					
Airtime and PSTN charges		68,103	64,362	-	-
Investment expenses		5,801	9,876	5,801	9,876
Property expenses		5,094	3,671	5,094	3,671
Interest expenses		1,532	1,550	-	-
Equipment and ancillary charges		46,888	39,135	-	-
General administration expenses	9	184,414	185,589	17,611	30,796
Depreciation and amortisation		54,543	54,295	2,882	2,141
Net foreign exchange losses	7(b)	10,404	-	9,508	-
Reversal of impairment of investment in subsidiaries	16(a)	-	-	(27,762)	-
Reversal of impairment of loans to subsidiaries	14	-	-	(13,547)	(1,516)
Total expenses		376,779	358,478	(413)	44,968
Share of profit/(loss) of associates, net of tax	16(b)	1,249	(1,647)	-	-
Profit before tax		351,521	317,208	331,578	265,064
Income tax expense	10(a)	(12,314)	(15,186)	-	-
Profit after tax		339,207	302,022	331,578	265,064
Other comprehensive expense					
Items that may be reclassified subsequently to profit or loss					
Foreign operations – foreign currency translation differences	29(e)	(1,883)	-	-	-
Other comprehensive expense, net of tax		(1,883)	-	-	-
Total comprehensive expense		337,324	302,022	331,578	265,064
Net profit available for allocation	`	337,324	302,022	331,578	265,064
Non-controlling interest		(22,218)	(27,969)	-	-
		315,106	274,053	331,578	265,064
Net benefits allocated to member's account	31(a)(ii)	(239,542)	(214,008)	(239,542)	(214,008)
Net profit taken to reserves		75,564	60,045	92,036	51,056

* See note 2.3

The income statements are to be read in conjunction with the notes to and forming part of the financial statements.

Fiji National Provident Fund and its subsidiaries

Statements of financial position

For the year ended 30 June 2016

	Notes	Consolidated 2016 $000	Consolidated 2015 $000 Restated*	The Fund 2016 $000	The Fund 2015 $000 Restated*
Assets					
Cash and cash equivalents					
Cash and cash equivalents	19	551,417	881,209	337,005	656,249
Receivables					
Investment income receivable	25	56,864	52,816	92,207	81,086
Trade receivables	20	44,777	35,094	-	-
Other receivables	24	52,642	49,925	22,184	24,763
Investments					
Term deposits	11	667,853	721,735	634,506	688,765
Government securities	12	2,165,810	2,050,776	2,114,966	1,984,928
Other fixed interest securities	13	273,681	192,616	273,681	192,616
Equities	15	201,310	160,475	198,017	157,182
Loans and advances	14	756,298	580,158	489,521	387,041
Investment in subsidiaries	16(a)	-	-	635,668	508,137
Investment in associates and joint venture	16(b)	73,275	8,416	75,857	10,909
Investment properties	17	212,146	182,271	238,343	206,038
Property held for development	18	13,506	9,736	-	-
Other assets					
Inventories	21	15,368	9,775	-	-
Property, plant and equipment	23	579,519	437,206	12,120	13,131
Intangible assets	22	158,298	154,189	10,623	10,582
Current tax asset	10(b)	-	172	-	-
Deferred tax assets	10(d)	8,834	5,748	-	-
Total assets		5,831,598	5,532,317	5,134,698	4,921,427
Liabilities					
Creditors and borrowings	26	719,311	551,607	10,984	11,263
Other liabilities	27	67,753	76,175	2,717	2,424
Employee entitlements	28	7,215	7,252	1,014	804
Current tax liability	10(b)	1,542	-	-	-
Deferred tax liabilities	10(c)	20,001	21,849	-	-
Total liabilities		815,822	656,883	14,715	14,491
Net assets available for member benefits		5,015,776	4,875,434	5,119,983	4,906,936
Less: non controlling interest		80,669	95,951	-	-
Net assets available to pay benefits		4,935,107	4,779,483	5,119,983	4,906,936
Member benefits					
Allocated to members		4,349,692	4,221,494	4,349,692	4,221,494
Unallocated to members		12,853	11,111	12,853	11,111
Total member benefits		4,362,545	4,232,605	4,362,545	4,232,605
Total net assets		572,562	546,878	757,438	674,331

*See note 2.3

The statements of financial position are to be read in conjunction with the notes to and forming part of the financial statements.

Statements of financial position (continued)

For the year ended 30 June 2016

	Notes	Consolidated 2016 $000	Consolidated 2015 $000 Restated*	The Fund 2016 $000	The Fund 2015 $000 Restated*
Equity					
Investment reserve		263,800	209,307	263,800	209,307
Solvency reserve		493,638	465,024	493,638	465,024
Accumulated losses	29(a)	(16,638)	(651)	-	-
Available for sale reserve	29(c)	-	-	-	-
Other equity reserve	29	(171,996)	(131,045)	-	-
Credit loss reserve	29(d)	5,150	4,243	-	-
Foreign currency translation reserve	29(e)	(1,392)	-	-	-
Total equity		572,562	546,878	757,438	674,331

*See note 2.3

These financial statements have been approved in accordance with a resolution of the Board of Directors.

For and on behalf of the Board.

.....

Chairperson
Tevita Kuruvakadua

.....

Director
Ajith Kodagoda

The statements of financial position are to be read in conjunction with the notes to and forming part of the financial statements.

Fiji National Provident Fund and its subsidiaries

Statements of changes in member benefits

For the year ended 30 June 2016

	Notes	2016 $000	2015 $000 Restated*
Consolidated and the Fund			
Opening balance of members' benefit		4,232,605	3,900,918
Contributions:			
Employers		266,996	240,103
Members		213,598	192,082
Total contribution	29(f)	480,594	432,185
Benefit payment to members	29(g)	(574,888)	(300,452)
Pension payment to pensioners	29(b)	(24,237)	(23,625)
Benefits allocated to members' account, comprising:			
Net investment income	31(a)(ii)	239,542	214,008
Current year investment returns			
- SDB	32	1,025	617
- RIF	32	23,282	22,977
Transfer to solvency reserve			
- SDB	31(c)	(3,868)	(4,859)
- RIF	31(b)	(11,510)	(9,164)
Closing balance of members' benefits		**4,362,545**	**4,232,605**

The statements of changes in member benefits position are to be read in conjunction with the notes to and forming part of the financial statements.

Fiji National Provident Fund and its subsidiaries

Statements of changes in reserves

For the year ended 30 June 2016

Consolidated

	Notes	Investment reserve $000	Solvency reserve $000	Accumulated losses $000	Available for sale reserve $000	Other equity reserve $000	Credit loss reserve $000	Foreign currency translation reserve $000	Total $000
Balance at 1 July 2014		212,577	417,518	(8,332)	(34)	-	2,969	-	624,698
Net transfers to/from member benefits/reserves									
- FNPF		(33,483)	33,483	-	-	-	-	-	-
- SDB		-	4,859	-	-	-	-	-	4,859
- RIF		-	9,164	-	-	-	-	-	9,164
- SF		2,751	-	-	-	-	-	-	2,751
Decrease in non-controlling interest	37	-	-	-	-	(131,045)	-	-	(131,045)
Profit		27,462	-	7,681	34	-	1,274	-	36,451
Balance at 30 June 2015		**209,307**	**465,024**	**(651)**	**-**	**(131,045)**	**4,243**	**-**	**546,878**
Net transfers to/from member benefits/reserves									
- FNPF		(13,236)	13,236	-	-	-	-	-	-
- SDB		-	3,868	-	-	-	-	-	3,868
- RIF		-	11,510	-	-	-	-		11,510
Decrease in non-controlling interest	37	-	-	-	-	(40,951)	-	-	(40,951)
Profit		67,729	-	(15,987)	-	-	907	-	52,649
Other comprehensive income		-	-	-	-	-	-	(1,392)	(1,392)
Balance at 30 June 2016		**263,800**	**493,638**	**(16,638)**	**-**	**(171,996)**	**5,150**	**(1,392)**	**572,562**

The statements of changes in reserves are to be read in conjunction with the notes to and forming part of the financial statements.

Statements of changes in reserves (continued)

For the year ended 30 June 2016

The Fund

	Investment reserve $000	Solvency reserve $000	Total $000
Balance at 1 July 2014	212,577	417,518	630,095
Net transfers to/from member benefits/reserves			
- FNPF	(33,483)	33,483	-
- SDB	-	4,859	4,859
- RIF	-	9,164	9,164
- SF	2,751	-	2,751
Profit	27,462	-	27,462
Balance at 30 June 2015	**209,307**	**465,024**	**674,331**
Net transfers to/from member benefits/reserves			
- FNPF	(13,236)	13,236	-
- SDB	-	3,868	3,868
- RIF	-	11,510	11,510
Profit	67,729	-	67,729
Balance at 30 June 2016	**263,800**	**493,638**	**757,438**

The statements of changes in reserves are to be read in conjunction with the notes to and forming part of the financial statements.

Fiji National Provident Fund and its subsidiaries

Income statement by Fund

For the year ended 30 June 2016

	Notes	FNPF		Retirement Income Fund ("RIF")		Special Death Benefit Fund ("SDBF")		Total	
		2016 $000	2015 $000 Restated	2016 $000	2015 $000 Restated	2016 $000	2015 $000 Restated	2016 $000	2015 $000 Restated
Revenue									
Interest income	6	207,793	192,853	23,600	23,302	1,025	617	232,418	216,772
Dividends		11,919	8,238	-	-	-	-	11,919	8,238
Dividends from subsidiaries	16(a)	44,855	47,110	-	-	-	-	44,855	47,110
Property rental income		15,043	13,783	-	-	-	-	15,043	13,783
Change in fair value of investment properties	17	13,806	-	-	-	-	-	13,806	-
Net change in fair value of investments	7(a)	11,820	5,789	-	-	-	-	11,820	5,789
Net foreign exchange gain/(losses)	7(b)	(9,508)	16,404	-	-	-	-	(9,508)	16,404
Other income	8	1,304	1,936	-	-	-	-	1,304	1,936
Total revenue		297,032	286,113	23,600	23,302	1,025	617	321,657	310,032
Expenses									
Investment expenses		5,801	9,876	-	-	-	-	5,801	9,876
Property expenses		5,094	3,671	-	-	-	-	5,094	3,671
General administration expenses	9	17,304	30,486	307	310	-	-	17,611	30,796
Depreciation and amortisation		2,871	2,126	11	15	-	-	2,882	2,141
Reversal of impairment of investment in subsidiaries		(27,762)	-	-	-	-	-	(27,762)	-
Reversal of impairment of loans to related parties		(13,547)	(1,516)	-	-	-	-	(13,547)	(1,516)
Total expenses		(10,239)	44,643	318	325	-	-	(9,921)	44,968
Net profit available for allocation		307,271	241,470	23,282	22,977	1,025	617	331,578	265,064
Less: net benefits allocated to member accounts		239,542	214,008	-	-	-	-	239,542	214,008
Profit before income tax		67,729	27,462	23,282	22,977	1,025	617	92,036	51,056
Income tax expense	10(a)	-	-	-	-	-	-	-	-
Net profit taken to reserves	29(b)	67,729	27,462	23,282	22,977	1,025	617	92,036	51,056

The income statement by Fund is to be read in conjunction with the notes to and forming part of the financial statements.

Fiji National Provident Fund and its subsidiaries

Statement of financial position by Fund

For the year ended 30 June 2016

	FNPF		Retirement Income Fund ("RIF")		Special Death Benefit Fund ("SDBF")		Total	
	2016 $000	2015 $000 Restated	2016 $000	2015 $000 Restated	2016 $000	2015 $000 Restated	2016 $000	2015 $000 Restated
Assets								
Cash and cash equivalent								
Cash and cash equivalent	322,874	630,232	9,988	19,619	4,143	6,398	337,005	656,249
Receivables								
Investment income receivable	86,765	76,034	5,125	4,845	317	207	92,207	81,086
Other receivables	19,958	20,573	-	-	2,226	4,190	22,184	24,763
Investments								
Term deposits	633,506	687,765	1,000	1,000	-	-	634,506	688,765
Government securities	1,820,511	1,717,188	272,455	253,100	22,000	14,640	2,114,966	1,984,928
Other fixed interest securities	273,681	192,616	-	-	-	-	273,681	192,616
Equities	198,017	157,182	-	-	-	-	198,017	157,182
Loans and advances	489,521	387,041	-	-	-	-	489,521	387,041
Investment in subsidiaries	635,668	508,137	-	-	-	-	635,668	508,137
Investment in associates	75,857	10,909	-	-	-	-	75,857	10,909
Investment properties	238,343	206,038	-	-	-	-	238,343	206,038
Other assets								
Property, plant and equipment	12,079	13,091	41	40	-	-	12,120	13,131
Intangible assets	10,623	10,582	-	-	-	-	10,623	10,582
Total assets	4,817,403	4,617,388	288,609	278,604	28,686	25,435	5,134,698	4,921,427
Liabilities								
Creditors and borrowings	9,814	10,395	1,170	868	-	-	10,984	11,263
Other liabilities	2,706	2,408	11	16	-	-	2,717	2,424
Employee entitlements	1,014	804	-	-	-	-	1,014	804
Total liabilities	13,534	13,607	1,181	884	-	-	14,715	14,491
Net assets available for member benefits	4,803,869	4,603,781	287,428	277,720	28,686	25,435	5,119,983	4,906,936
Member benefits								
Allocated to members	4,118,994	3,988,994	230,698	232,500	-	-	4,349,692	4,221,494
Unallocated to members	8,341	5,982	-	-	4,512	5,129	12,853	11,111
Total member benefits	4,127,335	3,994,976	230,698	232,500	4,512	5,129	4,362,545	4,232,605
Total net assets	676,534	608,805	56,730	45,220	24,174	20,306	757,438	674,331
Equity								
Investment reserve	263,800	209,307	-	-	-	-	263,800	209,307
Solvency reserve	412,734	399,498	56,730	45,220	24,174	20,306	493,638	465,024
Total equity	676,534	608,805	56,730	45,220	24,174	20,306	757,438	674,331

The statement of financial position by Fund is to be read in conjunction with the notes to and forming part of the financial statements.

Fiji National Provident Fund and its subsidiaries

Statements of cash flows

For the year ended 30 June 2016

	Notes	Consolidated		The Fund	
		2016 $000	2015 $000	2016 $000	2015 $000 Restated*
Cash flows from operating activities					
Cash receipts from customers		552,905	561,225	-	-
Interest received		257,793	227,257	232,597	212,679
Dividends received		7,491	8,278	45,735	34,798
Property rentals received		10,780	10,216	12,992	11,993
Other income received		10,742	9,735	5,513	4,884
Loans and advances (provided)/repaid		(131,058)	(119,135)	-	-
Statutory reserve deposit		(12,160)	(18,120)	-	-
Payments to suppliers and employees		(325,353)	(293,354)	(27,564)	(30,205)
Interest paid		(13,493)	(5,812)	-	-
Capital gains tax paid		-	(1,564)	-	-
Income taxes paid	10(b)	(14,833)	(11,259)	-	-
Net cash from operating activities		342,814	367,467	269,273	234,149
Cash flows from investing activities					
Government securities matured/(acquired)		(116,605)	(11,483)	(130,038)	15,730
Other securities matured/(acquired)		(83,997)	26,042	(83,997)	26,042
Loans and advances (provided)/repaid		(64,689)	35,582	(87,771)	37,098
Term deposits matured/(invested)		54,943	(141,029)	53,749	(131,525)
Investment in associates		(65,516)	(1,250)	(65,516)	-
Shares in subsidiaries (acquired)/disposed		(14,638)	-	(25,750)	(75,000)
Proceeds from disposal of subsidiaries		-	17,000	-	1,000
Shares and units (acquired)/ disposed		(40,191)	(10,193)	(40,191)	(10,193)
Proceeds from sale of property, plant and equipment		1,036	308	223	164
Net increase/(reduction) from acquisition/(disposal) of subsidiary		20	(1,698)	-	-
Purchase of property, plant and equipment		(159,723)	(87,408)	(1,836)	(2,431)
Acquisition of intangible assets		(871)	(8,857)	(76)	(7,535)
Advances to related entities, net		-	(3)	-	-
Advance for relocation of telecommunication cables		2,377	3,896	-	-
Investment in joint venture		(675)	-	-	-
Additions to land held for development		(4,114)	-	-	-
Amount spent to acquire/develop investment properties		(20,151)	(7,717)	(20,151)	(23,967)
Net cash (used in) investing activities		(512,794)	(186,810)	(401,354)	(170,617)
Cash flows from financing activities					
Proceeds from/(repayment of) borrowings, net		14,945	(24,879)	-	-
Finance lease repayments		(1,783)	(5,217)	-	-
Contributions received from employers		269,990	239,622	269,990	239,622
Contributions received from members		215,991	191,697	215,991	191,697
Withdrawal payments to members		(574,888)	(300,452)	(574,888)	(300,452)
Pension annuity paid to members		(24,237)	(23,625)	(24,237)	(23,625)
Proceeds from share issue		6,250	-	-	-
Acquisition of non-controlling interests		(74,019)	(160,000)	(74,019)	(160,000)
Dividends paid		(1,063)	(25,214)	-	-
Net cash (used in) financing activities		(168,814)	(108,068)	(187,163)	(52,758)
Net (decrease)/increase in cash and cash equivalents		(338,794)	72,589	(319,244)	10,774
Effect of exchange rate movement		(3,108)	(639)	-	-
Cash and cash equivalents at beginning of the financial year		829,560	757,610	656,249	645,475
Cash and cash equivalents at end of the financial year	33(a)	487,658	829,560	337,005	656,249

The statements of cash flows are to be read in conjunction with the notes to and forming part of the financial statements

1 General Information

The Fiji National Provident Fund (the "Fund") is a defined contribution superannuation fund domiciled in Fiji. The address of the Fund's registered office is at 33 Ellery Street, Suva.

The consolidated financial statements of the Fund as at the year ended 30 June 2016 comprise the Fund and its controlled entities ("the Group").

The financial statements of the Fund as at and for the year ended 30 June 2016 comprise of four Funds set out below:

(i) The 'FNPF' – a defined contribution superannuation scheme, including reserves for members benefits as yet unallocated;

(ii) The 'Special Death Benefit Fund' (SDBF) – a life insurance scheme for FNPF members;

(iii) The 'Retirement Income Fund' (RIF) – a fund which accepts retirement benefits from FNPF members in return for a commitment to pay life or term annuities; and

(iv) The 'Supplementary Fund' (SF) – created under the Reform legislation to hold monies in respect of persons entitled to pensions prior to the Reform and for which those persons are entitled to claim as lump sums and/or pay into the RIF for annuities.

During 2015 the SF was closed and the balance of members' funds remaining was transferred to FNPF. These funds are still available for members. As a result, the Fund has changed its financial statements presentation to follow that required for a defined contribution fund.

The Fund is constituted by the Fiji National Provident Fund ("FNPF") Decree No.52 (the Decree), to provide superannuation benefits to employees in Fiji.

The financial statements were authorised for issue by the Board of Members on 26th August, 2016.

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, except for the change resulting from the change in classification from defined benefit to defined contribution plan and 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 in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board and the requirements of the Fiji National Provident Fund Decree 2011 (Decree No.52). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain land and buildings, investment properties, financial assets at fair value through profit or loss and available for sale assets that are measured at fair value. The Fund's financial statements are general purpose financial statements which have been prepared in accordance with International Accounting Standard ("IAS") 26 Accounting and Reporting by Retirement Benefit Plans, other applicable International Accounting Standards, and the provisions of the FNPF Decree No.52.

IFRSs form the basis of International Accounting Standards adopted by the International Accounting Standards Board ("IASB"). 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 Changes in accounting policies and disclosures

2.2.(a) Standards issued but not yet effective

The following new standards and amendments to standards relevant to the Group have been issued. The Group does not intend to apply these standards until their effective dates:

IFRS 9 *Financial Instruments*

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of evaluating the potential effect of this standard.

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

2.2.(a) Standards issued but not yet effective (continued)

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 16 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of evaluating the potential effect of this standard.

IFRS 16 *Leases*

IFRS 16 removes the classification of leases as either operating leases or finance leases - for the lessee - effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements.

There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front- loaded pattern of expense for most leases, even when they pay constant annual returns.

Lessor accounting remains similar to current practice - i.e. lessors continue to classify leases as finance and operating leases. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. The Group is in the process of evaluating the potential effect of this standard.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group or Fund in the current or future reporting periods and on foreseeable future transactions.

2.3 Impact of change in presentation

The Fund has changed its financial statement presentation from a defined benefit superannuation fund to a defined contribution superannuation fund presentation. The reason for the change in presentation is due to the closure during the 2015 financial year of the Supplementary Fund which had the balance of member funds from the period that it was a defined benefit fund. The Supplementary Fund was set up under the FNPF Decree at the time the Fund changed the method of calculating benefits payable to its members in 2012. The Fund is now a fully compliant defined contribution superannuation fund with no defined benefit fund activities.

To enable direct comparison with the current year presentation, the 2015 amounts in the financial statements have been restated.

The change to a defined contribution superannuation fund presentation has resulted in:

- Changes to the format of the financial statements;
- Recognition of members liabilities in the statement of financial position;
- Derecognition of benefits allocated to members' accounts in the income statement;
- Contributions, transfer-ins, benefit payments and SDB premiums charged to member accounts presented separately in the statement of changes in member benefits;
- Cash flow transactions from contributions and benefits paid relating to member benefits are now presented as financing activities; and
- A statement of changes in reserves is required to be presented.

The retrospective application of the change had the following impact on the Statement of changes in net assets (now renamed the Income Statement) and statement of cash flows for the year ended 30 June 2015 for the Fund.

2. Summary of significant accounting policies (continued)

2.3 Impact of change in presentation (continued)

Change from defined benefit superannuation fund to a defined contribution superannuation fund

	30 June 2015 as previously reported $000	Adjustment $000	30 June 2015 restated $000
Income Statement – The Fund			
Superannuation activities			
Revenue			
Interest income	216,772	-	216,772
Dividends	8,238	-	8,238
Dividend from subsidiaries	47,110	-	47,110
Property rental income	13,783	-	13,783
Net changes in fair value of investments	5,789	-	5,789
Net foreign exchange gains / (losses)	16,404	-	16,404
Contributions:			
Employers	240,103	(240,103)	-
Members	192,082	(192,082)	-
Other income	1,936	-	1,936
Total revenue	**742,217**	**(432,185)**	**310,032**
Expenses			
Benefits paid	300,452	(300,452)	-
Pension annuity	23,625	(23,625)	-
Investment expenses	9,876	-	9,876
Property expenses	3,671	-	3,671
General administration expenses	30,796	-	30,796
Depreciation and amortisation	2,141	-	2,141
Reversal of impairment of loans to related parties	(1,516)	-	(1,516)
Total expenses	**369,045**	**(324,077)**	**44,968**
Profit from operating activities	**373,172**	**(108,108)**	**265,064**
Less: net benefits allocated to members' accounts	-	214,008	214,008
Profit before tax	**373,172**	**(322,116)**	**51,056**
Income tax expense	-	-	-
Profit after tax	**373,172**	**(322,116)**	**51,056**

The adjustments are due to the removal of contributions and benefits from the statement of changes in net assets (now renamed the income statement) and the creation of a statement of changes in member benefits to show all movements in relation to the interest allocated to members being shown in the income statement as an allocation of profits rather than being made through the general reserve.

2 Summary of significant accounting policies (continued)

2.3 Impact of change in presentation (continued)

Change from defined benefit superannuation fund to a defined contribution superannuation fund (continued)

	30 June 2015 as previously reported $000	Adjustment $000	30 June 2015 restated $000
Statement of financial position – The Fund			
Member benefits			
Allocated to members	-	-	4,221,494
Unallocated to members	-	-	11,111
Total member benefits	-	-	4,232,605
Total net assets	-	-	674,331
Equity			
Investment reserve	-	-	209,307
Solvency reserve	-	-	465,024
Accumulated losses	-	-	-
Available for sale reserve	-	-	-
Other equity reserve	-	-	-
Credit loss reserve	-	-	-
Foreign currency translation reserve	-	-	-
Total equity	-	-	674,331

Due to a change from a defined benefit superannuation fund to a defined contribution superannuation fund presentation the members' liabilities have now been recognised in the statement of financial position together with the related reserves.

2 Summary of significant accounting policies (continued)

2.3 Impact of change in presentation (continued)

Change from defined benefit superannuation fund to a defined contribution superannuation fund (continued)

	30 June 2015 as previously reported $000	Adjustment $000	30 June 2015 restated $000
Statement of cash flow – The Fund			
Cash flows from operating activities			
Contributions received from employers and members	431,319	(431,319)	-
Interest received	212,679	-	212,679
Dividends received	34,798	-	34,798
Property rentals received	11,993	-	11,993
Other income received	4,884	-	4,884
Withdrawal payments to members	(300,452)	300,452	-
Pension annuity paid to members	(23,625)	23,625	-
Payment to suppliers and employees	(30,205)	-	(30,205)
Net cash from operating activities	**341,391**	**(107,242)**	**234,149**
Cash flows from investing activities			
Government securities matured/(acquired)	15,730	-	15,730
Other securities matured/(acquired)	26,042	-	26,042
Loans and advances (provided)/repaid	37,098	-	37,098
Term deposit matured/(invested)	(131,525)	-	(131,525)
Shares is subsidiaries (acquired)/disposed	(75,000)	-	(75,000)
Proceeds from disposal of investments	1,000	-	1,000
Shares and units (acquired)/disposed	(10,193)	-	(10,193)
Proceeds from sale of property, plant & equipment	164	-	164
Purchase of property, plant & equipment	(2,431)	-	(2,431)
Acquisition of intangible assets	(7,535)	-	(7,535)
Amount spent to acquire/develop investment property	(23,967)	-	(23,967)
Net cash (used in) investing activities	**(170,617)**	**-**	**(170,617)**
Cash flows from financing activities			
Contributions received from employers	-	239,622	239,622
Contributions received from members	-	191,697	191,697
Withdrawal payments to members	-	(300,452)	(300,452)
Pension annuity paid to members	-	(23,625)	(23,625)
Acquisition of non-controlling interest	(160,000)	-	(160,000)
Net cash (used in) financing activities	**(160,000)**	**107,242**	**(52,758)**
Net increase in cash and cash equivalents	10,774	-	10,774
Cash and cash equivalents at beginning of the year	645,475	-	645,475
Cash and cash equivalents at end of the financial year	**656,249**	**-**	**656,249**

The adjustments have had a corresponding impact on the consolidated financial statements for the year ended 30 June 2015 which have also been restated.

2 Summary of significant accounting policies (continued)

2.4 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The acquisition 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. 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. Investments in subsidiaries are accounted for at cost less impairment in the financial statements of the Fund.

The excess of the cost of 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 fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

Changes in the holding company's ownership interest in a subsidiary company that does not result in the holding company losing control of the subsidiary are equity transactions (i.e. transactions with owners in their capacity as owners) and accordingly reflected directly in the equity of the group.

Inter-entity transactions, balances and gains/losses on the 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.

The financial statements for the subsidiary Amalgamated Telecom Holdings Limited ("ATH") have been consolidated based on 31 March 2016 results as permitted by IAS 27.

Acquisition of Vodafone Fiji Limited (VFL) and Amalgamated Telecom Holdings Limited (ATH)

The acquisition of VFL in the prior year has been accounted for as a transaction between shareholders. As a transaction between shareholders, the acquisition does not reflect the fair value of assets and liabilities acquired or any recording of additional goodwill at the time of the acquisition of VFL. The acquisition balance sheet of VFL reflects the values for assets and liabilities acquired from VFL's accounting records. The difference between the fair value of the consideration given and the carrying value of the assets and liabilities acquired is recognised as an other equity reserve in the consolidated financial statements. (refer to note 37)

The acquisition of an additional interest in ATH in the current year has been accounted for in a similar manner.

Loss on control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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 financial position 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 financial position.

2 Summary of significant accounting policies (continued)

2.4 Basis of consolidation (continued)

Non-controlling interests ("NCI")

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity.

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

(b) Transactions 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 profit or loss. Translation differences on revalued or non-monetary assets and liabilities held at fair value are recognised in the profit or loss.

2.6 Property, plant and equipment

Freehold land is measured at cost. Hotel resort properties are measured at historical cost less depreciation and impairment and all other property is measured at cost except investment properties which are measured at valuation. All plant and equipment is measured 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 profit or loss during the financial period in which they are incurred.

Property that is being constructed for future use as investment property is accounted for as investment property until construction or development is complete, at which time it is re-measured to fair value. Any gain or loss arising on re- measurement is recognised in the profit or loss. When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss.

Freehold land is not depreciated. The upfront cost of leasehold land is amortised on a straight line basis 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 – 17 years
Subscriber equipment	10 – 20 years
Trunk network plant	10 - 17 years
Plant and machinery	4 – 17 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 2.10). Upon impairment, the revised carrying value of the asset is depreciated over the remaining estimated useful life of the asset. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in the profit or loss.

2 Summary of significant accounting policies (continued)

2.7 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 profit or loss.

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 profit or loss during the financial period in which they are incurred.

2.8 Property held for development

Property held for development is measured 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.

2.9 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. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost to sell. Any impairment is recognised immediately as an expense and subsequently cannot be reversed.

(b) Computer software

Acquired computer software licences 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).

(c) IRU network capacity

The IRU network capacity is recorded at cost less accumulated amortisation and impairment losses. The IRU network capacity is amortised over its estimated economic useful lives, as follows:

	Australia Link	**USA Link**
- IP Transit	33.33% - 50%	33.33%
- STM-1	6% - 8%	6% - 8%
- STM-4	6% - 8%	6% - 8%

The estimated economic useful lives of the IRU network capacity are reviewed, and adjusted if appropriate, at each balance date.

2 Summary of significant accounting policies (continued)

2.9 Intangible assets (continued)

(d) Spectrum licences

Spectrum licences are capitalised on the basis of the cost incurred to acquire the licences. The licences are capable of being used as at the date of purchase, but cannot be used until the associated network assets necessary are available for use. Amortisation of the licences commence when the associated network assets are deployed and economic benefits are derived. The licences are amortised over the shorter period of the remaining licence rights and their estimated economic useful lives.

2.10 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 estimated recoverable amount. The estimated 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.

2.11 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 profit or loss.

(b) Held to maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than those that meet the definition of loans and receivables.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in interest income in the profit or loss.

2 Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

(b) Held to maturity financial assets (continued)

The losses arising from impairment of such investments are recognised in the profit or loss. If the Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held-to- maturity during the following two years.

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 other comprehensive income. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the profit or loss.

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.

Reclassification of financial assets

The Group is permitted to reclassify, in certain circumstances, non–derivative financial assets out of the held-for- trading category and into the available-for-sale, loans and receivables, or held-to-maturity categories. It is also permitted to reclassify, in certain circumstances, financial instruments out of the available-for-sale category and into the loans and receivables category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in other comprehensive income is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in other comprehensive income is recycled to the profit or loss.

The Group may reclassify a non–derivative trading asset out of the held-for-trading category and into the loans and receivables category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the effective interest rate from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Group does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

2 Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either:
- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.12 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 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. 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 profit or loss.

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 profit or loss.

2 Summary of significant accounting policies (continued)

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

In respect of HFC, the following additional impairment policies apply:

(i) Renegotiated loans

Where possible, the bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(ii) Collateral valuation

The bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non- financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception, however, some collateral, for example, cash or securities relating to margining requirements, is valued on a regular basis. To the extent possible, the bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

(iii) Collateral repossessed

The bank's policy is to sell repossessed assets. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the bank's policy.

2.13 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.

2.14 Trade receivables

Trade receivables are carried at amortised cost less provision for impairment on the basis set out in note 2.11. Trade receivables are categorised as loans and receivables under financial assets.

2.15 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.

2.16 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 recognised in the profit or loss over the term of the lease.

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

Gratuity and retirement benefits are paid in respect of services provided up to the reporting date by employees and on retirement and/or on completion of their contractual term. 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

The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a formal plan without the possibility of withdrawal; or providing termination benefits as a result for an offer made for redundancy. Benefits falling due more than 12 months after the balance date are disclosed at their present value.

(d) Bonus incentive

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 evaluation.

2.18 Creditors and Borrowings

Creditors

Creditors are recognised initially at fair value and subsequently measured at amortised cost.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

In respect of HFC, the following additional policies apply:

Debt issued and other borrowed funds
Financial instruments issued by the bank that are not designated at fair value through profit or loss, are classified as liabilities under debt issued and other borrowed funds, where the substance of the contractual arrangement results in the bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings are subsequently measured at amortised cost using the effective interest rate. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

2 Summary of significant accounting policies (continued)

2.18 Creditors and Borrowings (continued)

Debt issued and other borrowed funds (continued)
A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

2.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of 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 the consolidated financial statements:

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the financial year end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are 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 respect of temporary differences arising between the tax bases of the assets and liabilities and their carrying amounts in the financial statements. However, 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 profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised as other comprehensive income or expense.

2 Summary of significant accounting policies (continued)

2.21 Provisions

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

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

2.22 Liability for accrued benefits

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries plus 10% for solvency as set out in the Decree, and has been calculated as each Fund's net assets as stated on the statement of financial position less the investment reserve account as at reporting date.

The liability for accrued benefits in RIF is the actuarial value of future annuity payments plus amounts required to meet solvency by the regulator. The liability for accrued benefits in SDBF is a reserve for claims incurred but not yet reported plus amounts required in meeting the solvency by the regulator.

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. Under the FNPF Decree, the amount of contributions for an employee for a month is the amount equal to 18% of the total wages payable to the employee by the employer for the month. The contribution shall be paid as an 8% deduction from the total wages of the employee and a 10% contribution by the employer. The legislation allows for additional contributions to be made.

The contributions shown in the statements of changes in member benefits represents total contributions received/receivable from employers and members.

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 either once the related service has been provided or when the product date has expired, whichever occurs earlier.

Revenue from international public and dedicated telecommunications services is recognised upon the use of service by the customers.

Revenue from the provision of data and internet services is recognised upon the use of service by the customer.

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. Costs including overhead expense incurred in relation to securing advertisements and in the publication of the directories are also deferred until the associated revenues are recognized.

Revenue from contracts in relation to on-line directory services is recognised over the term of the contract.

(b) Sale of equipment

Sale of equipment is recognised when the 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.

2 Summary of significant accounting policies (continued)

2.24 Revenue recognition (continued)

(c) Airtime and gaming revenue

Revenue from airtime and gaming services is recognised when earned.

Revenue is deferred in respect of that portion of fixed monthly charges, which have been billed in advance. Allowance is made for the amount of prepaid airtime revenue as at balance date in respect of which service has not been provided.

(d) Interest income

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

In respect of HFC, the following policy applies:

Interest and similar income and expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available- for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest rate. Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest and similar income for financial assets and interest and similar expense for financial liabilities. However, for a reclassified financial asset for which the bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the effective interest rate from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(e) Property rentals

Property rental income from operating leases 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.

(f) Dividend income

Dividend income from investments is recognised when the right to receive payment is established.

(g) Fees

Fees comprise 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.

2. Summary of significant accounting policies (continued)

2.24 Revenue recognition (continued)

(g) Fees (continued)

In respect of HFC, the following policy applies:

Fee and commission income

The bank earns fee and commission income from a diverse range of services it provides to its customers.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

(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.

(i) Movement in fair value of investments

Changes in the fair value of investments (including investment property) are recognised as income/(loss) and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value as at prior year end or cost (if the investment was acquired during the period).

2.25 Expenses

(a) Other Expenses

Expenses are recognised in the profit or loss on an accrual basis.

2.26 Joint Venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing the control.

HFC's investment in its joint venture are accounted for using the equity method.

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 assist in the safeguarding of the Group's assets and seeks to avoid potential adverse effects on the Group's financial performance.

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.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

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. The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on 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, PGK as well as the Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The individual Group entities' Treasury departments manage 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. In particular, Momi Bay Resort Limited manages its foreign exchange risk against the functional currency by hedging the foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward exchange contracts (FECs). Hedge accounting has not been applied. The contract value of FECs, in Fijian dollars, outstanding as at the reporting date was as follows:

	Consolidated		The Fund	
	2016	2015	2016	2015
	$000	$000	$000	$000
Forward exchange contracts	15,768	-	-	-

Given the short period from inception of the contracts to balance date, the fair value of these contracts is not considered material to the financial statements.

The Group's total exposure to fluctuations in foreign currency exchange rates at the balance sheet date was as follows:

	2016	2015
	$000	$000
Assets		
AUD	118,617	119,916
USD	249,418	227,355
NZD	20,373	19,004
PGK	4,714	-
Liabilities		
AUD	7,247	267
USD	19,705	6,498
Euro	5,786	7,208

The Board maintains foreign investment exposures reflective of the Fiji dollar weighted basket of currencies as a natural hedge against relative movements in foreign exchange rates.

Sensitivity Analysis

Following analysis of historical data over the past 5 years and expected currency rate movements during the 2016 financial year together with consultation with the investment consultant, the Fund's Investment Department considers a 10% movement in the Fiji Dollar as reasonably possible for the 2016/17 reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

Sensitivity Analysis (continued)

A 10% strengthening/weakening of the FJD against the AUD, USD, Euro, PGK and NZD at 30 June would have increased/(decreased) the profit or loss and equity by the amounts shown below:

	Consolidated	Impact on equity	
	Carrying Amount $000's (FJD)	-10% $000's (FJD)	+10% $000's (FJD)
Assets			
30 June 2016			
USD	249,418	(24,655)	24,655
AUD	188,617	(18,562)	18,562
NZD	20,373	(2,000)	2,000
PGK	4,714	(487)	487
		(45,704)	45,704
30 June 2015			
USD	227,355	(22,474)	22,474
AUD	119,916	(11,843)	11,843
NZD	19,004	(1,872)	1,872
		(36,189)	36,189
Liabilities			
30 June 2016			
USD	19,705	(1,790)	1,790
AUD	7,247	(659)	659
Euro	5,786	(526)	526
		(2,975)	2,975
30 June 2015			
USD	6,498	(591)	591
AUD	267	(24)	24
Euro	7,208	(655)	655
		(1,270)	1,270

(ii) Price risk

The Group is significantly exposed to equity securities price risk because of investments held by the Group and classified in the Statement of financial position 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 Reserve Bank of Fiji ("RBF") over offshore investments. The Group's investments in equities are largely those which are publicly traded on the South Pacific Stock Exchange (for local investments) and Australian Stock Exchange (for offshore investments). The table below summarises the impact of increases / (decreases) of the above two exchanges on the Fund and Group's profit. The net profit would increase/ (decrease) as a result of gains/ (losses) on equity securities classified at fair value through profit or loss.

Assuming that the equity investments increased / (decreased) in value by 5% it would have had an equal but opposite effect. Shares in a listed subsidiary, ATH, which are not included in this analysis, are recorded by the Fund at cost less impairment.

	Group		Fund	
	Impact on profit		Impact on profit	
Index	**2016 $000**	**2015 $000**	**2016 $000**	**2015 $000**
South Pacific Stock Exchange	3,527	1,899	3,365	1,738
Australian Securities Exchange	2,260	4,880	2,260	4,880
	5,787	6,779	5,625	6,618

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Cash flow interest rate risk 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 cash flow interest rate risks arising from fluctuations in market interest rates during the period of investment or loan. Consequently there is limited cash flow interest rate risk. Since these assets are measured at amortised cost, fair value interest rate risk is also very limited. Risks arising from variable rate instruments are considered not to be material.

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 cash flow interest rate risk is minimal.

(b) Credit risk

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

The following applies to HFC:

Impairment assessment

For accounting purposes, the bank uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Triggering events include the following:

- A breach of contract such as a default of payment;
- Where the bank grants the customer a concession due to the customer experiencing financial difficulty;
- It becomes probable that the customer will enter bankruptcy or other financial reorganisation;
- Other observable data that suggests that there is a decrease in the estimated future cash flows from the loans.

The bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

(i) Individually assessed allowances

The bank determines the allowances appropriate for each significant loan or advance on an individual basis, taking into account any overdue payments of interests, credit rating downgrades, or infringement of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in financial difficulty, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more immediate attention.

(ii) Collectively assessed allowances

Allowances are assessed collectively for losses on loans that are not individually significant and for significant loans and advances that have been assessed individually and found not to be impaired.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Collectively assessed allowances (continued)

Allowances are evaluated separately at each reporting date with each portfolio. The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilisation, loan to collateral ratios and expected receipts and recoveries once impaired. The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. Local management is responsible for deciding the length of this period. The impairment allowance is then reviewed by credit management to ensure alignment with the bank's overall policy.

Credit quality by class of financial assets
The table below shows the credit quality by class of asset for all financial assets exposed to credit risk. The amounts presented are gross of impairment allowances.

Consolidated	Neither past due nor impaired $	Past due but not impaired $	Individually impaired $	Total $
2016				
Term deposits	667,853	-	-	667,853
Government securities	2,165,810	-	-	2,165,810
Other fixed interest securities	273,681	-	-	273,681
Equities	201,310	-	1,035	202,345
Loans and advances	729,995	22,521	9,132	761,648
Cash and cash equivalents	551,417	-	-	551,417
Trade receivables	34,285	10,492	17,431	62,208
	4,624,351	33,013	27,598	4,684,962
2015				
Term deposits	721,735	-	-	721,735
Government securities	2,050,776	-	-	2,050,776
Other fixed interest securities	192,616	-	-	192,616
Equities	160,475	-	-	160,475
Loans and advances	560,390	19,471	6,869	586,730
Cash and cash equivalents	881,209	-	-	881,209
Trade receivables	29,783	5,311	17,055	52,149
	4,596,984	24,782	23,924	4,645,690
The Fund				
2016				
Term deposits	634,506	-	-	634,506
Government securities	2,114,966	-	-	2,114,966
Other fixed interest securities	273,681	-	-	273,681
Equities	198,017	-	1,035	199,052
Loans and advances	327,853	3,079	301,486	632,418
Cash and cash equivalents	337,005	-	-	337,005
	3,886,028	3,079	302,521	4,191,628
2015				
Term deposits	688,765	-	-	688,765
Government securities	1,984,928	-	-	1,984,928
Other fixed interest securities	192,616	-	-	192,616
Equities	157,182	-	-	157,182
Loans and advances	239,319	4,613	300,743	544,675
Cash and cash equivalents	656,249	-	-	656,249
	3,919,059	4,613	300,743	4,224,415

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

	Consolidated				The Fund			
	2016		2015		2016		2015	
	$000	%	$000	%	$000	%	$000	%
Agriculture	26,434	4	27,876	5	6,288	1	9,553	2
Construction	67,979	9	37,179	6	-	-	-	-
Financial institutions	-	-	-	-	12,001	2	27,130	5
Government and statutory bodies	68,591	9	46,528	8	67,604	11	46,528	9
Telecommunications	-	-	-	-	9,131	1	22,682	4
Manufacturing	28,694	4	19,687	3	-	-	-	-
Mining	9,794	1	7,036	1	-	-	-	-
Private motor vehicle (includes staff loans)	-	-	-	-	-	-	-	-
Private others (includes staff loans)	146,888	19	127,419	22	314	-	442	-
Professional and business services	25,223	3	8,822	2	1,763	-	-	-
Real estate development	81,230	11	58,592	10	17,940	3	18,364	3
Education	3,058	-	3,023	1	3,058	-	3,023	-
Transport and storage	216,858	29	176,095	30	136,384	22	111,704	21
Wholesale and retail	85,162	11	71,439	12	-	-	-	-
Other (Hotels & Restaurants)	1,737	-	3,034	-	377,935	60	305,249	56
Total	**761,648**	**100**	**586,730**	**100**	**632,418**	**100**	**544,675**	**100**

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

	Notes	Consolidated		The Fund	
		2016	2015	2016	2015
		$000	$000	$000	$000
Term deposits	11	667,853	721,735	634,506	688,765
Government securities	12	2,165,810	2,050,776	2,114,966	1,984,928
Other fixed interest securities	13	273,681	192,616	273,681	192,616
Equities	15	201,310	160,475	198,017	157,182
Loans and advances	14	756,298	580,158	489,521	387,041
Cash and cash equivalents	19	551,417	881,209	337,005	656,249
Trade receivables	20	44,777	35,094	-	-
		4,661,146	4,622,063	4,047,696	4,066,781

(c) Liquidity risk

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

The Group is restricted by the exchange controls of RBF in terms of offshore investments (RBF has imposed limits 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.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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

As a result, the Group is susceptible to a risk that these investments may not be readily liquidated as the capital 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 price.

The individual Group entities' Treasury departments manage 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.

The following applies to HFC:

Liquidity risk is defined as the risk that the bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. Normal business conditions (NBC) are over a 30 day period with stress conditions (STC) over an 8 day period. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the various institution specific sources which could be used to secure additional funding if required.

The bank maintains a portfolio of marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the bank maintains a statutory reserve deposit with the Reserve Bank of Fiji equal to 10% of customer deposits. In accordance with the bank's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the bank. The bank maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the bank maintains a statutory reserve deposit with the Reserve Bank of Fiji equal to 10% of customer deposits. In accordance with the bank's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the bank. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, to reflect market conditions. Net liquid assets consist of cash, short-term bank deposits and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month. The ratios during the year were, as follows:

	2016	2015	Satisfactory position	Marginal position
1. Loan to Total Funding Ratio	87.6%	81.3%	70.0%	80.0%
2. Liquid Assets to Total Assets Ratio	23.7%	27.8%	30.0%	20.0%
3. Liquid Assets to Total Funding Ratio	37.8%	32.0%	30.0%	25.0%

The bank stresses the importance of current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of core customer current and savings accounts, together with term funding with a remaining term to maturity in excess of one year.

3. Financial risk management (continued)

3.2 Capital risk mangement

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 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.

The following applies to HFC:

The primary objectives of the bank's capital management policy are to ensure that the bank complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The bank manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years.

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

The following applies to HFC:

The bank reviews its individually significant loans and advances at each balance date to assess whether an impairment loss should be recorded in the profit or loss. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, etc.).

4. Critical accounting estimates and judgments (continued)

(b) Impairment of property, plant and equipment, other non financial assets and goodwill
The Group assesses whether there are indicators of impairment of all property, plant and equipment and other non financial assets at each reporting date. Where there are indicators of impairment an impairment test is performed. If the carrying amounts exceeds recoverable amount an impairment provision is recognised. Goodwill is tested annually for impairment. Refer to Note 22 for impairment of Goodwill on consolidation.

(c) Deferred tax assets
Deferred tax assets are recognised on deductible temporary differences and for tax losses to the extent it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely level of future taxable profits together with future planning strategies. The director's and management's assessment of taxable profit forecast involves making a judgment, at the particular point in time, about inherent uncertain future outcomes of events or conditions. Accordingly, subsequent events may result in outcomes that are significantly different from assessment.

(d) Actuarial present value of accrued benefits
The Fund determines the actuarial present value of the accrued benefits in Retirement Income Fund ("RIF") using economic and demographic assumptions, and taking into account likely future macroeconomic conditions and the recent experience of the Fund (if applicable).

The demographic assumptions are applied to project benefit payments up to the date of the cessation of the last annuity, and then discounted by the assumed return on assets held in RIF after allowance for expenses.

Future investment return is assumed to be 6.25% (2015: 6.25%) and the discount rate used after the allowance for expenses is 5.75 % (2015: 5.75%).

For the valuation as at 30 June 2016, the determination was carried out by Mr. Geoffrey Rashbrooke, Associate of the Institute of Actuaries of Australia, in accordance with the International Standard of Actuarial Practice #2 issued by the International Association of Actuaries. Determination of the SDBF reserve for claims incurred but not reported was also carried out by Mr. Rashbrooke, applying the chain ladder method to reported run-off data.

5. Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to/by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The different levels have been defined as follows:

- Level 1 fair value measurement are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those instruments valued based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fiji National Provident Fund and its subsidiaries

Notes to and forming part of the financial statements

For the year ended 30 June 2016

5. Fair value estimation (continued)

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

	Carrying amount				Fair value			
	Designated at fair value $000	Held to maturity $000	Available for sale $000	Total $000	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Consolidated								
Balance as at 30 June 2016								
Financial assets measured at fair value								
Equities	202,345	-	-	202,345	179,138	23,109	98	202,345
Financial assets not measured at fair value								
Government securities	-	2,165,810	-	2,165,810	-	2,530,810	-	2,530,810
Fiji Bonds	-	137,300	-	137,300	-	162,247	-	162,247
	-	2,303,110	-	2,303,110				
Balance as at 30 June 2015								
Financial assets measured at fair value								
Equities	157,425	-	3,050	160,475	137,681	22,696	98	160,475
Financial assets not measured at fair value								
Government securities	-	2,050,776	-	2,050,776	-	2,532,917	-	2,532,917
Fiji Bonds	-	107,300	-	107,300	-	134,222	-	134,222
	-	2,158,076	-	2,158,076				
The Fund								
Balance as at 30 June 2016								
Financial assets measured at fair value								
Equities	199,052	-	-	199,052	175,928	23,109	15	199,052
Financial assets not measured at fair value								
Government securities	-	2,114,966	-	2,114,966	-	2,479,966	-	2,479,966
Fiji Bonds	-	137,300	-	137,300	-	162,247	-	162,247
	-	2,252,266	-	2,252,266				
Balance as at 30 June 2015								
Financial assets measured at fair value								
Equities	154,132	-	3,050	157,182	134,471	22,696	15	157,182
Financial assets not measured at fair value								
Government securities	-	1,984,928	-	1,984,928	-	2,458,069	-	2,458,069
Fiji Bonds	-	107,300	-	107,300	-	134,222	-	134,222
	-	2,092,228	-	2,092,228				

5. Fair value estimation (continued)

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy.

	Consolidated		The Fund	
	2016 $000	2015 $000	2016 $000	2015 $000
Balance at 1 July	98	98	15	15
Gains (loss) included in profit or loss	-	-	-	-
Balance at 30 June	98	98	15	15

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring Level 2 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity securities	*Market comparison:* The fair values of equity securities are based on broker quotes and for units held in Trusts based on the value of the Trust's net assets.	Not applicable	Not applicable
Government bonds	*Market comparison:* The fair value of the long term investment securities is based on market prices published by the Reserve Bank of Fiji.	Not applicable	Not applicable

	Notes	Consolidated 2016 $000	Consolidated 2015 $000	The Fund 2016 $000	The Fund 2015 $000
6. Interest income					
Fixed interest securities					
- Government		156,875	156,026	156,875	156,026
- Other		20,565	19,559	20,565	19,559
Loans and advances		6,988	6,385	18,263	16,979
Term deposits		21,495	16,205	19,449	14,482
Other interest income		17,249	8,288	17,266	9,726
		223,172	206,463	232,418	216,772
7. (a). Net change in fair values of investments					
Unrealised gains/(losses) on investments		5,709	(420)	5,709	(420)
Realised gains on investments		6,111	6,209	6,111	6,209
		11,820	5,789	11,820	5,789
(b). Net foreign exchange gain/(loss)					
Unrealised exchange (losses)/gains		(8,470)	15,197	(7,472)	15,864
Realised exchange (losses)/gains		(1,934)	1,779	(2,036)	540
		(10,404)	16,976	(9,508)	16,404
8. Other income					
Other income includes the following specific items:					
Gain on sale of fixed assets and investment property		401	5,185	214	85
Bad debts recovered		96	828	-	-
Fees and commissions		5,020	4,387	876	936
Surcharge income		48	171	48	171
Gain on disposal of subsidiary	39	156	10,009	-	-

	Notes	Consolidated 2016 $000	Consolidated 2015 $000	The Fund 2016 $000	The Fund 2015 $000
9. Administrative and other expenses					
Auditors' remuneration:					
- Audit - KPMG		123	113	75	58
- Other firms		280	162	-	-
- Other services - KPMG		29	5	27	1
- Other firms		158	66	-	-
Directors fees		395	344	47	45
Electricity		11,696	11,561	525	539
Hotel operating expenses		20,213	15,668	-	-
Insurance		5,916	6,980	96	103
Impairment expenses:					
- (Reversal)/impairment of property, plant and equipment	23	(11,448)	46	-	-
- Impairment of property held for development	18	344	-	-	-
- (Reversal)/impairment of loans and advances, trade and other receivables		(7,973)	2,768	(8,817)	1,439
- (Reversal)/impairment of investment in associates	16(b)	(59)	3,893	-	-
- Impairment of investment in Kula Fund	15	1,035	-	1,035	-
Loss on Scheme of Arrangement relating to a subsidiary	39	-	-	-	3,766
Licence fees		8,657	8,657	-	-
Loss on sale of fixed assets and investment property		1,716	1,654	419	1,320
Marketing and promotion		13,447	10,458	-	-
Operating leases		3,070	3,188	-	-
Provision/(reversal) for stock obsolescence	21	690	(386)	-	-
Personnel expenses:					
- Salaries and wages		66,619	58,010	14,586	11,446
- Other staff benefits and expenses		15,156	14,144	2,578	2,323
Repairs and maintenance		5,307	4,803	172	239
Reform expenses		25	1,172	25	1,172
Other operating and general expenses		49,018	42,283	6,843	8,345
		184,414	185,589	17,611	30,796
10. Income tax					
(a) Income tax expense					
Prima facie income tax expense calculated at 20% (2015:20%) on profit		70,304	63,442	66,316	53,013
add/(deduct):					
Fund income not subject to tax		(51,399)	(46,485)	(66,316)	(53,013)
Impact of difference in tax rate		(3,442)	(2,881)	-	-
Expenses not deductible		5,380	5,133	-	-
Export income allowances		(83)	(73)	-	-
Investment allowances		(292)	(58)	-	-
Amortisation of Government Grant		(9)	(9)	-	-
De-recognition of deferred tax asset in respect of lapsed tax losses		-	72	-	-
Recognition of deferred tax asset on prior year tax losses		(2,578)	-	-	-
Recoupment of prior year unrecognised tax losses		(4,736)	(2,675)	-	-
Temporary differences recognized		(413)	(110)	-	-
Capital gain on sale of property, net of capital gains tax		-	(777)	-	-
Other		(1,614)	(304)	-	-
2014 and 2015 transitional dividend tax at 1%		852	-	-	-
(Over)/under provision in prior year		344	(89)	-	-
		12,314	15,186	-	-

10. Income tax (continued)

(a) Income tax expense (continued)

	Consolidated		The Fund	
	2016	2015	2016	2015
	$000	$000	$000	$000
Income tax expense is made up of:				
Current tax expense	16,052	12,959	-	-
Deferred tax (income)/expense	(4,934)	1,086	-	-
Deferred tax expense in respect of sale of subsidiary	-	1,230	-	-
2014 and 2015 transitional dividend tax at 1%	852	-	-	-
(Over)/under provision in prior years	344	(89)	-	-
	12,314	15,186	-	-

Tax expense excludes the Group's share of the tax expense of equity-accounted investees of $136,000 (2015: tax benefit of $40,000), which has been included in share of profit of equity-accounted investees, net of tax.

(b) Current tax liability/(asset)

Movements during the year were as follows:				
Balance at the beginning of the year	(172)	(2,074)	-	-
Current income tax expense	16,052	12,959	-	-
Income taxes paid	(14,833)	(11,259)	-	-
Withholding taxes paid	(16)	(1)	-	-
Withholding tax receivable written off	-	307	-	-
2014 and 2015 transitional dividend tax at 1%	167	-	-	-
(Over)/under provision in prior years	344	(104)	-	-
Balance at the end of the year	1,542	(172)	-	-

(c) Deferred tax liabilities

Deferred tax liabilities comprises the following at 10% (2015:10%) for ATH and 20% (2015:20%) for other subsidiaries:				
Deferred expenses	21	21	-	-
Property, plant and equipment	19,730	21,629	-	-
Unrealised exchange gain	250	199	-	-
	20,001	21,849	-	-

(d) Deferred tax assets

Deferred tax assets comprises the following at 10% (2015:10%) for ATH and 20% (2015:20%) for other subsidiaries:				
Provision for inventory obsolescence	496	499	-	-
Provision for dealer and distributor incentive	536	-	-	-
Deferred revenue	197	209	-	-
Employee entitlements	1,174	1,220	-	-
Provisions for impairment and doubtful debts	3,779	3,724	-	-
Tax losses	2,578	-	-	-
Unrealised exchange loss	-	34	-	-
Other	74	62	-	-
	8,834	5,748	-	-

All movements in temporary differences relating to deferred tax assets and liabilities are recorded through the profit or loss.

(e) Deferred tax assets not brought to account

Tax losses	-	7,759	-	-
	-	7,759	-	-

Deferred tax assets amounting to $7,759,000 in the prior year relating to estimated tax losses of $38,795,000 were not brought to account by the Group as its realisation was not considered to be probable. This has been recognised during the current financial year.

10. Income tax (continued)

f) Short Life Investment Package ("SLIP")

Pursuant to a letter from the Minister of Finance dated 16 September 2010 approving full SLIP to Natadola Bay Resort Limited, the subsidiary is exempt from income tax on profits derived from its resort operations 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.

Pursuant to section 17(81) of the Income Tax Act the income of Momi Bay Resort Limited, the subsidiary is exempt from income tax for a period of 13 years effective from 2 October 2013.

Given that the subsidiaries are exempt from income tax for a period of 20 and 13 years respectively, 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 4 years in succession in accordance with the amendments to the Income Tax Act. The Directors of the subsidiaries 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. For these reasons, the tax losses are not reflected in the above tax losses carried forward amount.

	Consolidated		The Fund	
	2016	2015	2016	2015
	$000	$000	$000	$000
11. Term deposits				
Local banks and financial institutions– local currency	446,247	623,070	412,900	590,100
Local and other banks – foreign currency	221,606	98,665	221,606	98,665
	667,853	721,735	634,506	688,765
Maturity represented as:				
Less than or equal to 3 months	359,101	204,403	358,350	196,128
3 to 12 months	303,752	388,332	271,156	363,637
1 to 5 years	5,000	129,000	5,000	129,000
Greater than 5 years	-	-	-	-
	667,853	721,735	634,506	688,765
12. Government securities				
Fiji Government Registered Stock	2,156,020	2,027,706	2,105,176	1,961,858
Treasury Bills	9,790	23,070	9,790	23,070
	2,165,810	2,050,776	2,114,966	1,984,928
Maturity represented as:				
Less than or equal to 3 months	25,427	24,873	25,427	24,873
3 to 12 months	31,640	105,018	31,640	90,018
1 to 5 years	535,540	445,746	497,451	407,653
Greater than 5 years	1,573,203	1,475,139	1,560,448	1,462,384
	2,165,810	2,050,776	2,114,966	1,984,928

The above investments are accounted for as held-to-maturity and measured in accordance with note 2.11 to the financial statements. ATH has pledged government bonds amounting to $14,000,000 (2015:$14,000,000) as security for the loan obtained from the Fund.

13. Other fixed interest securities				
Promissory notes	13,501	9,771	13,501	9,771
Fiji Bonds	137,300	107,300	137,300	107,300
Foreign Bonds	122,880	75,545	122,880	75,545
	273,681	192,616	273,681	192,616
Maturity represented as:				
Less than 3 months	19,440	9,771	19,440	9,771
3 to 12 months	13,667	84,545	13,667	84,545
1 to 5 years	195,274	35,000	195,274	35,000
Greater than 5 years	45,300	63,300	45,300	63,300
	273,681	192,616	273,681	192,616

Promissory notes and Fiji bonds are guaranteed by the Government of Fiji. The above investments are accounted for as held-to-maturity and measured at amortised cost as they are considered likely to be held to maturity in line with the fixed investment objectives of the Fund and the fixed price nature of the investments.

	Consolidated		The Fund	
	2016 $000	2015 $000	2016 $000	2015 $000
14. Loans and advances				
Loans and advances (quasi-government)	73,892	57,332	73,892	57,332
Loans to subsidiaries (Note 35(b))	-	-	397,330	352,029
Customer term loans	681,971	524,959	160,910	134,872
Staff loans	5,785	4,439	286	442
	761,648	586,730	632,418	544,675
Provision for impairment	(5,350)	(6,572)	(142,897)	(157,634)
	756,298	580,158	489,521	387,041
Maturity represented as:				
Less than or equal to 3 months	16,531	19,139	6,888	28,143
3 to 12 months	39,035	30,439	23,956	28,440
1 to 5 years	168,365	190,950	317,878	307,140
Greater than 5 years	537,717	346,202	283,696	180,952
	761,648	586,730	632,418	544,675

The maximum exposure to credit risk at the reporting date before collateral held or other credit enhancements is the carrying amount of each class of asset above. Collateral held against each of the above categories 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 Natadola Bay Resort Limited, the loan is largely unsecured. Refer below for further comments. During the year, the Fund provided loans to Momi Bay Resort Limited of $67,352,000, FNPF Hotel Resort Limited fully drew down its loan of $8,000,000 and Yatule Beach Resort loan which was transferred to FNPF from FIL at 30 June 2015 also effected its last drawdown.
- Customer term loans – The head security is a registered first mortgage over property and improvements. During the year the Fund provided loans to Aitken Spence and a further loan to Fiji Airways Limited (formerly Air Pacific Limited), further details of which are below.

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 amount outstanding and the security value.

Natadola Bay Resort Limited (NBRL)

The carrying value of the loan provided to NBRL by FNPF is $297,321,000 (2015: $299,134,000). Further details of the loan are in Note 35(b). As at year end, the Fund is carrying a provision for impairment against the loan of $139,079,000 (2015: $152,142,000). During the year the Fund reversed a portion of the loan provision amounting to $13,063,000 (2015: $1,516,000) based on the difference between the loan and security value as at 30 June 2016. The reversal in 2016 is based on an independent valuation of NBRL's property, plant and equipment undertaken on 30 June 2016 by Knight Frank NZ Limited. The reversal has been taken to the profit or loss.

Air Pacific Limited (trading as Fiji Airways Limited (FAL))

The carrying value of the loan provided to FAL by the Fund is $136,384,000 (2015: $111,704,000). The increase in the carrying amount is due to a new loan to refinance the purchase of 2 ATR aircraft. Also during the year, the first loan was restructured and now attracts a fixed rate of interest of 4.5% per annum. During the year as part of the restructure, FAL made an early repayment of $20,000,000. The loans are principally secured by the following:

Original Loan

i) A first ranking aircraft mortgage in respect of each mortgaged aircraft.
ii) An assignment of the insurance proceeds over each mortgaged aircraft.
iii) A first ranking security over the borrower's shares in Richmond Limited.
iv) Security from the Fiji Government which includes mortgage of Fiji Government shares in the borrower.

New Loan

i) Bill of Sale over each aircraft.
ii) Aircraft security deed and assignment of insurances.
iii) Deregistration Power of Attorney for both aircrafts.
iv) Assignment of warranty for both aircraft.

14. Loans and advances (continued)

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

	Loans & advances $000	Customer term loans $000	Staff loans $000	Total $000
Collectively Assessed Provisions				
Balance as at 1 July 2014	-	48	373	421
New and increased provisioning	-	63	40	103
Balance as at 30 June 2015	-	111	413	524
Provisions released as no longer required	-	(21)	(138)	(159)
Balance as at 30 June 2016	-	90	275	365
Individually Assessed Provisions				
Balance as at 1 July 2014	1,157	5,404	-	6,561
New and increased provisioning	332	1,202	-	1,534
Bad debt written off	-	(777)	-	(777)
Provisions released as no longer required	(483)	(787)	-	(1,270)
Balance as at 30 June 2015	1,006	5,042	-	6,048
New and increased provisioning	-	1,133	-	1,133
Bad debts written off	-	(188)	-	(188)
Provisions released as no longer required	(1,006)	(1,002)	-	(2,008)
Balance as at 30 June 2016	-	4,985	-	4,985
Total provision for impairment at 1 July 2014	1,157	5,452	373	6,982
Total provision for impairment at 30 June 2015	1,006	5,153	413	6,572
Total provision for impairment at 30 June 2016	-	5,075	275	5,350

14. Loans and advances (continued)

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

	Loans & advances $000	Loans to subsidiaries $000	Customer term loans $000	Staff loans $000	Total $000
Collectively Assessed Provisions					
Balance as at 1 July 2014	-	-	-	373	373
New and increased provisioning	-	-	-	40	40
Balance as at 30 June 2015	-	-	-	413	413
New and increased provisioning	-	-	-	-	-
Provisions no longer required	-	-	-	(138)	(138)
Balance as at 30 June 2016	-	-	-	275	275
Individually Assessed Provisions					
Balance as at 1 July 2014	-	153,658	1,781	-	155,439
Assignment from FNPF Investments Limited	1,006	483	1,809	-	3,298
Provisions no longer required	-	(1,516)	-	-	(1,516)
Balance as at 30 June 2015	1,006	152,625	3,590	-	157,221
New and increased provisioning	-	-	-	-	-
Provisions no longer required	(1,006)	(13,547)	(46)	-	(14,599)
Balance as at 30 June 2016	-	139,078	3,544	-	142,622
Total provision for impairment at 1 July 2014	-	153,658	1,781	373	155,812
Total provision for impairment at 30 June 2015	1,006	152,625	3,590	413	157,634
Total provision for impairment at 30 June 2016	-	139,078	3,544	275	142,897

Total impairment provisions as at balance date are:

	Consolidated		The Fund	
	2016 $000	2015 $000	2016 $000	2015 $000
Collectively assessed provisions	365	524	275	413
Individually assessed provisions	4,985	6,048	142,622	157,221
	5,350	6,572	142,897	157,634

15. Equities

Local listed equities	70,921	38,413	67,711	35,203
Local unlisted equities	98	98	15	15
Local unit trusts	23,109	22,696	23,109	22,696
Overseas equities	107,182	98,228	107,182	98,228
Kula Fund – foreign currency	1,035	1,040	1,035	1,040
Accumulated impairment provision	(1,035)	-	(1,035)	-
	201,310	160,475	198,017	157,182

Equity investments are valued in accordance with Note 2.11 to the financial statements, that is, fair value through profit or loss.

Local equities amounting to $3,225,000 (2015: $3,225,000) are held by FNPF Nominees Limited on behalf of members and therefore are not available to the Group.

	Consolidated		The Fund	
	2016 $000	2015 $000	2016 $000	2015 $000
16 Investments in subsidiaries, associates and joint ventures				
(a) Investment in subsidiaries - cost				
Investments in subsidiaries	-	-	759,206	659,437
Accumulated impairment provision	-	-	(123,538)	(151,300)
	-	-	635,668	508,137

Investment in subsidiaries consists of the following:

Name	Principal activities	Balance Date	2016 Cost $000	2016 Impairment $000	2015 Cost $000	2015 Impairment $000
Amalgamated Telecom Holdings Limited	Telecommunications	31 March	369,842	55,538	295,823	83,300
Home Finance Company Limited	Financial services	30 June	54,134	-	35,384	-
FNPF Nominees Limited	Nominee services	30 June	98	-	98	-
FNPF Investments Limited	Investments	30 June	-	-	-	-
FNPF Holdings (PNG) Limited	Investments	30 June	68	-	68	-
Yatule Beach Resort Limited	Resort operations	30 June	13	-	13	-
FNPF Hotel Resorts Limited	Resort operations	30 June	23,317	-	23,317	-
Natadola Bay Resort Limited	Resort operations and development	30 June	48,000	48,000	48,000	48,000
Natadola Land Holdings Limited	Property investments	30 June	20,000	20,000	20,000	20,000
Vodafone Fiji Limited	Telecommunications	31 March	160,000	-	160,000	-
Momi Bay Resort Limited	Resort development	30 June	82,000	-	75,000	-
Dareton Limited	Land development	30 June	1,734	-	1,734	-
			759,206	123,538	659,437	151,300

Refer to note 35(c) for details on ownership interest for the above subsidiaries.

Dividends income from the above entities for the year ended 30 June 2016 amounted to $44,855,000 (2015: $47,110,000).

Acquisitions during the year

The Fund acquired a further 14.37% interest in ATH for a consideration of $74,019,000, bringing the Fund's total shareholding in ATH to 72.64%.

The Fund also acquired further equity in MBRL and HFC for a consideration of $7,000,000 and $18,750,000 respectively.

Write off of investment in FNPF Investments Limited

The Fund wrote off its investment in FNPF Investments Limited in the prior year. Refer to note 39 for details.

Impairment of investment in Amalgamated Telecom Holdings Limited (ATH)

The impairment was recorded in 2006. The Board has reassessed the recoverable amount of the investment and has concluded that the impairment provision should be reduced by $27,762,000. The reversal has been taken to the profit or loss.

	Consolidated		The Fund	
	2016 $000	2015 $000	2016 $000	2015 $000
(b) Investment in associates and joint venture				
Investment in associates - at cost	82,030	17,870	85,252	20,363
allowance for impairment	(9,395)	(9,454)	(9,395)	(9,454)
Interest in joint venture	640	-	-	-
	73,275	8,416	75,857	10,909
Movements in the allowance for impairment are as follows:				
Balance at the beginning of the year	9,454	5,561	9,454	-
Assignment from FNPF Investments Limited	-	-	-	9,454
New and increased provisions	-	4,218	-	-
Provisions released	(59)	(325)	(59)	-
Balance at the end of the year	9,395	9,454	9,395	9,454

16(b) Investment in associates (continued)

Investments in associates are those equity investments in which the Group has significant influence. This is typically where the Group has more than 20% ownership and some Board representation. The Group is directly involved in the investments through director appointments thus allowing for greater influence over these investees. Share of profit of associates of $1,249,000 (2015: shares of loss of $1,647,000) has been recorded in the Group's income statement, relating to the investment in Grand Pacific Hotel Limited and Fiji Ports Corporation Limited.

Investment in associates consists of the following:

Consolidated							
Name	**Interest**	**2016 Cost $000**	**2016 Impairment $000**	**2016 Carrying value $000**	**2015 Cost $000**	**2015 Impairment $000**	**2015 Carrying value $000**
Grand Pacific Hotel Limited	25%	11,232	4,652	6,580	11,616	4,652	6,964
Western Dairy Limited	-	-	-	-	627	59	568
Tropic Health Incorporated (Fiji) Limited	46%	1,090	1,090	-	1,090	1,090	-
Active (Fiji) Co. Limited	23%	750	750	-	750	750	-
Halabe Investments Limited	25%	884	-	884	884	-	884
Fiji Ports Corporation Limited	39%	65,171	-	65,171	-	-	-
Bligh Water Shipping Limited	26%	2,903	2,903	-	2,903	2,903	-
		82,030	9,395	72,635	17,870	9,454	8,416

The Fund							
Name	**Interest**	**2016 Cost $000**	**2016 Impairment $000**	**2016 Carrying value $000**	**2015 Cost $000**	**2015 Impairment $000**	**2015 Carrying value $000**
Grand Pacific Hotel Limited	25%	14,109	4,652	9,457	14,109	4,652	9,457
Western Dairy Limited	32%	-	-	-	627	59	568
Tropic Health Incorporated (Fiji) Limited	46%	1,090	1,090	-	1,090	1,090	-
Active (Fiji) Co. Limited	23%	750	750	-	750	750	-
Halabe Investments Limited	25%	884	-	884	884	-	884
Fiji Ports Corporation Limited	39%	65,516	-	65,516	-	-	-
Bligh Water Shipping Limited	26%	2,903	2,903	-	2,903	2,903	-
		85,252	9,395	75,857	20,363	9,454	10,909

A number of associates have been fully or substantially written down as they are making losses and have negative net assets positions. The investee companies have different financial year ends compared to the Fund and a number of them do not have financial statements as at 30 June or if available, are not reliable, as they are not audited. The Directors have therefore not shown the aggregate amounts of assets, liabilities and profit or loss pertaining to these associates as they believe it would not be meaningful disclosure.

For the reasons noted above, other than Grand Pacific Hotel Limited and Fiji Ports Corporation Limited, the Group has not equity accounted its investments in associates and the Board believes that the impact of not equity accounting these associates is not significant to the current year Group results.

HFC has a 50% interest (equivalent to $640,000 after share of losses) in the Banking Concession business at Nadi International Airport. The other party to the venture is Westpac Banking Corporation. The bank's interest is in the net assets of the unincorporated joint venture. The term of the airport concession business is 7 years.

	Consolidated		The Fund	
	2016 $000	2015 $000	2016 $000	2015 $000
17. Investment properties				
Balance as at 1 July	182,271	244,696	206,038	196,525
Transfer (to)/from property, plant and equipment	(7)	(234)	(7)	(234)
Transfer to other receivables	-	(12,900)	-	(12,900)
Reclassification of owner occupied properties to property, plant and equipment	-	(16,284)	-	-
Change in fair value	11,376	-	13,806	-
Acquisitions	4,050	11,423	4,050	18,192
Work in progress	16,101	5,775	16,101	5,775
Disposals	(1,645)	(49,865)	(1,645)	(1,320)
Depreciation	-	(340)	-	-
Balance as at 30 June	212,146	182,271	238,343	206,038

Changes in fair values are recognised as gains in profit or loss and included in "other income". All gains are unrealised. Investment properties for the Fund includes $72,700,000 relating to Momi Bay of which $57,600,000 relates to foreclosed Momi Bay assets and $15,100,000 relates to work in progress for capital expenses, mainly consultancy costs, incurred subsequent to the commencement of the Momi Bay re-development project.

The Board has approved to transfer the value of land and improvements relating to the Hotel, independently verified by Bayley's at $13m, and the work in progress balance to Momi Bay Resort Limited. The remaining $44.6m relating to residential development costs of the foreclosed asset has been approved by the Board to be retained by the Fund.

Given the legal title still existed with the Fund at reporting date and was transferred to Momi Bay Resort Limited on 4 July 2016, the amount has been disclosed under investment properties for the Fund as at 30 June 2016 and will be transferred to Momi Bay Resort Limited in the next financial year. The transfer will be recorded as an additional investment in Momi Bay Resort Limited.

Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property every 3 years. In the intervening years the Directors review the carrying value of the investment properties.

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	*Significant unobservable inputs measurement*	*Inter-relationship between key unobservable inputs and fair value*
Income capitalization approach: Discounted cash flows and Direct Capitalisation: The valuation model considers the present value of net operating income (NOI) to be generated from the property, taking into account the expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The net income is converted into a value indicator using a direct and or yield capitalization model. The capitalisation rate has been developed using three techniques: extracted from comparable sale, debt coverage method and a band of investment method.	• Expected market rental growth 2.5% • Annualised vacancy and credit loss allowance, 2.5% - 10% • Market based management fee 2.5% - 4.5% • Operating expense increases, 3%- 5% • Capitalisation rates – 8% - 11%	The estimated fair value would increase (decrease) if: • expected market rental growth were higher (lower); • void periods were shorter (longer); • the occupancy rate were higher (lower); • rent-free periods were shorter (longer); or • the capitalisation rates were lower (higher).

		Consolidated		The Fund	
		2016 $000	2015 $000	2016 $000	2015 $000
18.	**Property held for development**				
	Opening carrying value	9,736	8,319	-	-
	Additions	4,114	1,417	-	-
	Impairment recorded during the year	(344)	-	-	-
		13,506	9,736	-	-

As at 30 June 2016, an independent valuation of the land held for development was carried out by Mr. Allen Beagley (ANZIV), of Knight Frank NZ Ltd and as a result, an impairment loss of $344,000 was recognised to reduce the carrying value.

		Consolidated		The Fund	
		2016 $000	2015 $000	2016 $000	2015 $000
19.	**Cash**				
	Cash at bank	368,415	714,523	306,697	644,124
	Cash on hand and with agents	38,713	15,816	27,899	9,782
	Cash at bank – restricted*	2,409	2,343	2,409	2,343
	Statutory reserve deposit with RBF**	60,780	48,620	-	-
	Exchange settlement account	69,049	55,185	-	-
	Short term deposits	12,051	44,722	-	-
		551,417	881,209	337,005	656,249

* Restricted cash account relates to a joint account between the Fund and Raghwan Neo Joint Venture which has been frozen by a court order due to a pending litigation claim. It also includes grant money received by the Fund from the United Nations Capital Development Fund to fund research into development of strategies and business plans for extending pension benefits to the informal sector.

** Statutory Reserve Deposits with the Reserve Bank of Fiji represent mandatory reserve deposits and are not available for use in HFC's day to day operations.

		Consolidated		The Fund	
		2016 $000	2015 $000	2016 $000	2015 $000
20.	**Trade receivables**				
	Trade receivables	63,908	53,662	-	-
	Unearned income	(1,700)	(1,513)	-	-
	Impairment provision	(17,431)	(17,055)	-	-
		44,777	35,094	-	-
	Movements on the allowance for impairment are as follows:				
	Balance at the beginning of the year	17,055	16,697	-	-
	New and increased provisioning	849	744	-	-
	Bad debts written off	(416)	(383)	-	-
	Provisions released	(57)	(3)	-	-
		17,431	17,055	-	-

The maximum exposure to credit risk at the reporting date is the carrying value of receivables mentioned above. The Group generally obtains security deposits for all new LAN line and Internet connections. Apart from this, it does not hold any collateral as security. The total carrying amount of security deposits in relation to the above trade receivables carried by the Group is $5,924,000 (2015: $5,040,000)

		Consolidated		The Fund	
		2016 $000	2015 $000	2016 $000	2015 $000
21.	**Inventories**				
	Consumables and finished goods	18,112	12,264	-	-
	Allowances for obsolescence	(3,229)	(2,539)	-	-
		14,883	9,725	-	-
	Goods in transit	485	50	-	-
		15,368	9,775	-	-

22. Intangible assets

	Consolidated		The Fund	
	2016	2015	2016	2015
	$000	$000	$000	$000
Software costs	16,874	18,113	10,623	10,582
Goodwill on consolidation	119,261	115,860	-	-
Indefeasible rights of use capacity	16,068	17,249	-	-
Spectrum licences	6,095	2,967	-	-
	158,298	154,189	10,623	10,582
Represented by:				
Software costs				
Cost				
Balance at the beginning of the year	54,152	38,525	14,826	3,696
Additions during the year	267	950	76	-
Transfer from property, plant and equipment	1,211	14,723	1,200	11,176
Disposals	-	(46)	-	(46)
Other	(17)	-	-	-
Balance at the end of the year	55,613	54,152	16,102	14,826
Amortisation and impairment				
Balance at the beginning of the year	36,039	33,627	4,244	3,676
Amortisation charge for the year	2,700	2,458	1,235	614
Disposals	-	(46)	-	(46)
Balance at the end of the year	38,739	36,039	5,479	4,244
Carrying amount				
At the beginning of the year	18,113	4,898	10,582	20
At the end of the year	16,874	18,113	10,623	10,582
Goodwill on consolidation				
Cost				
Balance at the beginning of the year	205,116	205,116	-	-
Acquisition	3,401	-	-	-
Balance at the end of the year	208,517	205,116	-	-
Accumulated impairment allowance				
Balance at the beginning of the year	89,256	89,256	-	-
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	119,261	115,860	-	-

The carrying value of the goodwill comprises of $110,637,000 (net of $89,256,000 of impairment) in relation to the Fund's investment in Amalgamated Telecom Holdings Limited, $5,223,000 in relation to FNPF Hotel Resorts Limited ("FHRL") and $3,401,000 in relation to VFLs investment in Datec (Fiji) Limited and its Subsidiary Company.

On 29 May 2015, Vodafone Fiji Limited acquired 100% shareholding (412,345 ordinary shares) in Datec (Fiji) Limited and its Subsidiary Company for a consideration of $3,300,000. Goodwill of $3,401,000 was recognised as the excess of the consideration transferred over the fair value of net assets of the acquiree at acquisition-date. The Board is of the opinion that, after appropriate assessment, no impairment is considered necessary.

Goodwill in respect of ATH and FHRL has been tested for impairment by management based on fair value less cost of disposal.

22. Intangible assets (continued)

Goodwill on consolidation (continued)

Fair value for ATH has been determined based on the quoted price of shares traded on the South Pacific Stock Exchange at 30 June 2016 of $1.08 (2015: $1.06) less estimated cost to sell. A decrease in ATH's share price by 13 cents would result in impairment. The fair value measurement was categorised as a Level 1 fair value based on quoted prices. The carrying amount of the CGU in 2016 was determined to be lower than its recoverable amount of $326,000,000 (2015: $257,000,000).

Fair value for FHRL has been determined based on an independent valuation by Jones Lang LaSalle Hotels & Hospitality Group dated 22 May 2013 less estimated cost to sell. A decrease in market value by $4,000,000 would result in impairment. The fair value measurement was categorised as a Level 3 fair value based on the inputs to the valuation techniques used. The carrying amount of the CGU in 2016 was determined to be lower than its recoverable amount of $26,000,000 (2015: $26,000,000).

Based on the impairment assessment made by management, no provision for impairment has been made on Goodwill in respect of Datec (Fiji) Limited and its subsidiary company as management reasonably believes that no indicators of impairment exist.

	Consolidated		The Fund	
	2016	2015	2016	2015
	$000	$000	$000	$0000
Indefeasible rights of use capacity				
Cost				
Balance at the beginning of the year	78,337	77,064	-	-
Adjustments	-	(864)	-	-
Additions	632	2,137	-	-
Balance at the end of the year	78,969	78,337	-	-
Amortisation				
Balance at the beginning of the year	61,088	57,967	-	-
Amortisation charge for the year	1,813	3,121	-	-
Balance at the end of the year	62,901	61,088	-	-
Carrying value				
At the beginning of the year	17,249	19,097	-	-
At the end of the year	16,068	17,249	-	-

Indefeasible Rights of Use ("IRU") capacity relates to the lease of IRU network capacities by subsidiaries, Telecom Fiji Limited and Fiji International Telecommunications Limited. The IRU network capacity purchase consideration or lease consideration is capitalised to intangible assets, and is amortised over its estimated economic useful life.

The useful lives of the IRU network capacity are reviewed, and adjusted if appropriate, at each balance date.

22. Intangible assets (continued)

	Consolidated		The Fund	
	2016	2015	2016	2015
	$000	$000	$000	$0000
Spectrum licences				
Cost				
Balance at the beginning of the year	3,063	3,063	-	-
Addition	3,329	-	-	-
Balance at the end of the year	6,392	3,063	-	-
Amortisation				
Balance at the beginning of the year	96	39	-	-
Amortisation charge for the year	201	57	-	-
Balance at the end of the year	297	96	-	-
Carrying value				
At the beginning of the year	2,967	3,024	-	-
At the end of the year	6,095	2,967	-	-

Spectrum licences include licenses acquired by the subsidiaries, Telecom Fiji Limited and Vodafone Fiji Limited on 2 September 2013 from Department of Communications. Spectrum licences also includes the licence acquired by Amalgamated Telecom Holdings (Kiribati) Limited on 27 May 2016 from Communications Commission of Kiribati.

The licences of Telecom Fiji Limited and Vodafone Fiji Limited have an initial 5 year term starting from 2 September 2013, then extending to a further 10 years conditional on compliance with implementation requirements. The purchase consideration has been capitalised to intangible assets.

The licence of Amalgamated Telecom Holdings (Kiribati) Limited has an initial 15 year term starting from 27 May 2015, then extending to a further 5 years conditional on compliance with implementation requirements. The purchase consideration has been capitalised to intangible assets.

As at 31 March 2016, all conditional requirements have been fulfilled.

Fiji National Provident Fund and its subsidiaries

Notes to and forming part of the financial statements

For the year ended 30 June 2016

23. Property, plant and equipment – Consolidated

	Freehold Land	Leasehold Land	Buildings at valuation	Resort buildings at cost	Telecommunication equipment & plant	Capital spares	Plant and machinery	Office equipment	Motor vehicles	Furniture & fittings	Work in progress	Total
Cost	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Balance at the beginning of the year	820	41,696	54,925	239,321	636,617	2,332	6,128	66,384	18,688	40,963	40,801	1,148,675
Disposals	-	-	(245)	(687)	(3,976)	-	(168)	(645)	(1,144)	(300)	(3)	(7,168)
Acquisitions	-	-	8,715	5,092	40,399	-	410	3,034	1,402	5,117	123,553	187,722
Consumed during the year	-	-	-	-	-	(781)	(4)	-	-	-	-	(785)
Transfers	-	-	7	90	1,056	-	-	11	-	38	(2,363)	(1,161)
Balance at the end of the year	820	41,696	63,402	243,816	674,096	1,551	6,366	68,784	18,946	45,818	161,988	1,327,283
Accumulated impairment												
Balance at the beginning of the year	-	20,386	233	117,361	11,431	173	-	20	-	7,162	650	157,416
Impairment (reversal) for the year	-	(10,975)	-	(418)	-	(25)	-	(1)	-	(29)	-	(11,448)
Balance at the end of the year	-	9,411	233	116,943	11,431	148	-	19	-	7,133	650	145,968
Accumulated depreciation												
Balance at the beginning of the year	-	972	19,878	19,464	410,120	-	4,165	59,017	14,578	25,859	-	554,053
Depreciation charge for the year	-	176	1,788	4,021	35,806	-	464	3,306	1,794	2,474	-	49,829
Disposals	-	-	-	(198)	-	-	(104)	(595)	(1,080)	(109)	-	(2,086)
Balance at the end of the year	-	1,148	21,666	23,287	445,926	-	4,525	61,728	15,292	28,224	-	601,796
Carrying amount												
At the beginning of the year	820	20,338	34,814	102,496	215,066	2,159	1,963	7,347	4,110	7,942	40,151	437,206
At the end of the year	820	31,137	41,503	103,586	216,739	1,403	1,841	7,037	3,654	10,461	161,338	579,519

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

(a) Natadola Bay Resort Limited (NBRL)

As at 30 June 2016, an independent valuation of the Intercontinental Fiji Golf Resort and Spa and Golf Course and Residential Development was carried out by Mr. Allen Beagley of Knight Frank NZ Ltd. An impairment reversal of $11,422,000 was booked to bring the carrying amount of land and buildings to $138,500,000.

(b) ATH

Buildings include leasehold building acquired by the subsidiary, Amalgamated Telecom Holdings (Kiribati) Limited as a part of the acquisition of telecommunications services and assets of Telecom Services Kiribati Limited.

Based on the impairment assessment performed by Telecom Fiji Limited and Fiji International Telecommunications Limited an impairment reversal amounting to $25,000 has been booked during the year ended 31 March 2016 (2015: based on the impairment assessment performed by the subsidiary companies, impairment loss of $46,000 had been recognised).

In accordance with the security arrangements for borrowings from the ultimate parent entity, Fiji National Provident Fund (FNPF), all properties, plant and equipment of subsidiaries, Vodafone Fiji Limited and Telecom Fiji Limited (except for TFL New Wing building in Suva) have been pledged to FNPF as security. Furthermore, all properties, plant and equipment of Amalgamated Telecom Holdings (Kiribati) Limited have been pledged to ANZ Bank (Kiribati) Limited as security in accordance with the security arrangements for term loan facilities in that country.

Fiji National Provident Fund and its subsidiaries

Notes to and forming part of the financial statements

For the year ended 30 June 2016

23. Property, plant and equipment – The Fund

	Freehold Land	Leasehold Land	Buildings at valuation	Office Equipment FNPF	RIF	Motor vehicles	Furniture & fittings FNPF	RIF	Work in Progress	Total
Cost										
Balance at the beginning of the year	371	119	11,231	8,585	111	2,315	2,545	47	560	25,884
Additions	-	-	1	1,125	11	-	59	-	640	1,836
Transfer from investment property	-	-	7	-	-	-	-	-	-	7
Transfer to Intangible Assets	-	-	-	-	-	-	-	-	(1,200)	(1,200)
Disposals	-	-	-	(464)	(1)	(460)	(84)	(3)	(3)	(1,015)
Balance at the end of the year	371	119	11,239	9,246	121	1,855	2,520	44	(3)	25,512
Accumulated depreciation										
Balance at the beginning of the year	-	105	3,334	6,520	74	1,180	1,496	44	-	12,753
Depreciation charge for the year	-	1	184	768	8	384	299	3	-	1,647
Disposals	-	-	-	(461)	(1)	(459)	(84)	(3)	-	(1,008)
Balance at the end of the year	-	106	3,518	6,827	81	1,105	1,711	44	-	13,392
Carrying amount										
At the beginning of the year	371	14	7,897	2,065	37	1,135	1,049	3	560	13,131
At the end of the year	371	13	7,721	2,419	40	750	809	-	(3)	12,120

		Consolidated		The Fund	
		2016	2015	2016	2015
		$000	$000	$000	$0000
24.	**Other receivables**				
	Contributions receivable	4,802	10,189	4,802	10,189
	Provision for impairment	(938)	(7,768)	(938)	(7,768)
		3,864	2,421	3,864	2,421
	Other deposits and receivables	47,243	47,101	18,345	23,167
	Provision for impairment	(1,139)	(1,939)	(25)	(825)
		46,104	45,162	18,320	22,342
	Accrued revenue	2,572	2,236	-	-
	Deferred expense	102	106	-	-
		52,642	**49,925**	**22,184**	**24,763**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of the asset above. There is no collateral held as security against any of the above receivable balances.

Movements in the provisions for impairment are as follows:

	Consolidated		The Fund	
	Contributions receivable	Other	Contributions receivable	Other
	$000	$000	$000	$0000
Balance as at 1 July 2014	7,158	1,121	7,158	-
New and increased provisioning	610	825	610	825
Provisions reversed	-	(7)	-	-
Balance as at 30 June 2015	7,768	1,939	7,768	825
New and increased provisioning	-	-	-	-
Provisions reversed	(6,830)	(800)	(6,830)	(800)
Balance as at 30 June 2016	938	1,139	938	25

			Consolidated		The Fund	
		Note	2016	2015	2016	2015
			$000	$000	$000	$0000
25.	**Investment income receivable**					
	Interest receivable		53,141	51,827	52,781	51,525
	Dividends receivable		2,944	65	2,944	65
	Rent receivable		840	628	840	628
	Provision for impairment		(67)	(64)	(67)	(64)
			773	564	773	564
	Receivable from related parties	35(b)	171	629	35,709	28,932
	Provision for impairment	35(b)	(165)	(269)	-	-
			6	360	35,709	28,932
			56,864	**52,816**	**92,207**	**81,086**

25. Investment income receivable (continued)

Movements in the provisions for impairment are as follows:

	Consolidated		Fund
	Receivable from related parties $000	Rent receivable $000	Rent receivables $000
Balance as at 1 July 2014	-	100	100
New and increased provisioning	269	-	-
Provisions reversed	-	(36)	(36)
Balance as at 30 June 2015	269	64	64
New and increased provisioning	-	3	3
Provisions reversed	(104)	-	-
Balance as at 30 June 2016	165	67	67

	Consolidated		The Fund	
	2016 $000	2015 $000	2016 $000	2015 $0000
26. Creditors and borrowings				
Sundry creditors and accruals	104,631	86,219	10,984	11,263
Bank overdraft	2,979	3,029	-	-
Borrowings	42,805	26,051	-	-
Customer deposits – unsecured	568,896	436,308	-	-
	719,311	551,607	10,984	11,263
Maturity represented as:				
At call	158,376	173,405	-	-
Less than or equal to 3 months	266,984	118,014	10,984	11,263
3 to 12 months	226,374	158,763	-	-
1 to 5 years	74,437	98,095	-	-
Greater than 5 years	1,204	10,053	-	-
	727,375	558,330	10,984	11,263

The above maturity analysis includes future interest payable.

Customer deposits are fixed term and at call deposits with Home Finance Company Limited.

26. Creditors and borrowings (continued)

Borrowings

Amalgamated Telecom Holdings Limited, ("ATH") has the following borrowings:

a) Term loan – Bank of South Pacific Limited
The loan from Bank of South Pacific Limited is unsecured and subject to a competitive interest rate per annum with monthly repayments of $52,000.

b) Term loan – Westpac Banking Corporation
On 29 April 2015, ATH obtained an additional loan from Westpac Banking Corporation (WBC) to finance the acquisition of Telecom Services Kiribati Limited. The loan facilities from WBC are unsecured and subject to a competitive interest rate per annum with monthly repayments of $105,000 and $150,800.

Amalgamated Telecom Holdings (Kiribati) Limited, a subsidiary has a term Loan with ANZ Bank (Kiribati) Limited which is secured by the following:

a) Limited Guarantee given by Amalgamated Telecom Holdings Limited to the amount of AUS$6,500,000 plus interest and costs.
b) First registered mortgage debentures given by Amalgamated Telecom Holdings (Kiribati) Limited being a fixed and floating charge over all present and future assets, undertakings (including goodwill) and unpaid or uncalled capital of that security provider.

Following the commencement of the commercial banking operation of HFC, it is a regulatory requirement for the bank to hold a certain amount of funds with Reserve Bank of Fiji ("RBF") to act as a statutory reserve deposit. This resulted in a further injection of $21m being placed as a debenture at a rate of 3. 50% with a repayment term of 5 years.

HFC has an EXIM loan, which is a back to back loan from RBF at an interest rate of 1% with a term of 5 years. HFC may obtain this loan from RBF and on-lend to businesses that meet the criteria at a maximum margin of 4%.

Bank overdraft

Vodafone Fiji Limited, has a bank overdraft facility of $20,000,000 with Westpac Banking Corporation which is unsecured, and is subject to maintaining certain financial covenants.

Datec (Fiji) Limited, has a bank overdraft facility with Westpac Banking Corporation which is secured by:

a) Registered First Fixed and Floating Charge by Datec (Fiji) Limited over all its assets.
b) Undertakings including its Uncalled and Called but Unpaid Capital.
c) Letter of Support from Vodafone Fiji Limited.

Bank Facilities

Telecom Fiji Limited has an indemnity guarantee and visa business credit card facilities with ANZ Banking Group Limited. These facilities are secured by letter of charge over term deposit funds. The subsidiary has also given a negative pledge to ANZ Banking Group Limited.

	Consolidated		The Fund	
	2016 $000	2015 $000	2016 $000	2015 $0000
27. Other liabilities				
Advance for relocation of telecommunications cable	4,546	3,769	-	-
Deposits	3,426	6,289	1,429	1,249
Deferred revenue	17,843	16,295	516	493
Dividends payable	15,072	7,233	-	-
Pensions payable	-	14	-	14
Indefeasible Right of Use (IRU) - lease liabilities	3,256	4,498	-	-
Other payables	23,610	38,077	772	668
	67,753	76,175	2,717	2,424

27. Other liabilities (continued)

As at balance date Telecom Fiji Limited has received $6,273,091 (2015: $3,895,652) (VEP) for relocation of underground and overhead telecommunication cables for the Nadi and Suva road upgrading project. As at balance date, the relocation of underground and overhead telecommunication cables work is currently in progress and the subsidiary company has incurred costs of $1,727,435 (2015: $126,744) which have been offset against the advance received.

In accordance with the agreement with Optus Networks Pty Limited for the purchase of IRU network capacity, the repayment term consists of monthly repayments over 2 to 5 years. In the opinion of the management of Telecom Fiji Limited the fair value of the liability equals to the carrying amount, and accordingly the payable has not been discounted to its present value.

28. Employee entitlements

		Consolidated		The Fund	
	Note	2016 $000	2015 $000	2016 $000	2015 $000
Annual leave		1,927	1,701	778	570
Long service leave and gratuity		358	407	236	234
Retirement benefits		-	6	-	-
Others		61	54	-	-
Bonus		4,869	5,084	-	-
		7,215	7,252	1,014	804
As at 1 July		7,252	8,478	804	977
Additional provisions recognised		5,905	7,399	502	679
Paid during the year		(5,942)	(8,125)	(292)	(852)
Provisions no longer required		-	(500)	-	-
Carrying amount as at 30 June		7,215	7,252	1,014	804
Current		6,857	6,839	778	570
Non-current		358	413	236	234
Total		7,215	7,252	1,014	804

(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 – 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.

29. Net assets available to pay benefits

		Consolidated		The Fund	
	Note	2016 $000	2015 $000	2016 $000	2015 $000
Net assets available to pay benefits		4,935,107	4,779,483	5,119,983	4,906,936
Represented by:					
Liability for accrued benefits	31(a)	4,127,335	3,994,976	4,127,335	3,994,976
Accumulated losses	29 (a)	(16,638)	(651)	-	-
Reserves	29 (b)	992,648	911,960	992,648	911,960
Available for sale reserve	29 (c)	-	-	-	-
Credit loss reserve	29 (d)	5,150	4,243	-	-
Foreign currency translation reserve	29 (e)	(1,392)	-	-	-
Other equity reserve	37	(171,996)	(131,045)	-	-
		4,935,107	4,779,483	5,119,983	4,906,936
(a) Accumulated losses					
Balance at the beginning of the year		(651)	(8,332)	-	-
Add transfers from income statement		(15,987)	7,681	-	-
Balance at the end of the year		(16,638)	(651)	-	-

29. Net assets available to pay benefits (continued)

(b) Reserves

	Note	Consolidated 2016 $000	Consolidated 2015 $000	The Fund 2016 $000	The Fund 2015 $000
Balance at the end of the year		992,648	911,960	992,648	911,960
Reserves comprise the following:					
Special death benefit fund reserve		28,686	25,435	28,686	25,435
Supplementary fund reserve		-	-	-	-
Retirement income fund reserve		287,428	277,720	287,428	277,720
FNPF reserve		676,534	608,805	676,534	608,805
		992,648	911,960	992,648	911,960

Special death benefit fund, Retirement income fund and FNPF reserves include investment and solvency reserves.
The movements in the reserves are as follows:

Special death benefit fund reserve

	Note	Consolidated 2016 $000	Consolidated 2015 $000	The Fund 2016 $000	The Fund 2015 $000
Balance at the beginning of the year		25,435	22,517	25,435	22,517
Add/(less) transfers from/(to) member benefits:					
Transfer from		11,029	11,281	11,029	11,281
Transfer to		(8,803)	(8,980)	(8,803)	(8,980)
Transfer from income statement - current year investment returns	32	1,025	617	1,025	617
Balance at the end of the year		28,686	25,435	28,686	25,435

The amounts transferred to the Special Death Benefit Fund Reserve of $11,029,000 (2015: $11,281,000) represent deductions of $35 (2015: $35) or less from the accounts of each entitled member.

The amounts transferred from the Special Death Benefit Fund Reserve of $8,803,000 (2015: $8,980,000) represent disbursements to the nominees of those members who died during the year of $8,500 (2015: $8,500) per member. These disbursements are in addition to the amounts standing to the deceased member's credit.

Supplementary fund reserve

	Consolidated 2016 $000	Consolidated 2015 $000	The Fund 2016 $000	The Fund 2015 $000
Balance at the beginning of the year	-	2,751	-	2,751
Less transfer to FNPF reserve	-	(2,751)	-	(2,751)
Balance at the end of the year	-	-	-	-

In the prior year, the balance in the supplementary fund was transferred to the FNPF reserve. These unclaimed funds will be paid to pensioners as lump sums once a claim is made in future and paid directly out of the FNPF reserve.

Retirement income fund reserve

	Note	Consolidated 2016 $000	Consolidated 2015 $000	The Fund 2016 $000	The Fund 2015 $000
Balance at the beginning of the year		277,720	269,757	277,720	269,757
Add/(less) transfers from/(to) member benefits:					
Transfer from		10,663	8,611	10,663	8,611
Transfer to		(24,237)	(23,625)	(24,237)	(23,625)
Transfer from income statement - current year investment returns	32	23,282	22,977	23,282	22,977
Balance at the end of the year		287,428	277,720	287,428	277,720

29. Net assets available to pay benefits (continued)

b) Reserves (continued)

Retirement income fund reserve (continued)

The amount transferred to the Retirement Income Fund Reserve of $10,663,000 (2015: $8,611,000) represents pension income during the year. The amounts transferred from the Retirement Income Fund Reserve of $24,237,000 (2015: $23,625,000) represent pension annuities to pensioners whilst amounts transferred to the Retirement Income Fund Reserve during the year of $23,282,000 (2015: $22,977,000) represents investment returns after allowing for operating expenses of $318,000 (2015: $325,000).

		Consolidated		The Fund	
	Note	2016 $000	2015 $000	2016 $000	2015 $000
FNPF reserve					
Balance at the beginning of the year		608,805	578,592	608,805	578,592
Add transfers from income statement	32	67,729	27,462	67,729	27,462
Add transfer from supplementary fund reserve		-	2,751	-	2,751
Balance at the end of the year		676,534	608,805	676,534	608,805
(c) Available for sale reserve					
Balance at the beginning of the year		-	(34)	-	-
Transfer to profit or loss		-	34	-	-
Balance at the end of the year		-	-	-	-
(d) Credit loss reserve					
Balance at the beginning of the year		4,243	2,969	-	-
Movements during the year		907	1,274	-	-
Balance at the end of the year		5,150	4,243	-	-
(e) Foreign currency translation reserve					
Balance at the beginning of the year		-	-	-	-
Currency translation differences arising during the year		(1,883)	-	-	-
Less non controlling interests		491	-	-	-
Balance at the end of the year		(1,392)	-	-	-

(f) Contributions to the Fund for benefits (immediate, contingent or deferred)

The Fund receives contributions from members for investment, which are invested and become available upon retirement, or earlier death, permanent migration or incapacity. The premium for the Special Death Benefit (SDB) is deducted and paid to Special Death Benefit Fund ("SDBF"), with benefit payable upon death of the member while still a member of the Fund.

Members purchase annuities by transferring part or all of their FNPF balance upon retirement or incapacity (or if a sole nominee, a member's FNPF balance on his or her death) into Retirement Income Fund ("RIF").

The allocation of contributions is set out below:

2016	SDBF $000	RIF $000	FNPF $000	All funds $000
Member contributions, net	-	-	469,565	469,565
SDB premiums	11,029	-	-	11,029
	11,029	-	469,565	480,594
Purchase of annuities	-	10,663	-	10,663
TOTAL	11,029	10,663	469,565	491,257

29. Net assets available to pay benefits (continued)

(f) Contributions to the Fund for benefits (immediate, contingent or deferred) (continued)

	SDBF $000	RIF $000	FNPF $000	All funds $000
2015				
Member contributions, net	-	-	420,904	420,904
SDB premiums	11,281	-	-	11,281
	11,281	-	420,904	432,185
Purchase of annuities	-	8,611	-	8,611
TOTAL	11,281	8,611	420,904	440,796

(g) Payments to beneficiaries

2016	8,803	24,237	566,085	599,125
2015	8,980	23,625	291,472	324,077

Total benefits paid, excluding pension annuity relating to RIF, amounted to $574,888,000 (2015:$ 300,452,000). The breakdown of payments is as follows.

		2016 $000	2015 $000
Benefit type			
1	55 years and over	136,000	123,098
2	Death	17,593	14,465
3	Disability	4,754	3,245
4	Migration	28,016	27,065
5	Marriage	-	2
6	Non-Citizens migrating	6,317	5,225
	Small accounts	341	248
7-8	Partial	52,613	58,163
9	Housing transfers	44,853	59,545
TC Winston assistance		275,492	-
Unclaimed – Over 65 years		106	389
Pension under previous scheme		-	27
Total		566,085	291,472

Total benefits include $10,663,000 (2015: $8,611,000) being the amount transferred from FNPF to RIF in respect of FNPF members purchasing annuities.

The breakdown of payments from RIF is:

1 -	Sole life annuity	11,351	11,336
2 -	Joint life annuity	5,397	5,125
3 -	Term annuity	1,755	1,653
4 -	Top up pension (in respect of pre March 2012 pensioners)	5,162	5,268
5 -	Commutation	572	243
		24,237	23,625

Commutation refers to the lump sum paid in respect of the unexpired portion of the guarantee period for which a deceased annuitant would otherwise have received payment. The commuted sum is payable to the pensioner's nominee on death.

30. Transfers between funds under the Decree

Amounts may be transferred between funds only in accordance with the Decree. Provisions include:

- Transfers from FNPF to RIF for purchase of annuities
- Deductions from FNPF for premiums due to SDBF
- Transfers from RIF and SDBF and SF to FNPF to meet expenses incurred in managing RIF and SDBF respectively
- Repaying amounts paid in error or recovering overpayments

30. Transfers between funds under the Decree (continued)

(The Board may transfer a surplus in RIF or SDBF to FNPF in accordance with the regulations. These regulations require that any such transfer be recommended by the Fund Actuary and approved by the Reserve Bank of Fiji.

The Decree also provides that the Board must allocate to RIF and SDBF such of the assets of FNPF as will ensure that an actuary is able to issue a funding and solvency certificate in each case. Funding and solvency certificates for each of RIF and the SDBF are currently in force and no transfer from FNPF is envisaged in the foreseeable future.

31. Net assets at balance date and liability for accrued benefits

	Notes	2016 $000	2015 $000
(a) FNPF			
Balance at the beginning of the year		3,994,976	3,660,147
Net movement during the year	31(a)ii	132,359	334,829
Balance at the end of the year		4,127,335	3,994,976
(i) Allocation of Benefits			
Allocated to Members' Accounts		4,118,994	3,988,994
Unallocated to Members' Accounts		8,341	5,982
		4,127,335	3,994,976
Solvency requirement of 10% of member accounts		412,734	399,498
Other		263,800	209,307
FNPF reserve	29(b)	676,534	608,805
Net assets at end of year		4,803,869	4,603,781

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.

	Notes	2016 $000	2015 $000
(ii) Benefits accrued during the year			
Contributions received	29(f)	480,594	432,185
Benefits paid	29(g)	(574,888)	(300,452)
Interest credited on members' accounts		239,542	214,008
Net amounts transferred from:			
Special Death Benefit Reserve	29(b)	(2,226)	(2,301)
Transfer to Retirement Income Fund	29(b)	(10,663)	(8,611)
		132,359	334,829

The Board declared an annual interest rate for 2016 of 6.25% to be credited to members' accounts as at the reporting date (2015: 6.00%).

	Notes	2016 $000	2015 $000
(iii) Movement in liability:			
Liability at beginning of year		3,994,976	3,660,147
Net contributions	29(f)	469,565	420,904
Benefits paid (including annuity purchase)	29(g)	(576,748)	(300,083)
Interest allocated to members		239,542	213,242
Interest on withdrawals		-	766
Liability at end of year		4,127,335	3,994,976

31. Net assets at end of year and liability for accrued benefits (continued)

(b) RIF

	2016 $000	2015 $000
Liability for future annuity payments	230,698	232,500
Solvency reserve	56,730	45,220
Net assets	287,428	277,720
Movement in liability		
Liability at start of year	232,500	233,701
New purchases	10,663	8,611
Expected reduction for year	(11,144)	(11,187)
Variation in experience	(1,321)	1,375
Liability at end of year	230,698	232,500

The actuarial present value of the RIF annuitant liabilities determined on a basis consistent with Government Bond values being recorded at face value has been calculated as $230,698,000 (2015: $232,500,000). The valuation was carried out by Mr. Geoffrey David Rashbrooke, Associate of the Institute of Actuaries of Australia, in compliance with International Standard of Actuarial Practice No. 2 issued by the International Actuarial Association. The annual benefits payable from RIF are projected year by year, allowing for expected life annuitant deaths and completion of the term of term annuities and guaranteed payments, until all benefits in respect of annuitants in force at the valuation date have been paid. The projected payments are then discounted to the valuation date at the net rate of return assumed after expenses.

The assumptions made for the purpose of the calculation are as follows:
(a) Life Annuities

- Mortality for life annuitants in accordance with World Health Organisation 2008 Fiji population life tables, assuming a 1% per annum reduction in both male and female rates continuously from 2010, and set back one year (2015: 1% from 2009);
- An average long term return on the face value of RIF assets of 6.25% gross per annum over the term of the current annuities (2015: 6.25%);
- An allowance for RIF expenses of 0.5% of assets allocated to liabilities of 0.5% per annum (2015:0.5%).
- The liability assuming a long term return lower by 50 bps (a reduction of 0.5% in the assumed discount rate) is calculated as $240,102,000; an increase of 50 bps results in a liability of $221,959,000.
- The solvency reserve is held to ensure solvency, and includes an amount to allow for lower return on the assets used to support term annuities on the basis that these may be matched to projected monthly payments.

Term Annuities and Guaranteed Instalments
As term and guaranteed installments are implicitly matched to assets of the same period, the payments are discounted at rates determined from the yield curve for government bonds as at 30 June 2016 published by the Reserve Bank of Fiji (2015: yield curve as at 30 June 2015), subject to an allowance for RIF expenses of 0.5% of assets per annum (2015: 0.5%)

(c) SDBF

	2016 $000	2015 $000
Liability for claims incurred but not reported (IBNR)	4,512	5,129
Provision for mortality fluctuation	4,842	4,939
Catastrophe reserve	19,332	15,367
Net assets	28,686	25,435

The IBNR has been calculated by the actuary using the chain ladder method applied to a run-off triangle of SDB claims by financial year of death and year of payment. The provision for mortality fluctuation is based on 6 months claim with an additional 10% of that amount. The balance in the fund is held against the possibility of major catastrophic loss of life amongst those eligible for SDB.

32. Net profit for the year

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

	2016 $000	2015 $000
Profit for the year attributable to members of the Fund	331,578	265,064
Allocated to:		
Liability for accrued benefits	(239,542)	(214,008)
Special death benefit fund reserve	(1,025)	(617)
FNPF reserve	(67,729)	(27,462)
Retirement income fund reserve	(23,282)	(22,977)
	(92,036)	(51,056)
	(331,578)	(265,064)

33. Notes to the statements of cash flows

(a) Reconciliation of cash and cash equivalents

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

		Consolidated		The Fund	
	Note	2016 $000	2015 $000	2016 $000	2015 $000
Cash	19	490,637	832,589	337,005	656,249
Bank overdraft	26	(2,979)	(3,029)	-	-
Cash and cash equivalents at end of financial year		487,658	829,560	337,005	656,249

Statutory Reserve Deposits with the Reserve Bank of Fiji amounting to $60,780,000 (2015: $48,620,000) (Note 19) represents mandatory reserve deposits and are not available for use in the Bank's day to day operations and therefore are not part of cash and cash equivalents.

(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.

34. Commitments and contingent liabilities

(a) Commitments

		Consolidated		The Fund	
	Note	2016 $000	2015 $000	2016 $000	2015 $000
Capital expenditure commitments		118,585	229,561	5,722	10,005
Undrawn facilities in relation to mortgage loans		59,091	59,316	44,639	39,586
		177,676	288,877	50,361	49,591
(b) Contingent liabilities					
Performance bonds		4,030	2,948	-	-
Litigation		399	532	399	512
Guarantees		357	357	357	357
Letter of credit		-	227	-	-
		4,786	4,064	756	869

34. Commitments and contingent liabilities (continued)

	Note	Consolidated 2016 $000	Consolidated 2015 $000	The Fund 2016 $000	The Fund 2015 $000
(c) Operating lease commitments					
Total commitments for non-cancellable future lease rentals are payable as follows:					
Not later than 1 year		8,466	11,603	-	-
Later than 1 years but not later than 5 years		15,538	14,211	-	-
Greater than 5 years		51,036	44,345	-	-
		75,040	70,159	-	-
(d) Operating lease revenue					
Non cancellable operating lease rentals are receivable as follows:					
Not later than 1 year		10,978	12,663	10,119	11,618
Later than 1 years but not later than 5 years		16,397	19,004	15,591	18,594
Greater than 5 years		1,797	643	1,797	610
		29,172	32,310	27,507	30,822

(e) Sponsorship agreement with Fiji Rugby Union

On 2 February 2014 Vodafone Fiji Limited entered into a sponsorship agreement with Fiji Rugby Union.

As per the terms of the agreement, Fiji Rugby Union has granted sponsorship rights in respect to its rugby teams and tournaments on an exclusive basis to the subsidiary company. The subsidiary company has agreed to the acquisition of such sponsorship rights to be solely for the subsidiary company and its Consortium sponsors, which include corporate entities outside the group, for sponsorship in cash in kind for a period of 5 years.

(f) Sponsorship agreement with Fiji Football Association

On 6 December 2013 Vodafone Fiji Limited entered into a sponsorship agreement with Fiji Football Association.

As per the terms of the agreement, Fiji Football Association (the Association) has granted sponsorship rights in respect to its competitions, the Association and, the district affiliate teams on an exclusive basis to the subsidiary company. The subsidiary company has agreed to the acquisition of such sponsorship rights to be solely for the subsidiary company and its Consortium sponsor for sponsorship in cash in kind for a period of 5 years.

(g) Sponsorship agreement with Fiji National Rugby League Limited

On 25 September 2013 Vodafone Fiji Limited entered into a sponsorship agreement with Fiji National Rugby League Limited.

As per the terms of the agreement, Fiji National Rugby League (FNRL) has granted sponsorship rights in respect to its events, the Fiji Bati team, the FNRL and, the district affiliate teams on an exclusive basis to the subsidiary company. The subsidiary company has agreed to the acquisition of such sponsorship rights to be solely for the subsidiary company for sponsorship in cash in kind for a period of 4 years.

(h) Consortium Sponsorship Participation Agreement

Telecom Fiji Limited is committed to pay a sum of $174,000 per annum for 5 years effective from February 2014 to the Government's Sports Fund for rugby sponsorship under the Consortium Sponsorship Participation Agreement with its fellow subsidiary, Vodafone Fiji Limited.

34. Commitments and contingent liabilities (continued)

(i) Consortium Sponsorship Participation Agreement

Certain subsidiaries within the group are committed to pay licence fees to the Government of Fiji and the Government of Kiribati (for Amalgamated Telecom Holdings (Kiribati) Limited) based on the audited annual gross revenue which arises directly from the provision of services under the respective licences in the preceding year and such annual gross revenue shall be calculated net of settlement with other licences in Fiji.

Certain subsidiaries are also committed to pay Universal Service Levies to the Government of Fiji based on the audited annual gross revenue which arises directly from the provision of services under the respective licence in the current year and such annual gross revenue shall be calculated net of settlements with other licences in Fiji.

35. Related parties

(a) Board members

The Board members of the Fund during the year were:
Mr Ajith Kodagoda (Chairman)
Mr Tevita Kuruvakadua
Ms. Makereta Konrote (appointed 23/01/2016)
Ms. Bhavna Narayan (appointed 23/01/2016)
Mr. Sanjay Kaba (appointed 23/01/2016)
Mr Taito Waqa (term expired 23/01/2016)
Mr Sashi Singh (term expired 23/01/2016)
Mr Tom Ricketts (term expired 23/01/2016)

(b) Transactions with related parties

	Consolidated		The Fund	
	2016 $000	2015 $000	2016 $000	2015 $000
Directors*				
Directors remuneration - fees and allowances	135	143	60	45
Other services provided to the Fund	19	21	19	21
	154	164	79	66

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 paid to the directors of the Fund and its subsidiary companies. No remuneration is paid to Mr. Ajith Kodagoda, Mr. Sashi Singh and Mr Sanjay Kaba. Remuneration for Mr. Taito Waqa is paid directly to the Ministry of Labour.

Key management personnel

In addition to the directors, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly (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:

- Mr. Jaoji Koroi – Chief Investments Officer (until 22/01/2016)
- Mr. Jaoji Koroi – Chief Operating Officer (from 22/01/2016)
- Mr. Pravinesh Singh – Chief Financial Officer
- Mr. Anand Nanjangud – Chief Information Technology Officer (resigned on 31 July 2015)
- Mr. Uday Singh – General Manager Governance & Risk
- Mr. Ravinesh Krishna – General Manager Human Resources
- Mr. Alipate Waqairaiwai – Assistant General Manager Member Services
- Mr. Tevita Nagataleka – Assistant General Manager Prime Services
- Mr. Sitiveni Nabuka – Acting Chief Information Technology Officer (appointed on 29 October 2015)
- Mr. Ivan Fong – General Manager (ATH)
- Mr. Isikeli Tikoduadua – Chief Executive Officer (HFC)

35. Related parties (continued)

(b) Transactions with related parties (continued)

Key management personnel

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

	Consolidated		The Fund	
	2016	2015	2016	2015
	$000	$000	$000	$000
Short-term benefits	2,087	1,585	1,454	1,214

Management personnel who are members of the Fund contribute and receive 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).

Transactions with other related parties

The investments and ownership interests in subsidiary companies are disclosed in Note 35(c).

	Consolidated		The Fund	
	2016	2015	2016	2015
	$000	$000	$000	$000
Interest income				
The amount of interest income received from related parties during the year is as follows:				
ATH Limited	-	-	174	238
Vodafone Fiji Limited	-	-	471	965
Telecom Fiji Limited	-	-	40	688
Home Finance Company Limited	-	-	548	4,532
Natadola Bay Resort Limited	-	-	7,621	7,747
FNPF Hotel Resorts Limited	-	-	201	-
Yatule Beach Resort Limited			100	-
Momi Bay Resort Limited	-	-	1,990	-
	-	-	11,145	14,170
Rental income				
The amount of rental income received from related parties during the year is as follows:				
ATH Limited	-	-	65	56
Vodafone Fiji Limited	-	-	788	791
Telecom Fiji Limited	-	-	970	362
Home Finance Company Limited	-	-	551	568
	-	-	2,374	1,777
Dividend from subsidiaries				
The amount of dividend received from subsidiaries during the year is as follows:				
ATH Limited	-	-	24,530	17,217
FNPF Investments Limited	-	-	-	11,000
Home Finance Company Limited	-	-	3,155	2,723
Vodafone Fiji Limited	-	-	16,170	16,170
FNPF Hotel Resorts Limited	-	-	1,000	-
Dividend from subsidiaries	-	-	44,855	47,110

35. Related parties (continued)

(b) Transactions with related parties (continued)

Other receivables from related parties

Other receivables from related parties include:

	Consolidated		The Fund	
	2016 $000	2015 $000	2016 $000	2015 $000
ATH Limited	-	-	15,344	8,644
Home Finance Company Limited	-	-	3,195	4,118
Vodafone Fiji Limited	-	-	16,170	16,170
FNPF Hotel Resorts Limited	-		1,000	-
Other related parties of the group	171	629	-	-
	171	629	35,709	28,932
Less : provision for impairment	(165)	(269)	-	-
	6	360	35,709	28,932

Loans provided by the Fund to subsidiaries as set out in Note 14 are as follows:

	2016 $000	2015 $000
Natadola Bay Resort Limited	297,492	299,134
Momi Bay Resort Limited	67,352	-
FNPF Hotel Resorts Limited	8,000	-
Telecom Fiji Limited	37	1,801
Amalgamated Telecom Holdings Limited	4,094	5,881
FNPF Nominees Limited	98	98
Home Finance Company Limited	12,001	27,130
Yatule Bay Resort Limited	3,256	2,985
Vodafone Fiji Limited	5,000	15,000
	397,330	352,029
Less : provision for impairment	(139,078)	(152,625)
	258,252	199,404

Natadola Bay Resort Limited (NBRL)

Loans that were advanced to the subsidiary, NBRL for the construction of the Intercontinental Hotel and Golf Course at Natadola were restructured in 2012. The loan agreements for these loans were executed as at 30 June 2014. As at balance date, there has been no movement in the interest rate. Interest charged by FNPF in the current financial year is $7,621,000 (2015: $7,747,000). The loans were restructured effective from 1 August 2011 as follows:

Name	Amount ($)	Term of loan	Interest rate	Interest plus principal repayments
Loan 1	$60,000,000	26 years	8.00%	Principal plus interest repayment commenced 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 commenced from 1 February 2013.
Loan 3	$202,835,111	Indefinite	Interest free	All surpluses from Natadola Residential Development shall be applied to the outstanding balance. All cash surpluses that are not required by NBRL for expenses other than in the normal course of the business shall be applied to the outstanding balance. FNPF reserves the right to commence charging and capitalising interest against the balance outstanding at any time in the future.

The carrying value of the loan has been reassessed for impairment at balance date.

35. Related parties (continued)

(b) Transactions with related parties (continued)

Other receivables from related parties

Transactions with other related parties (continued)

Natadola Bay Resort Limited (NBRL)

The loans are secured by the securities outlined below, for which the security has not been executed as at balance date:

a) First registered mortgage with improvement there on over:
   i. TLTB reference no. 4/11/11438, part of Sanasana and Navo Island, Tikina Malomalo, Province Nadroga;
   ii. Agreement for Lease Contract number 50034331, part of Vile, Malomalo, Nadroga;
   iii. Crown Lease 16834;
   iv. Crown Lease 559677, Lot 24, DP 4724;
   v. Crown Lease 559662, Lot 32, DP 4724;
   vi. Approval Notice LD Ref 4/11/710, Lot 27, DP 4724;
   vii. Approval Notice LD Ref 4/11/711, Lot 28, DP 4724;
   viii. Approval Notice LD Ref 4/11/703A, Lot 33, DP 4724;
   ix. Approval Notice LD Ref 4/11/732, Lot 30, DP 4724;

b) Comprehensive insurance cover over the property with improvements thereon and FNPF's interest noted thereon;

c) An equitable mortgage over the bank accounts of the Mortgagor and assignment of income arising out of the Hotel & Golf Operations and Residential subdivision to be effective when arrears of obligations are outstanding.

Amalgamated Telecom Holdings Limited (ATH)

On 21 August 2013, ATH obtained a loan amounting to $9,000,000 from the Fund to finance the purchase of 51% of Government's shareholding in Fiji International Telecommunications Limited. The interest rate on the loan is fixed at 3.5% over the term of the loan with a maturity date of 21 August 2018. The loan is payable in monthly repayments of $164,000 inclusive of interest. The loan is secured by Deed of Assignment over Government bonds amounting to $14,000,000.

Telecom Fiji Limited (TFL)

Effective 1 April 2014, the interest rate on this loan has been fixed at 4.25% for the first 2 years of the term and will be varied for the remaining 2 years of the term. The loan will be payable in monthly repayments of $1,034,000 inclusive of interest.

Term loan from the Fund is secured by:

(i) 1st registered mortgage debenture over all the assets of Telecom Fiji Limited except for TFL New Wing building in Suva.

(ii) Comprehensive insurance cover over the property of the subsidiary company with improvements thereon with the Funds interest noted.

The Fund loan facility also allows Telecom Fiji Limited to redraw the excess loan repayments made at any given time with 5 working days' notice during the term of the loan on the condition that there is no breach in security and financial covenants. Excess loan payments made reduce the overall loan balance and can be withdrawn without any penalty or fees.
As at 30 June 2016, the available redraw facility amounts to $29,288,000.

Vodafone Fiji Limited (VFL)

Vodafone Fiji Limited has a term loan of $15,000,000 from the Fund. The interest rate on the loan was fixed at 4.95% over the term of the loan with a maturity date of 27 April 2015 and was secured by a guarantee from ATH.

During the prior year the subsidiary restructured its borrowing with the Fund by entering into a Deed of Variation of Loan Agreement effective from April 2014, with an interest rate of 4.95% and loan maturity of April 2017. During the year the interest rate on the loan was revised to 4.50% for the remaining term.

In March 2006, Vodafone Fiji Limited entered into a lease agreement with the Fund for its head office. The term of the lease is for 10 years beginning from the date of occupation and ending in March 2016. Under the agreement, rent is payable at $42,000 per month. The lease agreement is currently under review.

35. Related parties (continued)

(b) Transactions with related parties (continued)

Transactions with other related parties (continued)

FNPF Hotel Resorts Limited (FHRL)

A loan of $8,000,000 to FHRL in December 2013 for a period of 10 years at 6% interest per annum for the refurbishment of the Holiday Inn was drawn down during the financial year.

Home Finance Company Limited (HFC)

The Fund provided a convertible loan to Home Finance Company Limited. FNPF has sole discretion to convert the loan to equity at any given time. Variable interest rates for the convertible loan are pegged to the current market rate (2014: 2.25%) as decided by the Fund which is subject to adjustment and reviewed on an annual basis. The term of the loan is 15 years whilst the interest is paid every six months. The Fund's loan is secured by the company's undertaking over all its property whatsoever and wheresoever both present and future. Interest rate for the first charge debenture is 2.50% and term is 5 years.

Following the commencement of HFCs commercial banking operation, it is a regulatory requirement for the bank to hold a certain amount of funds with Reserve Bank of Fiji to act as a statutory reserve deposit. This resulted in a further injection of $21m being made as a debenture at a rate of 3.50% and a term of 5 years.

On August 2014 the Fund injected a further $15 million into HFC by conversion of convertible loans to equity. This resulted in an additional 7,500,000 shares being issued to the Fund. On 20 June 2016 and 30 June 2016, the Fund injected a further $19 million into HFC by purchasing 9,375,000 additional shares at $2 per share to meet the RBF's Capital Adequacy requirements and strengthen shareholders equity

(c) Group enterprises – significant subsidiaries	**Principal place of business**	**Ownership Interest**	
		2016	**2015**
Amalgamated Telecom Holdings Limited*	Fiji	73%	58%
- Telecom Fiji Limited*			
- Fiji Directories Limited*			
- Vodafone Fiji Limited*			
- Datec (Fiji) Limited*			
- Datec Australia Pty Limited*	Australia		
- Internet Services Fiji Limited*			
- Amalgamated Telecom Nominees Limited*			
- Telecom Services Kiribati Limited*	Kiribati		
- FINTEL*			
Home Finance Company Limited*	Fiji	75%	75%
FNPF Holdings (PNG) Limited*	PNG	100%	100%
FNPF Nominee Company Limited*	Fiji	100%	100%
Momi Bay Resorts Limited	Fiji	100%	100%
Natadola Land Holding Limited	Fiji	100%	100%
Yatule Beach Resort Limited	Fiji	100%	100%
Natadola Bay Resort Limited	Fiji	100%	100%
FNPF Hotel Resorts Limited	Fiji	100%	100%
Dareton Limited*	Fiji	100%	100%

* Not audited by KPMG

A subsidiary of Amalgamated Telecom Holdings Limited (ATH) is Amalgamated Telecom Nominees Limited (ATN). The principal activity of Amalgamated Telecom Nominees Limited (ATN) is to hold the shares of Amalgamated Telecom Holdings Limited for the qualifying employees of the ATH Group under an Employee Share Option Plan. Accordingly, the financial statements of ATN are not consolidated in the consolidated financial statements. In accordance with the Employee Share Option Plan Trust Deed dated 8 October 2002 and amendments thereto, any surplus balance in the Cash Fund upon liquidation of ATN and after satisfaction of all obligations will be paid to ATH.

36. Non Controlling Interests

The following table summarises the information relating to each of the Group's subsidiaries that has a material non controlling interest, before any intra-group eliminations.

30 June 2016

	ATH $(000) 31 March 2016	HFC $(000) 30 June 2016	Intra-group eliminations	Total $(000)
NCI percentage	**27%**	**25%**		
Non-current assets	335,200	508,686		
Current assets	131,682	192,884		
Non-current liabilities	(41,814)	(62,961)		
Current liabilities	(172,588)	(550,682)		
Net assets	**252,480**	**87,927**		
Carrying amount of NCI	68,170	21,982	(9,483)	80,669
Revenue	370,010	39,134		
Profit	81,826	7,007		
OCI	(1,883)	-		
Total comprehensive income	**79,943**	**7,007**		
Profit allocated to NCI	25,101	1,752	(4,601)	22,252
OCI allocated to NCI	(34)	-	-	(34)
Cash flow from operating activities	105,006	(5,109)		
Cash flow from investment activities	(55,223)	13,383		
Cash flow from financing activities (dividends to NCI: $9,148)	(56,294)	6,240		
Net increase (decrease) in cash and cash equivalents	**(6,511)**	**14,514**		

30 June 2015

	ATH $(000) 31 March 2015	Penina $(000) 30 June 2015	HFC $(000) 30 June 2015	Intra-group eliminations	Total $(000)
NCI percentage	**42%**	**49%**	**25%**		
Non-current assets	310,344	-	383,999		
Current assets	106,761	-	173,340		
Non-current liabilities	(63,667)	-	(82,792)		
Current liabilities	(129,909)	-	(414,423)		
Net assets	**223,529**	**-**	**60,124**		
Carrying amount of NCI	93,882	-	15,031	(12,962)	95,951
Revenue	326,837	1,945	29,765		
Profit	71,969	917	6,051		
OCI	-	-	-		
Total comprehensive income	**71,969**	**917**	**6,051**		
Profit allocated to NCI	22,157	449	1,513	3,850	27,969
OCI allocated to NCI	-	-	-	-	-
Cash flow from operating activities	116,340	-	36,766		
Cash flow from investment activities	(49,664)	-	(15,205)		
Cash flow from financing activities (dividends to NCI: $15,526)	(66,930)	-	(3,929)		
Net increase (decrease) in cash and cash equivalents	**(254)**	**-**	**17,632**		

37. Acquisition of Non-Controlling Interest in Subsidiary

Amalgamated Telecom Holdings Limited (ATH) – acquired 21 December 2015

On 21 December 2015 the Fund purchased an additional 60,671,022 shares in Amalgamated Telecom Holdings Limited from the Government of Fiji for a purchase consideration of $74,019,000. The additional acquisition has increased the Funds shareholding from 58.27% to 72.64%.

As described in note 2.4, the acquisition of additional interest in ATH is accounted for as a transaction between shareholders and as such the accounting and disclosure requirements of IFRS 3 Business Combinations do not apply to this transaction.

As a transaction between shareholders, the acquisition does not reflect the fair value of assets and liabilities acquired or any recording of additional goodwill at the time of the acquisition of ATH. The assets and liabilities were acquired at the book values of ATH at 31 December 2015. The difference between the fair value of the consideration given and the carrying value of the assets and liabilities acquired is recognised as an other equity reserve, after adjusting for the minority interest acquired.

Consideration transferred

	$000
Cash	74,019

Identifiable assets acquired and liabilities assumed (100%)

	$000
Property, plant and equipment	273,271
Intangible assets	28,654
Deferred tax asset	3,889
Trade and other receivables	64,309
Held to maturity investments	55,436
Inventories	18,905
Cash and cash equivalents	21,110
Borrowings	(40,581)
Trade and other payables	(118,415)
Current tax liability	(1,759)
Deferred tax liability	(21,472)
Provisions	(6,101)
	277,246
Less non-controlling interests	(47,131)
Total identifiable net assets acquired	230,115

Other Equity Reserve

	$000
Net book value of identifiable net assets as at 31 December 2015	230,115
14.37% of identifiable net assets as at 31 December 2015	33,068
Total consideration transferred	(74,019)
Other Equity Reserve	(40,951)

Vodafone Fiji Limited (VFL) – acquired 1 July 2014

On 30 June 2014, FNPF and Vodafone International Holdings (Vodafone International) signed an Agreement for the Sale and Purchase of Shares under which FNPF acquired 2,490,000 shares (49% shareholding) in VFL from Vodafone International for $160 million in cash. The key conditions precedent were met and settlement of the sale completed on 1 July 2014. This acquisition brings FNPF's direct and indirect holding in VFL, a company involved in the provision of cellular mobile telecommunication services, to 79 percent.

As described in note 2.4, the acquisition of VFL is accounted for as a common control transaction and as such the accounting and disclosure requirements of IFRS 3 Business Combinations do not apply to this transaction.

37. Acquisition of Non-Controlling Interest in Subsidiary (continued)

Vodafone Fiji Limited (VFL) (continued)

As a common control transaction, the acquisition does not reflect the fair value of assets and liabilities acquired or any recording of additional goodwill at the time of the acquisition of VFL. The assets and liabilities were acquired at the book values of VFL at 30 June 2014. The difference between the fair value of the consideration given and the carrying value of the assets and liabilities acquired is recognised as an other equity reserve.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

Consideration transferred

	$000
Cash	160,000

Identifiable assets acquired and liabilities assumed (100%)

	$000
Property, plant and equipment	124,050
Intangible assets	811
Deferred tax asset	831
Trade and other receivables	32,560
Inventories	7,607
Cash and cash equivalents	(9,897)
Borrowings	(20,000)
Trade and other payables	(54,812)
Deferred tax liability	(6,921)
Provisions	(15,137)
	59,092

Other Equity Reserve

	$000
Net book value of identifiable net assets as at 30 June 2014 (100%)	59,092
49% of identifiable net assets as at 30 June 2014	28,955
Total consideration transferred	(160,000)
Other Equity Reserve	**(131,045)**

38. Acquisition of subsidiary companies

Datec (Fiji) Limited and Subsidiary Company

On 29 May 2015 Vodafone Fiji Limited acquired a 100% shareholding in Datec (Fiji) Limited, incorporated and domiciled in Fiji, and its subsidiary company, Datec Australia Pty Limited, incorporated and domiciled in Australia. The purchase consideration was $3,300,000.

The fair values of the identifiable assets and liabilities at the date of acquisition were:

	$000
Cash and cash equivalents	20
Other assets	4,331
Trade payable and other liabilities	(4,452)
Total identifiable net liabilities acquired	(101)
Consideration transferred (cash)	3,300
Total identifiable net liabilities acquired	(101)
Goodwill on acquisition	3,401

38. Acquisition of subsidiary companies (continued)

Telecom Services Kiribati Limited

Amalgamated Telecom Holdings (Kiribati) Limited was incorporated in the Republic of Kiribati on 22 April 2015 to acquire the telecommunications services and assets of Telecom Services Kiribati Limited. On 26 May 2015, the transaction was settled for a consideration of AUD7,268,958 (FJD11, 356,937).

The fair values of the identifiable assets and liabilities of Telecom Services Kiribati Limited at the date of acquisition were:

	$000
Total assets	13,286
Total liabilities	(1,929)
Total identifiable net assets acquired	11,357
Consideration transferred (cash)	11,357
Goodwill on acquisition	-

39. Disposal of subsidiary companies

Penina Limited

In January 2015, FNPF Investments Limited entered into a Share Sale and Purchase Agreement with Tappoo Holdings Limited to dispose of its 51% shareholding in Penina Limited.

The transaction was completed on 23 January 2015 and Penina's identifiable net assets position as at 31 December 2014 was utilised in presenting the effect of this disposal in the Group financial statements.

The transaction was treated as a "Loss of Control of a Subsidiary" in accordance with IFRS 10 – Consolidated Financial Statements and accordingly, assets and liabilities of the former subsidiary company have been de-recognised from the Group's statement of financial position as at 30 June 2015. The effect of the disposal of Penina in the group's financial statements in the prior year was as follows:

Group's share of net assets de-recognised	$ 6,991,326
Proceeds from disposal	17,000,000
Gain on disposal of Penina	$10,008,674

FNPF Investments Limited

During 2015, FNPF Investments Limited (FIL) applied for a Scheme of Arrangement pursuant to section 208 of the Companies Act, 1983 and all other applicable provisions, if any, of the act, or without any further act or deed to allow all assets and liabilities of FIL be transferred to, assumed by, and vested in FNPF at their book values as at 22 May 2015, so as to vest in FNPF all the rights, title and interest of FIL. The scheme of arrangement was sanctioned by the High Court on 22 May 2015.

Further, FIL is to be wound up upon the conclusion of the transfer of the assets and liabilities.

The Fund's financial statements reflect the transfer of assets and liabilities at their book values. The book values of the assets and liabilities transferred to FNPF on 22 May 2015 are set out below:

39. Disposal of subsidiary companies (continued)

FNPF Investments Limited (continued)

	Book Value ($)
Assets and Liabilities	**22 May 2015**
Cash at bank	999,821
Other receivables and assets	121,910
Amounts receivable from related parties	2,543,901
Held-to-maturity investments	20,800,000
Trading investments	376,865
Available for sale financial assets	3,049,779
Investment in subsidiaries	25,063,554
Investment in associates	10,908,628
Property, plant and equipment	5,556
Payables and accrued liabilities	(126,030)
Employee benefits	(4,259)
Amounts due to related parties	(172,609)
Book value of net assets assigned	63,567,116

The effect of the transfer in the Fund's financial statements in current year has been presented as follows:

Book value of net assets assigned	$ 63,567,116
Carrying value of investment	67,333,000
Loss on transfer of net assets	$ 3,765,884

The effect of the transfer in the group's financial statements in the current year has been presented as follows:

Book value of net assets assigned	$ 63,567,116
Net book value of identifiable net assets as at 22 May 2015	63,567,116

There is no impact on the consolidated income statement as a result of the assigned net assets.

40. Events Subsequent to the Balance Date

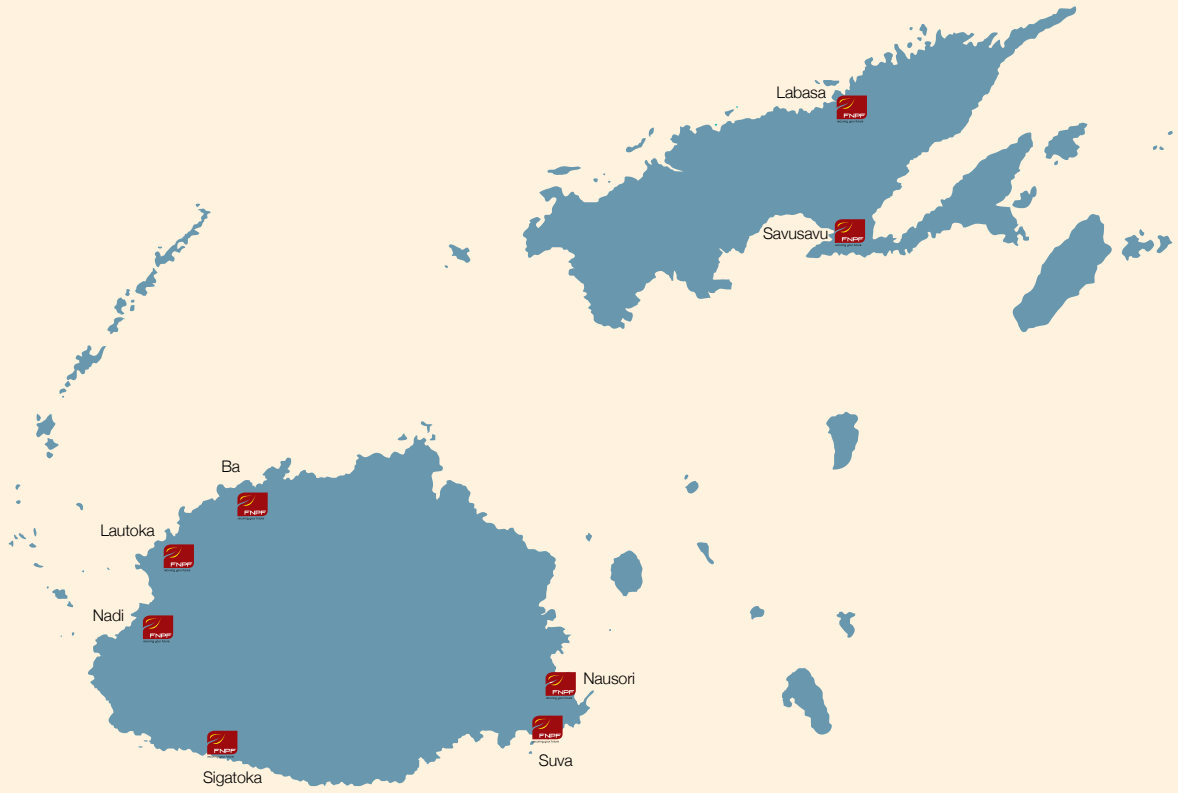
The third stage of the banking operation has commenced with the project scheduled for phase III Trade Finance and Treasury system on the HFC Bank platform to go live in April 2017. Furthermore enhancement for Internet Banking- Biller Pay is scheduled to be completed by September 2016.

On 4 July 2016, title of the land on which Momi Bay Resort is being constructed was transferred to Momi Bay Resort Limited by Fiji National Provident Fund for a consideration of $11.5 million.

Apart from the matters noted above, there has not arisen in the interval between the end of the financial year and the date of this report, any transactions 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 of the Group, the results of those operations or the state of affairs of the Fund and of the Group.

41. Auditors

The Fund is a compulsory superannuation scheme legislated by the FNPF Act and continuing under the FNPF Decree 2011. Section 13 of the FNPF Act and Section 37 of the FNPF Decree 2011 requires every employer and employee to make contributions to the Fund. Team members of KPMG, the Fund's external auditors contribute to and receive benefits on the same terms and conditions as those available to other members.



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