FNPF

securing your future

Annual Report 2010

Our Vision

Securing your future

Our Mission

To deliver excellent services and ensure sustainable returns for stakeholders

Our Values

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

Miss FNPF 2009, Merewalesi Nailatikau

Miss Fiji Hibiscus, Miss South Pacific

"Our investment, our future, nothing's more important"

FNPF
securing your future

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Financial Highlights

- A net surplus of $209.49 million was recorded during the year compared with a net loss of $181.15 million in 2009.
- Contributions collected during the year was $292.27 million compared with $288.49 million – an increase of 1.31%
- Total benefit payments to members (including pension and SDB) was $277.49 million from $352.30 million in 2009
- Total investment income was $219.53 million
- Investment portfolio increased by 6.8% from $3.21 billion last year to $3.43 billion.
- The Fund's active members increase to 282,144 compared with 279,512 in 2009.
- Interest credited to members on 30 June 2010 at 5% was $121.17 million
- Members' balance totaled $2.85 billion from $2.69 billion in 2009.

Board Members

Front left: Mr Taito Waqa, Mr Ajith Kodagoda, Mr Tom Ricketts
Back left: Mr Sashi Singh, Mr Tevita Kuruvakadua

Chairman's Report

Ajith Kodagoda

The Fund's total asset as at June 30, 2010 increased to $3.54 billion from $3.33 billion in 2009.

The financial year ending 30 June 2010 marked the commencement of the reform programs for the Fiji National Provident Fund. Whilst the need to undertake these reforms has been recognized for some time, the urgency to address them was brought to the forefront by the imminent sustainability risks it poses the Fund if these reform issues are not addressed immediately.

Directed by the Prime Minister and Minister for Finance in November 2009, these reforms will address the long-term sustainability of the current life pension scheme, as well as the overall improvements in the delivery of services to our stakeholders. These reforms, both structural and operational, underpin the direction and activities the Fund will take in the next three years. A new 3-Year Strategic Plan was developed to capture this focus and the Balance Scorecard system adopted to monitor and evaluate its implementation.

The reforms include the review of the life pension scheme, review of the FNPF Act, the streamlining of withdrawal grounds, the rehabilitation of the non-performing investments, internal process re-engineering and the overhaul of the core IT systems. I am pleased to report that there has been progress to these reforms, which are elaborated in detail by the CEO in his report.

Operating Environment

The operating environment remained challenging during the year, underscored mainly by the flow-on-effects of the weak economic performances of our key trading partners, exacerbating an already subdued domestic trading condition. Monetary policy remained tight to preserve Fiji's foreign exchange position. However, this was not reflected in the interest rate environment as the yield curve fell, driven by the contraction in commercial banks' lending together with the direct controls on the bond rates. There is no doubt that the domestic economy needs some impetus to revive investment and economic activity.

Over 99% of our investments are domiciled locally because of the restrictions under the Exchange Control Regulations. Apart from the diversification risks, this restriction has also placed the Fund with immense challenge of generating the appropriate return that is viable for the long-term sustainability of the Fund. We will continue to work with the Reserve Bank to find an acceptable level of offshore investments.

Financial Performance

Against this backdrop and following the write-down of some of our major investments in 2009, the financial result for the year ending June 2010 was a turnaround. Underlying this performance was a positive net contribution of $14.78 million – reversing a negative trend for the last three years, stability in our interest income portfolio and a marked reduction in our total expenses and benefits paid.

The Fund recorded a net surplus of $209.49 million during the year compared with a net loss of $181.15 million in 2009. Net investment income fell marginally as a result of reduction in dividend income from ATH to $219.53 million, whilst operating expenses increased mainly as a result of the reform costs.

Contribution increased during the year as a result of better compliance. The Fund collected $292.27 million in contribution, an increase of $3.78 million from 2009. Benefits paid to members normalized in 2010 totalling $277.49 million from $352.30 million the previous year.

The Fund's total asset as at June 30, 2010 increased to $3.54 billion from $3.33 billion in 2009.

Interest paid to Members

The Board resolved and paid interest of 5 per cent to members for 2010, which is equivalent to last year's payment. This saw the distribution of $121.17 million to members' accounts.

Natadola Forensic Investigation

The Board engaged Deloitte Touche Tomatshu (Australia) to conduct a forensic investigation on the Natadola Hotel Project. The recommendations have been forwarded to the Fiji Independent Commission Against Corruption (FICAC) for further investigations. At the same time, the Board is pursuing civil action against those responsible for the project. The report is *sub judice* and cannot be released until legal clearance has been given.

Looking Ahead

The road ahead will focus on the reforms. Whilst change is never always easy, it is imminent that these reforms are undertaken now. The Fund is not unique in this challenge. Recent experiences from developed countries like France and Greece show that the need to cater for retirement sustainably is not only confined to developing countries like Fiji. In this regard, the Board has taken a conscious choice, albeit maybe unpopular, to address this issue now rather than to be forced upon us by financial failures in future.

We therefore plead to all our members to look beyond their individual and short-term interests and to understand that these changes are necessary to safeguard the interest of all. The Board also recognizes the critical role FNPF plays in our country and these changes will have both social and economic consequences. We will therefore ensure that proper consultations are undertaken with our key stakeholders.

I also plead to our employees, who will be the drivers for these changes, to have an adaptable mind to embrace recommendations to improve the Fund's operations.

Acknowledgement

To my fellow Board members, Management and Staff, I thank you for your support as we continue on the dedicated journey towards reform and change.

AJITH KODAGODA
Chairman

Chief Executive's Report

Aisake Taito

The Fund recorded a net surplus of $209.49 million during the year compared with a net loss of $181.15 million in 2009.

Summary of Key Indicators					
	FY2006	**FY2007**	**FY2008**	**FY2009**	**FY2010**
Investment Portfolio ($billions)	3.15	3.16	3.12	3.21	3.43
Interest rate credited to Members	6.5%	6.3%	6.0%	5.0%	5.0%
Interest paid to members ($millions)	124.57	128.35	131.07	113.63	121.17
Employers	6,227	6,647	6,701	6,944	7,105
Inflation	2.03%	4.03%	5.8%	5.0%	4.0%
Membership	331,050	343,453	352,358	357,662	364,717
Contributions ($millions)	267.66	289.63	281.68	288.49	292.27
Members' Funds ($billions)	2.32	2.47	2.61	2.68	2.85
Investment Income ($millions)	240.04	199. 29	194.04	227.39	219.53
Total Assets ($billions)	3.25	3.38	3.50	3.33	3.54
Withdrawals ($millions)	250.62	292.33	297.70	352.30	277.49
Withdrawal Gounds ($millions)	**FY2006**	**FY2007**	**FY2008**	**FY2009**	**FY2010**
55 years and over	46.77	58.25	57.95	75.43	86.86
Death	9.32	11.98	12.35	12.36	11.57
Disability	3.45	3.46	4.25	2.35	2.38
Migration	33.03	33.10	33.33	39.79	24.69
Non-Citizens migrating	7.53	6.73	7.36	6.27	5.61
Partial/Small Business Equity Scheme	73.10	99.70	97.05	135.66	61.74
Housing transfers	35.17	37.10	36.09	30.55	29.13
Pension Annuity	37.43	38.30	41.20	43.45	46.76
Special Death Benefit costs	4.84	3.71	8.12	6.25	8.74

2010 in Review

The major focus for the financial year was creating an enabling environment to support the reforms that will successfully address the Fund's sustainability and deliver excellent services to all stakeholders. The Board and Management ensured that the necessary structure and foundation were in place to support these overarching objectives.

Crucial in the foundation phase was ensuring that staff were prepared and actively participated in the reform. This involved a shift in staff mindset and behavior to be wholly member-centric.

Given the critical need for clarity, a Reform Steering Committee was formed to identify the structural and operational issues to be addressed and design the reform programs, roadmap and schedule. Consultations with key stakeholders were also pursued such as the engagement of the Singapore Cooperation Enterprise (SCE) to conduct an assessment of the Fund's systems and processes. The SCE report provided key recommendations that have been adopted in our reform programs.

The following major reform projects, with their respective objectives, are being undertaken at the Fund:

- Pension Review – To design an actuarially-sound pension scheme that is financially sustainable
- Review of the FNPF Act – To strengthen the governing laws, encompass best practice provisions, and to review legislative frameworks
- Review of Benefits & Withdrawals – To review benefits and withdrawals that will add-value to members' retirement benefits and to raise pension and financial literacy among members
- Review of Contribution and Coverage – To increase contribution collection and to reduce contribution debt, credit risks and undistributed contribution
- Investment Reforms – To optimise and grow investment portfolio and stabilise returns and rehabilitation of investment
- Business Process Re-engineering – to develop innovative products and services, core capabilities and a quantified and risk-adverse multi-functioning business to reduce process failures
- IT Reforms – To consolidate and integrate the Fund's computer systems, applications and databases, providing real time data processing and user friendly functionality; to ensure data integrity and accuracy, and appropriate reporting capabilities for better decision-making; and design an electronic document workflow and document and record management.

The preparatory phases of some of the above projects were undertaken during this reporting period and included the following:

i) Pension Reform – Past Pension Research Reports by the International Labor Organization 2006, the World Bank 2008, Mercer Australia 2009 and Singapore Cooperation Enterprise 2009, were further analysed and updated. The World Bank training on PROST (Pension Reform Options Simulation Toolkit) and provision of model to be used in-house.
ii) Business Process Re-engineering – Engagement of consultant Bevington Group to provide tools, provide training on methodology and techniques in re-engineering the Fund's processes.
iii) IT Reform – Engagement of IQ Group to provide a Roadmap for the Fund's IT reform.

The implementation and funding of these reforms is budgeted over three years (FY11-13).

The biggest challenge during any Change process is staff commitment to the change in regards to mindset, attitude and behavior. Thus, the reforms will also address task alignment, training and capabilities, performance management system and leadership.

Management also introduced the Quick Wins and 'WOW' initiatives to generate interest amongst staff by encouraging them to identify areas/processes for improvement as per Fund's corporate objectives and key result areas.

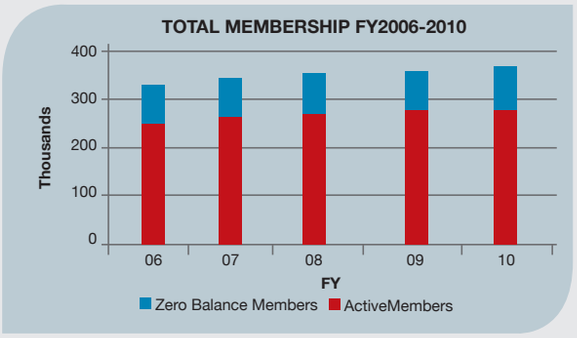
The above provided the backdrop for our performance this financial year, resulting in the improvement of the Fund's operations, resulting in:

- 6.3 per cent growth in net assets
- Monthly average of $24.36 million in contributions
- Monthly net cash flow of $13.50 million
- Investment portfolio increased to 6.8 per cent

OPERATIONS

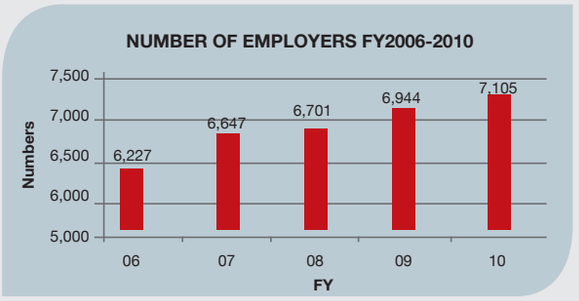
Active Membership

In 2010, active members totaled 282,144 compared with 279,512 the previous year.



Employers

The Fund's active employers totaled 7,105 compared with 6,944 in 2009. Of these, 594 were newly registered whilst 433 employers' accounts were closed.

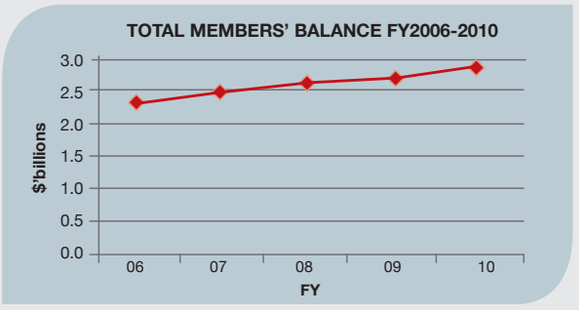


Total Contribution

Total contribution collected was $292.27 million, averaging $24.36 million per month. This is an increase of 1.3 per cent from the previous year's collection of $288.49 million.

Members' Balance

The total balance of all members' accounts was $2.85 billion, as at 30 June 2010, compared with $2.69 billion in 2009.



Contribution Debtors

The balance of unpaid contribution was $8.97 million at the end of financial year, compared with $7.65 million in 2009.

The Fund has strengthened its collection mechanisms through various strategies to capture defaulting employers, which includes continuous uploading of defaulting employers names on Credit Data Bureau, prosecution and winding up proceedings.

Unidentified Contribution

Unidentified contributions totalled $5.68 million compared with $5.82 million the previous year. These contributions are not distributed to members' accounts because of insufficient information supplied by employers.

The Fund intends to prosecute non-complying employers in its efforts to reduce unidentified contribution.

Nominations

During the year, 14,304 nominations were filed. About 18 per cent of our total members have yet to file their nominations.

Review of Policies

As part of Fund's reform program, partial withdrawal grounds were reduced to cater for the core social security needs - education, medical and housing assistance. The reduction in withdrawals will ensure that members enjoy a meaningful replacement income providing for their basic needs on retirement. The revised partial policy was implemented in September 2010.

Withdrawals at 55 years

Upon attaining 55 years of age, members can opt to withdraw all their savings as lump sum payment, full pension or part lump sum or part pension. Members can continue contributing until they are 65 years old.

In 2010, 4,767 applications were approved for lump sum payment, totaling $86.86 million compared with $75.43 million in 2009.

Migration Withdrawals

Fiji citizens who acquire permanent residency visas in another country can withdraw their savings from the Fund. Non-Fiji citizens can also withdraw under this scheme when they leave Fiji. In 2010, $24.69 million was withdrawn by 1,688 Fiji citizens migrating to other countries and $5.61 million by 248 non-Fiji citizens.

Incapacitation Withdrawals

Members who are certified by FNPF's Medical Board as physically or mentally incapacitated from engaging in any further employment can also withdraw from the Fund. Total paid out for this scheme was $2.38 million compared with $2.35 million in 2009.

Death Withdrawals

When a member dies, his/her funds are distributed according to his/her nominations. In cases of invalid nominations or where there is no nomination, payments are made to the High Court of Fiji who then distributes the funds. For nominees, under the age of 21, funds are sent to the Fiji Public Trustee Corporation Limited (FPTCL), who then transfers the money to these nominees when they come of age.

In 2010, the Fund paid out $11.57 million compared with $12.54 million the previous year to members' beneficiaries. Of the 1,581 applications, 1,029 were paid to nominees, 320 to the High Court and 232 to FPTCL.

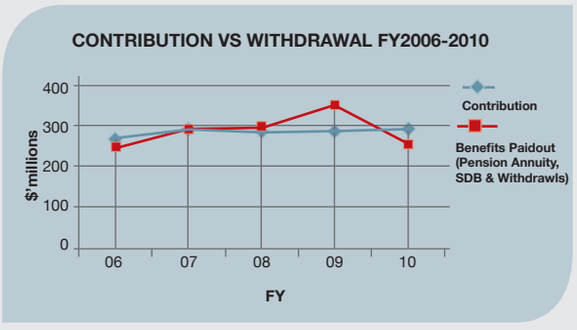
Special Death Benefit

$8,500 special death benefit is added to eligible members balance and paid out to nominees, when they die. An annual premium of $35 is deducted from eligible members. In 2010, the Fund paid $8.74 million as special death benefit. $6.25 million was paid in 2009.

Partial Withdrawals

Members access their funds for education, medical, unemployment, low wages, short term tour of duty, re-settlement overseas, re-employment for security services, employment opportunities overseas, funeral assistance, share investment scheme and excess contributions before retirement. Most of these withdrawal grounds have been removed following a review of withdrawal policy.

A total of $61.74 million was paid out this period compared with $135.66 million in 2009. The decrease is attributed to the tightening of withdrawal policy and that no natural disaster assistance was offered to members.



Housing Withdrawals

Members use this scheme to buy or build a house, reduce or pay off mortgage on property or to carry out major renovations either in urban centre or in the village.

Housing transfers totaled $29.13 million, a decrease of 4.6 per cent from 2009, which totaled $30.55 million.

Customer Services

The total number of customers served in our Customer Service Centres Fiji-wide was 590,573. Of these, 533,217 personally visited our various customer services centres in Suva, Lautoka, Labasa, Namaka, Valelevu, Ba and Savusavu.

Personalized Services

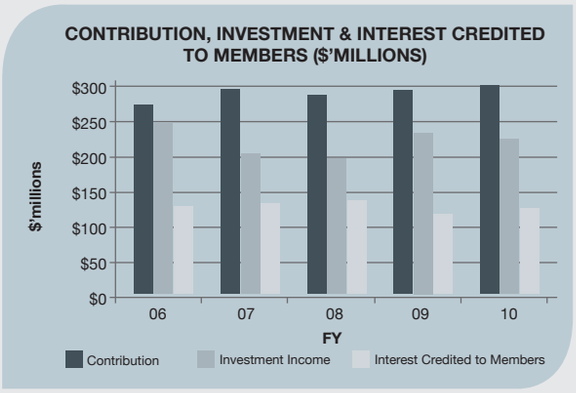
Of those that came for personalized services, 16.15 per cent sought partial withdrawal assistance, 12.77 per cent education assistance, 2.7 per cent housing assistance and 11.4 per cent unemployment assistance.

Pension Centre

Apart from the regular Pension services delivered through the Pension Centre at the Boulevard, 27 per cent of the 32, 862 served were served for partial withdrawals assistance. This was followed closely by pensioners renewing their six-monthly Pensioner Renewal Certificates. The provision of pension advisory, collection of pension orders and issuance of Pension ID cards were also offered from this centre.

Information Centre

The total number of calls processed at the Information Centre was 62,085. The implementation of the PABX system in 2008 enabled the Fund to accurately measure our service performance. Records show an improvement in service and efficiency level. An average processing time of 1.32 minutes per call was also achieved. The email enquiry service handled 2,163 requests.



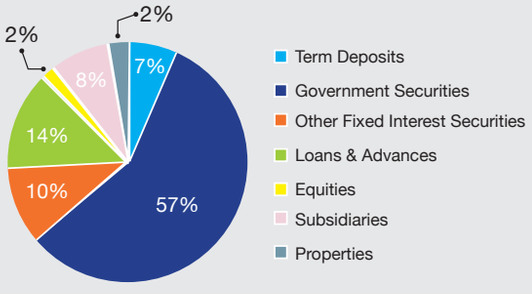
INVESTMENTS

The Fund's investment objective is to maximise long-term returns to sustain the members' pension fund. The investment activities and performance during the year were influenced by the following factors:

- The commencement of the rehabilitation of the non-performing investments after the write down in 2009;
- Lack of good investment alternatives locally;
- Restriction on the competitive tender for government bonds and fixing of the yield.

Asset Allocation

The graph below shows the asset allocation for the year ended 30 June 2010. The strategic asset allocation is reviewed bi-annually to capture investment opportunities that arise during the year. While the Board recognizes the need for asset diversification and lowering the high on-shore exposure, it is very limited in its options in the short-term but it endeavors to address the imbalance in the mid to long term.



Income

Income for the year was $219.53 million compared with $227.39 million the previous year. The decline was primarily a result of the reduction in dividend income from Amalgamated Telecom Holdings Limited (ATH).

The return on investments was 6.41 per cent compared to 7.09 per cent in 2009. This enabled the Fund to credit 5 per cent to members' accounts.

Interest Rates

The bond rates were generally favourable during the year. The impact was cushioned by the unexpected high money market rates that prevailed for most part of the year despite the high level of liquidity.

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

FDL Rate					
	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10
3 Years	7.85%	7%	3%	3%	3%
5 Years	8.30%	8%	4%	4%	4%
10 Years	10.75%	9.50%	5.50%	5.50%	5.50%
15 Years	12%	11%	7%	7%	7.75%
20 Years	13%	12%	8%	8%	9.50%
Treasury Bills					
91 Days	6.99%	6.98%	-	3%	-
Term Deposits					
1month	6.70%	6.50%	6.85%	6.25%	5%
3 months	6.60%	6.70%	7.25%	6.25%	5%
6 months	6.70%	6.80%	7.05%	6.50%	5%
9 months	6.75%	6.85%	6.95%	6.50%	5.25%
12 months	6.60%	6.90%	7%	6.50%	5.50%

Fixed Income

Government Securities

The fixed income portfolio makes up approximately 87.9 per cent of the investment portfolio. Total income from this portfolio was $198.31 million (90 per cent of total investment income). Total investments in government bonds for the financial year were $317.30 million compared with $268.82 million the previous year. The investment of $317.30 million equated to 85.51 per cent of the total government bonds accepted by Government.

Offshore Term Deposits

The offshore term deposit market remained subdued during the year. The portfolio closed at $16 million compared with $14.38 million last year. The increase in portfolio was due to reinvestment of interest income.

Local Term Deposits

The local rates remained high during the financial year, mainly as a result of RBF policies. However, the rates were starting to decline towards June 2010. The portfolio closed at $201.65 million compared with $182.57 million last year.

Loans and Advances

FNPF investments in Commercial Loans and Advances over the year increased to $466.40 million (net off write-down) as at 30 June, 2010 compared with $457.93 million for the same period last year. The focus during the year was on internal reforms to improve internal assessment and management processes which explain the marginal growth. There were no loans made to new clients but additional draw downs for previously approved loans. It's envisaged there is potential

for growth to fund private sector development initiatives promoted by Government.

Equities

Offshore Equities

The offshore equity portfolio continues to be passively managed with a mandate limited to the ASX 50 index. The balance of offshore equities held was $17.39 million compared with $16.37 million last year.

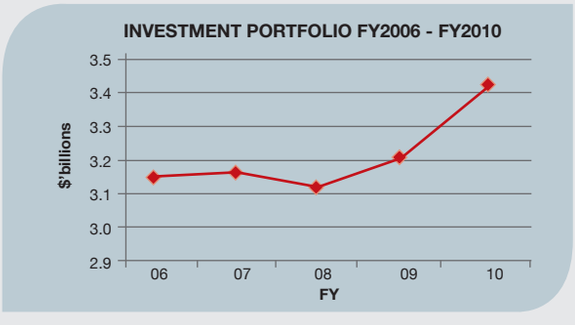
Local Equities

The market value of the Fund's local equity portfolio at year-end was $312.08 million, compared with $312.01 million at 30 June 2009. The focus during the year has been on rehabilitating the non-performing companies and there has been no major change to the local portfolio.

Treasury

Treasury continuously assists the Division in addressing financial risks particularly the liquidity and interest rate risk. The Fund was challenged by the monetary policies implemented by the Reserve Bank of Fiji (RBF) which directly impacted the Fund's income, as majority of the Fund's portfolio is interest rate-sensitive.

The Board and Management are advised regularly on the liquidity status and the impact on the interest rate movement on the Fund's books.



Properties

The Property Investment Portfolio consists of a total of 18 properties with a current market value of $84.68 million as at 30th June, 2010.

We have a total of 225 tenants. The 18 properties include an undeveloped vacant block located in the Lautoka Central Business District, an industrial property and a car park. The remaining 15 are a mixture of commercial/retail properties.

The portfolio performance for the financial year is summarized as follows:

- The gross rental income increased from $7.28 million in 2009 to $10.23 million to June 10.
- The net return on investment increased from 5.3 per cent in 2009 to 9.1 per cent in June 10.
- The vacancy level dropped to 1 per cent from 3 per cent the previous year.
- Arrears decreased by 42 per cent.

The major challenge faced by the portfolio in the financial year was the effect of the economic climate on the rent serviceability and vacancy levels.

There is also a major program to upgrade our properties to protect their long-term value.

Projects

In FY 2010, Investments Projects undertook a total of 36 work assignments with a total value of $4.0 million. Projects completed during the year included:

- Major refurbishment of the FNPF Labasa Branch Office
- Completion of the Suva Bayview Medical Centre
- Downtown Boulevard Foodcourt Upgrading
- Harbour Centre Building Internal and External Stairs
- Provident Plaza Emergency Water Supply
- Momi Bay Site Cleaning and Maintenance
- Kwong Tiy Plaza Building Exterior Upgrading
- Vodafone Building Stormwater Upgrading

FNPF Subsidiaries

Amalgamated Telecom Holdings (ATH)

The intensity of competition affecting market share and relative weak trading conditions from the flow on effects of the global financial crisis had a significant impact on the ATH group results in 2010. While consolidated sales revenue decreased by 10.4 per cent, expenses increased by 5.2 per cent resulting in a 53.5 per cent reduction in net profit after tax from last year.

The Commerce Commission's determination on prices for international connectivity through FINTEL's gateway and access to Southern Cross Cable Network is not expected to be realized by the group until 2011. Despite the significant decline in profit, ATH declared a dividend of 5 cents, down 2 cents from 2009.

Home Finance Company (HFC)

HFC is majority owned by FNPF, which has a 75 per cent shareholding, with Unit Trust of Fiji (UTOF) holding the remaining 25 per cent. The company is an established licensed financial institution, serving the people of Fiji in the home lending market for the past 45 years. Taxable profit increased by 9.90 per cent during the year due to the increase in interest income and write back of doubtful debts. FNPF received a dividend of $1.25 million compared with $1.39 million last year.

FNPF Investments Limited (FIL)

FNPF Investments Limited is a fully-owned subsidiary of FNPF. It was incorporated on 1 July, 2004 as an investment vehicle for the Fund with the total capital utilised for investments (including loans) at the end of the financial year

of $59.56 million (net of impairment) including listed and unlisted equities, commercial loans and term deposits.

Subsidiary companies include:

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

CORPORATE GOVERNANCE

The Fund continued to exercise good governance principles in improving its roles and responsibilities.

The Board met in accordance with the Fund's Legislative Framework. Relevant Board sub-committees were established to assist the Board in its decision making. These include the Audit and Risk Management, Investment, Human Resource and Information Technology sub-committees.

Individuals with the relevant specialised skills were identified as Committee members. Independent members were co-opted to these committees to ensure transparency and integrity in decision making. At the management level, relevant policy, reform committee and project committee were set up during the year to deal with policy and operational matters. In terms of group consolidation and improving shareholder value, the Corporate Governance Team commenced work on the development of a governance framework for the group and its subsidiaries.

Enterprise Risk Management (ERM)

The Fund continues to implement the recommendations arising from the review of the ERM framework by Deloitte Australia in April 2009, ensuring the implementation of the risk treatment plan to address the enterprise wide risk identified in the review. Reports on the progress of implementation are provided to the Risk Management Committee and Board Audit & Risk Committee.

Business Continuity Plan (BCP)

Corporate Governance through the ERM Unit also commenced work on the BCP for the Fund which will ensure that the Fund restores its business as soon as possible in the event of a disaster or crisis.

Insurance

Aon Fiji Limited was appointed as the Fund's new insurance broker. This was carried out through the Fund's Tender Process.

Compliance

The Fund carried out the following during the year:

- Online reporting of the Financial Transaction Reporting issues to RBF.
- Developed Anti Money Laundering policy.

Corporate Governance continued to facilitate the Fund's compliance with the requirements of RBF under the Prudential Supervision Policy Statement and also the implementation of the recommendation of the Bank's on-site examination. To improve prudential relationship with the RBF, the Fund was engaged in regular consultation with the RBF Financial Institution Team to exchange information and provide updates on reforms and operations.

Quality Assurance & Complaints

The Fund stepped up the monitoring of the Quality of its service delivery by establishing a complaints function under Corporate Governance with the aim of achieving zero complaints. Reports are prepared monthly on all complaints received and circulated to management for their information. RBF also issued FNPF Supervision Policy Statement No. 3 "Minimum Guidelines on Complaints Management" effective from 03 May, 2010.

Ethical Standards

The Fund believes in integrity and the practice of ethical standards. In view of this The Fund established a separate unit to promote ethical standards awareness and monitoring/ compliance with the staff code of conduct and business ethics. Awareness was also carried out on ethics, fraud prevention and also the New Crimes Decree to staff and management.

Policy Based Corporate Governance

The Fund in accordance with its overarching philosophy of governance by policy, developed, reviewed and approved a number of policies during the year ending June 2010. This includes:

- Risk Management Policy
- Compliance Management Policy
- Revised Procurement Policy
- Project Management Policy – Special Operational Project
- FNPF Telecommunication Policy
- CCTV Policy, and
- Complaints Management Policy.

INTERNAL AUDIT

The purpose, authority and responsibility of the Internal Audit Activity are defined in the Internal Audit policy and procedure manual. The procedure manual was reviewed in 2009 to align internal audit activity to International Standards for the Professional Practice of Internal Auditing.

During the year 13 assurance audits were completed, 11 audit follow up of previous audits were made amongst other follow up of reviews/audit commissioned by the Fund. 17 cases for internal investigation were brought forward whilst 18 cases were registered during the year for investigation. A majority of the 28 cases for internal investigation registered in 2009 were completed in the first quarter of 2010. Senior auditors assisted forensic accountants Deloitte (Australia) to

conduct investigation into the Natadola project.

The department was restructured at the end of the year into three specialized areas of Information Technology, Investment, Fraud Control Management and Investigation teams with the inclusion of a new team responsible for audits of 100% owned FNPF subsidiaries, a move that would allow the Internal Audit activity to cover the FNPF Group and business areas considered to be of high risk to the Fund.

INFORMATION TECHNOLOGY

ICT Strategic Review

In April 2010 FNPF engaged the IQ Business Group to develop an ICT Strategic Plan for the period 2010 to 2011. Workshops and meetings were arranged with management and staff and utilising their industry knowledge and experience from being involved with many similar projects in the Superannuation industry in Australia, IQ identified themes required to transform the Fund's IT systems and deliver on planned business strategy and reforms.

IQ worked with FNPF to expand on the initiatives and themes, highlighted technology strategies and constructed a high-level plan for implementing the initiatives, themes and recommendations.

The final report provided options on the way forward either by implementing the full set of initiatives without delays, or through the delivery of a pragmatic roadmap which focuses on the most critical and value-added reforms over the first 18 month period.

The following are Strategic Themes to be implemented within 3 years:

- Project Management Office
- IT Services
- New Administration System (Web & Workflow)
- Data Management
- Enterprise Content Management
- Learning Management
- Business Process Management
- Business Intelligence Reporting
- Customer Relationship Management & Contact Centre
- Investment Management

FNPF is gearing up for the approved changes to be implemented within the next 18 months timeline.

Membership ID Card Data

The Membership ID card's security features were improved to reduce fraud and mistaken identity. The new database security ensures that no information is removed and history of changes are captured and kept.

Cards are now being issued at the Branch Offices with more Customer Service Agents and Employee staff now able to issue cards from these locations.

Information Security Awareness

All FNPF management and staff attended an internal Information Security Workshop that introduced participants to the types of threats and best practices that should be complied with in order to reduce overall risk in information security.

System Development and Process Improvements

Information Technology assisted Business Units achieve numerous Quick Wins and WOW projects. These projects added value to the business process, data capture and operational efficiency. Both internal staff and members benefited from these improved system developments.

Other Information Technology achievements:

- Implemented changes in the Disbursement Letter generation and validity
- Numerous statistics for Mercer and World Bank on Members and Pension Data Analysis and forecasting
- Member Relationship, Beneficiary capturing and linkage system
- Development of a Complaints System with escalation to record all complaints received from members. This development was in line with Reserve Bank recommendations towards the fund.
- Development of a Change Request System in Help Desk System.
- Establishment of a Business Analyst team

Information Security Enhancements

The FNPF invested in major improvements to Internet security and universal power supply for all critical areas in all locations throughout the country.

ADMINISTRATION AND ARCHIVING

Procurement and Tender Facilitation

The department administers and facilitates the procurement services for the organization to ensure, among other things, the effectiveness and timely procurement of goods and services from all suppliers. Service contracts were organized with all preferred suppliers.

All procurements where the annual volume costs were more than $20,000, or where goods or services are required periodically, are tendered annually.

A total of 59 tenders and Expression of Interests were advertised, evaluated and confirmed during the year. The Fund continues to tender a majority of its services to ensure transparency and good corporate governance at all times.

Cost Controls

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

Office Security and CCTV

Since 2008, the Fund has continued to upgrade its security operations including the recruitment of security officers, the introduction of Closed Circuit Television (CCTV) camera monitoring and the upgrading of all office door locks. The main objectives of these were to protect the wellbeing and security of all FNPF assets, including personnel and members' records.

Archiving & Weeding Project

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

HUMAN RESOURCES & DEVELOPMENT

Strategic Direction

In line with the Fund's commitment to its reform programs, building capabilities was at the core of Human Resources Development to ensure the "right people" with the necessary knowledge, skill and abilities are employed to achieve the Funds overall sustainability goal.

People Capital Management strategy has been adopted where recruitment and selection is made in preparation for roles 3 years down the track. This approach ensures that skills meet demanding reform objectives.

Succession Planning

Towards commitment to Manpower planning, the top 4 levels of leadership and management have been identified for succession. The program includes formal leadership training, coaching and mentoring.

Efficient services

To meet high quality service demands from members and stakeholders regular in-house Customer Services trainings and other practical courses was offered as an ongoing going activity. To enhance service delivery, ICT continues with its IT reform program over the next 18 months.

Training

Critical training areas have been identified for strengthening including Actuarial, Information Technology and Finance & Investments. The management team also underwent specialized training in line with the Fund's institutional strengthening strategy to ensure long term sustainability of the Funds leadership framework.

An aggressive approach is being adopted through identifying skill and knowledge gaps, and providing the necessary information in order to assist executives, managers and leaders to embrace changes in FNPF. Staff members are encouraged to contribute new ideas to improve efficiency and productivity, and are rewarded in recognition of any such ideas that are successfully implemented.

Human Capital

The staff remains the most valuable asset of FNPF. Motivation and retention strategies are continually reviewed to ensure the Fund remains the employer of choice for the work force.

Health and Wellbeing

The health and wellbeing of the staff is highly valued. Teambuilding programs and staff activities are encouraged to promote a healthy and safe working environment.

Employment Relations

A job Evaluation exercise by Pricewaterhouse Coopers was undertaken to align job prices to market values. The Fund

continues its efforts to align its policies to the Employment Relations Promulgation.

Customer Services Training

Towards the end of the financial year, some important in-house training due to Reforms & Change were conducted which included topics such as, Business Ethics and Fraud.

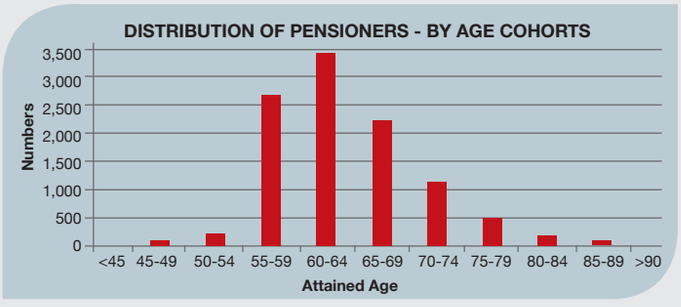
Relevant training was also conducted by the Change Team for Member Benefits staff & Customer Services teams in Suva responsible for the introduction of a Pilot Project for a leaner method of processing partial withdrawals. This was to create awareness on how the Lean Process would be operated and effected to deliver more efficient and timely services to our stakeholders.

PRIME SERVICES

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

Pension Actuary Valuation

Private actuary Mercer was engaged on a three-year term to conduct actuary valuation for FNPF. The valuation results will, apart from complying with the (IAS 26) on accounting for employee entitlements, inform the Fund of its liability and the serviceability of this obligation. The valuation results would also highlight issues that need to be addressed in the pension reform that is currently under way.



Pension Reform Options Simulation Toolkit (PROST)

The staff received two training on the PROST model conducted by the World Bank. The outcome of this technical assistance by the World Bank saw the PROST Model and license being given to the Fund. This model is widely used by 80 countries in the world and would enable the Fund to use its own data to develop models and test pension reform options.

Strategic Plan FY2011-2013

The existing Strategic Plan was reviewed and a new Strategic Plan FY2011-2013 was developed, which established reform road maps that will ensure the Fund achieves its objectives. The Fund has adopted the Balance Score Card (BSC) monitoring system. The Strategic Plan and BSC are aligned to the business excellence framework in preparation for the introduction of ISO 9001:2008.

Website management

79,586 visits were recorded for the Fund's website www.myfnpf.com.fj, which was revamped and relaunched last year under the new FNPF brand. The highest number of visitors to the site was recorded in January 2010 with 9,321 visitors; the lowest in August, 2009 with 5,064 visitors, with a monthly average of 6,632 visitors per month. The high number in January is attributed to those seeking information on education assistance.

A majority of these e-visitors reside in Fiji, whilst increasing traffic was noted for other other countries including New Zealand, Australia, United States, United Kingdom, India, Germany, Canada and Malaysia.

Financial Literacy

As part of its reform initiatives the Fund and the Ministry of Education are collaborating on introducing an assessment-based secondary school curriculum on savings for retirement. The major objective of this exercise is to teach our younger citizens the major functions of the FNPF and encourage them to plan and save for retirement early. It is expected that this initiative will be introduced to Form Four students from 2011.

The Fund continued to promote financial and pension literacy programs by raising awareness on its role and responsibilities via the media, public events and awareness exercises. The Fund is also part of the Financial Literacy Working Group that reports to the National Financial Inclusion Taskforce (NFIT). The Financial Literacy Working Group will primarily focus on improving Fiji's financial literacy and financial capability.

Member Awareness

The major focus of our awareness exercise has been raising understanding on the changes to member withdrawal policies and the objectives of these in relation to saving for a financially-secure retirement. Radio talkback shows were a popular medium for our awareness program, with a dedicated column on the Fijian vernacular.

We also deployed teams around the country that included visits to secondary schools in the West, North and Rotuma.

Media relations

As in previous years, the FNPF continued to attract wide media attention especially in relation to its investment portfolio. The Fund continued to oblige all questions from the media, and organized media conferences on major announcements. One such conference was the announcement of the write-down on our investment portfolio, which was announced in May 2010.

Public Events

The Fund participated in the USP and Housing Authority Open Day and conducted public seminars with the residents of Homes of Hope, staff of West Inn Hotel, new Fiji Navy recruits, members of the Teachers Union and soldiers based at the Force Training Group.

The culmination of this year's activities was the Fiji Showcase. Despite our absence last year, FNPF's stall still drew crowds, with close to 3000 requests for cards alone and many members updating their nominations and addresses

Corporate Social Responsibility – Charity work

FNPF's participation in the Hibiscus Festival was historical with the crowning of Miss FNPF, Merewalesi Nailatikau as Miss Fiji Hibiscus. The Fund collected more than $30,000 for the Hibiscus Chairty Chest and these funds were directed to the Samabula Old People's Home, Home of Compassion, Father Law Home and the Colonial War Memorial Hospital's Board of Visitors. Ms Nailatikau went on to win the Miss South Pacific pageant, and continues to be a good ambassador for the Fund.

Acknowledgement

I convey my sincere appreciation to all FNPF members, employers and stakeholders, for their support and cooperation during the financial year. Your continued assistance is vital as it allows the Fund to lift its standards and services for the betterment of all.

I also acknowledge the contribution made by the Board in the last 12 months. The Board's effective guidance and direction allowed us to execute our responsibilities effectively during one of the Fund's most challenging period.

Finally, I express my gratitude to staff and management for their dedication, enthusiasm, hard work and staunch support as these provided the cornerstone of our improved performance in 2010.

To all of you, thank you.

AISAKE TAITO
Chief Executive Officer

Financial Statements

For the year ended 30 June 2010

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Board Members' report

For the year ended 30 June 2010

The board members present their report together with the financial statements of Fiji National Provident Fund ("the Fund") and its subsidiaries ("the Group") for the year ended 30 June 2010 and report as follows:

Board Members

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

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

Operation of the Fund

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

Principal Activities

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

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

Operating Results

The benefits accrued as a result of operations for the year ended 30 June 2010 amounted to a surplus of $209,486,000 (2009: deficit of $181,153,000). The consolidated results for the Group for the year ended 30 June 2010 were a surplus of $205,478,000 (2009: deficit of $176,263,000).

Reserves

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

- $9,707,000 (2009: $9,633,000) to the Special Death Benefit Reserve
- $25,438,000 (2009: $21,861,000) to the Pension Buffer Reserve
- $68,486,000 to the General Reserve (2009: transfer from General Reserve of $239,852,000)

Bad and Doubtful debts

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

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

Significant Events during the year

Syndicate loan to Matapo Limited

The Fund has a loan to Matapo Limited for the Momi Bay project in the form of a syndicate loan. Securities for the loan include the hotel and golf development on site and the residential land available for sale at the project site. During the year the Fund called upon the securities of Matapo Limited which were then put to auction in order to recover the loan amount. Offers had been received from investors for the hotel and golf development. However, no offers have been accepted.

Three-year Reform Project

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

a) *Investment Rehabilitation*
   Designed to actively manage the assets to create value and recover the write down in 30 June 2009 financial year. Included in the rehabilitation are the Natadola, Momi and Grand Pacific Hotel projects.

b) *Structural Reform*
   i) Pension Scheme reform with the objectives of implementing a scheme that is actuarially sound, viable and self sustaining in the long run.
   ii) Fiji National Provident Fund Act review to strengthen the governing laws by encompassing best practice provisions, in particular the area of corporate governance and effective collection of members' contributions.
   iii) Review of the Fund's Withdrawal policy to realign the policy back to the core objective of the Fund which is to provide for its members' retirement.

c) *Internal Reform*
   i) Information Technology Strategic Review and Reform to provide the Fund with an integrated system and support interactive services to its members. The Strategic Review part of the reform was completed during the financial year.
   ii) Business Process Re-engineering to ensure delivery of excellent services to the stakeholders.

Event Subsequent to the Balance Date

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

Basis of preparation

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

Related party transactions

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

Board Members' report (continued)

Other circumstances

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

Unusual transactions

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

Board member's interest

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

Dated at Suva this 17th day of November, 2010.

Signed in accordance with a resolution of the Board:

Fiji National Provident Fund and its subsidiaries

Statement by Board Members

For the year ended 30 June 2010

In the opinion of the board members:

(a) the accompanying statements of changes in net assets are drawn up so as to give a true and fair view of the movements in net assets available to pay benefits for the year ended 30 June 2010;

(b) the accompanying statements of net assets 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 2010;

(c) the accompanying statements of cash flows are drawn up so as to give a true and fair view of the cash flows of the Fund and the Group for the year ended 30 June 2010;

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

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

Dated at Suva this 17th day of November, 2010.

Signed in accordance with a resolution of the Board:

Independent auditors' report

For the year ended 30 June 2010

To the Members of the Fiji National Provident Fund

We have audited the accompanying financial statements of the Fiji National Provident Fund (the 'Fund') and the consolidated financial statements of the Fund and its subsidiaries (together the 'Group'). The financial statements comprise the statements of net assets of the Fund and the Group as of 30 June 2010 and the statements of changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 23 to 68.

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

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

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

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

Opinion
In our opinion
(a) proper books of account have been kept by the Fund, so far as it appears from our examination of those books, and
(b) the accompanying financial statements which have been prepared in accordance with International Financial Reporting Standards:
    (i) are in agreement with the books of account;
    (ii) to the best of our information and according to the explanations given to us:
        a) give a true and fair view of the state of affairs of the Fund and the Group as at 30 June 2010 and of the changes in net assets and cash flows of the Fund and the Group for the year ended on that date;
        b) give the information required in accordance with Section 12 of the Fiji National Provident Fund Act in the manner so required.

We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.

PricewaterhouseCoopers

Suva, Fiji Islands
18th November, 2010

PricewaterhouseCoopers
Chartered Accountants

Fiji National Provident Fund and its subsidiaries

Statements of changes in net assets

For the year ended 30 June 2010

	Notes	Consolidated 2010 $000	Consolidated 2009 $000	The Fund 2010 $000	The Fund 2009 $000
Investment income					
Interest income	5	206,912	174,230	198,307	198,629
Net property income		8,262	3,392	7,917	4,380
Dividends		2,510	1,889	2,444	1,747
Dividends from subsidiaries	15	-	-	13,559	21,061
Movement in net market value of investments:					
Unrealised gains/(losses) on revaluation of investment properties	16	103	(1,794)	103	(1,794)
Unrealised (losses) on other investments		(1,213)	(2,233)	(911)	(2,247)
Realised gains on investments		2	166	2	166
Unrealised exchange (losses)/gains		(1,547)	7,261	307	5,121
Realised exchange gains		267	2,560	-	2,366
		215,296	185,471	221,728	229,429
Less: direct investment expenses		(2,202)	(2,041)	(2,202)	(2,041)
Net investment revenue		213,094	183,430	219,526	227,388
Other revenue					
Sales revenue		282,909	293,727	-	-
Other revenue	6	13,436	12,326	3,092	2,054
		296,345	306,053	3,092	2,054
Contributions revenue					
Contributions from employers and members		292,267	288,492	292,267	288,492
		801,706	777,975	514,885	517,934
Benefits paid and expenses incurred					
Airtime and PSTN charges		40,380	43,331	-	-
Bad and doubtful debts – loans and advances	13	322	24,533	1,031	240,125
Bad and doubtful debts – trade and other receivables		5,152	6,689	(668)	2,974
Benefits paid	29(c)	277,486	352,295	277,486	352,295
Depreciation and amortisation		53,673	39,874	1,346	1,564
Equipment and ancillary charges		30,751	31,110	-	-
Impairment on equity investments	14	1,330	1,850	1,953	-
Impairment on investment in subsidiary	15	-	-	4,468	86,653
Impairment on property held for development	17	2,066	39,915	-	-
Impairment on property, plant and equipment	22	-	225,012	-	-
(Reversal of)/impairment on cost to complete project	27	(6,386)	10,101	-	-
Impairment on intangibles	21	2,980	5,580	-	225
Interest expense		5,278	3,474	-	-
Personnel expenses	7	66,464	61,188	9,482	10,283
Other expenses	8	94,051	72,770	10,301	4,968
		573,547	917,722	305,399	699,087
Change in net assets for the year before income tax		228,159	(139,747)	209,486	(181,153)
Income tax expense	9(a)	4,879	23,164	-	-
Change in net assets for the year after income tax		223,280	(162,911)	209,486	(181,153)
Non controlling interest		(17,802)	(13,352)	-	-
Change in net assets for the year after income tax carried forward to page 24		205,478	(176,263)	209,486	(181,153)

Statements of changes in net assets (continued)

For the year ended 30 June 2010

	Notes	Consolidated		The Fund	
		2010 $000	2009 $000	2010 $000	2009 $000
Change in net assets for the year after income tax brought forward from page 23		205,478	(176,263)	209,486	(181,153)
Net assets available to pay benefits at the beginning of the year		3,359,100	3,501,584	3,316,285	3,497,438
Transfer of non controlling interest	36(b)	(12,000)	-	-	-
Adjustment due to consolidation of subsidiary previously not consolidated		-	31,432	-	-
(Decrease)/Increase in available for sale reserve	28(c)	(1,260)	675	-	-
Increase in credit loss reserve	28(d)	177	1,333	-	-
Increase in asset revaluation reserve	28(e)	-	339	-	-
Net assets available to pay benefits at the end of the year	28	3,551,495	3,359,100	3,525,771	3,316,285

The statements of changes in net assets are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 27 to 68.

Fiji National Provident Fund and its subsidiaries

Statements of net assets

As at 30 June 2010

	Notes	Consolidated 2010 $000	Consolidated 2009 $000	The Fund 2010 $000	The Fund 2009 $000
Investments					
Financial assets					
Term deposits	10	241,937	249,205	217,647	196,943
Government securities	11	2,038,692	1,869,086	1,971,679	1,799,102
Other fixed interest securities	12	356,481	341,693	356,481	341,693
Loans and advances	13	320,070	314,394	466,395	457,930
Equities	14	74,384	69,316	59,792	57,726
Investment in subsidiaries	15	-	-	269,680	270,657
Non-financial assets					
Investment properties	16	138,494	85,228	84,684	83,494
Property held for development	17	9,290	2,000	-	-
		3,179,348	2,930,922	3,426,358	3,207,545
Other assets					
Cash and cash equivalents	18	65,807	74,792	41,765	45,367
Trade receivables	19	31,246	31,140	-	-
Other receivables and assets	23	89,059	91,448	58,290	61,083
Inventories	20	11,451	17,211	-	-
Property, plant and equipment	22	425,476	463,999	11,968	11,464
Intangible assets	21	140,168	130,864	179	-
Deferred tax assets	9(d)	22,530	7,961	-	-
		785,737	817,415	112,202	117,914
Total assets		3,965,085	3,748,337	3,538,560	3,325,459
Liabilities					
Creditors and borrowings	24	190,466	188,928	8,120	4,597
Other liabilities	25	41,449	34,424	2,380	2,473
Employee entitlements	26	10,963	10,488	2,289	2,104
Provision	27	-	10,101	-	-
Income tax payable	9(b)	5,525	10,736	-	-
Deferred tax liabilities	9(c)	31,783	22,314	-	-
Total liabilities (excluding net assets available to pay benefits)		280,186	276,991	12,789	9,174
Net assets		3,684,899	3,471,346	3,525,771	3,316,285
Less: Non controlling interest		133,404	112,246	-	-
Net assets available to pay benefits	28	3,551,495	3,359,100	3,525,771	3,316,285

Signed in accordance with a resolution of the Board:

The statements of net assets are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 27 to 68.

Fiji National Provident Fund and its subsidiaries

Statements of cash flows

For the year ended 30 June 2010

	Notes	Consolidated 2010 $000	Consolidated 2009 $000	The Fund 2010 $000	The Fund 2009 $000
Cash flows from operating activities					
Contributions received from employers and members		290,945	287,953	290,945	287,953
Cash receipts from customers		285,496	288,000	-	-
Interest received		206,919	214,571	195,722	202,648
Dividends received		1,940	3,068	20,188	27,080
Property rentals received		9,720	3,383	10,716	4,371
Other income received		7,790	3,520	6,095	2,138
Withdrawal payments to members		(277,486)	(352,295)	(277,486)	(352,295)
Payments to suppliers and employees		(217,653)	(256,377)	(19,207)	(18,447)
Interest paid		(7,212)	(1,000)	-	-
Income taxes paid	9(b)	(15,145)	(20,670)	-	-
Net cash from operating activities		285,314	170,153	226,973	153,448
Cash flows from investing activities					
Government securities acquired		(169,706)	(123,021)	(172,577)	(121,964)
Other securities acquired		(14,788)	(12,088)	(14,788)	(12,088)
Loans and advances provided		(5,658)	(119,066)	(9,496)	(265,402)
Term deposits (invested)/matured		(21,070)	21,624	(20,397)	9,254
Shares in subsidiaries acquired		-	-	(3,491)	(1,035)
Shares and units (acquired)/ disposed		(4,871)	7,591	(4,928)	9,507
Proceeds from sale of property, plant and equipment		613	692	103	55
Payment by related parties		2,842	-	-	-
Purchase of property, plant and equipment		(75,130)	(197,622)	(3,520)	(4,373)
Acquisition of intangible assets		(13,423)	(147)	(208)	(147)
Purchase of investment properties		(1,068)	(987)	(1,068)	(987)
Net cash used in investing activities		(302,259)	(423,024)	(230,370)	(387,180)
Cash flows from financing activities					
Proceeds from borrowings		-	111,765	-	-
Repayment of borrowings		-	(61,649)	-	-
Receipts from shares issued to minority shareholders		1,451	-	-	-
Dividends paid		(11,103)	(27,779)	-	-
Net cash provided by financing activities		(9,652)	22,337	-	-
Net decrease in cash and cash equivalents		(26,597)	(230,534)	(3,397)	(233,732)
Cash from subsidiary previously not consolidated		-	258	-	-
Effect of exchange rate movement		(131)	-	-	-
Cash and cash equivalents at beginning of the financial year		96,786	327,062	44,315	278,047
Cash and cash equivalents at end of the financial year	31 (a)	70,058	96,786	40,918	44,315

The statements of cash flows are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 27 to 68.

1. GENERAL INFORMATION

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

The financial statements were authorised for issue by the Board Members on 17th November, 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Statement of compliance

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

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

2.2 Standards, amendments and interpretations issued but not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2010 or later periods, but the Group has not early adopted them. No significant impact is expected to arise out of these standards, amendments and interpretations.

- IFRIC 19, 'Extinguishing Financial liabilities with equity instruments' (effective from 1 July 2010)
- IFRIC 14, 'Prepayments of a minimum funding requirement' (effective from 1 January 2011)
- IAS 24 (Amendment), 'Related party disclosures' (effective from 1 January 2011)
- IFRS 1 Amendment – 'First time adoption': financial instrument disclosures (effective 1 July 2010)
- IFRS 9, 'Financial instruments' (effective from 1 January 2013). IFRS 9 replaces IAS 39

2.3 Basis of consolidation

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Fund. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of the purchase, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non controlling interest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation (continued)

The excess of the cost of the acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost or acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of changes in net assets.

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

2.4 Foreign currency translation

(a) *Functional and presentation currency*
The Fund and the Group operate principally in Fiji and hence the financial statements are presented in Fiji dollars, which is both the functional and presentation currency.

(b) *Transaction and balances*
Foreign currency transactions are translated into the Fiji currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of changes in net assets. Translation differences on revalued or non-monetary assets and liabilities held at fair value are recognised in the statement of changes in net assets.

2.5 Property, plant and equipment

Freehold land is shown at cost. All other property, plant and equipment is stated at historical cost less depreciation/ amortisation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in the statement of changes in net assets.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised directly in the statement of changes in net assets.

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

Leasehold land	Term of lease
Buildings	40 – 80 years
Exchange plant and telecommunication infrastructure	10 – 15 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

Subscriber equipment	10 – 20 years
Trunk network plant	15 years
Plant and machinery	4 – 15 years
Vehicles	4 – 7 years
Furniture, fittings and equipment	3 – 8 years
Computer equipment and software	3 – 5 years

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

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

2.6 Investment properties

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

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

2.7 Property held for development

Property held for development is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. In the current financial year, property held for development transferred to NBRL by virtue of the Natadola Bay Decree 2010 (refer Note 36) is being carried on the statement of net assets at valuation.

2.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets' and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Intangible assets (continued)

(b) Management rights

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

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

(c) Computer software

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

Costs associated with 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).

(d) Investment in movie productions

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

2.9 Impairment of non-financial assets

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

2.10 Financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

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

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

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

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

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. Term deposits, government securities and other fixed interest securities are included under this category.

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

(d) *Available-for-sale financial assets*
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Certain private equity investments are included under this category.

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

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

The fair values of quoted equity investments are 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2.11 Impairment of financial assets carried at amortised cost

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

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

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

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

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

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

2.12 Inventories

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Trade receivables

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

2.14 Cash and cash equivalents

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

2.15 Finance leases

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

2.16 Operating leases

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

2.17 Employee entitlements

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

(b) *Annual Leave, long service leave, gratuity benefits and retirement benefits*
The liability for annual leave, long service leave, gratuity benefits and retirement benefits is recognised in employee entitlements measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Employee entitlements (continued)

(d) Bonus plans

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

2.18 Trade payables

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

2.19 Borrowing costs

The borrowing costs that are directly attributable to the acquisition or construction of the capital assets are capitalised during the period of time, that is required to complete and prepare the assets for its intended use. Other borrowing costs are recognised as an expense in the year in which they are incurred.

2.20 Income tax

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Provisions

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

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

2.22 Liability for accrued benefits

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries, and has been calculated as the Fund's net assets as stated on the statement of net assets less the general reserve account as at reporting date.

2.23 Contributions

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

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 falls earlier.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Revenue recognition (continued)

(d) Property rentals

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

(e) Dividend income

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

(f) Investment in movie production

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

(g) Fees and commissions

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

(h) Revenue from hotel and golf activities

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

2.25 Expenses

(a) Benefits paid

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

(b) Other Expenses

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

2.26 Rounding

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

2.27 Comparative figures

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

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

The Group's objective is to take a strategic and consistent approach to managing risks across the entity through its risk management and associated activities that assists in the safeguarding of the Group's assets and seeks to avoid potential adverse effects on the group's financial performance.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1. Financial risk factors (continued)

The Group has in place a risk management policies and guidelines designed to:

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

The respective Board of Directors and Board Audit Risk Committees are responsible for the risk management, monitoring and reporting functions. At the Fund level, they are supported by:

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

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

As at year end, assets and liabilities denominated in foreign currencies are minimal and hence changes in the US, Australian and NZ dollars by 10% (increase or decrease) is expected to have minimal impact on the change in net assets balance currently reflected in the Group's financial statements. Because of minimal asset and liability balances in overseas currencies, there has been little sensitivity to movements in the US, Australian and NZ dollars in 2010 and 2009.

(ii) Price risk

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

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group and restrictions by RBF over offshore investments. The Group's investments in equities are largely those which publicly trade on the South Pacific Stock Exchange (for local investments) and Australian Stock Exchange (for offshore investments).

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

The table below summarises the impact of increases / decreases of the above two exchanges on the Fund and Group's net surplus / deficit, assuming that the equity investments listed on the South Pacific Stock Exchange increased / decreased in value by 5% and for the offshore investments, the equity indexes for the Australian Stock Exchange increased / decreased by 5%. A 5 percent increase or decrease of the equity indexes would have had the equal but opposite effect, on the basis that all other variables remain constant. Shares in a listed subsidiary, ATH, is not included in this analysis, which is recorded by the Fund at cost less impairment.

Index	Group Impact on change in net assets		Fund Impact on change in net assets	
	2010	2009	2010	2009
	$000	$000	$000	$000
South Pacific Stock Exchange	2,096	1,781	1,305	1,109
Australian Stock Exchange	810	758	810	758

The change in net assets would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss.

(iii) Cash flow and fair value interest rate risk

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

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

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

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

(b) Credit risk

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

In addition, the Group is exposed to off balance sheet credit risk through commitments to extend credit.

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

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

	Consolidated				The Fund			
	2010 $000		2009 $000		2010 $000		2009 $000	
Agriculture	44,648	12%	16,114	4%	43,412	6%	14,860	2%
Construction	3,770	1%	2,750	1%	-	0%	-	0%
Financial institution	19,902	5%	8,623	2%	87,714	12%	75,408	10%
Government and statutory bodies	7,563	2%	38,366	10%	7,563	1%	38,366	5%
Telecommunications	-	0%	-	0%	100,000	13%	100,000	14%
Energy	2,163	1%	6,376	2%	2,163	0%	6,376	1%
Manufacturing	13,052	3%	11,084	3%	634	0%	1,857	0%
Mining	2,012	1%	1,706	0%	-	0%	-	0%
Private motor vehicle (includes staff loans)	1,078	0%	1,211	0%	369	0%	382	0%
Private others (includes staff loans)	31,445	8%	94,600	25%	13,656	2%	7,985	2%
Professional and business services	18,486	5%	18,806	5%	-	0%	-	0%
Public enterprise	1,310	0%	15,823	4%	1,310	0%	15,823	2%
Real estate development	132,264	34%	55,632	15%	55,220	7%	47,363	6%
Transport and storage	5,015	1%	5,064	1%	208	0%	247	0%
Wholesale and retail	7,150	2%	7,569	2%	-	0%	-	0%
Other (Hotels & Restaurants)	97,975	25%	98,502	26%	433,897	58%	427,983	58%
Total	**387,833**	**100%**	**382,226**	**100%**	**746,146**	**100%**	**736,650**	**100%**

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

	Note	Consolidated		The Fund	
		2010 $000	2009 $000	2010 $000	2009 $000
Financial assets					
Term deposits	10	241,937	249,205	217,647	196,943
Government securities	11	2,038,692	1,869,086	1,971,679	1,799,102
Other fixed interest securities	12	356,481	341,693	356,481	341,693
Loans and advances	13	320,070	314,394	466,395	457,930
Equities	14	74,384	69,316	59,792	57,726
Investments in subsidiaries	15	-	-	269,680	270,657
Cash and cash equivalents	18	65,807	74,792	41,765	45,367
Trade receivables	19	31,246	31,140	-	-
Other receivables	23	89,059	91,448	58,290	61,083
		3,217,676	3,041,074	3,441,729	3,230,501

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(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 fulfil commitments to lend.

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

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

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

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

- monthly reporting on the position of these investments to the Board and Board Investment Committee ("BIC");
- an established prudent asset allocation strategy which has been approved by the Board; and
- monitoring of maturities of investments and investment outflows including the forecasting of the availability of funds.

For maturity analysis on Creditors and Borrowings, refer Note 24.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Fair value of private equity instruments

Management uses judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each financial year end. Valuations are carried out either in-house or by the independent experts. Methods used are a combination of discounted cashflow analysis, net assets, capitalization of dividends and capitalization of future maintainable earnings.

(b) Estimated impairment of investment in movie productions

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) *Impairment of trade receivable*

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

(d) *Impairment of property, plant and equipment*

The Group assesses whether there are indicators of impairment of all property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment and when there are indicators that the carrying amount may not be recoverable, reasonable provision for impairment are created.

(e) *Actuarial present value of accrued benefits*

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

Using the assumptions, the value of all future benefits payable from the Fund is calculated year by year, allowing for future interest crediting rates and pension increases (if any), until all benefits accrued to the valuation date have been paid.

The annual benefit payments are then discounted to the valuation date, based on the assumed rate of future investment returns. Future investment return is assumed to be 7% (2009: 7.5%) and discount rate used is 6.5% (2009: 7%).

Actuarial present value of accrued benefits for the Fund is determined by Mercer (Australia) Pty Ltd.

	Consolidated		The Fund	
5. INTEREST	**2010 $000**	**2009 $000**	**2010 $000**	**2009 $000**
Fixed interest securities				
- Government	137,602	119,219	137,873	118,943
- Other	24,079	20,900	24,079	20,900
Loans and advances	24,943	17,318	22,012	46,405
Term deposits	14,082	12,016	13,391	11,846
Other interest income	6,206	4,777	952	535
	206,912	174,230	198,307	198,629
6. OTHER REVENUE				
Other revenue includes the following specific items:				
Gain on sale of fixed assets	333	315	-	-
Bad debts recovered	43	813	-	-
7. PERSONNEL EXPENSES				
Salaries and wages	51,283	47,750	8,028	7,679
TPAF contributions	174	119	101	75
FNPF contributions	5,596	5,734	1,070	1,306
Other staff benefits and expenses	9,411	7,585	283	1,223
	66,464	61,188	9,482	10,283

8. OTHER EXPENSES

	Consolidated		The Fund	
	2010 $000	2009 $000	2010 $000	2009 $000
Auditors' remuneration : Audit –PwC	137	30	71	-
: Audit – Other firms	181	263	24	34
: Other services – PwC	75	-	51	-
: Other services – Other firms	249	362	83	28
Directors fees	372	585	27	69
Loss on sale of property, plant and equipment	200	427	94	418
Provision for stock obsolescence	887	676	-	-
Operating leases	4,860	3,594	-	-
Hotel operating expenses	8,908	2,324	-	-
Marketing and promotion	10,804	13,403	-	-
License fees	14,756	10,823	-	-
Electricity	4,669	5,112	777	836
Insurance	5,090	4,906	1,349	1,075
Repairs and maintenance	4,176	4,909	1,029	769
Reversal of impairment on property, plant and equipment	-	(869)	-	-
Other Operating and general expenses	38,687	26,225	6,796	1,739
	94,051	72,770	10,301	4,968

9. INCOME TAX

(a) Income tax expense

Prima facie income tax expense calculated at 29%(2009: 31%) on change in net assets	66,166	(43,322)	64,941	(56,157)
Income tax expense/(benefit) on income not subject to tax	(63,487)	61,529	(64,941)	56,157
	2,679	18,207	-	-
add/(deduct):				
Export income allowances	(212)	(564)	-	-
Effect of change in tax rate	(230)	(1,035)	-	-
Royalty income	-	(1,660)	-	-
Investment allowances	(6,854)	(275)	-	-
Tax losses brought to account	(32)	6,376	-	-
Tax losses not recognised as deferred tax asset	7,423	(223)	-	-
Temporary differences not previously brought to account	1,691	297	-	-
Under provision in prior year	438	59	-	-
Others	(24)	1,982	-	-
	4,879	23,164	-	-
Income tax expense is made up of:				
Current income tax expense	9,496	18,075	-	-
Deferred tax expense/ (benefit)	(5,055)	5,010	-	-
Under provision in prior years	438	79	-	-
	4,879	23,164	-	-

9. INCOME TAX (continued)	Consolidated		The Fund	
	2010 $000	2009 $000	2010 $000	2009 $000
(b) Income tax payable				
Movements during the year were as follows:				
Balance at the beginning of the year	10,736	13,252	-	-
Income tax paid	(15,145)	(20,670)	-	-
Under provision on prior years	438	79	-	-
Current income tax expense on the change in net assets	9,496	18,075	-	-
Balance at the end of the year	5,525	10,736	-	-
(c) Deferred tax liability				
Provision for deferred income tax comprises of the following at 28% (2009: 31%):				
Deferred expense	14	333	-	-
Depreciation of property, plant and equipment	31,268	21,925	-	-
Unrealised exchange gain	501	56	-	-
	31,783	22,314	-	-
(d) Deferred tax assets				
Provision for deferred income tax comprises of the following at 28% (2009: 31%):				
Provision for inventory obsolescence	832	610	-	-
Deferred revenue	112	368	-	-
Employee entitlements	2,355	2,350	-	-
Provision for impairment and doubtful debts	3,296	4,149	-	-
Tax losses	15,292	-	-	-
Depreciation of property, plant and equipment	235	468	-	-
Other	408	16	-	-
	22,530	7,961	-	-

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

(e) Deferred tax assets not brought to account				
Tax losses carried forward	5,621	1,201	-	-
Depreciation of property, plant and equipment	2,365	-	-	-
	7,986	1,201	-	-

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

9. INCOME TAX (continued)

Pursuant to a letter from the Minister of Finance dated 16 September 2010 approving full SLIP to one of the Company's subsidiary, 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.

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

10. TERM DEPOSITS

	Consolidated		The Fund	
	2010 $000	2009 $000	2010 $000	2009 $000
Local banks and financial institutions– local currency	225,940	234,829	201,650	182,567
Local banks – foreign currency	15,997	14,376	15,997	14,376
	241,937	249,205	217,647	196,943
Represented as:				
Less than or equal to 3 months	57,048	50,121	57,048	50,121
3 to 12 months	125,520	129,584	101,599	77,322
1 to 5 years	59,369	69,500	59,000	69,500
	241,937	249,205	217,647	196,943

11. GOVERNMENT SECURITIES

Fiji Government Registered Stock	2,038,692	1,862,318	1,971,679	1,792,334
Treasury Bills	-	6,768	-	6,768
	2,038,692	1,869,086	1,971,679	1,799,102
Represented as:				
Less than or equal to 3 months	43,063	57,722	40,253	57,659
3 to 12 months	118,681	90,025	113,981	87,125
1 to 5 years	489,967	650,138	486,037	640,198
Greater than 5 years	1,386,981	1,071,201	1,331,408	1,014,120
	2,038,692	1,869,086	1,971,679	1,799,102

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

Fiji Government Registered Stock	2,078,658	1,640,450	2,012,856	1,570,466
Treasury Bills	-	6,768	-	6,768
	2,078,658	1,647,218	2,012,856	1,577,234

12. OTHER FIXED INTEREST SECURITIES

Promissory notes	8,553	17,099	8,553	17,099
Bonds	347,928	324,594	347,928	324,594
	356,481	341,693	356,481	341,693

12. OTHER FIXED INTEREST SECURITIES (continued)

	Consolidated		The Fund	
	2010 $000	2009 $000	2010 $000	2009 $000
Represented as:				
Less than 3 months	16,842	24,733	16,842	24,733
3 to 12 months	48,263	20,016	48,263	20,016
1 to 5 years	180,076	196,376	180,076	196,376
Greater than 5 years	111,300	100,568	111,300	100,568
	356,481	341,693	356,481	341,693

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

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

Bonds	353,225	297,047	353,225	297,047

13. LOANS AND ADVANCES

Loans and advances (quasi-government)	61,048	69,765	61,048	69,765
Loans to subsidiaries (Note 33(b))	-	-	528,863	513,665
Customer term loans	316,946	302,546	148,217	144,853
Staff loans	9,839	9,915	8,018	8,367
	387,833	382,226	746,146	736,650
Less: Provision for impairment	(279,789)	(67,832)	(279,751)	(278,270)
	320,070	314,394	466,395	457,930
Represented as:				
Less than or equal to 3 months	30,089	18,835	27,304	14,588
3 to 12 months	110,964	98,678	163,239	149,757
1 to 5 years	142,794	125,993	191,362	176,874
Greater than 5 years	103,986	138,720	364,241	395,431
	387,833	382,226	746,146	736,650

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

- Loans and advances – For quasi government loans, a government guarantee or a debenture over all the assets.
- Loans to subsidiaries – Usually a first charge and third party mortgage is obtained. For a subsidiary, Natadola Bay Resort Limited, the loan is largely unsecured. Refer below for further comments.
- Customer term loans – The head security is first registered mortgage over property and improvements.
- Staff loans – First registered mortgage over property and improvements and Bill of Sale for car loans.

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

13. LOANS AND ADVANCES (continued)

Natadola Bay Resort Limited (NBRL)
FNPF has provided loans totaling $305,852,865 (2009: $300,828,435) to NBRL. There are no loan agreements executed as at year end for any of the loans to NBRL and security over the loans is limited to comprehensive insurance cover over the property and improvement thereon with FNPF's interest noted thereon.

Last year a provision for impairment of $215,906,440 was raised against the loan based on FNPF's assessment of the loan's recoverable amount. The recoverable amount was based on an independent valuation done on NBRL's property, plant and equipment, the details of which are in Note 22.

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

	Loans & advances $000	Loans to subsidiaries $000	Customer term loans $000	Staff loans $000	Total $000
Collectively Assessed Provisions					
Balance as at 1 July 2008	2,740	-	1,728	-	4,468
New and increased provisioning	867	-	22	-	889
Transfer to credit loss reserve	-	-	(1,778)	-	(1,778)
Reclassified to credit loss	-	-	46	-	46
Balance as at 30 June 2009	3,607	-	18	-	3,625
New and increased provisioning	-	-	109	1,031	1,140
Provisions no longer required	(3,607)	-	-	-	(3,607)
Balance as at 30 June 2010	-	-	127	1,031	1,158
Individually Assessed Provisions					
Balance as at 1 July 2008	1,802	20,800	38,843	-	61,445
Reversal of allowance for doubtful debts from opening balance provided on related party balances	-	(20,800)	-	-	(20,800)
New and increased provisioning	3,604	-	21,018	-	24,622
Bad debt written off	-	-	(36)	-	(36)
Provisions no longer required	-	-	(1,024)	-	(1,024)
Balance as at 30 June 2009	5,406	-	58,801	-	64,207
Bad debt written off	-	-	(391)	-	(391)
New and increased provisioning	-	-	3,186	-	3,186
Provisions no longer required	-	-	(397)	-	(397)
Balance as at 30 June 2010	5,406	-	61,199	-	66,605
Total provision for impairment at 1 July 2008	4,542	20,800	40,571	-	65,913
Total provision for impairment at 30 June 2009	9,013	-	58,819	-	67,832
Total provision for impairment at 30 June 2010	5,406	-	61,326	1,031	67,763

13. LOANS AND ADVANCES (continued)

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

	Loans & advances $000	Loans to subsidiaries $000	Customer term loans $000	Staff loans $000	Total $000
Collectively Assessed Provisions					
Balance as at 1 July 2008	-	-	-	-	-
New and increased provisioning	-	-	-	-	-
Provisions no longer required	-	-	-	-	-
Impairment losses recovered	-	-	-	-	-
Balance as at 30 June 2009	-	-	-	-	-
New and increased provisioning	-	-	-	1,031	1,031
Provisions no longer required	-	-	-	-	-
Impairment losses recovered	-	-	-	-	-
Balance as at 30 June 2010	-	-	-	1,031	1,031
Individually Assessed Provisions					
Balance as at 1 July 2008	1,802	-	36,793	-	38,595
New and increased provisioning	-	220,911	19,214	-	240,125
Provisions no longer required	-	-	-	-	-
Impairment losses recovered	-	-	-	-	-
Balance as at 30 June 2009	1,802	220,911	56,007	-	278,720
New and increased provisioning	-	-	-	-	-
Provisions no longer required	-	-	-	-	-
Impairment losses recovered	-	-	-	-	-
Balance as at 30 June 2010	1,802	220,911	56,007	-	278,720
Total provision for impairment at 1 July 2008	1,802	-	36,793	-	38,595
Total provision for impairment at 30 June 2009	1,802	220,911	56,007	-	278,720
Total provision for impairment at 30 June 2010	1,802	220,911	56,007	1,031	279,751

Total impairment provision as at balance date are:

	Consolidated		The Fund	
	2010 $000	2009 $000	2010 $000	2009 $000
Collectively assessed provisions	1,158	3,625	1,031	-
Individually assessed provisions	66,605	64,207	278,720	278,720
	67,763	67,832	279,751	278,720

14. EQUITIES

	Consolidated		The Fund	
	2010 $000	2009 $000	2010 $000	2009 $000
Local equities	41,933	37,610	26,114	24,170
Unit trusts	18,241	17,182	18,241	17,182
Kula Fund – foreign currency	1,192	1,224	1,192	1,224
Overseas equities	16,198	15,150	16,198	15,150
Less accumulated impairment provision	(3,180)	(1,850)	(1,953)	-
	74,384	69,316	59,792	57,726

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

15. INVESTMENT IN SUBSIDIARIES

Investments in subsidiaries	-	-	447,708	444,217
Less accumulated impairment allowance	-	-	(178,028)	(173,560)
	-	-	269,680	270,657

Investment in subsidiaries consists of the following:

Name	Principal activities	Balance Date	2010 Cost $000	2010 Impairment $000	2009 Cost $000	2009 Impairment $000
Amalgamated Telecom Holdings Limited	Telecommunications	31 March	295,823	83,300	295,823	83,300
Home Finance Company Limited	Financing	30 June	10,634	-	9,134	-
FNPF Nominee Company Limited	Nominee services	30 June	98	-	98	-
FNPF Investments Limited	Investments	30 June	141,153	94,728	139,162	90,260
			447,708	178,028	444,217	173,560

Dividends received from the above entities for the year ended 30 June 2010 amounted to $13,558,916 (2009: $21,061,378). For ownership interests, refer Note 33 (c).

Impairment of investment in FNPF Investments Limited

The Fund has written down its investment in a subsidiary company, FNPF Investments Limited by $94,728,000 (2009: $90,260,000). The board members of the Fund are of the view that no returns are expected from FNPF Investments Limited until the subsidiary company's financial position improves.

Impairment of investment in Amalgamated Telecom Holdings Limited (ATH)

The above impairment was recorded in 2006. The Board has reassessed the recoverable amount of the investment and have concluded that no further impairment is necessary.

16. INVESTMENT PROPERTIES

	Consolidated		The Fund	
	2010 $000	2009 $000	2010 $000	2009 $000
Balance as at 1 July	85,228	56,571	83,494	54,837
Acquisitions	1,068	987	1,068	987
Net transfers from property, plant and equipment	52,397	29,464	19	29,464
Disposals	(57)	-	-	-
Depreciation	(245)	-	-	-
Fair value adjustments	103	(1,794)	103	(1,794)
Balance as at 30 June	138,494	85,228	84,684	83,494

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

17. PROPERTIES HELD FOR DEVELOPMENT

Total costs	41,981	41,915	-	-
Less provision for impairment	(41,981)	(39,915)	-	-
Amounts written off in 2010	-	2,000	-	-
Transfer from Property, plant and equipment (Note 22)	9,290			
	9,290	2,000	-	-

The costs and impairment carried forward from last year represents costs incurred by a subsidiary, Natadola Land Holdings Limited (NLHL) in relation to the land associated with the Natadola Bay development project and the associated impairment provision.

Pursuant to the Natadola Bay Decree (refer Note 36), these land which are registered under NLHL, are deemed to be transferred to a fellow subsidiary, Natadola Bay Resort Limited (NBRL). Consequently, the above costs and provision have been written off by NLHL.

Refer Note 22 for details on the $9.2 million transfer from property plant and equipment.

18. CASH

Cash at bank	62,054	74,246	41,415	44,821
Cash on hand and with agents	350	546	350	546
Deposits at call	3,403	-	-	-
	65,807	74,792	41,765	45,367

19. TRADE RECEIVABLES

Trade receivables	49,766	44,567	-	-
Less: Unearned income	(1,238)	(1,225)	-	-
Allowances for doubtful debts	(17,282)	(12,202)	-	-
	31,246	31,140	-	-

20. INVENTORIES

	Consolidated		The Fund	
	2010 $000	2009 $000	2010 $000	2009 $000
Consumables and finished goods	14,267	18,886	-	-
Less: Allowances for obsolescence	(2,990)	(2,103)	-	-
	11,277	16,783	-	-
Goods in transit	174	428	-	-
	11,451	17,211	-	-

21. INTANGIBLE ASSETS

Software costs	10,808	4	179	-
Movie productions and audio visual copyright	-	-	-	-
Goodwill on consolidation	115,860	115,860	-	-
Management rights	13,500	15,000	-	-
	140,168	130,864	179	-
Represented by:				
Software costs				
Cost				
Balance at the beginning of the year	3,117	2,969	3,091	2,944
Additions during the year	13,423	148	208	147
Disposals during the year	(5)	-	(5)	-
Transfers from property, plant and equipment	17,312	-	-	-
Balance at the end of the year	33,847	3,117	3,294	3,091
Amortisation				
Balance at the beginning of the year	3,113	2,424	3,091	2,407
Amortisation charge for the year	24	272	24	267
Impairment loss	2,980	225	-	225
Disposals during the year	-	-	-	-
Transfers from property, plant and equipment	16,922	192	-	192
Balance at the end of the year	23,039	3,113	3,115	3,091
Carrying amount				
At the beginning of the year	4	545	-	537
At the end of the year	10,808	4	179	-

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

Movie productions and audio visual copyright				
Gross carrying amount				
Opening balance	21,923	21,923	-	-
Disposals during the year	(3,651)	-	-	-
Closing balance	18,272	21,923	-	-
Accumulated impairment allowance				
Opening balance	21,923	16,568	-	-
Impairment allowance	(3,651)	5,355	-	-
Balance at end of year	18,272	21,923	-	-
Net carrying amount				
At beginning of the year	-	5,355	-	-
At end of the year	-	-	-	-

21. INTANGIBLE ASSETS (continued)

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

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

Goodwill on consolidation	**Consolidated**		**The Fund**	
	2010	**2009**	**2010**	**2009**
	$000	**$000**	**$000**	**$000**
Carrying value				
Balance at the beginning of the year	115,860	115,860	-	-
Balance at the end of the year	115,860	115,860	-	-

The above goodwill comprises of $110,636,465 in relation to the Fund's investment in Amalgamated Telecom Holdings Limited and $5,223,535 in relation to Home Finance Company Limited. The Board are of the opinion that, after appropriate assessment, no impairment is considered necessary.

Management rights

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

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

22. PROPERTY, PLANT AND EQUIPMENT – CONSOLIDATED

	Land	Buildings at valuation	Buildings At cost	Telecommu-nication equipment & plant	Capital spares	Plant and machinery	Office equipment	Motor vehicles	Furniture & fittings	Work in progress	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Cost											
Balance at the beginning of the year	7,194	45,293	64,900	569,933	1,306	3,642	58,080	15,776	19,910	327,407	1,113,441
Acquisitions	1,478	4,166	19,411	11,016	1,341	696	8,392	859	2,065	49,453	98,877
Disposals	-	(2)	-	(4,266)	-	(24)	(1,506)	(486)	(1,848)	(1,556)	(9,688)
Allocation of WIP	43,145	506	235,495	29,986	-	-	6,667	3,281	12,794	(331,874)	-
Net transfers to investment properties (Note 16)	(6,704)	-	(45,674)	-	-	-	(8)	-	(11)	-	(52,397)
Net transfers to intangibles (Note 21)	-	-	-	-	-	-	(17,312)	-	-	-	(17,312)
Transfer to property held for development (Note 17)	(9,290)	-	-	-	-	-	-	-	-	-	(9,290)
Adjustment applied against provision (Note 27)	-	-	-	-	-	-	-	-	-	(6,728)	(6,728)
Amount transferred to other receivables	-	-	-	-	-	-	-	-	-	(8,453)	(8,453)
Consumed during the year	-	-	-	-	(867)	-	-	-	-	-	(867)
Project costs written off	-	-	-	-	-	-	-	-	-	(320)	(320)
Balance at the end of the year	35,823	49,963	274,132	606,669	1,780	4,314	54,313	19,430	32,910	27,929	1,107,263
Accumulated Impairment											
Balance at the beginning of the year	-	-	-	10,406	-	-	290	-	-	229,252	239,948
Transfers	(159)	-	-	-	-	-	20	-	-	139	-
Impairment loss allocated	24,032	-	191,425	-	-	-	-	-	9,555	(225,012)	-
Balance at the end of the year	23,873	-	191,425	10,406	-	-	310	-	9,555	4,379	239,948

22. PROPERTY, PLANT AND EQUIPMENT – CONSOLIDATED (continued)

	Land	Buildings at valuation	Buildings At cost	Telecommu-nication equipment & plant	Capital spares	Plant and machinery	Office equipment	Motor vehicles	Furniture & fittings	Work in progress	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Accumulated depreciation											
Balance at the beginning of the year	95	19,383	3,541	314,159	-	1,726	49,197	8,561	12,832	-	409,494
Depreciation charge for the year	208	1,304	1,888	37,193	-	384	4,549	3,919	2,459	-	51,904
Transfers to intangibles (Note 21)	-	-	-	-	-	-	(16,922)	-	-	-	(16,922)
Disposals	-	-	-	-	-	-	(910)	(366)	(1,361)	-	(2,637)
Balance at the end of the year	303	20,687	5,429	351,352	-	2,110	35,914	12,114	13,930	-	441,839
Carrying amount											
At the beginning of the year	7,099	25,910	61,359	245,368	1,306	1,916	8,593	7,215	7,078	98,155	463,999
At the end of the year	11,647	29,276	77,278	244,911	1,780	2,204	18,089	7,316	9,425	23,550	425,476

Assets owned by Natadola Bay Resort Limited (NBRL)

As at 30 June 2009, an independent valuation of the Intercontinental Fiji Golf Resort and Spa, Golf Course and Residential Development was carried out by Mr Allen Beagley (ANZIV), of Bayleys Valuation Limited. An impairment loss of $225,012,382 was recognised to bring the carrying value down to the valuation amount of $84,922,000. The impairment loss in the previous year was understated by $9,290,000, being the value determined for the Residential Development, which as at 30 June 2009 did not form part of the NBRL's assets. In determining the impairment, NBRL had compared the carrying value of its assets against a valuation amount which included $9,290,000 worth of assets which did not belong to NBRL, resulting in the under-statement of the impairment.

The land on which the Hotel and Golf Course has been constructed and the land for Residential Development are registered under Natadola Land Holdings Limited (NLHL). The Natadola Bay Decree 2010 (refer Note 36) provides for the deemed transfer of all titles and leases granted previously to related companies to NBRL. The titles and leases are in the process of being transferred to NBRL's name.

The above decree does not specify at what value the land is to be transferred nor whether there is to be any consideration. As agreed between NBRL and NLHL, the transfer has been recorded at nil value. For the Residential Development, this has been classified in the Statement of net assets as property held for development. After the transfer, it has been revalued to $9,290,000, being the value determined by the above valuation. NBRL has transferred $9,290,000 from Property, plant and equipment, as that is where it had been incorrectly accounted for in 2009, to property held for development (refer Note 17).

22. PROPERTY, PLANT AND EQUIPMENT – THE FUND

	Freehold Land $000	Leasehold Land $000	Buildings at valuation $000	Office Equipment $000	Motor vehicles $000	Furniture & fittings $000	Work in Progress $000	Total $000
Cost/ valuation								
Balance at the beginning of the year	371	119	8,674	5,338	1,289	2,435	1,607	19,833
Additions	-	-	2,136	1,022	227	108	27	3,520
Disposals	-	-	(2)	(884)	(253)	(1,354)	(1,556)	(4,049)
Transfers	-	-	-	(8)	-	(11)	-	(19)
Balance at the end of the year	371	119	10,808	5,468	1,263	1,178	78	19,285
Depreciation								
Balance at the beginning of the year	-	95	2,330	3,307	643	1,994	-	8,369
Depreciation charge for the year	-	2	110	770	276	164	-	1,322
Disposals	-	-	-	(796)	(253)	(1,325)	-	(2,374)
Transfers	-	-	-	-	-	-	-	-
Balance at the end of the year	-	97	2,440	3,281	666	833	-	7,317
Carrying amount								
Balance at 1 July 2009	371	24	6,344	2,031	646	441	1,607	11,464
Balance at 30 June 2010	371	22	8,368	2,187	597	345	78	11,968

23. OTHER RECEIVABLES AND ASSETS

	Consolidated		The Fund	
	2010 $000	2009 $000	2010 $000	2009 $000
Contributions receivable	8,971	7,649	8,971	7,649
Less: Provision for impairment	(3,888)	(4,233)	(3,888)	(4,233)
	5,083	3,416	5,083	3,416
Interest receivable	44,629	43,410	44,574	41,989
Less: Provision for impairment	-	(3,064)	-	-
	44,629	40,346	44,574	41,989
Dividends receivable	804	234	6,984	11,169
Rent receivable	232	412	232	412
Less: Provision for impairment	(80)	(403)	(80)	(403)
	152	9	152	9
Accrued revenue	3,745	3,357	-	-
Receivable from related parties	1,396	3,961	168	-
Deferred expense	51	43	-	-
Other deposits and receivables	35,177	41,125	1,329	4,500
Less: Provision for impairment	(1,978)	(1,043)	-	-
	38,391	47,443	1,497	4,500
	89,059	91,448	58,290	61,083

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

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

	Contributions receivables $000	Interest $000	Rent receivables $000	Others $000
Balance as at 1 July 2008	1,259	2,445	403	2,364
New and increased provisioning	2,974	619	-	1,043
Reversal of allowance for doubtful debts from opening balance provided on related party balances	-	-	-	(2,364)
Provisions reversed	-	-	-	-
Balance as at 30 June 2009	4,233	3,064	403	1,043
New and increased provisioning	-	-	-	935
Provisions reversed	(345)	(3,064)	(323)	-
Balance as at 30 June 2010	3,888	-	80	1,978

23. OTHER RECEIVABLES AND ASSETS (continued)

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

	Contributions receivables $000	Rent receivables $000
Balance as at 1 July 2008	1,259	403
New and increased provisioning	2,974	-
Balance as at 30 June 2009	4,233	403
Provisions no longer required	(345)	(323)
Balance as at 30 June 2010	3,888	80

Total impairment losses reversed to expenses is $668,000 (2009: charged to expenses - $2,974,000)

24. CREDITORS AND BORROWINGS

	Notes	Consolidated 2010 $000	Consolidated 2009 $000	The Fund 2010 $000	The Fund 2009 $000
Sundry creditors and accruals		96,015	89,879	7,273	3,545
Bank overdraft	31(a)	11,597	24,012	847	1,052
Finance lease	32(e)	1	16	-	-
Due to related parties		4,763	503	-	-
Customer deposits - unsecured		78,090	74,518	-	-
		190,466	188,928	8,120	4,597
Represented as:					
Less than or equal to 3 months		66,431	55,205	8,120	4,597
3 to 12 months		72,459	35,402	-	-
1 to 5 years		46,351	84,957	-	-
Greater than 5 years		5,225	13,364	-	-
		190,466	188,928	8,120	4,597

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

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

The bank overdraft of subsidiary, Telecom Fiji Limited is secured by 1st registered mortgage over all assets and undertakings of the company with priority up to $10m and a letter of charge over held to maturity investments of the company of $14.648m held with ANZ, Suva. The facility is subject to interest at the rate of 6.3%.

Customer Deposits - unsecured
This represents fixed term and at call deposits with Home Finance Company Limited.

25. OTHER LIABILITIES

	Consolidated		The Fund	
	2010 $000	2009 $000	2010 $000	2009 $000
Deposits	5,871	5,791	812	765
Other deferred revenue	15,209	7,111	-	-
Provision for dividends	18,750	19,762	-	-
Pensions payable	1,568	1,708	1,568	1,708
Other payables	51	52	-	-
	41,449	34,424	2,380	2,473

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

26. EMPLOYEE ENTITLEMENTS

Annual leave	1,936	1,851	499	401
Long service leave and gratuity	6,930	216	100	105
Retirement benefits	1,890	1,811	1,690	1,598
Bonus	207	6,610	-	-
	10,963	10,488	2,289	2,104
As at 1 July 2009	10,488	10,169	2,104	1,964
Additional provisions recognised	7,768	6,610	452	256
Paid during the year	(7,293)	(6,291)	(267)	(116)
Carrying amount as at 30 June 2010	10,963	10,488	2,289	2,104
Current	8,638	7,388	1,457	502
Non-current	2,325	3,100	832	1,602
Total	10,963	10,488	2,289	2,104

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

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

27. PROVISION

Provision	-	10,101	-	-

Last year the directors and management of one of the subsidiary, Natadola Beach Resort Limited, had created a provision for impairment of $10,100,885 for costs to be incurred to complete the Hotel and Gold Course projects. The provision has reduced to $Nil as at 30 June 2010 through a number of adjustments passed in the current financial year, as follows:

Amount as at 1 July 2009	10,101
Less: amount applied against Property, plant and equipment (Note 22)	(6,728)
Add: adjustments passed to creditors and accruals and offset against this account	3,013
	6,386
Less: amount reversed to the statement of changes in net assets	(6,386)
Balance as at 30 June 2010	-

28. NET ASSETS AVAILABLE TO PAY BENEFITS

	Notes	Consolidated 2010 $000	Consolidated 2009 $000	The Fund 2010 $000	The Fund 2009 $000
Net assets available to pay benefits		3,551,495	3,359,100	3,525,771	3,316,285
Represented by:					
Liability for accrued benefits	29	2,849,668	2,689,101	2,849,668	2,689,101
Retained earnings	28 (a)	(375,195)	(351,112)	-	-
General Reserve Account	28 (b)	1,075,266	1,018,272	676,103	627,184
Available for sale reserve	28 (c)	(93)	1,167	-	-
Credit loss reserve	28 (d)	1,510	1,333	-	-
Asset revaluation reserve	28 (e)	339	339	-	-
		3,551,495	3,359,100	3,525,771	3,316,285
(a) Retained earnings					
Balance at the beginning of the year		(351,112)	(79,646)	-	-
Adjustments relating to subsidiary previously not consolidated		-	31,432	-	-
Add transfers (to)/from statements of changes in net assets		(24,083)	(302,898)	-	-
Balance at the end of the year		(375,195)	(351,112)	-	-
(b) General Reserve Account (GRA)					
Balance at the end of the year		1,075,266	1,018,272	676,103	627,184
GRA comprises of the following reserves:					
Special death benefit reserve		15,822	14,067	15,822	14,067
Pension buffer reserve		107,284	128,606	107,284	128,606
General reserve		952,160	875,599	552,997	484,511
		1,075,266	1,018,272	676,103	627,184

The movements in the above reserves are as follows:

Special death benefit reserve

Balance at the beginning of the year		14,067	10,685	14,067	10,685
Add/(less) transfers from/(to) statements of changes in net assets:					
Transfer from	30	9,707	9,633	9,707	9,633
Transfer to	30	(7,952)	(6,251)	(7,952)	(6,251)
Balance at the end of the year		15,822	14,067	15,822	14,067

The amounts transferred to the Special Death Benefit Reserve of $9,707,000 (2009: $9,633,000) represent deductions of $35 (2009: $35) or less from the accounts of each entitled member.

The amounts transferred from the Special Death Benefit Reserve of $7,952,000 (2009: $6,251,000) represent disbursements to the nominees of those members who died during the year of $8,500 (2009: $8,500) per member. These disbursements are in addition to the amounts standing to the deceased member's credit.

28. NET ASSETS AVAILABLE TO PAY BENEFITS (continued)

(b) General Reserve Account (GRA) (continued)

		Consolidated		The Fund	
		2010	2009	2010	2009
		$000	$000	$000	$000
Pension buffer reserve					
Balance at the beginning of the year		128,606	150,193	128,606	150,193
Add/(less) transfers from/(to) statements of changes in net assets:					
Transfer from	30	25,438	21,861	25,438	21,861
Transfer to	30	(46,760)	(43,448)	(46,760)	(43,448)
Balance at the end of the year		107,284	128,606	107,284	128,606

The amounts transferred to the Pension Buffer Reserve relate to members who have opted for annuities during the year of $25,438,000 (2009: $21,861,000).

The amounts transferred from the Pension Buffer Reserve of $46,760,000 (2009: $43,448,000) represent payment of annuities during the year.

General reserve					
Balance at the beginning of the year		875,599	807,663	484,511	724,363
Add transfers from statements of changes in net assets:					
Transfer from	30	76,561	67,936	68,486	-
Transfer to	30	-	-	-	(239,852)
Balance at the end of the year		952,160	875,599	552,997	484,511
(c) Available for sale reserve					
Balance at the beginning of the year		1,167	492	-	-
Fair value movements		(1,260)	675	-	-
Balance at the end of the year		(93)	1,167	-	-
(d) Credit loss reserve					
Balance at the beginning of the year		1,333	-	-	-
Movements during the year		177	1,333	-	-
Balance at the end of the year		1,510	1,333	-	-
(e) Asset revaluation reserve					
Balance at the beginning of the year		339	-	-	-
Movements during the year		-	339	-	-
Balance at the end of the year		339	339	-	-

Asset revaluation reserve represents valuation increment on leasehold land and buildings in a subsidiary.

29. LIABILITY FOR ACCRUED BENEFITS

	Notes	Consolidated 2010 $000	Consolidated 2009 $000	The Fund 2010 $000	The Fund 2009 $000
Balance at the beginning of the year		2,689,101	2,612,197	2,689,101	2,612,197
Add transfers from statements of changes in net assets	29(b)	160,567	76,904	160,567	76,904
Balance at the end of the year		2,849,668	2,689,101	2,849,668	2,689,101
(a) Allocation of Benefits					
Allocated to Members' Accounts		2,843,986	2,683,277	2,843,986	2,683,277
Unallocated to Members' Accounts		5,682	5,824	5,682	5,824
		2,849,668	2,689,101	2,849,668	2,689,101

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

(b) Benefits accrued during the year				
Contributions received	292,267	288,492	292,267	288,492
Benefits paid	(277,486)	(352,295)	(277,486)	(352,295)
Interest credited on members' accounts	121,170	113,634	121,170	113,634
Interest on withdrawals	5,049	8,868	5,049	8,868
Add: Net amounts transferred from 'Special Death Benefit' and 'Pension Buffer' reserve	19,567	18,205	19,567	18,205
	160,567	76,904	160,567	76,904

The Board has declared an annual interest rate of 5% to be credited to the members' accounts as at reporting date (2009: 5%).

(c) Benefits paid during the year				
1 - 55 years and over	86,862	75,434	86,862	75,434
2 - Death	11,572	12,537	11,572	12,537
3 - Disability	2,384	2,348	2,384	2,348
4 - Migration	24,688	39,788	24,688	39,788
5 - Marriage	1	2	1	2
6 - Non-Citizens migrating	5,613	6,272	5,613	6,272
7-8 - Partial/Small Business Equity Scheme	61,737	135,661	61,737	135,661
9 - Housing transfers	29,134	30,552	29,134	30,552
Pension Annuity	46,760	43,448	46,760	43,448
Special Death Benefit costs	8,735	6,253	8,735	6,253
	277,486	352,295	277,486	352,295

29. LIABILITY FOR ACCRUED BENEFITS (continued)

(d) Actuarial valuation

	The Fund 2010 $000	2009 $000
Net assets available for benefits	3,525,771	3,316,285
Actuarial present value of accrued benefits		
Vested benefits for current workers	2,871,291	2,705,900
Vested benefits for pensioners	536,183	423,317
Non-vested benefits	62,308	18,304
Total actuarial present value of accrued benefits	3,469,782	3,147,521
Excess	55,989	168,764

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

30. NET CHANGE FOR THE YEAR

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

	The Fund 2010 $000	2009 $000
Change in net assets for the year attributable to members of the Fund	209,486	(181,153)
(Less)/ Add net transfers to/from:		
Liability for accrued benefits	(160,567)	(76,904)
Special death benefit	(1,755)	(3,382)
Pension buffer	21,322	21,587
General reserve	(68,486)	239,852
	(209,486)	181,153

31. NOTES TO THE STATEMENTS OF CASH FLOWS

(a) Reconciliation of cash

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

	Notes	Consolidated 2010 $000	Consolidated 2009 $000	The Fund 2010 $000	The Fund 2009 $000
Cash and short term liquid assets	18	65,807	74,792	41,765	45,367
Short term deposits		15,848	46,006	-	-
Bank overdraft	24	(11,597)	(24,012)	(847)	(1,052)
Cash at end of financial year		70,058	96,786	40,918	44,315

31. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

(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.

32. COMMITMENTS AND CONTINGENT LIABILITIES

	Consolidated		The Fund	
	2010 $000	2009 $000	2010 $000	2009 $000
(a) Commitments				
Capital expenditure commitments	31,114	114,388	-	-
Capital Commitments approved by the directors but not yet contracted	10,488	30,635	10,488	30,635
Undrawn facilities in relation to mortgage loans	14,213	22,648	5,064	7,994
	55,815	167,671	15,552	38,629
(b) Contingent liabilities				
Customer claims	-	16	-	-
Performance bonds	225	360	-	-
Letter of credit	15,627	-	-	-
Litigation	395	-	-	-
Guarantees	2,086	2,114	357	357
Immigration bond	-	3	-	-
Movie investment tax incentive allowance	2,490	2,490	-	-
	20,823	4,983	357	357

The Fund provided a written undertaking to financially support Natadola Bay Resort Limited (NBRL), a subsidiary of the Fund, in meeting all its obligations as and when due, in the event NBRL is unable to do so. This includes not calling upon any of it's debts totaling $305,852,865 to NBRL and waiving interest on these debts for the 2010 financial year. This support is in place for at least twelve months from 17th November, 2010.

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

(c) Operating lease commitments

Total commitments for future base lease rentals are as follows:

Not later than 1 year	2,721	14,804	-	13
Later than 1 years but not later than 5 years	10,714	8.804	-	-
Greater than 5 years	40,143	21,868	-	-
	53,578	45,476	-	13

32. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

	Consolidated		The Fund	
(d) Operating lease revenue	**2010 $000**	**2009 $000**	**2010 $000**	**2009 $000**
Non cancellable operating lease rentals are receivable as follows:				
Not later than 1 year	13,088	1,242	9,202	1,242
Later than 1 years but not later than 5 years	37,686	2,723	22,142	2,723
Greater than 5 years	79,018	896	42,330	896
	129,792	4,861	73,674	4,861
(e) Finance lease commitments				
Finance lease expenditure contracted for motor vehicle is payable as follows:				
Not later than one year	1	16	-	-
Future finance charges	-	-	-	-
Net finance lease liability	1	16	-	-
Reconciled to:				
Current liability	1	16	-	-

33. RELATED PARTIES

a. Related parties

Directors

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

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

(b) Transactions with related parties

	Consolidated		The Fund	
Directors*	**2010 $000**	**2009 $000**	**2010 $000**	**2009 $000**
Directors remuneration - fees and allowances	372	585	27	69
Other services provided to the Fund	-	-	-	-
	372	585	27	69

33. RELATED PARTIES (continued)

(b) Transactions with related parties (continued)

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

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

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

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

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

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

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

	Consolidated		The Fund	
	2010 $000	2009 $000	2010 $000	2009 $000
Short-term benefits	5,962	7,802	612	572
Post employment benefits	-	55	-	-
	5,962	7,857	612	572

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

Transactions with other related parties

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

For amounts due to and receivable from related parties, please refer to Notes 23 and 24.

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

33. RELATED PARTIES (continued)

(b) Transactions with related parties (continued)

Loans provided to subsidiaries as contained in Note 13 are as follows:

	2010 $000	2009 $000
Natadola Bay Resort Limited	305,853	300,828
Telecom Fiji Limited	81,459	80,000
Amalgamated Telecom Holdings Limited	20,274	20,000
FNPF Investments Limited	13,157	14,052
Home Finance Company Limited	68,083	66,785
Penina Limited	40,036	32,960
	528,862	514,625
Less : provision for impairment	(220,911)	(220,911)
	307,951	293,714

Natadola Bay Resort Limited (NBRL)
Loans from FNPF were advanced to the subsidiary, NBRL for the construction of the Intercontinental Hotel and Golf Course at Natadola.

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

According to the offer documents, the loans are to be secured by:

i) Stamping and upstamping of first registered mortgage with improvement thereon over NLTB ref. No. 50035997, part of Sanasana, Natadola Beach, Malomalo. The security has not been executed as at the balance date.
ii) First registered mortgage with improvement thereon over CL 9379. The security has not been executed as at the balance date.
iii) Stamping and upstamping of first registered debenture over NBRL. The security has not been executed as at the balance date.
iv) First Registered Mortgage over all undeveloped land owned by Natadola Land Holdings Limited. This mortgage will be discharged once the hotel is completed. Partial discharge will not be withheld when needed. The security has not been executed as at the balance date.
v) Comprehensive insurance cover over the property with improvement thereon and FNPF's interest noted thereon;
vi) Loan agreement to supersede all contract agreement relating to the development of the Phase one of the Natadola Project.
vii) Contractors Side Deed. This has ceased to apply as the project works have been completed.
viii) An equitable mortgage over the bank accounts of the Mortgagor and assignment of income arising out of the Golf Operations to be effective when arrears of obligations are outstanding. The security has not been executed as at the balance date.
ix) The Fund is to be assured that prior to the disbursement of any funds by FNPF, the Golf & Hotel Operator under the their respective Management Agreement will not be entitled to terminate such agreement if FNPF should exercise any of its power as mortgagee or debenture holder. The obligation under this clause will also extend to any agreements entered into with any manager, agent, or other relevant parties connected with the management of the golf and phase one of the project.
x) Assignment of the performance bond by ANZ Bank for Heritage Golf (Fiji) Ltd. This is no longer relevant as the works on the Golf project has been completed.

33. RELATED PARTIES (continued)

(b) Transactions with related parties (continued)

Natadola Bay Resort Limited (NBRL) (continued)

xi) Corporate Guarantee by Asia Pacific Resort International Limited, (Fiji) (APRIL). This is no longer relevant as APRIL is no longer associated with the project.

Amalgamated Telecom Holdings Limited (ATH) and Telecom Fiji Limited (TFL)
Loans to TFL are secured by 2nd registered mortgage debenture over all the assets and undertakings of TFL. The interest rate on this loan varies from 3.3% to 13% per annum. TFL defaulted on loan repayment of $10 million during the year on which it is currently incurring a penalty interest at the rate of 13%.

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

Penina Limited (PL)
During the year ended 30 June 2007, FNPF approved a loan facility of $32 million for the construction of the Tappoo City complex. The loan is subject to interest at the rate of 6% and secured by the following:

1. First registered mortgage over title CT 39184.
2. First registered debenture over assets of PL.
3. Insurance cover over the property with FNPF's interest noted theron.

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

The repayment of principal and interest amounting to $1,384,396 which was due on 30 June 2009 as per the initial loan agreement was subsequently extended to 31 July 2010 due to delay in construction completion. Subsequent to balance date, PL received approval from FNPF to defer commencement of semi-annual loan repayments till 31 December 2010 including principal and interest amounting to $1,443,572.

During October 2009, FNPF approved additional funding of $9.8 million out of which $7,696,245 was drawn as at year end. The term loan is at interest rate of 8.5% and will mature on 31 October 2010. The loan is secured by the same security as for the loan above with upstamped loan value. Furthermore, FNPF approved deferment of loan repayment. Interest only repayment is required to be made at 6 monthly intervals.

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

Home Finance Company Limited (HFC)
The loan is secured by HFC's undertaking on all its property. The amount is made up of a loan of $16,082,526 and convertible notes of $52,000,000. Interest rates for the loan vary from 5% to 6.75% and repayments vary upto 7 years. For the convertible notes, interest rates are pegged to the current market rate decided by the Fund and is subject to adjustment and review on an annual basis. Six monthly interest only repayments with principal repayments for the convertible loans due over a period of 15 years.

33. RELATED PARTIES (continued)

(b) Transactions with related parties (continued)

Auditors

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

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

(c) Group enterprises – significant subsidiaries

	Country of Incorporation	Ownership Interest
Amalgamated Telecom Holdings Limited*	Fiji Islands	58%
- Telecom Fiji Limited*		
- Fiji Directories Limited*		
- Vodafone Fiji Limited*		
- Internet Services Fiji Limited		
- Transtel Limited		
- Xceed Pasifika Limited		
- Amalgamated Telecom Nominees Limited*		
- ATH Technology Park (formerly Reach Fiji Limited) *		
- ATH Call Centre Limited *		
Home Finance Company Limited*	Fiji Islands	75%
FNPF Nominee Company Limited	Fiji Islands	100%
FNPF Investments Limited	Fiji Islands	100%
- Natadola Land Holding Limited*		51%
- Yatule Beach Resort Limited*		100%
- Natadola Bay Resort Limited		100%
- FNPF Hotel Resorts Limited*		100%
- Penina Limited*		51%
- Grand Pacific Hotel Limited*		80%
- Dareton Limited*		100%

* Not audited by PwC

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

34. EVENT SUBSEQUENT TO THE BALANCE DATE

(i) Subsequent to balance date, a subsidiary company, Grand Pacific Hotel Limited was in negotiations with a consortium from Papua New Guinea for the partial purchase and redevelopment of the Grand Pacific Hotel.

(ii) Subsequent to balance date, a subsidiary company, Natadola Bay Resort Limited (NBRL) was in discussions with FNPF and FNPF Investments Limited with the view to changing NBRL's debt and equity structure. The discussions are in preliminary stages at this point.

(iii) The Board in September 2010 approved that the staff loans portfolio be purchased by a subsidiary, Home Finance Company Limited at book value. The purchase is expected to be made at the end of November 2010.

Apart from the above matters and other matters specifically referred to in the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the board members, to affect significantly the operations of the Fund and the Group, the results of those operations, or the state of affairs of the Fund and the Group.

35. MOMI BAY DECREE 2010 (MBD)

The MBD, came into force on 18th June, 2010 by virtue of Legal Notice no 68, Issue no 29 dated 25th June, 2010. The object of this Decree was to protect the members funds invested in the Momi Bay Development at Momi Bay by the Fiji National Provident Fund. Pursuant to the Decree:

- the foreclosure applications made by FNPF after default by the Developer in completion and repayment to FNPF is to be expedited; and
- any lands in stage I of the Momi Bay Intergrated Resort Development together with all improvements and fixtures thereon are to be vested in FNPF for the benefit and protection of the members of FNPF.

As at 30 June 2010, the Fund had lent a total of $100,974,633 towards the project. This amount has been impaired by $55,000,000. The carrying value of $45,974,633 is included as part of Note 13.

36. NATADOLA BAY DECREE 2010 (NBD)

The NBD, came into force on 5th May, 2010 by virtue of Legal Notice no 49, Issue no 22 dated 7th May, 2010. The object of this Decree was to protect the FNPF members funds invested in the Natadola Bay Development at Natadola by the Fiji National Provident Fund through its subsidiaries. Pursuant to the Decree:

a) all property held by Natadola Land Holdings Limited (NLHL), Hotel Property Pacific Limited (HPPL) (formerly APRIL) or FNPF Investments Limited at Natadola Bay which formed part of the original Master Plan of Natadola Bay Development, is deemed to have been transferred to NBRL. Consequently, the leases for the residential lots of the development now rests with NBRL, with NBRL now being responsible to develop, market and sell the residential properties (which previously was to have been done by NLHL). Refer to Note 17 and 22 for how this has been accounted for in the financial statements.

b) shares held by HPPL in NLHL (49% ownership) are forfeited to the FNPF Investments Limited, a subsidiary of the Fund. The Decree however did not assign a value to these forfeited shares nor for any consideration to be paid to HPPL. In view of this and in view of FNPF Investments Limited ascertaining the fair value of the shares as nil, the additional shares were recorded by FNPF Investments Limited at a nil value. The non controlling interest's share of NLHL's issued capital and accumulated losses have been transferred to the net assets available to pay benefits.

c) no one may challenge the issuance of leases to the developers in Natadola or any transfers thereof to HPPL, NLHL or NBRL prior to commencement of the Decree.

d) all actions / challenges brought against NBRL under the Development Management Agreement (DMA) have terminated. The NBD prevents any actions which seeks any challenge, remedy or which seeks to challenge or question the failure to honour obligations imposed on NLHL, NBRL, FNPF Investments Limited or FNPF under any Development Management Agreement (DMA).

e) any litigation of any nature in respect of the matters noted above that had been instituted before the commencement date of the Decree, has terminated upon the Decree's commencement.

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