FNPF

securing your future

ANNUAL REPORT 2015

ABOUT US

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 striving to maintain highest standard

Briefly

The Fiji National Provident Fund is a defined benefit fund that provides superannuation services to its members. The operations of the Fund is guided by the FNPF Decree 2011 and the FNPF Transition Decree 2011.

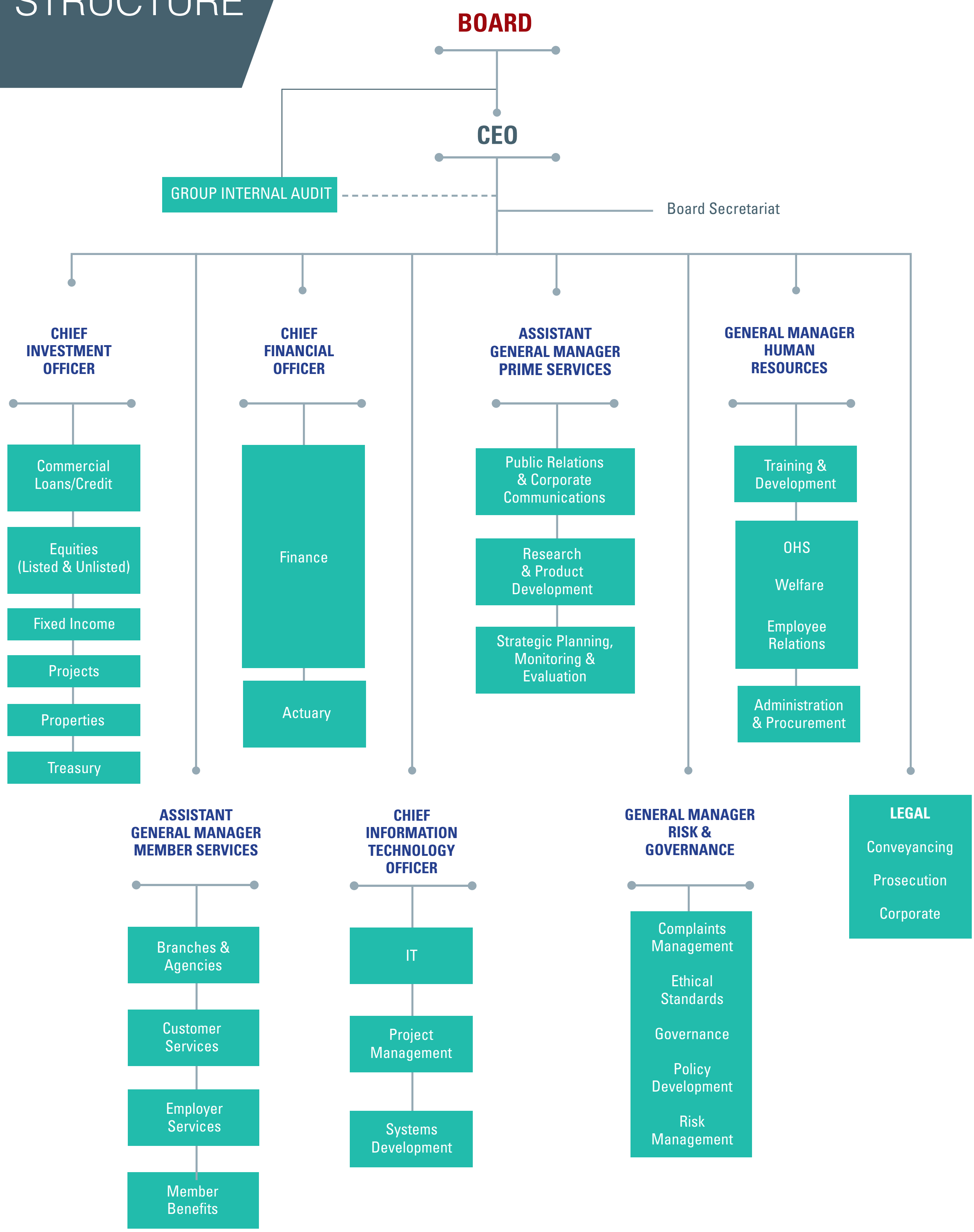
As such, FNPF is mandated by law to collect compulsory contributions from employees and employers towards the retirement savings of all workers in Fiji. Apart from retirement savings, the Fund also provides pre-retirement benefits such as housing, medical and education assistance.

As at 30 June 2015, FNPF's total assets were valued at $4.9 billion, of which $4.0 billion is members' balance for our 403,316 members.

FNPF is a major investor in Fiji and one of the country's largest property owners. The Fund also owns majority of shares in Amalgamated Telecom Holdings Limited, Vodafone Fiji Limited, Home Finance Company Bank, and fully-owns the Natadola Bay Resort Limited (InterContinental Fiji Golf Resort & Spa), Holiday Inn Suva, Momi Bay Resort Limited and 25% of the Grand Pacific Hotel.

CONTENTS

OUR STRUCTURE



OUR BOARD

Mr AJITH KODAGODA

CHAIRMAN

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

Mr TOM RICKETTS

DEPUTY CHAIRMAN

Member since July 2009. Chairman Board Investment Committee and Member Board Audit & Risk Committee. Chairman HFC & Telecom Fiji Limited (TFL). Director of ATH and FIL

Mr TEVITA KURUVAKADUA

DIRECTOR

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

Mr SASHI SINGH

DIRECTOR

Member since January 2010. Chairman Human Resources Committee. Chairman Fiji Broadcasting Corporation Ltd and Director of FIL, HFC & TFL.

Mr TAITO WAQA

DIRECTOR

Member since 2007. Member Board Human Resources Committee. Director of ATH. Chairman of the National Employment Centre Board, Chairman National Occupational Health & Advisory Board.

OUR ACHIEVEMENTS FY2015

Operations Highlights

Implementation of New member administration system **ProMIS** (Provident Fund Management Information System)

Thirteen provisions of the FNPF Decree 2011 were implemented, which includes the establishment of two accounts for Members-Preserved & General

Construction of the 250-room five star **Fiji Marriot Resort at Momi Bay** & the new **Greig Street** development commenced

Opening of new Customer Service offices in Sigatoka and Nausori

A total of **466,906** customers served, averaging about 38,908 per month during the financial year

Purchased 49% of Vodafone Fiji Ltd – which takes FNPF's total ownership to 79%.

PGA-sanctioned **Fiji International tournament** was hosted at the Natadola Bay Championship Golf Course

Financial Highlights

Net surplus of $373.2 million, an increase of $16.8 million from 2014

Increase in member contributions by 15% from last year to **$432.2 million**

Investment income grew by 20% from $252.8 million in 2014 to **$302.7 million**

Return on Investment was **6.6%**

Total *member balances* increased **from $3.7 billion to $4 billion** in 2015

6% interest credited to members on 30 June, 2015 resulting in the distribution of $213.2 million

Total benefit paid to members (excludes pension) was **$300.5 million** compared with $272.0 million in 2014

OUR NUMBERS FY2015

Table 1: Summary of Key Indicators FY2011-2015					
	2011	2012	2013	2014	2015
Employers	7,508	7,840	8,383	8,900	9,770
Membership	368,186	372,831	381, 303	395,246	403,316
Members' Funds ($billions)	3.0	3.2	3.4	3.7	4.0
Contributions ($millions)	303.5	317.3	343.1	375.7	432.2
Interest paid to members ($millions)	133.6	132.8	155.6	175.0	213.2
Interest rate credited to Members (%)	5.25%	5.0%	5.50%	5.75%	6.0%
Withdrawals ($millions)	309.5	318.2	276.1	272.0	300.5
Investment Portfolio ($billions)	3.5	3.5	3.7	3.8	4.1
Annuity payments ($millions)	49.1	43.2	23.4	23.9	23.6
Net Investment Income ($millions)	238.8	249.9	280.1	252.8	302.7
Total Assets ($billions)	3.8	3.9	4.2	4.5	4.9

Table 2: Summary of Member Withdrawals FY2011-2015					
Grounds of Withdrawals	2011	2012	2013	2014	2015
55 years and over ($millions)	120.7	117.5	109.3	115.0	123.1
Death ($millions)	10.7	15.1	17.4	15.7	14.5
Disability ($millions)	3.6	3.5	4.9	3.2	3.2
Migration ($millions)	31.9	37.8	27.8	25.3	27.1
Non-Citizens migrating ($millions)	5.1	6.5	6.5	5.7	5.2
Partial ($millions)	45.2	45.5	52.7	49.8	58.2
Housing transfers ($millions)	33.3	40.2	47.8	48.7	59.5
Special Death Benefit ($millions)	9.8	8.7	9.2	8.3	9.0

OUR FOCUS FY2016-2020

Transformation to Create and Protect Retirement Savings

STRATEGIC THEMES

- **Theme 1** Excellent Customer Services
- **Theme 2** Grow Member Savings
- **Theme 3** Operational Efficiency
- **Theme 4** Great Place to Work
- **Theme 5** Protecting Member Value

OUR CHAIRMAN

FNPF's operating and financial results for year ended 30 June 2015 reflected another year of strong performance continuing a stable trajectory growth path. The positive outcome vindicates our focus to reshape and strengthen our investment and operational strategies to continue to grow our members' savings and improve the quality of our services. As Chairman, I am therefore pleased to report another exceptional year to our stakeholders.

Global Backdrop

Latest forecasts by the International Monetary Fund, indicate that the global economic growth is projected at 3.3% for 2015, down marginally from 3.4% in 2014. While the more advanced economies grew at just over 1.8% in 2014, ahead of the growth rate of 1.4% in 2013, activity in the emerging markets and developing economies are expected to continue to be slow for the fifth year in row.

One of the most notable features which had an impact on the global economy was the deflation of global oil prices, and its impact reflected across multiple economies around the world. The US economy rebounded well ahead of expectations with lower unemployment ratings, where as our biggest trading partner Australia, its economic growth fell to 2.4%in 2014, from 2.7% a year earlier.

China also recorded lower economic growth of 7.4%, following a decline in investment growth and other leading economic indicators. Slower growth in this emerging economic giant will have important regional effects, and will be reflected in growth rates of connected economies, like Australia which in turn will have an impact on Fiji.

Graph 1: Assets 2011-2015

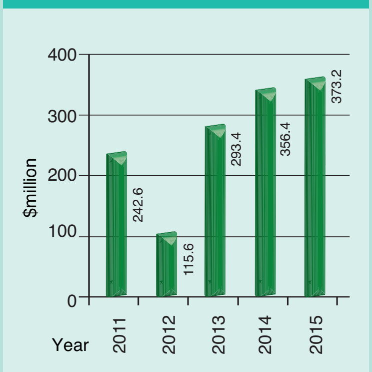
A Buoyant Fijian Economy

Contradictory to the trends in world economy, Fiji's economy has been buoyant. Benefitting from the democratic elections in September 2014, and the return of legitimacy and political stability together with a relatively favorable climate for investment and doing business in post-elections, the economy grew at a rate of 5.3% in 2014. Economic activity is projected to grow at 4.3% in 2015, averaging close to 5% in 3 years. This is unprecedented for Fiji and is a testimony of stable policy underpinned by the Government's reformist agenda.

The domestic investment environment was favorable, supported by the Reserve Bank of Fiji's accommodative monetary policy and Government's conducive fiscal stance. Investment, as a percentage of the gross domestic product remained above benchmark of 25%, driven largely by public sector investments in social infrastructure, particularly roads. The accommodative monetary policy led to an overall increase in private sector credit, as banking liquidity remained high.

The decline in world oil price will have positive impact on our balance of payments, with reduced expenditure on crude oil. If the oil price reduction is accurately matched within the economy, inflation is expected to decline further.The decline of the Australian dollar (AUD) and the increase in the US dollar (USD) will have some impact on Fiji's economy.

Graph 2: Net Surplus 2011-2015



Fund's performance

The Fund's key performance indicators proved that it was another remarkable year, despite some challenges in the operating environment.

Interest rates were generally low during the period, not withstanding some upward swings in certain tenures. Domestic liquidity closed at $689 million compared with $531 million in 2014, while FNPF's cash holding stood at $656.2 million compared

The FNPF actively pursued its mission to ensure sustainable returns through investment diversification strategy. Despite a generally weak interest rate environment, the Fund's income increased due mainly to diversification towards growth assets.

with $645.5 million. The high cash holdings were held to fund some investment opportunities including privatization that had not materialized by the end of the year.

Against this backdrop, FNPF continued to pursue its key investment objective of diversification into growth assets and offshore investments. Whilst some success was achieved, the Fund's investment portfolio is still well below the optimal target of 60% in growth assets and 25% offshore. Given limited investment opportunities and the restrictions imposed by the Reserve Bank of Fiji, achieving this target will take time. This will, however, remain our focus and we will continue to work collaboratively with the relevant authorities to achieve this strategic objective.

Financial Performance

Total member funds grew by 8% to $4.0 billion. At the end of the financial year, FNPF assets totalling $4.9 billion accounted for 27.5% of the total assets of the financial system.

A consolidated surplus of $373.2 million was recorded, resulting from net investment income of $302.7 million and net contribution of $131.7 million.

Both member contributions and withdrawals were high, with withdrawals expected to normalise by 2017. Contributions were boosted by the extra 2% paid by employers that came into effect on 1 January, 2015.

Return on Investment

The Fund, with investment assets totalling $4.1 billion, returned 6.6%, after expenses and compliance with solvency requirements.

Return on investment (ROI) is now evaluated by applying actuarial method for the purpose of improving its accuracy and robustness.

The new formula takes into account the amount of investment income excluding the relevant expenses and the average available for investment over the year.

Traditionally, the Fund has reported ROI as the ratio of net investment income to the value of its investment portfolio at the end of the year.

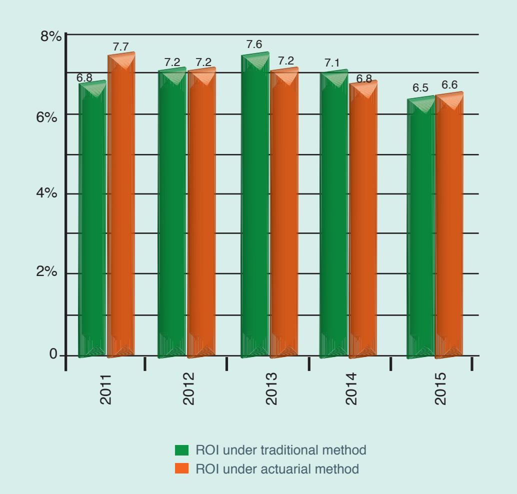
It is now imperative that the Fund aligns its investment performance reporting with industry standards so as to show the real measure of its investment activities.

Interest Paid to Members

Interest declared to members was 6%, which equated to $213.2 million being credited to their accounts on June 30, 2015.

The rate was derived under a new formula that ensures partial interest is credited on contributions received less withdrawals for the period, as well as for a full year on the opening balance.

Graph 3: Comparative ROI Calculations



The new formula is in line with international best practice. The Fund Actuary has certified that the rate will not put undue stress on the solvency position as required under legislation.

New IT system

The new Provident Fund Management Information System (ProMIS) was launched on 24 November, 2014 and provides the platform for operational efficiency that should improve our service to our members.

The system incorporates critical components of the FNPF Decree 2011, the FNPF Amendment Decree and FNPF Regulations.

ProMIS is designed to provide user-friendly, accessible and convenient services. It also caters for our growing IT savvy members with Generation Y employees entering and establishing themselves in the workforce. This generation is characterised by their enthusiastic adoption of technical applications to conduct business 'on the go'. To cater for this group, FNPF will continue to enhance IT capability to provide online services that are operable on the mobile platform, too.

Extending coverage

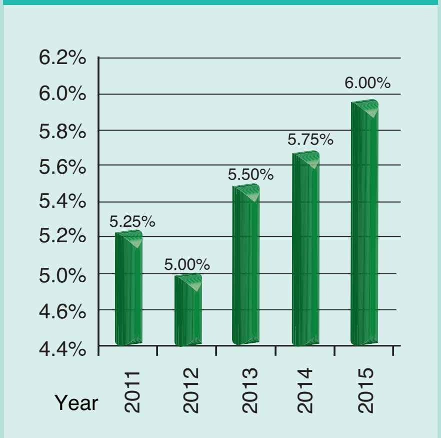
While adopting the latest online technologies, we have not forgotten our thousands of members who still prefer to visit our branches or speak to our officers over the phone. Approximately 470,000 members were served in our eight branches and agencies and via phone in 2015.

During the financial year, we increased coverage for our members by opening two new branches in Sigatoka and Nausori. The new offices not only look after members' and pensioners' needs but also provide our employers with services that they normally access in Nadi and Suva, respectively.

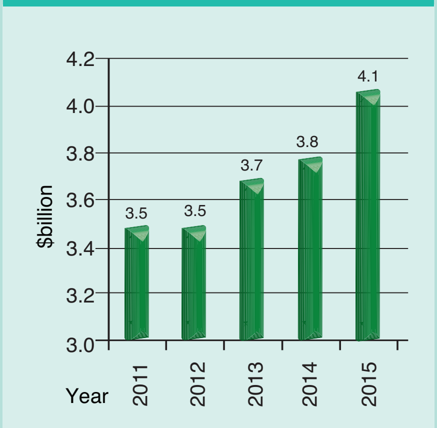
FNPF will reopen its Valelevu agency in Nasinu in 2016 to cater for the densely-populated Suva to Nausori corridor.

We will continue to explore opportunities to improve accessibility to our stakeholders in the next few years.

Graph 4: Interest Credited 2011-2015



Graph 5: Investment Portfolio 2011-2015



Sustained Sound Governance

Good governance is a reigning principal at the Fund's board room and all aspects of business, a virtue that is instilled in the mindset of all employees as well. FNPF is managed within a comprehensive and transparent corporate governance framework that is in accordance with applicable rules and regulations governing the industry, with systems in place to ensure total compliance thereof. A joint RBF and the Australian Prudential Regulatory Authority (APRA) carried out onsite inspection and assessed inherent market and investment risks to be moderate, indicating a fair rating.

The favourable risk ratings have resulted from strong oversight by the Board and effective governance framework for investment related project and strengthened internal controls.

Other initiatives like business continuity, disaster recovery and business resumption have been addressed to improve the quality of services to members.

Retirement Focus

A driving force in our policies and procedures is to ensure that our members have adequate savings for retirement. Currently, around 80% of our members retiring over the next four years, would have balances less than $50,000. This is of concern, as less than 5% opted for retirement products in 2015. This means that majority of our immediate retirees, would not have enough savings to adequately cater for them during their retirement.

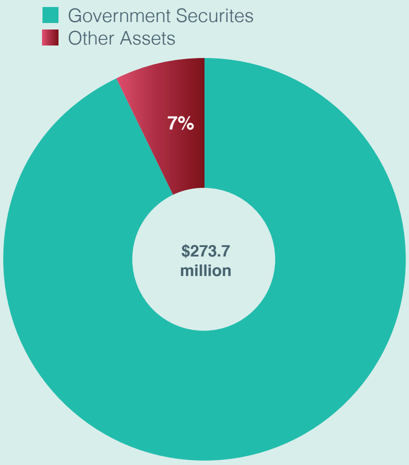
The Fund has taken the first step in addressing this with the establishment of two accounts for members and the preservation of 70% of their savings and contributions for retirement, while 30% is for pre-retirement withdrawals. In addition, members are now able to save additional contribution of up to 12% of salary on voluntary basis, apart from the 18% mandatory contribution.

To support our goals to ensure our members have adequate savings for retirement, the Fund will pursue a more active role in financial literacy and provisions for retirement planning tools.

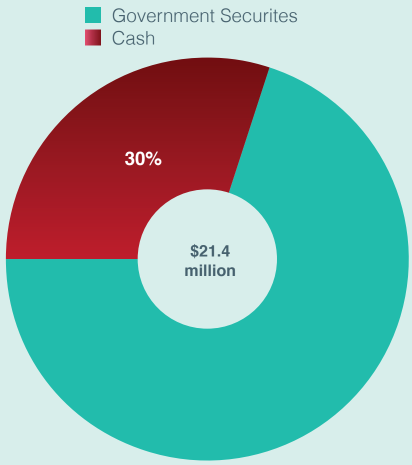
Asset Allocation

The pie charts show the asset allocation for Retirement Income Fund and Special Death Benefit Fund for the year ended 30 June, 2015

Retirement Income Fund



Special Death Benefit Fund



Retirement Income Fund

The Retirement Income Fund (RIF) has operated separately from members' Fund since 2012, and carries the Board's obligation to pay life and term annuities including top up pensions.

The FNPF Actuary undertakes annual valuations of RIF's liabilities and solvency position to ensure operational compliance to the regulatory standards stipulated in the Fund's legislation. The sustainability of current pension conversion rates requires earnings of an average long term rate of 6.5% per annum on investment, taking into account current returns and expected future reinvestment yields after current assets are redeemed.

Special Death Benefits Fund

The Special Death Benefits Fund (SDBF) was separated as a sub-fund on July 1, 2013. This Fund provides insured death benefits on a mandatory basis. The Actuary regularly monitors its sustainability and the adequacy of its reserves to meet the solvency requirements.

A review of the scheme has been carried out by the Fund, to put in place modern business practice and design. When the review is finalised, the scheme will operate on a sustainable and equitable basis for all members.

Strategic Plan

The Board, with the active participation of staff, devised a five year Strategic Plan 2016-2020 which brought in to nexus the key elements that were essential in taking the Fund to new levels of performance. Being resolute in strategy, execution through systematic tracking, will enable the Fund to achieve a more coherent, logical and strong operational model which will set the Fund on a strong growth platform on all fronts.

A review of the Fund's corporate statement inclusive of vision, mission and values is underway with the overall theme of *Transformation to Create and Protect Retirement Savings.* The Board is mindful that transformation in our people, service and processes are crucial in the collection, growth and protection of members' hard-earned retirement savings. The new corporate statement will be launched in the New Year.

Looking to the future

One thing is certain; the environment we operate in undergoes constant and rapid changes. Given the Fund's size relative to the Fijian economy and its importance to members, there is a need to continually undertake research to identify critical issues that will affect our key stakeholders.

With the long term global forecast featuring moderate growth and less stability, the FNPF continually reviews its strategies to overcome challenges and maximize opportunities for members.

The Fund acknowledges that in this dynamic environment, normal investment approaches through traditional asset classes are no longer sufficient to generate high yields for our members. As such, the Fund has adopted a more active investment approach and will continue to explore a diverse range of asset classes, including infrastructure and property development, to enhance returns.

This will involve a holistic review of the Investment Policy Statement which guides the Fund on how it undertakes investments, including greater focus on both risk and return objectives.

Fiji's ageing population continues to grow and members will seek secure retirement incomes from their funds.Therefore, the challenge is to develop and offer retirees new products.

We expect the Reserve Bank of Fiji to maintain strong oversight given the introduction of the proposed Pension Savings Bill. The reform carried out thus far has structurally prepared the Fund to manage competition in the pension business.

Acknowledgement

Like any other business, the Fund is focused on the need to transform so that it can better meet its core purpose. On behalf of the Board, I would like to extend our appreciation to the Government for its unrelenting support over the years.

The FNPF has made remarkable strides since the reform journey commenced in 2010. The Fund has consistently achieved outstanding results, as it continues to inspire confidence and create value for members whilst stamping its mark as a driving force in the Fijian economy.

A year of excellence in performance could not have been achieved, if not, for the collective contribution of many important individuals and groups. I wish to express my heartfelt gratitude to my fellow board members of the Fund who bring to the table years of expertise, business acumen and inspirational leadership.

Our members and pensioners are also appreciated for the trust and confidence placed on us.

The unified efforts of management and staff, who demonstrated utmost dedication and commitment in the pursuit of their duties, guided by clearly defined objectives as laid down by the Board, is recognized and appreciated.

I would like to extend a Vinaka Vakalevu to the management team and to each and every employee of the Fund for their commitment, cooperation and unstinted dedication for the greater cause of protecting our members' future.

We bade farewell to our Chief Executive Officer Aisake Taito during the year. We are grateful for his contribution to the Fund over the past seven years and behalf of the board and all staff, I wish him well for the future.

As custodians of the Fund, the Board is committed to safeguarding and furthering the interest of our members at all times. Our commitment to enhancing and protecting your hard-earned savings remains our prime concern.

It has been an eventful year at the Fund. Ongoing activities were fine-tuned, new initiatives were welcomed, while more ideas are under incubation. Change is a continuous process and is indeed in the air. Let me paraphrase George Bernard Shaw "Progress is impossible without change and those who cannot change their minds cannot change anything".

Ajith Kodagoda
Board Chairman

OUR EXECUTIVES

JAOJI KOROI
Chief Investment Officer

PRAVINESH SINGH
Chief Financial Officer

ALIPATE WAQAIRAWAI
Assistant General Manager
Member Services

UDAY SINGH
General Manager
Governance & Risk,
Board Secretary

ANAND NANJANGUD
Chief Information
Technology Officer

TEVITA NAGATALEKA
Assistant General Manager
PRIME Services

RAVINESH KRISHNA
General Manager
Human Resources

OUR MANAGERS

1. Myrtle Smith
2. Millie Low
3. Ashwin Pal
4. Naibuka Saune
5. Laisa Saumaki
6. Tevita Lomalagi
7. Ying Yang
8. Salome Merumeru
9. Suliano Ramanu
10. Wainikiti Bogidrau
11. Uraia Goneyali
12. Shandiya Gounder-Pillay

Not in photo

13. Momin Khan
14. Ajay Nand
15. Peni Gonelevu
16. Olita Talemaibau
17. Sitiveni Nabuka
18. Jonetani Tonawai

OUR GOVERNANCE

"My Government in 2010 stepped in to set in train a number of reforms and initiatives in and for FNPF. These not only increased transparency, brought about improved practices based on international standards, curbed spiralling costs and losses but also meant the implementation of a number of legal reforms that rescued our nation's only compulsory superannuation fund. The rescue not only stopped FNPF from going broke but brought success through growth and sustainability to secure the interests of its members – the ordinary Fijians."

Honourable Prime Minister, Mr Voreqe Bainimarama at the launch of the Momi Bay Resort redevelopment in November, 2014.

FNPF Board

The Board's primary responsibilities are to manage the affairs of the Fund and to monitor organisational performance by providing strategic guidance and advice to Management to ensure the sound management of members' funds.

Board Composition and Membership

The Board comprises 5 members, who have among them appropriate skills and expertise in various fields inclusive of corporate governance, investment, accounting, finance, banking, risk management and information technology as stipulated in the FNPF Decree 2011.

Mr Ajith Kodagoda, Mr Tom Ricketts, Mr Taito Waqa, Mr Sashi Singh and Mr Tevita Kuruvakadua continued as Board members. Mr Kodagoda, the Board Chairman was assisted by Mr Ricketts. The Chairman continued to ensure that the Board functions effectively and independently in meeting its obligations and responsibilities as stewards of members' retirement savings.

Board Meetings

The Board met 19 times during the financial year, going well beyond its mandated meeting number of at least 8 meetings as required by law. Special meetings were also held for urgent matters and those requiring in-depth discussions, endorsement or approval on reform-related matters, inclusive of the IT reform and investment-related development projects.

Board operations continued as specified under the governance policy and the Board Charter. Where appropriate, to ensure sound and informed deliberations and decisions, the Board sought professional advice on certain matters brought to its attention.

Board Committees

In the interest of ensuring effective governance, each decision paper is first scrutinised by the appropriate committee of the Board before presentation to the full Board for a decision. Board decisions are conveyed to Management and the minutes of these meetings are confirmed and filed as corporate records.

Four committees support the Board in its role: Audit and Risk Management, Investment, Human Resources and Information Technology. The respective committees' scrutiny of the Board papers is from a technical point of view, after which endorsed recommendations are sent to the Board for final approval. Independent members, from outside of the Board and the Fund, are co-opted on to these committees to ensure the right skills mix as well as transparency and integrity in the decision-making process.

Board Audit and Risk Committee (BARC)

The Board Audit and Risk Management Committee, chaired by Mr Tevita Kuruvakadua, focused on assisting the Board to meet its statutory and judiciary responsibilities. This entailed carrying out its oversight function in such a manner as to assure the effectiveness of the Fund's internal controls, compliance and risk management. The committee, which includes Mr Tom Ricketts and Mr Raj Sharma, met 5 times during the financial year.

Table 3: Board and Board Committee Meetings and Attendance for the period 1 July, 2014 to 30 June, 2015

BOARD MEMBERS	BOARD		BARC		BIC		BHR		BIT	
	No of meetings		No of meetings		No of meetings		No of meetings		No of meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Ajith Kodagoda	19	18			4	3				
Mr Tom Ricketts	19	16	5	4	4	3				
Mr Tevita Kuruvakadua	19	13	5	4	4	3			9	6
Mr Sashi Singh	19	18					12	12		
Mr Taito Waqa	19	9					12	8		
COMMITTEE MEMBERS										
Mr Raj Sharma			5	4						
Ms Rosie Fong							12	12		
Mr Janaka Dishantha									9	8
Mr Timoci Tuisawau									9	9

Board Investment Committee (BIC)

The Board Investment Committee played a vital role in the deliberations and assessment of the key investment projects that the Fund undertook within the financial year, before their presentation to the Board for approval. This care with investment activity is in line with the Fund's objectives to oversee growth in members' funds, within the investment parameters set by the Board. Projects currently in hand include the Momi Bay resort redevelopment project, the Greig Street retail development and the Natadola residential project. The committee, chaired by Mr Tom Ricketts, includes other Board members Mr Ajith Kodagoda and Mr Tevita Kuruvakadua and met 4 times during the financial year.

Board Human Resources Committee (BHR)

The Human Resources Committee is chaired by Mr Sashi Singh, supported by Mr Taito Waqa and co-opted member, Ms Rosie Fong. During the financial year, the Committee concentrated its efforts on creating a member-focused and performance-driven culture, setting the platform for proper learning and growth for all FNPF staff.

The BHR reviews, assesses and recommends remuneration policies and human resources–related matters relevant to the effective management of the Fund's employees. The Committee met 12 times during the financial year.

Board Information Technology Committee (BIT)

The Information Technology Committee is chaired by Mr Tevita Kuruvakadua and also includes Mr Janaka Dishantha and Mr Timoci Tuisawau. The BIT held 9 scheduled meetings during the year and also met more frequently for particular discussion on issues relating to the ProMIS project.

Board IT committee members assist CEO Aisake Taito launch ProMIS

Board Fees

Under the FNPF Decree 2011, Board Members' allowances are determined by the Minister of Finance and paid in line with the Public Service Commission guidelines on the payment of allowances by Statutory Boards to their Board Members. The fees are processed on a monthly and quarterly basis. Two Board Directors, Mr Ajith Kodagoda and Mr Sashi Singh, opted not to take any Board fees and allowances.

OUR STANDARDS

“The favourable risk ratings have resulted from strengthened internal controls and vigorous awareness and education on risk frameworks in order to build a risk-conscious culture. The Board believes a sound governance culture would help build a transparent and accountable environment befitting its role as trustees of members’ funds.”

FNPF Chairman Ajith Kodagoda

Governance & Risk

Risk Management

The nature of the Fund’s business exposes it to a variety of risks against which the Fund safeguards itself through the Enterprise-wide Risk Management (ERM) framework based on international standards and best practices.

The ERM framework permits the Fund to manage its risks holistically by identifying them, determining impact, setting controls, and managing and reporting these to Board and Management. An operational risk management framework is in place to mitigate the Fund’s daily business.

In addition, the Business Continuity Plan ensures that the operations of the Fund are reactivated within the shortest possible time following a disruption. During the year the Board reviewed and approved the plan, as well as approving the establishment of the off-site IT Disaster Recovery Plan and the Business Resumption Site. Simulation tests applied to some of the critical work processes will ensure the plan’s effectiveness and identify improvements on a continuous basis.

The Reserve Bank of Fiji (RBF) as part of its on-site examination, reviewed the Fund’s risk management and commended the Fund on its comprehensive ERM framework.

Compliance Management

The Fund continues to strengthen its relationship with the RBF by complying with the bank’s regulatory requirements, minimum guidelines and policy statements. Compliance was assessed against the FNPF Decree 2011 and accompanying Regulations. Compliance with the corporate governance policy was also assessed and results were presented to the Board.

The assessment of compliance checks carried out on FNPF subsidiaries against the minimum guidelines for governance and risk was approved by the Board. The detailed review, spanning operations spread over telecommunications, investment, finance, hotels and banking, has provided the entities with a good benchmark for ongoing improvements in the areas of governance, risk and compliance.

RBF Prudential Supervision meetings and Onsite Examinations

As part of its supervisory role, the RBF carried out a targeted on-site examination of the Fund’s investments to assess the effectiveness of the oversight functions for the management of the Fund’s inherent market and investment risks. The RBF on-site team noted that while the inherent risks for the investments portfolio are high due to current investments, the oversight by the Board, Senior Management, and the Audit and Risk/Compliance committee was strong and acceptable. Therefore, the overall risk rating for the investments was moderate and stable.

During the year, FNPF also facilitated a review by the International Monetary Fund and World Bank/Asia Development Bank consortium to review the performance of the Fund in the financial sector.


The Project Management team consults over systems upgrade

In addition to the on-site examination by RBF, the bank's Supervisory Team continued to hold monthly prudential supervision meetings to provide updates on the Fund's performance, activities and reforms.

Complaints Management

With continued effort to improve customer services, an effective complaints management system is in place, structured along the guidelines on complaints issued by the RBF. With the change in the Fund's administration system and to address the teething problems associated with it, the Board introduced a toll free line so that member queries and complaints can be better managed. The introduction of the new IT system and the dramatically rising number of applications for partial withdrawals during the year meant an influx of complaints received in 2015. Table 4 presents the numerical breakdown on a monthly basis.

Table 4: Complaints 2015

Month	Registered	Resolved
July	17	17
August	11	11
September	13	11
October	20	17
November	11	6
December	34	32
January	25	19
February	22	19
March	42	37
April	81	77
May	79	69
June	61	54
Total	**396**	**369**

The Complaints Unit reviewed the Fund's complaints management policy to update and streamline the procedures. The unit generated monthly reports for the Management and Executives to allow issues to be tracked properly and discussions were carried out to identify root causes of recurring complaints. Quarterly reports were submitted to the RBF as part of ongoing monitoring.

Insurance

During this report year FNPF collaborated closely with the insurance brokers to assess the insurance coverage and the likelihood and impact of major catastrophe that could have an impact on the Fund's operations. The Fund's assets now have adequate insurance cover to protect them from any unforeseen events. The insurance scheme is designed to protect the Fund from key risks and is reviewed annually. Tenders for insurance services are called every three years.

Ethical Standards

FNPF focused on strengthening and creating awareness of the importance of upholding the Fund's values and inculcating the required behaviour in all staff in the Fund. Quarterly awareness sessions were conducted focusing in the areas of:

(i) customer services – excellence in services, from a customer's point of view
(ii) managing workplace stress
(iii) preventing fraud
(iv) complaints management
(v) key policies and procedures

Policy & Governance

During the year, 8 policies and 12 procedures were vetted and developed for the Business Unit's consideration and approval. The areas covered were:

- risk management policies, procedures and framework
- business continuity planning
- human resources policies
- strategic planning policies and procedures
- public relations policies and procedures
- complaints management policy
- conflict management policy
- code of ethics
- policy and procedures development guidelines.

Group Internal Audit

Cyclic Audits

Under the concept of cyclical audit, consulting engagements were carried out during the financial year in departments in which assurance audits had been carried out in FY2013–FY2014. This arrangement allowed for implementation of audit recommendations and continuous audit in departments for which risks were assessed as high. Significant resources were allocated to audit of the new information system, being established under the ProMIS project.

Subsidiaries

FNPF signed a Memorandum of Understanding (MoU) with Telecom Fiji Limited (TFL), Home Finance Company Limited (HFC Bank) and FINTEL (Fiji International Telecommunications Limited) for provision of internal audit services by the Group Audit team at no cost to these companies. The MoU also provides for alignment of the companies' policies and procedures relating to internal audit to those of the Fund.

Audits commenced in TFL in October 2014 with the assistance of three TFL staff attached to the unit as agreed in the MoU. Technical audit assistance was also provided to HFC Bank internal audit team. Internal audit services will be provided to FINTEL during FY2016 following the FNPF Board's approval of additional positions in the Group Internal Audit team.

Fraud Control Management

Fraud cases and cases referred under the Fund's Whistleblower policy were investigated and reported by the Group Internal Audit team. A total of 45 cases were reported, majority of which were referred to Customer Services, and non-deduction of FNPF by employers. In addition, the team administered the Fund's fraud and corruption plan and provided secretarial services to the fraud and corruption control management and ethics committee, which met three times during the financial year. The team also carried out awareness on the whistleblower policy, to encourage staff and other stakeholders to make anonymous reports of unusual activities.

Audit findings

Significant audit findings relating to FNPF and TFL were reported to the FNPF Board Audit and Risk Management Committee (BARC) and TFL Board of Finance Subcommittee, respectively. Follow-up audits were conducted and Management also updated the committees at the end of each quarter on the implementation of audit recommendations. The majority of the audit recommendations were implemented during the financial year.

Quality Assurance & Business Excellence

Continuous quality assurance and improvement remained high on the agenda during the financial year under the watchful eye of the Quality Assurance Committee established within the Group Internal Audit team. The team was given the Prize Award in the 2014 Fiji Business Excellence Awards, which is the highest possible award to a first-time entrant.


Serving an Employer


Data Cleansing Team


Auditors discuss work


Auditors meeting

Opening of the Nausori branch


Pension Centre


Investment team

OUR MEMBERS

Operations

Membership

In 2015, 22,013 new members were registered, bringing the membership tally to 403,316. This is an increase of 2.0% over the 2014 membership. Of these new members, 1,671 are those registered under the voluntary membership scheme.

Total Contribution

Total contributions collected were $432.2 million, averaging $36 million per month and an increase of 15% over last year's collection of $375.7 million. The increase is attributed to business compliance checks, placement of garnishee orders against defaulting employers, departure prohibition orders and also the mandatory increase of employers' contribution from 8% to 10% from 1 January, 2015. Of the total contributions collected, $3 million was from voluntary members.

Graph 6: Contributions 2011-2015

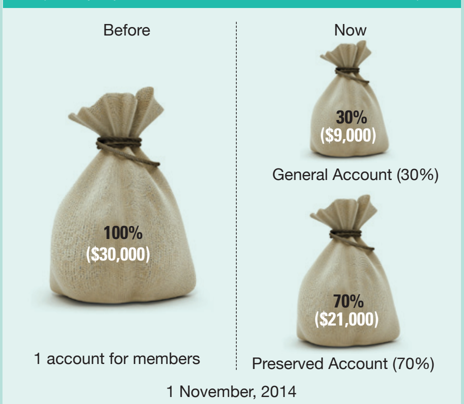
Members' Balance

The total balance for all members' accounts was $4.0 billion as at 30 June 2015, compared with $3.7 billion in 2014. On 25 November, 2014, the Board established two accounts for members:

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

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

Two Accounts for Members
(Example provided for member with $30,000 balance)



Withdrawals

Withdrawal applications totalling 65,713 were received and processed during the financial year, compared with 56,`230 processed last year. These applications included those applying for pre-retirement withdrawals and those opting to withdraw fully from the Fund.

Full withdrawals

Members are eligible to withdraw their funds once they are 55-years-old. They have the option of joining the pension scheme or taking a lump sum and/or a combination of pension products and lump sum payment. A total of 7,345 members withdrew their savings fully, totalling $123 million, compared with $115 million withdrawn by 11,677 members the previous year.

Migration

Members who leave Fiji to settle permanently overseas can withdraw their FNPF savings and $27 million was paid out to 1,613 members withdrawing under this scheme.

Incapacitation

Members who are not able to secure any further employment because of their physical or medical condition, as assessed and approved by the FNPF Medical Board, can withdraw their savings; 201 members were processed, to a total value of $3.2 million.

Death

Nominees of deceased members are allowed to withdraw members' savings upon the death of the member. In the absence of a valid nomination, funds were sent to the High Court for distribution in accordance with the Law. Previously, where the beneficiary was less than 18 years of age funds were sent to the Fiji Public Trustee

Members Forum in Suva

Corporation Limited (FPTCL), who administered the funds until the beneficiary came of age. The payment of these funds to FPTCL ceased in December 2013 and was redirected to the High Court for distribution. In 2015, $23.5 million was paid out of deceased members' accounts, $8.7 million to the High Court and $14.8 million to nominees.

Special Death Benefit (SDB)

Under SDB, $9.0 million was paid out compared with $8.3 million in 2014. All eligible members pay a premium of $35 annually to qualify for SDB. A sum of $8,500 is added to the deceased member's account on a qualifying member's death and paid out to the nominees.

From 2011, the Fund has allowed the deceased member's next of kin to withdraw $2,000 from the $8,500 to assist with funeral expenses of the deceased member, provided that these members file a completed Memorandum of Administration form.

Early Retirement withdrawals

Members are eligible to withdraw funds, before they turn 55, under approved grounds including housing, education, medical, unemployment and funeral assistance. A total of $58.2 million was paid out on these grounds for 46,060 members, compared with $49.8 million for 39,355 members in 2014. Of this, $36.6 million was for education for 31,470 members, $11.4 million for unemployment for 7,369 members and $4.6 million for funeral assistance for 4,218 members.

Housing

The total paid out under housing withdrawals in 2015 was $59.5 million for 7,998 members, compared with $48.7 million for 5,198 members assisted in 2014.

Members Additional Contribution

On 1 January 2015, the Board made effective the provision for additional contribution from employees. This allows compulsory members to voluntarily contribute up to 12% of their total wages as additional contributions to save more for retirement.

Nomination

During the year 11,332 nominations were filed, compared with 22,184 in 2014.

Memorandum of Administration (MOA)

In 2015, 1,352 members were registered for MOA, bringing the total to 2,719 to date. The Fund continues to encourage FNPF members to register their nominee/executor to receive part of their SDB payment of $2,000, to facilitate their funeral expenses if they wish to do so. The Fund will not pay out the $2,000 if the MOA has not been completed and filed.

Members Portal

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

OUR EMPLOYERS

Employers

The Fund's active employers totalled 9,770 for the year, compared with 8,900 in 2014, a 9.8% increase representing 870 new employers.

Contribution Debtors

The balance of unpaid contributions was $10.2 million at the end of the financial year, compared with $9.3 million in 2014. This is an increase of 9.7%.

Unidentified Contribution

A total of $4.2 million of unidentified contributions was collected but not distributed to members' accounts because of insufficient information supplied by employers. This is a decrease of 36.4% when compared with last year's balance of $6.6 million.

The Fund continues to emphasize the importance of the employers' obligation to register their employees within the first month of commencing employment.

Discussing Employer issues

Employers Portal

A total of 62 employers registered on the employers' portal in May 2015 after the service was made available to assist employers submit information to FNPF online. Employers can now submit their contribution schedule online at the end of every month.

Contribution Schedule Forms

On 1 November 2014, the Fund made compulsory the use of the new contribution schedule forms to record the detail of all employers' contribution deduction.

This has been encouraged to help both employers and employees reconcile their accounts.

Unclaimed Deposits Account

In 2015, the Fund transferred a total of $914,940 of unidentified contributions to the Unclaimed Deposits Account after reasonable diligence. A further $931,506 was for members over 65 years whose accounts have lain dormant for the last 10 years and have not claimed their funds.

Communication to Employers

During the financial year, the Fund conducted two days of workshops around Fiji, attended by a total of 500 employers. The objective of the workshop was to educate employers on the new changes to the FNPF Decree and Regulations.

The Fund will continue to educate employers on their statutory obligations, inclusive of submitting their Contribtuion Schedule forms online.

OUR SERVICES

Customers Served

A total of 466,906 customers were assisted during the financial year, compared with 463,233 in 2014, an increase of 3,673. Customers served also increased in quarters 1 and 2 compared with the same period last year. The reduction in the number of customers served in the last two quarters is attributed to changes effected on 25 November, 2014.

Customers' mode of contact depends largely on the nature of the assistance needed. Of the total number of customers served, 87.3% visited FNPF in person while 10.7% and 2% accessed our services via phone and email modes, respectively.

The number of customers who visited our offices during the financial year fell by 2.7% compared with those that visited in 2014. Of the customers who visited and phoned our offices, 53.7% were served in the Central Division, 33.84% in the Western Division and 12.48% in the Northern Division. Comparitive figures for services provided at our offices in these three geographical locations are shown in Table 5.

Customer Wait Time Distribution

Customer waiting time refers to the time spent waiting in a queue to be served. This is measured from the time a ticket is picked up from the QMS printer to when the ticket is called by the Customer Service representative. A total of 202,150 customers wait times were measured through QMS, which revealed 80.5% (162,673) waited for less than 20 minutes before they were served.

Service Types

Requests for account statements continue to dominate services sought by our members. A total of 110,513 or 23.7% of the total number of customers served sought balance, eligibility and detailed statements. This is 4.2% more compared with the previous year.

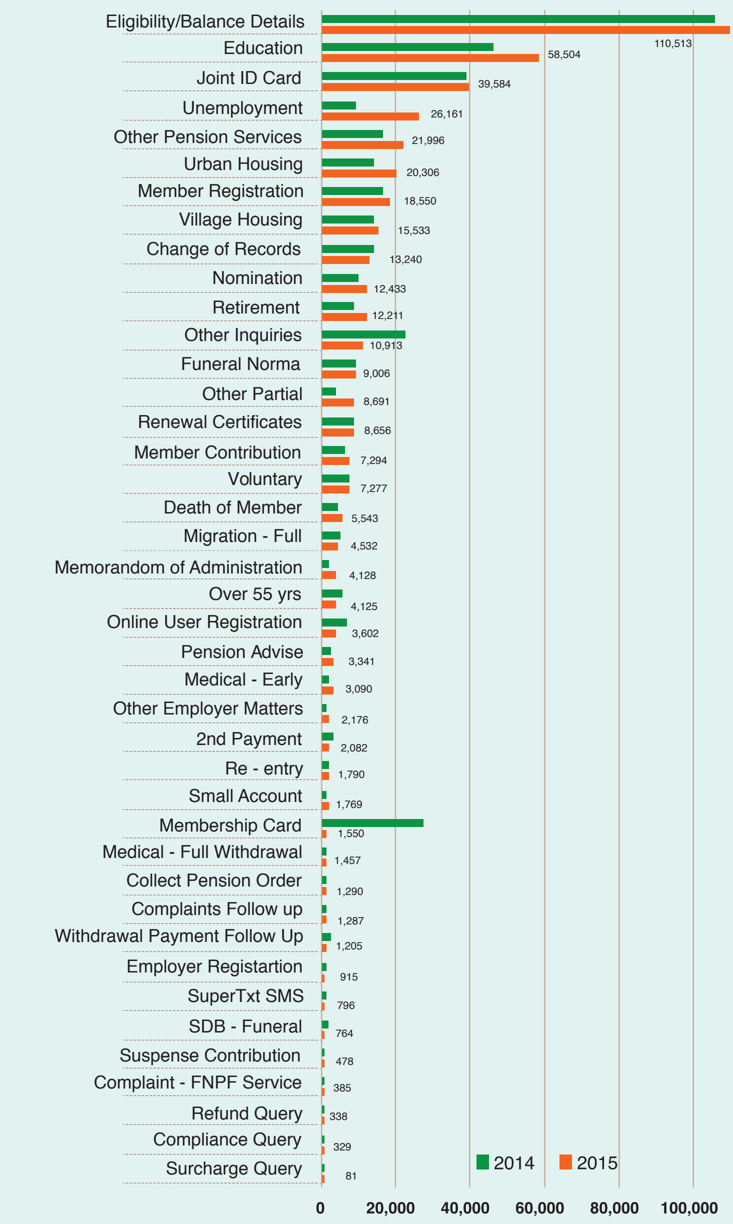
Significant increases were also obvious for early withdrawal assistance including unemployment, which increased by 183.4%, urban housing increased by 42.1%, medical partial increased by 42.1%, education and village housing increased by 25.6% and 11.74% respectively. Increases were recorded for full withdrawals under retirement and death of a member by nominees.

Retirement increased by 38.1% whilst death increased by 30.9%. Small account balance withdrawals also recorded an increase of 8.53% compared with 2014.

Table 5: Customers served by region

Division	FY2015	FY2014	Variance	%
Central	250,618	287,134	(36,516)	-12.72
Western	158,010	119,522	38,488	32.20
Northern	58,278	56,577	1,701	3.01
Total	466,906	463,233	3,673	0.79

Graph 7: Customers served by service types



OUR PENSIONERS

Pension Service

A total of 35,283 customers were served for pension related services compared with 29,080 in 2014, an increase of 21.3%. Of the total number of customers served, 70.9% visited our Pension Centre in Suva. Of the total number served for pension services, 62% were for payments and other services, 25% for Certificate Renewals, 9% for Pension Advice while 4% were served for Pension Orders.

Table 6: Pension service types

Pension Service	2015	2014	Variance	%
Pension Order	1,290	1,166	124	10.63
Certificate Renewals	8,656	8,546	110	1.29
Pension Advice	3,341	2,681	660	24.62
Payment and Others	21,996	16,687	5,309	31.82
Total	35,283	29,080	6,203	21.33

Pension Take-Up Rates

Pension take-up rate refers to the number of members purchasing any combination of FNPF's pension products over the total number of members eligible to take a pension at a particular point of time multiplied by 100. The pension take-up rate this year was 4.3%.

The total number of members and nominees eligible for a pension in 2015 was 5,815. Of these, 240 members chose pension at age 55, 6 sole nominees opted for pension and another 3 members opted for pension under incapacitation.

The new Sigatoka branch, opened by CEO Mr Aisake Taito

Table 7: Pension take-up by count

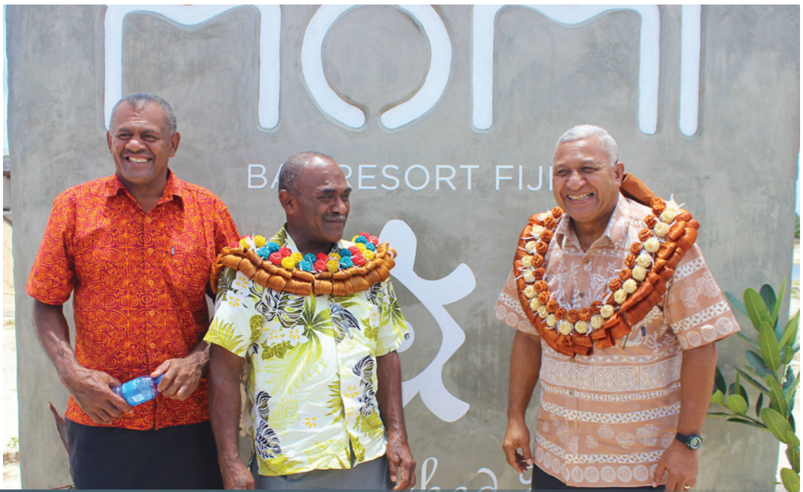
Month	FY2013	FY2014	FY2015
Jul	15	28	35
Aug	30	21	25
Sep	21	34	24
Oct	21	15	25
Nov	20	13	8
Dec	8	23	16
Jan	23	28	33
Feb	16	22	20
Mar	17	18	18
Apr	22	24	17
May	20	17	15
Jun	7	14	13
Total	220	257	249

OUR GROWTH

Investment

Investment Highlights

The Fund's investment activities were relatively eventful during the financial year ended June 2015, as demonstrated in the following highlights:



The Prime Minister with landowners at Momi Bay Resort redevelopment launch in November, 2014

- **Investment Income –** Total investment income outperformed the budget and broke the $300 million barrier for the first time, with a record $302.7 million for the year.

- **Scheme of Arrangement for FIL –** During the year, FNPF Investments Limited (FIL) applied to the High Court under Scheme of Arrangement pursuant to section 208 of the Companies Act, 1983 to allow the assets and liabilities of FIL to be transferred, assumed, and vested in FNPF at their book values so as to vest in FNPF all the rights, title and interests in FIL. The scheme of arrangement was sanctioned by the High Court on 22 May 2015.

- **Gain from Sale of Shares in Penina Limited –** FNPF Investments Limited completed the sale of its 51% shares in Penina Limited, to its joint venture partner, Tappoo Holdings Limited, for a consideration of $17 million.

  Penina Limited is the holding entity of the Tappoo City complex in Suva. FIL's initially invested $5.6 million in 2006, comprising of both land and cash contributions. The sale resulted in gains of over $11 million (equivalent to 204%). Penina Limited also declared and paid dividends of $1.9 million to its two shareholders before the settlement.

- **Momi Bay Resort Redevelopment Launch –** The Momi Bay Resort Redevelopment Project was launched by the Prime Minister, Honourable Voreqe Bainimarama. The launch marked the resumption of the construction stage of the resort, for which Fletcher Construction (Fiji) was appointed as the main contractor. The 5-star hotel will be managed by the globally acclaimed luxury hotel chain, Marriott Hotels International.

- **Acquisition of Vodafone –** The purchase of 49% stake in Vodafone Fiji Limited (VFL) has taken the Fund's direct and indirect ownership in VFL to 79%, making it 100% locally-owned. FNPF's direct investment in VFL will provide a stronger platform to map strategies for the entire Amalgamated Telecom Holdings Limited Group (ATH), allowing the realisation of synergies to ensure returns to members are maximised.

- **Greig Street Property Development –** Construction on the Greig Street retail development commenced during the financial year. The building will house a major supermarket on the ground floor with additional retail spaces available on the first floor and a food court on the second.

  The development is designed to complement the existing Provident Plaza and both complexes will be serviced by a 3-storey car-parking facility to be constructed in the next financial year.

- **Acquisition of Ganilau House –** The Fund continued to pursue investment initiatives in growth-based assets, which led to the acquisition of Ganilau House from Telecom Fiji Limited (TFL). A portion of the building space has been leased back to TFL to support their existing business.

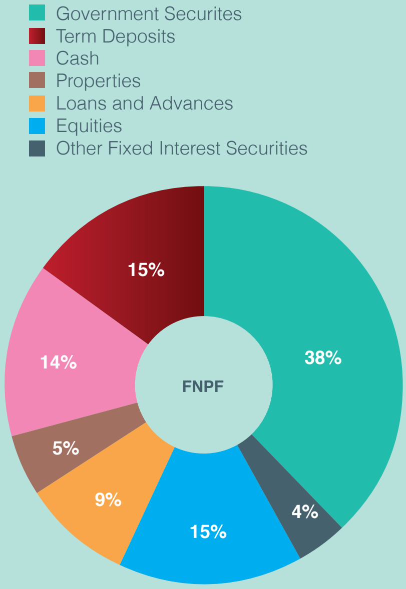
- **PGA Championship –** Natadola Bay Championship Golf Course hosted the inaugural Fiji International golf tournament in August 2014. The success of the tournament has provided positive publicity around the globe for Natadola as a holiday and golf destination. FNPF will use this event as a platform to launch its residential development project at the next Fiji International tournament to be held in October 2015.

- **Other Growth Initiatives –** The Fund was successful as the preferred bidder in the Government privatisation opportunities in Airports Fiji Limited (AFL) and Fiji Ports Corporation Limited (FPCL). Whilst significant progress has been made, we were not able to bring any transaction to closure by the end of the financial year.

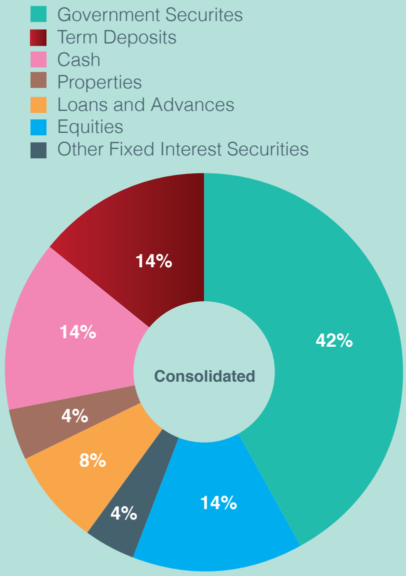
Asset Allocation

The charts below show the asset allocation for FNPF and Consolidated for the year ended 30 June, 2015

FNPF



Consolidated



Investment Rehabilitation

The Fund's rehabilitation programme continued during the year. These initiatives included:

i) **Natadola Bay Residential Development –** The development of the residential land is the second stage of the integrated development in Natadola. The development of this project will complement the Intercontinental Resort and the Natadola Bay Championship Golf Course. The sale proceeds will be utilized towards reduction of the Natadola Bay Resort Limited (NBRL) debt.

The residential project involves the sub-division of approximately 70 hectares of land into residential lots. The master plan has 9 stages and the first stage involves sub-division of approximately 44 lots, earmarked for sale during the PGA tournament in October 2015.

ii) **Momi Bay redevelopment –** The Momi Bay construction project has progressed well during the year. Remedial works on the existing structures and the lagoon rectification have been completed. Most of the footprints of the hotel rooms, central facilities, restaurants, back of house, spa, gym and Kids' Club are in place.

The construction is tracking well within budget and shows positive signs of completion in the last quarter of 2016. The Fund has constructed two village community halls for landowners as part of development benefits. In addition, FNPF will fund training for landowners to prepare them for employment when the hotel opens.

The 250-room hotel will be a leading light among the five-star hotels in Fiji when completed. It is expected to generate employment, economic development in the Momi area and most importantly, recovery of members' funds through maximising returns from this development.

iii) **Grand Pacific Hotel –** the restoration of the "Grand Old Lady" of Suva was successfully completed during the last financial year. The made-over historic hotel is in its first full year of operations and has already hosted some significant events.

iv) **Refurbishment of Yatule Resort –** The newly refurbished Yatule Beach Resort Limited was rebranded and opened under new management in January, 2015. The refurbishment included conversion of existing 11 room bungalow-type accommodation into 36 room resort, with additional amenities such as pool and spa.

Income

The Fund's total net investment income for the financial year was $302.7 million, compared with $252.8 million in 2014. The increase of $49.9 million resulted mainly from increases in dividend income, interest from the term deposits and on-call accounts with banks, property rental income, favourable foreign exchange gains and capital growth from the offshore investments.

The Equities portfolio saw increased dividends being paid out from subsidiaries such as ATH, FIL, Vodafone and as well as offshore shareholdings. In addition, property rental rose due to upward revisions of rental rates, reduction in vacant spaces and acquisition of new properties.

The Commercial Loans portfolio was affected by the high liquidity and lower interest rates. One loan account was refinanced, while some loan accounts were restructured with downward revisions in interest rates, which affected the income. The interest income was also affected by early repayments.

Momi Bay Resort inspection by the Board

The return on investment was 6.6%, compared with 6.8% in 2014. This enabled the Fund to credit 6% to the members' accounts.

Fixed Income Portfolio

The fixed income portfolio has long been the strength of the overall investments portfolio. However, over the year, the competition from other investors was tough and declining interest rates translated to reduced income for the portfolio.

Government Securities

The government securities portfolio decreased from a balance of $2.0 billion in 2014 to close at $1.99 billion in 2015. Total investments in government bonds over the financial year were $109.7 million while maturities totaled $128.2 million.

The decline in investments came as a direct result of government's reduced appetite for domestic funding and a growing number of competitors for long term assets. Investments in Government treasury bills totaled $45.8 million while maturities were $48 million, with the portfolio closing at $23.1 million.

Quasi Government Securities

This portfolio consists of borrowings by semi-government institutions like Fiji Electricity Authority, Fiji Development Bank and Housing Authority. The portfolio closed at $107.3 million compared with $139.6 million last year.

The reduction in the overall portfolio was a result of some institutions continuing to take advantage of the low interest environment by redeeming their high-yielding bonds early to tap into the lower rates offered by commercial banks.

Local Term Deposits

Local term deposits increased from $389.3 million last year to close at $590.1 million this year. The increase in portfolio was due to high liquidity in the Fund with limited available opportunities for long-term investments.

Offshore Investments

The RBF approved a total of $35 million for offshore investment by the Fund in the 2015 financial year. The Fund continued to engage with the RBF for greater offshore allocation.

Fiji Government US Denominated bonds

The portfolio closed at FJ$75.5 million compared with the previous year's FJ$67.8 million. While no new acquisitions were made, the growth in value resulted from the strengthening of the US dollar.

Foreign Term Deposits & Cash

The Foreign Term Deposit portfolio closed at $98.7 million and Foreign Cash closed $94.4 million, totaling $193.1 million compared with $133.7 million last year. The increase was due to the injection of new funds approved by the RBF and re-investment of interest.

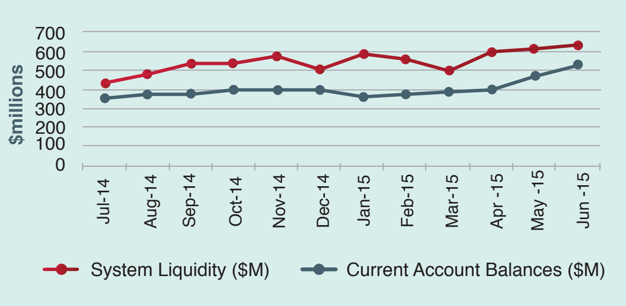
Commercial Loans

The declining interest rate market seen last year prevailed, keeping the interest rates low. Loan accounts continued to be restructured, leading to decline in the portfolio from $435 million to $387 million.

Equity

The Fund actively pursued growth opportunities to diversify its portfolio, both locally and offshore.

Graph 8: System Liquidity vs Current Account Balances



Graph 9: Interest Rates

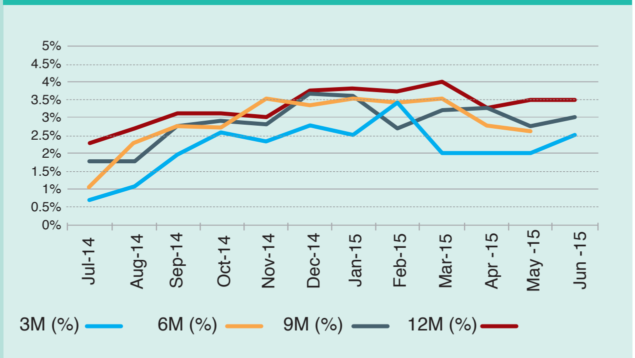


Table 8: Deposits

	Jul-14	Sep-14	Dec-14	Mar-15	Jun-15
3mnths	0.65%	1.92%	2.75%	2.00%	2.50%
6mnths	1.25%	2.25%	3.50%	3.40%	2.60%
9mnths	1.75%	2.75%	3.70%	3.20%	3.00%
12mnths	2.52%	3.10%	3.75%	4.00%	3.50%

Table 9: Government Bond Rates

	Jul-14	Sep-14	Dec-14	Mar-15	Jun-15
2 years			2.50%	3.50%	3.50%
6 years			3.47%	3.80%	3.80%
8 years			4.25%	4.67%	4.67%
10 years	4.60%	4.94%	4.94%	5.19%	5.19%
15 years	4.80%	5.14%	5.14%	5.49%	5.49%

Table 10: Government Treasury Bills Rates

	Jul-14	Sep-14	Dec-14	Mar-15	Jun-15
56 Days				1.25%	0.75%
91 Days		1.95%		1.50%	1.15%
182 Days			3.52%	3.25%	2.18%
364 Days				3.50%	2.76%

Local Equities

The local portfolio closed at $577 million, compared with $352 million last year. The increase was due to new investments in Vodafone Fiji Limited and Momi Bay Resort Development Limited, as well as positive movements from listed shares on the South Pacific Stock Exchange.

The local portfolio generated $50.9 million in dividend income, compared with $18.9 million in FY14, an increase of over 169%. The increase was attributed to $16.2 million dividends from Vodafone Fiji Limited, $11 million from FIL and $5 million additional dividend from ATH compared to last year.

Offshore Equities

The Offshore Core Australian Equity portfolio managed by Legg Mason Asset Management Australia Limited continued its strong performance, generating a dividend income of over $4.4 million compared with $4 million in 2014.

The portfolio grew from initial investment of A$30 million in 2011 to A$62 million in 2015. As a result, the Board approved the divestment of A$30 million to realize the capital growth and to diversify further through investment in the Martin Currie Real Income Fund.

The Board further approved investment of A$50 million into 'The Infrastructure Fund' managed by Hastings. The divestment will be effected in FY 2016.

Treasury

The Treasury Unit acts as custodian of cash and cash equivalent resources of the Fund ensuring availability of liquidity to meet its financial obligations. These include member withdrawals, operating expenses, investment payments and pension liability. Thus, contributing to effective liquidity management within the Fund.

Emphasis was placed on interest rate exposures, counterparty credit exposures, liquidity and funding risks to assist with the Fund's investment objectives and its long-term sustainability.

Excess liquidity in the financial system during the year necessitated the protection of FNPF's cash resources and that it remained yielding, despite the downward pressure on interest rates.

Liquidity in the banking system averaged $550 million for the year and the Fund's average cash holding was $452 million. Investments were undertaken with approved creditworthy counterparties and in accordance with approved limits.

Minister of Finance & Attorney General Hon. Aiyaz Sayed-Khaiyum at the joint media conference by Fiji Airways and FNPF

Projects

FNPF Projects has established a market-leading development and project management team with appropriate technical, project management, services and support skills for the FNPF Properties Section and FNPF subsidiaries, including Holiday Inn, Natadola Intercontinental Hotel and Yatule Beach Resort.

During the financial year, 40 projects were managed. Significant projects completed included the refurbishment of the Yatule Beach Resort Hotel and the design of Sigatoka and Nausori agencies.

Greig Street retail development, Momi Bay Hotel development, refurbishment of the Holiday Inn, and the Natadola Stage 1 residential development are also managed by Projects team.

The Projects team embarked on exclusive negotiations with a contractor on redevelopment of the Nadi Hotel property, as well as commencing the initial planning and concepts for the redevelopment of Provident Plaza and two other major properties within the Investment portfolio:

i) Holiday Inn Refurbishment
The refurbishment of the Holiday Inn consisting of a 130-room façade and landscape embellishment to reposition the Hotel brand has commenced and is expected to be completed by the end of June 2016.

ii) Mercury House
A full refurbishment of the newly acquired Mercury House was concluded during the reporting period. The refurbishment was conducted in consultation with the Heritage Council of Fiji.

Properties

The Property portfolio improved with the acquisition of Ganilau House in March 2015, resulting in the growth of the portfolio by 4.8% to $206 million. Lettable space increased by 11% to 61,000 square metres, of which 89% is leased out.

Rental income increased to $13.8 million from $13.4 million last year. Marginal increase was achieved at a time when two buildings were vacated for development. A net yield of 8.41% was achieved, which is an increase of 0.11% on the FY14 yield.

In the belief that meeting the needs of the tenants and exceeding their expectations lies at the heart of ‘growing’ property management, the department has embarked on a proactive Tenant Relations Programme, which includes tenant meetings, tenant surveys and tenant events.

Looking ahead, the Fund has adopted a more active strategy in managing the portfolio by undertaking the following:

i) redevelopment of identified existing assets to maximise benefits

ii) ensuring the portfolio remains competitive, taking into account Fiji’s market conditions

iii) partnership with key stakeholders and tenants to provide for their specific building needs.


Greig Street development takes shape

The refurbished Yatule Resort & Spa at Natadola Bay

FNPF Subsidiaries

Amalgamated Telecom Holdings (ATH)

At the Group level, sales revenue increased in 2015 by approximately 10.6% to $310.7 million compared with $281 million in 2014. The Group recorded a consolidated net profit of $49.8 million for the financial year ended 31 March 2015, compared with $33.7 million last year. Based on these favourable performances, the Group declared a dividend of $29.4 million, an increase of 40% compared with last year.

The result is due to favourable performance of major subsidiaries (Vodafone Fiji, FINTEL and Fiji Directories Limited) and overall growth in revenue and cost reduction in key areas.

> *"The Fund will continue to strengthen its focus on smart investment strategies, including acquiring assets and pursue joint investments with the main objective to rebalance the portfolio."*
>
> **FNPF Chairman Ajith Kodagoda**

Home Finance Company Limited

HFC Bank completed its first full financial year as a fully-fledged bank and still remains the only 100% locally owned commercial bank in Fiji, its shareholders being FNPF (75%) and Unit Trust of Fiji (25%). In FY15, HFC's recorded a net profit of $6 million compared with $4.6 million the previous year. HFC also declared a dividend of $3.6 million compared with $2.7 million last year.

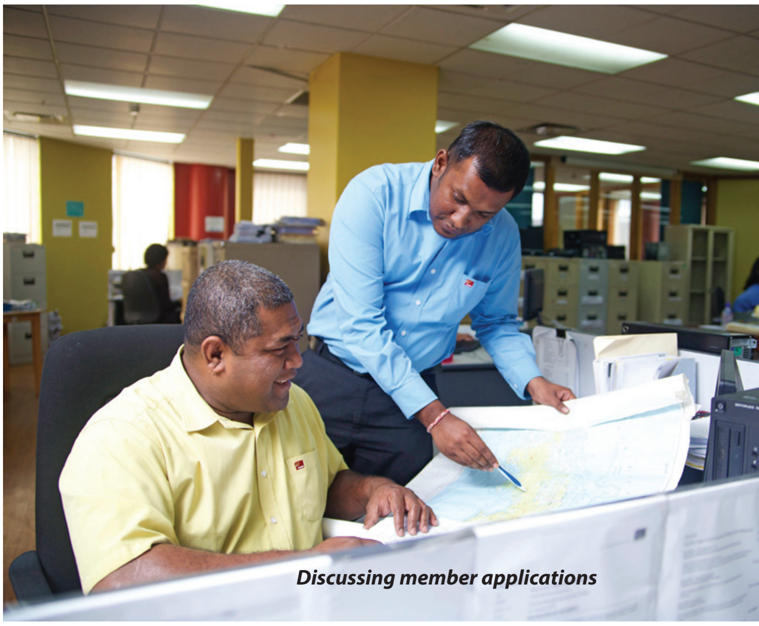
FNPF Investments Limited

During the year, the Board of Directors resolved to restructure FIL by streamlining the ownership of the subsidiaries. With this intention, an application was made to the High Court under a Scheme of Arrangement pursuant to Section 208 of the Companies Act to allow vesting of assets and liabilities of FIL to FNPF. The Scheme of Arrangement was approved on 22 May, 2015.

As a result of the vesting, FIL posted a loss of $56.3 million for 2015 compared with $2 million profit last year. If the effects of the vesting are normalized, then FIL would have made a gain of $9.9 million, the increase attributed to gain on sale of shares in Penina Limited for $11.3 million. This gain from sale of shares was paid to FNPF as dividends.

At the conclusion of the vesting of the assets and liabilities the company would be wound-up.

OUR OBLIGATION



Discussing member applications

Legal Services

The Legal Department is charged with all legal matters inclusive of prosecution, civil litigation, corporate conveyancing and providing opinions and advice to the Board and Management, whilst maintaining high ethical standards and the promotion of good governance.

Corporate

The Fund handled 57 civil litigation cases in the financial year. Of these, 14 have been completed while 43 are still pending in court. Contracts vetted or drafted in the Legal Department numbered 190. Legal opinions provided totalled 102. Maintenance transfers as per Court Order, to a total value of $171,769.77, were also facilitated for 47 cases in the financial year. Total recovery was $165,425.56, from contribution matters filed in civil court.

Prosecution

Twenty-three employers' cases, amounting to $189,473.65, were prosecuted with the courts around Fiji. FNPF recovered about $1.1 million from 155 non-compliance cases that were completed. Surcharges recovered amounted to $21,745.36. Total recovered through Prosecution was $1.1 million.

Corporate Conveyancing

The Titles Project to verify the missing title cases for the members assisted under the housing scheme was set up during the year to enable members to regain their title upon request. The project is almost completed and 1,844 titles are ready for collection.

Cases assigned for conveyancing totalled 3,395. FNPF dispatched 1,123 Titles and Release of Charges during the financial year and received and took action on 54 production requests during the financial period.

Employers team review the new system

OUR SYSTEM

> *"Phases 1 and 2 of the ProMIS project have been completed. The third and final phase includes the integration of all systems to enable real time link and a common online performance dashboard. The new system is expected to feature user-friendly, accessibile and efficient online interactions."*
>
> **FNPF Chairman Ajith Kodagoda**

Information Communication & Technology

New IT Administration Platform

2015 marked the launching of the new administration system that would revamp the Fund's operations and functions. Intense information-gathering sessions, systems design planning and subsequent prototype testing commenced two years prior to implementation. Whilst the user acceptance testing continued, training of all operations staff began in September through to November, 2014. This was to prepare staff for the launching of the Provident Fund Management Information System – ProMIS – on 25 November 2014, signalling a change in the Fund's overall service delivery given that the new system would improve operational efficiencies.

The launching of the system was an important milestone for FNPF. The Fund bade farewell to the legacy system – Matai – as it could not incorporate critical components of the FNPF Decree 2011, the FNPF Amendment Decree and the FNPF Regulations.

Transition Period & Changes

Preparation for the change from the legacy system (Matai) to ProMIS necessitated a blackout period from 28 October to 24 November, 2014, to allow for the transfer of data for more than 395,000 members and 8,900 employers. It also meant the suspension of certain withdrawal grounds. From 1 November, major changes as prescribed under the FNPF legislation came into effect. A crucial change occurred with member accounts – the establishment of two accounts for members. The split saw 70% being allocated to the Preserved and 30% to the General accounts.

ProMIS Go-Live – 25 November, 2014

Teething problems were encountered when ProMIS went live, some of which required attention and time. After this settling in period, the system has allowed for a more cohesive and streamlined work approach, encouraging collaboration between departments. It was expected to transform people, processes and technology related to the Fund's core functions, improving turnaround time, increasing customer satisfaction, reducing errors and lifting staff efficiency.

The first phase of the project covered the core operations and functions of the Fund and the second phase (completed in April 2015) implemented additional capabilities of ProMIS.

OUR PROVIDERS

Logistic & Supply Chain

Contract, Procurement and Tender Management

The procurement of goods and services continues to be facilitated through the tender process for purchases above $30,000. The process is governed by the Procurement Policy and Tender Procedures.

Forty-five (45) tenders and expressions of interest (EOI) were advertised and evaluated during the year, compared with 29 in FY2014. The increase is due to the major rehabilitation and new projects undertaken by the Investments team and the expiry of some of the Fund's three-year service contracts. FY15 also saw savings of 5.37% from negotiations.


ProMIS training


Serving members in Sigatoka


Manning the IT server

Table 11: Tender 2015	
Details	**FY2015**
Tender recalled	2
Tender cancelled	5
Tender completed	27
Tender in progress	11
Total	45

Office Security and CCTV

Physical security of the FNPF premises at both Downtown Boulevard Suva and Momi continued to be managed by the FNPF in-house security team. The team also manned the new Sigatoka agency until the tender was finalised. Security for branches and agencies continued to be outsourced, with the tender awarded to Grid Security for a term of three years.

The Fund engaged a security consultant in January 2015 to assess the CCTV requirements for the Fund. The new security system will cover HQ, and coverage for the other branches and agencies is planned for later in the next financial year.

Mailing, Archiving and Record Management

The responsibilities of the mail management team have increased over the years in terms of timeliness of service. Mail distribution turnaround times have been shortened and mail complaints are generally now resolved immediately.

Mail management at the Fund includes postage (PostFiji), Courier Dispatch (EMS) and door-to-door distribution. The number of mail items received and dispatch in the year was 24,868 and 52,717, respectively. Requests for retrieval of archived files totalling 4,780 were facilitated.

Fleet Management

A lot of attention has been concentrated on management of the fleet as the transportation requirements of the Fund have increased steadily over the years. The Fund invested in defensive driving training for our Fund-approved drivers, 95% of whom graduated with the defensive driving certificate by the end of the year.

Through policy development, the Fund's Reform Committee approved Version 1 of the Motor Vehicle Procedure in January 2015. Awareness sessions on the approved version were conducted with staff across the Fund, including the branches and agencies. The Fleet team continues with its real-time monitoring using the Global Positioning Tracking System (GPS); 25 of the Fund's vehicles are being monitored on a real-time basis.

OUR PEOPLE

Leadership training

OHS training

FNPF Excellence Award

Human Resources

FNPF continues to keep employees engaged and motivated to achieve the strategic goals and objectives. The Fund targets initiatives to leverage and build FNPF as a great place to work and improve internal efficiencies.

Staff Numbers

Total staff number was 452 compared with 401 for 2014. Of these, 380 are full-time employees, 42 project workers, 20 senior managers, seven executives and three consultants. Staffing, at about 52% males and 48% females, is very close to gender equality. The average staff age is 34

Recruitment

The 87 vacancies advertised attracted 1,740 applications, and 59 of these positions were finalised. The remaining vacancies were withheld to allow for a streamlined recruitment process through succession planning.

An online recruitment system was implemented during the financial year, which with further improvement will be fully utilised by November 2015. During the testing period 19 vacancies were released online and attracted 21 applications. This trial was done to gauge the applicants' level of comfort when using this system. Once the system is fully operational, it will minimise turnaround time and costs related to the recruitment process.

Retention

The Fund recognises the high cost of recruitment and the importance of retaining knowledge and experience. As such, policies are designed to maximise staff retention. The Fund's turnover rate decreased from 11.3% in 2014 to 7.5%. This reflects continued and improved staff retention strategies, such as management and leadership training, succession planning programmes, talent management strategies, generous study support and internal mobility opportunities.

Going forward, FNPF will support an improved work–life balance programme, and rewards and recognition programmes such as Star of the Month, Employee of the Quarter and Annual Awards to acknowledge staff contribution and recognise outstanding employees. The Fund also recognises staff for exceptional service, and provides clear succession planning and career pathways.

Performance Management System

A new set of Performance Management System Policy and Guidelines was developed, approved and implemented in May, 2014. These were established to ensure that the performance of employees is assessed annually in a fair and equitable system. The major PMS objectives are to:

i) reward staff appropriately for their contributions to business success and profitability of the Fund
ii) identify training and development opportunities for staff
iii) meet the principles of openness and fairness at all levels.

Succession Planning

In line with the Leadership Development Framework and succession planning, 5 leadership training programmes were conducted for potential leaders, team leaders and management staff. These programmes were developed to ensure that soft-skills necessary for good leaders and great teams are emphasised and practised, to build a pool of future leaders equipped to continue with the strategic and operational goals of the Fund.

Succession planning is part of the Fund's risk action plan to build on the strengths of our organisation's greatest asset, the employees. Mentoring and Coaching certification programmes will be provided to the Fund's senior and middle managers.

Training and Development

FNPF recognises that employees are crucial to the success of the Fund and the source of sustainable competitive advantage; hence the Board remains committed to training and development across all levels of the organisation. With this is the recognition that the opportunity to grow is critical in achieving the key objective that FNPF be regarded as a 'great place to work' and an 'employer of choice'.

A total of 580 participants attended a wide range of training opportunities to build professional competencies, increase knowledge, and improve skills-sets. A total of 71 in-house, 36 external and 8 overseas training programmes and workshops were conducted in 2015.

Plans are in place for cross-functional trainings to build institutional knowledge, competency-based training and work–life balance programmes to further develop employees and close competency gaps.

OHS and Staff Well-being Programmes

Management remains committed to providing a safe, healthy work environment for its employees, members, contractors, tenants and the public at large, to prevent all types of health hazards and injury.

The Fund's Occupational Health and Safety committee is fully functional to oversee and ensure full compliance. This was evident when FNPF was awarded the outstanding Occupational Health and Safety Management Best Practice award by the Ministry of Labour, Productivity and Industrial Relations in April, 2015.

The health and safety awareness that is part of the Fund's training programmes includes OHS, First-Aid Training, fire and tsunami drills.

Awareness on prevention of non-communicable diseases (NCDs) is a priority in fostering a good work–life balance. Programmes such as the annual fun day, daily sporting activities such as table tennis, weekly team building and in-house sports including volleyball, hockey, basketball, soccer, rugby, bowling and netball competitions are supported. Healthy eating programmes have also been introduced as part of the well-being programme.

FNPF continues to support the community through its Corporate Social Responsibilities (CSR) activities. Pinktober (Breast Cancer) and Prostate Cancer Awareness were organised in October and November 2014 respectively and funds collected were donated to the Fiji Cancer Society. Other CSR initiatives organised included a Blood Drive in January 2015 in conjunction with the Ministry of Health and the collection of clothes for the Cyclone Appeal for Vanuatu victims in April, through the Fiji Red Cross Society.

OHS training for staff

OUR DIRECTION

A new Strategic Plan for the five-year planning period to 2020 was formulated with the over-arching theme of Transformation to Create and Protect Retirement Savings. The theme reflects the Fund's focus on transforming from within – our people, our services, our business processes and our risk and governance structures – to ensure that members' retirement savings are collected, grown and protected.

PRIME Services

Research & Product Development

The Fund remains committed to developing a comprehensive understanding of stakeholder demographics, needs and expectations and assessing critically the development of member-centric solutions and products that will meet their needs and expectations.

Pensioner Satisfaction Survey

The Pensioner Satisfaction Survey (PSS) is a tool used to assess the effectiveness of the pension service delivery. For a customer-centric organisation, feedback from these surveys has provided customer-input into the design of processes, products, services and businesses in general.

An independent consultant undertook the survey during the financial year. The Pension Satisfaction Index was 1.02 out of 1.25, which means that pensioners are more than satisfied with the services offered by the Fund.

In the absence of any prior assessment, the derived satisfaction index for FY2014–2015 provided a baseline of data against which to measure future satisfaction evaluations. The result indicates that post-reform, the Fund has met its immediate targets for improvement and for changes made.

Financial Literacy

Because employees nearing retirement face important and often irreversible decisions, financial education and the provision of quality advice are paramount. The Fund is now focusing on near retirees (45–55 yrs) to educate them on the importance of retirement planning, the options available and what they need to do and know to make an informed decision. Major initiatives are also being taken in collaboration with government ministries and other stakeholders to provide financial literacy to members.

Annual Member Forum

Members' increasing interest in being informed and aware of the Fund's major activities inclusive of financial performance was evident in the high turnout at member forums conducted in Labasa, Lautoka, Nadi and Suva. A total of 563 members and pensioners attended these forums, compared with 364 in 2014. Three of the forums were held in March and the Labasa one in May. Apart from the general information and question session, FNPF also provided general member and employer services to educate stakeholders about the major changes at the Fund and how these will affect them.

Attendees were surveyed to give feedback on the Forum – both the information shared and the manner of presentation – with a view to improve future forums. Results of the survey, whilst encouraging, indicate that our members prefer more frequent updates from FNPF.

Talanoa and Workplace Seminars

Overall, 38 talanoa and workplace seminars were conducted in villages, settlements and workplaces. These public seminars are an extension of the Fund's awareness programmes, which also include weekly radio programmes and other media programmes.

Using an informal setting for these sessions allows for a more interactive approach that is conducive to building members' understanding of FNPF matters. The sessions also provided attendees the opportunities to register for the FNPF/FRCA Joint ID Card and Online Services.

A member airs his views at the Member Forum in Nadi

Executives respond to questions at the Member Forum in Lautoka

Media Relations and Product Awareness

The media continue to be effective 'middle men' to let people know about important announcements and changes. With such an important role in bridging the communication gap that exists, the Fund continues to foster a robust working relationship with all media organisations.

Some 33 releases were provided to media outlets during the year and 58 media queries were received on issues such as investment performance, operational changes and member queries. Media mentions recorded during the year numbered 425: favourable mentions (195) swept ahead of negative ones (25). Of the mentions, 206 imparted general information.

The Fiji Broadcasting Commission presented regular radio programmes in all three major languages. In addition, FNPF Management took active roles in radio talkback shows to answer queries from the general public.

Media campaigns outlining major changes that affected members, pensioners and employers were also undertaken. Apart from the general public advertisements that were publicised by the print media, FNPF also took the same messages through radio and television commercials.

Website Management

During the year, 556,784 page views were recorded on myfnpf.com.fj, the FNPF website. This is an increase of 61,040 from last year's page views, an increase of 12% in website traffic. The increase can be attributed to the changes instituted as part of the FNPF reforms inclusive of the two accounts for members, revised withdrawal guidelines, and new provisions that affected employers.

Strategic Plan FY 2016 - 2020

A new Strategic Plan for the five-year planning period to 2020 was formulated with the over-arching theme of Transformation to Create and Protect Retirement Savings. The theme reflects the Fund's focus on transforming from within – our people, our services, our business processes and our risk and governance structures – to ensure that members' retirement savings are collected, grown and protected.

To do this, the Fund will focus on five key strategic themes:

i) Excellent Customer Services
ii) Growing Members' Savings
iii) Sustaining Operational Efficiency
iv) A Great Place to Work
v) Protecting Members' Savings.

A critical part of the strategy is to grow the digital channel, which is to ensure that members and pensioners can easily communicate with the Fund and access our services through the various communication mediums – email, telephone, mobile, and the internet. Financial literacy and the need to help people recognise the importance of saving for retirement are focuses for the Fund in the immediate future and beyond.

The Fund has strengthened its strategic management framework and introduced the business units' annual plans that will align work plans to the Strategic Plan. Annual Plans will be cascaded down to team and individual levels. This is expected to lift the standard and performance of all FNPF employees and other stakeholders as we continue to strive towards securing members' future.

OUR CSR

in pictures

The Fund continues to support the community through various Corporate Social Responsibilities (CSR) initiatives. These include helping the unfortunate by assisting the aged, orphans, homeless and victims of natural disasters through cash, in-kind and other general assistance. Environmental activities include observing energy reduction practices, replanting mangroves and cleaning the seashore.

FIJI NATIONAL PROVIDENT FUND AND ITS SUBSIDIARIES

Financial Statements

30 June 2015

Contents

Board of Members' Report

For the year ended 30 June 2015

The Board members present their report together with the financial statements of Fiji National Provident Fund ("the Fund") and the consolidated financial statements of the Fund and its subsidiaries ("the Group") for the year ended 30 June 2015 and report as follows:

Board Members

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

Operation of the Fund

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

Principal Activities

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

The principal activities of the subsidiary entities during the year were those of investment, provision of telecommunications services, the ownership and operation of hotel and resort facilities, insurance agency business and the provision of comprehensive banking and related financial services.

Operating Results

The benefits accrued as a result of operations of the Fund for the year ended 30 June 2015 amounted to a surplus of $373,172,000 (2014: $356,405,000). The consolidated result for the Group attributable to members for the year ended 30 June 2015 was a surplus of $382,161,000 (2014: $350,728,000).

Reserves

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

- $11,281,000 (2014: $10,582,000) to the Special Death Benefit Fund Reserve.
- $27,462,000 (2014: $73,541,000) to the General Reserve.
- $8,611,000 (2014: $8,006,000) to the Retirement Income Fund Reserve.

Bad and Doubtful debts

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

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

Significant events during the year

Three-year Reform Project

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

a) *Investment Rehabilitation*

i) Momi Bay Resort Limited project - Construction on the two hundred and fifty (250) room five star internationally branded resort at Momi Bay commenced in October 2014 and is expected to be completed by end of 2016. A design and construct contract has been signed with Fletcher Builders Fiji on a 24 month programme to complete construction. The hotel is targeted for opening in the first quarter of 2017.

ii) Natadola Bay residential development – The development of Stage 1 Residential is targeted for sale to coincide with the PGA tournament in October 2015. This will include the subdivision of around 44 lots that are expected to be launched for sale in September 2015. The development of the land estates is expected to complement the Resort & Golf course earnings with proceeds expected to contribute towards reducing the NBRL debt. There is a total of 9 stages in the master plan for this development that is subject to review and we expect that the land development may include other products other than residential sub-division depending on the market demand.

Vuksich and Borich (V&B) was appointed to undertake the civil construction work which is currently in progress. The residential lots will be managed through a Body Corporate which is expected to be in place prior to the sale of lots.

b) *Structural Reform*

i.) Promontory Financial Group Australasia formulated the draft FNPF Decree and the FNPF Transition Decree (FNPF Laws) in line with the Policy issues noted as the standard for the reforms and the complete overhaul of the FNPF laws. The FNPF Decree 2011 was published in the gazette on 25 November 2011. The FNPF Decree introduced the new set of FNPF laws which would replace the FNPF Act (a piece of legislation which has been in place since the inception of FNPF). To date 13 provisions of the FNPF Decree 2011 commenced on 1 November 2014.

ii.) The FNPF Regulations 2014 came into effect on 22 August 2014, except for Regulation 45 which shall come into force on a date appointed by the Minister by notice in the Gazette.

c) *Internal Reform*

i.) The current year included the completion of the implementation of the new member administration system (ProMIS) which facilitated the implementation of 13 provisions of the FNPF Decree 2011 that had been put on hold. Phase 2 was also completed within the current year and focused on the online presence of the Fund. Further improvements and enhancements are being planned for the next financial year.

Other events

i. During the year, subsidiary companies ATH Technology Park Limited, ATH Call Centre Limited, Transtel Limited, Xceed Pasifika Limited, and Internet Services Fiji Limited, being the non-operating companies within the group, were placed under Members' Voluntary Winding Up and the winding up formalities as set out in the Companies Act, except for Internet Services Fiji Limited, were completed for all the companies as at balance date.

ii. On 1 July 2014 Fiji National Provident Fund (FNPF) acquired 2,490,000 shares (49% shareholding) in Vodafone Fiji Limited from Vodafone International Holdings B.V. Vodafone Group continues to provide propriety services and branding to the company under a Partner Market Agreement.

Board of Members' Report (continued)

For the year ended 30 June 2015

Significant events during the year (continued)

Other events (continued)

iii. On 31 March 2015, subsidiary company Telecom Fiji Limited sold the Ganilau house property to Fiji National Provident Fund, for a consideration of $16,250,000.

iv. On 31 March 2015, subsidiary company Amalgamated Telecom Holdings Limited (ATH) was selected by the Government of the Republic of Kiribati, via the State Owned Enterprises Reform Steering Committee, as the successful bidder of the sale by auction of the telecommunication business and assets of Telecommunications Services Kiribati Limited.
On 26 May 2015, ATH and the Government of Kiribati completed all the transactions required of the parties pursuant to the Asset Purchase Agreement dated 31 March 2015 between ATH, the Government of the Republic of Kiribati and Telecom Services Kiribati Limited (a 100% owned subsidiary of ATH). This included the acquisition of assets, including leasehold interest, telecommunication equipment, network and towers, and licences, together with certain rights and obligations with the final adjusted consideration payment of AU$7,268,958 to the Government of Kiribati. The transaction was financed through a term loan from Westpac Banking Corporation of FJ$15,000,000.

v. On 29 May 2015, subsidiary company Vodafone Fiji Limited, acquired 100% shareholding (412,345 ordinary shares) in Datec (Fiji) Limited, an ICT company based in Fiji, with business operations predominantly in Fiji and in certain Island countries for a consideration of $3,300,000.

vi. Home Finance Company Limited (HFC) launched Internet Banking services on May 2015 to extend the range of financial products and services offered by HFC bank to customers.
In July 2014 HFC entered into a joint venture with Westpac Banking Corporation for banking services at Nadi International Airport.

vii. During the year, wholly owned subsidiary company, FNPF Investments Limited (FIL) applied for a Scheme of Arrangement pursuant to section 208 of the Companies Act, 1983 and all other applicable provisions, if any, of the act, to allow the assets and liabilities of the FIL to be transferred to, assumed by, and vested in FNPF at their book values, so as to vest in FNPF all the rights, title and interest of FIL. The scheme of arrangement was sanctioned by the High Court on 22 May 2015. Further FIL is to be wound up upon the conclusion of the transfer of the assets and liabilities.

viii. During the period FNPF Investments Limited sold its 51% shareholding in Penina Limited for a cash consideration of $17,000,000.

ix. During the course of the previous financial year the principal activity of subsidiary company Yatule Beach Resort Limited was the operation of a budget accommodation hotel. The hotel was closed from May 2014 to January 2015 for major refurbishments. Effective January 2015, the hotel was leased to a hotel operator. The company is now the resort property owner and receives lease income.

Board of Members' Report (continued)

For the year ended 30 June 2015

Events Subsequent to the Balance Date

HFC

The third stage of the banking operation has commenced with the project scheduled for phrase III Trade Finance and Treasury on the HFC Bank platform and is expected to be completed for commissioning by March 2016. Furthermore enhancement for Internet Banking is scheduled to be completed by 31 August 2015.

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

Basis of preparation

The financial statements of the Fund and of the Group have been drawn up in accordance with International Financial Reporting Standards and the requirements of Fiji National Provident Fund Decree 2011 (Decree No. 52).

Related party transactions

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

Other circumstances

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

Unusual transactions

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

Board member's interest

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

Dated at Suva this 28th day of August 2015.

Signed in accordance with a resolution of the Board:

Ajith Kodagoda

Tevita Kuruvakadua

Statement by Board of Members

For the year ended 30 June 2015

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 of the Fund and the Group for the year ended 30 June 2015;

(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 2015;

(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 2015;

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

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

Dated at Suva this 28th day of August 2015.

Signed in accordance with a resolution of the Board:

Ajith Kodagoda

Tevita Kuruvakadua

KPMG

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

Report on the Financial Statements

We have audited the accompanying financial statements of Fiji National Provident Fund (the "Fund") and the consolidated financial statements of the Fund and its subsidiaries (the "Group"), which comprise the statements of net assets of the Fund and the Group, and statements of net assets by Fund as at 30 June 2015, the statements of changes in net assets, the statements of changes in net assets by Fund and the statements of cash flows for the year then ended, and Notes 1 to 40 comprising a summary of significant accounting policies and other explanatory information.

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

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund and of the Group as at 30 June 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, the Fund has complied with the Fiji National Provident Fund Decree 2011 (Decree No. 52), in all material respects, for the year ended 30 June 2015, in relation to:

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

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

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

KPMG.

28 August, **2015**
Suva, Fiji

KPMG
Chartered Accountants

Fiji National Provident Fund and its subsidiaries

Statements of changes in net assets

For the year ended 30 June 2015

	Notes	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
Investment revenue					
Interest income	6	206,463	203,380	216,772	214,324
Property rental income		13,940	16,037	13,783	13,412
Dividends		8,304	6,510	8,238	6,459
Dividends from subsidiaries	16(a)	-	-	47,110	16,415
Change in fair values of investments	7	22,765	7,612	22,193	7,335
Total investment revenue		251,472	233,539	308,096	257,945
Less: Direct Investment expenses					
Property expenses		5,354	5,160	5,354	5,160
Net return on investment activities		246,118	228,379	302,742	252,785
Other revenue					
Sales revenue		376,132	343,019	-	-
Other revenue	8	49,729	33,148	1,936	2,666
		425,861	376,167	1,936	2,666
Contributions revenue					
Contributions from employers and members		432,185	375,737	432,185	375,737
		1,104,164	980,283	736,863	631,188
Benefits paid and expenses incurred					
Airtime and PSTN charges		64,362	51,452	-	-
Benefits paid	29(f)	300,452	272,035	300,452	272,035
Pension annuity	29(f)	23,625	23,927	23,625	23,927
Depreciation and amortisation		54,295	55,363	2,141	1,513
Equipment and ancillary charges		39,135	34,766	-	-
Interest expense		1,550	1,549	-	-
Investment expenses		9,876	4,912	9,876	4,912
Administrative and other expenses	9	183,906	144,092	29,113	16,373
Reversal of impairment of loans to related party		-	-	(1,516)	(43,977)
Total expenses and benefits paid		677,201	588,096	363,691	274,783
Share of loss of associates, net of tax	16(b)	(1,647)	(647)	-	-
Change in net assets for the year before income tax		425,316	391,540	373,172	356,405
Income tax expense	10(a)	(15,186)	(13,840)	-	-
Change in net assets for the year after income tax		410,130	377,700	373,172	356,405
Other comprehensive income		-	-	-	-
Total comprehensive changes in net assets for the year, net of tax		410,130	377,700	373,172	356,405
Non-controlling interest		(27,969)	(26,972)	-	-
		382,161	350,728	373,172	356,405
Net assets available to pay benefits at the beginning of the year		4,528,367	4,172,792	4,533,764	4,177,359
(Decrease)/increase in equity due to acquisition of subsidiary	37	(131,045)	4,847	-	-
Net assets available to pay benefits at the end of the year	29	4,779,483	4,528,367	4,906,936	4,533,764

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

Fiji National Provident Fund and its subsidiaries

Statements of net assets

For the year ended 30 June 2015

	Notes	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
Assets					
Investments					
Financial investments					
Term deposits	11	721,735	551,648	688,765	523,098
Government securities	12	2,050,776	2,055,010	1,984,928	2,000,658
Other fixed interest securities	13	192,616	209,333	192,616	209,333
Equities	15	160,475	157,651	157,182	150,785
Loans and advances	14	580,158	448,491	387,041	435,190
Investment in subsidiaries	16(a)	-	-	508,137	300,405
Investment in associates	16(b)	8,416	12,706	10,909	-
Non-financial investments					
Investment properties	17	182,271	244,696	206,038	196,525
Property held for development	18	9,736	8,319	-	-
Other non–financial assets	25	-	-	-	-
		3,906,183	3,687,854	4,135,616	3,815,994
Other assets					
Cash and cash equivalents	19	881,209	788,110	656,249	645,475
Trade receivables	20	35,094	35,114	-	-
Other receivables and assets	24	102,741	82,183	105,849	67,181
Inventories	21	9,775	12,650	-	-
Property, plant and equipment	23	437,206	379,473	13,131	15,708
Intangible assets	22	154,189	142,879	10,582	20
Current tax asset	10(b)	172	2,074	-	-
Deferred tax assets	10(d)	5,748	6,086	-	-
		1,626,134	1,448,569	785,811	728,384
Total assets		5,532,317	5,136,423	4,921,427	4,544,378
Liabilities					
Creditors and borrowings	26	551,607	408,421	11,263	5,192
Other liabilities	27	76,175	58,009	2,424	4,445
Employee entitlements	28	7,252	8,478	804	977
Deferred tax liabilities	10(c)	21,849	21,101	-	-
Total liabilities (excluding net assets available to pay benefits)		656,883	496,009	14,491	10,614
Net assets		4,875,434	4,640,414	4,906,936	4,533,764
Less: Non controlling interest		95,951	112,047	-	-
Net assets available to pay benefits	29	4,779,483	4,528,367	4,906,936	4,533,764

Signed in accordance with a resolution of the Board:

Ajith Kodagoda **Tevita Kuruvakadua**

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

Statement of changes in net assets by Fund

For the year ended 30 June 2015

	Notes	FNPF 2015 $000	FNPF 2014 $000	Retirement Income Fund ("RIF") 2015 $000	RIF 2014 $000	Special Death Benefit Fund ("SDBF") 2015 $000	SDBF 2014 $000	Supplementary Fund ("SF") 2015 $000	SF 2014 $000	Total 2015 $000	Total 2014 $000
Investment revenue											
Interest income	6	192,853	192,107	23,302	22,217	617	-	-	-	216,772	214,324
Property rental income		13,783	13,412	-	-	-	-	-	-	13,783	13,412
Dividends		8,238	6,459	-	-	-	-	-	-	8,238	6,459
Dividends from subsidiaries	16(a)	47,110	16,415	-	-	-	-	-	-	47,110	16,415
Change in fair values of investments	7	22,193	7,335	-	-	-	-	-	-	22,193	7,335
Total investment revenue		284,177	235,728	23,302	22,217	617	-	-	-	308,096	257,945
Less: Direct Investment expenses											
Property expenses		5,354	5,160	-	-	-	-	-	-	5,354	5,160
Net return on investment activities		278,823	230,568	23,302	22,217	617	-	-	-	302,742	252,785
Other revenue	8	1,936	2,666	-	-	-	-	-	-	1,936	2,666
Contributions from employers and members		420,904	365,155	-	-	11,281	10,582	-	-	432,185	375,737
Pension option received from pensioners		-	-	8,611	8,006	-	-	-	-	8,611	8,006
		701,663	598,389	31,913	30,223	11,898	10,582	-	-	745,474	639,194
Benefits paid and expenses incurred											
Benefits paid		300,083	271,787	-	-	8,980	8,254	-	-	309,063	280,041
Pension annuity/commutations	29	-	-	23,625	23,927	-	-	-	-	23,625	23,927
Depreciation and amortisation		2,126	1,511	15	2	-	-	-	-	2,141	1,513
Investment expenses		9,876	4,912	-	-	-	-	-	-	9,876	4,912
Administrative and other expenses	9	28,803	16,090	310	283	-	-	-	-	29,113	16,373
Reversal of impairment of loans to related party		(1,516)	(43,977)	-	-	-	-	-	-	(1,516)	(43,977)
Total expenses and benefits paid		339,372	250,323	23,950	24,212	8,980	8,254	-	-	372,302	282,789
Change in net assets for the year before income tax		362,291	348,066	7,963	6,011	2,918	2,328	-	-	373,172	356,405
Changes in net assets for the year, net of tax		362,291	348,066	7,963	6,011	2,918	2,328	-	-	373,172	356,405
Transfers from/(to) other Funds		2,751	(180)	-	228	-	-	(2,751)	(48)	-	-
Other		-	(11)	-	-	-	-	-	11	-	-
Net assets available to pay benefits at the beginning of the year		4,238,739	3,890,864	269,757	263,518	22,517	20,189	2,751	2,788	4,533,764	4,177,359
Net assets available to pay benefits at the end of the year	29	4,603,781	4,238,739	277,720	269,757	25,435	22,517	-	2,751	4,906,936	4,533,764

The statements of changes in net assets by Fund are to be read in conjunction with the notes to and forming part of the financial statements.

Fiji National Provident Fund

Statement of net assets by Fund

For the year ended 30 June 2015

	Notes	FNPF 2015 $000	FNPF 2014 $000	Retirement Income Fund ("RIF") 2015 $000	Retirement Income Fund ("RIF") 2014 $000	Special Death Benefit Fund ("SDBF") 2015 $000	Special Death Benefit Fund ("SDBF") 2014 $000	Supplementary Fund ("SF") 2015 $000	Supplementary Fund ("SF") 2014 $000	Total 2015 $000	Total 2014 $000
Assets											
Investments											
Financial investments											
Term deposits	11	687,765	521,898	1,000	1,200	-	-	-	-	688,765	523,098
Government securities	12	1,717,188	1,747,558	253,100	253,100	14,640	-	-	-	1,984,928	2,000,658
Other fixed interest securities	13	192,616	209,333	-	-	-	-	-	-	192,616	209,333
Equities	15	157,182	150,785	-	-	-	-	-	-	157,182	150,785
Loans and advances	14	387,041	435,190	-	-	-	-	-	-	387,041	435,190
Investment in subsidiaries	16(a)	508,137	300,405	-	-	-	-	-	-	508,137	300,405
Investment in associates	16(b)	10,909	-	-	-	-	-	-	-	10,909	-
Non-financial investments											
Investment properties	17	206,038	196,525	-	-	-	-	-	-	206,038	196,525
		3,866,876	3,561,694	254,100	254,300	14,640	-	-	-	4,135,616	3,815,994
Other assets											
Cash and cash equivalents	19	630,232	608,033	19,619	12,174	6,398	22,517	-	2,751	656,249	645,475
Other receivables and assets	24	96,607	62,763	4,845	4,418	4,397	-	-	-	105,849	67,181
Property, plant and equipment	23	13,091	15,670	40	38	-	-	-	-	13,131	15,708
Intangible assets	22	10,582	20	-	-	-	-	-	-	10,582	20
		750,512	686,486	24,504	16,630	10,795	22,517	-	2,751	785,811	728,384
Total assets		4,617,388	4,248,180	278,604	270,930	25,435	22,517	-	2,751	4,921,427	4,544,378
Liabilities											
Creditors and borrowings	26	10,395	4,619	868	573	-	-	-	-	11,263	5,192
Other liabilities	27	2,408	3,845	16	600	-	-	-	-	2,424	4,445
Employee entitlements	28	804	977	-	-	-	-	-	-	804	977
Total liabilities (excluding net assets available to pay benefits)		13,607	9,441	884	1,173	-	-	-	-	14,491	10,614
Net assets		4,603,781	4,238,739	277,720	269,757	25,435	22,517	-	2,751	4,906,936	4,533,764
Net assets available to pay benefits	29	4,603,781	4,238,739	277,720	269,757	25,435	22,517	-	2,751	4,906,936	4,533,764

The statements of net assets by Fund are to be read in conjunction with the notes to and forming part of the financial statements.

Fiji National Provident Fund and its subsidiaries

Statements of cash flows

For the year ended 30 June 2015

	Notes	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
Cash flows from operating activities					
Contributions received from employers and members		431,319	374,935	431,319	374,935
Cash receipts from customers		561,225	449,684	-	-
Interest received		227,068	225,727	212,679	217,164
Dividends received		8,278	9,463	34,798	25,827
Property rentals received		10,216	10,017	11,993	11,261
Other income received		9,735	8,950	4,884	6,732
Loans and advances (provided)/repaid		(119,135)	(47,471)	-	-
Statutory reserve deposit		(18,120)	(30,500)	-	-
Withdrawal payments to members		(300,452)	(272,035)	(300,452)	(272,035)
Pension annuity paid to members		(23,625)	(23,927)	(23,625)	(23,927)
Payments to suppliers and employees		(293,353)	(273,553)	(30,205)	(31,546)
Interest paid		(5,812)	(5,819)	-	-
Capital gains tax paid		(1,564)	-	-	-
Income taxes paid	10(b)	(11,260)	(6,925)	-	-
Net cash from operating activities		474,520	418,546	341,391	308,411
Cash flows from investing activities					
Government securities matured/(acquired)		(11,483)	(11,603)	15,730	(32,929)
Other securities matured/(acquired)		26,042	62,853	26,042	62,853
Loans and advances (provided)/repaid		35,582	34,832	37,098	34,832
Term deposits matured/(invested)		(141,029)	(228,997)	(131,525)	(234,959)
Investment in associates		(1,250)	-	-	-
Shares in subsidiaries (acquired)/disposed		-	-	(75,000)	167,392
Proceeds from disposal of subsidiaries		17,000	-	1,000	-
Shares and units (acquired)/ disposed		(10,193)	(10,719)	(10,193)	(10,719)
Proceeds from sale of property, plant and equipment		308	10,078	164	184
Net reduction from disposal of subsidiary		(1,698)	(988)	-	-
Purchase of property, plant and equipment		(87,408)	(49,289)	(2,431)	(5,752)
Interest received/(paid), net		189	(336)	-	-
Acquisition of intangible assets		(8,857)	(9,940)	(7,535)	(17)
Advances to related entities, net		(3)	(270)	-	-
Repayment of borrowings		-	(8,620)	-	-
Advance for relocation of telecommunication cables		3,896	-	-	-
Amount spent to acquire/develop investment properties		(7,717)	(47,894)	(23,967)	(47,894)
Net cash (used in) investing activities		(186,621)	(260,893)	(170,617)	(67,009)
Cash flows from financing activities					
Proceeds from borrowings		-	72,763	-	-
Repayment of borrowings		(24,879)	(68,584)	-	-
Receipt from share issue		-	1,250	-	-
Finance lease repayments		(5,217)	(138)	-	-
Acquisition of non-controlling interests		(160,000)	(9,000)	(160,000)	-
Dividends paid		(25,214)	(32,372)	-	-
Net cash (used in) financing activities		(215,310)	(36,081)	(160,000)	-
Net increase in cash and cash equivalents		72,589	121,572	10,774	241,402
Effect of exchange rate movement		(639)	474	-	-
Cash and cash equivalents at beginning of the financial year		757,610	635,564	645,475	404,073
Cash and cash equivalents at end of the financial year	33(a)	829,560	757,610	656,249	645,475

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

Notes to and forming part of the financial statements

For the year ended 30 June 2015

1 General Information

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

The consolidated financial statements of the Fund as at the year end 30 June 2015 comprise the Fund and its controlled entities ("the Group").

The financial statements of the Fund as at and for the year ended 30 June 2015 comprise of four Funds as follows:

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

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

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

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

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

The financial statements were authorised for issue by the Board of Members on 27 August 2015.

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

IFRS form the basis of International Accounting Standards adopted by the International Accounting Standards Board ("IASB"). Certain requirements of IAS 26 however differ from the equivalent requirements that would be applied under IFRS. It also requires management to exercise its judgment in the process of applying the Fund's and the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.2 Changes in accounting policies and disclosures

2.2.(a) New and amended standards and interpretations

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2014.

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

The only changes arising from adoption of these standards are in relation to expanding the disclosures in the financial statements.

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

2.2.(b) Standards issued but not yet effective

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

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

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

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

2.3 Basis of consolidation

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

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

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

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

2 Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

Subsidiaries (continued)

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

The financial statements for the subsidiary Amalgamated Telecom Holdings Limited ("ATH") have been consolidated based on 31 March 2015 results as permitted by IAS 27.

The consolidated financial statements incorporate the financial statements of all the companies that comprise the group, except FINTEL Internet Services Limited (subsidiary of Fiji International Telecommunications Limited), which was struck off during the year on application by the subsidiary company.

Acquisition of Vodafone Fiji Limited (VFL)

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

Loss on control

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

Associates

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

Non-controlling interests ("NCI")

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

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

2 Summary of significant accounting policies (continued)

2.4 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the Fiji currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the 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 measured at cost. Hotel resort properties are measured at historical cost less depreciation and impairment and all other property is measured at cost except investment properties measured at valuation. All plant and equipment is measured at historical cost less depreciation/ amortisation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the 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 investment property until construction or development is complete, at which time it is re-measured to fair value. Any gain or loss arising on re-measurement is recognised in the statement of changes in net assets. When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain or loss arising on re-measurement is recognised directly in the statement of changes in net assets.

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

Leasehold Land	Term of Lease
Buildings	40 – 80 years
Buildings – Freehold Properties	9 – 13 years
Exchange plant and telecommunication infrastructure	10 – 17 years
Subscriber equipment	10 – 20 years
Trunk network plant	10 - 17 years
Plant and machinery	4 – 17 years
Vehicles	4 – 7 years
Furniture, fittings and equipment	3 – 8 years
Computer equipment and software	3 – 5 years

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

2 Summary of significant accounting policies (continued)

2.6 Investment properties (continued)

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

2.7 Property held for development

Property held for development is measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

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

(b) Computer software

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

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

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

(c) IRU network capacity

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

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

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

2 Summary of significant accounting policies (continued)

2.8 Intangible assets (continued)

(d) *Spectrum licences*

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

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 estimated recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

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

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

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

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

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

(b) *Held to maturity financial assets*

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

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

2 Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

(b) *Held to maturity financial assets (continued)*

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

Term deposits, government securities and other fixed interest securities are included under this category.

(c) *Loans and receivables*

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

(d) *Available-for-sale financial assets*

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

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

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

Reclassification of financial assets

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

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

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

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

2 Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

Derecognition of financial assets

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

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

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

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

2.11 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 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 Summary of significant accounting policies (continued)

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

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

(i) Renegotiated loans

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

(ii) Collateral valuation

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

(iii) Collateral repossessed

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

2.12 Inventories

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

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

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

2.13 Trade receivables

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

2.14 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 Operating leases

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

2 Summary of significant accounting policies (continued)

2.16 Employee entitlements

(a) *Wages and salaries and sick leave*

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

(b) *Annual Leave, long service leave, gratuity benefits and retirement benefits*

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

(c) *Termination benefits*

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

(d) *Bonus incentive*

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

2.17 Creditors and Borrowings

Creditors

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

Borrowings

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

In respect of HFC, the following additional policies apply:

Debt issued and other borrowed funds

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

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

2 Summary of significant accounting policies (continued)

2.17 Creditors and Borrowings (continued)

Debt issued and other borrowed funds (continued)

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

Derecognition of financial liabilities

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

2.18 Borrowing costs

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

2.19 Income tax

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

In the consolidated financial statements:

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

Deferred income tax is provided in 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, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss or for goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the financial year end and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

2 Summary of significant accounting policies (continued)

2.20 Provisions

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

2.21 Liability for accrued benefits

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

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

The liability for accrued benefits in SF is the balance held for claims yet to be made by pensioners prior to the Reform.

2.22 Contributions

Contributions from employers and members are recorded when control of the asset is ascertained which is upon receipt of the CS forms from the employers and the registration of the forms by the Fund. The Fund does not accrue for contributions for which no CS forms are received or received but not registered as it is not able to reliably estimate the contributions balance. Under the FNPF Decree, the amount of contributions for an employee for a month is the amount equal to 18% of the total wages payable to the employee by the employer for the month. The contribution shall be paid as an 8% deduction from the total wages of the employee and a 10% contribution by the employer. The legislation allows for additional contributions to be made.

The contributions revenue shown in the Statements of changes in net assets represents total contributions received from employers and members.

2.23 Revenue recognition

(a) *Sale of telecommunication and related services*
Revenue is recognised based on billing cycles through the month. Unbilled revenue from the billing cycle date to the end of each month is recognised as revenue in the month the service is provided.

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

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

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

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

Revenue from publication of telephone directories is recognised upon dispatch of the directories for distribution. Advance billings and monies collected in advance are deferred. Costs including overhead expense incurred in relation to securing advertisements and in the publication of the directories are also deferred until the associated revenues are recognized.

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

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

2 Summary of significant accounting policies (continued)

2.23 Revenue recognition (continued)

(c) *Airtime and gaming revenue*

Revenue from airtime and gaming services is recognised when earned.

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

(d) *Interest income*

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

In respect of HFC, the following policy applies:

Interest and similar income and expense

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

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

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

(e) *Property rentals*

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

(f) *Dividend income*

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

(g) *Fees*

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

2 Summary of significant accounting policies (continued)

2.23 Revenue recognition (continued)

(g) Fees (continued)

In respect of HFC, the following policy applies:

Fee and commission income

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

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

(h) Revenue from hotel and golf activities

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

(i) Movement in fair value of investments

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

2.24 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.

2.25 Comparative figures

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

3. Financial risk management

3.1 Financial risk factors

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

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

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

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

Risk management is carried out by executive management under policies approved by the individual Group entities' Board of Directors.

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

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Foreign exchange risk

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

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

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

	2015 $000	2014 $000
Assets		
AUD	119,916	155,486
USD	227,355	226,791
NZD	19,004	20,479
Liabilities		
USD	6,498	12,076
Euro	7,208	5,531

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

Sensitivity Analysis

Following analysis of historical data over the past 5 years and expected currency rate movements during the 2015 financial year together with consultation with the investment consultant, the Fund's Investment Department considers a 10% movement in the Fiji Dollar as reasonably possible for the 2015/16 reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening/weakening of the FJD against the AUD, USD, Euro and NZD at 30 June would have increased/(decreased) the Change in Net Assets available to pay benefits and Net assets available to pay benefits for the year by the amounts shown below:

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

Sensitivity Analysis (continued)

Consolidated	Carrying Amount $000's (FJD)	Change for the year in net assets available to pay benefits -10% $000's (FJD)	+10% $000's (FJD)
Assets			
30 June 2015			
USD	227,355	(22,474)	22,474
AUD	119,916	(11,843)	11,843
NZD	19,004	(1,872)	1,872
		(36,189)	36,189
30 June 2014			
USD	226,791	(22,417)	22,417
AUD	155,486	(15,341)	15,341
NZD	20,479	(2,019)	2,019
		(39,777)	39,777
Liabilities			
30 June 2015			
USD	6,498	(591)	591
Euro	7,208	(655)	655
		(1,246)	1,246
30 June 2014			
USD	12,076	(1,208)	1,208
Euro	5,531	(554)	554
		(1,762)	1,762

(ii) Price risk

The Group is significantly exposed to equity securities price risk because of investments held by the Group and classified in the Statement of Net Assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group and restrictions by Reserve Bank of Fiji ("RBF") over offshore investments. The Group's investments in equities are largely those which publicly trade on the South Pacific Stock Exchange (for local investments) and Australian Stock Exchange (for offshore investments). The table below summarises the impact of increases / (decreases) of the above two exchanges on the Fund and Group's net assets. Assuming that the equity investments increased / (decreased) in value by 5% it would have had an equal but opposite effect. Shares in a listed subsidiary, ATH, which are not included in this analysis, are recorded by the Fund at cost less impairment.

Index	Group Impact on net assets 2015 $000	2014 $000	Fund Impact on net assets 2015 $000	2014 $000
South Pacific Stock Exchange	1,899	1,775	1,738	1,613
Australian Securities Exchange	4,880	4,864	4,880	4,864
	6,779	6,639	6,618	6,477

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

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

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

The Group has significant interest-bearing assets in the form of short and long-term cash deposits, fixed interest securities, and loans and advances. These are at fixed interest rates and hence there are no cash flow interest rate risks arising from fluctuations in market interest rates during the period of investment or loan. Consequently there is limited cash flow interest rate risk. Since these assets are measured at amortised cost, fair value interest rate risk is also very limited. Risks arising from variable rate instruments are considered not to be material.

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

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

Given the fixed nature of interest rates described above, the cash flow interest rate risk is minimal.

(b) Credit risk

Credit risk is the potential risk of loss arising from failure of a debtor or counterparty to meet their contractual obligations. The Group is subject to credit risk through its lending and investing and provision of goods and services on credit terms. The Group's primary exposure to credit risk arises through the provision of lending facilities. The amount of credit exposure in this regard is represented by the carrying amounts of the loans and advances on the statement of net assets. In addition, the Group is exposed to off balance sheet credit risk through commitments to extend credit.

Deposits are only made with banks known to have sound financial standing. Investment in fixed interest securities with the Government of Fiji or Government related entities are guaranteed by Government. Loans and advances are made after appropriate credit and security checks and they are monitored and reviewed.

The following applies to HFC:

Impairment assessment

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

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

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

(i) Individually assessed allowances

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

(ii) Collectively assessed allowances

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

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Collectively assessed allowances (continued)

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

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

Credit quality by class of financial assets

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

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Consolidated	$	$	$	$
2015				
Term deposits	721,735	-	-	721,735
Government securities	2,050,776	-	-	2,050,776
Other fixed interest securities	192,616	-	-	192,616
Equities	160,475	-	-	160,475
Loans and advances	560,389	19,471	6,869	586,729
Cash and cash equivalents	881,209	-	-	881,209
Trade receivables	29,783	5,311	17,055	52,149
	4,596,983	24,782	23,924	4,645,689
2014				
Term deposits	551,648	-	-	551,648
Government securities	2,055,010	-	-	2,055,010
Other fixed interest securities	209,333	-	-	209,333
Equities	157,651	-	-	157,651
Loans and advances	427,284	19,550	8,639	455,473
Cash and cash equivalents	788,110	-	-	788,110
Trade receivables	29,687	5,427	16,697	51,811
	4,218,723	24,977	25,336	4,269,036
The Fund				
2015				
Term deposits	688,765	-	-	688,765
Government securities	1,984,928	-	-	1,984,928
Other fixed interest securities	192,616	-	-	192,616
Equities	157,182	-	-	157,182
Loans and advances	239,319	4,613	300,743	544,675
Cash and cash equivalents	656,249	-	-	656,249
	3,919,059	4,613	300,743	4,224,415
2014				
Term deposits	523,098	-	-	523,098
Government securities	2,000,658	-	-	2,000,658
Other fixed interest securities	209,333	-	-	209,333
Equities	150,785	-	-	150,785
Loans and advances	280,087	8,656	302,259	591,002
Cash and cash equivalents	645,475	-	-	645,475
	3,809,436	8,656	302,259	4,120,351

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

	Consolidated				The Fund			
	2015		2014		2015		2014	
	$000	%	$000	%	$000	%	$000	%
Agriculture	27,876	5	19,095	4	9,553	2	8,963	2
Construction	37,179	6	18,162	4	-	-	-	-
Financial institutions	-	-	-	-	27,130	5	48,314	8
Government and statutory bodies	46,528	8	32,138	7	46,528	9	32,137	5
Telecommunications	-	-	-	-	22,682	4	58,082	10
Manufacturing	19,687	3	15,575	4	-	-	26	-
Mining	7,036	1	4,637	1	-	-	-	-
Private motor vehicle (includes staff loans)	-	-	14	-	-	-	14	-
Private others (includes staff loans)	127,419	22	109,455	24	442	-	429	-
Professional and business services	8,822	2	6,668	1	-	-	-	-
Real estate development	58,592	10	34,741	8	18,364	3	17,871	3
Education	3,023	1	4,029	1	3,023	-	2,463	-
Transport and storage	176,095	30	163,285	36	111,704	21	120,130	20
Wholesale and retail	71,439	12	-	-	-	-	-	-
Other (Hotels & Restaurants)	3,033	-	47,674	10	305,249	56	302,573	52
Total	**586,729**	**100**	**455,473**	**100**	**544,675**	**100**	**591,002**	**100**

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

		Consolidated		The Fund	
	Notes	2015	2014	2015	2014
		$000	$000	$000	$000
Term deposits	11	721,735	551,648	688,765	523,098
Government securities	12	2,050,776	2,055,010	1,984,928	2,000,658
Other fixed interest securities	13	192,616	209,333	192,616	209,333
Equities	15	160,475	157,651	157,182	150,785
Loans and advances	14	580,158	448,491	387,041	435,190
Cash and cash equivalents	19	881,209	788,110	656,249	645,475
Trade receivables	20	35,094	35,114	-	-
		4,622,063	4,245,357	4,066,781	3,964,539

(c) Liquidity risk

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

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

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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

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

The individual Group entities' Treasury departments manage the above liquidity risk through:

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

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

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

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

	2015	2014	Satisfactory position	Marginal position
1. Loan to Total Funding Ratio	81.3%	80.2%	70.0%	80.0%
2. Liquid Assets to Total Assets Ratio	27.8%	27.3%	30.0%	20.0%
3. Liquid Assets to Total Funding Ratio	32.0%	31.7%	30.0%	25.0%

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

3. Financial risk management (continued)

3.2 Capital risk mangement

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

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

The following applies to HFC:

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

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

4. Critical accounting estimates and judgments

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

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

(a) Impairment of trade receivables and loans and advances

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

The following applies to HFC:

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

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

4. Critical accounting estimates and judgments (continued)

(b) Impairment of property, plant and equipment, other non financial assets and goodwill

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

(c) Deferred tax assets

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

(d) Actuarial present value of accrued benefits

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

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

Future investment return is assumed to be 6.25% (2014: 6.25%) and the discount rate used after the allowance for expenses is 5.75 % (2014: 5.75%).

For the valuation as at 30 June 2015, the determination was carried out by Mr. Geoffrey Rashbrooke, Associate of the Institute of Actuaries of Australia, in accordance with the International Standard of Actuarial Practice #2 issued by the International Association of Actuaries. Determination of the SDBF reserve for claims incurred but not reported was also carried out by Mr. Rashbrooke, applying the chain ladder method to reported run-off data.

5. Fair value estimation

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

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

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

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

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

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

The different levels have been defined as follows:

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

5. Fair value estimation (continued)

The table below analyses financial instruments carried at fair value, by valuation method

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Consolidated				
Balance as at 30 June 2015				
Financial assets at fair value through profit & loss	134,540	19,645	15	154,200
Available for sale financial assets	3,210	3,050	15	6,275
	137,750	22,695	30	160,475
Balance as at 30 June 2014				
Financial assets at fair value through profit & loss	132,394	18,791	15	151,200
Available for sale financial assets	3,210	3,226	15	6,451
	135,604	22,017	30	157,651
The Fund				
Balance as at 30 June 2015				
Financial assets at fair value through profit & loss	134,472	19,645	15	154,132
Available for sale financial assets	-	3,050	-	3,050
	134,472	22,695	15	157,182
Balance as at 30 June 2014				
Financial assets at fair value through profit & loss	131,979	18,791	15	150,785

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

	Consolidated		The Fund	
	2015 $000	2014 $000	2015 $000	2014 $000
Balance at 1 July	30	30	15	15
Gains (loss) included in statements of changes in net assets	-	-	-	-
Reclassified to investment in associates	-	-	-	-
Balance at 30 June	30	30	15	15

Valuation technique and significant unobservable inputs

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

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity securities	*Market comparison*: The fair values of equity securities are based on broker quotes and for units held in Trusts based on the value of the Trust's net assets.	Not applicable	Not applicable

6. Interest

	Consolidated		The Fund	
	2015 $000	2014 $000	2015 $000	2014 $000
Fixed interest securities				
- Government	156,026	156,555	156,026	156,555
- Other	19,559	20,479	19,559	20,479
Loans and advances	6,385	12,847	16,979	26,363
Term deposits	16,205	7,400	14,482	7,360
Other interest income	8,288	6,099	9,726	3,567
	206,463	203,380	216,772	214,324

Notes to and forming part of the financial statements

For the year ended 30 June 2015

	Notes	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
7. Change in fair values of investments					
Change in net market values of investments consist of the following:					
Unrealised gains/(losses) on investments		(420)	12,650	(420)	12,650
Realised gains on investments		6,209	4,074	6,209	4,074
Unrealised exchange (losses)/gains		15,197	(9,022)	15,864	(9,381)
Realised exchange (losses)/gains		1,779	(90)	540	(8)
		22,765	7,612	22,193	7,335
8. Other Revenue					
Other revenue includes the following specific items:					
Net interest income from HFC		19,614	14,219	-	-
Gain on sale of fixed assets and investment property		5,185	3,769	85	182
Bad debts recovered		828	218	-	-
Fees and commissions		4,387	3,118	936	1,052
Surcharge income		171	209	171	209
Gain on disposal of subsidiary	38	10,009	912	-	-
9. Administrative and other expenses					
Auditors' remuneration:					
- Audit - KPMG		113	126	58	58
- Other firms		162	165	-	-
- Other services - KPMG		5	20	1	14
- Other firms		66	47	-	-
Directors fees		344	345	45	50
Electricity		11,561	11,824	539	447
Hotel operating expenses		15,668	16,164	-	-
Insurance		6,980	7,037	103	111
Impairment expenses:					
- Impairment of capital work in progress	23	-	325	-	-
- (Reversal)/impairment of property, plant and equipment	23	46	(41,818)	-	-
- Impairment of property held for development	18	-	394	-	-
- (Reversal)/impairment of loans and advances, trade and other receivables		2,768	(1,522)	1,439	(519)
- Impairment of intangibles	22	-	9,000	-	-
- Net impairment of investment in associates	16(b)	3,893	-	-	-
Loss on Scheme of Arrangement relating to a subsidiary	38	-	-	3,766	-
Licence fees		8,657	10,109	-	-
Loss on sale of fixed assets and investment property		1,654	240	1,320	2
Marketing and promotion		10,458	8,423	-	-
Operating leases		3,188	4,760	-	-
(Reversal) of provision for stock obsolescence	21	(386)	-	-	-
Personnel expenses:					
- Salaries and wages		58,010	60,719	11,446	10,644
- Other staff benefits and expenses		14,144	9,033	2,323	785
Repairs and maintenance		4,803	5,428	239	283
Reform expenses		1,172	615	1,172	615
Other operating and general expenses		40,600	42,658	6,662	3,883
		183,906	144,092	29,113	16,373

	Consolidated		The Fund	
	2015	2014	2015	2014
	$000	$000	$000	$000

10. Income tax

(a) Income tax expense

	2015 $000	2014 $000	2015 $000	2014 $000
Prima facie income tax expense calculated at 20% (2014:20%) on change in net assets	85,393	78,437	74,634	71,281
add/(deduct):				
Fund income not subject to tax	(74,634)	(71,281)	(74,634)	(71,281)
Impact of difference in tax rate	(2,881)	(334)		
Expenses not deductible /(other income not subject to tax)	11,331	4,130	-	-
Export income allowances	(73)	(73)	-	-
Investment allowances	(58)	(9)	-	-
Amortisation of Government grant	(9)	(9)	-	-
De-recognition of deferred tax asset in respect of lapsed tax losses	72	2,363	-	-
Tax losses and temporary differences not recognised as deferred tax assets	-	864	-	-
Tax losses and temporary differences not previously brought to account	(2,675)	(67)	-	-
Temporary differences recognised	(110)	-	-	-
Capital gain on sale of property, net of capital gains tax	(777)	-	-	-
(Over)/under provision in prior year	(89)	48	-	-
Effect of change in tax rate	-	6	-	-
Other	(304)	(235)	-	-
	15,186	13,840	-	-
Income tax expense is made up of:				
Current tax expense	12,959	10,145	-	-
Deferred tax expense	1,086	3,647	-	-
Deferred tax expense in respect of sale of subsidiary	1,230	-	-	-
(Over)/under provision in prior years	(89)	48	-	-
	15,186	13,840	-	-

Tax expense excludes the Group's share of the tax benefit of equity-accounted investees of $40,000 (2014: nil), which has been included in share of profit of equity-accounted investees, net of tax.

(b) Current tax asset

	2015 $000	2014 $000	2015 $000	2014 $000
Movements during the year were as follows:				
Balance at the beginning of the year	(2,074)	(5,510)	-	-
Income taxes paid	(11,259)	(6,917)	-	-
Withholding taxes paid	(1)	(8)	-	-
Adjustment upon disposal of Pacific Emerging Technologies (Fiji) Limited	-	11	-	-
Refund received	-	157	-	-
(Over)/under provision in prior years	(104)	48	-	-
Withholding tax receivable written off	307	-	-	-
Current income tax expense	12,959	10,145	-	-
Balance at the end of the year	(172)	(2,074)	-	-

(c) Deferred tax liabilities

Deferred tax liabilities comprises the following at 10% (2014:10%) for ATH and 20% (2014:20%) for other subsidiaries:

	2015 $000	2014 $000	2015 $000	2014 $000
Deferred expenses	21	21	-	-
Property, plant and equipment	21,629	20,985	-	-
Unrealised exchange gain	199	95	-	-
	21,849	21,101	-	-

10.Income tax (continued)

(d) Deferred tax assets

	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
Deferred tax assets comprises the following at 10% (2014:10%) for ATH and 20% (2014:20%) for other subsidiaries:				
Provision for inventory obsolescence	499	576	-	-
Deferred revenue	209	179	-	-
Employee entitlements	1,220	1,452	-	-
Provisions for impairment and doubtful debts	3,724	3,710	-	-
Depreciation	-	8	-	-
Tax losses	-	49	-	-
Unrealised exchange loss	34	57	-	-
Other	62	55	-	-
	5,748	6,086	-	-

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

(e) Deferred tax assets not brought to account

	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
Tax losses	7,759	19,566	-	-
Provisions for impairment and doubtful debts	-	89	-	-
Employee benefits	-	1	-	-
Depreciation of property, plant and equipment	-	-	-	-
	7,759	19,656	-	-

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

Deferred tax assets amounting to $7,759,000 (2014: $19,656,000) relating to estimated tax losses of $38,795,000 (2014: $98,280,000) have not been brought to account by the group as its realisation is not considered to be probable. The deferred tax assets will only be realised if:

i) the respective company in the group derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised;

ii) the respective company in the group continues to comply with the conditions for deductibility imposed by the law; and

iii) no changes in tax legislation adversely affect the respective company in realising the benefit from the deductions for the losses.

(f) Short Life Investment Package ("SLIP")

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

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

Given that the subsidiaries are exempt from income tax for a period of 20 and 13 years respectively, no deferred tax assets in relation to accumulated tax losses have been brought to account. Under the existing income tax laws effective 1 January 2013, tax losses may only be carried forward for 4 years in succession in accordance with the amendments to the Income Tax Act. The Directors of the subsidiaries believe that by virtue of the resort profits being exempt from income tax for the above period, the above losses would expire before the end of the tax exemption period. For these reasons, the tax losses are also not reflected in the above tax losses carried forward amount.

Notes to and forming part of the financial statements

For the year ended 30 June 2015

	Consolidated		The Fund	
	2015	2014	2015	2014
	$000	$000	$000	$000
11. Term deposits				
Local banks and financial institutions– local currency	623,070	417,885	590,100	389,335
Local and other banks – foreign currency	98,665	133,763	98,665	133,763
	721,735	551,648	688,765	523,098
Maturity represented as:				
Less than or equal to 3 months	204,403	76,012	196,128	75,804
3 to 12 months	388,332	226,564	363,637	214,159
1 to 5 years	129,000	196,572	129,000	180,635
Greater than 5 years	-	52,500	-	52,500
	721,735	551,648	688,765	523,098

12. Government securities

Fiji Government Registered Stock	2,027,706	2,029,103	1,961,858	1,974,751
Treasury Bills	23,070	25,907	23,070	25,907
	2,050,776	2,055,010	1,984,928	2,000,658
Maturity represented as:				
Less than or equal to 3 months	24,873	64,078	24,873	61,878
3 to 12 months	105,018	80,754	90,018	79,454
1 to 5 years	445,746	404,269	407,653	390,922
Greater than 5 years	1,475,139	1,505,909	1,462,384	1,468,404
	2,050,776	2,055,010	1,984,928	2,000,658

The above investments are accounted for as held-to-maturity and measured in accordance with note 2.10 to the financial statements. The carrying values of treasury bills approximate 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, which is classified in Level 1 of the Fair Value Hierarchy, are as follows:

Fiji Government Registered Stock	2,532,917	2,658,780	2,458,069	2,604,428

ATH has pledged government bonds amounting to $14,000,000 as security for the loan obtained during the prior year from the Fund.

13. Other fixed interest securities

Promissory notes	9,771	1,986	9,771	1,986
Fiji Bonds	107,300	139,580	107,300	139,580
Foreign Bonds	75,545	67,767	75,545	67,767
	192,616	209,333	192,616	209,333
Maturity represented as:				
Less than 3 months	9,771	1,986	9,771	1,986
3 to 12 months	84,545	9,990	84,545	9,990
1 to 5 years	35,000	75,057	35,000	75,057
Greater than 5 years	63,300	122,300	63,300	122,300
	192,616	209,333	192,616	209,333

Promissory notes and Fiji bonds are guaranteed by the Government of Fiji.

The above investments are accounted for as held-to-maturity and measured at amortised cost as they are considered likely to be held to maturity in line with the fixed investment objectives of the Fund and the fixed price nature of the investments. The carrying values of promissory notes approximate their fair value as these investments are short term. The fair value of foreign bonds approximates their carrying value as the yield rates have mainly remained stable. Fair values for Fiji bonds, determined by indicative prices quoted by the Reserve Bank of Fiji, which is classified in Level 1 of the Fair Value Hierarchy, are as follows:

Bonds	134,222	165,527	134,222	165,527

14. Loans and advances

	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
Loans and advances (quasi-government)	57,332	41,101	57,332	41,101
Loans to subsidiaries (Note 35(b))	-	-	352,029	407,188
Customer term loans	524,959	410,012	134,872	142,270
Staff loans	4,438	4,360	442	443
	586,729	455,473	544,675	591,002
Provision for impairment	(6,571)	(6,982)	(157,634)	(155,812)
	580,158	448,491	387,041	435,190
Maturity represented as:				
Less than or equal to 3 months	2,586	8,306	28,143	5,894
3 to 12 months	14,563	33,676	28,440	18,131
1 to 5 years	213,325	102,278	307,140	150,406
Greater than 5 years	356,255	311,213	180,952	416,571
	586,729	455,473	544,675	591,002

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 carrying amount of each class of asset above. Collateral 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 a registered first mortgage over property and improvements. During the 2013 financial year the Fund provided loans to Fiji Airways Limited (formerly Air Pacific Limited), further details of which are below.

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

Natadola Bay Resort Limited (NBRL)

The carrying value of the loan provided to NBRL by FNPF is $299,134,000 (2014: $300,649,000). Further details of the loan are in Note 35(b).

As at year end, the Fund is carrying a provision for impairment against the loan of $152,142,000 (2014: $153,658,000). During the year the Fund reversed a portion of the loan provision amounting to $1,516,000 (2014: $43,977,000) based on the difference between the loan and security value as at 30 June 2015. The reversal in 2014 was based on an independent valuation of NBRL's property, plant and equipment undertaken on 30 June 2014 by Bayleys. Based on the valuation, the provision for impairment was revised such that the carrying value of the loan equated the new valuation amount of $146,820,000. The reversals have been taken to the statement of changes in net assets.

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

The carrying value of the loan provided to FAL by the Fund is $111,704,000 (2014: $120,130,000). The loans attract a fixed rate of 5.15% per annum interest and repayments are payable on a monthly basis. The loans are principally secured by the following:

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

14. Loans and advances (continued)

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

	Loans & advances $000	Loans to subsidiaries $000	Customer term loans $000	Staff loans $000	Total $000
Collectively Assessed Provisions					
Balance as at 1 July 2013	-	-	237	380	617
Provisions released as no longer required	-	-	(173)	(7)	(180)
Balance as at 30 June 2014	-	-	64	373	437
New and increased provisioning	-	-	63	40	103
Balance as at 30 June 2015	-	-	127	413	540
Individually Assessed Provisions					
Balance as at 1 July 2013	949	-	9,509	-	10,458
New and increased provisioning	-	-	842	-	842
Bad debt written off	-	-	(3,042)	-	(3,042)
Provisions released as no longer required	(442)	-	(1,271)	-	(1,713)
Balance as at 30 June 2014	507	-	6,038	-	6,545
New and increased provisioning	331	-	1,202	-	1,533
Bad debts written off	-	-	(777)	-	(777)
Provisions released as no longer required	(483)	-	(787)	-	(1,270)
Balance as at 30 June 2015	355	-	5,676	-	6,031
Total provision for impairment at 1 July 2013	949	-	9,746	380	11,075
Total provision for impairment at 30 June 2014	507	-	6,102	373	6,982
Total provision for impairment at 30 June 2015	355	-	5,803	413	6,571

14. Loans and advances (continued)

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

	Loans & advances $000	Loans to subsidiaries $000	Customer term loans $000	Staff loans $000	Total $000
Collectively Assessed Provisions					
Balance as at 1 July 2013	-	-	-	380	380
New and increased provisioning	-	-	-	-	-
Provisions no longer required	-	-	-	(7)	(7)
Balance as at 30 June 2014	-	-	-	373	373
New and increased provisioning	-	-	-	40	40
Provisions no longer required	-	-	-	-	-
Balance as at 30 June 2015	-	-	-	413	413
Individually Assessed Provisions					
Balance as at 1 July 2013	1,290	197,635	1,007	-	199,932
New and increased provisioning	-	-	-	-	-
Provisions no longer required	-	(43,977)	(516)	-	(44,493)
Balance as at 30 June 2014	1,290	153,658	491	-	155,439
Assignment from FNPF Investments Limited	2,815	483	-	-	3,298
Provisions no longer required	-	(1,516)	-	-	(1,516)
Balance as at 30 June 2015	4,105	152,625	491	-	157,221
Total provision for impairment at 1 July 2013	1,290	197,635	1,007	380	200,312
Total provision for impairment at 30 June 2014	1,290	153,658	491	373	155,812
Total provision for impairment at 30 June 2015	4,105	152,625	491	413	157,634

Total impairment provisions as at balance date are:

	Consolidated		The Fund	
	2015 $000	2014 $000	2015 $000	2014 $000
Collectively assessed provisions	540	437	413	373
Individually assessed provisions	6,031	6,545	157,221	155,439
	6,571	6,982	157,634	155,812

15. Equities

	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
Local equities	41,561	39,143	38,268	32,345
Local unit trusts	19,646	18,791	19,646	18,791
Kula Fund – foreign currency	1,040	914	1,040	914
Overseas equities	98,228	98,803	98,228	98,735
	160,475	157,651	157,182	150,785

Equity investments are valued in accordance with Note 2.10 to the financial statements, that is, fair value through profit or loss.

Local equities amounting to $3,225,000 (2014:$3,225,000) are held by FNPF Nominees Limited on behalf of members and therefore are not available to the Group.

	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000

16. (a) Investment in subsidiaries - cost

	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
Investments in subsidiaries	-	-	659,437	457,526
Accumulated impairment provision	-	-	(151,300)	(157,121)
	-	-	508,137	300,405

Investment in subsidiaries consists of the following:

Name	Principal activities	Balance Date	2015 Cost $000	2015 Impairment $000	2014 Cost $000	2014 Impairment $000
Amalgamated Telecom Holdings Limited (ATH)	Telecommunications	31 March	295,823	83,300	295,823	83,300
Home Finance Company Limited	Financial services	30 June	35,384	-	20,384	-
FNPF Nominees Limited	Nominee services	30 June	98	-	98	-
FNPF Investments Limited	Investments	30 June	-	-	141,153	73,821
FNPF Holdings (PNG) Limited	Investments	30 June	68	-	68	-
Yatule Beach Resort Limited	Resort operations	30 June	13	-	-	-
FNPF Hotel Resorts Limited	Resort operations	30 June	23,317	-	-	-
Natadola Bay Resort Limited	Resort operations and development	30 June	48,000	48,000	-	-
Natadola Land Holdings Limited	Property investments	30 June	20,000	20,000	-	-
Vodafone Fiji Limited	Telecommunications	31 March	160,000	-	-	-
Momi Bay Resort Limited	Resort development	30 June	75,000	-	-	-
Dareton Limited	Land development	30 June	1,734	-	-	-
			659,437	151,300	457,526	157,121

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

Dividends received and receivable from the above entities for the year ended 30 June 2015 amounted to $47,110,000 (2014: $16,415,000).

Write off of investment in FNPF Investments Limited

The Fund has written off its investment in FNPF Investments Limited. Refer to note 38 for details. The Fund received a dividend of $11,000,000 from the subsidiary during the year (2014: $2,000,000).

Impairment of investment in Amalgamated Telecom Holdings Limited (ATH)

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

16.(b) Investment in associates

	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
At cost	17,870	18,267	20,363	-
Allowance for impairment	(9,454)	(5,561)	(9,454)	-
	8,416	12,706	10,909	-
Movements in the allowance for impairment are as follows:				
Balance at the beginning of the year	5,561	5,561	-	-
Assignment from FNPF Investments Limited	-	-	9,454	-
New and increased provisions	4,218	-	-	-
Provisions released	(325)	-	-	-
Balance at the end of the year	9,454	5,561	9,454	-

16.(b) Investment in associates (continued)

Investments in associates are those equity investments in which the Group has significant influence. This is typically where the Group has more than 20% ownership and some Board representation. The Group is directly involved in the investments through director appointments thus allowing for greater influence over these investees. Share of loss of associates of $1,647,000 (2014:$647,000) has been recorded in the Group's statement of changes in net assets, relating to the investment in Grand Pacific Hotel Limited. During the current year an additional investment of $1,250,000 (2014: Nil) was made into Grand Pacific Hotel Limited.

Investment in associates consists of the following:

Consolidated

Name	Interest	2015 Cost	2015 Impairment	2015 Carrying value	2014 Cost	2014 Impairment	2014 Carrying value
		$000	$000	$000	$000	$000	$000
Grand Pacific Hotel Limited	25%	11,616	4,652	6,964	12,013	506	11,507
Western Dairy Limited	32%	627	59	568	627	-	627
Tropic Health Incorporated (Fiji) Limited	46%	1,090	1,090	-	1,090	1,077	13
Active (Fiji) Co. Limited	23%	750	750	-	750	750	-
Halabe Investments Limited	25%	884	-	884	884	325	559
Bligh Water Shipping Limited	26%	2,903	2,903	-	2,903	2,903	-
		17,870	9,454	8,416	18,267	5,561	12,706

The Fund

Name	Interest	2015 Cost	2015 Impairment	2015 Carrying value	2014 Cost	2014 Impairment	2014 Carrying value
		$000	$000	$000	$000	$000	$000
Grand Pacific Hotel Limited	25%	14,109	4,652	9,457	-	-	-
Western Dairy Limited	32%	627	59	568	-	-	-
Tropic Health Incorporated (Fiji) Limited	46%	1,090	1,090	-	-	-	-
Active (Fiji) Co. Limited	23%	750	750	-	-	-	-
Halabe Investments Limited	25%	884	-	884	-	-	-
Bligh Water Shipping Limited	26%	2,903	2,903	-	-	-	-
		20,363	9,454	10,909	-	-	-

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

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

17. Investment properties

	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
Balance as at 1 July	244,696	138,968	196,525	89,403
Transfer (to)/from property, plant and equipment	(234)	435	(234)	435
Transfer to other receivables	(12,900)	-	(12,900)	-
Reclassification of owner occupied properties to property, plant and equipment	(16,284)	-	-	-
Acquisitions	11,423	21,849	18,192	22,563
Transfer from other non financial assets – note 25	-	57,619	-	57,619
Work in progress	5,775	26,507	5,775	26,507
Disposals	(49,865)	(2)	(1,320)	(2)
Depreciation	(340)	(680)	-	-
Balance as at 30 June	182,271	244,696	206,038	196,525

Changes in fair values are recognised as gains in profit or loss and included in "other income". All gains are unrealised.

Investment properties for the Fund includes $72,700,000 relating to Momi Bay of which $57,600,000 relates to foreclosed Momi Bay assets and $15,100,000 relates to work in progress for capital expenses, mainly consultancy costs, incurred subsequent to the commencement of the Momi Bay re-development project.

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

Given the legal title still exists with the Fund, the amount has been disclosed under investment properties for the Fund as at 30 June 2015 and will be transferred to Momi Bay Resort Limited in the next financial year once legal titles have been successfully transferred. The transfer will be recorded as an additional investment in Momi Bay Resort Limited.

18. Property held for development

	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
Opening carrying value	8,319	8,216	-	-
Additions	1,417	497	-	-
Impairment recorded during the year	-	(394)	-	-
	9,736	8,319	-	-

As at 30 June 2014, an independent valuation of the land held for development was carried out by Mr. Allen Beagley (ANZIV), of Bayleys Valuation Limited and as a result, an impairment loss of $394,000 was recognised to reduce the carrying value down to the valuation.

19. Cash

	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $00
Cash at bank	714,523	692,769	644,124	638,891
Cash on hand and with agents	15,816	9,221	9,782	6,584
Cash at bank – restricted*	2,343	-	2,343	-
Statutory reserve deposit with RBF**	48,620	30,500	-	-
Exchange settlement account	55,185	54,820	-	-
Short term deposits	44,722	800	-	-
	881,209	788,110	656,249	645,475

* Restricted cash account relates to a joint account between the Fund and Raghwan Neo Joint Venture which has been frozen by a court order due to a pending litigation claim.

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

20. Trade receivables

	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
Trade receivables	53,662	53,388	-	-
Unearned income	(1,513)	(1,577)	-	-
Impairment provision	(17,055)	(16,697)	-	-
	35,094	35,114	-	-
Movements on the allowance for impairment are as follows:				
Balance at the beginning of the year	16,697	16,906	-	-
New and increased provisioning	744	574	-	-
Bad debts written off	(383)	(354)	-	-
Provisions released	(3)	(429)	-	-
	17,055	16,697	-	-

The maximum exposure to credit risk at the reporting date is the carrying value of receivables mentioned above. The Group generally obtains security deposits for all new LAN line and Internet connections. Apart from this, it does not hold any collateral as security. The total carrying amount of security deposits in relation to the above trade receivables carried by the Group is $5,040,000 (2014: $5,030,000).

	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
21. Inventories				
Consumables and finished goods	12,264	15,396	-	-
Allowances for obsolescence	(2,539)	(2,925)	-	-
	9,725	12,471	-	-
Goods in transit	50	179	-	-
	9,775	12,650	-	-
22. Intangible assets				
Software costs	18,113	4,898	10,582	20
Goodwill on consolidation	115,860	115,860	-	-
Indefeasible rights of use capacity	17,249	19,097	-	-
Spectrum licences	2,967	3,024	-	-
	154,189	142,879	10,582	20
Represented by:				
Software costs				
Cost				
Balance at the beginning of the year	38,525	36,896	3,696	3,679
Additions during the year	950	2,126	-	17
Transfer from property, plant and equipment	14,723	852	11,176	-
Disposals	(46)	(1,349)	(46)	-
Balance at the end of the year	54,152	38,525	14,826	3,696
Amortisation and impairment				
Balance at the beginning of the year	33,627	31,728	3,676	3,609
Amortisation charge for the year	2,458	3,048	614	67
Disposals	(46)	(1,149)	(46)	-
Balance at the end of the year	36,039	33,627	4,244	3,676
Carrying amount				
At the beginning of the year	4,898	5,168	20	70
At the end of the year	18,113	4,898	10,582	20

22. Intangible assets (continued)

	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
Goodwill on consolidation				
Cost				
Balance at the beginning of the year	205,116	205,116	-	-
Balance at the end of the year	205,116	205,116	-	-
Accumulated impairment allowance				
Balance at the beginning of the year	89,256	89,256	-	-
Balance at the end of the year	89,256	89,256	-	-
Carrying Value				
At the beginning of the year	115,860	115,860	-	-
At the end of the year	115,860	115,860	-	-

The carrying value of the goodwill comprises of $110,637,000 (net of $89,256,000 of impairment) in relation to the Fund's investment in Amalgamated Telecom Holdings Limited and $5,223,000 in relation to FNPF Hotel Resort Limited ("FHRL"). The Board is of the opinion that, after appropriate assessment, no further impairment is considered necessary.

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

Fair value for ATH has been determined based on the quoted price of shares traded on the South Pacific Stock Exchange at 30 June 2015 of $1.06 (2014: $0.85) less estimated cost to sell. A decrease in ATH's share price by 18 cents would result in impairment. The fair value measurement was categorised as a Level 1 fair value based on quoted prices. The carrying amount of the CGU in 2015 was determined to be lower than its recoverable amount of $257,000,000 (2014: $229,000,000).

Fair value for FHRL has been determined based on an independent valuation by Jones Lang LaSalle Hotels & Hospitality Group dated 22 May 2013 less estimated cost to sell. A decrease in market value by $4,000,000 would result in impairment. The fair value measurement was categorised as a Level 3 fair value based on based on the inputs to the valuation techniques used. The carrying amount of the CGU in 2015 was determined to be lower than its recoverable amount of $26,000,000 (2014: $26,000,000).

Indefeasible rights of use capacity	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
Cost				
Balance at the beginning of the year	77,064	73,976	-	-
Adjustments	(864)	-	-	-
Additions	2,137	3,088	-	-
Balance at the end of the year	78,337	77,064	-	-
Amortisation				
Balance at the beginning of the year	57,967	53,842	-	-
Amortisation charge for the year	3,121	4,125	-	-
Balance at the end of the year	61,088	57,967	-	-
Carrying value				
At the beginning of the year	19,097	20,134	-	-
At the end of the year	17,249	19,097	-	-

Indefeasible Rights of Use ("IRU") capacity relates to the lease of IRU network capacity by subsidiary companies, Telecom Fiji Limited and Fiji International Telecommunications Limited. The IRU network capacity purchase consideration or lease consideration is capitalised to intangible assets, and is amortised over its estimated economic useful life. In the prior year, the economic useful life of IP transit for Australia and USA link belonging to subsidiary company, Telecom Fiji Limited, had ended. Accordingly, the IP transit for Australia and USA link have been fully amortised.

22. Intangible assets (continued)

Indefeasible rights of use capacity (continued)

In 2013, Telecom Fiji Limited, entered into a variation agreement with Optus Network Pty Limited to switch the existing STM-1 service of USA link and replace it with additional capacity comprising one STM-4 service of Australia link. The replacement was on the condition that the company purchases minimum 600MB of bundled IP services under the Evolve SD with a committed term of no less than 12 months. Accordingly, the subsidiary company has purchased IP services of Australia link in the current year. The IP services purchase consideration is capitalised to intangible assets, and is amortised over its economic useful life of 2 years and has been fully amortised in the current year.

During the year, there was a reduction in the monthly rates of IP transit charges of Telecom Fiji Limited, which was adjusted against the intangible asset and balance payable to Optus Network Pty Limited by $864,000. The useful lives of the IRU network capacity are reviewed, and adjusted if appropriate, at each balance date.

	Consolidated		The Fund	
	2015	2014	2015	2014
	$000	$000	$000	$000
Spectrum licences				
Cost				
Balance at the beginning of the year	3,063	-	-	-
Addition	-	3,063	-	-
Balance at the end of the year	3,063	3,063	-	-
Amortisation				
Balance at the beginning of the year	39	-	-	-
Amortisation charge for the year	57	39	-	-
Balance at the end of the year	96	39	-	-
Carrying value				
At the beginning of the year	3,024	-	-	-
At the end of the year	2,967	3,024	-	-

Spectrum licences include licences acquired by Telecom Fiji Limited and Vodafone Fiji Limited during the prior year from the Department of Communications. The licences have an initial 5 year term commencing 2 September 2013, then a further 10 years, conditional on compliance with implementation requirements. The purchase consideration has been capitalised to intangible assets.

As at balance date Telecom Fiji Limited, has not amortised the LTE Spectrum licences. The subsidiary company will amortise the LTE Spectrum licences once it has deployed the LTE network and starts to derive economic benefits over shorter of the remaining licence rights and their estimated useful lives. The subsidiary company is currently in the process of evaluating the options for the usage of licence.

As at 31 March 2015, all conditional requirements have been fulfilled.

Management rights

During the prior year ATH acquired the remaining 51% shareholding in FINTEL owned by Government of Fiji for a sum of $9m, hence FINTEL became a fully owned subsidiary of ATH. As such the carrying value of the Management Right of $9m was written off in the previous year.

23. Property, plant and equipment – Consolidated

Cost	Freehold Land $000	Leasehold Land $000	Buildings at valuation $000	Resort buildings at cost $000	Telecommunication equipment & plant $000	Capital spares $000	Plant and machinery $000	Office equipment $000	Motor vehicles $000	Furniture & fittings $000	Work in progress $000	Total $000
Balance at the beginning of the year	371	38,545	53,081	237,197	579,582	1,421	6,172	64,693	18,486	39,791	14,526	1,053,865
Disposals	-	-	(11,753)	(198)	(92)	-	(339)	(734)	(2,014)	(987)	(53)	(16,170)
Acquisitions	-	-	136	2,135	55,289	1,848	295	2,428	2,216	2,079	43,696	110,122
Consumed during the year	-	-	-	-	-	(937)	-	-	-	-	-	(937)
Reclassification of owner occupied properties from investment properties	449	2,749	13,086	-	-	-	-	-	-	-	-	16,284
Transfers	-	402	375	187	1,838	-	-	(3)	-	80	(17,368)	(14,489)
Balance at the end of the year	820	41,696	54,925	239,321	636,617	2,332	6,128	66,384	18,688	40,963	40,801	1,148,675
Accumulated impairment												
Balance at the beginning of the year	-	20,386	233	117,361	11,431	127	-	20	-	7,162	650	157,370
Impairment charge for the year	-	-	-	-	-	46	-	-	-	-	-	46
Balance at the end of the year	-	20,386	233	117,361	11,431	173	-	20	-	7,162	650	157,416
Accumulated depreciation												
Balance at the beginning of the year	-	784	25,807	15,378	376,902	-	3,916	54,683	15,064	24,488	-	517,022
Depreciation charge for the year	-	188	1,650	4,126	33,218	-	531	5,057	1,452	2,097	-	48,319
Disposals	-	-	(7,579)	(40)	-	-	(282)	(723)	(1,938)	(726)	-	(11,288)
Balance at the end of the year	-	972	19,878	19,464	410,120	-	4,165	59,017	14,578	25,859	-	554,053
Carrying amount												
At the beginning of the year	371	17,375	27,041	104,458	191,249	1,294	2,256	9,990	3,422	8,141	13,876	379,473
At the end of the year	820	20,338	34,814	102,496	215,066	2,159	1,963	7,347	4,110	7,942	40,151	437,206

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

(a) Natadola Bay Resort Limited (NBRL)

The land on which the hotel and golf course have been constructed is registered under a related company. The Natadola Bay Decree 2010 provides for the deemed transfer of all titles and leases granted previously to related companies to Natadola Bay Resort Limited. In the prior year, the titles and leases were transferred into the Company's name.

As at 30 June 2014, an independent valuation of the Intercontinental Fiji Golf Resort and Spa and Golf Course and Residential Development was carried out by Mr. Allen Beagley (ANZIV), of Bayleys Valuation Limited. Impairment losses of $50,459,000 were reversed to bring the carrying amount of land and buildings to $138,501,000.

(b) ATH

Based on the impairment assessment performed by Telecom Fiji Limited and Fiji International Telecommunications Limited, an impairment allowance amounting to $46,000 has been recognised on capital equipment for the year ended 31 March 2015 (2014: $8,641,000 recognised on building improvements, telecommunications equipment and plant and capital equipment).

Included in leasehold land and buildings are properties shared by Telecom Fiji Limited, and Post Fiji Limited and reflects the amount to the extent funded by the subsidiary company up to 30 June 1996 and any subsequent costs incurred by the subsidiary company on the properties thereafter. The titles in relation to the shared land and buildings are not held in the name of subsidiary company. Furthermore, there is an ownership dispute between Post Fiji Limited and the subsidiary company in respect to TFL New Wing Building in Suva. The dispute is currently subject to court proceedings.

In accordance with the security arrangements for borrowings from the ultimate parent entity, Fiji National Provident Fund, all property, plant and equipment except for TFL New Wing building in Suva, have been pledged to FNPF as security for the loans of Telecom Fiji Limited.

Notes to and forming part of the financial statements

For the year ended 30 June 2015

23. Property, plant and equipment – The Fund

	Freehold Land	Leasehold Land	Buildings at valuation	Office Equipment FNPF	Office Equipment RIF	Motor vehicles	Furniture & fittings FNPF	Furniture & fittings RIF	Work in Progress	Total
Cost	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Balance at the beginning of the year	371	119	10,997	7,670	91	2,178	2,297	47	4,275	28,045
Assignment from FNPF Investments Limited	-	-	-	14	-	-	18	-	-	32
Additions	-	-	-	1,329	20	629	453	-	7,535	9,966
Transfer from investment property	-	-	234	-	-	-	-	-	-	234
Transfer to Intangible Assets	-	-	-	-	-	-	-	-	(11,176)	(11,176)
Disposals	-	-	-	(428)	-	(492)	(223)	-	(74)	(1,217)
Balance at the end of the year	371	119	11,231	8,585	111	2,315	2,545	47	560	25,884
Accumulated depreciation										
Balance at the beginning of the year	-	104	3,152	6,203	64	1,369	1,406	39	-	12,337
Assignment from FNPF Investments Limited	-	-	-	12	-	-	15	-	-	27
Depreciation charge for the year	-	1	182	730	10	303	296	5	-	1,527
Disposals	-	-	-	(425)	-	(492)	(221)	-	-	(1,138)
Balance at the end of the year	-	105	3,334	6,520	74	1,180	1,496	44	-	12,753
Carrying amount										
At the beginning of the year	371	15	7,845	1,467	27	809	891	8	4,275	15,708
At the end of the year	371	14	7,897	2,065	37	1,135	1,049	3	560	13,131

	Note	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
24. Other receivables and assets					
Contributions receivable		10,189	9,323	10,189	9,323
Provision for impairment		(7,768)	(7,158)	(7,768)	(7,158)
		2,421	2,165	2,421	2,165
Interest receivable		51,827	47,842	51,525	47,492
Dividends receivable		65	54	65	54
Rent receivable		628	677	628	677
Provision for impairment		(64)	(100)	(64)	(100)
		564	577	564	577
Accrued revenue		2,236	1,727	-	-
Receivable from related parties	35(b)	629	866	28,932	8,333
Provision for impairment	35(b)	(269)	-	-	-
		360	866	28,932	8,333
Deferred expense		106	109	-	-
Other deposits and receivables		47,101	29,964	23,167	8,560
Provision for impairment		(1,939)	(1,121)	(825)	-
		45,162	28,843	22,342	8,560
		102,741	82,183	105,849	67,181

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

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

	Receivable from related parties $000	Contributions receivable $000	Rent receivable $000	Other $000
Balance as at 1 July 2013	436	7,161	93	1,305
New and increased provisioning	-	-	7	-
Provisions reversed	(436)	(3)	-	(184)
Balance as at 30 June 2014	-	7,158	100	1,121
New and increased provisioning	269	610	-	825
Provisions reversed	-	-	(36)	(7)
Balance as at 30 June 2015	269	7,768	64	1,939

24. Other receivables and assets (continued)

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

	Contributions receivables $000	Rent receivables $000	Other $000
Balance as at 1 July 2013	7,161	93	-
New and increasing provisioning	-	7	-
Bad debts written off	(3)	-	-
Balance as at 30 June 2014	7,158	100	-
New and increased provisioning	610	-	825
Provision no longer required	-	(36)	-
Balance as at 30 June 2015	7,768	64	825

	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
25. Other non-financial assets				
Foreclosed Momi Bay assets				
Balance as at 1 July	-	57,619	-	57,619
Transfer to investment properties	-	(57,619)	-	(57,619)
Balance as at 30 June	-	-	-	-

Momi Bay Development is now being further developed for use as an investment property and therefore was transferred from Other non-financial assets to Investment Property in 2014.

	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
26. Creditors and borrowings				
Sundry creditors and accruals	86,219	72,021	11,263	5,192
Bank overdraft	3,029	-	-	-
Due to related parties	-	237	-	-
Borrowings	26,051	64,066	-	-
Customer deposits – unsecured	436,308	272,097	-	-
	551,607	408,421	11,263	5,192
Maturity represented as:				
At call	173,405	23,402	-	-
Less than or equal to 3 months	119,936	106,706	11,263	5,192
3 to 12 months	164,478	153,921	-	-
1 to 5 years	133,242	131,341	-	-
Greater than 5 years	77,281	6,978	-	-
	668,342	422,348	11,263	5,192

The above maturity analysis includes future interest payable.

The fair value of creditors and borrowings approximates carrying values. Customer deposits are fixed term and at call deposits with Home Finance Company Limited.

26. Creditors and borrowings (continued)

Borrowings

Amalgamated Telecom Holdings Limited, a subsidiary has borrowings with Bank of South Pacific and Westpac Banking Corporation Limited at the rate of 3.5% per annum with monthly repayments of $52,000 and $105,000 respectively. These loans are unsecured.

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

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

Bank overdraft

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

Bank Facilities

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

	Consolidated		The Fund	
	2015	2014	2015	2014
	$000	$000	$000	$000
27. Other liabilities				
Advance for relocation of telecommunications cable	3,769	-	-	-
Deposits	6,289	6,054	1,249	1,024
Deferred revenue	16,295	13,634	493	(31)
Provision for dividends	7,233	10,627	-	-
Pensions payable	14	600	14	600
Provision for litigation	-	2,343	-	2,343
Other payables	42,575	24,751	668	509
	76,175	58,009	2,424	4,445

During the year, Telecom Fiji Limited received $3,896,000 (VEP) for relocation of underground and overhead telecommunication cables for the Nadi and Suva road upgrading projects. As at balance date, the work is in progress and the subsidiary company has incurred a cost of $127,000 which has been off-set against advance received.

The fair value of other liabilities approximates their carrying value due to their short term nature.

28. Employee entitlements				
Annual leave	1,701	1,948	570	829
Long service leave and gratuity	407	409	234	86
Retirement benefits	6	418	-	62
Others	54	62	-	-
Bonus	5,084	5,641	-	-
	7,252	8,478	804	977

28. Employee entitlements

	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
As at 1 July	8,478	9,111	977	995
Additional provisions recognised	7,399	1,499	679	810
Paid during the year	(8,125)	(2,132)	(852)	(828)
Provisions no longer required	(500)	-	-	-
Carrying amount as at 30 June	7,252	8,478	804	977
Current	6,839	7,651	570	829
Non-current	413	827	234	148
Total	7,252	8,478	804	977

(a) Annual leave – generally annual leave is taken within one year of entitlement and accordingly it is expected that a significant portion of the total annual leave balance will be utilised within the next financial year.
(b) Long service leave, retirement benefit and gratuity – accrued in accordance with the accounting policy as outlined in Note 2.16. The Group expects a significant portion of the above balance to be settled in the next 5 years.

29. Net assets available to pay benefits

	Note	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
Net assets available to pay benefits		4,779,483	4,528,367	4,906,936	4,533,764
Represented by:					
Liability for accrued benefits	31(a)	3,994,976	3,660,147	3,994,976	3,660,147
Accumulated losses	29 (a)	(247,090)	(287,411)	-	-
General Reserve Account	29 (b)	1,158,399	1,152,696	911,960	873,617
Available for sale reserve	29 (c)	-	(34)	-	-
Credit loss reserve	29 (d)	4,243	2,969	-	-
Other equity reserve	37	(131,045)	-	-	-
		4,779,483	4,528,367	4,906,936	4,533,764
(a) Accumulated losses					
Balance at the beginning of the year		(287,411)	(329,425)	-	-
Increase in equity due to acquisition of additional 51% shares of FINTEL		-	4,847	-	-
Add transfers from statements of changes in net assets		40,321	37,167	-	-
Balance at the end of the year		(247,090)	(287,411)	-	-
(b) General Reserve Account (GRA)					
Balance at the end of the year		1,158,399	1,152,696	911,960	873,617
GRA comprises the following reserves:					
Special death benefit reserve		-	-	-	-
Special death benefit fund reserve		25,435	22,517	25,435	22,517
Supplementary fund reserve		-	2,751	-	2,751
Retirement income fund reserve		277,720	269,757	277,720	269,757
General reserve		855,244	857,671	608,805	578,592
		1,158,399	1,152,696	911,960	873,617
The movements in the above reserves are as follows:					
Special death benefit reserve					
Balance at the beginning of the year		-	20,189	-	20,189
Less transfer to Special Death Benefit Fund Reserve		-	(20,189)	-	(20,189)
Balance at the end of the year		-	-	-	-

The Special Death Benefit Reserve under the old scheme was closed as at 30 June 2014. All balances were transferred to the new Fund, Special Death Benefit Fund Reserve in line with the requirements of the FNPF Decree.

29. Net assets available to pay benefits (continued)

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

	Notes	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
Special death benefit fund reserve					
Balance at the beginning of the year		22,517	-	22,517	-
Add transfer from Special Death Benefit Reserve		-	20,189	-	20,189
Add/(less) transfers from/(to) statements of changes in net assets:					
Transfer from	32	11,281	10,582	11,281	10,582
Transfer to	32	(8,980)	(8,254)	(8,980)	(8,254)
Current year investment returns	32	617	-	617	-
Balance at the end of the year		25,435	22,517	25,435	22,517

The amounts transferred to the Special Death Benefit Fund Reserve of $11,281,000 (2014: $10,582,000) represent deductions of $35 (2014: $35) or less from the accounts of each entitled member.

The amounts transferred from the Special Death Benefit Fund Reserve of $8,980,000 (2014: $8,254,000) represent disbursements to the nominees of those members who died during the year of $8,500 (2014: $8,500) per member. These disbursements are in addition to the amounts standing to the deceased member's credit.

	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
Supplementary fund reserve				
Balance at the beginning of the year	2,751	2,788	2,751	2,788
Less transfer to general reserve	(2,751)	-	(2,751)	-
Less transfer to retirement income fund reserve	-	(48)	-	(48)
Other	-	11	-	11
Balance at the end of the year	-	2,751	-	2,751

The balance remaining at the end of the prior year related to pensioners not validated or who were validated but had not selected their options. It also included extra funds which had been initially transferred from the general reserve. In the current year, the balance in the supplementary fund has been transferred to the Fund's general reserve. These unclaimed funds will be paid to pensioners as lump sums once a claim is made in future and paid directly out of the Fund's general reserve.

	Notes	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
Retirement income fund reserve					
Balance at the beginning of the year		269,757	263,518	269,757	263,518
Add transfer from general reserve		-	180	-	180
Add transfer from supplementary fund reserve		-	48	-	48
Add/(less) transfers from/(to) statements of changes in net assets:					
Transfer from	32	8,611	8,006	8,611	8,006
Transfer to	32	(23,625)	(23,927)	(23,625)	(23,927)
Current year investment returns	32	22,977	21,932	22,977	21,932
Balance at the end of the year		277,720	269,757	277,720	269,757

29. Net assets available to pay benefits (continued)

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

Retirement income fund reserve (continued)

The amount transferred to the Retirement Income Fund Reserve of $8,611,000 (2014: $8,006,000) represent pension income during the year. The amounts transferred from the Retirement Income Fund Reserve of $23,625,000 (2014: $23,927,000) represent pension annuities to pensioners whilst amounts transferred to the Retirement Income Fund Reserve during the year of $22,977,000 (2014: $21,932,000) represents investment returns after allowing for operating expenses of $326,000 (2014: $285,000).

	Notes	Consolidated 2015 $000	Consolidated 2014 $000	The Fund 2015 $000	The Fund 2014 $000
General reserve					
Balance at the beginning of the year		857,671	827,680	578,592	505,149
Add transfers from statements of change in net assets	32	(5,178)	30,089	27,462	73,541
Add transfer from liability for accrued benefits		-	93	-	93
Add transfer from supplementary fund reserve		2,751	-	2,751	-
Add adjustment for recovery		-	(11)	-	(11)
Less transfer to retirement income fund reserve		-	(180)	-	(180)
Balance at the end of the year		855,244	857,671	608,805	578,592
(c) Available for sale reserve					
Balance at the beginning of the year		(34)	(34)	-	-
Transfer to profit or loss		34	-	-	-
Balance at the end of the year		-	(34)	-	-
(d) Credit loss reserve					
Balance at the beginning of the year		2,969	2,361	-	-
Movements during the year		1,274	608	-	-
Balance at the end of the year		4,243	2,969	-	-

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

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

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

	SF $000	SDBF $000	RIF $000	FNPF $000	All funds $000
2015					
Member contributions, net	-	-	-	420,904	420,904
SDB premiums	-	11,281	-	-	11,281
	-	11,281	-	420,904	432,185
Purchase of annuities	-	-	8,611	-	8,611
TOTAL	-	11,281	8,611	420,904	440,796
2014					
Member contributions, net	-	-	-	365,155	365,155
SDB premiums	-	10,582	-	-	10,582
	-	10,582	-	365,155	375,737
Purchase of annuities	(48)	-	8,234	(180)	8,006
TOTAL	(48)	10,582	8,234	364,975	383,743

29. Net assets available to pay benefits (continued)

(f) Payments to beneficiaries

	SF	SDBF	RIF	FNPF	All funds
	$000	$000	$000	$000	$000
2015	-	8,980	23,625	291,472	324,077
2014	-	8,254	23,927	263,781	295,962

Total benefits paid, excluding pension annuity relating to RIF, amounted to $300,452,000 (2014:$ 272,035,000).
The breakdown of payments for FNPF is as follows.

		2015	2014
		$000	$000
Benefit type			
1	55 years and over	123,098	114,968
2	Death	14,465	15,652
3	Disability	3,245	3,236
4	Migration	27,065	25,274
4	Marriage	2	-
6	Non-Citizens migrating	5,225	5,688
	Small accounts	248	-
7-8	Partial	58,163	49,800
9	Housing transfers	59,545	48,676
Unclaimed – Over 65 years		389	487
Pension under previous scheme		27	-
Total		291,472	263,781

Total benefits in respect of FNPF include $8,611,000 (2014: $8,006,000) being the amount transferred from FNPF to RIF in respect of FNPF members purchasing annuities.

The breakdown of payments from RIF is:

		2015	2014
1 -	Sole life annuity	11,336	11,149
2 -	Joint life annuity	5,125	4,813
3 -	Term annuity	1,653	1,647
4 -	Top up pension (in respect of pre March 2012 pensioners)	5,268	5,446
5 -	Commutation	243	872
		23,625	23,927

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

30. Transfers between funds under the Decree

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

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

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

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

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

	Notes	2015 $000	2014 $000
(a) FNPF			
Balance at the beginning of the year		3,660,147	3,385,715
Less transfers to General Reserve	29(b)	-	(93)
Add transfers from statements of changes in net assets	31(a)ii	334,829	274,525
Balance at the end of the year		3,994,976	3,660,147
(i) Allocation of Benefits			
Allocated to Members' Accounts		3,988,994	3,653,570
Unallocated to Members' Accounts		5,982	6,577
		3,994,976	3,660,147
Solvency requirement of 10% of member accounts		399,498	366,015
Other		209,307	212,577
General Reserve	29(b)	608,805	578,592
Net assets at end of year		4,603,781	4,238,739

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 2.21.

	Notes	2015 $000	2014 $000
(ii) Benefits accrued during the year			
Contributions received		432,185	375,737
Benefits paid	29(f)	(300,452)	(272,035)
Interest credited on members' accounts		213,242	175,041
Interest on withdrawals		766	6,116
Net amounts transferred from:			
Special Death Benefit Reserve	29(b)	(2,301)	(2,328)
Pension Buffer Reserve		-	-
Retirement Income Fund Reserve		-	-
Transfer to Retirement Income Fund	29(b)	(8,611)	(8,006)
Transfer from GR – pension old scheme		-	-
		334,829	274,525

The Board declared an annual interest rate of 6.00% to be credited to the members' accounts as at the reporting date (2014: 5.75%).

	Notes	2015 $000	2014 $000
(iii) Movement in liability:			
Liability at beginning of year		3,660,147	3,385,715
Net contributions	29(e)	420,904	365,155
Benefits paid (including annuity purchase)	29(f)	(300,083)	(271,787)
Interest allocated to members		213,242	175,041
Interest on withdrawals		766	6,116
Transfer (to) General Reserve		-	(93)
Liability at end of year		3,994,976	3,660,147

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

(b) RIF

	2015 $000	2014 $000
Liability for future annuity payments	232,500	233,701
Solvency reserve	45,220	36,056
Net assets	277,720	269,757

Movement in liability		
Liability at start of year	233,701	230,460
New purchases (including SF transfers)	8,611	8,234
Expected reduction for year	(11,187)	(10,350)
Variation in experience	1,375	842
Change in discount rate	-	4,515
Liability at end of year	232,500	233,701

The actuarial present value of the RIF annuitant liabilities has been calculated as $232,500,000 (2014: $233,701,000). The valuation was carried out by Mr. Geoffrey David Rashbrooke, Associate of the Institute of Actuaries of Australia, in compliance with International Standard of Actuarial Practice No. 2 issued by the International Actuarial Association.
The assumptions made for the purpose of the calculation are as follows:

(a) Life Annuities

- Mortality in accordance with World Health Organisation 2008 Fiji population life tables, assuming a 1% per annum compound reduction in both male and female rates continuously from 2009, and set back one year (2014: 1% from 2008);
- An average long term return on RIF assets of 6.25% gross per annum over the term of the current annuities (2014: 6.25%);
- An allowance for RIF expenses of 0.5% of assets per annum (2014:0.5%).

The annual benefits payable from RIF are projected year by year, allowing for expected annuitant deaths, until all benefits in respect of annuitants in force at the valuation date have been paid. The projected payments are then discounted to the valuation date at the net rate of return assumed after expenses.

(b) Term Annuities and Guaranteed Instalments
As term and guaranteed installments are implicitly matched to assets of the same period, the payments are discounted at rates determined from the yield curve for government bonds as at 30 June 2015 published by the Reserve Bank of Fiji (2014: yield curve as at 30 June 2014), subject to an allowance for RIF expenses of 0.5% of assets per annum (2014: 0.5%)

c) SDBF	2015 $000	2014 $000
Liability for claims incurred but not reported (IBNR)	5,129	7,070
Provision for mortality fluctuation	4,939	5,291
Catastrophe reserve	15,367	10,156
Net assets	25,435	22,517

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

(d) SF
SF was established to hold funds in respect of those persons who were pensioners prior to 1 March 2012. In the current year, the balance in the SF has been transferred to the Fund's general reserve. The transfer amount is made up of pensioners not validated or those who were validated but had not chosen any options. These unclaimed funds will be paid to pensioners as lump sums once a claim is made in future and paid directly out of the Fund's general reserve.

32. Net change for the year

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

	2015	2014
	$000	$000
Change in net assets for the year attributable to members of the Fund	373,172	356,405
Allocated to:		
Liability for accrued benefits	(334,829)	(274,525)
Special death benefit reserve	-	-
Special death benefit fund reserve	(2,918)	(2,328)
General reserve	(27,462)	(73,541)
Retirement income fund reserve	(7,963)	(6,011)
	(373,172)	(356,405)

33. Notes to the statements of cash flows

(a) Reconciliation of cash and cash equivalents

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

		Consolidated		The Fund	
	Notes	2015	2014	2015	2014
		$000	$000	$000	$000
Cash	19	832,589	757,610	656,249	645,475
Bank overdraft	26	3,029	-	-	-
Cash and cash equivalents at end of financial year		829,560	757,610	656,249	645,475

Statutory Reserve Deposits with the Reserve Bank of Fiji amounting to $48,620,000 (2014: $30,500,000) (Note 19) represent mandatory reserve deposits and are not available for use in the Bank's day to day operations and therefore are not part of cash and cash equivalents.

(b) Cash flows presented on a net basis

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

(i) sales and purchases of maturing fixed interest securities; and
(ii) Investment and maturity of term deposits.

34. Commitments and contingent liabilities

(a) Commitments				
Capital expenditure commitments	221,061	67,342	10,005	9,080
Undrawn facilities in relation to mortgage loans	59,316	59,041	39,586	47,700
	280,377	126,383	49,591	56,780
(b) Contingent liabilities				
Performance bonds	2,948	1,833	-	-
Litigation	532	110	512	-
Guarantees	357	357	357	357
Letter of credit	227	-	-	-
	4,064	2,300	869	357

34. Commitments and contingent liabilities (continued)

	Consolidated		The Fund	
	2015	2014	2015	2014
	$000	$000	$000	$000
(c) Operating lease commitments				
Total commitments for non-cancellable future lease rentals are payable as follows:				
Not later than 1 year	10,683	4,341	-	-
Later than 1 years but not later than 5 years	10,761	9,822	-	-
Greater than 5 years	27,264	25,859	-	-
	48,708	40,022	-	-
(d) Operating lease revenue				
Non cancellable operating lease rentals are receivable as follows:				
Not later than 1 year	12,663	7,935	11,618	7,935
Later than 1 years but not later than 5 years	19,004	18,587	18,594	18,587
Greater than 5 years	643	1,217	610	1,217
	32,310	27,739	30,822	27,739

(e) Sponsorship agreement with Fiji Rugby Union

During February 2014, Vodafone Fiji Limited, entered into a sponsorship agreement with Fiji Rugby Union.

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

(f) Sponsorship agreement with Fiji Football Association

During December 2013, Vodafone Fiji Limited, entered into a sponsorship agreement with Fiji Football Association (Association).

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

(g) Sponsorship agreement with Fiji National Rugby League Limited

During September 2013, Vodafone Fiji Limited, entered into a sponsorship agreement with Fiji National Rugby League Limited (FNRL).

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

(h) Consortium Sponsorship Participation Agreement

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

35. Related parties

(a) Related parties

Board Members

The Board members of the Fund during the year were:

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

(b) Transactions with related parties

	Consolidated		The Fund	
	2015	2014	2015	2014
	$000	$000	$000	$000
Directors*				
Directors remuneration - fees and allowances	143	143	45	50
Other services provided to the Fund	21	17	21	17
	164	160	66	67

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

* - Directors remuneration includes amounts paid to the directors of the Fund and its subsidiary companies. No remuneration is paid to Mr. Ajith Kodagoda and Mr. Sashi Singh. Remuneration for Mr. Taito Waqa is paid directly to the Ministry of Labour.

Key management personnel

In addition to the directors, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly (whether executive or otherwise) of that entity.

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

- Mr. Aisake Taito – Chief Executive Officer (resigned 30 June 2015)
- Mr. Jaoji Koroi – Chief Investments Officer
- Mr. Alipate Waqairaiwai – Assistant General Manager Member Services
- Mr. Pravinesh Singh – Chief Financial Officer
- Mr. Tevita Nagataleka – Assistant General Manager Prime Services
- Mr. Anand Nanjangud – Chief Information Technology Officer
- Mr. Uday Singh – General Manager Governance & Risk
- Mr. Ravinesh Krishna – General Manager Human Resources
- Mr. Ivan Fong – General Manager (ATH)
- Mr. Isikeli Tikoduadua – Chief Executive Officer (HFC)

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

	Consolidated		The Fund	
	2015	2014	2015	2014
	$000	$000	$000	$000
Short-term benefits	1,585	1,462	1,214	1,101

Management personnel who are members of the Fund contribute and receive benefits on the same terms and conditions as those available to other members (except in some instances the Fund contributes over and above the minimum statutory levels in line with the individual's employment contract).

35. Related parties (continued)

(b) Transactions with related parties (continued)

Transactions with other related parties

During the year, FNPF charged a subsidiary, FNPF Investment Limited, $404,000 (2014: $440,742) in management fees. These fees represent costs recovered by FNPF in relation to time spent by FNPF executives on matters which relate to the subsidiary.

On 31 March 2015, a subsidiary, Telecom Fiji Limited, sold the Ganilau house property to FNPF for a consideration of $16,250,000.

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

	Consolidated		The Fund	
	2015	2014	2015	2014
	$000	$000	$000	$000
Interest income				
The amount of interest income received from related parties during the year is as follows:				
ATH Limited	-	-	238	84
Vodafone Fiji Limited	-	-	965	1,158
Telecom Fiji Limited	-	-	688	2,309
Home Finance Company Limited	-	-	4,532	1,464
Natadola Bay Resort Limited	-	-	7,747	7,862
FNPF Investments Limited	-	-	-	476
Penina Limited	-	-	-	886
	-	-	14,170	14,239
Rental income				
The amount of rental income received from related parties during the year is as follows:				
ATH Limited	-	-	56	53
Vodafone Fiji Limited	-	-	791	676
Telecom Fiji Limited	-	-	362	-
Home Finance Company Limited	-	-	568	515
	-	-	1,777	1,244
Dividend from subsidiaries				
The amount of dividend received from subsidiaries during the year is as follows:				
ATH Limited	-	-	17,217	12,298
FNPF Investments Limited	-	-	11,000	2,000
Home Finance Company Limited	-	-	2,723	2,117
Vodafone Fiji Limited	-	-	16,170	-
Dividend from subsidiaries	-	-	47,110	16,415
Other receivables from related parties				
Other receivables from related parties include:				
ATH Limited	-	-	8,644	5,098
Home Finance Company Limited	-	-	4,118	3,235
Vodafone Fiji Limited	-	-	16,170	-
Other related parties of the group	629	866	-	-
	629	866	28,932	8,333
Less : provision for impairment	(269)	-	-	-
	360	866	28,932	8,333

35. Related parties

(b) Transactions with related parties (continued)

Transactions with other related parties (continued)

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

	2015 $000	2014 $000
Natadola Bay Resort Limited	299,134	300,649
Telecom Fiji Limited	1,801	30,475
Amalgamated Telecom Holdings Limited	5,881	7,607
FNPF Investments Limited	-	50
FNPF Nominees Limited	98	93
Home Finance Company Limited	27,130	48,314
Yatule Bay Resort Limited	2,985	-
Vodafone Fiji Limited	15,000	20,000
	352,029	407,188
Less : provision for impairment	(152,625)	(153,658)
	199,404	253,530

Natadola Bay Resort Limited (NBRL)

Loans that were advanced to the subsidiary, NBRL for the construction of the Intercontinental Hotel and Golf Course at Natadola were restructured in 2012. The loan agreements for these loans were executed as at 30 June 2014. As at balance date, there has been no movement in the interest rate. Interest charged by FNPF in the current financial year is $7,747,000 (2014: $7,862,000).

The loans were restructured effective from 1 August 2011 as follows:

Name	Amount ($)	Term of loan	Interest rate	Interest plus principal repayments
Loan 1	$60,000,000	26 years	8.00%	Principal plus interest repayment commenced from 1 August 2012.
Loan 2	$40,000,000	26.5 years	8.00%	Interest only for first 18 months and principal plus interest repayment to commence from 1 February 2013.
Loan 3	$202,835,111	Indefinite	Interest free	All surpluses from Natadola Residential Development shall be applied to the outstanding balance. All cash surpluses that are not required by NBRL for expenses other than the normal course of the business shall be applied to the outstanding balance. FNPF reserves the right to commence charging interest and capitalising against the balance outstanding at any time in the future.

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

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

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

35. Related parties (continued)

(b) Transactions with related parties (continued)

Transactions with other related parties (continued)

Natadola Bay Resort Limited (NBRL) (continued)

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

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

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

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

Term loan from the Fund is secured by:

(i) 1st registered mortgage debenture over all the assets of the subsidiary company, Telecom Fiji Limited, except for TFL New Wing building in Suva.
(ii) Comprehensive insurance cover over the property of the subsidiary company with improvements thereon with the Funds interest noted.

The Fund loan facility also allows the subsidiary company, Telecom Fiji Limited, to redraw the excess loan repayments made at any given time with 5 working days' notice during the term of the loan on the condition that there is no breach in security and financial covenants. The excess loan payments made reduce the overall loan balance and can be withdrawn without any penalty or fees. As at 30 June 2015, the available redraw facility amounts to $29,288,000.

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

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

On 5 November 2004, Vodafone Fiji Limited entered into a lease agreement with the Fund for its head office. The term of the lease is for 10 years beginning from the date of occupation and ending in December 2015. Under the agreement, rent is payable at $42,000 per month.

FNPF Hotel Resorts Limited (FHRL)
A loan of $8,000,000 to FHRL in December 2013 for a period of 10 years at 6% interest per annum for the refurbishment of the Holiday Inn remains undrawn as at balance date.

Home Finance Company Limited (HFC)
The Fund provided a convertible loan to Home Finance Company Limited. FNPF has sole discretion to convert the loan to equity at any given time.

Variable interest rates for the convertible loan are pegged to the current market rate (2014: 2.25%) as decided by the Fund which is subject to adjustment and reviewed on an annual basis. The term of the loan is 15 years whilst the interest is paid every six months.

35. Related parties (continued)

(b) Transactions with related parties (continued)

Transactions with other related parties (continued)

Home Finance Company Limited (HFC) (continued)

The Fund's borrowings are secured by the company's undertaking over all its property whatsoever and wheresoever both present and future. Interest rate for the first charge debenture is 2.50% and repayment term is 5 years.

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

On 20 December 2013, 1,875,000 additional shares were issued at $2 per share to the Fund to meet the operational costs towards banking setup and capital requirements.

In August 2014 the Fund injected a further $15 million into HFC by conversion of convertible loans to equity. This resulted in an additional 7,500,000 shares being issued to the Fund.

(c) Group enterprises – significant subsidiaries

	Principal place of business	Ownership Interest 2015	Ownership Interest 2014
Amalgamated Telecom Holdings Limited*	Fiji	58%	58%
- Telecom Fiji Limited*			
- Fiji Directories Limited*			
- Vodafone Fiji Limited*			
- Internet Services Fiji Limited*			
- Amalgamated Telecom Nominees Limited*			
- FINTEL*			
Home Finance Company Limited*	Fiji	75%	75%
FNPF Holdings (PNG) Limited*	PNG	100%	100%
FNPF Nominee Company Limited*	Fiji	100%	100%
Momi Bay Resorts Limited	Fiji	100%	-
FNPF Investments Limited	Fiji	-	100%
Natadola Land Holding Limited	Fiji	100%	100%
Yatule Beach Resort Limited	Fiji	100%	100%
Natadola Bay Resort Limited	Fiji	100%	100%
FNPF Hotel Resorts Limited	Fiji	100%	100%
Dareton Limited*	Fiji	100%	100%
Penina Limited*	Fiji	-	51%

* Not audited by KPMG

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

36. Non Controlling Interests

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

30 June 2015

	ATH $(000) 31 March 2015	Penina $(000) 30 June 2015	HFC $(000) 30 June 2015	Intra-group eliminations	Total $(000)
NCI percentage	**42%**	**49%**	**25%**		
Non-current assets	310,344	-	383,999		
Current assets	106,761	-	173,340		
Non-current liabilities	(63,667)	-	(82,792)		
Current liabilities	(129,909)	-	(414,423)		
Net assets	**223,529**	**-**	**60,124**		
Carrying amount of NCI	29,969	-	15,031	50,951	95,951
Revenue	326,837	1,945	29,765		
Profit	71,969	917	6,051		
OCI	-	-	-		
Total comprehensive income	**71,969**	**917**	**6,051**		
Profit allocated to NCI	22,157	449	1,513	3,850	27,969
OCI allocated to NCI	-	-	-	-	-
Cash flow from operating activities	116,340	-	36,766		
Cash flow from investment activities	(49,664)	-	(15,205)		
Cash flow from financing activities (dividends to NCI:$Nil)	(66,930)	-	(3,929)		
Net increase (decrease) in cash and cash equivalents	**(254)**	**-**	**17,632**		

30 June 2014

	ATH $(000) 31 March 2014	Penina $(000) 30 June 2014	HFC $(000) 30 June 2014	Intra-group eliminations	Total $(000)
NCI percentage	**42%**	**49%**	**25%**		
Non-current assets	302,023	48,885	260,121		
Current assets	94,790	1,788	123,028		
Non-current liabilities	(90,626)	(36,278)	(141,396)		
Current liabilities	(108,755)	(1,604)	(204,050)		
Net assets	**197,432**	**(12,791)**	**37,703**		
Carrying amount of NCI	24,137	6,268	9,425	72,217	112,047
Revenue	287,571	3,869	22,304		
Profit	33,738	1,065	4,575		
OCI	-	-	-		
Total comprehensive income	**33,738**	**1,065**	**4,575**		
Profit allocated to NCI	19,269	522	1,144	6,037	26,972
OCI allocated to NCI	-	-	-	-	-
Cash flow from operating activities	94,252	2,423	22,289		
Cash flow from investment activities	(32,162)	-	6,503		
Cash flow from financing activities (dividends to NCI:$18,087)	(55,620)	(1,131)	20,402		
Net increase (decrease) in cash and cash equivalents	**6,470**	**1,292**	**49,194**		

37. Acquisition of Non-Controlling Interest in Subsidiary

Vodafone Fiji Limited (VFL)

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

As described in note 2.3, the acquisition of VFL is accounted for as a common control transaction and as such the accounting and disclosure requirements of IFRS 3 Business Combinations do not apply to this transaction.

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

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

Consideration transferred

	$000
Cash	160,000

Identifiable assets acquired and liabilities assumed (100%)

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

Other Equity Reserve

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

Fiji International Telecommunications Limited (FINTEL)

During March 2012, ATH acquired a 49% shareholding in Fiji International Telecommunications Limited ("FINTEL") from Cable & Wireless, UK. The remaining 51% shareholding in FINTEL was held by the Government of Fiji but was managed by ATH for which management fees were received in prior years. The management control included appointment of directors by the company to the Board of FINTEL.

Considering the controlling rights exercised from the management of the Government's 51% shareholding, the March 2012 acquisition was treated as ATH obtaining effective control of FINTEL and accordingly, FINTEL was treated as a subsidiary in the group financial statements effective from the financial year ended 31 March 2012.

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

Fiji International Telecommunications Limited (FINTEL) (continued)

In July 2013, ATH entered into a share sale and purchase agreement with the Government of Fiji to acquire the remaining 51% shareholding in FINTEL for a consideration of $9,000,000 based on the net assets disclosed in the audited financial statements of FINTEL as at 31 March 2013. The transaction was completed on 22 August 2013.

On the basis that negotiations for acquiring 51% shareholding had commenced prior to 31 March 2013 and in principle approvals for the sale and purchase were agreed subject to agreement on consideration which was negotiated and agreed based on the net assets as at 31 March 2013, for the purpose of computing and presenting the effect of this acquisition in the ATH group financial statements, the effective date was taken as 1 April 2013.

The following summarises the consideration transferred and the identifiable net assets acquired of Fiji International Telecommunications Limited as at the effective date of acquisition from 1 April 2013:

51% of identifiable net assets as at 31 March 2013	$17,319,000
Cash consideration	(9,000,000)
Increase in equity due to acquisition of 51% shareholding of FINTEL	$ 8,319,000

The above increase in equity was allocated to the equity holders of ATH of which $4,847,000 was attributable to the Fund, given its equity interest in ATH.

38. Disposal of subsidiary companies

Penina Limited

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

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

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

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

FNPF Investments Limited

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

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

The Funds financial statements reflect the transfer of assets and liabilities at their book values. The book values of the assets and liabilities transferred to FNPF are set out below:

38. Disposal of subsidiary companies (continued)

FNPF Investments Limited (continued)

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

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

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

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

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

There is no impact on the consolidated changes in net assets as a result of the assigned net assets.

39. Events Subsequent to the Balance Date

Home Finance Company Limited

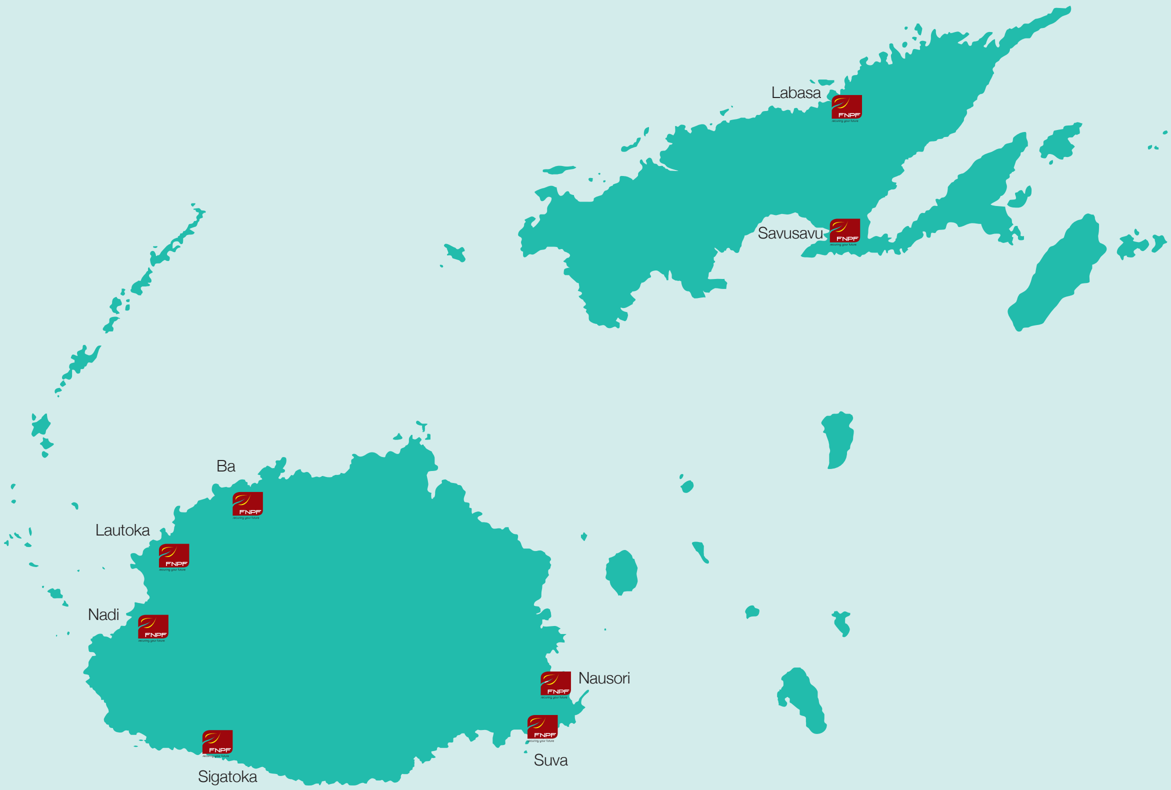
The third stage of the banking operation has commenced with the project scheduled for phrase III Trade Finance and Treasury on the HFC Bank platform and is expected to be completed for commissioning by March 2016. Furthermore enhancement for Internet Banking is scheduled to be completed by 31 August 2015.

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

40. Auditors

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

THE FNPF GROUP COMPRISES STRONG LOCAL & INTERNATIONAL BRANDS SUCH AS:



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