Annual Report 2018

securing your future

Corporate Statement

VISION
Securing your future

MISSION
To understand our customers, offer quality services and ensure sustainable returns for meaningful retirement

VALUES

E — **Excellence**
We are committed to being the best and to deliver the best

T — **Teamwork**
We work effectively within and across teams to deliver results

H — **Humility**
We act in a manner that reflects our respect, willingness and inclusion of others

I — **Integrity**
We resolve to do what is right for our customers and colleagues even when no one is looking

C — **Courage**
We challenge ourselves to think big, be decisive and persevere to make a difference

About FNPF

The Fiji National Provident Fund is a defined contribution fund that provides superannuation services to its members. The operations of the Fund is guided by the FNPF Act 2011. FNPF collects compulsory contributions from employees and employers towards the retirement savings of all workers in Fiji. The Fund also provides pre-retirement benefits such as housing, medical and education assistance.

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

Contents

Highlights

Total Assets

$6.6b

from $5.8b (restated*) in 2017

Net Profit

$538.7m
compared with $422.4m (restated*)

Investment Income

Grew to **$564.3m**
from $461.8m (restated*) in 2017

Members' Funds

$5.5b

from $4.9b in 2017

Return on Investment

9.6%

This is partly a result of the revaluation gains booked from the adoption of fair market value of investment properties and subsidiaries under IFRS 9.

Contributions

$599.9m or $49.9m per month. Increase of 9.8% from $546.2m

General Reserve

$1.2b

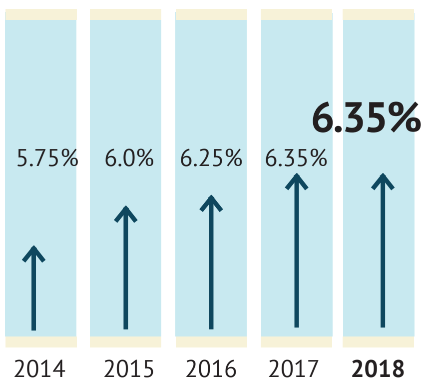
from $0.95b (restated*) in 2017

Interest Credited

$1.0b

credited to members accounts in the last four years, $297m was distributed to members' accounts this financial year.

Interest Rate



*The FY2017 figures were restated given the change in accounting policy

Highlights

Membership Profile

Member balances by age

Member Balances	< 15 yrs	15 - 24yrs	25 - 34yrs	35 - 44yrs	45 - 54 yrs	> 55yrs	Total
$0	1	4,319	9,883	12,962	15,430	21,219	63,814
Less than $5,00 0	0	47,719	61,930	39,478	24,382	10,796	184,305
$5,000 - $9,999.99	0	5,047	24,195	15,244	9,524	2,133	56,143
$10,000 - $49,999.99	1	888	35,990	38,488	24,498	3,389	103,254
$50,000 - $99,999.99	0	2	1,137	7,011	7,547	845	16,542
$100,000 - $249,999.99	0	0	102	1,445	2,984	610	5,141
$250,000 - $499,999.99	0	0	3	97	337	168	605
$500,000 & above	0	0	0	11	59	62	132
Total	**2**	**57,975**	**133,240**	**114,736**	**84,761**	**39,222**	**429,936***

**This includes 19,022 of voluntary members*

Share of Wealth by Gender

	Female	Male
Count	40%	60%
Share of Wealth	33%	67%

Derived from members with positive balances

Ratio female to male members

Female	Male
1	1.4
179,405	250,531

Based on total membership of 429,936

Member balances <$10,000*

2016	2017	2018
75%	73%	71%

**Based on total membership of 429,936*

Active* compulsory members 236,058

Female 38% — Male 62%

Active* voluntary members 4,864

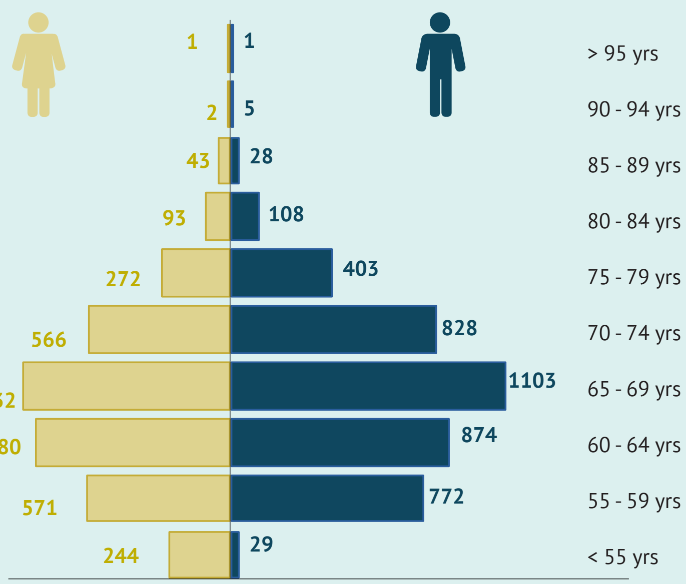
Female 48% — Male 52%

**Active members are those who contributed at least once during the financial year*

Highlights

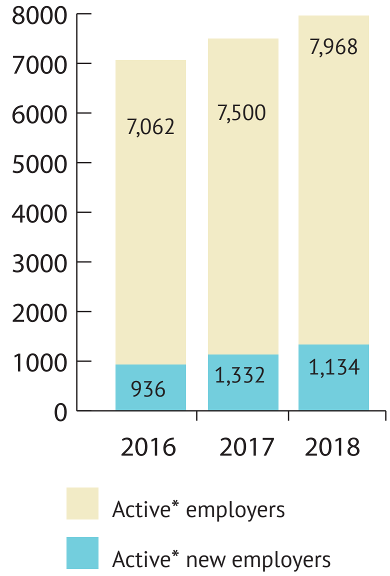
Pensioners

Pensioners by Age Group & Gender



Employers

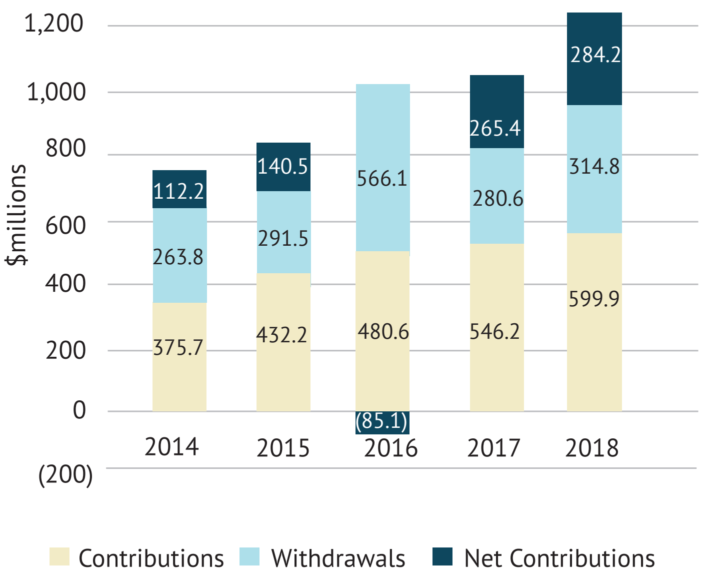
Active Employers



These employers are those that paid their employees contribution at least once during the financial year.

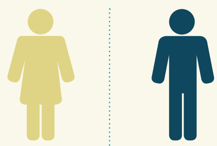
Net Contributions

Contributions less Withdrawals



Additional Contributions

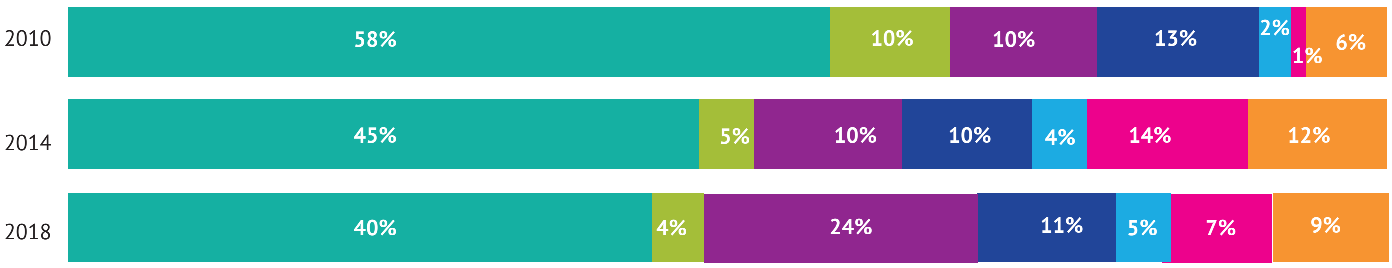
These are the number of members who pay and/or receive above the mandated 18% (10% employers & 8% members) contribution. Some employers pay above 10% as part of staff benefits. These contributions boost these members' retirement savings.



Paid by Members	248	494
Paid by Employers	1,029	2,473
Paid by both Members and Employers	53	88

Highlights

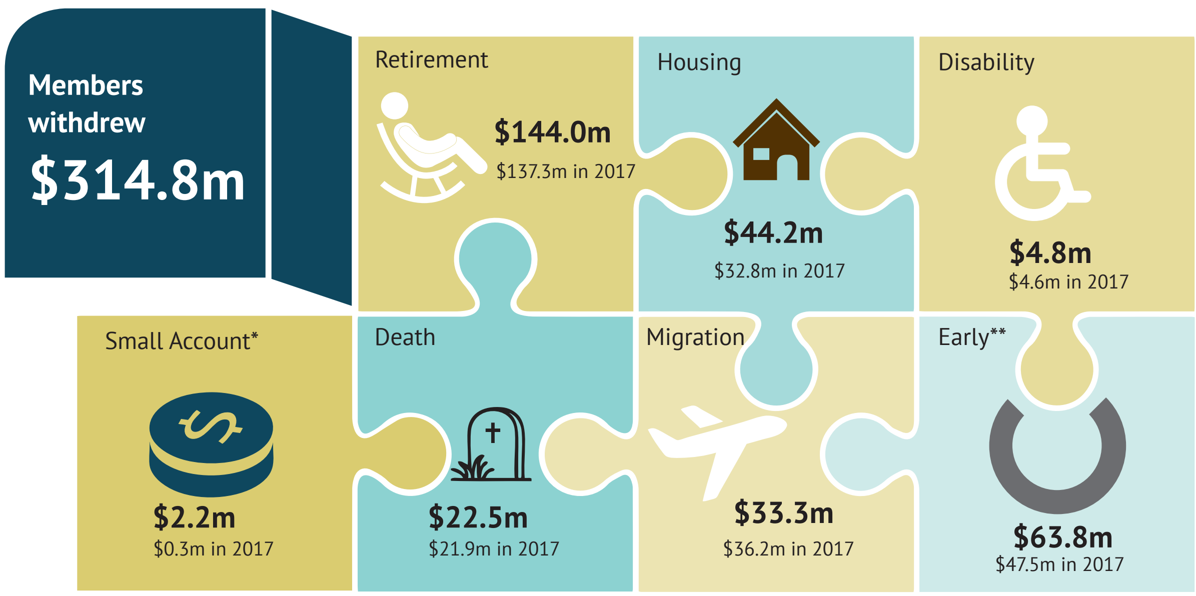
Investment Asset Allocation



Fixed Income vs Growth Investment

	Fixed Income	Growth
2010	88%	12%
2014	85%	15%
2018	71%	29%

Withdrawals



**Small account withdrawals are allowed for members over 50 years old who have balances of less than $5,000*

***Refer to page 31 for early withdrawal types.*

Board of Directors

Ms MAKERETA KONROTE

DIRECTOR

Member since January 2016. Chairperson of Board Human Resources Committee. Member of the Board Audit and Risk Committee. Board Member Reserve Bank of Fiji (RBF) and Fiji Revenue & Customs Service (FRCS).

Mr SANJAY KABA

DIRECTOR

Member since January 2016. Board Member FNPF Hotel Resorts Limited (FHRL), Natadola Bay Resort Limited (NBRL), Momi Bay Resort Limited (MBRL), Amalgamated Telecom Holdings Limited (ATH), Telecom Fiji Limited (TFL), Fiji Ports Corporation Limited (FPCL) and Fiji Roads Authority (FRA). Member of the Constitutional Offices Commission and Fiji Institute of Engineers.

Mr AJITH KODAGODA

CHAIRMAN

Member since June 2009. Member of the Board Investment Committee. Also Board Chairman Fiji Revenue & Customs Service (FRCS), Amalgamated Telecom Holding Limited (ATH), & Vodafone Fiji Limited. Director Fiji International Telecommunication Limited (FINTEL), Home Finance Company Limited (HFC). Chairman Bio Security Authority and Member of the Constitutional Offices Commission.

Mr TEVITA KURUVAKADUA

DEPUTY CHAIRMAN

Member since January 2010. Chairman Board Audit & Risk Committee, Chairman Board Information Technology Committee and Chairman of Board Investment Committee. Board Member Reserve Bank of Fiji (RBF), Fiji Sugar Corporation Limited (FSC) and Momi Bay Resort Limited (MBRL).

Chairman's Report

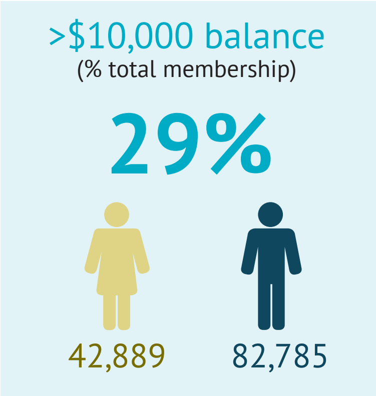
The Fund delivered another strong financial performance for the 12 months ended 30 June 2018. Although critical, this does not really capture the impact the Fund had on the lives of our members during the year.

Guided by our core purpose of helping members save for a meaningful retirement, we launched and began to implement our three-year Strategic Plan. The focus has been on steering the Fund for future success by rebuilding from the inside. This has resulted in the articulation of a clear sense of purpose and the review of our values to embed a culture of stewardship.

Creating Value for Members

One of our key strategies is to extend our role in social security. We believe that we are well-placed to make a difference in the lives of all Fijians given our purpose, size and reach in the local economy. As such, we have adopted a holistic approach to ensure the financial and social wellbeing of our members during their working life and also in retirement.

In the last 12 months, we provided housing related assistance to 4,890 members, approved education applications for 18,710 members and their families, completed medical assistance for 584 members, provided immediate relief to 14,073 members affected by Tropical Cyclones Josie and Keni and also approved unemployment assistance for 8,579 members. These are part of our ongoing early withdrawal benefits.



The Fund continues to manage the ongoing challenge of low member balances. As of 30 June 2018, a total of 29% of our members had balances above $10,000. Of those with balances below $10,000, about 57,000 are over 50 years old and eligible to exercise their retirement option within the next five years. Issues such as irregular work patterns, relatively low income and general reliance on FNPF to finance other expenses are reasons for these low balances. The challenge for the Fund is to strike a balance between assisting members achieve a better quality life and in saving for retirement.

This makes the need to instil a savings culture much more critical for our members. During the year, the Fund also conducted retirement planning and awareness sessions at 154 workplaces attended by 5,850 members. A total of 816 members signed up for additional contributions in these sessions to boost their retirement savings.

As part of the National Financial Inclusion Taskforce, the Fund co-hosted the first ever Retirement Expo in Suva. This was a collaboration of 22 stakeholders joining forces to raise awareness on retirement planning and the types of financial products available for members.

One of our key strategies is extending our role in social security. We believe that our purpose, size and reach in the local economy makes us well-placed to make a difference in the lives of all Fijians.

The Expo was also well received in the Western and Northern divisions and is expected to be an annual event.

As part of our strategy, we also recognize changes in the Fijian labour market demographics and the rise in informal employment. Both the skilled and unskilled workers in this sector are not usually covered by formal work arrangements or by a retirement scheme. Efforts are being made to extend our coverage to the different occupational groups in this sector. We are also taking steps to collaborate and partner with government ministries and other private organizations to put together suitable products and to simplify our services that would appeal to these segments.

Growth Strategy

As a long term investor, the Fund continues to pursue an active investment growth strategy that balances risks and returns, provides a sustainable income and positions the Fund to take advantage of growth through capital appreciation.

This is evident in the shift in the portfolio mix over the years from a Growth to Fixed Income allocation of 12% to 88% in 2010 to 29% to 71% in 2018. The Board further revised the Fund's Investment Policy Statement (IPS), resetting the asset allocation strategy from 45% to 55% and 60% to 40% in the next 5 to 10 years, respectively.

The Investment division was restructured to provide more resources to make it fluid to respond to new opportunities and to strengthen investment risk and governance, working actively to identify large value high yielding investments that could lift the overall return to the portfolio. The focus was mostly on identifying local investment opportunities given the restrictions inhibiting expansion to offshore investments. This culminated in the acquisition of the Marriott Denarau properties namely the Westin Fiji Resort, Sheraton Fiji Resort and the Denarau Golf and Racquet Club along with surrounding land.

Financial Performance

Net surplus grew by a record 27.5% to $538.7 million driven by 8.9% growth in investment income and a voluntary change in the application of accounting policies in preparation for full compliance with International Financial Reporting Standards (IFRS) 9 applicable from June 2019. IFRS 9 requires an entity to recognise certain of its financial assets in the statement of financial position at fair value rather than cost less impairment as previously recorded.

This resulted in the Fund revaluing our investment in subsidiaries which led to a $66.8 million gain in 2018 and $165.4 million was retrospectively applied to 2016 and 2017. In addition, the value of investment properties also increased by $82.9 million to reflect its fair value. It is expected that the Fund would be fully compliant with IFRS 9 in 2019.

Recognising that these gains are usually one-off changes and expected to increase volatility in the reported value of assets in future years, the Fund adopted a more prudent approach in its decision to smoothen the benefits of these gains and to cushion the impact of possible future fluctuations. As such, the Fund declared a crediting interest rate of 6.35% for the financial year similar to last year, resulting in the distribution of $297 million to our members. We believe that this decision is in the best interest of our members and will serve them well in future.

The Fund's total assets increased by 13.5% to $6.6 billion from $5.8 billion in 2017 whilst member funds grew by 12% to $5.5 billion. This also marked accelerated growth over the last six, post-reform, years.

Appointment of Chief Executive Officer and Actuary

A key priority for the Board was finding the right person to lead the Fund in our new direction and to drive the culture of stewardship. Mr Jaoji Koroi was appointed the Chief Executive Officer in March of this year following a competitive and thorough selection process. Mr Koroi was the Chief Operating Officer overseeing Member Services, Investment, Finance, Human Resources, Information Technology and Business Transformation for two years. Prior to that, he held the role of Chief Investment Officer for seven years and was instrumental in the Fund's investment rehabilitation strategy. We have full confidence in his ability to lead the Fund in its new strategic direction.

The Fund also appointed Mr Peter Martin as the Fund Actuary. He is a fellow of the Institute of Actuaries of Australia and was previously the Actuary to the Australian Government. He has over 20 years of actuarial experience and the Board welcomes a professional of his calibre. Mr Martin replaces Mr Geoffery Rashbrooke who was first engaged as the consulting actuary in 2011 to establish and build capacity in the Actuarial team. Mr Rashbrooke was instrumental in assisting the Board formulate reform options during the review of the Pension Scheme in 2011 and then ensuring the Fund's compliance to the actuarial requirements in the FNPF Act. The Board thanks him for his immense contribution and counsel during his tenure as the Fund Actuary.

Reduction in Complaints

The number of complaints declined by 64% when compared with last year's figures. This is a reflection of the Board's continued commitment towards improving our service delivery to our customers. We believe that the reduction in complaints is a clear indication that our staff are living the value of providing excellent services to our members.

Outlook

We have made good progress in the first year of implementation of our three year strategy, yet much more remains to be done. The environment remains challenging and stakeholder expectations are high.

The Board's priorities for the next financial year include exploring further opportunities for public private partnership with Government and international institutions on medical hospitals and low cost housing, capitalizing on the tourism value chains and other synergies, extending coverage to the informal sector through our voluntary scheme and continued work on enhancing our digital channels to provide a wider range of services to our members that is more meaningful, simple and easier to access. The Board will continue to support the drive towards creating a digital workforce, staff training and development and in embedding a culture of stewardship.

Acknowledgement

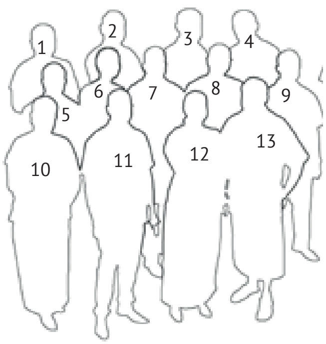
Sheer hard work and perseverance has been the key to the Fund's success this year. I thank my fellow Directors for both Fund and subsidiary boards for your valued contributions and continued support during the year. We saw the departure of Board member Ms Bhavna Narayan and I also thank her for her service and wish her well.

I also acknowledge the CEO and his leadership team for their commitment and perseverance to achieving our vision. My utmost appreciation and thanks to our staff who continue to work hard and strive for better outcomes for our members.

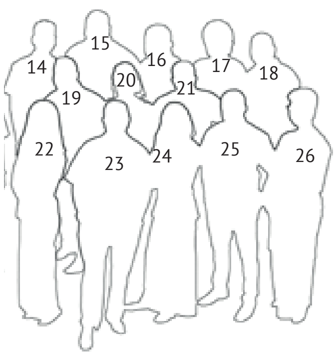
To our members and other stakeholders, we thank you for your continued support. We continue to appeal to you to actively engage with the Fund to make it the best organization it can be.

Ajith Kodagoda
CHAIRMAN

Management *Team*



1. Farnaz Queet
2. Shivam Chand
3. Tevita Lomalagi
4. Alipate Waqairawai
5. Jonetani Tonawai
6. Siteri Saro
7. Ravinesh Krishna
8. Millie Low
9. Suliano Ramanu
10. Makereta Korovusere
11. Jaoji Koroi
12. Shandiya Gounder-Pillay
13. Uraia Goneyali



14. Pravinesh Singh
15. Peni Gonelevu
16. Sitiveni Nabuka
17. Wainikiti Bogidrau
18. Nabotuiloma Komaisavai
19. Ashwin Pal
20. Pretty Pritika
21. Asim Mohammed
22. Ying Yang
23. Uday Singh
24. Seema Shandil
25. Viliame Vodonaivalu
26. Laisa Saumaki

CEO's Report

It is indeed an honour to present my first report as Chief Executive Officer. The results over the last few years continue to confirm the successful outcomes of the reforms, which has created the necessary infrastructure and building blocks for the Fund's future. I consider myself fortunate to be leading this organization that is now in a much stronger position than it was a decade ago. However, for the benefits of the reforms to be fully realised, the Fund must have the right people. This is our leadership agenda.

Creating the right culture and empowering our employees are essential. We started by defining our stewardship ethos that embodies our commitment to our members.

As stewards of members' funds our duty of care goes beyond collecting, investing and growing their savings for their retirement. It is about positively impacting our society by providing quality and relevant products and services. It is also about creating an enabling environment for our people to grow.

We are under no illusion that this will be easy. This is our transformation journey and the focus is our people.

Change in Accounting Policy

2018 was another year of consolidation. The move to record our investments in subsidiaries at fair value is major change for the Fund. Apart from the one-off effects in the Fund's performance during the year, changes to investment valuations will also be a major source of volatility into the future. As denoted in Figure 1, income arising from changes in asset valuations totalled $200.7 million for the year, which accounted for some 35.5% of total income. This compares with $134.6 million or 29.1% in 2017. This one-off impact contributed to the Fund posting a record profit of $538.7 million during the year, an increase of 27.5% from last year. It also contributed to the growth in the balance sheet, with total assets growing by $788 million to close at a record $6.6 billion.

However, because we are adopting the change for the first time, these positive effects are one-off and will not be realized in the new financial year. Underlying performance, excluding the one-off effects, was also strong and broadly based, with income from all other asset classes recording positive growth.

Total underlying income grew by 11.1% to $363.6 million during the year. Underlying net profit was $363.0 million compared with $287.8 million in 2017– a growth of 26.1%.

Go Digital

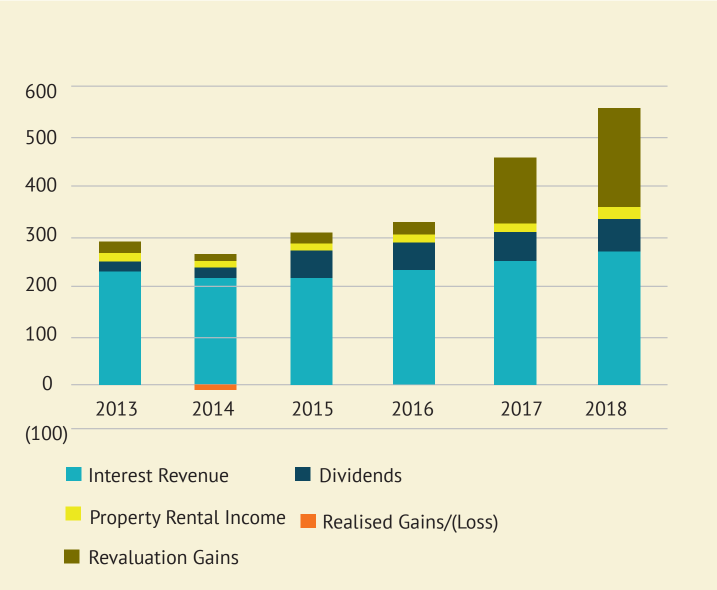
We now live in a digital world, where consumers expect products and services to be delivered digitally. To meet this expectation, we must change how we do business. Not only do we have to review our business processes, operating systems and IT capabilities, we must also empower our people to drive these transformations.

In line with our digital strategy, we introduced a number of initiatives to make engaging and accessing the Fund much easier and seamless. The key objectives of these initiatives are to empower our employees; engage our customers; optimise our operations; and transform our products.

We are pleased to report that the following were implemented and launched during the year:

- An enhanced myFNPF mobile App that allows members to view their annual statement or email it to themselves. The same could be done to members' interim statement, which shows the members' balance as per statement request date. Members can also update their personal records using the App.
- New Complaints Management System "MyfnpfHub" – this integrated system offers members with real-time updates from the registration of their complaints, escalation and resolution.
- Launch of SMS Alert to update members of the status of their withdrawal applications.
- A new Employee Portal called Engage was launched to improve connection, communication and collaboration for staff. This allowed us to share information and collaborate on discussion to actively contribute to key issues for the Fund.

Figure 1: Investment Income by Asset Class



Operational Performance

Contributions collected totalled $599.9 million compared with $546.2 million last year, an increase of 9.8%. This is an outstanding achievement, averaging $49.9 million collected per month.

Members' funds grew from $4.9 billion in 2017 to $5.5 billion this year. Total undistributed funds decreased from $12.0 million to $9.3 million, a record achievement and largely driven by the employers' submitting their contribution schedule online.

Registered FNPF members at the end of June 2018 were 429,936 compared with 417,886 last year. Of these, active members totalled 240,922. These are members who contributed at least once during the financial year. About 64,000 members have zero balances. Member withdrawals totalled $314.8 million. This also accounted for the 14,073 members that withdrew $11.9 million under the natural disaster assistance.

A total of $10.4 million was invested by new annuitants who purchased pension products this year. As at 30 June 2018, the total number of annuitants was 7,555 compared with 7,410 last year. Total annuity payments amounted to $23.8 million. Pension take up rate was 5.1% compared with 5.5% in 2017.

CEO's briefing with FNPF subsidiaries

Investment

Marriott Denarau Hotels

The Fund acquired the Marriott Denarau tourism assets during the year, which includes the 297 room Sheraton Resort, 246 room Westin Resort, and the 111 Hectare Denarau Golf Course and development land for $277 million, comprising $157.8 million equity and $119.2 million debt. FNPF acquired the assets from Marriott International and this adds to FNPF's existing impressive stable of hotel assets, which currently includes the recently-opened Fiji Marriott Resort Momi Bay, the Intercontinental Fiji Golf Resort & Spa, Natadola Bay Championship Golf Course – home of the Fiji International Golf Tournament, Holiday Inn Suva and the Grand Pacific Hotel.

BSP Shares

The Fund also bought additional shares worth $60 million from the Bank of the South Pacific; and given that BSP is one of the fastest growing banks in the region, FNPF will continue to consider purchasing additional shares as and when they are made available.

Grand Pacific Hotel

Subsequent to year end, the Board approved the acquisition of the remaining 75% shares of GPH from National Superannuation Fund and CGA Property Limited from Papua New Guinea (PNG). The sale and purchase agreement was signed in July 2018, with completion of the acquisition expected by 31 December 2018.

Pensioner Satisfaction Survey

An independent survey by Price Waterhouse Coopers has revealed that pensioners are generally satisfied with the services provided to them by the Fund. An index of 4.16 out of 5 was achieved in the Pensioner Satisfaction survey compared with 4.08 recorded for a similar survey in 2014. The Fund is aware though that it needs to continuously upgrade its services to pensioners.

In addition, a survey on the Employer Portal use undertaken by an independent consultant revealed a score of 65.7 based on the Standard Net Promoter score.

Strategic Alliances

Pursuing strategic alliance is part of the Fund's objective to engage with other entities to work towards common goals. During the year, the Fund negotiated and signed Memorandums of Understanding with the following:

- Fiji Sugar Corporation & Sugar Cane Growers Council - providing opportunities for 12,000 growers to sign-up for voluntary membership.
- Extending partnership with ANZ on the Money Minded program for another three years.
- Ministry of Employment, Productivity and Industrial Relations for data information sharing.
- Real Estate Board (REALB) to ensure compliance by real estate companies towards their employees contributions that also covers commissions paid.
- Investment Fiji to share information on the registration and implementation of foreign investment projects with number of employment generated and to identify default in employers.

Corporate Culture and Leadership

We want to move away from merely executing tasks and instead deliver experiences that our members will tell others about. We want a work place that allows our people to fulfil their potential in a nurturing environment that encourages the right behaviour. To this end, we have rolled out several trainings and professional development programs that will equip our staff with the tools to meet this obligation.

Whilst it is important to drive and achieve good results, it is equally important that we do so in a fair and transparent way. We are committed to holding ourselves to account in meeting that aim, and to being accountable to our stakeholders for our actions.

Acknowledgment

We have been privileged to have had the counsel and support of our Chairman, Board members and the Board's Sub-committees. On behalf of the Management Team, I would like to thank all our staff for their dedication throughout the year. Our staff continue to show passion, pride and a sense of duty and I am grateful for their demonstrated professionalism, dedication and commitment.

Finally, to our members, employers and pensioners, we acknowledge your understanding and continued support.

Jaoji Koroi

CHIEF EXECUTIVE OFFICER

Strategic Priorities

Strengthen our Role in Social Security

To play a broader role in providing for the social wellbeing of our members in pre and post retirement.

FY 2018 progress:
- Signed an MOU with the Fiji Sugar Corporation and the Sugarcane Growers Council providing opportunities for 12,000 growers to sign up for the voluntary scheme;
- Commenced negotiations on Private Public Partnership (PPP) opportunities for the public hospitals with Government. This is still being actively pursued.

FY 2019 initiatives:
- Raise awareness and actively market our voluntary product to specific groups in the informal sector;
- Explore opportunities for PPP in low cost housing initiatives
- Explore strategic alliances with Government ministries and private sector organisations to extend coverage to the informal sector

Strengthen our Corporate Culture

Build a culture of stewardship, promote and live our values ETHIC and invest in our leaders and people to create an organisation with a strong sense of purpose and will act in the best interests of our members at all time.

FY 2018 progress:
- Review and established new values ETHIC;
- Established a Social Committee to drive staff participation and engagement
- Launched the STARS recognition program. The programme has recognized more than 15 staff since its launch
- Review of HR policies to align them to the new values and culture

FY 2019 initiatives:
- Continue to drive the new culture of stewardship
- Implement the Innovation pilot program
- Enhance leadership skills for all current and upcoming leaders

Digital Transformation

To enable the Fund to effectively engage with our members, anytime and anywhere and at the same time creating operational efficiencies to compete in our business

FY 2018 progress:
- Enhancement of the mobile App to also include member statements
- Launch of the SMS alert to update members of withdrawal payment
- Launch of the bill payment system and M-PAiSA as new modes of payments for employers and voluntary members
- Launch of the Complaints Management System
- Launched the Staff intranet 'Engage' where staff can connect, communicate and collaborate

FY 2019 initiatives:
- Provide other services through mobile Apps and portals, including applications for partial withdrawals, payment of voluntary contributions and registration of voluntary members
- Extend member self-service capability through the member and employer kiosks
- Digitise debt management capacity
- Enhance data analytic capabilities

Investment Diversification and Optimisation

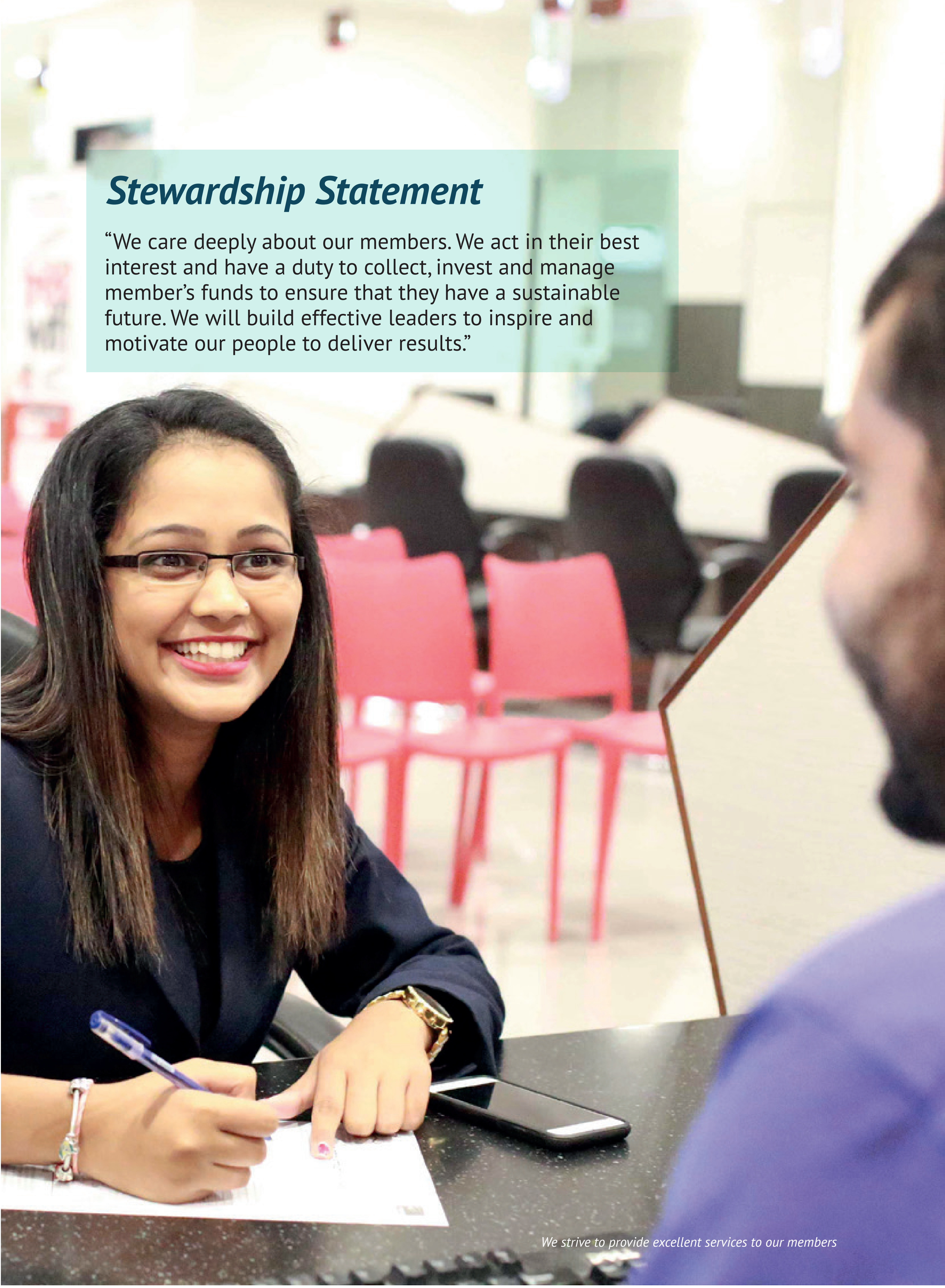
To diversify and optimise our investment portfolio focusing on increasing offshore investments and growth assets in the telecommunications, financial, infrastructure, tourism, property development, housing and medical sectors.

FY 2018 progress:
- Changes to the Investment Policy statement. From a previously 30% Growth Assets to 70% Fixed or Defensive Assets strategy, the Board has approved a more Growth-centric allocation whilst maintaining focus on income by approving a 45% Growth Assets to 55% Fixed Income Assets target for the next 5 years, with a 10 year target to increase the Growth Assets allocation to 60%.
- Increase in equity offshore portfolio from 17% to 21%
- Increase in the property portfolio by 41%
- Purchase of the Marriott Denarau properties increasing our tourism portfolio by $277 million
- Purchase of shares in the banking sector (BSP shares)

FY 2019 initiatives:
- Continue implementation of the growth and diversification strategy

Stewardship Statement

"We care deeply about our members. We act in their best interest and have a duty to collect, invest and manage member's funds to ensure that they have a sustainable future. We will build effective leaders to inspire and motivate our people to deliver results."



We strive to provide excellent services to our members

Governance

FNPF Board

The Board provides strategic guidance and advice to Management to ensure the sound management and investment of members' funds as stipulated in the FNPF Act 2011.

Board

- Mr Ajith Kodagoda
- Mr Tevita Kuruvakadua
- Mr Sanjay Kaba
- Ms Makereta Konrote
- Ms Bhavna Narayan
  (resigned 18 Sept 2017)

Board Committees

Audit and Risk (BARC)

Provides assurance on the effectiveness of the Fund's internal controls, compliance and risk management.

Members:
Mr Tevita Kuruvakadua
Mr Raj Sharma
Mr Geoffrey Rashbrooke
Ms Makereta Konrote

Investment (BIC)

Deliberates and assesses key investment projects in line with the Fund's objectives to grow members' funds within the investment parameters approved by the Board.

Members:
Mr Tevita Kuruvakadua
Mr Ajith Kodagoda
Mr Sanjay Kaba

Human Resources (BHR)

Ensures FNPF is sufficiently resourced to meet its current and future targets.

Members:
Ms Makereta Konrote
Mr Taito Waqa
Ms Bhavna Narayan
(resigned 18 Sept 2017)

Information Technology (BIT)

Focuses on improving the delivery of FNPF's services through greater utilization of technology and to promote greater online access for members.

Members:
Mr Tevita Kuruvakadua
Mr Janaka Dishantha
(resigned 18 Jan 2018)
Mr Timoci Tuisawau
Mr Vilash Chand
Mr Chinthake Ranasinghe

Table 1: Board and Board Committee meetings and attendance for the Financial Year 2018

Board Members	BOARD		BARC		BIC		BHR		BIT	
	No of meetings		No of meetings		No of meetings		No of meetings		No of meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
1 JULY 2017 TO 30 JUNE 2018										
Mr Ajith Kodagoda	10	10			6	5				
Mr Tevita Kuruvakadua	10	9	5	5	6	5			5	4
Mr Sanjay Kaba	10	10			6	6				
Ms Bhavna Narayan	10	1					6	1		
Ms Makereta Konrote	10	5	5	1			6	6		
OTHER BOARD COMMITEE MEMBERS										
Mr Raj Sharma			5	4						
Mr Taito Waqa							6	6		
Mr Janaka Dishantha									5	2
Mr Timoci Tuisawau									5	4
Mr Vilash Chand									5	4
Mr Geoffrey Rashbrooke			5	3						
Mr Chinthake Ranasinghe									5	1

Board Chairman Mr Ajith Kodagoda and member Mr Sanjay Kaba have both opted not to take any Board fees and allowances.

Prudential Supervision

RBF

There were six prudential meetings held with the Reserve Bank of Fiji (RBF) to obtain relevant updates for its assessment. These meetings focused on investments, financial performance,compliance,governance and risk management. The meetings served as a follow-up to previous on-site examination recommendations.

IMF

As part of the International Monetary Fund's (IMF) Financial Sector Stability, it met with FNPF to discuss issues pertaining to improving pension coverage, return on investments, insurance provision and the results of effective governance. There was also a Financial Sector Review mission that visited the Fund for governance and reforms related issues.

Policy Development

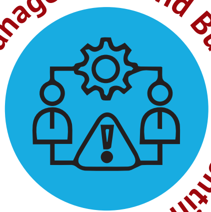
The Fund continues to review and develop its policies to strengthen governance and ensure that this is aligned to relevant standards and legislations.

The Fund reviewed the following policies during the year:

- Housing Withdrawal Policy;
- Early Withdrawal Policy;
- Full Withdrawal Policy;
- Complaints Management Policy;
- Code of Fair Practice;
- Capital Works Policy;
- Delegation Limits of Authority Policy;
- Physical Security & CCTV Policy; and
- Motor Vehicle Policy.

In our efforts to align the organisation to international best practice and standards, we conducted compliance checks against the three ISSA Guidelines for Promotion of Sustainable Employment, Service Quality and Prevention of Occupational Risk.

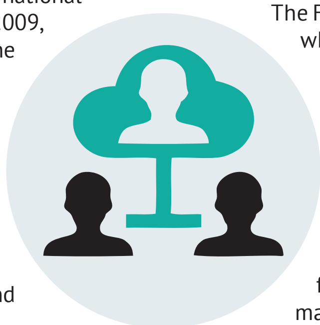
Risk Management and Business Continuity



The Fund uses an integrated approach to risk management, aligned to International Standard ISO 31000:2009, and performed the following activities:

- Full review of the Fund's risk profile
- Establishment of the risk registers
- Establishment of risk management matrix for large investment projects
- High-level risk reports for investments and information technology

To ensure that we continue to operate in crisis situations, the Fund regularly reviews our business continuity guidelines, conducts simulation tests and reviews our co-location agreement with Vodafone. The simulation tests provides assurance on the status of the availability of the Fund's services at the secondary location.



Insurance

The FNPF Group Insurance Scheme, which covers the assets, profits, and liabilities and its life and medical insurances, was successfully renewed on 30 June 2018. The renewal of the Industrial Special Risks (ISR) Insurance faced some challenges as the main underwriter withdrew its capacity due to unprecedented global losses. The world's major insurance and reinsurance markets normally writing Fijian risks suffered unprecedented losses from natural catastrophes around the globe.

The renewal of the ISR Policy was achieved through discussions with its broker, Insurance Holdings Limited and meetings with their International Partners in replacing the unavailable insurers, with new insurers, in the international insurance markets. The Funds' insurable assets, profits, and liabilities, and its life and medical insurances, are adequately insured.

Compliance

FNPF conducted detailed compliance checks on the following:

- The FNPF Act 2011 and FNPF Regulations 2014;
- Financial Transactions Reporting (FTR) Act 2004, Regulations 2007 and guidelines and policy advisories issued by the Financial Intelligence Unit (FIU); and Conflict of Interest.

The results from the compliance check indicated a reasonable degree of compliance with improvements being implemented on an on-going basis. In an effort to strengthen compliance monitoring, a compliance register was developed to increase efficiency and reduce the risk of non-compliance.

The Fund is also required to meet the obligations of the FTR Act and Regulations on reporting of suspicious and cash transactions above $10,000 to the FIU. In order to increase awareness on these obligations, the FIU made a presentation on the requirements under the FTR Act and Regulations to our staff.

The Fund continued to look for ways to strengthen compliance by building relationships with stakeholders. For this to happen, critical information needs to be exchanged between parties concerned and a Memorandum of Understanding (MOU) was signed with the Fiji Revenue and Customs Services. The Fund is pursuing similar partnership with other key stakeholders.

Complaints Management

The Fund reviewed the Complaints Management policy establishing the appetite and tolerance targets for complaint types.

The total number of complaints declined by almost 64% from last year. This is due to the implementation of lean work processes, customer oriented "mind-set", analysis of the root cause of complaints, implementation of preventative measures and effective collaboration between business units.

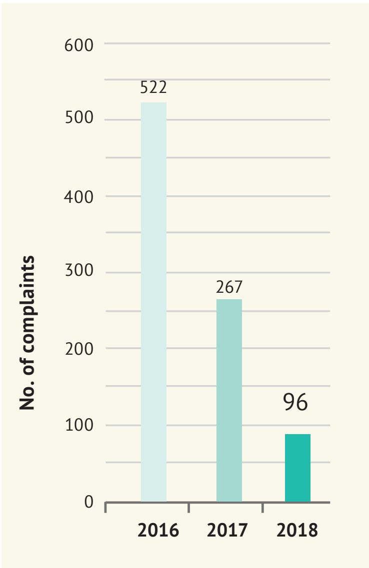
The establishment of the risk appetite and tolerance levels helped with monitoring, reporting and resolving complaints. Almost all the complaints received during the year were resolved. The complaints trend for the past 3 financial years is shown in Figure 2.

Table 2: Complaints received and resolved

	Complaints Received	Resolved within the month	Resolved in later months
Jul	10	5	5
Aug	9	6	3
Sept	15	10	5
Oct	8	5	3
Nov	10	7	3
Dec	1	0	1
Jan	14	10	4
Feb	8	4	4
Mar	7	3	4
Apr	4	1	3
May	5	2	3
Jun	5	2	3
Total for FY	**96**	**55**	**41**

4 of the 41 complaints were carried forward to the next FY

Figure 2: Complaints Trend (FY2016-FY2018)



Internal Audit

Assurance Audits & Consulting Engagements

Real-time audits using computer-assisted audit tool and audit command language were conducted during the end of year interest crediting process. Continuous control monitoring program on employers and member services including the TC Josie and Keni Natural Disaster assistance were also carried out.

The concept of cyclical audit continued where consulting engagements were conducted with business units to ensure the implementation of audit recommendations of assurance audits carried out in 2017.

Audit findings

Significant audit findings and results of fraud and related investigations were reported to the FNPF Board Audit and Risk Management sub-committee (BARC). Follow-up audits were conducted, with progress reports provided to BARC at the end of each quarter.

Quality Assurance & Business Excellence

A satisfaction index of 3.17 out of 5 was recorded in an independently validated client survey questionnaires sent to business units subsequent to audits for this financial year. The survey is part of the ongoing quality assurance and improvement program.

The FNPF Audit team won the team impact award at the Institute of Internal Auditors Fiji Awards 2018 to recognise the value addition contribution and importance placed on governance, risk and control processes in the Fund.

Dino, the dinosaur, continues to attract young ones at MyFNPF Centre in Suva

Investment

The 2018 financial year was a challenging one due to various factors including:

i) Anticipation of general election which normally leads to subdued investment sentiments,
ii) Continued high liquidity in the financial system combined with RBF monetary policy, keeping interest rates low,
iii) Intense competition from other financial institutions,
iv) Exchange control restrictions inhibiting expansion of offshore investment and
v) Confusing and contradictory policy stances taken by the US Government, leading to volatility of the US dollar

Factors that worked in our favour included the nine years of consecutive economic growth experienced by Fiji, accommodative policies of the Government, robust consumption indicators, and growth in private sector lending.

The Fund worked actively to identify large value, high yielding investments which could lift the overall return to the portfolio, and the focus has been on identifying local investment opportunities.

Investment Portfolio

$6.6b

compared with $5.8b in 2017

Highlights

Key achievements during the year included:

1) **New Investment Structure**
A revised structure was approved by the Board that better reflected the resources required to spearhead the growth strategy, support current investments and those to be pursued in future. The new structure is expected to be implemented over a period of 3 years for optimal resourcing.

2) **Growth of Investment Portfolio**
The Investment portfolio grew from $5.8 billion in 2017 to $6.6 billion in 2018. The total growth of $788 million (13.8%) was partly due to revaluation gains booked from adoption of fair market value of subsidiaries of $232.2 million and adoption of fair market gains of investment properties of $82.9 million. The total gains of $232.2 million from the fair market valuation of subsidiaries was retrospectively applied as $47.1 million for 2016, $118.3 million for 2017 and $66.8 million for 2018.

3) **Review of Investment Policy Statement**
The Investment Policy Statement (IPS) was revised in alignment to the Strategic Plan 2018–2020, with more focus on growth strategies that would lead to greater capital appreciation opportunities for the members' funds.

4) **Acquisition of Marriott Denarau properties**
The Fund acquired 3 iconic tourism properties - Westin Fiji Resort, Sheraton Fiji Resort and Denarau Golf and Racquet Club along with surrounding land. This acquisition followed the sale process by former owners Marriott International. The acquisition brought the number of hotels in the FNPF portfolio to 6 and golf courses to 2. With tourism being one of the key backbones of Fiji, investment into this thriving industry will further enhance the returns to our members.

5) **Acquisition of Bank of South Pacific (BSP) shares**
The Fund acquired additional shares in BSP (listed in the PNG Stock Exchange) bringing the share holding to 2.7%. This investment tapped into the strong financial performance of the bank, which is one of the top performing listed securities in PNG.

6) **Approval of Investment Valuation Policy**
A new Investment valuation policy was approved by the Board in line with the requirements of the International Financial Reporting Standards (IFRS) standards.

7) **Change in Accounting Policy for recording of Investments in Subsidiaries**
The change in accounting policy saw a shift from booking at amortized cost to that of the current market valuation. The market valuations were determined through an independent process undertaken by external valuation firms. This change in policy resulted in the adoption of fair market value of investments in subsidiaries of $1.1 billion, as well as, an unrealised gain of $232.2 million.

8) **Investment in Green Bonds**
The Fund invested in the first ever Green Bonds, launched by the Fiji Government, in line with its aspirations for COP 23. A total of $58.8 million was invested. The Green Bonds, the first for the Pacific Region, were issued in November 2017 and the proceeds from the float will be utilized towards sustainable development initiatives and to combat climate change issues.

9) **Fiji Marriott Momi Bay Resort project**
This was one of the key rehabilitation projects this year. The Resort, which opened in April 2017, completed its first year of operations and was issued a final completion certificate. The Resort has been voted the best over water resort in the Pacific.

10) **Natadola Land Estates**
Located at Natadola and adjacent to the world-renowned Intercontinental Golf Resort & Spa and Natadola Bay Championship Golf Course, the residential lots continued to garner interest. The land prices for the first 44 lots were reviewed and revised in line with the market, which re-ignited the interest of buyers. The construction of a model home commenced during the year, which will showcase the luxurious setting that a buyer could expect. The fencing and gating project was also approved and is currently underway.

Sheraton Fiji Resort was acquired by FNPF during this financial year

11) **Reversal of Impairment of $25.1 million**
During the year, impairment reversal of $25.1 million related to the Natadola project was booked, bringing the total reversal for the Natadola project to $116.5 million.

12) **Growth of loan portfolio**
The commercial loans portfolio grew by 37.0%, underpinned by several high yielding loans approved by the Board.

13) **Acquisition of Property**
Additional property acquisitions were pursued, with approval by Board to acquire three new properties from the Fiji Sugar Corporation amounting to $45.5 million. The process of acquisition is underway and is expected to be completed in the next financial year.

14) **Approval of Offshore Framework**
The Board approved an offshore investment framework, to assist the Fund access global opportunities, achieve greater country & sector exposures, diversify overall portfolio and spread the currency risk.

15) **Review of policies**
Relevant investment policies were reviewed, including Treasury Policy, Properties Policy, Land Bank Policy, Retirement Income Fund Investment Policy Statement and Special Death Benefit Fund Investment Policy Statement.

Income

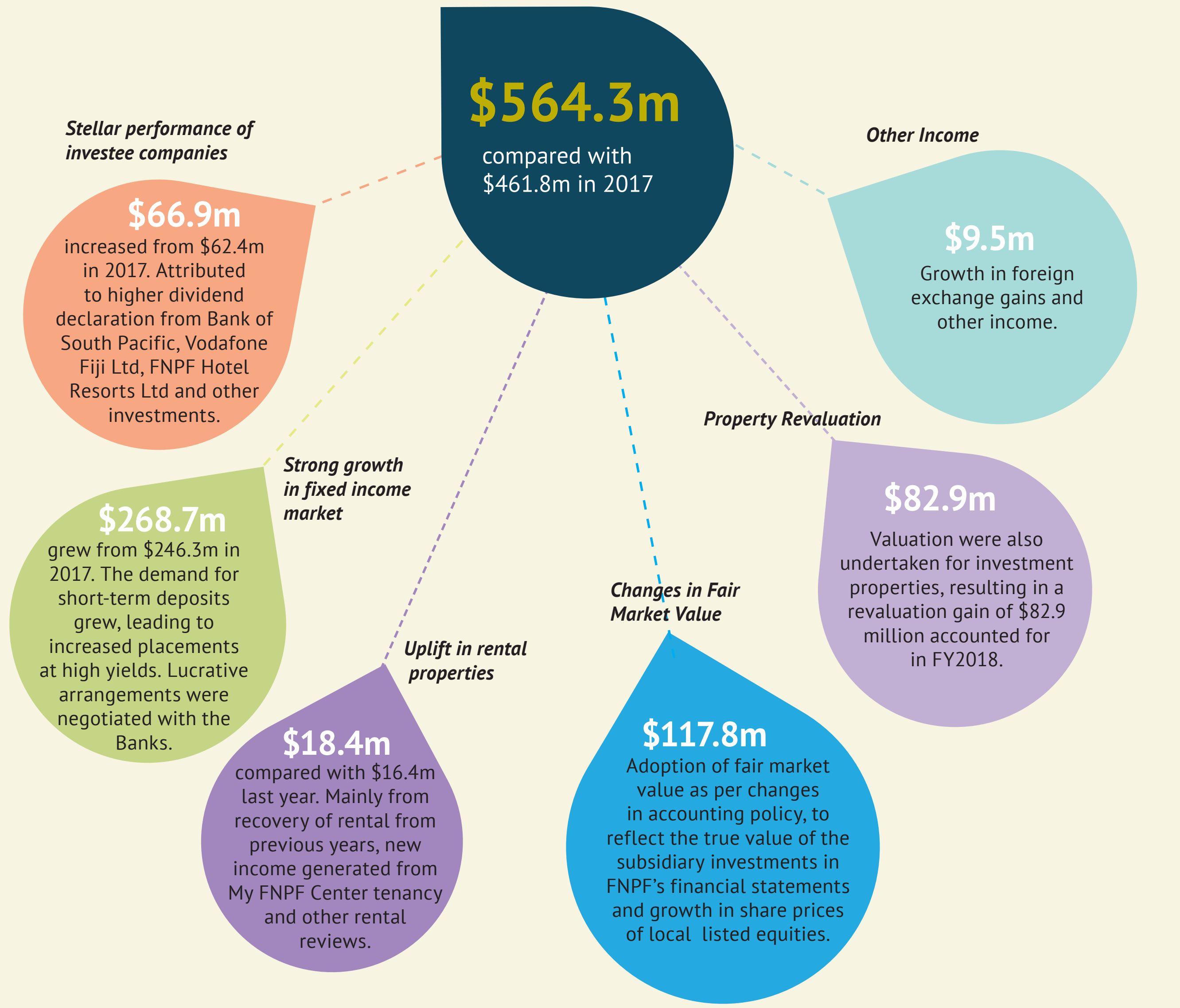


Table 3: Net Performance

	2018	2017 Restated
Interest	$268,733	$246,344
Dividends	$66,884	$ 62,449
Property Rental	$18,426	$ 16,449
Net Changes in Fair Value of Investments	$117,837	$ 134,600
Changes in Property Valuation	$82,871	-
Net foreign exchange gain	$5,693	-
Other Investment Income	$3,834	$1,937
Total	**$564,278**	**$461,779**
Less Direct Investment Expenses	($16,605)	($5,300)
Less Direct Property Expenses	($4,539)	($5,950)
Add/(less) Foreign Exchange gains/(losses)		($831)
Add Reversal of Impairment	$25,055	-
Net Performance	**$568,189**	**$449,698**

Net performance of the investment portfolio was $568.2 million compared with $449.7 million the previous year, leading to a Gross Return on Investments of 9.6%.

Investment Policy Statement

The Board approved changes to the Fund's Investment Policy Statement (IPS) the over arching policy by which the Fund manages its investments through strategic and tactical asset allocations.

The Fund's IPS is broadly categorized into 2 core asset classifications, Growth Assets and Fixed or Defensive Assets. Growth Assets comprise of assets that have a capital growth component such as shares and properties, while Fixed or Defensive Assets do not have a capital growth element as the income return is fixed. These include securities such as bonds, promissory notes, loan notes, term deposits and commercial loans.

From a previously 30% Growth Assets to 70% Fixed or Defensive Assets strategy, the Board has approved a more Growth-centric allocation whilst maintaining focus on income by approving a 45% Growth Assets to 55% Fixed Income Assets target for the next 5 years, with a 10 year target to increase the Growth Assets allocation to 60%. This allocation is in line with the Fund's Strategic Plan 2018-2020, specifically on Investment Diversification and Optimization, focusing on increasing the Fund's growth investments both locally and offshore.

	Growth Assets capital growth component	**Fixed Assets** income return is fixed
Previously	30%	70%
Next 5yrs	45%	55%
10 yrs target	60%	40%

Growth Investments

As at 30 June 2018, the Growth Portfolio stood at 29.3%, compared with 23.4% for the same period in 2017. The growth is attributed to new investments, capital appreciation noted in the listed equities and adoption of fair market valuation for FNPF subsidiaries and investment properties.

Equity

Diversifying its exposure in the telecommunication sector continues to be one of the key objectives for the Fund. As such, a number of opportunities were pursued that resulted in new and additional investments amounting to around $257.1 million in both the local and offshore equities portfolio.

Local Equities

The local equities portfolio closed at $1.3 billion at the end of the financial year; an increase of 26.4% when compared with the 2017 portfolio of $1.0 billion. The increase was driven by the acquisition of the Marriott Denarau tourism assets which includes the Sheraton Fiji Resort, the Westin Fiji Resort & Spa and the Denarau Golf & Racquet Club for about $157.8 million through the holding company; Farleigh Ltd. This acquisition added to the existing tourism portfolio which includes the Intercontinental Natadola, Momi Marriott Resort, Holiday Inn Suva, Grand Pacific Hotel and Natadola Championship Golf Club.

Investment in HFC Bank, Fiji's first locally-owned bank, also increased through a dividend re-investment amounting to $5.1 million.

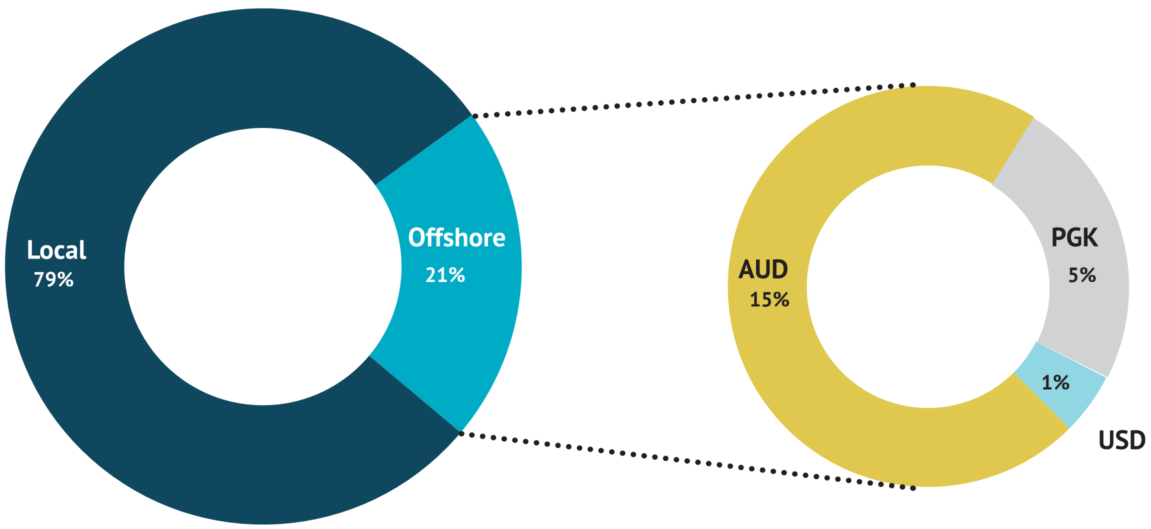
Furthermore, in anticipation of IFRS requirements and in compliance with the Investment Valuation Policy, all FNPF subsidiaries were revalued at fair value, noting a growth of $232.2 million. Similarly, the increase of $32 million from investments in shares listed on the South Pacific Stock Exchange aided as well.

In terms of dividend income, the local equities portfolio generated around $50.4 million in 2018 compared with $54.1 million in 2017.

Offshore Equities

The offshore portfolio grew by 60.9% to $294.3 million compared with $182.9 million last year. This was a result of a capital injection of $33.9 million into The Hastings Infrastructure Fund (TIF) in Australia and acquisition of additional shares in the Bank

Geographic Spread of Equities Portfolio



of South Pacific, PNG (BSP) amounting to $60 million. These investments have further diversified the offshore equities portfolio and is in line with FNPF's intention to increase our exposure to growth assets.

The offshore dividend income nearly doubled to $16.4 million in 2018, mostly due to the additional dividend income received from BSP.

Properties

The FNPF property portfolio consists of 22 properties, which includes 18 commercial (retail and office) buildings, 2 properties under redevelopment and 2 vacant land under land bank. The property portfolio value increased from $231.2 million last year to close at $326.5 million in 2018.

The growth in portfolio is the result of the market valuation exercise undertaken by Rolle & Associates. An appreciation in value of $82.9 million was booked, which equates to an increase of 41.2% in the property value.

Occupancy rate of the Fund's property portfolio stood at 99.0% at the end of the financial year. Rental growth was 12.0%, and achieved a gross income of $18.4 million from 71,135 square metres leased compared with $16.4 million last year. The growth in the leasable area was due to the successful completion of My FNPF Centre in 2017. Total net return on property of 29.6% was driven by capital growth. Nadi Retail is undergoing re-development and should be available next year.

Fixed Income Investments

As at 30 June 2018, the Fixed or Defensive Assets portfolio comprised 70.7% of the investment portfolio.

Constantly challenged with high liquidity and the competitive participants in the local bonds market, the Fund still managed to broaden its domestic government bond holdings. During the year, substantial decreases were also noted in the offshore term deposit and offshore bonds portfolio as investments were liquidated for re-investment in higher yielding growth assets.

Government Securities

The government securities portfolio opened with $2.3 billion in 2017 and closed at $2.6 billion as at 30 June 2018. Total investments in government securities for the review period were $382.7 million while maturities totalled $80.1 million.

The Government introduced benchmark bonds in 2017, key features of which are a predetermined coupon and the ability for the bond to be re-opened within the term of the bond. The purpose of introduction of the benchmark bonds was mainly to:

- boost government bonds liquidity
- set a reference rate for bonds; and
- establish an effective benchmark yield curve

Government also floated Green Bonds, in line with its aspirations under COP 23. Fiji is among the first in the world to issue sovereign green bonds, the proceeds of which will finance the transition to a low carbon and climate resilient economy. The Fund subscribed to $58.8 million worth of Green Bonds.

Quasi Government Securities

The quasi-government securities portfolio consists of borrowings by statutory bodies, such as Housing Authority, Energy Fiji Limited (EFL), Fiji Development Bank (FDB) and Fiji Sugar Corporation Ltd (FSC). The lending to these institutions are guaranteed by the Government. The portfolio closed at $144.1 million compared with $139.3 million last year. This increase stemmed from new investments in FDB Bonds.

Local Term Deposits

The local term deposits portfolio increased from $461 million in 2017 to $577.4 million in 2018. The increase was due to demand of short-term borrowings from commercial banks.

Offshore Term Deposits & Cash

The foreign term deposits and cash portfolio closed at $65.9 million in the review period compared with $217.7 million in 2017. The decrease is a result of the Fund liquidating our portfolio to meet our offshore obligations related to acquisition of Growth Assets such as shares in the Starwood entities and the acquisition of BSP shares.

Playing golf at the Natadola Championship Golf Club

Fiji Government US Denominated Bonds

The portfolio closed at $103.9 million compared with $121.5 million last year. Together with the effect of exchange rate movements, the reduction in the overall portfolio is the result of the sale of US$10 million in bonds to settle our investment in offshore equities.

Commercial Lending

The commercial lending portfolio closed at $682.7 million (after impairment) compared with $498 million (after impairment) in 2017. The growth is the result of new lending to Bank of South Pacific (BSP), University of South Pacific, Fiji Sugar Corporation, Lotus Garments Limited, novation of Barton Limited and Farleigh Limited loans for the Starwood properties acquisition as well as reversal of $25.1 million in impairment.

Total interest earned in the year was $26.7 million compared with $25.1 million last year. The increase was the result of interest earned on new lending.

The impairment provision of $25.1 million for the Natadola Bay Resort Limited loan was reversed. Telecom Fiji Ltd settled its loan while new loans were also approved for Fiji Airways Limited and Amalgamated Telecom Holdings Ltd which remain undrawn at balance date.

Overall the lending portfolio continues to face challenges relating to low interest rates in the market, financial liquidity and aggressively competitive stances taken by the commercial banks.

Treasury

The major investment outflows spanned from equity investments to commercial lending. Investments in cash and short term instruments peaked. The banks interest rates saw a rise mainly due to tightening liquidity levels. As at 30 June 2018, liquidity in the banking system stood at $470 million against $736 million for June 2017. The decrease is attributed to a fall in foreign reserves coupled with a decrease in statutory reserve deposits and outflows of funds offshore. The Fund's cash holdings in June 2018 was $481.8 million compared with $550.4 million for the same period last year. The decrease is largely attributed to investment outflows.

The Fund's offshore investments in equity and fixed income portfolio were denominated in several major currencies. At the end of the financial year, total of FJD$464 million of investments were held offshore denominated in Australian, US Dollar and PNG Kina.

Projects

The Fund undertook several major projects during the last financial year to create value and improve operational efficiencies in the portfolio. These major works included:

Fiji Marriott Momi Bay Resort

Since completion last year, the Projects team shifted the focus to completing all remedial works during the defect liability period that ended in January 2018. All defects have been rectified and final completion achieved by the end of the financial year. The Fund has also undertaken additional works in the resort to protect the property and improve the Momi experience. Other normal annual capital works continue to enhance property returns and sustain the performance of this Marriott hotel.

Marriott Denarau Properties

Preparatory works for the upgrade and hotel refurbishment is being undertaken for the two new properties in Denarau. These included the appointment of the primary consultants and undertaking scoping for the upgrade of the refurbishment of these properties. The construction works are expected to commence in 2019.

Holiday Inn Suva

The third phase of upgrade which involved major works to the reception, lobby, bar and rear courtyard was carried out. This followed upgrades to the conference rooms and restaurant. The public area upgrade is aimed at improving the arrival experience with more space and improved ambience at the reception area. The bar upgrade would provide patrons a modern bar setting with its new look and feel. Additional external works involved the relocation of meeting and pizza bures to increase seating capacity as well as installation of vergola covering to provide shelter from the rain and sun.

Nadi Retail Development

The re-development of the new Nadi Retail complex offering 2 levels of retail and 1 level of office spaces continued during the year with an extension in completion program to the first quarter of 2019. The new complex will also feature a shopping mall and a food court.

Subsidiaries

HFC Bank and Vodafone Fiji Limited are both subsidiaries of FNPF

Amalgamated Telecom Holdings Limited (ATH)

ATH noted a group net profit after tax of $96.6 million for the financial year ended 31 March 2018; a growth of 13.3% in respect to 2017. Similarly, a dividend of $18.9 million was declared for the 2018 financial year.

During the financial year, the Group pursued the restructure of Telecom Fiji Limited and FINTEL with the Fiji Competition & Consumer Commission (FCCC). Similarly, ATH received formal regulatory approval in the respective jurisdictions for change of control in Telecom Cook Islands Ltd and Bluesky Samoa Ltd from Amper SA to ATH.

FNPF's equity investment in ATH was revalued to $530.9 million during the year In line with the change in accounting policy adopted for recording of subsidiaries. This is driven by the improved earnings of the Group and in line with growth in the share price on the South Pacific Stock Exchange to $2.85 per share as at 30th June 2018, an increase of 90.0%.

HFC Bank

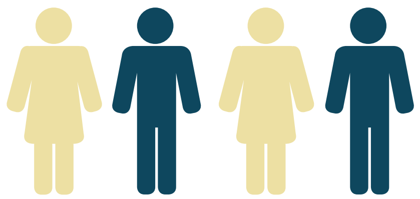
HFC Bank achieved a net profit after tax of $11.8 million in 2018 compared with $7.7 million last financial year; a growth of 53.0%. Similarly, a dividend of $8.2 million was declared during the year, compared with $4.7 million declared in the last financial year.

Moreover, within the financial year an additional investment in the bank was done through a dividend reinvestment, however, not changing the ownership stake of FNPF. Meanwhile, a revaluation of FNPF's investment in the bank was done in the current financial year, in line with the change in accounting policy adopted for recording of subsidiaries, noting a fair value of $77.3 million.

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

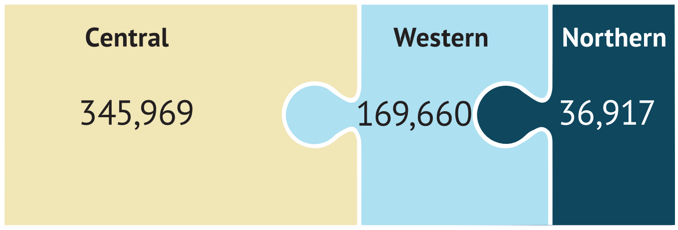
Customers

Total Customers Served



Customers Served in 2018 was **552,546** compared with 511,966 in 2017

Customers Served by Divisions



Customers Served by Contact Types

Face to Face	Email	Phone
478,818	22,579	51,149

Membership

The Fund's total membership at the end of the year was 429,936. Of these, 22,041 were newly-registered members, an increase of 2.9% from 2017. These new members included 1,240 registered under the voluntary membership scheme.

Total Contribution

Total contributions collected was $599.9 million averaging $49.9 million per month. This is an increase of 9.8% from last year's collection of $546.2 million. Of the total contributions collected, $5.4 million was from voluntary members.

Employers

Active employers totalled 7,968 compared with 7,500 in 2017. Active employers are those employers that paid their employees' contributions at least once during the financial year.

Contribution Debtors

The balance of unpaid contributions was $8.5 million at year end, compared with $6.2 million in 2017. The increase is attributed to compliance checks with enforcement for the payment of employees' rightful contributions. Previously, some employers had underpaid their employees' contributions.

Unidentified Contribution

A total of $5.4 million unidentified contributions was collected but not distributed to member's account because of insufficient information supplied by employers. This is a decrease of 51.8% when compared with last year's balance of $8.2 million. The Fund continues to emphasise the importance of employers' registering their employees within the first month of their employment and providing accurate details of their workers.

Unclaimed Deposits Account

In 2017, the Fund transferred a total of $1.4 million of unidentified contributions to the Unclaimed Deposits Account (UDA) after reasonable due diligence. A further $0.8 million was also transferred to UDA for members over 65 years whose accounts have been dormant for the last 10 years.

Legal Recovery of Contributions

A total of 52 employers cases were registered in the criminal jurisdiction with Magistrates Courts around Fiji during the year. The total debt for all prosecution cases in court was $1.34 million.

Cases prosecuted were initiated based on the following offences with penalties prescribed under the FNPF Act, 2011;

a) Failing to pay contributions for workers
b) Failing to produce documents on demand
c) Giving false or misleading statements to FNPF
d) Deduction of 8% from workers without remittance to FNPF

At the close of the year, 74 court cases that included some new cases were completed. This enabled the recovery of $1.7 million in outstanding contributions. In addition to its powers of enforcement, the Fund also actively pursues civil recovery against directors

Our staff take pride in their work

and business owners. A total of 17 cases have been initiated against company directors and business owners amounting to about $450,000 for unpaid contributions.

Member Account Transfers-
Family Court Orders

A total of 91 court orders issued by the Family Court valued at $0.2 million were processed for transfers between member accounts this year.

Discharge of Property Title

FNPF continues to discharge property titles for members who withdrew under housing assistance prior to November, 2014.

A total of 767 property titles were released this year. About 3,000 property titles were cleared and are ready for collection by members, while 1,803 are awaiting the endorsement of the Registrar of Titles before they are released.

Employers Portal

A total of 2,676 employers registered for the employer's portal compared with 3,600 employers in 2017. Employers can now submit their remittance statement online at the beginning of every month.

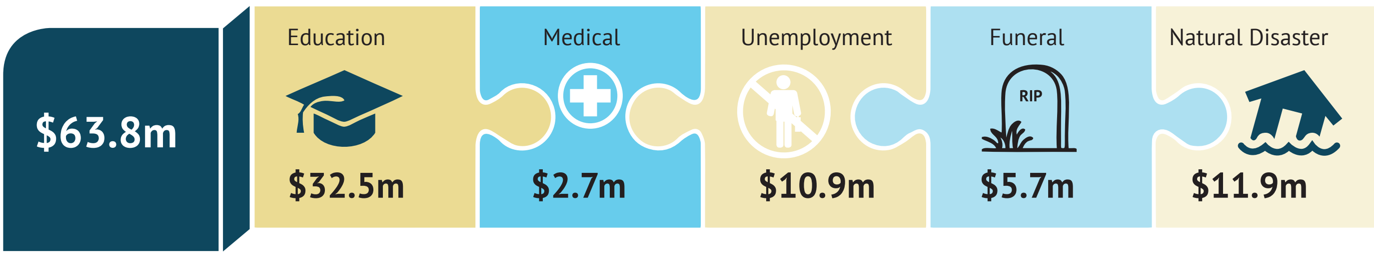
Customers Served

We served a total of 552,546 customers during the financial year compared with 511,966 in 2017. This was an increase of 7.9% .

The average number of customers served per month is 46,046 compared with 42,664 last year.

Of the total customers served, 87% personally visited FNPF offices while 9.3% and 4.1% accessed our services via phone and email respectively. Customers who visited our office during the year increased by 12.2% due to the Fund's revised withdrawal guidelines. Members who contacted us via information@fnpf.com.fj totalled 8,926 an increase by 65.4% from 2017.

Early Withdrawals



Of the total number of customers served 62.6% visited our offices in the Central Division including those who accessed the Fund's services via the telephone and email. Meanwhile, 30.7% visited our offices in the Western Division while 6.6% visited our offices in the Northern Division.

Services Type Analysis Summary

Education assistance recorded the highest number of service demand this year. This is attributed to changes in the education assistance policy. Education assistance demand rose to 29% this year. Other services demand includes balance, eligibility and detailed statements that accounted for 24%, new employee membership registration 3.8%, urban housing 4.8%, Joint ID card services 2.4%, unemployment assistance 5.1%, nomination 2% and retirement 3.9%. Pension services queries made up 5.3%. This includes those enquiring for pension renewal certificates, pension advisory and other pension services.

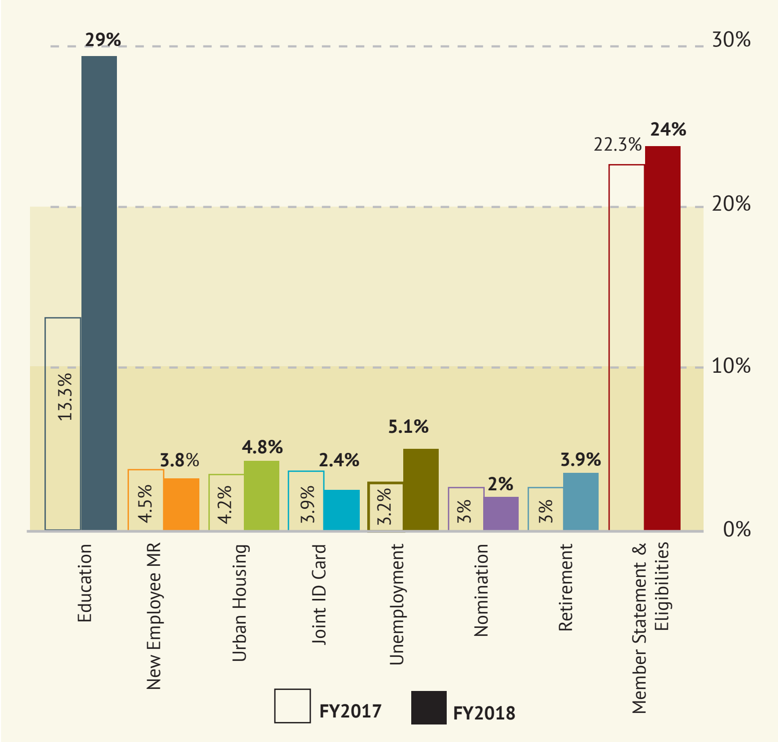
For full withdrawal grounds significant increases were recorded for retirement and pension advisory services, which increased by 28.4%, retirement withdrawal increased by 46.6% and small account balance increased by 41.5%. On the contrary death of a member withdrawal by nominee reduced by 19.7% and migration withdrawal services reduced by 34.9%.

Early withdrawals grounds recorded an increase for unemployment assistance by 42.5%. Increases were also recorded for urban housing by 18% and education assistance by 13.6%. There was a decline for village housing assistance, Special Death Benefit (SDB) funeral and funeral assistance by 63.7% and 39% respectively.

Pension Services

Our centres served a total of 29,532 customers for pension related services compared with 31,266 in 2017. Of the total customers served, 10% collected payments, 81.2% renewal certificates, 3.5% sought pension advice while 5.3% came in for pension orders.

Figure 4: Services demand by members by %



Pension Take Up Rates

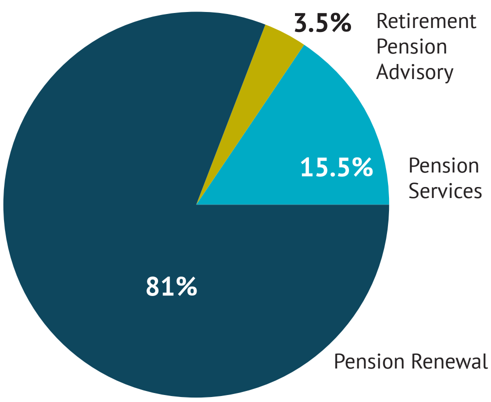
Pension take-up rate refers to the number of members purchasing any combination of FNPF's pension products over the total number of members that opt to withdraw their funds under approved grounds. The pension take up rate for 2018 was 5.1%.

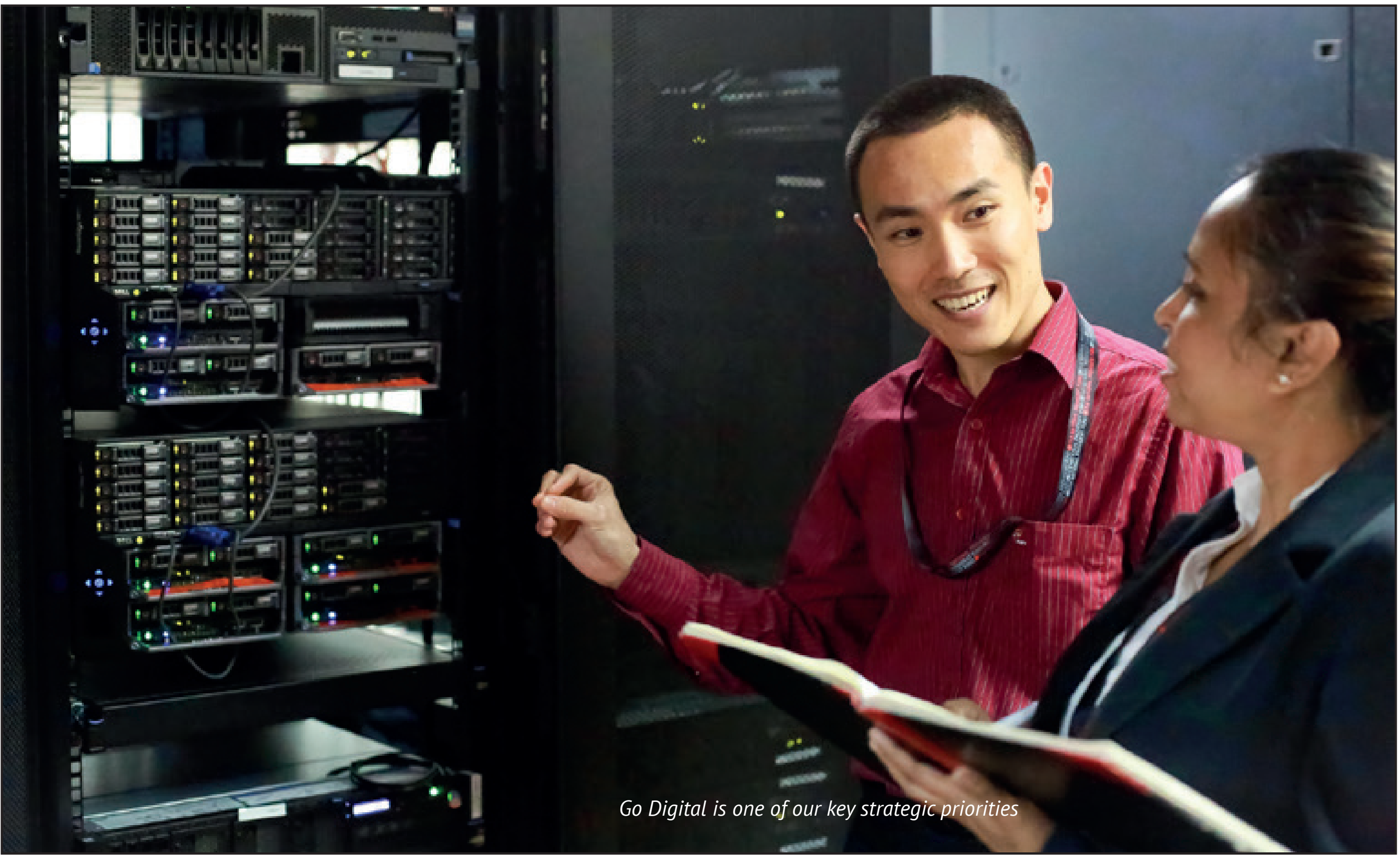
A total of 5,644 members and nominees were eligible for pension in 2018. Of this total, 92.5% had turned 55 and were eligible for retirement, 4.0% qualified as sole nominees and spouses of deceased members while 3.5% were eligible for pension under medical incapacitation. Comparison figures are provided in Figure 3 and Table 4.

Table 4: Pension take up by numbers FY2018

Month	FY2016	FY2017	FY2018
Jul	38	38	43
Aug	26	22	33
Sep	25	42	29
Oct	21	30	32
Nov	19	35	19
Dec	25	26	19
Jan	15	21	18
Feb	17	29	16
Mar	12	32	26
Apr	25	15	16
May	15	18	23
Jun	16	10	11
FYT	**254**	**318**	**285**
Value	**$10.7m**	**$11.7m**	**$10.4m**

Figure 3: Pension Services FY2018



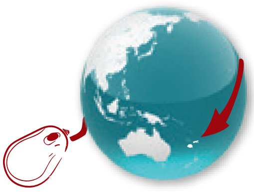


Go Digital is one of our key strategic priorities

E-Channels

The take-up rate for the e-channels, namely Member Portal, MyFNPF mobile App, and MyFund SMS services continues to be encouraging with more members expected to register for these services next year. The uptake for each are as follows:

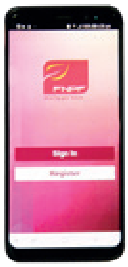
Active Portal Users



8,602 Employers

Members 11,762

MyFNPF Mobile App users



10,231

Website users

521,625 page views

Recorded 95,065 users

Member Forums attendees

Increased by 27%

Media Relations

Building a strong relationship with the media is an important communication approach for the Fund. This year the Fund released 31 media statements and answered 134 media queries ranging from natural disaster assistance to investment acquisitions. Journalists also published articles released through the FNPF quarterly member newsletters.

People

Our people are an integral part of our organisation

The Fund continues to place a lot of emphasis on the transformation of our culture to one that espouses the values and spirit of Stewardship.

Given that people are at the core of any change, managing their expectations and perceptions is a leadership priority. The dynamics surrounding our people have changed. Therefore, the adoption of the Stewardship culture, will ensure the evolution of the Fund going into 2020 and beyond. It is envisaged that our people will be empowered with the right skills sets and attributes to achieve our vision.

Our People

At the end of the financial year, the Fund had a total of 443 staff compared with 409 last year. Of these, 383 personnel held permanent positions, including 30 managers, whilst 59 were employed as temporary staff.

Women represent 49.9% of our total workforce, with 46.3% in leadership positions, including team leaders. This augurs well with national efforts to provide women with equal representation in leadership and decision making roles.

Figure 5 : Age range for staff by Gender
(average age has dropped to 34 years compared with 2017)

Age	% of staff	% ♀	% ♂
21-30	28.2%	16.9%	11.3%
31-40	47.6%	22.3%	25.3%
41-50	20.3%	9.0%	11.3%
51-60	3.9%	1.6%	2.3%

Performance Management

Strategic priorities and initiatives are clearly defined, formulated, and cascaded to the leadership team, and to department's and staff's key performance indicators (KPIs). Ongoing communication, monitoring and reviews enables employees to track their performance against strategic objectives.

The Fund also launched the STARS recognition programme in April, specifically designed to help recognize and value the efforts of staff, who portray and live our values through their work during our cultural transformation journey. The programme has recognized 15 staff and reinforces a culture of engagement and high performance.

Recruitment and Retention

A key feature in the revised HR Policy is the inclusion of head hunting and hiring internally. This places a lot of emphasis on the development and retention of our personnel by mapping clear career pathways for them.

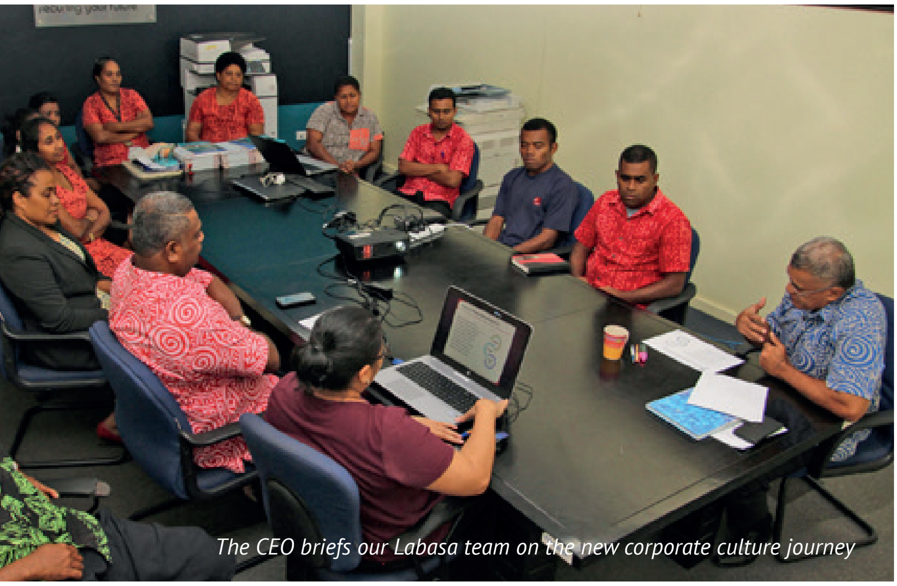
Interestingly, this has resulted in a drop in the Fund's labour turnover rate from 16% to 7.3%, which reflects the Fund's engagement efforts over the year.

About 90% of the 31 staff that exited the Fund, last year migrated or left for other employment opportunities. In spite of these losses, the average years of service in the Fund has increased, which means that the various retention and engagement activities are working.

Employment Relations

The Fund conducted a number of awareness sessions in an effort to acquaint staff with the revised HR Policy, to ensure they are well versed with issues that may impact them.

As a result, there has been a reduction of 28.6% in the number of employment relations cases during the 12 months.



The CEO briefs our Labasa team on the new corporate culture journey

Figure 6: Years of Service by Gender
(average has increased to 7.5 years from 2017)

Years of Service	% of staff	% (female)	% (male)
30+	0.7%	0.2%	0.9%
25-29	1.1%	0.9%	1.1%
20-24	4.5%	2.9%	2.3%
15-19	14.8%	2.7%	2.9%
10-14	24.4%	9.9%	8.1%
6-9	14.8%	11.3%	12.6%
1-5	47.4%	21.9%	22.1%

Learning and Development

The Fund heavily invests in human capital, evident with the implementation of various training programmes over the last 12 months.

This was coordinated and formulated through the development and review of training plans to attract the best people so we can continue to develop them. Our capacity building and upskilling programs are aimed at ensuring that our employees add value to their the Fund.

A total of 23 staff attended overseas training programmes in order to harness international best practises and benchmarks to complement our four strategic priorities.

To date, the Fund has trained 70% of our workforce as we continue with capacity development to ensure that we have a competent workforce.

Figure 7 : Total training spend by Count

Training Type	Investment	(staff)
In-house	$43,000	54
Local External	$110,000	31
Overseas	$364,000	23

Zumba is part of our engagement activity to combat NCDs

The Fund has also engaged Dale Carnegie Training to spearhead our leadership development capabilities to empower our leaders to mentor staff during this cultural transformation journey.

OHS and Wellbeing

OHS continues to be a top priority for the Fund for it ensures a safe and healthy environment for staff, members, contractors, tenants and the public at large.

A number of training sessions were carried out in collaboration with Health & Safety personnel attended by staff and tenants to standardize safety requirements to mitigate risks and incidents. Furthermore, we developed an OHS management system as part of a structured approach to monitoring and reporting all OHS issues.

A key highlight was the engagement of the Ministry of Health and JICA to jointly carry out health checks as part of intervention efforts to mitigate the onset of Non Communicable Diseases. This is also in line with government's agenda of creating awareness in order to combat NCDs.

Staff Engagement

Staff engagement is now an important activity under our transformation journey. The Fund's engagement programmes are specifically tailored to get our people's buy-in and commitment to our goals.

Key to these programmes was the establishment of a social committee to work in collaboration with management to spearhead our engagement activities.

Corporate Social Responsibility

FNPF takes its Corporate Social Responsibility seriously and several activities are included in the Fund's annual calendar. This year, FNPF staff donated blood through the Ministry of Health's initiatives. FNPF staff also responded to urgent requests for blood donation.

A group visited the Father Law Home in Wailekutu, Lami to clean and spend time with the residents. They took groceries and provided lunch, which they shared with the residents.

When the adverse weather and two cyclones (TC Josie and TC Keni) caused widespread flooding in the Western and Northern divisions, FNPF's Social Committee organized a cyclone appeal for those affected. Staff donated 40 cartons of clothes and linen to the Fiji Red Cross Society.

In May, as the cold and dry weather set in, another team distributed blankets and food packs to the homeless around Suva city.

Staff are continually trained and upskilled to serve our customers

Corporate Diary

JULY

1st – FNPF deducts $35 premium for Special Death Benefit from members' accounts
1st - 8th - FNPF Team provides various services at the Fiji Showcase held at the Vodafone Arena
10th - Free Wifi activated @ MyFNPF Centre

21th - The newly established Member Education and Advocacy team conducts its first awareness session at the President's Office.

AUGUST

1st - FNPF 51st Anniversary
22nd - Health and wellness programme initiated by JICA, starting with screening of selected staff between August 22-25
23rd – FNPF distributes e-statements to 14,375 members for the first time.

* Appointment of Viliame Vodonaivalu as Chief Investment Officer

SEPTEMBER

22nd – FNPF and Fiji Sugar Cane Growers Council sign an MOU allowing FNPF to register interested cane growers as voluntary members under the voluntary membership scheme.
26th – FNPF launches new Bill Pay system making it easier and convenient for stakeholders to pay contributions online.

OCTOBER

6th – FNPF declared winner of Best Content for Unlisted Organisation' category for the 2016 FNPF Annual Report at the 2017 SPSE Annual Report Competition.
10th – FNPF joins US Fiji Day Celebrations. For the first time the Fund travelled abroad to promote our services to members who were residing/employed overseas.

11th – FNPF supports climate change initiative by displaying a masi scroll at My FNPF Centre inviting members of the public to scribe messages that was then taken to Bonn, Germany

25th - New Pension cards issued - this was in response to concerns raised by pensioners at member forums, requesting that Pension ID cards be maintained.
26th – Supporting local artists (Fiji Arts Council) Fine Art Exhibition at Downtown Boulevard

1st Quarter, member newsletter published

NOVEMBER

2nd – FNPF launches employer helpline to assist users of the employer E-services portal

4th – FNPF Sports Day - This was held in Suva, Lautoka & Labasa.

11th – Annual Member Forum Labasa
16th – Annual Member Forum Suva
18th – Annual Member Forum Rakiraki
23rd – Annual Member Forum Nadi
24th – Annual Member Forum Lautoka

30th - New pocket-size Pension Renewal Date booklets introduced by FNPF to help pensioners keep track of their renewal dates.

DECEMBER

6th - Launch of Digital Payment for Voluntary members through M-Paisa (pilot)

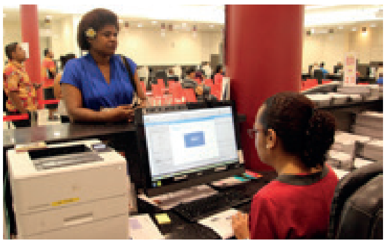
2nd Quarter, member newsletter published

JANUARY

3rd - New corporate uniforms are worn by staff
22 – Sale and Purchase Agreement for BSP Group Shares signed.
26th - Sale and Purchase Agreement for the Acquisition of Sheraton and Westin and Golf Course signed.

FEBRUARY

1st - Implementation of revised withdrawal guidelines for unemployment, funeral, medical, housing and education
16th - IMF Financial Sector Stability meeting
18th - FNPF acquired $11.39m shares in BSP Group



MARCH

1st - Launch of new SMS alert for withdrawal payments to FNPF members
1st - FNPF numbers now included on Joint ID Card. Issued first in 2013, the card only had the Tax Identification Numbers (TIN). The FNPF numbers are now included at the back of the card; which are being printed and distributed from all FNPF branches and agencies around the country.
5th – Annual Report 2017 (Parliamentary Paper No. 114 of 2017) tabled in Parliament.

7th - Jaoji Koroi appointed Chief Executive Officer

9th – MOU between FNPF and the Ministry of Employment, Productivity and Industrial Relations signed on information sharing

15th - FNPF signs up for ANZ Transactive
15th - ANZ and FNPF announce 3 year extension of their partnership to drive a savings culture in Fiji through the delivery of Money Minded.

16th - Engage Portal –a new Employee Portal
24th - New FNPF Valelevu Branch 1st Anniversary
28th - FNPF submission to the Parliamentary Standing Committee on Social Affairs.

28th - Media Awareness with FNPF Executives workshop

APRIL

3rd - Cyclone Josie assistance – FNPF allows up to $1000 withdrawal for West, North and Kadavu

15th - One year anniversary of the Fiji Marriott Resort Momi Bay
17th MOU's signed with Momi and Sanasana landowning units

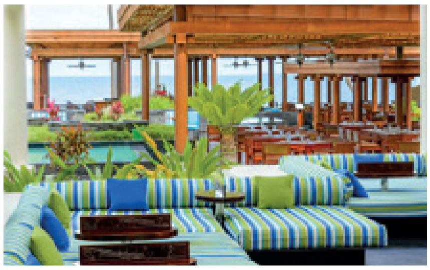
23rd – 27th Retirement Expo in Suva organised by the FNPF, RBF and PFIP

3rd Quarter, member newsletter published

MAY

6th - Acceptance of Momi Camp Site New Lease
22nd - FNPF Acceptance to Acquire FSC Land in Lautoka

17th - FNPF CSR activity blanket drive and dinner for the homeless in Suva.



23rd - FNPF purchases Marriott Denarau Tourism Assets (Sheraton Resort, Westin Resort, Denarau Golf Course and Development Land)

JUNE

13th - Launch of the new Complaints Management System, MyFNPF Hub.
15th – FNPF Internal Audit team awarded the Team Impact Award at the Institute of Internal Auditors Fiji Awards 2017
24th - FNPF Family Fun Day

30th – FNPF credits 6.35% interest to FNPF Members' accounts

Interest Credited

$297m for 2018
compared with $270m in 2017

4th Quarter, member newsletter published

Financial Statement

Contents

Fiji National Provident Fund and its subsidiaries
Board of Members' Report
For the year ended 30 June 2018

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 2018 and report as follows:

Board Members

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

Mr. Ajith Kodagoda (Chairman)
Mr. Tevita Kuruvakadua
Ms. Makereta Konrote
Ms. Bhavna Narayan (Resigned 18 September 2017)
Mr. Sanjay Kaba

Operation of the Fund

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

Principal Activities

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

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

Operating Results

The profit after tax of the Group attributable to members for the year ended 30 June 2018 was $472,212,000 (2017 Restated: $353,646,000) and for the Fund was $538,662,000 (2017: $422,402,000).

Reserves

The Board approved the allocation of profit to member's accounts from the Fund's income statement as annual interest at a rate of 6.35% (2017:6.35%).

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

(i) During the year, the directors and shareholders of HFC Bank approved that dividends payable be converted to shares.

(ii) Amalgamated Telecom Holdings Limited (ATH) commenced the integration of its subsidiary Fiji International Telecommunications Limited (FINTEL) with fellow subsidiary Telecom Fiji Limited (TFL) as part of ATH Group restructuring. It is envisaged, the proposed integration will involve TFL acquiring FINTEL's business on a going concern basis together with FINTEL's assets, liabilities, rights and obligations. This transaction is subject to regulatory approvals and the completion of required regulatory and other required formalities.

(iii) On 26 June 2017, Amalgamated Telecom Holdings Limited received the formal approval from the Office of the Regulator in accordance with section 31 of the Samoan Telecommunication Act for the transfer of shares authorizing the change of control for various telecommunications licenses and permits granted to Bluesky Samoa Limited. Furthermore, on 1 November 2017, approval from the Business Trade Investment Board (BTIB) for registration as a foreign enterprise and to carry on business in the Cook Islands was also received.

However, share transfers of Bluesky Samoa Limited and Telecom Cook Islands Limited and appointment of ATH Nominee directors to replace AST Nominee directors for the above two entities (effective change of control) was not transferred, given the US approvals for Bluesky transactions by the Federal Communication Commission of USA (FCC), Committee of Foreign Investments in United States (CFIUS) and security review of the transaction by Team Telecom remained pending as of the date of this report and the parties agreed in principle to complete the transaction at the eLandia group level instead of on a piecemeal basis.

(iv) On 24 May 2018, FNPF acquired 100% share holding in Farleigh Limited (the holding company) from Fiji Caymans Holdings for a consideration of $157,808,000.

Fiji National Provident Fund and its subsidiaries
Board of Members' Report Report (continued)
For the year ended 30 June 2018

Events Subsequent to the Balance Date

On 22nd May, 2018, FNPF Board approved the acquisition of the remaining 75% shares of GPH from National Superannuation Fund and CGA Property Limited from Papua New Guinea (PNG). The Sale and Purchase Agreement was signed on July 2018, with completion of the acquisition to be done by 31 December 2018.

In 2017, ATH paid Amper SA of Spain and Elandia International Inc. of USA a refundable deposits of USD 30,000,000 (FJD 61,218,243) while the final payment and settlement is awaiting certain consents from the Federal Communication Commission of USA and approvals and waivers from the Committee of Foreign Investments in the United States (CFIUS). As at the date of signing, 31 August 2018, ATH did not have control of Bluesky Group and therefore the payments have been recognised as 'Refundable Deposits' in the financial statements. Upon completion of the transaction, the deposit amount is expected to be transferred to investment in subsidiaries.

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

Basis of preparation

The financial statements of the Fund and of the Group have been drawn up in accordance with International Financial Reporting Standards and the requirements of Fiji National Provident Fund Act 2011.

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 an entity in which he has a substantial financial interest.

Dated at Suva this 31 day of August 2018.

Signed in accordance with a resolution of the Board:

Chairperson

Director

Fiji National Provident Fund and its subsidiaries
Statement by Board of Members
For the year ended 30 June 2018

In the opinion of the Board members:

(a) The accompanying income statements are drawn up so as to give a true and fair view of the results of the Fund and the Group for the year ended 30 June 2018;

(b) The accompanying statements of financial position are drawn up so as to give a true and fair view of the state of the affairs of the Fund and the Group at 30 June 2018;

(c) The accompanying statements of changes in member benefits are drawn up so as to give a true and fair view of movement in member benefits of the Fund and the Group for the year ended 30 June 2018;

(d) The accompanying statements of changes in reserves are drawn up so as to give a true and fair view of movement in reserves of the Fund and the Group at 30 June 2018;

(e) The accompanying statements of cash flows are drawn up so as to give a true and fair view of the cash flows of the Fund and the Group for the year ended 30 June 2018;

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

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

Dated at Suva this 31 day of August 2018.

Signed in accordance with a resolution of the Board:

Chairperson

Director

KPMG

Independent Auditors' Report

To the Members of Fiji National Provident Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Fiji National Provident Fund (the "Fund") and the consolidated financial statements of the Fund and its subsidiaries (the "Group"), which comprise the statements of financial position of the Fund and the Group, and statement of financial position by Fund as at 30 June 2018, and the income statements, the income statement by Fund, the statements of changes in member benefits, the statements of changes in reserves and the statements of cash flows for the year then ended, and Notes 1 to 40 comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund and the Group as at 30 June 2018, and of their financial performance, changes in member benefits, changes in reserves and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, the Fiji National Provident Fund Act 2011 (Act 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our

KPMG

Independent Auditors' Report

To the Members of Fiji National Provident Fund

Report on the Audit of the Financial Statements - (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

In our opinion:

i) The financial statements are prepared in accordance with the Fiji National Provident Fund Act 2011(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.

KPMG

KPMG
31 August, 2018
Suva, Fiji

Steve Nutley, Partner

Fiji National Provident Fund and its subsidiaries
Income statements
For the year ended 30 June 2018

	Notes	Consolidated 2018	Consolidated 2017	The Fund 2018	The Fund 2017
		$000	$000	$000	$000 (Restated)[1]
Superannuation activities					
Revenue					
Interest income	6	251,945	231,886	268,733	246,344
Dividends from other equities		22,251	13,180	22,351	19,452
Dividends from subsidiaries	16(a)	-	-	44,533	42,997
Property rental income		23,595	20,579	18,426	16,449
Change in fair value of investment properties	17	82,249	-	82,871	-
Net change in fair values of investments	7(a)	51,047	16,253	117,837	134,600
Net foreign exchange gain	7(b)	8,491	2,653	5,693	-
Sales revenue		579,051	471,211	-	-
Net interest income		26,595	24,639	-	-
Gain on disposal of subsidiary		-	-	-	20
Other income		36,895	24,698	3,834	1,917
Total revenue		**1,082,119**	**805,099**	**564,278**	**461,779**
Expenses					
Airtime and PSTN charges		65,239	60,025	-	-
Investment expenses		16,604	5,300	16,605	5,300
Property expenses		4,539	5,950	4,539	5,950
Interest expenses		8,249	2,387	-	-
Equipment and ancillary charges		73,396	59,862	-	-
General administration expenses	9	350,382	246,932	26,425	24,205
Depreciation and amortization		75,316	59,465	3,102	3,091
Net foreign exchange losses	7(b)	-	-	-	831
Reversal of impairment of loans to subsidiaries		-	-	(25,055)	-
Total expenses		**593,725**	**439,921**	**25,616**	**39,377**
Share of profit of associates, net of tax	16(b)	11,375	14,480	-	-
Profit before tax		**499,769**	**379,658**	**538,662**	**422,402**
Income tax expense	10(a)	(27,557)	(26,012)	-	-
Profit after tax		**472,212**	**353,646**	**538,662**	**422,402**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign operations – foreign currency translation differences	29(d)	437	552	-	-
Other comprehensive income, net of tax		**437**	**552**	**-**	**-**
Total comprehensive income		**472,649**	**354,198**	**538,662**	**422,402**
Net profit available for allocation	`	472,649	354,198	538,662	422,402
Non-controlling interest		(20,719)	(16,894)	-	-
		451,930	337,304	538,662	422,402
Net benefits allocated to member's account	31(a)(ii)	(296,983)	(270,049)	(296,983)	(270,049)
Net profit taken to reserves		**154,947**	**67,255**	**241,679**	**152,353**

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

[1] Refer note 16

Fiji National Provident Fund and its subsidiaries
Statements of financial position
For the year ended 30 June 2018

	Notes	Consolidated 2018 $000	Consolidated 2017 $000	The Fund 2018 $000	The Fund 2017 $000 (Restated)[1]	The Fund 2016 $000 (Restated)[1]
Assets						
Cash and cash equivalents						
Cash and cash equivalents	19	786,580	824,863	481,825	550,396	337,005
Receivables						
Investment income receivable	25	77,959	64,313	109,009	84,052	92,207
Trade receivables	20	58,264	56,220	-	-	-
Other receivables	24	141,447	123,034	29,954	28,805	22,184
Investments						
Term deposits	11	466,505	633,678	577,400	678,603	634,506
Government securities	12	2,650,278	2,325,875	2,582,641	2,275,534	2,114,966
Other fixed interest securities	13	248,009	275,729	248,009	275,729	273,681
Equities	15	434,979	287,483	431,645	284,205	198,017
Loans and advances	14	948,240	811,756	686,253	508,449	489,521
Investment in subsidiaries	16(a)	-	-	1,059,355	829,680	682,747
Investment in associates and joint venture	16(b)	106,999	95,801	75,857	75,857	75,857
Investment properties	17	306,392	205,002	326,487	231,199	238,343
Property held for development	18	9,745	7,144	-	-	-
Other assets						
Inventories	21	37,609	31,892	-	-	-
Property, plant and equipment	23	879,801	714,699	14,559	10,862	12,120
Intangible assets	22	263,362	162,277	9,171	10,352	10,623
Deferred tax assets	10(d)	13,756	6,428	-	-	-
Total assets		**7,429,925**	**6,626,194**	**6,632,165**	**5,843,723**	**5,181,777**
Liabilities						
Creditors and borrowings	26	946,767	920,270	13,994	16,497	10,984
Other liabilities	27	99,342	71,622	3,522	3,149	2,717
Employee entitlements	28	12,935	16,521	1,914	2,261	1,014
Current tax liability	10(b)	4,115	3,961	-	-	-
Deferred tax liabilities	10(c)	54,260	20,478	-	-	-
Total liabilities		**1,117,419**	**1,032,852**	**19,430**	**21,907**	**14,715**
Net assets available for member benefits		**6,312,506**	**5,593,342**	**6,612,735**	**5,821,816**	**5,167,062**
Less: non-controlling interest		104,346	89,123	-	-	-
Net assets available to pay benefits		**6,208,160**	**5,504,219**	**6,612,735**	**5,821,816**	**5,167,062**
Member benefits						
Allocated to members		5,445,448	4,863,653	5,445,448	4,863,653	4,349,692
Unallocated to members		14,631	11,735	14,631	11,735	12,853
Total member benefits		**5,460,079**	**4,875,388**	**5,460,079**	**4,875,388**	**4,362,545**
Total net assets		**748,081**	**628,831**	**1,152,656**	**946,428**	**804,517**

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

[1] Refer note 16

Fiji National Provident Fund and its subsidiaries
Statements of financial position (continued)
As at 30 June 2018

		Consolidated		The Fund		
	Notes	2018	2017	2018	2017	2016
		$000	$000	$000	$000	$000
					(Restated)[1]	(Restated)[1]
Equity						
Investment reserve		339,802	275,977	516,578	385,963	310,879
Solvency reserve		636,078	560,465	636,078	560,465	493,638
Accumulated losses	29(a)	(60,603)	(40,097)	-	-	-
Other equity reserve	29	(171,996)	(171,996)	-	-	-
Credit loss reserve	29(c)	5,470	5,470	-	-	-
Foreign currency translation reserve	29(d)	(670)	(988)	-	-	-
Total equity		**748,081**	**628,831**	**1,152,656**	**946,428**	**804,517**

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

For and on behalf of the Board

Chairperson

Director

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

[1] Refer note 16

Fiji National Provident Fund and its subsidiaries
Statements of changes in member benefits
For the year ended 30 June 2018

	Notes	2018 $000	2017 $000
Consolidated and the Fund			
Opening balance of members' benefit		4,875,388	4,362,545
Contributions:			
Employers		328,081	298,092
Members		271,774	248,145
Total contribution	29(e)	**599,855**	**546,237**
Benefit payment to members	31(a)(ii)	(323,816)	(289,571)
Pension payment to pensioners	29(b)	(23,782)	(24,314)
Benefits allocated to members' account, comprising:			
Net investment income	31(a)(ii)	296,983	270,049
Current year investment returns			
- SDB	32	2,221	1,860
- RIF	32	24,826	24,121
Transfer to solvency reserve			
- SDB	31(b)	(5,324)	(4,459)
- RIF	31(b)	(11,749)	(11,080)
Transfer from general reserve	31(a)	25,477	-
Closing balance of members' benefits		**5,460,079**	**4,875,388**

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

Fiji National Provident Fund and its subsidiaries
Statements of changes in reserves
For the year ended 30 June 2018

Consolidated	Notes	Investment Reserve $000	Solvency Reserve $000	Accumulated Losses $000	Other equity reserve $000	Credit loss reserve $000	Foreign currency translation reserve $000	Total $000
Balance at 1 July 2016		**263,800**	**493,638**	**(16,638)**	**(171,996)**	**5,150**	**(1,392)**	**572,562**
Net transfers to/from member benefits/reserves								
- FNPF		(51,288)	51,288	-	-	-	-	-
- SDB		-	4,459	-	-	-	-	4,459
- RIF		-	11,080	-	-	-	-	11,080
Profit		63,465	-	(23,459)	-	320	-	40,326
Other comprehensive income		-	-	-	-	-	404	404
Balance at 30 June 2017		**275,977**	**560,465**	**(40,097)**	**(171,996)**	**5,470**	**(988)**	**628,831**
Net transfers to/from member benefits/reserves								
- FNPF		(58,540)	58,540	-	-	-	-	-
- SDB		-	5,324	-	-	-	-	5,324
- RIF		-	11,749	-	-	-	-	11,749
Transfer to liability due to members - UDA Supplimentary Fund		(25,477)	-	-	-	-	-	(25,477)
Profit		147,842	-	(20,506)	-	-	-	127,336
Other comprehensive income		-	-	-	-	-	318	318
Balance at 30 June 2018		**339,802**	**636,078**	**(60,603)**	**(171,996)**	**5,470**	**(670)**	**748,081**

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

Fiji National Provident Fund and its subsidiaries
Statements of changes in reserves (continued)
For the year ended 30 June 2018

The Fund

	Investment Reserve[1] $000	Solvency reserve $000	Total (Restated)[1] $000
Balance at 1 July 2016 as previously reported	**263,800**	**493,638**	**757,438**
Adjustment (refer note 16)	47,079	-	47,079
Restated balance at 30 June 2016	**310,879**	**493,638**	**804,517**
Net transfers to/from member benefits/reserves			
- FNPF	(51,288)	51,288	-
- SDB	-	4,459	4,459
- RIF	-	11,080	11,080
Profit	126,372	-	126,372
Restated balance at 30 June 2017	**385,963**	**560,465**	**946,428**
Net transfers to/from member benefits/reserves			
- FNPF	(58,540)	58,540	-
- SDB	-	5,324	5,324
- RIF	-	11,749	11,749
Transfer to liability due to members	(25,477)	-	(25,477)
Profit	214,632	-	214,632
Balance at 30 June 2018	**516,578**	**636,078**	**1,152,656**

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

[1] Refer note 16

Fiji National Provident Fund
Income statement by Fund
For the year ended 30 June 2018

	Notes	FNPF 2018 $000	FNPF 2017 $000 (Restated)[1]	Retirement Income Fund ("RIF") 2018 $000	Retirement Income Fund ("RIF") 2017 $000	Special Death Benefit Fund ("SDBF") 2018 $000	Special Death Benefit Fund ("SDBF") 2017 $000	Total 2018 $000	Total 2017 $000 (Restated)[1]
Revenue									
Interest income	6	241,313	220,093	25,199	24,391	2,221	1,860	268,733	246,344
Dividends		22,351	19,452	-	-	-	-	22,351	19,452
Dividends from subsidiaries	16(a)	44,533	42,997	-	-	-	-	44,533	42,997
Property rental income		18,426	16,449	-	-	-	-	18,426	16,449
Change in fair value of investment properties	17	82,871	-	-	-	-	-	82,871	-
Net change in fair value of investments	7(a)	117,837	134,600	-	-	-	-	117,837	134,600
Net Foreign Exchange gain	7(b)	5,693	-	-	-	-	-	5,693	-
Other income		3,834	1,937	-	-	-	-	3,834	1,937
Total revenue		**536,858**	**435,528**	**25,199**	**24,391**	**2,221**	**1,860**	**564,278**	**461,779**
Expenses									
Investment expenses		16,605	5,300	-	-	-	-	16,605	5,300
Property expenses		4,539	5,950	-	-	-	-	4,539	5,950
General administration expenses	9	26,063	23,951	362	254	-	-	26,425	24,205
Depreciation and amortisation		3,091	3,075	11	16	-	-	3,102	3,091
Net foreign exchange losses/(gain)	7(b)	-	831	-	-	-	-	-	831
Reversal of impairment- Mortgage loans		(25,055)	-	-	-	-	-	(25,055)	-
Impairment of Investment – FNPF nominees		-	-	-	-	-	-	-	-
Total expenses		**25,243**	**39,107**	**373**	**270**	**-**	**-**	**25,616**	**39,377**
Net profit available for allocation		**511,615**	**396,421**	**24,826**	**24,121**	**2,221**	**1,860**	**538,662**	**422,402**
Less: net benefits allocated to member accounts		296,983	270,049	-	-	-	-	296,983	270,049
Profit before income tax		**214,632**	**126,372**	**24,826**	**24,121**	**2,221**	**1,860**	**241,679**	**152,353**
Income tax expense	10(a)	-	-	-	-	-	-	-	-
Net profit taken to reserves	**29(b)**	**214,632**	**126,372**	**24,826**	**24,121**	**2,221**	**1,860**	**241,679**	**152,353**

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

[1] Refer note 16

Fiji National Provident Fund
Statement of financial position by Fund
For the year ended 30 June 2018

	FNPF			Retirement Income Fund ("RIF")			Special Death Benefit Fund ("SDBF")			Total		
	2018 $000	2017 $000 (Restated)[1]	2016 $000 (Restated)[1]	2018 $000	2017 $000	2016 $000	2018 $000	2017 $000	2016 $000	2018 $000	2017 $000 (Restated)[1]	2016 $000 (Restated)[1]
Assets												
Cash and cash equivalent												
Cash and cash equivalent	471,529	537,920	322,874	6,743	8,217	9,988	3,553	4,259	4,143	481,825	550,396	337,005
Receivables												
Investment income receivable	102,427	77,545	86,765	5,987	5,847	5,125	595	660	317	109,009	84,052	92,207
Other receivables	29,234	28,185	19,958		-	-	720	620	2,226	29,954	28,805	22,184
Investments												
Term deposits	577,400	674,603	633,506	-	-	1,000		4,000	-	577,400	678,603	634,506
Government securities	2,243,484	1,958,545	1,820,511	297,752	284,989	272,455	41,405	32,000	22,000	2,582,641	2,275,534	2,114,966
Other fixed interest securities	248,009	275,729	273,681	-	-	-	-	-	-	248,009	275,729	273,681
Equities	431,645	284,205	198,017	-	-	-	-	-	-	431,645	284,205	198,017
Loans and advances	686,253	508,449	489,521	-	-	-	-	-	-	686,253	508,449	489,521
Investment in subsidiaries	1,059,355	829,680	682,747	-	-	-	-	-	-	1,059,355	829,680	682,747
Investment in associates and joint venture	75,857	75,857	75,857	-	-	-	-	-	-	75,857	75,857	75,857
Investment properties	326,487	231,199	238,343	-	-	-	-	-	-	326,487	231,199	238,343
Other assets												
Property, plant and equipment	14,508	10,800	12,079	51	62	41	-	-	-	14,559	10,862	12,120
Intangible assets	9,171	10,352	10,623	-	-	-	-	-	-	9,171	10,352	10,623
Total assets	**6,275,359**	**5,503,069**	**4,864,482**	**310,533**	**299,115**	**288,609**	**46,273**	**41,539**	**28,686**	**6,632,165**	**5,843,723**	**5,181,777**
Liabilities												
Creditors and borrowings	5,161	7,483	9,814	71	95	1,170	8,762	8,919	-	13,994	16,497	10,984
Other liabilities	3,522	3,124	2,706	-	25	11	-	-	-	3,522	3,149	2,717
Employee entitlements	1,914	2,261	1,014	-	-	-	-	-	-	1,914	2,261	1,014
Total liabilities	**10,597**	**12,868**	**13,534**	**71**	**120**	**1,181**	**8,762**	**8,919**	**-**	**19,430**	**21,907**	**14,715**
Net assets available for member benefits	**6,264,762**	**5,490,201**	**4,850,948**	**310,462**	**298,995**	**287,428**	**37,511**	**32,620**	**28,686**	**6,612,735**	**5,821,816**	**5,167,062**

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

[1] Refer note 16

Fiji National Provident Fund
Statement of financial position by Fund (continued)
For the year ended 30 June 2018

	FNPF			Retirement Income Fund ("RIF")			Special Death Benefit Fund ("SDBF")			Total		
	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
		(Restated)[1]	(Restated)[1]								(Restated)[1]	(Restated)[1]
Member benefits												
Allocated to members	5,214,545	4,632,468	4,118,994	230,903	231,185	230,698	-	-	-	5,445,448	4,863,653	4,349,692
Unallocated to members	11,077	7,748	8,341	-	-	-	3,554	3,987	4,512	14,631	11,735	12,853
Total member benefits	**5,225,622**	**4,640,216**	**4,127,335**	**230,903**	**231,185**	**230,698**	**3,554**	**3,987**	**4,512**	**5,460,079**	**4,875,388**	**4,362,545**
Total net assets	**1,039,140**	**849,985**	**723,613**	**79,559**	**67,810**	**56,730**	**33,957**	**28,633**	**24,174**	**1,152,656**	**946,428**	**804,517**
Equity												
Investment reserve	516,578	385,963	310,879	-	-	-	-	-	-	516,578	385,963	310,879
Solvency reserve	522,562	464,022	412,734	79,559	67,810	56,730	33,957	28,633	24,174	636,078	560,465	493,638
Total equity	**1,039,140**	**849,985**	**723,613**	**79,559**	**67,810**	**56,730**	**33,957**	**28,633**	**24,174**	**1,152,656**	**946,428**	**804,517**

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

[1] Refer note 16

Fiji National Provident Fund and its subsidiaries
Statements of cash flows
For the year ended 30 June 2018

	Notes	Consolidated 2018 $000	Consolidated 2017 $000	The Fund 2018 $000	The Fund 2017 $000
Cash flows from operating activities					
Cash receipts from customers		717,221	568,118	-	-
Interest received		293,215	279,719	258,904	243,622
Dividends received		20,090	18,099	36,346	73,461
Property rentals received		14,596	12,743	17,107	14,809
Other income received		14,512	11,269	5,624	5,325
Loans and advances (provided)/repaid		(96,966)	(78,232)	-	-
Statutory reserve deposit		(20,000)	(9,500)	-	-
Payments to suppliers and employees		(443,462)	(318,971)	(37,088)	(34,036)
Interest paid		(31,231)	(20,197)	-	-
Income taxes paid	10(b)	(26,379)	(21,765)	-	-
Net cash from operating activities		**441,596**	**441,283**	**280,893**	**303,181**
Cash flows from investing activities					
Government securities matured/(acquired)		(333,476)	(157,768)	(307,077)	(160,548)
Other securities matured/(acquired)		27,720	(3,389)	27,720	(3,389)
Loans and advances (provided)/repaid		(160,170)	20,735	(152,749)	(17,025)
Term deposits matured/(invested)		101,225	(39,105)	101,203	(42,888)
Shares in subsidiaries (acquired)/disposed		(157,808)	(45,428)	(157,808)	-
Shares and units (acquired)/ disposed		(91,871)	(74,696)	(91,871)	(74,696)
Proceeds from sale of property, plant and equipment		5,163	2,589	-	1,790
Purchase of property, plant and equipment		(95,232)	(120,059)	(4,996)	(1,666)
Acquisition of intangible assets		(1,759)	(3,406)	(293)	(1,194)
Advances to related entities		2,500	-	-	-
Payment for business acquisition		-	(74,956)	-	-
Investment in joint venture		685	106	-	-
Amount spent to acquire/develop investment properties		(13,611)	(21,102)	(13,611)	(21,102)
Net cash used in investing activities		**(716,634)**	**(516,479)**	**(599,482)**	**(320,718)**
Cash flows from financing activities					
Proceeds from borrowings, net		(22,833)	110,813	-	-
Finance lease repayments		(373)	(2,992)	-	-
Contributions received from employers		331,015	296,668	331,015	296,668
Contributions received from members		266,602	248,145	266,602	248,145
Withdrawal payments to members		(323,817)	(289,571)	(323,817)	(289,571)
Pension annuity paid to members		(23,782)	(24,314)	(23,782)	(24,314)
Dividends paid		(23,830)	(8,250)	-	-
Net cash from financing activities		**202,982**	**330,499**	**250,018**	**230,928**
Net (decrease)/increase in cash and cash equivalents		(72,056)	255,303	(68,571)	213,391
Effect of exchange rate movement		(298)	136	-	-
Addition of cash and cash equivalents from acquisition of shares in subsidiary		11,292	9,773	-	-
Cash and cash equivalents at beginning of the financial year		752,870	487,658	550,396	337,005
Cash and cash equivalents at end of the financial year	**33(a)**	**691,808**	**752,870**	**481,825**	**550,396**

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

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

1 General Information

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

The consolidated financial statements of the Fund as at and for the year ended 30 June 2018 comprise the Fund and its controlled entities ("the Group").
The financial statements of the Fund as at and for the year ended 30 June 2018 comprise of three Funds set out below:

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

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

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

The Fund is constituted by the Fiji National Provident Fund ("FNPF") Act 2011 to provide superannuation benefits to employees in Fiji.

The financial statements were authorised for issue by the Board of Members on 31 August 2018.

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.

2.1 Statement of compliance

The financial statements of the Fund and the Group (being the Fund and its subsidiaries) are general purpose financial statements and have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board including International Accounting Standard ("IAS") *26 Accounting and Reporting by Retirement Benefit Plans* and the requirements of the Fiji National Provident Fund Act 2011. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, investment in subsidiaries at fair value through profit or loss and available for sale assets that are measured at fair value.

IFRSs form the basis of International Accounting Standards adopted by the International Accounting Standards Board ("IASB"). The preparation of financial statements in accordance with IFRS requires management to exercise its judgement in the process of applying the Fund's and the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.2 Changes in accounting policies and disclosures

2.2. (a) Standards issued but not yet effective

The following new standards, interpretations 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 18 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.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

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

IFRS 16 *Leases*

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

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

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

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

The above amendments and interpretations have not been early adopted.

2.2.(b) Restatement - change in accounting policy for investment in susbsidiaries

The Fund has changed its accounting treatment for investment in subsidiaries in 2018. The Fund previously recognised investment in subsidiaries at cost less impairment in its financial statements. During 2018, the Fund voluntarily changed the method of accounting for investment in subsidiaries to measure it at fair value through profit or loss. Management believes that the change more effectively demonstrates the financial position of investment in subsidiaries and is aligned to the growth strategy that the Fund has adopted. The Fund has applied the accounting policy retrospectively. The effect of this adjustment is disclosed in Note 16.

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 Group accounts for business combination using the acquisition method when control is transferred to the Group. 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 fair value through profit and loss in the financial statements of the Fund. Refer to note 2.2(b) for details on the change in accounting policy in respect of investment in subsidiaries.

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

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

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 2018 results and the financial statements for the subsidiary acquired in 2018, Farleigh Limited have been consolidated based on the financial position as at the date of acquisition as permitted by IAS 27.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

2 Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

Subsidiaries (continued)

Transactions eliminated on consolidation

Inter-group transactions, balances and any unrealised income and expenses are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

The acquisition of VFL and additional interest in ATH in the prior years has been accounted for as a transaction between shareholders. As a transaction between shareholders, the acquisition does not reflect the fair value of assets and liabilities acquired or any recording of additional goodwill at the time of the acquisition. The acquisition balance sheet reflects the values for assets and liabilities acquired from the respective entity'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 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.

Interests in equity-accounted investees

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transactions costs. Subsequent to initial recognition, the financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases. Where an associate's accounting policies differ significantly to that of the Fund, adjustments are made to the associate's gains and losses to conform to the Fund's accounting policies before they are incorporated into the Group statement of financial position.

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 transactions.

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.

(b) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss. Foreign currency differences arising from the translation of available-for-sale equity investments are recognized in OCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

2 Summary of significant accounting policies (continued)

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 which are measured at valuation. All plant and equipment is measured at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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 of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is great-er 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 profit or loss.

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 profit or loss.

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

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 remeasured to fair value. Any gain or loss arising on re-measurement is recognised in the profit or loss. When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss.

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.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

2 Summary of significant accounting policies (continued)

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. 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.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(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 using the annual amortisation rate 6% – 8%.

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

(d) Spectrum licences

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

2.9 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.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

2 Summary of significant accounting policies (continued)

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.

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

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

(b) Held to maturity financial assets

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

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in interest income in the profit or loss. The losses arising from impairment of such investments are recognised in the profit or loss. If the Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

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

(c) Loans and receivables

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

(d) Available-for-sale financial assets

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

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

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

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

2 Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

Reclassification of financial assets

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

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

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

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

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 contractual rights to receive cash flows from the asset have expired;
- The Group transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; and
- The Group neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control over the transferred asset.

Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statement of financial position.

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 profit or loss.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

2 Summary of significant accounting policies (continued)

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

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit or loss.

In respect of HFC (the bank), 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 unsaleable 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 profit or loss over the term of the lease.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

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 expect 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 less any directly attributable transaction costs. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

In respect of HFC, the following additional policies apply:

Debt issued and other borrowed funds

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

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

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.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

2 Summary of significant accounting policies (continued)

2.17 Creditors and Borrowings (continued)

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

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:
Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of the assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which thy can be used. Future taxable profits are determined based on a business plans for individual subsidiaries in the Group and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

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 Act, and has been calculated as each Fund's net assets as stated on the statement of financial position less the investment reserve account as at reporting date.

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

2.22 Contributions

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

2.23 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 customer.

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 recognised.

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.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

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 using the effective interest rate method.

In respect of HFC, the following policy applies:

Interest and similar income and expense

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

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

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

(e) *Property rentals*

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

(f) *Dividend income*

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

(g) *Fees*

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

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

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 when the service is provided. Revenue from the rendering of service and sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the guest or customer on provision of services or sale of goods.

(i) *Movement in fair value of investments*

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

2.24 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.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

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

(a) Market risk

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

(i) Foreign exchange risk

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

The individual Group entities' Treasury departments manage foreign exchange risk against their functional currency, in this case the Fiji dollar. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency other than the Fiji Dollar. For significant settlements, the Group is required to seek quotations from recognised banks and use the most favourable exchange rate for purposes of the settlement. In particular, Momi Bay Resort Limited manages its foreign exchange risk against the functional currency by hedging the foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward exchange contracts (FECs). Hedge accounting has not been applied. There were no forward exchange contracts outstanding as at reporting date.

The Group's total exposure to fluctuations in foreign currency exchange rates at the balance sheet date was as follows (amounts denominated in FJD'000):

	2018 $000	**2017 $000**
Assets		
AUD	207,302	206,084
USD	186,811	291,439
NZD	235	21,138
PGK	70,569	5,465
Liabilities		
AUD	-	-
USD	89,396	9,722
Euro	12,540	6,733

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 2019 financial year together with consultation with the investment consultant, the Fund's Investment Department considered a 10% movement in the Fiji Dollar as reasonably possible for the 2019/18 reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

Sensitivity Analysis (continued)

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

Consolidated	Carrying Amount	Impact on equity	
		-10%	+10%
Assets	$000's (FJD)	$000's (FJD)	$000's (FJD)
30 June 2018			
USD	186,111	(18,611)	18,611
AUD	207,302	(20,730)	20,730
NZD	235	(24)	24
PGK	70,569	(7,057)	7,057
30 June 2017			
USD	291,439	(29,144)	29,144
AUD	204,131	(20,413)	20,413
NZD	21,138	(2,114)	2,114
PGK	5,465	(546)	545
Liabilities			
30 June 2018			
USD	89,396	(8,940)	8,940
Euro	12,540	(1,254)	1,254
30 June 2017			
USD	9,722	(884)	884
Euro	6,733	(612)	612

(ii) Price risk

The Group is significantly exposed to equity securities price risk because of investments held by the Group and classified in the Statement of financial position at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group and restrictions by Reserve Bank of Fiji ("RBF") over offshore investments. The Group's investments in equities are largely those which are publicly traded on the South Pacific Stock Exchange (for local investments) and Australian Stock Exchange (for offshore investments). The table below summarises the impact of increases / (decreases) of the above two exchanges on the Fund and Group's profit. The net profit would increase/ (decrease) as a result of gains/ (losses) on equity securities classified at fair value through profit or loss.

Assuming that the equity investments increased / (decreased) in value by 5% it would have had an equal but opposite effect.

	Group		Fund	
	Impact on profit		Impact on profit	
Index	**2018**	**2017**	**2018**	**2017**
	$000	$000	$000	$000
South Pacific Stock Exchange	5,504	3,992	5,343	3,830
Australian Securities Exchange	5,964	5,589	5,964	5,589
	11,468	9,581	11,307	9,419

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

3. Financial risk management (continued)

3.1 Financial risk factors (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 its commencement.

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

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

(b) Credit risk

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

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

The following applies to HFC:

Impairment assessment

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

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

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

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

(i) Individually assessed allowances

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

(ii) Collectively assessed allowances

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

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.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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	$	$	$	$
2018				
Term deposits	466,505	-	-	466,505
Government securities	2,650,278	-	-	2,650,278
Other fixed interest securities	248,009	-	-	248,009
Equities	434,979	-	-	434,979
Loans and advances	883,499	58,752	14,185	956,436
Cash and cash equivalents	786,580	-	-	786,580
Trade receivables	49,554	9,352	16,049	74,955
	5,519,404	68,104	30,234	5,617,742
2017				
Term deposits	633,678	-	-	633,678
Government securities	2,325,875	-	-	2,325,875
Other fixed interest securities	275,729	-	-	275,729
Equities	287,483	-	-	287,483
Loans and advances	745,249	60,072	13,864	819,185
Cash and cash equivalents	824,863	-	-	824,863
Trade receivables	47,169	9,120	19,089	75,378
	5,140,046	69,192	32,953	5,242,191
The Fund				
2018				
Term deposits	577,400	-	-	577,400
Government securities	2,582,641	-	-	2,582,641
Other fixed interest securities	248,009	-	-	248,009
Equities	431,645	-	-	431,645
Loans and advances	484,399	22,253	295,565	802,217
Cash and cash equivalents	481,825	-	-	481,825
	4,805,919	22,253	295,565	5,123,737
2017				
Term deposits	678,603	-	-	678,603
Government securities	2,275,534	-	-	2,275,534
Other fixed interest securities	275,729	-	-	275,729
Equities	284,205	-	-	284,205
Loans and advances	331,751	20,424	304,351	656,526
Cash and cash equivalents	550,396	-	-	550,396
	4,396,218	20,424	304,351	4,720,993

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

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				Fund			
	2018		2017		2018		2017	
	$000	%	$000	%	$000	%	$000	%
Agriculture	49,390	3	24,469	3	29,835	1	5,488	1
Construction	72,222	7	70,629	9	-	-	-	-
Financial institutions	30,000	3	-	-	33,388	4	7,770	1
Government and statutory bodies	57,624	9	62,344	8	57,624	10	62,344	10
Telecommunications	-	-	-	-	-	-	2,388	-
Manufacturing	56,804	6	28,046	3	-		-	-
Mining	11,845	1	11,689	1	-	-	-	-
Private others (includes staff loans)	185,095	19	165,162	20	178	-	191	-
Professional and business services	29,542	3	30,900	4	1,861	-	1,763	-
Real estate development	141,807	15	109,249	13	18,612	2	17,498	3
Education	5,098	1	2,864	-	5,098	1	2,864	-
Transport and storage	202,083	21	210,613	26	111,566	14	124,244	19
Wholesale and retail	114,926	12	103,220	13	-	-		-
Other (Hotels & Restaurants)	-	-	-	-	544,055	68	431,976	66
Total	956,436	100	819,185	100	802,217	100	656,526	100

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

	Notes	Consolidated		The Fund	
		2018	2017	2018	2017
		$000	$000	$000	$000
Term deposits	11	466,505	633,678	577,400	678,603
Government securities	12	2,650,278	2,325,875	2,582,641	2,275,534
Other fixed interest securities	13	248,009	275,729	248,009	275,729
Equities	15	434,979	287,483	431,645	284,205
Loans and advances	14	948,240	811,756	686,253	508,449
Cash and cash equivalents	19	786,580	824,863	481,825	550,396
Trade receivables	20	58,264	56,220	-	-
		5,592,855	5,215,604	5,007,773	4,572,916

(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.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

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 are over a 30 day period with stress conditions 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 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:

	2018	2017	Satisfactory position	Marginal position
1. Loan to Total Funding Ratio	86.0%	84.9%	70.0%	80.0%
2. Liquid Assets to Total Assets Ratio	16.7%	17.7%	30.0%	20.0%
3. Liquid Assets to Total Funding Ratio	19.5%	20.5%	30.0%	25.0%

The satisfactory and marginal positions are management's internal benchmarks that is the ideal position they have set for the Bank. These are not positions set by the local regulator.

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.

Credit loss reserve records possible losses inherent in the loan portfolio which are not associated with any individual facility or amount. These are maintained in respect of all credit facilities outstanding which are not subject to the specific and collective provisioning requirements. The credit loss reserve is required by the Reserve Bank of Fiji's banking supervision policy statement No.3, Section 5.6.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

3. Financial risk management (continued)

3.2 Capital risk mangement

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

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

The following applies to HFC:

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

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

4. Critical accounting estimates and judgments

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

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

(a) Impairment of trade receivables and loans and advances

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

The following applies to HFC:

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

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

(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.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

4. Critical accounting estimates and judgments (continued)

(c) 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.

Asset cashflows are also projected and the rate of future (re)investment return on the projected net cashflows of the RIF (projected asset cashflows less projected benefit payments less projected expenses) is assumed to be 5.2% per annum. The methodology requires the proportion of projected asset cashflows, which together with assumed reinvestment returns, is just sufficient to meet the projected annuity payments and expenses as they fall due. The implied discount rate after the allowance for expenses is 5.84% pa (2017: 5.75%).

For the valuation as at 30 June 2018, the determination was carried out by Mr. Peter Martin, Fellow 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. Martin, 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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transactions price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

5. Fair value estimation (continued)

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

	Carrying amount			Fair value			
	Designated at fair value $000	Held to maturity $000	Total $000	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Consolidated							
Balance as at 30 June 2018							
Financial assets measured at fair value							
Equities	434,979	-	434,979	408,735	26,229	15	434,979
Financial assets not measured at fair value							
Government securities	-	2,650,278	2,650,278	-	2,950,497	-	2,950,497
Fiji Bonds	-	138,300	138,300	-	142,142	-	142,142
	-	2,788,578	2,788,578				
Restated Balance as at 30 June 2017							
Financial assets measured at fair value							
Equities	287,483	-	287,483	266,112	21,356	15	287,483
Financial assets not measured at fair value							
Government securities	-	2,329,175	2,329,175	-	2,450,455	-	2,450,455
Fiji Bonds	-	139,300	139,300	-	156,343	-	156,343
	-	2,468,475	2,468,475				
The Fund							
Balance as at 30 June 2018							
Financial assets measured at fair value							
Equities (including investment in subsidiaries)	1,491,000	-	1,491,000	405,401	26,229	1,059,370	1,491,000
Financial assets not measured at fair value							
Government securities	-	2,582,641	2,582,641	-	2,878,438	-	2,878,438
Fiji Bonds	-	138,300	138,300	-	142,142	-	142,142
	-	2,720,941	2,720,941				
Restated Balance as at 30 June 2017							
Financial assets measured at fair value							
Equities (including investment in subsidiaries)	1,113,885	-	1,113,885	262,834	21,356	829,695	1,113,885
Financial assets not measured at fair value							
Government securities	-	2,275,534	2,275,534	-	2,415,287	-	2,415,287
Fiji Bonds	-	139,300	139,300	-	156,343	-	156,343
	-	2,414,834	2,414,834				

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

5. Fair value estimation (continued)

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

	Consolidated		The Fund		
	2018	2017	2018	2017 (Restated)[1]	2016 (Restated)[1]
	$000	$000	$000	$000	$000
Balance at 1 July	15	15	829,695	682,762	15
Restatement adjustment	-	-	-	146,933	682,747
Gains (loss) included in profit or loss	-	-	66,790	-	-
Acquisition	-	-	162,885	-	-
Balance at 30 June	15	15	1,059,370	829,695	682,762

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring Level 2 and level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unob-servable 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. *Income technique:* The valuation model is based on the future maintainable earnings and capitalisation rates.	Not applicable • Capitalisation rates (5.5%-6.0%) • Capitalisation rate Hotels (8.5% - 13%) • Adjusted market multiple (5.5%-6.0%) • Forecasted earnings	Not applicable The estimated fair value would increase/ (decrease) if any of the significant unobservable inputs were changed. Generally, a change in the annual growth rate is accompanied by directionally similar change in future maintainable earnings.
Government bonds	Market comparison: The fair value of the long term investment securities is based on market prices published by the Reserve Bank of Fiji.	Not applicable	Not applicable

Sensitivity analysis

For the fair values of equities – investment in subsidiaries, a reasonable possible change of 5% at the reporting date to one of the significant unobservable inputs, holding other inputs constant would have the following effects:

	Increase	Decrease
	$000	$000
Capitalization rates	4,141	14,426
Adjusted market multiple	42,208	(42,208)
Cost of Equity rates	(4,910)	5,619

[1] Refer note 16

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

	Consolidated		The Fund	
	2018	2017	2018	2017
6. Interest income	**$000**	**$000**	**$000**	**$000**
Fixed interest securities				
- Government	182,730	169,632	182,730	169,632
- Other	17,435	17,808	17,435	17,808
Loans and advances	9,903	9,292	26,445	24,941
Term deposits	21,318	19,729	21,718	18,296
Other interest income	20,559	15,425	20,405	15,667
	251,945	231,886	268,733	246,344
7. (a) Net change in fair values of investments				
Unrealised gains on investments	49,091	11,445	115,881	129,792
Realised gains on investments	1,956	4,808	1,956	4,808
	51,047	16,253	117,837	134,600
(b). Net foreign exchange gain/(loss)				
Unrealised exchange gains/(losses)	6,839	1,536	5,807	(132)
Realised exchange gains/(losses)	1,652	1,117	(114)	(699)
	8,491	2,653	5,693	(831)
8. Other income				
Other income includes the following specific items:				
Gain on sale of fixed assets and investment property	5,000	1,169	54	668
Insurance claims	-	6,435	-	-
Fees and commissions	7,519	4,969	787	702
Surcharge income	599	160	599	160

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

		Notes	Consolidated 2018 $000	Consolidated 2017 $000	The Fund 2018 $000	The Fund 2017 $000
9.	**General administration expenses**					
	Auditors' remuneration:					
	- Audit – KPMG		175	139	88	75
	- Other firms		263	239	-	-
	- Other services - KPMG		49	102	49	102
	- Other firms		217	146	-	-
	Directors fees		511	377	41	59
	Electricity		10,263	12,416	468	524
	Hotel operating expenses		39,774	26,690	-	-
	Insurance		8,937	7,781	54	53
	Impairment expenses:					
	- Net impairment of property, plant and equipment	23	50,012	696	-	-
	- Reversal of property held for development/resale	18	(2,601)	(408)	-	-
	- Impairment/(reversal) of loans and advances, trade and other receivables		6,038	5,239	1,639	(851)
	Licence fees		18,598	15,896	-	-
	Loss on sale of fixed assets and investment property		76	70	-	-
	Marketing and promotion		19,232	16,681	-	-
	Operating leases		7,045	4,089	-	-
	Provision/(Reversal)/for stock obsolescence	21	518	(142)	-	-
	Personnel expenses:					
	- Salaries and wages		87,540	72,272	15,156	16,066
	- Other staff benefits and expenses		18,123	15,867	1,724	1,910
	Repairs and maintenance		7,439	5,226	176	175
	Reform expenses		-	418	-	418
	Other operating and general expenses		78,173	63,138	7,030	5,674
			350,382	246,932	26,425	24,205
10.	**Income tax**					
	(a) Income tax expense					
	Prima facie income tax expense calculated at 20% (2017:20%) on profit		97,679	73,036	107,732	84,480
	add/(deduct):					
	Fund income not subject to tax		(64,787)	(43,223)	(107,732)	(84,480)
	Impact of difference in tax rate		(4,751)	(4,295)	-	-
	Expenses not deductible		-	898	-	-
	Export income allowances		(117)	(84)	-	-
	Investment allowances		(489)	(452)	-	-
	Amortisation of Government Grant		20	(9)	-	-
	Temporary differences recognized		(15)	(15)	-	-
	Transitional dividend tax at 1%		-	118	-	-
	Under provision in prior year		17	38	-	-
			27,557	26,012	-	-

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

10. Income tax (continued)

(a) Income tax expense (continued)

	Consolidated		The Fund	
	2018	2017	2018	2017
	$000	$000	$000	$000
Income tax expense is made up of:				
Current tax expense	26,685	23,037	-	-
Deferred tax (income)/expense	855	2,819	-	-
Transitional dividend tax at 1%	-	118	-	-
Under provision in prior years	17	38	-	-
	27,557	26,012	-	-

Tax expense excludes the Group's share of the tax expense of equity accounted investees of $2,078,000 (2017: $2,850,000), which has been included in share of profit of equity-accounted investees, net of tax.

(b) Current tax liability/(asset)

Movements during the year were as follows:				
Balance at the beginning of the year	3,961	1,542	-	-
Current income tax expense	26,685	23,037	-	-
Income taxes paid	(26,379)	(21,765)	-	-
Withholding taxes paid	39	-	-	-
Transitional dividend tax at 1%	-	1,109	-	-
Over provision in prior years	17	38	-	-
Acquisition of Farleigh Limited	(208)	-	-	-
Balance at the end of the year	(4,115)	3,961	-	-

(c) Deferred tax liabilities

Deferred tax liabilities comprises the following at 10% (2017:10%) for ATH and 20% (2017:20%) for other subsidiaries:				
Deferred expenses	13	14	-	-
Property, plant and equipment	20,272	20,454	-	-
Unrealised exchange gain	17	10	-	-
Unrealised fair value gain on consolidation	33,958	-	-	-
	54,260	20,478	-	-

(d) Deferred tax assets

Deferred tax assets comprises the following at 10% (2017:10%) for ATH and 10% (2017:20%) for other subsidiaries:				
Provision for inventory obsolescence	433	612	-	-
Deferred revenue	190	252	-	-
Employee entitlements	1,752	1,121	-	-
Provisions for impairment and doubtful debts	4,084	4,458	-	-
Tax losses	-	50	-	-
Depreciation	7,236	-		
Other	61	(65)	-	-
	13,756	6,428	-	-

All movements in temporary differences relating to deferred tax assets and liabilities are recorded through the profit or loss except for the deferred tax asset and liability of Farleigh Limited.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

10. Income tax (continued)

(e) 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 of 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 two subsidiaries above 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 relating to those entities. Under the existing income tax laws tax losses may only be carried forward for 4 years in succession in accordance with the amendments to the Income Tax Act. The Directors of the subsidiaries believe that by virtue of the resort profits being exempt from income tax for the above period, the above losses would expire before the end of the tax exemption period.

	Consolidated		The Fund	
	2018 $000	2017 $000	2018 $000	2017 $000
11. Term deposits				
Local banks and financial institutions– local currency	466,505	415,975	577,400	460,900
Local and other banks – foreign currency	-	217,703	-	217,703
	466,505	633,678	577,400	678,603
Maturity represented as:				
Less than or equal to 3 months	72,975	259,780	195,900	300,809
3 to 12 months	393,530	368,898	381,500	372,794
1 to 5 years	-	5,000	-	5,000
Greater than 5 years	-	-	-	-
	466,505	633,678	577,400	678,603
12. Government securities				
Fiji Government Registered Stock	2,632,516	2,322,575	2,578,219	2,275,534
Treasury Bills	17,762	3,300	4,422	-
	2,650,278	2,325,875	2,582,641	2,275,534
Maturity represented as:				
Less than or equal to 3 months	46,642	15,930	46,542	15,930
3 to 12 months	140,435	68,770	113,045	64,170
1 to 5 years	634,562	682,222	606,170	645,061
Greater than 5 years	1,828,639	1,558,953	1,816,884	1,550,373
	2,650,278	2,325,875	2,582,641	2,275,534

The above investments are accounted for as held-to-maturity and measured in accordance with note 2.10 to the financial statements. ATH has pledged government bonds amounting to $16,980,000 (2017:$16,980,000) as security for the loan obtained from the ANZ Banking Group Limited.

13. Other fixed interest securities				
Promissory notes	5,793	14,889	5,793	14,889
Fiji Bonds	138,300	139,300	138,300	139,300
Foreign Bonds	103,916	121,540	103,916	121,540
	248,009	275,729	248,009	275,729
Maturity represented as:				
Less than 3 months	2,000	7,762	2,000	7,762
3 to 12 months	29,293	14,127	29,293	14,127
1 to 5 years	211,416	234,540	211,416	234,540
Greater than 5 years	5,300	19,300	5,300	19,300
	248,009	275,729	248,009	275,729

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.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

	Consolidated		The Fund	
	2018	2017	2018	2017
	$000	$000	$000	$000
14. Loans and advances				
Loans and advances (quasi-government)	87,459	67,831	87,459	67,831
Loans to subsidiaries (Note 35(b))	-	-	547,541	442,134
Customer term loans	861,703	745,637	167,039	146,370
Staff loans	7,274	5,717	178	191
	956,436	819,185	802,217	656,526
Provision for impairment	(8,196)	(7,429)	(115,964)	(148,077)
	948,240	811,756	686,253	508,449
Maturity represented as:				
Less than or equal to 3 months	22,911	29,746	8,690	14,290
3 to 12 months	57,737	55,168	29,563	23,971
1 to 5 years	282,153	246,254	141,961	111,030
Greater than 5 years	593,635	488,017	622,003	507,235
	956,436	**819,185**	**802,217**	**656,526**

The maximum exposure to credit risk at the reporting date before collateral held or other credit enhancements is the carrying amount of each class of asset above. Collateral held against each of the above categories of loans and advances are as follows:

- Quasi government loans- Government Guarantee or a Debenture over all the assets. During the year, Fiji Sugar Corporation was approved a loan of $50,000,000 of which $25,000,000 remained undrawn as at financial year end;

- Loans to subsidiaries – Usually a first charge over the mortgage is obtained, however other forms of security such as debentures, guarantees, liens etc are also accepted. For Natadola Bay Resort Limited, the loan is largely unsecured. Refer below for further comments. During the year, the Fund took over debts from subsidiaries of Farleigh Limited of $82,200,000 and Barton Limited of $36,900,000 as part of the Starwood Properties acquisition;

- Customer term loans – The head security is a registered first mortgage over property and improvements. University of the South Pacific's second loan had a drawdown of $2,460,000 during the year. Lotus Garments Limited loan which was approved in 2017, drawn $1,500,000 during the year.

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

Natadola Bay Resort Limited (NBRL)

The carrying value of the loan provided to NBRL by FNPF is $293,624,000 (2017: $295,546,000). 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 $114,024,000 (2017: $139,078,000).

Momi Bay Resort Limited (MBRL)

The carrying value of the loan provided to MBRL for the Momi Resort development is $121,807,000 (2017: $118,975,000). The company is now paying interest only on the monthly loan with monthly principal and interest repayments to commence in November 2018. The loan is secured by:

- First registered Debenture over the assets of the company
- First registered mortgage over Development lease LD Ref 60/782-3, and portion of freehold land described as DP 10698
- Assignment of Income
- Assignment of Bank Accounts BSP A/c & HFC A/c

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

14. Loans and advances (continued)

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

	Loans & advances	Customer term loans	Staff loans	Total
	$000	$000	$000	$000
Collectively Assessed Provisions				
Balance as at 1 July 2016	-	90	275	365
New and increased provisioning	-	-	28	28
Provisions released as no longer required	-	(90)	(124)	(214)
Balance as at 30 June 2017	-	-	179	179
New and increase provisioning	-	-	-	-
Provisions released as no longer required	-	-	(2)	(2)
Balance as at 30 June 2018	-	-	177	177
Individually Assessed Provisions				
Balance as at 1 July 2016	-	4,985	-	4,985
New and increased provisioning	-	4,045	-	4,045
Provisions released as no longer required	-	(1,780)	-	(1,780)
Balance as at 30 June 2017	-	7,250	-	7,250
New and increased provisioning	-	2,372	-	2,372
Provisions released as no longer required	-	(1,603)	-	(1,603)
Balance as at 30 June 2018	-	8,019	-	8,019
Total provision for impairment at 1 July 2016	-	5,075	275	5,350
Total provision for impairment at 30 June 2017	-	7,250	179	7,429
Total provision for impairment at 30 June 2018	-	8,019	177	8,196

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

14. Loans and advances (continued)

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

	Loans and ad-vances $000	Loans to subsidiaries $000	Customer term loans $000	Staff loans $000	Total $000
Collectively Assessed Provisions					
Balance as at 1 July 2016	-	-	-	275	275
New and increased provisioning	-	-	-	28	28
Provisions no longer required	-	-	-	(124)	(124)
Balance as at 30 June 2017	-	-	-	179	179
New and increased provisioning	-	-	-	-	-
Provisions no longer required	-	-	-	(2)	(2)
Balance as at 30 June 2018	-	-	-	177	177
Individually Assessed Provisions					
Balance as at 1 July 2016	-	139,078	3,544	-	142,622
Assignment from Natadola Land Holdings Limited	-	6,891	165	-	7,056
Provisions no longer required	-	-	(1,780)	-	(1,780)
Balance as at 30 June 2017	-	145,969	1,929	-	147,898
Assignment of NLHL provision balance to NBRL	-	(6,891)	(165)	-	(7,056)
Provisions no longer required	-	(25,055)	-	-	(25,055)
Balance as at 30 June 2018	-	114,023	1,764	-	115,787
Total provision for impairment at 1 July 2016	-	139,078	3,544	275	142,897
Total provision for impairment at 30 June 2017	-	145,969	1,929	179	148,077
Total provision for impairment at 30 June 2018	-	114,023	1,764	177	115,964

	Consolidated		The Fund	
	2018 $000	2017 $000	2018 $000	2017 $000
Collectively assessed provisions	177	179	177	179
Individually assessed provisions	8,019	7,250	115,787	147,898
	8,196	7,429	115,964	148,077

15. Equities

Local listed equities	114,441	83,152	111,107	79,957
Local unlisted equities	15	98	15	15
Local unit trusts	26,229	21,356	26,229	21,356
Overseas equities	294,294	182,877	294,294	182,877
	434,979	287,483	431,645	284,205

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 (2017: $3,225,000) are held by FNPF Nominees Limited on behalf of members and therefore are not available to the Group.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

16. Investments in subsidiaries, associates and joint ventures

(a) Investment in subsidiaries – fair value

	Consolidated 2018 $000	Consolidated 2017 $000	The Fund 2018 $000	The Fund 2017 $000 Restated	The Fund 2016 $000 Restated
Investments in subsidiaries	-	-	1,059,355	829,680	682,747

Investment in subsidiaries consists of the following:

Name	Principal activities	Balance Date	2018 Fair value $000	2017 Fair value Restated $000	2016 Fair value Restated $000
Amalgamated Telecom Holdings Limited	Telecommunications	31 March	530,878	410,349	332,741
Home Finance Company Limited	Financial services	30 June	77,250	55,770	46,451
FNPF Holdings (PNG) Limited	Investments	30 June	53	53	53
Yatule Beach Resort Limited	Resort operations	30 June	-	-	-
FNPF Hotel Resorts Limited	Resort operations	30 June	51,400	45,859	44,701
Vodafone Fiji Limited	Telecommunications	31 March	210,042	204,398	174,241
FNPF Nominees Limited	Nominee Services	30 June	-	-	-
Natadola Bay Resort Limited	Resort operations	30 June	-	-	-
Momi Bay Resort Limited	Resort operations	30 June	29,159	110,601	82,000
Dareton Limited	Land development	30 June	2,765	2,650	2,560
Farleigh Limited	Resort operations	31 Dec	157,808	-	-
			1,059,355	829,680	682,747

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

Dividend income from the above entities for the year ended 30 June 2018 amounted to $44,533,000 (2017: $42,997,000).

Restatement of investment in subsidiaries

The Fund's 2017 and 2016 comparatives for investment in subsidiaries have been restated as explained in note 2.2. The effect of the change in accounting policy is summarised below:

Momi Bay Resort Limited's balances for 2017 and 2016 are stated at costs as the hotel commenced operations in April 2017.

Fund – Statement of Financial Position

			Impact of restatement			
As at 30 June	**As previously reported**		**Adjustments**		**Restated**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Investment in subsidiaries	719,694	635,668	62,907	47,079	829,680	682,747
Total Assets	**5,733,737**	**5,134,698**	**62,907**	**47,079**	**5,843,723**	**5,181,777**
Net assets available to pay benefits	**5,711,830**	**5,119,983**	**62,907**	**47,079**	**5,821,816**	**5,167,062**
Total net assets	**836,442**	**757,438**	**62,907**	**47,079**	**946,428**	**804,517**
Investment reserve	275,977	263,800	62,907	47,079	385,963	310,879
Total equity	**836,442**	**757,438**	**62,907**	**47,079**	**946,428**	**804,517**

Fund – Income Statement

	As previously reported	**Adjustments**	**Restated**
	2017	**2017**	**2017**
Net change in fair value of investments	71,693	62,907	134,600
Total revenue	**398,872**	**62,907**	**461,779**
Profit before and after tax	**359,495**	**62,907**	**422,402**
Total comprehensive income	**359,495**	**62,907**	**422,402**
Net profit available for allocation	**359,495**	**62,907**	**422,402**
Net profit taken to reserves	**359,495**	**62,907**	**422,402**

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

	Consolidated 2018 $000	Consolidated 2017 $000	The Fund 2018 $000	The Fund 2017 $000
16(b) Investment in associates and joint venture				
Investment in associates - at cost	115,251	103,975	85,252	85,252
allowance for impairment	(9,395)	(9,395)	(9,395)	(9,395)
Interest in joint venture	1,143	1,221	-	-
	106,999	95,801	75,857	75,857
Movements in the allowance for impairment are as follows:				
Balance at the beginning of the year	9,395	9,395	9,395	9,395
Balance at the end of the year	9,395	9,395	9,395	9,395

Investments in associates are those equity investments in which the Group has significant influence. This is typically where the Group has more than 20% ownership and some Board representation. The Group is directly involved in the investments through director appointments thus allowing for greater influence over these investees. Share of profit of associates of $11,375,000 (2017: share of profit of $14,480,000) has been recorded in the Group's income statement, relating to the investment in Grand Pacific Hotel Limited and Fiji Ports Corporation Limited.

Investment in associates consists of the following:

Consolidated

Name	Interest	2018 Cost $000	2018 Impairment $000	2018 Carrying value $000	2017 Cost $000	2017 Impairment $000	2017 Carrying value $000
Grand Pacific Hotel Limited	25%	11,675	4,652	7,023	11,462	4,652	6,810
Tropic Health Incorporated (Fiji) Limited	46%	1,090	1,090	-	1,090	1,090	-
Active (Fiji) Co. Limited	23%	750	750	-	750	750	-
Halabe Investments Limited	25%	884	-	884	884	-	884
Fiji Ports Corporation Limited	39%	83,608	-	83,608	73,007	-	73,007
Bluesky SamoaTel Investments Limited	25%	14,341	-	14,341	13,879	-	13,879
Bligh Water Shipping Limited	26%	2,903	2,903	-	2,903	2,903	-
		115,251	9,395	105,856	103,975	9,395	94,580

The Fund

Name	Interest	2018 Cost $000	2018 Impairment $000	2018 Carrying value $000	2017 Cost $000	2017 Impairment $000	2017 Carrying value $000
Grand Pacific Hotel Limited	25%	14,109	4,652	9,457	14,109	4,652	9,457
Tropic Health Incorporated (Fiji) Limited	46%	1,090	1,090	-	1,090	1,090	-
Active (Fiji) Co. Limited	23%	750	750	-	750	750	-
Halabe Investments Limited	25%	884	-	884	884	-	884
Fiji Ports Corporation Limited	39%	65,516	-	65,516	65,516	-	65,516
Bligh Water Shipping Limited	26%	2,903	2,903	-	2,903	2,903	-
		85,252	9,395	75,857	85,252	9,395	75,857

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.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

16. Investments in subsidiaries, associates and joint ventures (continued)

16(b) Investment in associates and joint venture (continued)

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

HFC has a 50% interest, equivalent to $1,143,000 (2017: $1,221,000) after share of profits/(losses)) in the Banking Concession business at Nadi International Airport. The other party to the venture is Westpac Banking Corporation. The bank's interest is in the net assets of the unincorporated joint venture. The term of the airport concession business is 7 years.

	Consolidated		The Fund	
	2018	2017	2018	2017
17. Investment properties	$000	$000	$000	$000
Balance as at 1 July	205,002	212,146	231,199	238,343
Transfer from/(to) property, plant and equipment and intangibles	4,017	-	(2,707)	-
Transfer to subsidiary – MBRL	-	(28,600)	-	(28,600)
Change in fair value	82,249	-	82,871	-
Acquisitions	5,479	15,525	5,479	15,525
Work in progress	10,556	5,937	10,556	5,937
Disposals	(911)	(6)	(911)	(6)
Balance as at 30 June	306,392	205,002	326,487	231,199

Investment properties for the Fund includes Momi Bay foreclosed assets comprising of land at fair value of $122,365,000 (2017:50,800,000 at cost) and ATH Park land at fair value of $15,000,000 (2017:$5,665,000 at cost). Management believes that the above mentioned land have been held for a currently undeterminable future use and as result have classified it as investment property in line with the International Accounting Standard (IAS) 40. Fair values gains of $71,546,000 and $9,335,000 have been included in the income statement respectively.

Fair value hierarchy

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

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

Valuation technique and significant unobservable inputs

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

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Income capitalization approach: Discounted cash flows and Direct Capitalisation: The valuation model considers the present value of net operating income (NOI) to be generated from the property, taking into account the expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The net income is converted into a value indicator using a direct and or yield capitalization model. The capitalisation rate has been developed using three techniques: extracted from comparable sale, debt coverage method and a band of investment method.	• Expected market rental growth 2.5% • Annualised vacancy and credit loss allowance, 2% - 6% • Market based management fee 3.5% • Operating expense increases, 2.5% • Capitalisation rates – 7% - 10%	The estimated fair value would increase (decrease) if: • expected market rental growth were higher (lower); • void periods were shorter (longer); • the occupancy rate were higher (lower); • rent-free periods were shorter (longer); or • the capitalisation rates were lower (higher).

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

	Consolidated 2018 $000	Consolidated 2017 $000	The Fund 2018 $000	The Fund 2017 $000
18. Property held for development				
Opening carrying value	7,144	13,506	-	-
Transfer to land for resale	-	(6,770)	-	-
Reversal of impairment	2,601	408	-	-
	9,745	7,144	-	-

During the year, an independent valuation of the land held for development was carried out by Colliers International resulting in a reversal of impairment of $2,602,000.

	Consolidated 2018 $000	Consolidated 2017 $000	The Fund 2018 $000	The Fund 2017 $000
19. Cash and cash equivalents				
Cash at bank	564,513	604,311	470,013	532,935
Cash on hand and with agents	34,340	24,653	11,807	15,106
Cash at bank – restricted*	5	2,355	5	2,355
Statutory reserve deposit with RBF**	90,280	70,280	-	-
Exchange settlement account	67,526	117,084	-	-
Short term deposits	29,916	6,180	-	-
	786,580	824,863	481,825	550,396

* Restricted cash account includes grant money received by the Fund from the United Nations Capital Development Fund to fund research into development of strategies and business plans for extending pension benefits to the informal sector.

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

	Consolidated 2018 $000	Consolidated 2017 $000	The Fund 2018 $000	The Fund 2017 $000
20. Trade receivables				
Trade receivables	76,528	76,998	-	-
Unearned income	(1,573)	(1,620)	-	-
Impairment provision	(16,691)	(19,158)	-	-
	58,264	56,220	-	-
Movements on the allowance for impairment are as follows:				
Balance at the beginning of the year	19,158	17,431	-	-
New and increased provisioning	3,309	2,098	-	-
Bad debts written off	(5,721)	(323)	-	-
Provisions released	(55)	(48)	-	-
	16,691	19,158	-	-

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 land line and internet connections. Apart from these, 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 $6,037,000 (2017: $5,924,000).

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

21. Inventories

	Consolidated 2018 $000	Consolidated 2017 $000	The Fund 2018 $000	The Fund 2017 $000
Consumables and finished goods	30,554	24,473	-	-
Allowances for obsolescence	(3,047)	(2,529)	-	-
	27,507	21,944	-	-
Land held for sale	9,487	9,557	-	-
Bus consoles	558	-	-	-
Goods in transit	57	391	-	-
	37,609	31,892	-	-

*Land held for resale comprises of NBRL's completed stage 1 development comprising of 44 residential lots developed that are available for sale in the ordinary course of business. Management anticipates to sell residential lots amounting to $719,581 (2017: $1,770,894) in the next 12 months while the remaining $8,965,127 (2017: $7,786,035) is expected to be sold in more than 12 months.

22. Intangible assets

	Consolidated 2018 $000	Consolidated 2017 $000	The Fund 2018 $000	The Fund 2017 $000
Software costs	14,839	17,053	9,171	10,352
Goodwill on consolidation	141,857	124,972	-	-
Indefeasible rights of use capacity	13,828	14,476	-	-
Spectrum licences	5,479	5,776	-	-
Intangibles - other	87,359	-	-	-
	263,362	162,277	9,171	10,352

Represented by:
Software costs
Cost

	Consolidated 2018 $000	Consolidated 2017 $000	The Fund 2018 $000	The Fund 2017 $000
Balance at the beginning of the year	57,803	55,613	17,125	16,102
Additions during the year	499	2,250	120	1,023
Transfer from property, plant and equipment and investment property	571	709	92	-
Disposals	-	(769)	-	-
Balance at the end of the year	58,873	57,803	17,337	17,125
Amortisation and impairment				
Balance at the beginning of the year	40,750	38,739	6773	5,479
Amortisation charge for the year	3,277	2,776	1,393	1,294
Disposals	-	(765)	-	-
Adjustment	7	-	-	-
Balance at the end of the year	44,034	40,750	8,166	6,773
Carrying amount				
At the beginning of the year	17,053	16,874	10,352	10,623
At the end of the year	14,839	17,053	9,171	10,352

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

22. Intangible assets (continued)	Consolidated 2018	Consolidated 2017	The Fund 2018	The Fund 2017
Goodwill on consolidation	**$000**	**$000**	**$000**	**$000**
Cost				
Balance at the beginning of the year	214,228	208,517	-	-
Additions on business acquisition	16,885	5,711	-	-
Balance at the end of the year	231,113	214,228	-	-
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	124,972	119,261	-	-
At the end of the year	141,857	124,972	-	-

The carrying value of goodwill is comprised of $141,857,000 (net of $89,256,000 of impairment) in relation to the Fund's investment in Amalgamated Telecom Holdings Limited, $5,223,000 in relation to FNPF Hotel Resorts Limited ("FHRL"), $3,401,000 in relation to Vodafone Fiji Limited's investment in Datec (Fiji) Limited and its Subsidiary Company, $5,711,000 in relation to Telecom Vanuatu Limited (TVL) and $16,885,000 in relation to Farleigh Limited.

On 27 March 2017, ATH acquired 100% share holding in TVL for a purchase consideration of $44,108,000. Goodwill of $5,711,000 was recognised as the excess of the consideration transferred over the fair value of net assets of $38,397,000.

On 24 May 2018, FNPF acquired 100% share holding in Farleigh Limited for a consideration of $157,808,000. Goodwill of $16,885,000 was recognised as the excess of the consideration transferred over the fair value of net assets of $140,923,000.

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 2018 of $2.85 (2017: $1.50) less estimated cost to sell. A decrease in ATH's share price by 91 cents would result in im-pairment. The fair value measurement was categorised as a Level 1 fair value based on quoted prices. The carrying amount of the CGU in 2018 was determined to be lower than its recoverable amount of $ 873,900,000 (2017: $368,000,000).

Fair value for FHRL has been determined based on an independent valuation by Colliers International dated 30 June 2018 which has resulted in a recoverable amount of $52,000,000 (2017: $45,000,000) in which the carrying amount of the CGU is higher than the recoverable amount.

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

	Consolidated 2018	Consolidated 2017	The Fund 2018	The Fund 2017
	$000	**$000**	**$000**	**$000**
Indefeasible rights of use capacity				
Cost				
Balance at the beginning of the year	79,157	78,969	-	-
Adjustments	-	(240)	-	-
Additions	1,305	428	-	-
Balance at the end of the year	80,462	79,157	-	-
Amortisation				
Balance at the beginning of the year	64,681	62,901	-	-
Amortisation charge for the year	1,953	1,780	-	-
Balance at the end of the year	66,634	64,681	-	-
Carrying value				
At the beginning of the year	14,476	16,068	-	-
At the end of the year	13,828	14,476	-	-

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

22. Intangible assets (continued)

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

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

	Consolidated		The Fund	
	2018	2017	2018	2017
	$000	$000	$000	$000
Spectrum licences				
Cost				
Balance at the beginning of the year	6,370	6,392	-	-
Addition	-	-	-	-
Adjustment	-	(22)	-	-
Balance at the end of the year	6,370	6,370	-	-
Amortisation				
Balance at the beginning of the year	594	297	-	-
Amortisation charge for the year	297	297	-	-
Balance at the end of the year	891	594	-	-
Carrying value				
At the beginning of the year	5,776	6,095	-	-
At the end of the year	5,479	5,776	-	-

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

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

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

Intangibles - other

Intangible – other includes assets acquired from Farleigh Limited. Under IFRS 3 Business Combinations, where the acquiree is the lessee in an operating lease agreement, a separate intangible asset is recognised by the acquiree in respect of the operating leases acquired in a business combination.

Leasehold Land

This represents leasehold land operating leases of Barton Limited, Dubbo Limited and Denarau Golf & Racquet Club. The fair value of the leasehold land as at 23 May 2018 was assessed as $87 million. The valuation of the leasehold land was determined using the income approach and the market approach.

Operating Lease - ANZ

This represents various operating leases with ANZ Bank including 65 golf carts, 6 passenger carts, 2 in room dinning carts, golf maintenance equipment and 2 motor vehicles with leases of average life between three to five years with no renewal option included in the contract. The lease contract has been measured at its fair value on 23 May 2018 which represents the amount outstanding of $358,796 at balance date in respect of the commitment with ANZ Bank.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

23. Property, plant and equipment – Consolidated

	Freehold Land $000	Leasehold Land $000	Buildings at cost $000	Resort buildings $000	Telecom-munication equipment & plant $000	Capital spares $000	Plant and machinery $000	Office equipment $000	Motor vehicles $000	Furniture & fittings $000	Work in progress $000	Linen $000	Total $000
Cost													
Balance at the beginning of the year	820	53,119	81,700	435,382	760,653	2,002	6,854	71,636	22,872	60,945	16,430	1,572	1,513,985
Disposals	-	-	(3)	(115)	(192)	-	-	(195)	(333)	(2,682)	-	-	(3,520)
Acquisition through business combination	-	-	189,828	-	-	-	-	-	-	8,172	-	-	198,000
Acquisitions	-	114	66	141	34,611	1,901	49	6,638	2,809	2,694	45,398	243	94,664
Reclassification	-	(9,273)	-	-	-	-	(643)	(169)	-	1,351	(1,470)	-	(10,204)
Transfers	-	6,486	3,217	1,724	8,946	-	836	454	37	568	(20,321)	91	2,038
Net foreign exchange movement	-	-	-	-	22	-	-	-	-	-	-	-	22
Balance at the end of the year	820	50,446	274,808	437,132	804,040	3,903	7,096	78,364	25,385	71,048	40,037	1,906	1,794,985
Accumulated impairment													
Balance at the beginning of the year	-	9,411	233	116,943	11,798	477	-	19	-	7,133	650	-	146,664
Impairment for the year/(Reversal)	-	176	58,499	(11,355)	-	258	-	806	309	1,319	-	-	50,012
Balance at the end of the year	-	9,587	58,732	105,588	11,798	735	-	825	309	8,452	650	-	196,676
Accumulated depreciation													
Balance at the beginning of the year	-	1,546	22,929	28,801	483,740	-	4,920	62,147	16,490	31,419	-	630	652,622
Depreciation charge for the year	-	592	1,609	9,084	45,783	-	461	3,449	2,773	5,425	-	614	69,790
Transfers	-	(1,940)	-	-	-	-	(273)	(9)	(3)	(16)	-	-	(2,241)
Disposals	-	-	-	(37)	-	-	-	(181)	(250)	(1,195)	-	-	(1,663)
Balance at the end of the year	-	198	24,538	37,848	529,523	-	5,108	65,406	19,010	35,633	-	1,244	718,508
Carrying amount													
At the beginning of the year	820	42,162	58,538	289,638	265,115	1,525	1,934	9,470	6,382	22,393	15,780	942	714,699
At the end of the year	820	40,661	191,538	293,696	262,719	3,168	1,988	12,133	6,066	26,963	39,387	662	879,801

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

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

(a) Momi Bay Resort Limited (MBRL)

In 2018, an independent valuation of the Momi Bay Resort Limited's property, plant and equipment was carried out by Mr. Chris Bennett (MPINZ), of CIVAS Limited t/a Colliers International resulting in an impairment loss of $66,248,078.

(b) Natadola Bay Resort Limited (NBRL)

In 2009, an impairment loss was recognised based on an independent valuation conducted. In 2018, an independent valuation of the Intercontinental Fiji Golf Resort and Spa and Golf course was carried out by Colliers International resulting in a reversal of impairment (previously recognised against the property) of $15,089,951.

(c) ATH

Based on the impairment assessment performed by Telecom Fiji Limited and Fiji International Telecommunications Limited an impairment amounting to $258,000 has been booked against capital spares during the year ended 31 March 2018.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

23. Property, plant and equipment – The Fund

	Land	Leasehold Land	Buildings at valuation	Office Equipment FNPF	RIF	Motor vehicles	Furniture& fittings FNPF	RIF	Work in Progress	Total
Cost	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Cost										
Balance at the beginning of the year	371	97	9,918	7,816	142	2,138	2,498	44	216	23,240
Transfer to intangible	-	-	-	-	-	-	-	-	(42)	(42)
Additions	-	-	38	1,124	-	-	25	-	1,604	2,791
Disposals	-	-	-	(38)	-	-	-	-	-	(38)
Transfer from investment property	-	-	2,490	167	-	-	-	-	-	2,657
Balance at the end of the year	371	97	12,446	9,069	142	2,138	2,523	44	1,778	28,608
Accumulated depreciation										
Balance at the beginning of the year	-	87	3,412	5,827	81	1,077	1,850	44	-	12,378
Depreciation charge for the year	-	1	174	871	11	398	254	-	-	1,709
Disposals	-	-	-	(38)	-	-	-	-	-	(38)
Balance at the end of the year	-	88	3,586	6,660	92	1,475	2,104	44	-	14,049
Carrying amount										
At the beginning of the year	371	10	6,506	1,989	61	1,061	648	-	216	10,862
At the end of the year	371	9	8,860	2,409	50	663	419	-	1,778	14,559

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

	Consolidated		The Fund	
	2018	2017	2018	2017
	$000	$000	$000	$000
24. Other receivables				
Contributions receivable	8,496	6,226	8,496	6,226
Provision for impairment	(3,440)	(1,792)	(3,440)	(1,792)
	5,056	4,434	5,056	4,434
Other deposits and receivables	136,124	117,959	24,962	24,442
Provision for impairment	(1,174)	(1,180)	(64)	(71)
	134,950	116,779	24,898	24,371
Accrued revenue	1,441	1,821	-	-
	141,447	123,034	29,954	28,805

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.

In 2017, ATH paid Amper SA of Spain and Elandia International Inc. of USA a refundable deposits of USD 30,000,000 (FJD 61,218,243), for the acquisition of BlueSky Group, while the final payment and settlement is awaiting certain consents from the Federal Communication Commission of USA and approvals and waivers from the Committee of Foreign Investments in the United States (CFIUS). As at 30 June 2018, ATH did not have control of Bluesky Group and therefore the payments have been recognised as 'Refundable Deposits' in the financial statements. Upon completion of the transaction, the deposit amount is expected to be transferred to investment in subsidiaries.

	Consolidated		The Fund	
	2018	2017	2018	2017
	$000	$000	$000	$000
Maturity of gross receivables represented as:				
1 to 12 months	68,757	59,301	20,558	17,768
1 to 5 years	77,304	66,705	12,900	12,900
	146,061	126,006	33,458	30,668

Movements in the provisions for impairment are as follows:

	Consolidated		The Fund	
	Contributions receivable	Other	Contributions receivable	Other
	$000	$000	$000	$000
Balance as at 1 July 2016	938	1,139	938	25
New and increased provisioning	854	41	854	46
Provisions reversed	-	-	-	-
Balance as at 30 June 2017	1,792	1,180	1,792	71
New and increased provisioning	1,648	-	1,648	-
Provisions reversed	-	(6)	-	(7)
Balance as at 30 June 2018	3,440	1,174	3,440	64

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

25. Investment income receivable

	Note	Consolidated 2018 $000	Consolidated 2017 $000	The Fund 2018 $000	The Fund 2017 $000
Interest receivable		65,638	55,837	65,332	55,503
Dividend receivable		11,246	7,167	11,246	7,167
Rent receivable		1,217	1,058	1,217	1,058
Provision for impairment		(142)	(96)	(142)	(96)
		1,075	962	1,075	962
Receivable from related parties	35(b)	-	347	31,356	20,420
		77,959	64,313	109,009	84,052

Movements in the provisions for impairment are as follows:

	Consolidated Receivable from related parties $000	Consolidated Rent receivable $000	Fund Receivable from related parties $000	Fund Rent receivable $000
Balance as at 1 July 2016	165	67	-	67
New and increased provisioning	-	36	-	36
Transfer to customer loans	(165)	-	-	-
Provisions reversed	-	(7)	-	(7)
Balance as at 30 June 2017	-	96	-	96
New and increased provisioning	-	46		46
Provisions reversed	-	-	-	-
Balance as at 30 June 2018	-	142	-	142

26. Creditors and borrowings

	Consolidated 2018 $000	Consolidated 2017 $000	The Fund 2018 $000	The Fund 2017 $000
Sundry creditors and accruals	116,836	113,192	13,994	16,497
Bank overdraft	4,492	1,713	-	-
Borrowings	166,636	187,348	-	-
Customer deposits – unsecured	658,803	618,017	-	-
	946,767	920,270	13,994	16,497
Maturity represented as:				
At call	509,674	377,785	-	-
Less than or equal to 3 months	75,003	76,907	13,994	16,497
3 to 12 months	232,206	380,167	-	-
1 to 5 years	96,538	96,213	-	-
Greater than 5 years	46,569	100	-	-
	959,990	931,172	13,994	16,497

The above maturity analysis includes future interest payable. Customer deposits are fixed term and at call deposits with Home Finance Company Limited.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

26. Creditors and borrowings (continued)

Borrowings

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

(a) Term loan – Bank of South Pacific Limited

The loan from Bank of South Pacific Limited was unsecured and subject to competitive interest rate per annum with monthly repayments of $52,000. During the year, the term loan with Bank of South Pacific Limited has been fully paid.

(b) Term loan – Westpac Banking Corporation

The loan facilities from Westpac Banking Corporation are unsecured and subject to competitive interest rate per annum with monthly repayments of $150,800.

(c) Term loan – ANZ Banking Group Limited

In prior year, the holding company obtained a loan from ANZ Banking Group Limited (ANZ) to finance the acquisition of Telecom Vanuatu Limited and to fund the transaction to acquire Amper SA interest in certain subsidiaries of Bluesky Group.

The loan facility from ANZ Banking Group Limited are secured and subject to competitive interest rates.

The term loan is secured by the following:

i) First registered mortgage debentures over all assets and undertakings including uncalled capital and unpaid premiums.
ii) Scrip lien over Government bonds of $16,980,000.
iii) Authority to appropriate and set off term deposit.
iv) Deed of Assignment reassigning of the holding company's 2nd registered charge over certain assets and undertakings of AST Telecom LLC.

Borrowing for acquisition of Telecom Vanuatu Limited

Effective from 27 March 2018, the loan obtained for the purpose of acquisition of Telecom Vanuatu Limited was renegotiated and is now payable on repayments based on notional term of 14 years with remaining debt to be cleared in full. Accordingly, the loan amounting to $44,090,000 which comprised of USD9,500,000 (FJD19,490,000) and FJD24,600,000 has been classified between current and non-current liabilities as at 31 March 2018.

Also, during the year, the holding company converted USD 3,098,000 into FJD out of the USD portion of the loan. Subsequent to balance date, the converted USD 3,098,000 loan (FJD 6,600,000) was fully paid by ATH.

Borrowing for acquisition of Amper SA interest in certain subsidiaries of Bluesky Group

The loan amounting to FJD74,800,00 as at year end comprised of USD30,000,000 and FJD13,400,000 obtained for the purpose of funding the transaction to acquire Amper SA's interest in certain subsidiaries of Bluesky Group. The payments are on interest only basis as bridging finance, therefore, it is classified as current liabilities as at 31 March 2018.

Also, during the year, ATH converted USD6.8m into FJD out of the USD portion of the loan.
Subsequent to balance date, in the month of April and May 2018, the holding company further converted its USD portion of the loan amounting to USD10,000,000 into FJD.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

26 Creditors and borrowings (continued)

Borrowings (continued)

(d) Bank Loan, Bank Overdraft and Finance Lease – ANZ Bank (Kiribati) Limited

Finance lease is for a short term (period of 12 months), subject to market interest rate and repayable by monthly instalments of AUD300,289 (inclusive of interest). During the year, finance lease has been fully paid.

The term loan and bank overdraft from ANZ Bank (Kiribati) Limited is subject to market interest rate and term loans are repayable by monthly instalments of AUD126,097 (inclusive of interest).

The term loan and bank overdraft are secured by the following:

i) Limited Guarantee given by Amalgamated Telecom Holdings Limited to the amount of AUD$9,577,000 plus interest and costs.

ii) First registered mortgage debentures given by Amalgamated Telecom Holdings (Kiribati) Limited being a fixed and floating charge over all present and future assets, undertakings (including goodwill) and unpaid or uncalled capital of that security provider.

iii) Deed of Subordination with ATH (Postponer), Amalgamated Telecom Holdings (Kiribati) Limited and ANZ Banking Group Limited (Bank), covenanting that the loan from Postponer to the subsidiary company will not reduce without prior written consent of the Bank and the Bank has priority to extend the facilities provided.

(e) Bank Loan – ANZ Bank (Vanuatu) Limited

The term loan from ANZ Bank (Vanuatu) Limited is subject to market interest rate with monthly repayments of VUV12,348,545. The term loan is secured by registered equitable mortgage debenture over the subsidiary company's assets.

(f) Bank overdraft and Finance Lease – Westpac Banking Corporation

i) 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.

(g) Bank overdraft and Finance Lease – Westpac Banking Corporation (continued)

ii) Datec (Fiji) Limited, has bank overdraft and finance lease facilities with Westpac Banking Corporation which is secured by:

a) Registered first fixed and floating charge by Datec (Fiji) Limited over all its assets.

b) Undertakings including its uncalled and called but unpaid capital.

c) Letter of Support from Vodafone Fiji Limited.

(h) Bank overdraft – Bred (Vanuatu) Limited

Telecom Vanuatu Limited, has a bank overdraft facility of VUV270,000,000 with Bred (Vanuatu) Limited which is unsecured, and is subject to maintaining certain financial covenants.

(i) Other Bank Facilities – ANZ Banking Group Limited

Telecom Fiji Limited, has an indemnity guarantee and visa business credit card facilities with ANZ Banking Group Limited. These facilities are secured by letter of charge over term deposit funds.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

26 Creditors and borrowings (continued)

Borrowings (continued)

Home Finance Bank

Following the commencement of the commercial banking operation, it is a regulatory requirement for the bank to hold certain amount of funds with Reserve Bank of Fiji to act as a statutory reserve deposit. This resulted in a further injection of $21,000,000 by the shareholders being placed as a debenture at a rate of 3.50% and repayment term is 5 years.

The EXIM loan 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. The bank may obtain this loan from the RBF and on-lend to businesses that meet the criteria at a maximum margin of 4%.

27. Other liabilities

	Consolidated		The Fund	
	2018	**2017**	**2018**	**2017**
	$000	**$000**	**$000**	**$000**
Advance for relocation of telecommunications cable	2,271	4,014	-	-
Deposits	3,821	4,256	1720	1,701
Government Grant	6,459	6,459	-	-
Provision for amortisation	(6,379)	(6,334)	-	-
Deferred revenue	20,375	20,953	751	500
Dividends payable	20,436	26,435	-	-
Finance lease liabilities	252	273	-	-
Other payables	52,107	15,566	1,051	948
	99,342	71,622	3,522	3,149

Telecom Fiji Limited received $6,273,091 (VEP) during the financial year (2017:$6,273,091) for relocation of underground and overhead telecommunication cables for the Nadi and Suva road upgrading project. As at balance date, the relocation of underground and overhead telecommunication cables work is currently in progress and TFL has incurred costs of $4,001,655 (2017: $2,259,138) which have been offset against the advance received.

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

The non-current portion of the other liabilities amounts to $80,000 which relates to deferred government grants. The remaining liabilities have a contractual maturity of less than 12 months.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

28. Employee entitlements

	Consolidated		The Fund	
	2018	**2017**	**2018**	**2017**
	$000	**$000**	**$000**	**$000**
Annual leave	4,102	2,062	1,534	731
Long service leave and gratuity	1,557	361	380	237
Redundancy	-	1,293	-	1,293
Retirement benefit	2,002	8,315	-	-
Bonus	5,274	4,490	-	-
	12,935	16,521	1,914	2,261
As at 1 July	16,521	7,215	2,261	1,014
Additional provisions recognised	4,447	15,873	2,144	2,577
Paid during the year	(8,033)	(6,606)	(2,491)	(1,330)
Provisions no longer required	-	39	-	-
Carrying amount as at 30 June	12,935	16,521	1,914	2,261
Current	10,411	13,926	1,534	2,024
Non-current	2,524	2,595	380	237
Total	12,935	16,521	1,914	2,261

(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

		Consolidated		The Fund	
	Note	**2018**	**2017**	**2018**	**2017 (Restated)[1]**
		$000	**$000**	**$000**	**$000**
Net assets available to pay benefits		6,208,160	5,504,219	6,612,735	5,821,816
Represented by:					
Liability for accrued benefits	31(a)	5,225,622	4,640,216	5,225,622	4,640,216
Accumulated losses	29 (a)	(60,603)	(40,097)	-	-
Reserves	29 (b)	1,210,337	1,071,614	1,387,113	1,181,600
Credit loss reserve	29 (c)	5,470	5,470	-	-
Foreign currency translation reserve	29 (d)	(670)	(988)	-	-
Other equity reserve	37	(171,996)	(171,996)	-	-
		6,208,160	5,504,219	6,612,735	5,821,816
(a) Accumulated losses					
Balance at the beginning of the year		(40,097)	(16,638)	-	-
Add transfers from income statement		(20,506)	(23,459)	-	-
Balance at the end of the year		(60,603)	(40,097)	-	-

[1]Refer note 16

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

29. Net assets available to pay benefits (continued)

(b) Reserves

	Consolidated		The Fund	
	2018	**2017**	**2018**	**2017 (Restated)[1]**
	$000	**$000**	**$000**	**$000**
Balance at the end of the year	1,210,337	1,071,614	1,387,113	1,181,600
Reserves comprise the following:				
Special death benefit fund reserve	37,511	32,620	37,511	32,620
Retirement income fund reserve	310,462	298,995	310,462	298,995
FNPF reserve	862,364	739,999	1,039,140	849,985
	1,210,337	1,071,614	1,387,113	1,181,600

Special death benefit fund, Retirement income fund and FNPF reserves include investment and solvency reserves.

The movements in the reserves are as follows:

	Notes	Consolidated 2018	Consolidated 2017	The Fund 2018	The Fund 2017
Special death benefit fund reserve					
Balance at the beginning of the year		32,620	28,686	32,620	28,686
Add/(less) transfers from/(to) member benefits:					
Transfer from		11,430	10,993	11,430	10,993
Transfer to		(8,760)	(8,919)	(8,760)	(8,919)
Transfer from income statement - current year investment returns	32	2,221	1,860	2,221	1,860
Balance at the end of the year		37,511	32,620	37,511	32,620

The amounts transferred to the Special Death Benefit Fund Reserve of $11,430,000(2017: $10,993,000) represent deductions of $35 (2017: $35) or less from the accounts of each entitled member.

The amounts transferred from the Special Death Benefit Fund Reserve of $8,760,000 (2017: $8,919,000) represent disbursements to the nominees of those members who died during the year of $8,500 (2017: $8,500) per member. These disbursements are in addition to the accumulated amounts owing to the deceased member.

	Notes	Consolidated		The Fund	
		2018	**2017**	**2018**	**2017**
		$000	**$000**	**$000**	**$000**
Retirement income fund reserve					
Balance at the beginning of the year		298,995	287,428	298,995	287,428
Add/(less) transfers from/(to) member benefits:					
Transfer from		10,423	11,760	10,423	11,760
Transfer to		(23,782)	(24,314)	(23,782)	(24,314)
Transfer from income statement - current year investment returns	32	24,826	24,121	24,826	24,121
Balance at the end of the year		310,462	298,995	310,462	298,995

The amount transferred to the Retirement Income Fund Reserve of $10,423,000 (2017: $11,760,000) represents pension income during the year. The amounts transferred from the Retirement Income Fund Reserve of $23,782,000 (2017: $24,314,000) represent pension annuities to pensioners whilst amounts transferred to the Retirement Income Fund Reserve during the year of $24,826,000 (2017: $24,121,000) represents investment returns after allowing for operating expenses of $373,000 (2017: $270,000).

[1]Refer note 16

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

29. Net assets available to pay benefits (continued)

(b) Reserves (continued)

	Notes	Consolidated 2018 $000	Consolidated 2017 $000	The Fund 2018 $000	The Fund 2017 (Restated)[1] $000
FNPF reserve					
Balance at the beginning of the year		739,999	676,534	849,985	723,613
Add transfers from income statement	32	147,842	63,465	214,632	126,372
Less transfers to liability due to members		(25,477)	-	(25,477)	-
Balance at the end of the year		862,364	739,999	1,039,140	849,985
(c) Credit loss reserve					
Balance at the beginning of the year		5,470	5,150	-	-
Movements during the year		-	320	-	-
Balance at the end of the year		5,470	5,470	-	-
(d) Foreign currency translation reserve					
Balance at the beginning of the year		(988)	(1,392)	-	-
Currency translation differences arising during the year		437	552	-	-
Less non-controlling interests		(119)	(148)	-	-
Balance at the end of the year		(670)	(988)	-	-

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

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

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

The allocation of contributions is set out below:

	SDBF $000	RIF $000	FNPF $000	All funds $000
2018				
Member contributions, net	-	-	588,425	588,425
SDB premiums	11,430	-	-	11,430
	11,430	-	588,425	599,855
Purchase of annuities	-	10,423	-	10,423
Total	11,430	10,423	588,425	610,278

	SDBF $000	RIF $000	FNPF $000	All funds $000
2017				
Member contributions, net	-	-	535,244	535,244
SDB premiums	10,993	-	-	10,993
	10,993	-	535,244	546,237
Purchase of annuities	-	11,760	-	11,760
Total	10,993	11,760	535,244	557,997

[1]Refer note 16

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

29. Net assets available to pay benefits (continued)

(f) Payments to beneficiaries

	SDBF $000	RIF $000	FNPF $000	All funds $000
2018	8,760	23,782	315,056	347,598
2017	8,919	24,314	280,652	313,885

Total benefits paid, excluding pension annuity relating to RIF, amounted to $323,816,000 (2017:$ 289,571,000).

The breakdown of payments is as follows.

Benefit type	**2018 $000**	**2017 $000**
1 55 years and over	143,981	137,306
2 Death	22,490	21,962
3 Disability	4,827	4,555
4 Migration	25,526	28,223
6 Non-Citizens migrating	7,785	7,956
Small accounts	2,210	302
7-8 Partial	63,771	47,500
9 Housing transfers	44,234	32,848
Fees deducted from members accounts	232	-
Total	315,056	280,652

Total benefits exclude $10,423,000 (2017: $11,760,000) being the amount transferred from FNPF to RIF in respect of FNPF members purchasing annuities.

	2018 $000	**2017 $000**
The breakdown of payments from RIF is:		
1 - Sole life annuity	11,497	11,456
2 - Joint life annuity	5,941	5,717
3 - Term annuity	1,261	1,775
4 - Top up pension (in respect of pre March 2012 pensioners)	4,822	5,022
5 - Commutation	261	344
	23,782	24,314

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 Act

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

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

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 Act also provides that the Board must allocate to RIF and SDBF sufficent 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 SDBF are currently in force and no transfer from FNPF is envisaged in the foreseeable future.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

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

(a) FNPF	Notes	2018 $000	2017 Restated $000
Balance at the beginning of the year		4,640,216	4,127,335
Add transfers from General Reserve		25,477	-
Net movement during the year	31(a)ii	559,929	512,881
Balance at the end of the year		5,225,622	4,640,216
(i) Allocation of Benefits			
Allocated to Members' Accounts		5,214,545	4,632,468
Unallocated to Members' Accounts		11,077	7,748
		5,225,622	4,640,216
Solvency requirement of 10% of member accounts		522,562	464,022
Other		516,578	385,963
FNPF reserve	29(b)	1,039,140	849,985
Net assets at end of year		6,264,762	5,490,201

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	2018 $000	2017 $000
(ii) Benefits accrued during the year			
Contributions received		599,855	546,237
Benefits paid	29(f)	(323,816)	(289,571)
Interest credited on members' accounts		296,983	270,049
Net amounts transferred from:			
Special Death Benefit Reserve			
	29(b)	(2,670)	(2,074)
Transfer to Retirement Income Fund	29(b)	(10,423)	(11,760)
		559,929	512,881

The Board declared an annual interest rate for 2018 of 6.35% to be credited to members' accounts as at the reporting date (2017: 6.35%).

	Notes	2018 $000	2017 $000
(iii) Movement in liability:			
Liability at beginning of year		4,640,216	4,127,335
Net contributions	29(e)	588,425	535,244
Benefits paid (including annuity purchase)	29(f)	(325,479)	(292,412)
Interest allocated to members		296,983	270,049
Transfer from General Reserve		25,477	-
Liability at end of year		5,225,622	4,640,216

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

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

(b) RIF

	2018 $000	2017 $000
Liability for future annuity payments	230,903	231,185
Solvency reserve	79,559	67,810
Net assets	310,462	298,995
Movement in liability		
Liability at start of year	231,185	230,698
New purchases	10,423	11,760
Expected reduction for year	(10,135)	(12,064)
Model and asumption changes and variation in experience	(570)	791
Liability at end of year	230,903	231,185

The actuarial present value of RIF annuitant liabilities determined on a basis consistent with Government Bonds being recorded at face value has been calculated as $230,903,000 (2017: $231,185,000). The valuation was carried out by Mr Peter Colin Martin, Fellow of the Institute of Actuaries of Australia, in compliance with International Standard of Actuarial Practice No. 2 issued by the International Actuarial Association. The annual benefits payable from the RIF together with assumed expenses are projected year by year, allowing for expected life annuitant deaths and completion of term annuities and guaranteed payments, until all benefits in respect of annuitants in force at the valuation date have been paid. The asset cashflows arising from RIF investments (Fiji government bonds and cash) are projected year by year, allowing for reinvestment of those cashflows not required to immediately finance annuity payments at an assumed market rate of interest. The proportion of RIF asset cashflows which, together with assumed reinvestment interest, is just sufficient to meet all projected annuity payment obligations and expenses as they fall due is then applied to the face value of RIF investments at the valuation date to determine a liability value.

The main assumptions used for the purpose of the calculation are as follows:

(i) Mortality for life annuitants in accordance with World Health Organisation 2008 Fiji population life tables, assuming a 1% per annum reduction in both male and female rates continuously from 2012 and set back one year (2017: 1% per annum from 2011);

(ii) Fiji government bonds will be redeemed at the earliest opportunity; that is, up to 4 years before maturity.

(iii) An average long run market rate of reinvestment of RIF asset cashflows of 5.2% per annum over the term of the current annuities.

(iv) A continuous liquidity allowance of one year's worth of annuity payments which does not attract interest.

(v) An allowance for RIF expenses of 5% of annuity payments from time to time (2017: 0.5% per annum of assets allocated to liabilities)

The calculated proportion of RIF asset cashflows was 74.4%. This means that 74.4% of each RIF asset cashflow, together with interest at the assumed reinvestment rate, is calculated to be just sufficient to meet the projected in force annuity payments and expenses as they fall due.

The liability assuming a reinvestment rate of return 50bp lower (4.7% per annum) is calculated as $234,055,000 (75.4% of the face value of RIF investments). The liability assuming a reinvestment rate of return 50bp higher (5.7% pa) is calculated as $228,031,000 (73.5% of the face value of RIF assets).

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

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

(c) SDBF

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.

	2018	2017
	$000	$000
Liability for claims incurred but not reported (IBNR)	3,554	3,987
Provision for mortality fluctuation	4,818	4,905
Catastrophe reserve	29,139	23,728
Net assets	37,511	32,620

32. Net profit for the year

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

	2018	2017
	$000	$000
		(Restated)[1]
Profit for the year attributable to members of the Fund	538,662	422,402
Allocated to:		
Liability for accrued benefits	(296,983)	(270,049)
Special death benefit fund reserve	(2,221)	(1,860)
FNPF reserve	(214,632)	(126,372)
Retirement income fund reserve	(24,826)	(24,121)
	(241,679)	(152,353)
	(538,662)	(422,402)

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	2018	2017	2018	2017
		$000	$000	$000	$000
Cash and cash equivalents	19	696,300	754,583	481,825	550,396
Bank overdraft	26	(4,492)	(1,713)	-	-
Cash and cash equivalents at end of financial year		691,808	752,870	481,825	550,396

Statutory Reserve Deposits with the Reserve Bank of Fiji amounting to $90,280,000 (2017: $70,280,000) (Note 19) represents mandatory reserve deposits and are not available for use in the Bank's day to day operations and therefore are not part of cash and cash equivalents.

(b) Cash flows presented on a net basis

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

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

[1]Refer to note 16

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

34. Commitments and contingent liabilities

(a) Commitments

	Consolidated		The Fund	
	2018	2017	2018	2017
	$000	$000	$000	$000
Capital expenditure commitments	134,943	61,370	5,970	-
Undrawn facilities in relation to mortgage loans	82,819	11,906	36,539	3,456
	217,762	73,276	42,509	3,456
(b) Contingent liabilities				
Performance bonds	-	2,940	-	-
Litigation	5,401	456	372	456
Guarantees	1,298	1,373	-	-
	6,699	4,769	372	456
(c) Operating lease commitments				
Total commitments for non-cancellable future lease rentals are payable as follows:				
Not later than 1 year	9,387	9,882	-	-
Later than 1 year but not later than 5 years	15,820	14,521	-	-
Greater than 5 years	55,521	54,500	-	-
	80,728	78,903	-	-
(d) Finance lease commitments				
Total finance lease commitments contracted are payable as follows:				
Not later than 1 year	159	2,901	-	-
Later than 1 year but not later than 5 years	228	370	-	-
Future finance charges	(20)	(47)	-	-
	367	3,224	-	-
(e) Operating lease revenue				
Non cancellable operating lease rentals are receivable as follows:				
Not later than 1 year	13,861	13,212	12,199	12,458
Later than 1 year but not later than 5 years	20,519	19,203	18,533	18,587
Greater than 5 years	4,451	2,476	4,451	2,476
	38,831	34,891	35,183	33,521

(f) Sponsorship agreement with Fiji Rugby Union

On 13 November 2017, VFL has 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 certain properties under the control of FRU, including the Kaji Tournament and the Under 20s Team on an exclusive basis to VFL. VFL has agreed to the acquisition of such sponsorship rights to be solely for VFL which include corporate entities for sponsorship in cash and sponsorship in kind for a period of 5 years.

(g) Sponsorship agreement with Fiji Football Association

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

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

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

34. Commitments and contingent liabilities (continued)

(h) Sponsorship agreement with Fiji National Rugby League Limited

On 25 January 2018, VFL entered into a sponsorship agreement with Fiji National Rugby League Limited.

As per the terms of the agreement, Fiji National Rugby League (FNRL) has granted sponsorship rights in respect to its events, including the Fiji Bati team, Vodafone Cup Tournament, and Primary and Secondary School rugby events on an exclusive basis to VFL. VFL has agreed to the acquisition of such sponsorship rights to be solely for VFL for sponsorship in cash and sponsorship in kind for a period of 4 years.

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

.

35. Related parties

(a) Board members

The Board members of the Fund during the year were:
Mr Ajith Kodagoda (Chairman)
Mr Tevita Kuruvakadua
Ms. Makereta Konrote
Ms. Bhavna Narayan (Resigned 18 September 2017)
Mr. Sanjay Kaba

(b) Transactions with related parties

	Consolidated		The Fund	
	2018 $000	2017 $000	2018 $000	2017 $000
Directors*				
Directors remuneration - fees and allowances	50	69	41	59
Other services provided to the Fund	15	33	15	33
	65	102	56	92

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

*Directors remuneration includes amounts paid to the directors of the Fund and its subsidiary companies. No remuneration is paid to Mr. Ajith Kodagoda, Mr. Sanjay Kaba and Mr. Sashi Singh (HFC). Remuneration for Mr. Taito Waqa (ATH Group) is paid directly to the Ministry of Labour.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

35. Related parties (continued)

(b) Transactions with related parties (continued)

Key management personnel

In addition to the directors, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly (whether executive or otherwise) of that entity. During the reporting period the following persons were the executives identified as key management personnel, with the greatest authority and responsibility for the planning, directing and controlling of activities:

- Mr. Jaoji Koroi – Chief Executive Officer (appointed 9/03/2018)
  – Chief Operating Officer (from 22/01/2016 – 8/03/2018)
- Mr. Viliame Vodonaivalu – Chief Investment Officer (appointed 14/08/2017)
- Mr. Pravinesh Singh – Chief Financial Officer
- Mr. Uday Singh – General Manager Governance & Risk
- Mr. Ravinesh Krishna – General Manager Human Resources
- Mr. Alipate Waqairaiwai – General Manager Member Services
- Mr. Tevita Nagataleka – General Manager Prime Services (resigned 18/10/2017)
- Ms. Millie Low – General Manager Business Transformation (appointed 03/10/2017)
- Mr. Sitiveni Nabuka – Acting Chief Information Technology Officer
- Mr. Ivan Fong – General Manager (ATH)
- Mr. Rakesh Ram – Chief Executive Officer (HFC - appointed 22/01/2018)
- Mr Raj Sharma - Acting Chief Executive Officer (HFC - 09/02/2017 – 21/01/2018)

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

	Consolidated		The Fund	
	2018	2017	2018	2017
	$000	$000	$000	$000
Short-term benefits	2,295	1,718	1,425	1,147

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

Transactions with other related parties

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

	Consolidated		The Fund	
	2018	2017	2018	2017
	$000	$000	$000	$000
Interest income				
The amount of interest income received from related parties during the year is as follows:				
ATH Limited	-	-	17	112
Vodafone Fiji Limited	-	-	-	26
Telecom Fiji Limited	-	-	2	12
Home Finance Company Limited	-	-	3,663	2,900
Natadola Bay Resort Limited	-	-	7,341	7,488
FNPF Hotel Resorts Limited	-	-	435	464
Yatule Beach Resort Limited	-	-	127	141
Momi Bay Resort Limited	-	-	8,482	7,054
Farleigh Limited	-	-	428	-
Barton Limited	-	-	193	-
	-	-	20,688	18,197

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

35. Related parties (continued)

(b) Transactions with related parties (continued)

Transactions with other related parties (continued)

Rental income

The amount of rental income received from related parties during the year is as follows:

	Consolidated		The Fund	
	2018	2017	2018	2017
	$000	$000	$000	$000
ATH Limited	-	-	63	63
Vodafone Fiji Limited	-	-	828	714
Telecom Fiji Limited	-	-	814	693
Home Finance Company Limited		-	806	596
	-	-	2,511	2,066
Dividend from subsidiaries				
The amount of dividend received from subsidiaries during the year is as follows:				
ATH Limited	-	-	13,798	18,397
Home Finance Company Limited	-	-	6,185	3,500
Vodafone Fiji Limited	-	-	22,050	19,600
Fiji Hotel Resorts Limited	-	-	2,500	1,500
	-	-	44,533	42,997
Other receivables from related parties include:				
ATH Limited	-	-	6,133	12,265
Home Finance Company Limited	-	-	6,185	6,655
Vodafone Fiji Limited	-	-	16,538	-
Hotel Resorts Limited	-	-	2,500	1,500
Other related parties of the group	-	347	-	-
	-	347	31,356	20,420
Less : provision for impairment	-	-	-	-
	-	347	31,356	20,420

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

	2018	2017
	$000	$000
Natadola Bay Resort Limited	293,624	295,546
Momi Bay Resort Limited	121,807	118,975
FNPF Hotel Resorts Limited	6,764	7,485
Telecom Fiji Limited	-	145
Amalgamated Telecom Holdings Limited	-	2,243
FNPF Nominees Limited	98	98
Home Finance Company Limited	3,388	7,770
Yatule Beach Resort Limited	2,668	9,872
Farleigh Limited	82,217	-
Barton Limited	36,975	-
	547,541	442,134
Less : provision for impairment	(114,024)	(145,968)
	433,517	296,166

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

35. Related parties (continued)

(b) Transactions with related parties (continued)

Transactions with other related parties (continued)

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 2011. The loan agreements for these loans were executed as at 30 June 2014. There has been no change in the interest rate during the current year. Interest charged by FNPF in the current financial year is $$7,340,545 (2017: $7,621,046). The loans were restructured effective from 1 August 2011 as follows:

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

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

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. Cown lease 16833
   v. Cown lease 7491
   vi. Crown Lease 559677, Lot 24, DP 4724;
   vii. Crown Lease 559662, Lot 32, DP 4724;
   viii. Approval Notice LD Ref 4/11/710, Lot 27, DP 4724;
   ix. Approval Notice LD Ref 4/11/711, Lot 28, DP 4724;
   x. Approval Notice LD Ref 4/11/703A, Lot 33, DP 4724;
   xi. Approval Notice LD Ref 4/11/732, Lot 30, DP 4724;

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

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

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

35. Related parties (continued)

(b) Transactions with related parties (continued)

Transactions with other related parties (continued)

Telecom Fiji Limited (TFL)

During the year, term loan with Fiji National Provident fund was fully paid off.

The term loan is secured by:

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

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

Vodafone Fiji Limited (VFL)

In March 2006, Vodafone Fiji Limited entered into a lease agreement with the Fund for its head office. The term of the lease was for 10 years beginning from the date of occupation and ending in March 2016, with right of renewal for a further two 10 year terms. The lease agreement review process for additional term has been completed with the terms and conditions agreed between FNPF and Vodafone.

FNPF Hotel Resorts Limited (FHRL)

The Fund disbursed a loan of $8,000,000 to FHRL in 2016. The loan is for a period of 10 years at 6% interest per annum with quarterly repayments of principal and interest of $289,219.

Momi Bay Resort Limited

The loan of $120,000,000 was approved by FNPF Board on 30/7/2015 for a term of 25 years at the rate of 7% p.a fixed for 3 years. In the loan term there is a moratorium period of 2 years, Interest Only period of 1 year with principal and interest repayment over a term of 22 years. Monthly interest only repayment on the loan commenced from October 2017, with monthly principal and interest repayment to start from October 2018.

The MBRL Board approved $110m with the additional $10,000,000 to be drawn should the need arise.

The loan is secured by:

(i) First registered Mortgage over Development Lease – LD Ref:60/782-3

(ii) First registered Mortgage over a portion of Freehold Land described as DP. 10698

(iii) First registered Debenture over all assets of Momi Bay Resort Limited

(iv) Other conditions of the Loan Agreement remains in full force and effect

Equitable mortgage over the bank accounts of the borrower and assignment of income arising out of the Hotel operation to be effective when arrears of obligations are outstanding

Farleigh Limited

FNPF entered into a Share Sale Deed with Marriott International, Inc. and Fiji Cayman Holdings for the acquisition of the 100% shares in Farleigh Limited, the Holding Company for $157,808,000 which was made up of Debt and Equity. The debt novated under Farleigh Limited to the Fund amounted to $82,220,000. The interest rate on the loan is 5.00% p.a fixed for 3 years, with the loan maturing on 24 May 2033. The loan is payable on quarterly basis amounting to $1,955,932 inclu-sive of interest and principal.

The loan is secured by:

(i) First Registered Mortgage over NL 13796 described as Lot 1, Denarau Island being the Westin property.

(ii) First registered Mortgage over State Lease No. 13451 described as Lots 1, 2 and 3 on SO.3705 being the Golf Course & Racquet Club.

(iii) First registered Mortgage over State Lease No. 19370 described as Lot 9 on SO.5005 being Dump Site and ponds.

(iv) First registered Mortgage over State Lease No. 19371 described as Lot 7 on SO.5005 being the residential dwelling.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

35. Related parties (continued)

(b) Transactions with related parties (continued)

Transactions with other related parties (continued)

Barton Limited

The debt novated under Barton Limited amounted to $36,980,000 as part of the Starwood Properties acquisition. The interest rate on the loan is fixed at 5.00% for 3 years, with the loan maturing on 24 May 2033.The loan is payable in quarterly repayment of $879,644 inclusive of interest and principal.

The loan is secured by:

(i) First Registered Mortgage over NL.14619 described as Lot 2 on SO.4946 being the Sheraton Property.

(ii) First Registered Debenture over all the assets and undertakings of Barton Ltd.(This is a fixed and floating charge over all present and future assets, undertakings (including goodwill) and unpaid /uncalled capital of the company.

Home Finance Company Limited (HFC)

As at reporting date, HFC had a Debenture loan balance of $3,400,000. This loan was disbursed in 2014 for a term of 5 years at 3.50%. No new loans were disbursed to HFC during the financial year. Undistributed dividend for FY 2016 and FY 2017 amounting to $5,076,582 was reinvested as capital injection in FY 2018.

(c) Group enterprises – significant subsidiaries

	Principal place of business	Ownership Interest	
		2018	2017
Amalgamated Telecom Holdings Limited*	Fiji	73%	73%
- Telecom Fiji Limited*			
- Fiji Directories Limited*			
- Vodafone Fiji Limited*			
- Datec (Fiji) Limited*			
- Datec Australia Pty Limited*	Australia		
- Telecom Services Kiribati Limited*	Kiribati		
- FINTEL*	Fiji		
- Telecom Vanuatu Limited*	Vanuatu		
Home Finance Company Limited*	Fiji	75%	75%
FNPF Holdings (PNG) Limited*	PNG	100%	100%
FNPF Nominee Company Limited*	Fiji	100%	100%
Farleigh Limited	Fiji	100%	-
Momi Bay Resorts Limited	Fiji	100%	100%
Natadola Land Holding Limited	Fiji	-	100%
Yatule Beach Resort Limited	Fiji	100%	100%
Natadola Bay Resort Limited	Fiji	100%	100%
FNPF Hotel Resorts Limited	Fiji	100%	100%
Dareton Limited*	Fiji	100%	100%

* Not audited by KPMG

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.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

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 2018

	ATH $(000) 31 March 2018	HFC $(000) 30 June 2018	Intra-group eliminations $(000)	Total $(000)
NCI percentage	**27%**	**25%**		
Non-current assets	429,248	680,150		
Current assets	260,199	275,614		
Non-current liabilities	(90,502)	(75,789)		
Current liabilities	(250,612)	(778,714)		
Net assets	**348,333**	**101,261**		
Carrying amount of NCI	94,050	25,315	(15,019)	104,346
Revenue	487,330	48,081		
Profit	96,648	11,781		
OCI	437	-		
Total comprehensive income	**97,085**	**11,781**		
Profit allocated to NCI	31,722	2,945	(13,946)	20,721
OCI allocated to NCI	2	-		2
Cash flow from operating activities	130,582	20,979		
Cash flow used in investment activities	(74,585)	(25,468)		
Cash flow from/(used in) financing activities (dividends to NCI: $19,600,000)	(58,446)	(6,484)		
Net increase in cash and cash equivalents	**(2,449)**	**(10,973)**		

30 June 2017

	ATH $(000) 31 March 2017	HFC $(000) 30 June 2017	Intra-group eliminations $(000)	Total $(000)
NCI percentage	**27%**	**25%**		
Non-current assets	464,369	573,377		
Current assets	170,944	253,877		
Non-current liabilities	(65,768)	(59,481)		
Current liabilities	(277,064)	(676,815)		
Net assets	**292,481**	**90,958**		
Carrying amount of NCI	78,970	22,740	(12,587)	89,123
Revenue	414,720	48,081		
Profit	85,266	7,698		
OCI	552	-		
Total comprehensive income	**85,818**	**7,698**		
Profit allocated to NCI	31,044	1,925	(16,080)	16,889
OCI allocated to NCI	5	-		5
Cash flow from operating activities	132,590	45,394		
Cash flow used in investment activities	(167,391)	(5,903)		
Cash flow from/(used in) financing activities (dividends to NCI: $24,420,000)	53,854	(4,232)		
Net increase in cash and cash equivalents	**19,053**	**35,259**		

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

37. Acquisition of Non-Controlling Interest in Subsidiary

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

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

As described in note 2.3, the acquisition of additional interest in ATH is accounted for as a transaction between shareholders and as such the accounting and disclosure requirements of IFRS 3 Business Combinations do not apply to this transaction.

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

Consideration transferred	
	$000
Cash	74,019
Identifiable assets acquired and liabilities assumed (100%)	
Property, plant and equipment	273,271
Intangible assets	28,654
Deferred tax asset	3,889
Trade and other receivables	64,309
Held to maturity investments	55,436
Inventories	18,905
Cash and cash equivalents	21,110
Borrowings	(40,581)
Trade and other payables	(118,415)
Current tax liability	(1,759)
Deferred tax liability	(21,472)
Provisions	(6,101)
	277,246
Less non-controlling interests	(47,131)
Total identifiable net assets acquired	**230,115**

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

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

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

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 $160,000,000 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 %.

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%)	
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)
Total identifiable net assets acquired	**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 National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

38. Acquisition of subsidiary companies

Telecom Vanuatu Limited

On 27 March 2017, the holding company, acquired 100% share holding in Telecom Vanuatu Limited, incorporated and domiciled in Vanuatu for a purchase consideration of FJD 44,107,798. The fair values of the identifiable assets and liabilities of Telecom Vanuatu Limited at the date of acquisition were (for recording of transaction and for the purpose of calculation of goodwill, 31 March 2017 was assumed to be the effective date of transaction):

Assets	**FJD'000**
Cash in hand and at bank	9,773
Property, plant and equipment	55,756
Inventories	2,405
Trade and other receivables	6,278
Total assets	**74,212**
Liabilities	
Trade payable and other liabilities	2,055
Interest bearing borrowing	25,445
Provision	8,315
Total liabilities	**35,815**
Net book value of identifiable assets	**38,397**
Purchase consideration paid for 100% equity	44,108
Goodwill on acquisition (Note 16a)	**5,711**
Net cash outflow from the acquisition	**34,335**

(i) Upon acquisition of Telecom Vanuatu Limited, management carried out a detailed assessment of carrying value of network and related equipment. Based on the assessment carried out by the management, an amount of FJD 4,480,000 of impairment was recognised in the books of Telecom Vanuatu Limited as at 31 March 2017.

(ii) The fair value of property, plant and equipment includes an increment of $17,612,684 at a consolidation level as part of allocation of purchase consideration, based on independent valuation of the properties conducted by Vanuatu Property Valuations Limited on 28 March 2017 and 3 April 2017. Management believes that this valuation is appropriately reflective of the conditions which existed as at 27 March 2017.

(iii) The goodwill is attributable mainly to the management structure of Telecom Vanuatu Limited together with the telecommunication industry in which it operates. It is one of the major operators of indirect distribution network, fixed line phones and mobile phone network in Vanuatu, a developing market with potential for further organic growth and synergies. The synergies are expected to be achieved from integrating the company into the group existing telecommunication business. None of the goodwill recognised is expected to be deductible for tax purpose.

(iv) During the acquisition process, the previous shareholders' loan was refinanced through the loan obtained from ANZ Vanuatu Limited by Telecom Vanuatu Limited.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

38. Acquisition of subsidiary companies (continued)

Farleigh Limited

On 24 May 2018, FNPF acquired 100% share holding in Farleigh Limited (the holding company) from Fiji Caymans Holdings for a consideration of $157,808,000. FNPF acquired Farleigh Limited as part of its growth and diversification strategy to increase their footprint in the tourism sector in order to enhance the return on its member's funds. Farleigh Limited owns the Sheraton Fiji Resort, the Westin Denarau Island Resort and Rylestone Limited- an entity which owns the Denarau Golf and Racquet Club and the Residential Villas. The shares purchased comprised of 70 preference shares and 3 ordinary shares. Goodwill of $16,855,000 was recognised as the excess of the consideration transferred over the fair value of net assets of $140,923,000. The fair values of the identifiable assets and liabilities of Farleigh Limited at the date of acquisition were:

Assets	**$000**
Cash on hand and bank	11,292
Property, plant and equipment	198,000
Intangible assets	87,359
Inventories	409
Trade and other receivables	6,240
Income tax receivable	208
Deferred tax assets	7,976
Investment in associates	41
Total Assets	**311,525**
Liabilities	
Trade and other liabilities	15,553
Borrowings from Fiji National Provident Fund	119,247
Employee benefits	1,844
Deferred tax liabilities	33,958
Total liabilities	**170,602**
Net book value of identifiable assets as at 24th May 2018 (100%)	**140,923**
Purchase consideration paid for 100% equity	157,808
Goodwill on acquisition (note 22)	**16,885**
Net cash outflow from the acquisition	**146,516**

The goodwill is mainly attributed to the Marriott brand name, resort locations of Farleigh Limited's subsidiaries (Sheraton Fiji Resort, the Westin Denarau Island Resort and Rylestone Limited) and customer loyalty. Its subsidiaries are amongst the major resort operators on Denarau Island, Fiji, with potential for further growth and synergies. None of the goodwill recognized is expected to be deductible for tax purposes.

Acquisition related cost amounted to $8,310,000 (included in investment expenses in the Fund's income statement for the year ended 30 June 2018).

Following acquisition of Farleigh Limited and its subsidiaries, Ratu Joseva Vatunitu & Ors has filed a Civil Action against TLTB, Fiji Cayman Limited and FNPF [Suva High Court Civil Action No. 55 of 2018], for unjust enrichment and claims for loss of entitlement under iTaukei lease (Sheraton land) as a result of the Sale and Purchase of the shares under Barton Limited and Dubbo Limited from Fiji Cayman Limited. A writ of Summons has been served to the Fund and the Fund has responded with a Statement of Defence. Parties to the proceedings are awaiting a court date to be given by the Court. At this stage, an amount has not been quantified by the Fund's legal team in relation to a reasonable probability of outflow of resources embodying economic benefits. This has not been recognized in the acquisition accounting in accordance with IFRS 3 as it is a possible obligation whose existence will be confirmed only by the occurrence or non-occurrence of one of more uncertain future events not wholly within the control of the entity.

Fiji National Provident Fund and its subsidiaries
Notes to and forming part of the financial statements
For the year ended 30 June 2018

39. Events Subsequent to the Balance Date

On 22 May, 2018, FNPF Board approved the acquisition of the remaining 75% shares of GPH from National Superannuation Fund and CGA Property Limited from Papua New Guinea (PNG). The Sale and Purchase Agreement was signed on 6 July 2018, with completion of the acquisition to be done by 31 December 2018.

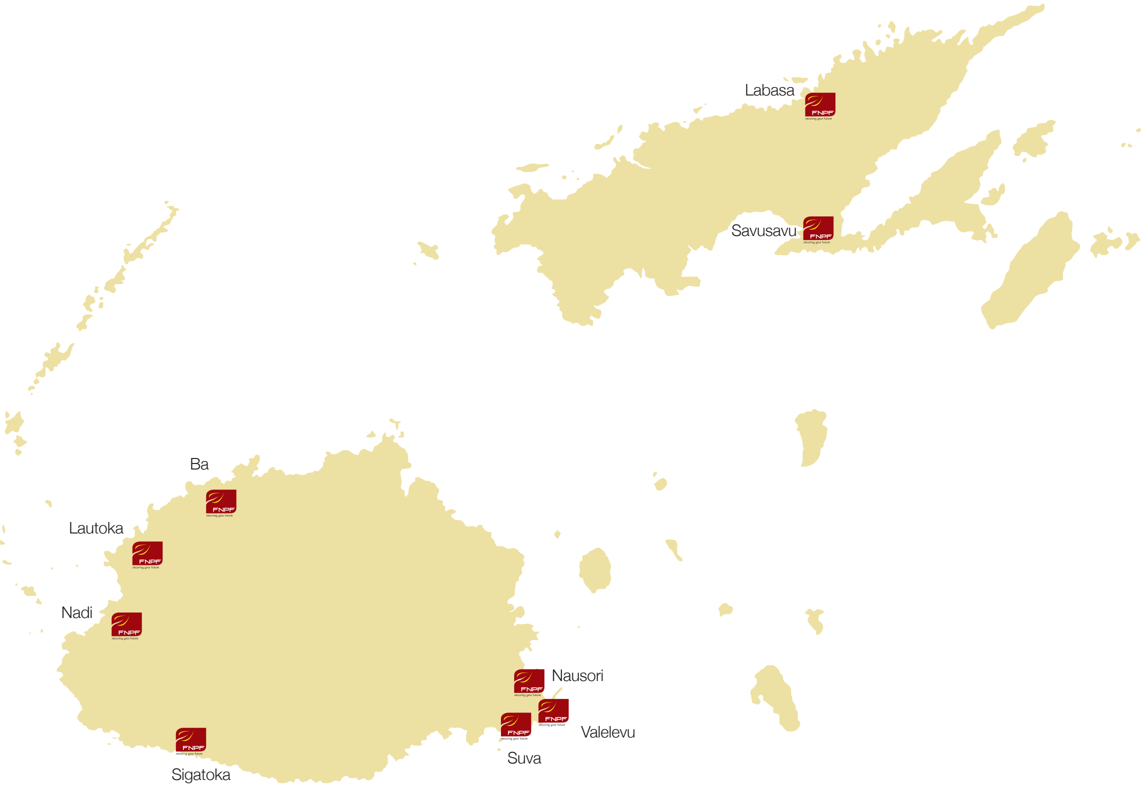
In 2017, ATH paid Amper SA of Spain and Elandia International Inc. of USA a refundable deposits of USD 30,000,000 (FJD 61,218,243) while the final payment and settlement is awaiting certain consents from the Federal Communication Commission of USA and approvals and waivers from the Committee of Foreign Investments in the United States (CFIUS). As at the date of signing, 31 August 2018, ATH did not have control of Bluesky Group and therefore the payments have been recognised as 'Refundable Deposits' in the financial statements. Upon completion of the transaction, the deposit amount is expected to be transferred to investment in subsidiaries.

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

40. Auditors

The Fund is a compulsory superannuation scheme legislated by the FNPF Act and continuing under the FNPF Act 2011. Section 13 of the FNPF Act and Section 37 of the FNPF Act 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 KPMG audit signing partner is not a member of the Fund and has no interest in the Fund.

Notes



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

Nausori Agency
Lot 1, Main Street, Nausori
Telephone: (679) 323 8030,
(679) 323 8031

Lautoka Branch
Shop 5, Provident Centre, 6
Naviti Street, Lautoka,
Phone: (679) 666 1888
Fax: (679) 666 5232

Nadi Agency
Shop 2, Lot 13, Concave
Subdivision, Namaka, Nadi
Phone: (679) 323 8018,
323 8006
Fax: (679) 672 8982

Ba Agency
Ganga Singh Street,
Ba CBD
Phone: (679) 667 0009
Fax: (679) 667 0009

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

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

Sigatoka Branch
Shop 3-4, Hanif Building,
Matamata Subdivision
Phone: (679) 666 1888

Valelevu Agency
Shop 3, Rajendra Prasad
Bros Supermarket
Complex, Valelevu, Nasinu
Telephone (679) 323 8035,
323 8037

Email: information@fnpf.com.fj

Website: www.myfnpf.com.fj