
# annual report 2019

FNPF

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

### Excellence

We are committed to being the best and to deliver the best

### Teamwork

We work effectively within and across teams to deliver results

### Humility

We act in a manner that reflects our respect, willingness and inclusion of others

### Integrity

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

### Courage

We challenge ourselves to think big, be decisive and persevere to make a difference

**Cover**

This year's Fiji National Provident Fund Annual Report cover depicts our members, whom we deeply care about. Our members are our most valuable asset and we strive to ensure the sustainability of the Fund so they can continue to save for a meaningful retirement while at the same time, access the benefits they currently enjoy. This year, the Fund extended its membership to six-year-olds so that they too can save for a secure future.

## 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 is one of the country's largest property owner. The Fund also owns majority shares in Amalgamated Telecom Holdings Pte Ltd, Vodafone Fiji Pte Ltd, Home Finance Company Pte Ltd, and fully-owns the InterContinental Fiji Golf Resort & Spa, Natadola Bay Championship Golf Course, Yatule Resort & Spa at Natadola Beach, Holiday Inn Suva, Fiji Marriott Resort Momi Bay, Sheraton Fiji Resort, The Westin Resort, Denarau Golf & Racquet Club and the Grand Pacific Hotel.

Knowing that I have a guaranteed monthly pension gives me comfort.

I am thankful to the FNPF Board, Management and staff for the great vision and what they have achieved to date.

**Tevita Tomu,** Joint Pensioner (since 1999), Sigatoka.

Annual Report 2019

# CONTENTS


## Highlights 2

5 Board of Directors
6 Chairman's Report
10 Strategic Priorities
11 Management Team
12 Chief Executive Officer's Report
17 Governance

## Our Investment 22

Growth
Properties
Fixed Income
Commercial Lending
Treasury
Projects
Subsidiaries
Case Study
Equity Success Stories

## Our Customers 31

Membership
Contribution Compliance & Collection
Customer Services
Pension
E-channels
Member Advocacy
Media & Communications

## Our People 34

Culture Survey
Trends
Diverse Workforce
Staff Development
OHS & Well-being
Corporate Social Responsibility

## Our Corporate Diary 38

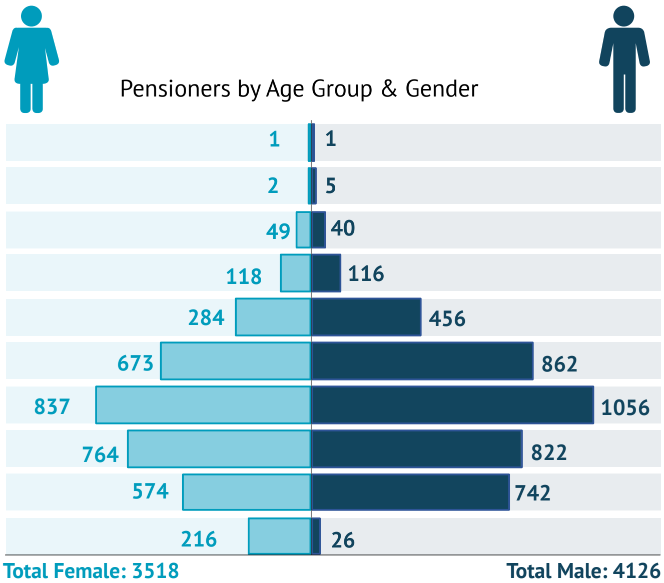
## Our Financial Statements 40

# IN A DECADE
## 30 JUNE 2009 VS 30 JUNE 2019

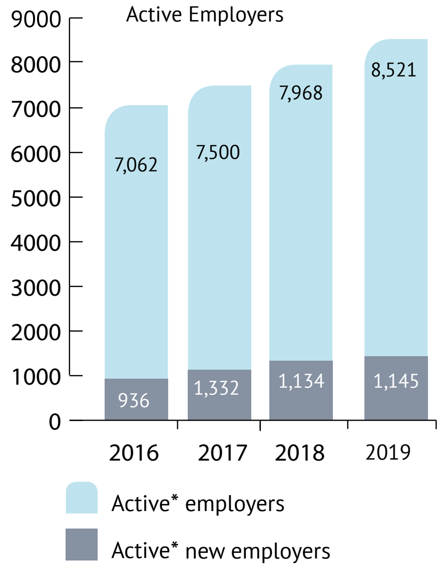
| | | | |
|---|---|---|---|
| Membership | UP 23% | 2009 357,662 | now 441,663 |
| Interest Paid to members | HAS TRIPLED | 2009 $113m | now $353m |
| Members Funds | INCREASED 126% | 2009 $2.7b | now $6.1b |
| Total Assets | INCREASED 124% | 2009 $3.3b | now $7.4b |
| Contributions collected | INCREASED 126% | 2009 $288.5m | now $652m |
| Net Contributions | INCREASED 2,263% | 2009 ($14.1m) | now $305m |
| Investment Income | UP 179% | 2009 $227.4m | now $635m |
| Net Profit | GREW | 2009 ($181.2m) | now $568m |
| Statement via email | MEMBERS | 2009 NIL | now 109,000 |

# HIGHLIGHTS

## Pensioners

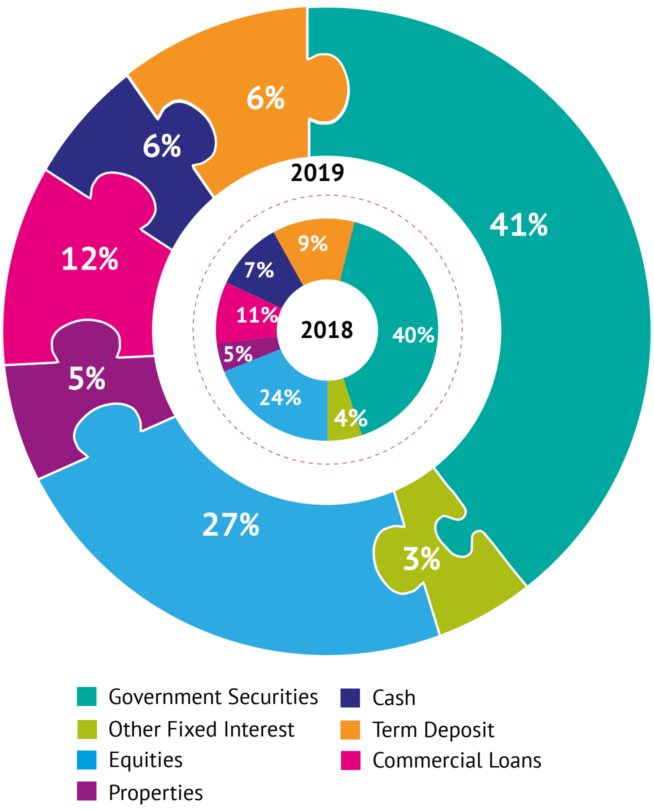



## Employers

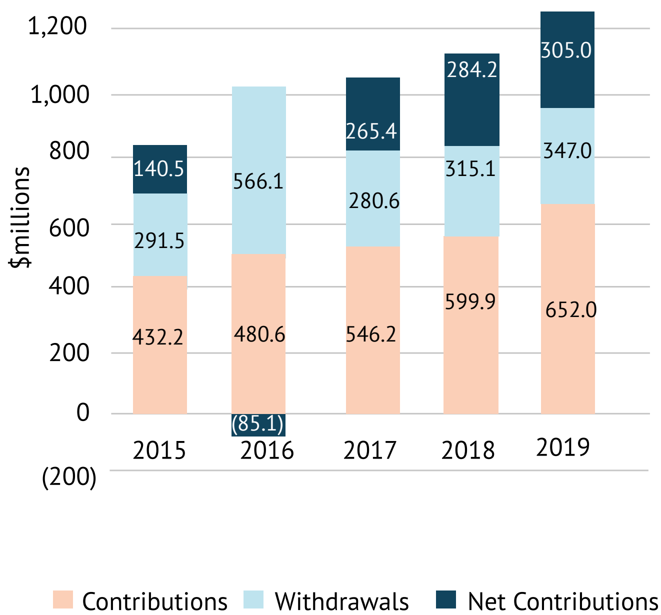



*These employers are those that paid their employees contribution at least once during the financial year.*

## Investment Asset Allocation

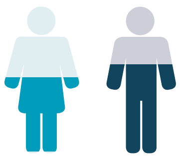



## Net Contributions (Contributions less Withdrawals)



# MEMBER PROFILE

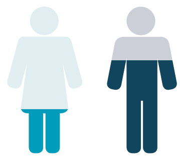
## Count



42% 58%

## Share of Wealth

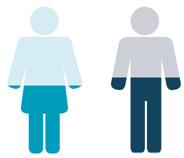
(Member Funds)



34% 66%

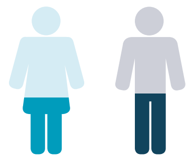
*Derived from members with positive balances*

## Active* compulsory members 243,971



42% 58%

## Active* voluntary members 5,997



48% 52%

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

## MEMBER BALANCES BY AGE

| Member Balances | < 15 yrs | 15-24yrs | 25-34yrs | 35-44 yrs | 45-49 yrs | 50-54 yrs | 55+ yrs | Total Count |
|---|---|---|---|---|---|---|---|---|
| $0 | 3 | 3,145 | 8,412 | 12,011 | 7,340 | 7,653 | 22,720 | 61,284 |
| Less than $5,000 | 407 | 49,118 | 60,704 | 39,634 | 13,513 | 10,418 | 11,331 | 185,125 |
| $5,000 - $9,999.99 | - | 5,348 | 24,682 | 15,882 | 4,967 | 4,297 | 2,269 | 57,445 |
| $10,000 - $49,999.99 | 2 | 1,092 | 40,028 | 41,566 | 13,608 | 11,859 | 3,718 | 111,873 |
| $50,000 - $99,999.99 | - | 2 | 1,483 | 8,318 | 4,411 | 3,760 | 917 | 18,891 |
| $100,000 - $249,999.99 | - | | 127 | 1,746 | 1,714 | 1,863 | 679 | 6,129 |
| $250,000 - $499,999.99 | - | | 3 | 140 | 170 | 215 | 199 | 727 |
| $500,000 & above | - | | | 19 | 34 | 48 | 88 | 189 |
| **Total** | **412** | **58,705** | **135,439** | **119,316** | **45,757** | **40,113** | **41,921** | **441,663** |

**This includes 20,318 of voluntary members*

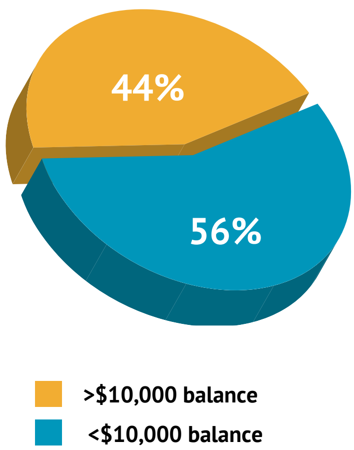
## MEMBER BALANCES <$10,000

### 45+ yrs

**66%**

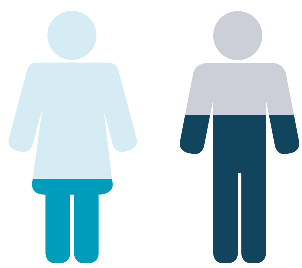
*of 127,791 members*

### 50-54yrs




### 55+ yrs

Count



15,037 21,283

# BOARD OF DIRECTORS

BOARD

### Mr JOEL ABRAHAM

**DIRECTOR**

Member since April 2019. Member of the Board Audit & Risk Subcommittee. Also the Deputy Board Chairman of Fiji Meats Industry Board.

### 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 AJITH KODAGODA

**CHAIRMAN**

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

### Ms KALPANA LAL

**DIRECTOR**

Member since April 2019. Member of the Board Investment Committee. Board Member of Fiji Development Bank (FDB, Fijian Holdings Pte Ltd (FHL) and Chairperson for Fijian Holdings Pte Ltd (FHL) Fund Management. Member of FHL People and Leadership Committee.

### 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 (FSC) and Momi Bay Resort Pte Ltd (MBRL).

# Chairman's Report

FNPF registered another remarkable year of achievements despite on-going challenges in the operating environment.

The end of the financial year on 30 June 2019, also marked the first decade of the Fund's Reform journey. Ten years ago the need to reform FNPF was imminent and the burden also overwhelming!

Upon reflection, we can confidently say that the Reform was successful in addressing the long-term sustainability and resetting a strong foundation for the Fund's future. The Fund's core governance and operating structure has been changed and the operating and financial metrics are headed in the right direction. We have a stronger sense of purpose as we acknowledge the Fund's role in Social Security.


The integration of our systems and processes through the organization restructure and digital transformation have been successful, while we continue to identify areas of improvement.

During the past 12 months we delivered financial results that have exceeded targets. The Fund declared an annual interest rate of 6.75% with the crediting of $353 million to over 379,000 members. This is the highest amount credited to members so far with over $1.37 billion in interest credited to members in the last 5 years.

As Chairman, I am therefore pleased to report another exceptional year, as we also take stock of our journey in our first 10 years as a reformed institution.

## Fruits of a Successful Reform

### Strong Financial Performance

FNPF has seen stable and quality growth over the last 10 years. What was achieved in the previous 40 years, has doubled in the last decade.

Key financial highlights include the following:

a) Total assets grew from $3.3 billion in 2009 to $7.4 billion in 2019;
b) From a negative net profit of -$181.2 million in 2009 (due to the impairment of investment in Natadola and Momi) to $568.4 million in 2019
c) Interest credited to members totalled $113.6 million in 2009, increasing to $353 million in 2019. The last five years has seen over $1.37 billion in interest credited to members. The interest rate also increased from 5% in 2009 to 6.75% in 2019; and
d) Contributions collected in 2009 was $288.5 million. In 2019, a total of $652 million in contributions was collected and is the highest ever collected by the Fund.

The Fund is now on a much stronger financial footing with the separation of business between the member Fund and Retirement Income Fund. These changes were introduced during the Reform, through the complete overhaul of the FNPF Act in 2011.

## New Governing Legislation

The FNPF Act 2011 was enacted to replace the 40-year-old legislation known as the FNPF Act, Cap 219. The 2011 Act set the legislative basis for many of the key initiatives, which were driven through the reform. There was expanded coverage and stronger compliance for compulsory membership. Strengthened powers of enforcement under the law allowed the Board to conduct investigations and recover unpaid member contributions from defaulting employers.

The 2011 Act also introduced clear guidelines on the supervisory roles of the Reserve Bank of Fiji (RBF).

> FNPF has now paid over $1.37 billion in interest to its members in the last five years.



The requirements for solvency and appointment of a Fund Actuary were also clearly articulated to guide the Fund sustainably into the future.

## Strong Governance

There has been a change in the composition of Board membership. It is now wholly based on skills and expertise with fit and proper tests conducted by the RBF. A Code of Conduct is now in place for the Board, Management and Staff with RBF's supervisory role more clearly defined and strengthened.

The Member Forum mandated by law to be held annually has also improved disclosure and engagement with our members.

The RBF On-Site examination reports pointed out that despite the inherent risks rated as "High", in view of the Fund's business operations, the Board put in place effective controls and oversight functions which resulted in continuous improvements in the Fund's risk ratings.

The Board's insight and drive for a matured governance and risk framework contributed to a "Low" Composite risk rating in 2016. This was a milestone achievement as the High risk ratings received in years prior to 2009 were brought down to moderate and low ratings over the years – an outcome never achieved in previous on-site examinations. The Capital and Earnings base has continued to show unprecedented growth which culminates into a stable risk rating for the Fund.

The Board continues to establish a strong platform for governance in the Fund with the adoption of international principles and best practices. Project Governance has also been improved which has led to the successful rehabilitation of the Fund's investments.

## Modern IT Systems

The implementation of the new Management Information System (ProMIS) in 2014 streamlined our operations. There has been a significant reduction in manual processes and the need for face-to-face interaction for members.

Members can now access their statements and accounts through the online portals and the myFNPF Mobile App. Employers are also able to submit monthly contribution schedules online from the comfort of their homes or offices. The new IT system also enables the Fund to leverage data more effectively for product development, policy advice and better services for our members in the future.

## Realigned Organisation Restructure

The organisational restructure included the consolidation of the member services functions, the strengthening and realignment of the contribution collections functions, and streamlining of other support functions. The restructure was successfully completed in 2017 and included the voluntary separation with 39 of our longer-serving employees.

## International Recognition

In addition to the improved governance ratings by RBF, the Fund, since 2012, has received international recognition for key achievements in its reform journey. The International Social Security Association (ISSA) recognized the Fund for Reforming the Pension Scheme and for Promoting Financial Literacy.

In 2015, the Fund was acknowledged for transforming the Super service via an integrated administration system. The most recent award in 2018, was FNPF's recognition for the successful implementation of the Employer Online Portal and for practices in managing Natural Disaster Assistance through the delivery of service in times of need.

## Steering FNPF into the future

Given the significant changes from the Reform, the Fund now has a solid platform to leverage into the future. We have collectively acknowledged the need to strengthen our role in social security for FNPF members during their work life and in retirement.

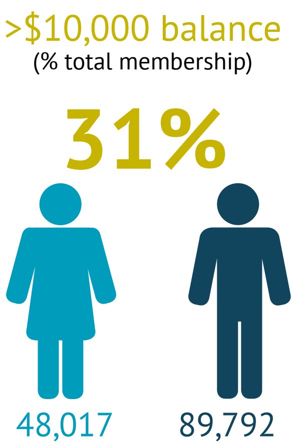
The Fund will undoubtedly continue to play a critical role in the lives of our members. An individual's FNPF savings, has been (to most Fijian families) the silver-lining providing the opportunities for property ownership, attaining suitable qualifications, alleviating old age poverty and for immediate financial relief during unexpected events such as natural disasters, unemployment, illnesses and death.

## Setting the course for our Members

The Fund must fulfill the ultimate aim for members to save enough money to live on after retirement. As at 30 June 2019, 69% of members had balances below $10,000.

We understand our purpose that all members matter equally. Thus, we must strike a balance between the need to save sufficiently for retirement against our role in assisting members to achieve a better quality of life. The Fund will continue to work progressively towards achieving our purpose in the lives of our members through meaningful balances for retirement and beyond.

The continuous review of our framework and policies to ensure members save for retirement as a certainty of life, continues to be at the forefront of the Fund's objectives. Workers in the informal sector have not been included in the legislative provisions for membership with FNPF and the Fund will continue to explore options and roll out initiatives to make retirement savings more attractive and inclusive for workers in the informal sector.




> **Our role in assisting members to achieve a better quality of life must strike a balance with the need to save sufficiently for retirement.**

## Investment Diversification and Optimisation

The Fund has progressed significantly in pursuing an active investment growth strategy that balances risks and returns and provides sustainable income allowing the Fund to take advantage of growth through both income yield and capital appreciation.

This has been evident through the current revaluation gains experienced in the past 2 years.

The resetting of the long-term asset allocation strategy to 40% defensive assets and 60% growth asset has seen the successful diversification of investment with asset allocation now at 68% Fixed income and 32% Growth.

In the coming years, we may use an active approach to asset allocation that allows us to take advantage of market conditions by temporarily increasing or decreasing our exposure to a particular asset class.

This can help shield investments from the risks of being over-exposed to expensive markets and add additional incremental returns by increasing exposures to asset classes when they are attractive.

## Improving Digital Services

We have continued to roll out our Go Digital strategy to give members greater access and knowledge of their savings.

The myFNPF Mobile App has been upgraded and re-launched. Members can view account balances, update account details, nominate beneficiaries, view account history and make voluntary payment of contributions through the M-PAISA platform, all from the palm of their hands. Member statements are now all issued online.

With the ever-increasing demand for instant access to online services, the Fund will continue to consider changes that are cost effective and will further streamline our processes.

## Board Changes

During the year there have been some changes in Directorship for the FNPF Board. Mr. Sanjay Kaba resigned from the Board in December 2018. The Board welcomed two new Directors in Ms Kalpana Lal and Mr Joel Abraham in April, 2019.

We thank Mr Kaba for his immense contribution to the growth and development of the Fund during his tenure as Director.

Ms Lal and Mr Abraham were appointed following a proper selection process that involved background checks to ensure they were the right fit for the role. In addition to possessing the desired competencies, skills, experience and independence identified in the Board's ongoing succession planning, Ms Lal and Mr Abraham also demonstrated commitment to the governance standards that the Fund holds with high regard.

We welcome the two new Directors on board and wish them well in their tenure with the Fund.

## Our Team Culture

The maturity of the organizational restructure was also evident in the past year. The FNPF staff body have demonstrated enormous commitment and dedication to the business (in what has been a challenging journey). There have been some notable instances of disheartening behaviour by a few staff bringing disrepute to the institution. Based on these activities, we are now building to strengthen our internal controls, while we also take heed of the learning in order to plug any gaps in the system.

I encourage our team to remain vigilant and steadfast in their roles as custodians of members' funds.

Cultural Transformation is a key strategic initiative, which we regard as the cornerstone for the continuous delivery of excellent results to our members and stakeholders.

The performance of staff in the past 12 months has to be commended. Their attitude of continually persevering and finding better ways of performing their jobs have been instrumental to the Fund's upward trajectory.

The Board is acutely aware that the organization's success is underpinned by its people and I express my deep appreciation to my fellow Directors, the CEO, FNPF staff and Management and their families for their contribution during the past year.

## Farewell

After 10 years as Chairman, I am leaving behind a much better and stronger FNPF. The Fund can only do better in the future.

This will be my last report to members as Chairman of the FNPF Board. I hope I have made my views known and have actively contributed to the success of FNPF during my 10 years of leadership, which has been both an extremely challenging and rewarding experience.

For my successor who will take the helm, I have no doubt that they will be accorded the same support as I have been during my term as Chairman.

To our members, pensioners, employers & other stakeholders, I thank you whole-heartedly for your un-ending trust in the FNPF team, which has enabled us to deliver value and make our business sustainable.

You have been the heart of everything that we have done at the Fund.

Thank you and I wish you all the best.

Ajith Kodagoda
**CHAIRMAN**

## 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 2019 progress:**
- Launch of Minor Voluntary product
- Strategic partnership with various Government ministries to strengthen data sharing, compliance and social security coverage
- Bilateral agreement between FNPF and the Cook Islands National Superannuation Fund transfer of funds of Fiji citizens ceasing employment in Cook Islands
- Agreement signed with Government for the administering of the Government Village Housing Grant Scheme

**FY 2020 initiatives:**
- Partner with Government to provide low-cost housing for members
- Review FNPF Act that will activate social security initiatives and provide a more enabling legislation
- Forge strategic partnership and alliances with government ministries and employers to strengthen social security agenda
- Strengthen partnership with the International Social Security Association (ISSA) that will benefit FNPF and the region on training and institutional governance

### Investment Diversification and Optimisation

***To diversify and optimise our investment portfolio.***

**FY 2019 progress:**
- Medical PPP agreement signed with Government and Aspen Medical Pty Ltd
- Acquired additional shares in the financial sector with BSP PNG and HFC Bank
- Purchased strategic and prime land around the country for future lucrative investment opportunities
- Acquisition of the remaining shares in Grand Pacific Hotel.

**FY 2020 initiatives:**
- Joint venture opportunities in the energy, hardware and construction sector
- Hotel portfolio expansions and hotel upgrades through synergies to create value for the FNPF hotels and enhance image and services
- Telecommunication regional expansions to optimize economies of scale
- Pursue privatization opportunities with Government to secure major investment prospects

### Digital Transformation

***To enable the Fund to effectively engage with our members.***

**FY 2019 progress:**
- Enabled myFNPF Mobile App for voluntary member registration and payment
- Implemented Debt and Inspection Management module to better manage and facilitate Employer compliance
- Digitization of all nomination records in custody

**FY 2020 initiatives:**
- Automate and integrate back-end processes to boost internal efficiencies
- IT Network and Infrastructure Upgrade project to support the digital shift and modern business needs
- Upgrade Funds administration system to improve services and optimize reporting
- Improve digital service capabilities for stakeholders

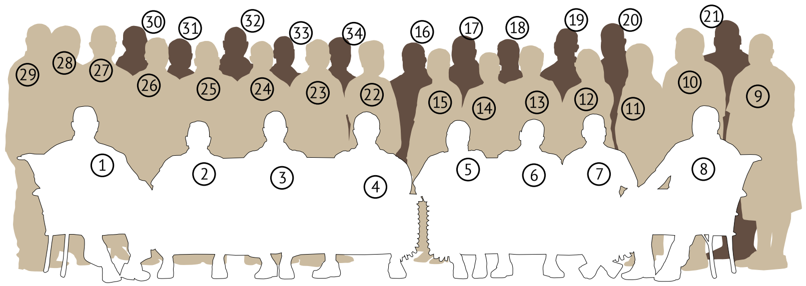
### Strengthen our Corporate Culture

***Build a culture of stewardship, and invest in our leaders and people.***

**FY 2019 progress:**
- Roll out of the Dale Carnegie leadership training program for Management and Team leaders
- Launch of the staff e-learning training platform
- Roll out of social committee staff engagement activities

**FY 2020 initiatives:**
- Launch FNPF Volunteerism and Women Empowerment Program
- Rollout of the FNPF Innovation Program
- Continue Corporate Culture program
- Adopt and align to modern HR practices

# MANAGEMENT TEAM




1. Uday Singh
2. Ravinesh Krishna
3. Rukshan Rajapaksha
4. Alipate Waqairawai
5. Millie Low
6. Jaoji Koroi
7. Pravinesh Singh
8. Viliame Vodonaivalu
9. Risiate Biudole
10. Uraia Goneyali
11. Ying Yang
12. Pretty Pritika
13. Makereta Korovusere
14. Farnaz Queet
15. Siteri Saro
16. Sitiveni Nabuka
17. Maika Soqoidaveta
18. Shandiya Gounder-Pillay
19. Enele Cama
20. Peni Vunileba
21. Peni Gonelevu
22. Laisa Saumaki
23. Asim Mohammed
24. Suliano Ramanu
25. Ashwin Pal
26. Ashnil Prasad
27. Tevita Lomalagi
28. Wainikiti Bogidrau
29. Nabotuiloma Komaisavai
30. Waisea Kamikamica
31. Jonetani Tonawai
32. Darryn Howard
33. Shivam Chand
34. Josua Satavu

# Chief Executive's Report



I am pleased to report another successful year for the Fund, in line with our transformation journey.

Our transformation focuses on improving our people to embrace a stronger sense of purpose to meet our members' aspirations. Our purpose is to help members fulfil their dream to own their first home, send their children to university, meet medical expenses and even providing adequately for their retirement.

Our stewardship culture requires that your interest as an FNPF member must come first, because we care for you through our commitment to the highest standards of corporate governance, integrity and excellence. We must also fulfil these commitments without compromising the new solvency requirements to ensure that your funds are protected into the future.


To be able to deliver on these commitments, against a backdrop of increased stakeholder expectations, rapidly-changing work environment and evolving technologies is indeed a challenge. Whilst these challenges are not unique to the Fund, we additionally had to address few legacy issues during the year.

During the year we embarked on the following projects:

- Completion of the digitisation of nominee records
- Commenced the cleansing and digitisation of old member withdrawals records
- Roll out of the Records Management project including the renovation of the Archives
- Reconciliation and transfer of old member data to the new Funds IT administration system
- Commenced on the office renovation projects

**"We are attentive to our customers and have made improvements from their suggestions."**

## The Fund exists to serve you, our members

As we seek to advance our purpose, our members are placed at the core of our strategies. A 20-year old joining FNPF today expects the Fund to be there to assist with his first housing withdrawal in 15 years' time, and when he retires. We continue to provide a holistic experience to take care of you, today, tomorrow and into the future.

## Gift a Child a Secure Foundation

Securing your child's future is probably the best gift that parents can give to a child. But often this is overlooked and forgotten.

As part of our social security agenda, we opened FNPF membership for the first time in February 2019 to children as young as 6 years old. Advocating early savings, we want our children to learn about investing for their social and financial needs at a young age. It is indeed encouraging to note that 550 minors have been registered since the launch and we are positive that the trajectory will continue upwards.

## Extending Protection Program

Many Fijians today are working regionally. We recognise this change in the labour markets and are working actively with our counterparts to ensure that Fijians working abroad are adequately covered.

In May 2019, FNPF and the Cook Islands National Superannuation Fund (CINSF) signed the first of what we hope will be many similar partnerships, allowing for the transfer of superannuation savings from CINSF.

This transfer allows many Fijians, who have ceased work in the Cook Islands to enjoy the social protection initiatives that are accessible from FNPF.

We have also initiated discussions with the Ministry of Labour to onboard Fijians leaving our shores under the seasonal worker schemes to become FNPF members. Effective collaboration is needed to allow workers moving across borders within the Pacific region to save for retirement and we will continue to pursue this passionately.

## It's Easy to Save

We realise that we must continue to listen to our stakeholders, but at the same time advocate and instil a culture of savings.

During the year, we conducted 167 retirement planning sessions for over 9,100 members. Carrying on from the success of the Retirement Expo last year, three events were held in the West, North and Central region this year. Over 4,300 members attended our "It's Easy to Save" expos. Approximately 800 members boosted their retirement savings during these sessions by signing up for the Additional Contribution Scheme. A total of $6 million was contributed by members in voluntary contribution during the year.

## Strategic Communications

Media relations continued to be a key influencer for FNPF. We published success stories through the dailies and the Fund's Quarterly Member Newsletter. Targeted campaigns on mainstream and social media has allowed us to gather and provide real–time feedback from and to our key stakeholders. Media briefings continue to provide us the opportunity to update our stakeholders on the latest developments.

Our Annual Member Forum continued to be a popular platform for members and pensioners to engage. Held at five major town centres, the forum was also broadcast live the through social media, allowing us to reach over 2,000 members.

## Golden Day

This year has been one of increased engagement with pensioners. An outcome from the Annual Member Forum, the inaugural Pensioner Day was held in March 2019. It was a day to recognize and acknowledge their contributions.

We also revised our pension renewable certificate cycle from four to six months. This was also in response to requests made by pensioners during the forum. The change meant that pensioners would need to visit our offices twice a year, instead of three.

## Building Resilience

We continued to make a difference to our members and their loved ones this year.

In 2019, approximately 9,570 (FY18: 8,819) members have used their funds to build their first home, 34,285 (FY18: 32,845) used their savings to send their children for tertiary education and 869 (FY18: 805) paid for their medical bills.

Moreover, 5,812 (FY18: 5,423) Fijians were able to give their departing loved ones a fitting farewell using their funds.

## Greater Compliance

During the year we have actively pursued unpaid debt and defaulting employers resulting in an increased debt of $7.7 million. We continue to explore avenues of recovery with referral to the Courts as the final resort. During the year, we registered 79 new cases against employers which led to the recovery of $1.1 million in outstanding contributions. In addition, we currently have 16 civil recovery cases registered against directors and business owners of defaulting organisations.

To further strengthen compliance, data sharing and integrity, we signed MOU's with the Ministry of Forestry, Water Authority of Fiji, Ministry of Justice and Ministry of Industry, Trade and Tourism.

## Empowered Members

In pursuit of digital excellence, we have enhanced the myFNPF Mobile App to enable voluntary member's registration and payment. Additionally, members are also able to download their member statements via the app.


The Fund's e–channels continue to gain popularity with more than 620,000 views of the Fund website, 16,507 users on myFund (*567#) and 24,800 registered on mobile app. The Fund's online portals have more than 10,000 employers and 21,000 members registered. Our target is to empower our members with information anytime, anywhere.

## Transformative Investments

With our investment strategy focused on diversifying and optimising the investment portfolio, the Medical Public Private Partnership (PPP) between the Government of Fiji, Aspen Medical Pty Limited and FNPF is a ground breaking step forward. The investment not only provides greater diversification and returns, but will transform the medical landscape in Fiji.

With the completion of major renovation works at the Sheraton and Westin Denarau hotels, Fiji hosted for the first time the Asian Development Bank (ADB) conference in the region. FNPF's investment in the project established Fiji as a contender in the MICE market showcasing what Fiji had to offer to over 3,500 international delegates.

> **"We want to move away from merely executing tasks and instead deliver experiences that our members will tell others about."**

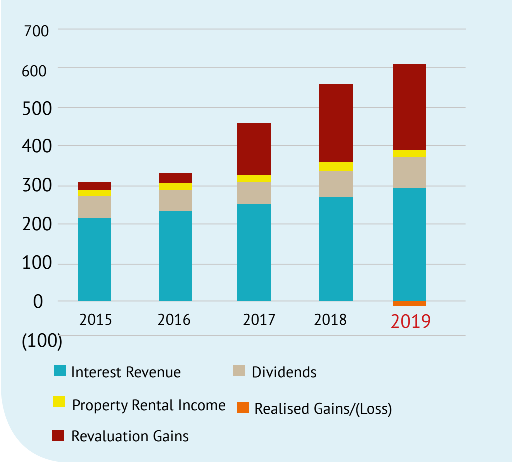
## Next Gen Leaders

We remain committed to building the right cadre of leaders to shape our tomorrow and ensuring equality in our workforce.

It's reassuring to report that women make up more than 50% of our workforce, with more continuing to take up key leadership roles. This year, our leadership programs have reinforced that we have the right people in place to take FNPF upwards. We have one of the best talent pool in the corporate sector and we will ensure that they are properly trained and retained for the future.

A flagship move by FNPF to continually train and develop our staff, was the implementation of the Skillsoft – Percipio training platform. The platform provides various online trainings and certifications, reinforcing our mandate to ensure that we provide you with competent and professional staff at all times.

**Table 1:** Investment Income by Asset Class




## Profitable Growth

Our key operational metrics continued to show positive results:

- Registered FNPF members at the end of June 2019 were 441,663 compared with 429,936 last year. Approximately 56% are members that have contributed at least once during the financial year.
- Contribution collected totalled $652 million compared with $599.9 million last year, an increase of 8.7%.
- Investment income grew from $589 million to $635 million, resulting in a net profit of $568 million.
- Backed by a return on investment of 9%, we declared an interest rate of 6.75% resulting in $353 million total interest credited to members. Accordingly, total member balance grew from $5.5 billion in 2018 to $6.1 billion in 2019.

## New IFRS Requirements

The Fund has now fully adopted the new IFRS standards and all Fund investment in Subsidiaries are now recorded at fair market value. This has led to the recognition of over $400 million in unrealised capital gains and had driven the Fund's unprecedented financial results in the last 2 years.

These results are one-off and we expect the performance to normalise to underlying results in the new financial year. The adoption of these standards has also introduced new volatility to the Fund's performance which needs to be duly managed.

Accordingly, with recommendation of the Fund's Actuary, the Board has adopted a risk-based model for the Fund's solvency requirements. This is to ensure that the Fund's capital requirements are reflective of the risk. In addition, the Fund's Interest Crediting Policy and Investment policy will be reviewed and aligned.

## These numbers however do not tell the whole story

Our 2019 achievements and interest credited to members are the strongest in a long time, driven by the change in accounting policy at the end of 2018 and the value-adding investment strategies undertaken. As we continue to collaborate more with Government and private entities to propel our investment plans and member growth, we remain focused on some key challenges. The key is to translate the success of FNPF to better address the social needs of each member.

While decreasing, members with low balances remains an ongoing challenge that FNPF must address. Coupled with the low pension take up rate, this indicates that there is a need to aggressively market adequate savings and retirement planning.

At the end of 30 June 2019, 36,000 members retired with balances less than $10,000. Moreover, only 4.7% members opted to take pension upon retirement. These members retiring with low balances and not opting to exercise pension, will most probably not be able to enjoy a meaningful retirement.

As we continue to work with your future in mind, we must engage and encourage each member to take ownership and accountability of their retirement.

It is our collective responsibility to ensure that we build a more purposeful retirement fund for each and every one of us.

## Acknowledgement

On this note, I must convey my sincerest appreciation to the Chairman from whom I have benefited immensely over the last 10 years. This past decade will be remembered as the toughest for the Fund and there is no doubt that the Fund's successful journey over this period is a testimony of his steady leadership. I must also acknowledge the Deputy Chairman, the remaining board members and sub-committees for their support and commitment throughout the year.

Their invaluable advice, guidance and challenge have enabled the management team to deliver the results. My appreciation goes out as well to each staff and their families for their steadfast commitment to the purpose of the Fund and relentless support.

To our members, pensioners and employers, thank you for your support and we look forward to our continued engagement as we serve and work with you.

Jaoji Koroi
**CHIEF EXECUTIVE OFFICER**

"The Pensioner Day was an outcome of the Annual Member Forum to recognize and acknowledge the contributions of our pensioners."


# 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
- Ms Makereta Konrote
- Ms Kalpana Lal
- Mr Joel Abraham
- Mr Sanjay Kaba
  *(resigned on 7th December, 2018.)*

### Audit and Risk (BARC)

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

Tevita Kuruvakadua (Chairman)
Makereta Konrote
Joel Abraham
Geoffrey Rashbrooke
Gitesh Nair

### Investment (BIC)

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

Tevita Kuruvakadua (Chairman)
Ajith Kodagoda
Sanjay Kaba
Emily Yalimaiwai
Kalpana Lal

### Human Resources (BHR)

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

Makereta Konrote (Chairperson)
Taito Waqa
Thelma Savua

### 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.

Tevita Kuruvakadua (Chairman)
Vilash Chand
Timoci Tuisawau
Chitnake Rajasinghe

**Table 2:** Board and Board Committee meetings and attendance for the Financial Year 2019

| 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 |
| **01 JULY 2018 TO 30 JUNE 2019** | | | | | | | | | | |
| Mr Ajith Kodagoda | 6 | 6 | | | 5 | 5 | | | | |
| Mr Tevita Kuruvakadua | 6 | 6 | 3 | 3 | 5 | 5 | | | 4 | 3 |
| Mr Sanjay Kaba | 6 | 2 | | | 5 | 3 | | | | |
| Ms Makereta Konrote | 6 | 4 | 3 | 1 | | | 3 | 3 | | |
| Mr Joel Abraham | 6 | 2 | | | | | | | | |
| Ms Kalpana Lal | 6 | 3 | | | 5 | 1* | | | | |
| **OTHER BOARD COMMITEE MEMBERS** | | | | | | | | | | |
| Mr Gitesh Nair | | | 3 | 3 | | | | | | |
| Mr Taito Waqa | | | | | | | 3 | 2 | | |
| Ms Thelma Savua | | | | | | | 3 | 1 | | |
| Ms Emily Yalimaiwai | | | | | 5 | 2* | | | | |
| Mr Timoci Tuisawau | | | | | | | | | 4 | 2 |
| Mr Vilash Chand | | | | | | | | | 4 | 4 |
| Mr Geoffrey Rashbrooke | | | 3 | 1 | | | | | | |
| Mr Chinthake Ranasinghe | | | | | | | | | 4 | 3 |

**appointed later in the FY in time to attend only 1 and 2 meetings towards the end of the FY*

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

## Prudential Supervision

The Reserve Bank of Fiji (RBF) supervises the Fund through the FNPF Act 2011 and the Insurance Act 1998. It assesses the performance of the Fund through regular prudential meetings and reports provided to the Bank. The RBF conducts on-site examinations as part of its oversight role and to ensure the Fund is properly governed.

The Bank's most recent governance on-site examination was in November 2018, with the final report appraising the Fund to have moderate and stable rating for the next 12 months. This concludes that the Fund is resilient to normal adverse business and economic conditions without materially affecting its risk profile given its overall net capital and earnings.

## Compliance

Compliance is managed through a management framework approved by the Board that ensures the Fund and its operations comply with the laws and appropriate legislations.

The Fund facilitated and carried out the following during the year:

- Monitored and reported suspicious cash transactions in accordance with National Anti-Money Laundering requirements;
- Ensured the compliance of member registration and withdrawal forms to relevant regulations; and
- Provided regular functional updates to Management and Board Audit and Risk Committee.

## Complaints Management

The introduction of myfnpfHub, the Fund's complaints management system, saw the digitization of the complaints process. This system aims to enhance and improve customer services experience, particularly in hastening the resolution of service complaints.

Part of the complaints management process that ties in with our obligation to policy and to RBF's requirements, means that the Fund:

- Provided monthly reports to Management;
- Facilitated regular discussion and communication between Business Units to enhance complaints resolution times; and
- Provided quarterly reports to RBF.

Ultimately, it was also noted that the total number of complaints reduced from 96 in 2018 to 70 in 2019.

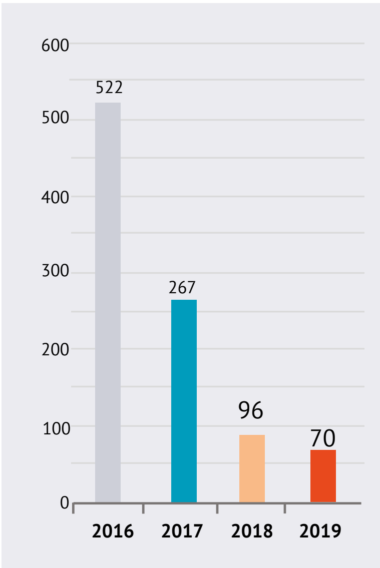



**Table 3:** Complaints Trend (FY2016-FY2019)

## Policy Development

FNPF reviewed and developed the following policies during the year:

- Fixed Income Policy;
- Whistleblower Policy;
- Anti-Fraud Policy;
- Employers Departure Prohibition Order Policy;
- Employers Compliance Policy;
- FNPF Government Village Housing Policy;
- Exceptions Team Policy;
- Member Services Records Policy;
- FNPF Group Insurance Policy;
- Ex-Gratia Policy;
- FNPF Records Management Policy;
- Strategy Management Policy Framework; and
- Affordable Housing Development Framework.

Policy awareness were also carried to ensure a streamlined understanding of the Fund's internal mandates.

## Group Insurance

All current insurance plans of the FNPF Group were renewed with existing and new insurers by appointing Marsh as its insurance broker for a period of 12 months.

Global losses from natural catastrophes created unprecedented financial losses for the third consecutive year for global insurers and reinsurers, leading to reduced coverage and increased prices.

The hard market trend is forecast to remain for a few more years, until an upturn in profitability for insurers and reinsurers.

The global insurance market affecting Fiji and the region has revealed the need for the Fund to consider its own insurance linked service arrangements for the longer term for a controlled and coordinated approach on insurance coverage and costs.

This augurs well with the large insured values and liability risks of the combined FNPF Group where economies of scale and synergies can be created. The Fund is well entrenched with expertise in converting its risks to insurances in maximizing the objectives of cost savings.

## Risk Management

FNPF focused on these risk management areas during the year:

***Enterprise Risk Management and Project Management Risks***
The risk profiling exercise identified new and emerging risks affecting the Fund. Project-related risk reviews continued through the year with consultation and engagement of key stakeholders in the Risk Management process.

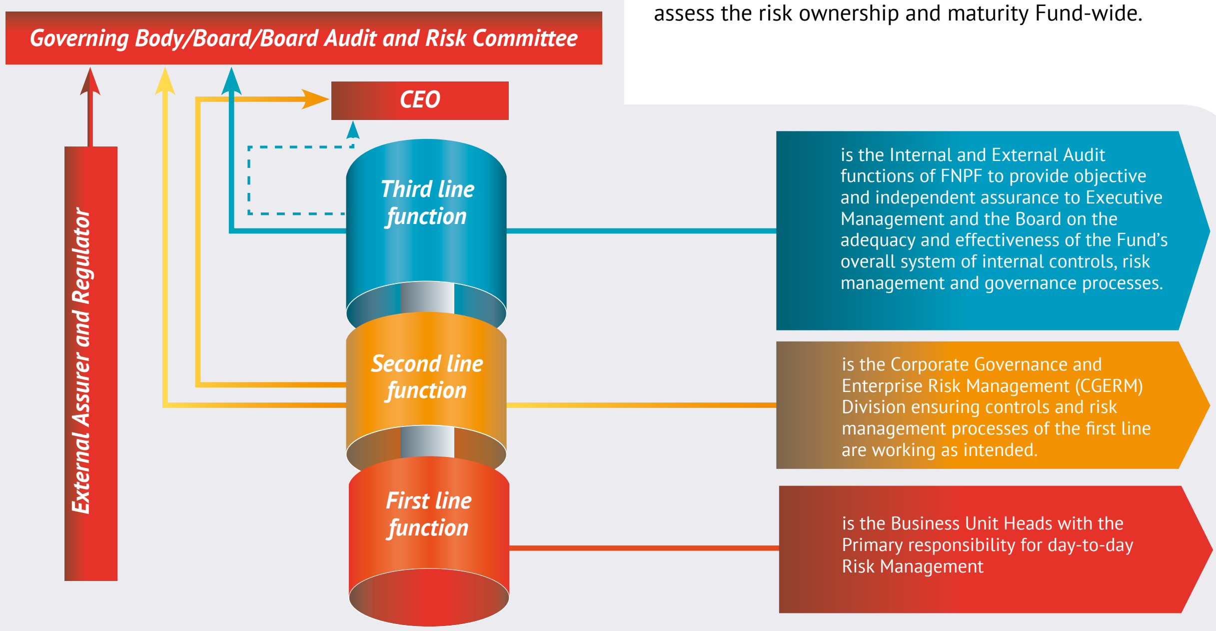
***Review of Risk Documentation***
The Fund's enterprise wide risk management framework was benchmarked to the recently revised ISO 31000:2018. For assurance purposes, independent consultants were engaged to review the framework and the Fund's risk profile to ensure the risk function was compliant to international best practices, with all risks identified, evaluated and documented. This review is currently underway.

In addition, a risk appetite statement was also developed and reflects the Board's vision on the magnitude of risks that can be absorbed at organisation-level.

***Business Continuity Plan***
Business Continuity Plan simulation tests were conducted to gauge the Fund's levels of preparedness and accessing and processing critical functions from off-site business resumption sites. The success of the tests indicate that the Fund is ready to restore basic operations and continue to provide key services from the resumption site in the event of a crisis.

***Risk Culture***
The Fund continued to work on improving the risk culture by organising workshops on risk management, which significantly assisted in enhancing staff response and participation in risk management initiatives. This not only strengthened the three lines of defense but also helped assess the risk ownership and maturity Fund-wide.

**Figure 1:** The Fund's Enterprise Wide Risk Management Framework Line of Defense. There are 3 lines of defense utilized in dealing with risks.




GOVERNANCE

## Internal Audit

The Fund's Internal Audit scope is inclusive of 100% wholly owned subsidiaries comprising of assurance, consulting engagements and project reviews that were part of the Fund's strategic plan. The plan targeted areas of both high & medium risks reflected in the Fund's risk register. Coverage was also extended to accommodate unplanned audits based on Management requests.

The Fund investigated complaints raised via Whistleblower submission and the complaints management system including those flagged by Management. A majority of the cases registered involved false claims on unauthorized withdrawals; mostly pre-2014. An influx in cases of falsified unemployment letters were received where members fraudulently tried to obtain money under the Fund's unemployment assistance benefit.

**Table 4:** Completed audits/investigation

| AUDIT STATUS | COUNT |
|---|---|
| Audit planned (AWP) | 62 |
| Audit completed (planned) | 57 |
| Audit completed (unplanned) | 8 |
| Audits in Progress (planned) | 5 |
| Audits in Progress (unplanned) | 12 |

## Controls Monitoring

With emphasis centred on the use of analytical tools to audit smarter, the Fund undertook continuous controls monitoring on operational areas dealing with data (member services, contribution collections). Data analytics are intensively performed to assess the extent of the effectiveness of compliance and controls, on data extracted for the total population as opposed to traditional methods of sample sizing.

## Fraud Management

Fraud awareness training and workshops were conducted to remind staff of the important role they play in not only in terms of upholding the values of the Fund but also as stewards of members' funds. The Fund also strengthened its role towards fraud management, by revising the Whistleblower and Anti-Fraud policies.

## Quality Assurance

As part of the Fund's quality assurance & improvement program, a consultant was appointed to undertake the quality assessment that is expected to commence in September 2019. The assessment is part of the internal auditing standards required under the International Professional Practice Framework aimed at evaluating the extent of conformance of the internal audit activity.

“We are fortunate to have an institution that encourages Fijians to save for retirement.

With FNPF, I purchased my first home and now it is helping me  with my children’s tertiary studies.”

**Miliana Anaseini,** Teacher, Suva

# Our Investment

The momentum set in the 2018 financial year continued in 2019, further enhanced by a smooth election process and stable outcome with no change in Government or existing policies.

While the USA/China trade war and softening of the Australian economy had minimal impact on the Investment portfolio, the sharp decline in liquidity in the latter half of the financial year led to a spike in interest rates, which prompted the Fund to capitalize on the opportunity to increase our performance further.

Key achievements during the year included:

i) Growth in investment portfolio – the portfolio grew by over 12%, attributed to high value growth investments and revaluation of its equities and properties holdings
ii) Growth in net investment income by 6.5% attributed to fixed income, equity and revaluation
iii) Acquisition of additional BSP shares – a total of 18.1 million shares in BSP were acquired during the year
iv) Acquisition of 75% of GPH – with this acquisition, the Fund gained 100% ownership of the iconic property and added to its impressive portfolio of tourism assets
v) Acquisition of property – property acquisitions during the year totalled $67.2 million
vi) Public Private Partnership (PPP) joint venture with Aspen Medical Pty Limited for healthcare
vii) Successful completion of pre-ADB construction works at Marriott Denarau properties and hosting of the Asian Development Bank (ADB) meeting
viii) Additional equity injection in HFC Bank; Fiji's only wholly locally owned bank.

**Table 5:** Net Performance

| | 2019 (000) | 2018 (000) |
|---|---|---|
| Interest | $298,750 | $268,733 |
| Dividends | $90,438 | $66,884 |
| Property Rental | $18,841 | $18,426 |
| Net Change in Fair Value of Equity Investments | $198,510 | $117,837 |
| Net Change in Property Revaluation | $18,467 | $82,871 |
| Net Foreign exchange gain | - | $5,693 |
| Other Investment Income | $85 | $82 |
| Net Reversal of impairment | $4,868 | $25,055 |
| **Total** | **$629,959** | **$585,581** |
| Less Direct Investment expenses | ($ 8,952) | ($16,605) |
| Less Direct Property expenses | ($ 6,351) | ($4,539) |
| Less Foreign Exchange loss | ($13,251) | - |
| **Net Performance** | $601,405 | $564,437 |

*Net performance of the investment portfolio was $601.4 million compared with $564.4 million last year, leading to a return on investment of 9%.*

## Investment Portfolio

The Fund's total investment portfolio grew from $6.5 billion to $7.3 billion, a growth of approximately 12%. The exposure to growth assets increased from 29% to 32%, while fixed income exposure decreased from 71% to 68%. This is in line with the Investment Growth Strategy and Investment Policy Statement (IPS) approved by Board to gradually increase the growth assets exposure to 45% over 5 years.

## Growth Investments

### Local Equities

The local equities portfolio closed at $1.54 billion at the end of the financial year, an increase of 21% when compared with the FY18 portfolio of $1.27 billion. The increase was driven by the acquisition of the remaining 75% shares of the Grand Pacific Hotel from CGA Investment Limited and the National Superannuation Fund for $36 million. This acquisition adds to the Fund's existing hotel portfolio, which includes InterContinental Natadola Resort & Spa, Fiji Marriott Resort Momi Bay, Westin Fiji Resort, Sheraton Fiji Resort, Denarau Golf Course, Natadola Bay Championship Golf Course, Holiday Inn Suva and Yatule Resort & Spa at Natadola Beach.

Fund investment in HFC Bank increased through a capital injection of $50 million and a dividend reinvestment of $6.2 million in the year. The Fund's holding in Unit Trust of Fiji also increased through a dividend reinvestment of $0.32 million.

During the year, the Fiji Government together with the FNPF and Aspen Medical Pty Limited from Australia, initiated a Public Private Partnership which led to the establishment of a subsidiary; Health Care (Fiji) Pte Limited, for the purpose of operating the Lautoka and Ba Hospitals. The FNPF owns an 80% stake with Aspen Medical Pty Limited owning 20%. Currently the Fund's investment exposure is at $1.2 million and will increase in the years to come.

Furthermore, in line with the objective of value enhancement and assessment of its existing local equities portfolio, the Fund divested 0.4% of its shareholding in Amalgamated Telecom Holdings (ATH) and acquired additional shares in Fiji Gas Limited.

In terms of dividend income, the equity portfolio generated around $59.5 million compared with $50.4 million in 2018, which made up 66% of the total dividend received during 2019.

### Offshore Equities

The offshore portfolio grew by 36% or $105.9 million to close at $400.2 million compared with FY18. The following major capital movement occurred within the year in line with the FNPF's strategic intent to increase its growth assets:

- Additional acquisition of $104.6 million in Bank of South Pacific (BSP) shares over three tranches during the course of the year;
- Additional investment of $8.0 million into the IFC Emerging Asia Fund portfolio of which the Fund has committed circa $100.0 million in investment until 2021;
- Portfolio rebalancing exercise for the Martin Currie Australia (MCA) fund, divesting from MCA Real Income Fund (RIF) to MCA Core Australian Equities for 50: 50 split; with $20.1 million transferred from offshore to local equities portfolio to fund the Grand Pacific Hotel Limited (GPH) acquisition for the remaining 75% shareholding.

**Figure 2:** Country Breakdown of Offshore Equities

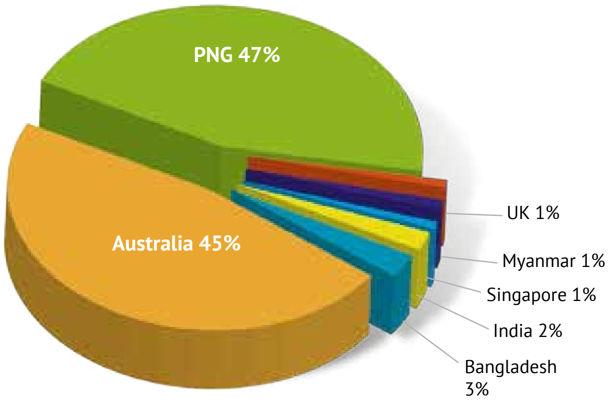
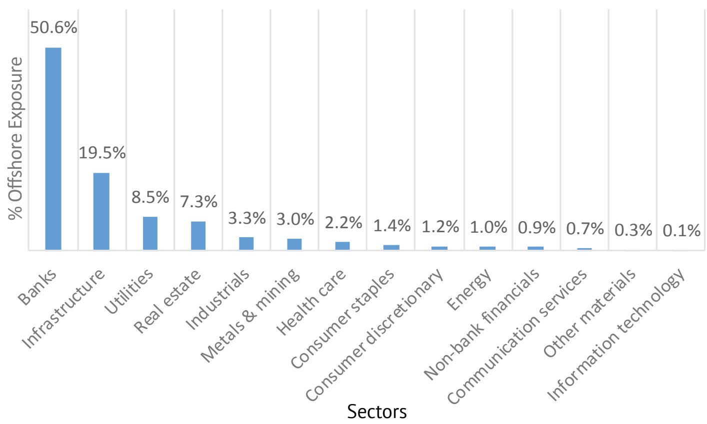



**Figure 3:** Offshore Equities Exposures




Offshore dividend income was $31.0 million (FY18: $16.4 million) representing 34% (FY18: 25%) of total equities dividend income. With an average portfolio balance of $347.3 million (FY18: $238.6 million), dividend income yielded 9% (FY18: 7%).

## Properties

The FNPF property portfolio consists of 25 properties, which includes 19 commercial (retail and office) buildings, 1 property under redevelopment and 5 vacant land under land bank. The property portfolio value has increased from $326.5 million last year to $385.9 million in 2019.

The growth in portfolio of approximately 18% is a result of the market valuation exercise undertaken by the external valuer and the acquisition of two (2) properties in the investment portfolio.

Occupancy rate for the property portfolio stands at 97% for the year ending June 2019. Gross income in this financial year stood at $18.8 million compared with $18.4 million last year. The growth is attributed to rental review of tenants' leases.

## Fixed Income Investments

### Government Securities

Government securities held by the Fund increased from a balance of $2.58 billion last year to a total value of $3.0 billion at the end of FY19. Total investments in government bonds over the review period were $588.9 million while maturities totalled $159.5 million. The coupon rates for government issued bonds continued to be fixed throughout the financial year 2018/2019.

### Quasi Government Securities

This portfolio consists of bond holdings in semi government institutions which mainly consist of Energy Fiji Ltd (EFL), Housing Authority (HA), Fiji Development Bank (FDB) and Fiji Sugar Corporation (FSC).

As at the end of FY19, total investments in quasi-government securities were valued at $144.4 million compared with $144.1 million in 2018.

The high levels of liquidity that was prevalent during the first half of the year resulted in two institutions redeeming early their high yielding bonds, valued at $50M.

However, the Fund was able to purchase some high yielding quasi-government bonds during the liquidity squeeze in the second half of the year.

### Fiji Government US Denominated Bonds

The portfolio closed at $52.9 million this year compared with $103.9 million last year. This reduction is mainly due to the liquidation of US$25 million of bonds in favour of higher yielding growth assets.

## Commercial Lending

The commercial lending portfolio closed at $854.1 million (after impairment) compared with $686.3 million last year, equating to a 24.4% increase in portfolio.

The growth is a result of new lending to various entities such as Vodafone Fiji, Lotus Garments, Air Pacific Limited (trading as Fiji Airways) and Fiji Sugar Corporation.

Total interest income for the year was $38.4 million compared with $26.7 million in 2018, a growth of 44%.

During the year, the portfolio adopted the Expected Credit Loss model of booking for impairment in compliance with IFRS 9.

This was a change from International Accounting Standards 39 under which impairment allowances were measured according to an “incurred” loss model and recognition of credit loss was triggered by events subsequent to origination.

In contrast, the IFRS 9 impairment model requires impairment allowances for all exposures from the time a loan is originated, based on the deterioration of credit risk since initial recognition.

## Treasury

Treasury Management is a crucial function of the FNPF. It addresses a wide spectrum of financial risks and delivers excess liquidity to meet non-discretionary financial obligations in the event of unexpected business interruptions.

Amidst funding the activities of FNPF, its core focus are managing the timings, risks, returns and relationships with financial stakeholders.

The 2019 financial year was rewarding for the Fund. Reduced liquidity in the financial system enabled the Fund’s earning capacity and provided opportunities of investment whilst there was upward pressure on interest rates.

This had a positive imapct as majority of the Fund’s portfolio is interest rate–sensitive. Besides providing liquidity to the financial system of Fiji, the FNPF continued with its strategy implementation of venturing into growth assets investments, helping diversify the investment portfolio and maximize returns at the same time.

The market interest rates were on a rise mainly due to tightening liquidity levels. As at June 2019, liquidity in the banking system stood at $434.0 million against $470.2 million for June 2018.

The Fund’s cash balance as at June 2019 was $459.5 million compared with $481.8 million last financial year. The decline is attributed to the Fund’s heavy investment activity.

### Local Term Deposits

The local term deposits portfolio stood at $429.8 million in June 2019 compared with $577.4 million for the same period in 2018. The reduction was due to cash being utilised for funding of the major investments such as additional share acquisition, commercial loans and property investments.

### Offshore Term Deposits & Cash

The foreign term deposits and cash closed at $40.4 million in the review period compared with $65.9 million in 2018.

The decrease is a result of the Fund’s investment in Growth Assets such as BSP and GPH.

**Table 6:** Investment Policy Statement - Growth vs Fixed Asset Allocation

| | **Growth Asset** capital growth component | **Fixed Asset** income return is fixed |
|---|---|---|
| **Previously** | 29% | 71% |
| **2019** | 32% | 68% |
| **10 yrs target** | 60% | 40% |

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

“My husband & I signed up for Additional Contribution last year during the Fiji Showcase. I see this as a good investment where we can accumulate enough funds to pay off our mortgage and start a small business.”

**Esther Koroivuki,** Suva.

## Projects

### Holiday Inn Suva

The central facilities and poolside area's refurbishment and renovation were completed in November 2018. The upgrade works provide a new arrival experience, look and feel, meeting the brand standards.

The new openable motorised vergola outdoor roof covered sitting area was incorporated in the new outdoor works, which increased seating capacity allowing guests to utilise the space even during rainy weather, which was not possible previously.

The Tapa Bar was also refurbished giving it a modern appearance adding to its ambience. The outdoor bure was relocated strategically so guests could enjoy the sunset while the pizza bure was relocated next to the kid's pool.

### Fiji Marriott Momi Bay Resort

Since completion in 2017, the FNPF continued to assist with normal annual capital works to enhance property returns and sustain the performance of the Marriott Hotel.

This included the expansion of the food & beverage range and the commencement of the construction of the Voivoi restaurant. Design work is advanced for the development of expatriate staff accommodation and is expected to begin construction in 2020.

### Nadi Retail Development

Following further value engineering to the design, the re-development project at the new Nadi retail complex has enhanced its marketing product to three (3) levels of retail shopping space that offers a supermarket, food court and restaurants, FNPF agency and LTA services, etc.

Due to the design changes, the completion date has been revised to December 2019. The design change is expected to improve the property's long-term Return on Investment with the re-development design adding more value to this development.

### Sheraton and Westin Resort

The pre-Asian Development Bank (ADB) meeting upgrade works were successfully completed in April 2019.

Following the milestone acquisition of the two new hotel properties during the year, Sheraton and Westin Resort, FNPF was heavily involved with the engineering consultants and contractor in the upgrade and refurbishment for pre-ADB works undertaken for the two properties as required under the terms of acquisition.

The process included the appointment of a team of consultants, scoping of the upgrade and refurbishment works, design documentation and tender. The construction scope were in two phases; pre-ADB, which was to be completed in April 2019 for the ADB meeting and post-ADB, which will be for the room blocks and central facilities upgrade. The post-ADB works are expected to commence in 2020.

## Subsidiaries


### Amalgamated Telecom Holdings Pte Limited

Amalgamated Telecom Holdings Pte Limited's (ATH) revenue increased by 13.8% to $523.9 million for the financial year ended 31 March 2019 driven by growth within the group and inclusion of BlueSky and Digitec Group earnings. However, there was a slight decrease in Net Profit After Tax by 5.6% to $84.7 million due to the increase in interest expense and recognition of depreciation of right of use assets.

Shareholders' equity grew by 34.6% to $459.5 million showing a return on equity of 21.1%. Similarly, a dividend of $10.5 million or 2.5cents was declared for the 2019 financial year.

ATH Group is pursuing acquisitions in the Pacific region with network expansions to ensure that over the long term the group is sustainable in its growth with the inclusion of BlueSky Group and establishing a footprint in Papua New Guinea.

FNPF's equity investment in ATH was revalued to $594.7 million during the year; a growth of 12.0% from the prior year and a follow on from the change in accounting policy adopted for recording of subsidiaries. This is driven by the inclusion of BlueSky and improved earnings for the group, which is in line with the growth in share price of 12.3% from $2.85 to $3.20 per share as at 30 June 2019.

### Home Finance Company Pte Limited

HFC Bank achieved a net profit after tax of $18.3 million; an increase of 55.1% from the 2018 financial year, which is a continued trend from the previous year. Shareholders' equity and total assets grew by 73.7% and 14.5% respectively to $175.9 million and $1.1 billion in its 2019 financial year.

Furthermore, a dividend of $12.8 million was declared during the year, compared with $8.2 million declared the previous year.

During the year, an additional investment of $50 million was made by FNPF in HFC Bank in line with its shareholding to ensure that the Bank was in a position to capitalize on market opportunities. Similarly, the dividend for the 2018 financial year was reinvested, while not changing the ownership stake of FNPF.

Continuing from the 2018 financial year and in line with the change in accounting policy adopted for recording of subsidiaries, FNPF's investment in HFC bank was revalued to $149.2 million.

CASE STUDY

# Lautoka & Ba Hospital (Public-Private Partnership)


In 2018, the Fijian Government began the process of establishing a Public Private Partnership to upgrade, equip and operate the Lautoka and Ba Hospitals to raise the quality of health services to international standards.

It envisioned that this project would ensure that some 380,000 Fijians would be able to access new and improved health services.

Recognising that such a project would have a positive impact on the lives of its members, the FNPF signed on as an investor, partnering with internationally renowned quality healthcare operator – Australia based Aspen Medical Pty Ltd, to form Healthcare Fiji Private Limited, with FNPF owning 80% while Aspen Medical owns 20%.

**"...Lautoka and Ba hospitals will offer a range of new specialised treatment options and those specialised services will be available to every Fijian."**

**Hon. Aiyaz Sayed Khaiyum**
***Attorney General & Minister for Economy, Civil Service, Communications***

Through this partnership, the two hospitals would go through major structural and equipment upgrades, modernising the two medical facilities and ensuring that a range of clinical services will be provided for Fijians.

This shared vision will offer Fijian people a range of medical services including enhanced clinical services across a range of specialties including renal dialysis; chemotherapy; oncology; coronary care, intensive care, as well as the usual mainstream services such as emergency department; maternity care and services; neonatal and children's services; and operating theatres. The upgrading of the clinical skills of all staff will also be a major focus of the Aspen Medical team.

This is a transformative investment for the Fund and through it, members and ordinary Fijians will no longer need to travel overseas, given the improved level of services.

The benefits from this Government-guaranteed project is that the Fund will receive long-term income as debt and equity financier, while Fijians will get access to modern health facilities and healthcare through the availability of specialist doctors.

The new hospitals are expected to be operational in 2020.

## EQUITIES SUCCESS STORIES

### HFC Bank (HFC)

Fiji's only locally owned bank with the FNPF and its members owning a 75% majority stake in Fiji's fourth largest commercial bank in terms of total assets which as at 30 June 2019 stands at $1.1 billion. This investment in HFC represents about 2.1% of the FNPF investment portfolio. The remaining shareholding is owned by the Unit Trust of Fiji; a local investment fund which the FNPF also invests in.

HFC Bank became a fully-fledged commercial bank in March 2014 after operating as a credit institution in Fiji for many years. Since then, HFC bank has grown year-on-year and this is reflected in the consistent dividend income received by the FNPF. Dividend yield for FY19 is at 8.3% with a fair value gain of 11.8%, noting a total return of 20.2%.

In the last five years, HFC Bank's total assets nearly doubled, growing by 96.4% from $557.3 million In 2015 to $1.1 billion in 2019. Similarly, Net Profit After Tax more than tripled over the same period from $6.1 million in 2015 to $18.3 million in 2019. Whilst FNPF acknowledges that HFC Bank is operating in a very challenging environment, competing with the three larger banks in Fiji, under the leadership of the Board and Management, FNPF takes comfort that HFC Bank will continue to retain its existing market share and identify opportunities to grow sustainably. HFC Bank is unique in that it is wholly locally owned and supported by two prominent financial institutions and is adaptive and nimble to take advantage of exciting opportunities to grow its books over the long term.

### Bank of South Pacific (BSP)

Bank of South Pacific PNG has once again become one of the Funds successful investments in FY19.

The Fund has received FJ$23.9 million in dividend representing the highest in terms of volume and dividend yield within our equities portfolio.

This volume represents 85% of offshore equities dividend income and 26% of total equities dividend income for FY19.

The FNPF acquired additional shares within the financial year, to increase its shareholding to 6.52% (7th largest shareholder) as per BSP's Annual Report (as at 31December 2018).

BSP share price has increased by 11% from PGK10.00 to PGK11.06 during the course of FY19. BSP dividend since FNPF invested has increased from PGK 0.79 per share to PGK 1.27 per share in FY18.

BSP PNG is the Head Office for BSP Fiji.

The Fund will explore opportunities of acquiring additional shares in the company as within the Pacific region (excluding Australia and New Zealand), BSP is seen as the prominent bank.

### Vodafone Fiji Limited (VFL)

FNPF invested in Vodafone Fiji Limited in 2014 for a 49% stake and since then have received consistent dividend income annually, which in FY19 yielded a dividend of about 9.6%. At this rate, FNPF is poised to fully recover its initial investment cost within the next 4 years which makes this investment one of FNPF's preeminent performing investments.

However, FNPF is cognisant of the fact that VFL operates in a very dynamic, challenging and mature market in Fiji, which is why VFL has ventured into acquiring a subsidiary company that operates in the ITC space, namely, DATEC Fiji; which provides an enabler and support for product offerings by VFL. Similarly, VFL with its expertise has ventured regionally to enter into Management agreements with regional telecommunication companies (excluding Australia and New Zealand) within the ATH Group to diversify its income base. Furthermore, VFL has recently undertaken a major capital investment to upgrade its existing infrastructure to ensure that it stays in touch with changing customer needs and expectations.

Initially, FNPF's investment in VFL was carried at cost, however, effective 30 June 2018, the Fund recorded the investment at fair value. Since then, FNPF's carrying value in VFL has grown overall by 56.7% or $90.7 million as reflected in the last three financial years statements. In FY19, fair value gain from FNPF's investment in VFL is around $40.7 million or 19.4%.

Ultimately for FY19, the total returns from the investment in VFL was around 28.9% and the investment represents 3.4% of the total Investment portfolio and 12.9% of the total equities portfolio.


"There is no better place to save. I even signed up my children for the Minor Voluntary Membership Scheme. Knowing that my funds are with FNPF gives me peace"

**Christ Prasad,** Taxi Driver, Voluntary Member, Taveuni

# Our Customers

## Membership

The Fund's total membership at the end of the year was 441,663 an increase of 2.7% from 2018. These new members included 2,250 registered under the voluntary membership scheme.

## Employers

Active employers totaled 8,521 for the year compared with 7,968 in 2018. These employers are those that paid their employees contributions at least once during the financial year. There were 1,145 new employers registered compared with 1,134 in 2018.

## Total Contribution

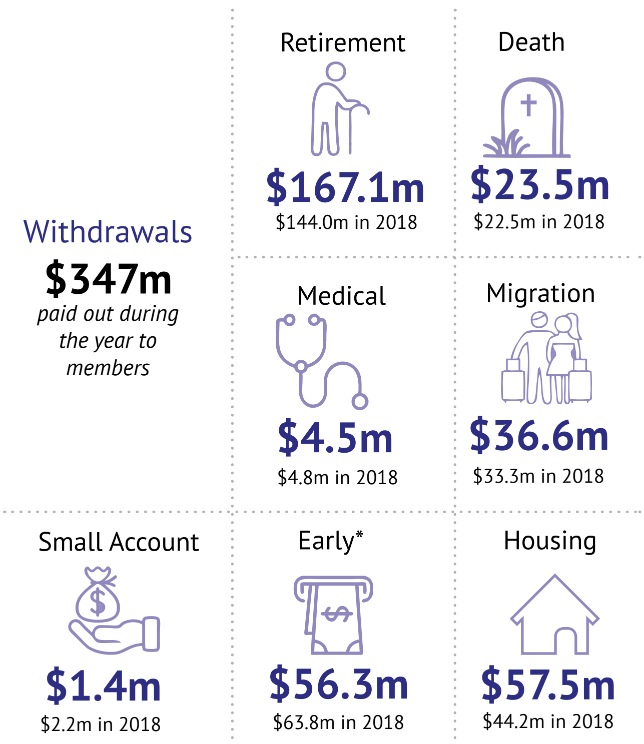
Contributions collected totaled $652 million compared with $599.9 million last year, an increase of 8.7%. This outstanding achievement, averaging $54.3 million collected per month, is attributed to strategic partnerships with ministries and continuous Employer awareness.

## Contribution Debtors

The balance of unpaid contributions was $16.1 million at the end of the financial year, compared with $8.5 million in 2018.

## Unidentified Contribution

A total of $1.3 million in unidentified contributions was collected. These contributions are collected but not distributed to members' accounts because of insufficient information supplied by employers.




## Unclaimed Deposits Account

The Fund transferred a total of $1.8 million of suspense funds to the Unclaimed Deposits account after reasonable diligent inquiry. Total unclaimed funds stands at $15.7 million compared with $13.9 million for 2018.

## Civil Litigation

Forty eight civil litigation cases were handled by the Legal Department. Out of these 6 have been closed while 42 are were pending in court by the end of the FY.

## Family Court Orders

A total of 49 court orders which involved transfers ordered by the Family Court to the amount of $149,590.68 were processed for transfers between member accounts in the past financial year.

## Recovery of Member Contributions

Employers' cases totalling 79, were registered during the financial year with the Magistrate Courts around Fiji in the criminal jurisdiction to the value of $1,639,742.15.

The total debt for prosecution cases in court at the opening of the financial year was $1,811,989.99 and at the closing of the year was $1,820,074.10

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; and
c) Deduction of 8% from workers without remittance to FNPF

The closure of 78 prosecution cases in court enabled the recovery of $1,156,564.80 of outstanding member contributions. In addition to its powers of enforcement available under the law, the Fund is now actively pursuing civil recovery against directors and business owners.

A total of 16 cases have been initiated against company directors and business owners with a total value of $769,861.94 in unpaid contributions.

## Discharge of Property Titles

FNPF is actively discharging all property titles belonging to members who withdrew for housing assistance prior to November, 2014. 886 property titles were released to members and the banks last year. A further 2,997 cleared property titles with the Fund are ready for collection by members, while 1,335 are currently awaiting the endorsement of the Registrar of Titles before release.

## Customers Served

We served a total of 552,146 customers during the financial year compared with 552,546 in 2018. This was an increase of 7.9%.

The average number of customers served per month is 46,012 compared with 46,046 last year.

Of the total customers served, 87% personally visited FNPF offices while 6.5% and 6.4% accessed our services via phone and email respectively. Customers who visited our office during the year increased by 1%. Members who contacted us via information@fnpf.com.fj increased by 57% from 2018.

In terms of geographical distribution, 68% visited our offices in the Central Division including those who accessed the Fund's services via telephone and email, 26.2% visited our office in the Western Division while 6.2% visited our offices in the Northern Division.

*Customers Served by Divisions*

| Central | Western | Northern |
|---|---|---|
| 373,239 | 144,914 | 33,993 |

*Customers Served by Contact Types*

| Face to Face | Email | Phone |
|---|---|---|
| 481,088 | 35,397 | 35,661 |

## Services Type Analysis Summary

The most requested service during the year were related to member services totalling 663, 179 queries of which the majority were for online user registration. These were mostly for registration, resetting of login credentials and other technical assistance.

The Fund has continued to encourage members to actively utilise its digital platforms to track their contributions, view their statements as well as lodge and follow the progress of their applications. Other frequent requests were for eligibilities and statements (57,035), Joint ID Card (18,606), member registration (15,174) and nomination (12,139).

For full withdrawals, total number of enquiries received was 37,431. Of these, 61% were for retirement purposes, 15% were for Ground 2 or death of a member, 9% for second payments for those that had already fully withdrawn under retirement, 8% for migration and 5% for small accounts or members who have less than $5,000 balance and are 50 years or more and were unemployed for three consecutive years.

Of the 930,535 service requests received during the year, 17% were for Early Withdrawals. Education continued to be the most popular benefit enquired by members. A total of 29,983 requests were received for unemployment whilst 41,122 were for general early withdrawal enquiries. Urban and village housing assistance received a total of 34,534 enquiries.

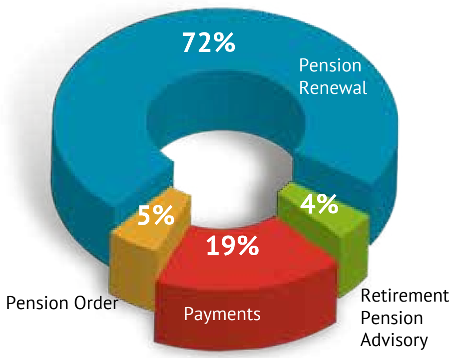
## Pension Take Up Rates

A total of 6,124 members and nominees were eligible for pension in 2019. The pension take up rate was 4.75%, a slight decrease from 5% last year.

Of this total, 94% had turned 55 and were eligible for retirement, 3.6% qualified as sole nominees and spouses of deceased members while 2.1% were eligible for pension under medical incapacitation.

A total of $11.1m was transferred to the Retirement Income Fund for pension options by members during the year; an increase of 6.3% from the previous year.

**Figure 4:** Pension Services




Early Withdrawals **$56.3m** *paid out during the year to members*

| Education | Medical | Unemployment | Funeral |
|---|---|---|---|
| **$32.2m** | **$3.3m** | **$13.6m** | **$7.2m** |
| $32.5m in 2018 | $2.7m in 2018 | $10.9m in 2018 | $5.7m in 2018 |

## E-Channels

The Fund's e-channels continued to attract members during the year. This is expected to become even more popular as the Fund actively encourages members to conduct their FNPF business online.

*Website users*

myfnpf.com.fj

page views
629,627
Recorded users
132,844

*Online Portal users*

10,182 Employers
Members 21,320

*MyFund (*567#) users*

16,507

*myFNPF Mobile App installs*

24,853

*Kiosk users*

6,609

## Member Advocacy

The Fund actively pursues member education and advocacy programs nationwide with 167 sessions conducted throughout Fiji, attended by 9,135 members. The Fund also organised three Retirement Expo events with the theme "It's Easy to Save". These expos were held in Suva, Sigatoka and Taveuni during the year, attracting close to 4,000 members.

*Facebook*
*19,965 Likes*

*Twitter*
*952 Followers*

FORUM

*Member Forums attendees* *673*

*Live-feed via the Fund's facebook page saw a total of reach of 2,000, 599 views and 437 engagements*

## Media and Communications

The Fund is aware of the important role that the media plays in terms of disseminating critical information and ensuring that key stakeholders are fully aware of the latest development within the organisation.

Throughout the year, FNPF worked closely with the media, releasing statements, responding to queries, arranging interviews and organising media coverage to ensure key messages are relayed to our stakeholders.

The Fund issued 20 media releases, received 30 media queries that generated over 70 positive mentions.

A media briefing in February 2019 allowed the media to get the latest updates from the Chief Executive and executive team. These briefings are an important fixture in our corporate calendar and is part of efforts to nurture a good relationship with the media.

The Fund's Quarterly Member Newsletter has also been a good source of information for the media, with many stories re-published in the local dailies – positively influencing members' decisions pertaining to their retirement savings. Whilst the newsletter is printed and distributed at FNPF branches, an e-copy is transmitted to over 90,000 subscribed members.

Social media continues to be a pivotal point correspondence for our members. The Fund responded to over 2,000 queries during the year.

# Our People

Reinforcing our stewardship culture remains an organizational priority, to ensure the Fund is able to transform its business and achieve its strategies through coaching & leadership programs, performance management and retention initiatives. As a service centric organization, improving and innovating our processes and culture is key to enhanced service delivery to members and other stakeholders.

The Fund places a high priority on attracting the best candidates, retaining our talent and building the capacity of our teams. It continues to strive to be a good employer by offering equal opportunities to new and existing staff. The Fund also actively invests in the professional development and career progression of its personnel.

## Milestones

2019 has been a crucial year for the Fund as it embarked on a number of key activities which included collaboration with other external stakeholders.

Some highlights for the Fund were the:

- Launch of the employee recognition program
- Implementation of the Dale Carnegie Leadership program for the Leadership Team
- Collaboration with International Finance Corporation on the child care and domestic violence survey
- Inclusion in the Women in Business award
- Rollout of the corporate culture survey
- Launch of the Skill-soft-Percipio online training platform
- Automation of performance and Balance Score Card (BSC) review process
- Collaboration with the social committee on key engagement programs

Moving into 2020, a focal area for the Fund is to deliver innovative and tailor made policies and initiatives through research and analysis as it continues to reinforce its culture transformation journey.

## Culture Survey

The Fund received a 61% rating in terms of the observable changes since the inception of the culture transformation journey, as revealed by the corporate culture survey, which established the Fund's baseline in relation to its corporate culture, and the areas of development for the Fund. This was benchmarked off the ADKAR model (awareness, desire, knowledge, ability, & reinforcement).

The ADKAR model is a widely used tool in change management to bring about successful change. The next survey will be carried out in the new year, where we further anticipate some positive changes.

At the end of June, 2019 the Fund had a total staff count of 466.

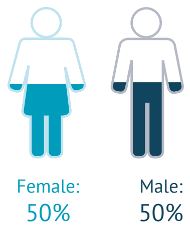
**Table 7:** Breakdown of Employment type

| EMPLOYMENT TYPE | COUNT |
|---|---|
| Temporary Staff | 72 |
| Non-management Staff | 363 |
| Management Staff | 31 |
| TOTAL | 466 |

## Diverse Workforce

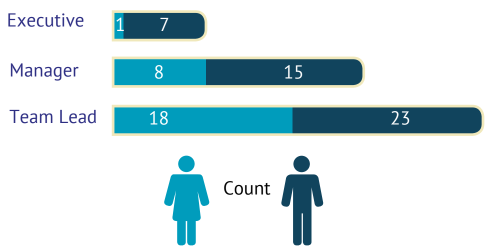
The Fund values diversity, and we are fostering it in order to create better returns.

Improved workforce diversity, particularly in relation to equal opportunities, ensuring pay equity and leadership engagement has been an important focus for the Fund.




This is reflected in the Fund's diversity whereby women make up over 50% of the workforce.

Furthermore, women hold more than 35% of the Leadership and Supervisory positions in the Fund.




The Fund is in the right space to ensure its transformation journey is sustained now and into the future where more than 60% of the workforce is in the Gen Y category.

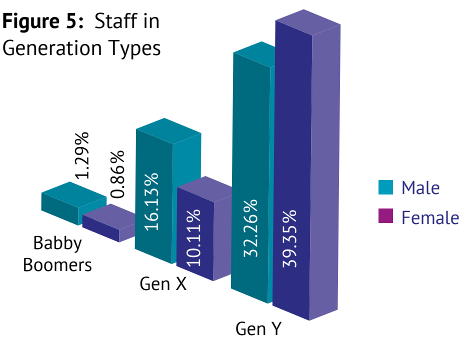
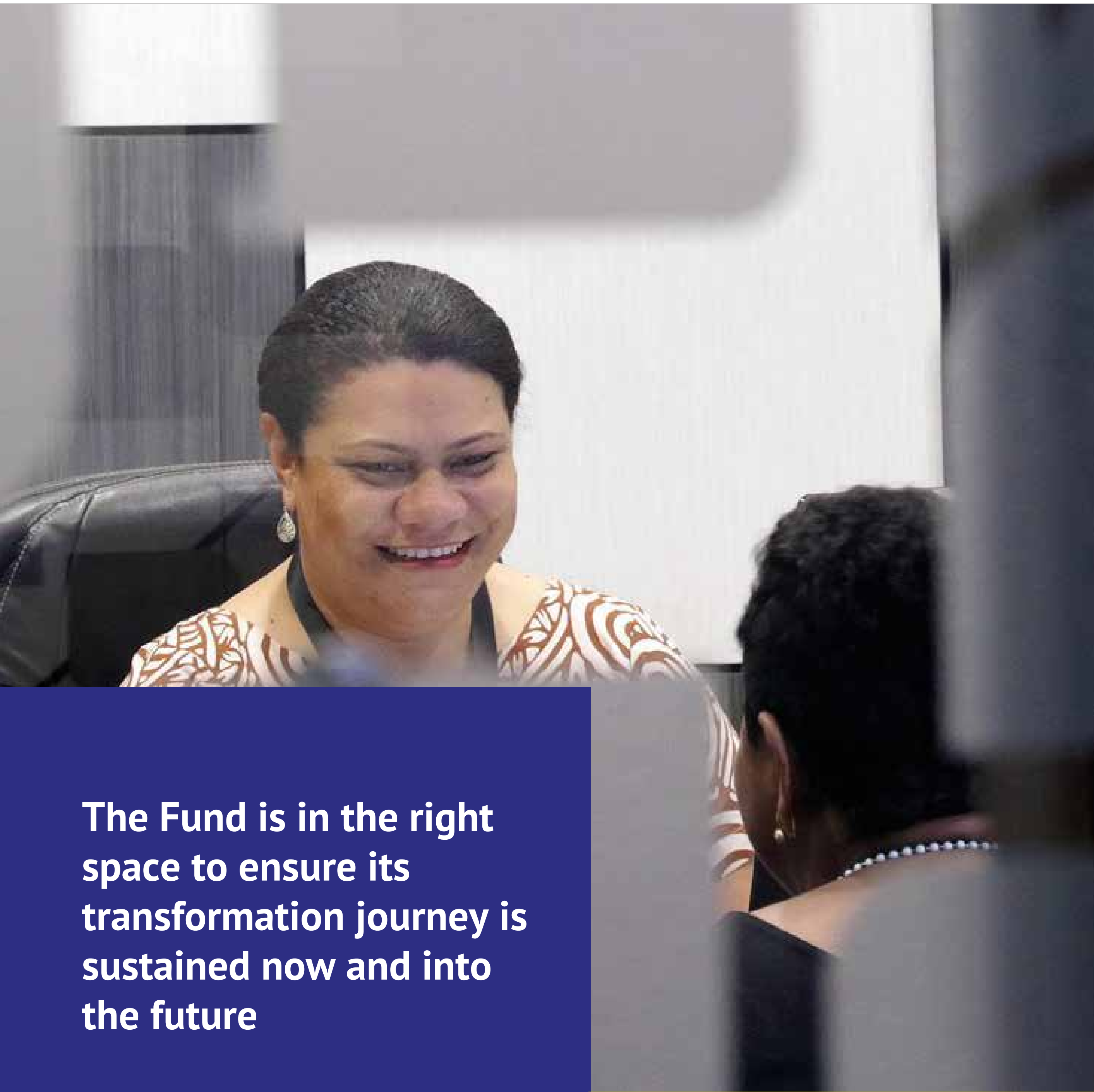



**Figure 5:** Staff in Generation Types



**The Fund is in the right space to ensure its transformation journey is sustained now and into the future**

**We believe in the power of gender diversity**

women hold more than 35% of the Leadership and Supervisory positions in the Fund.

> The primary objective is to transform the workforce into one whose culture espouses Stewardship

## Trends

Having the right people, with the right skills and mind-set, the right attitude and behaviour, is critical in our transformation journey.

Some key highlights that correlates directly with these efforts is the reduction in the absence rate from 3.96% to 1.07% at the end of the financial year.

- The Fund's labour turnover increased from 7.3% last year to 10.87% (5.5% permanent exits) in this financial year. The increase is largely due to the personnel that have been engaged for various projects undertaken by the Fund, and constitutes more than 55% of the staff exits.

- During the financial year, six promotions were confirmed by the Fund of which four were for leadership and supervisory positions. Being able to offer staff career progression opportunities and the ability to gain new skills reinforces the journey the Fund is undertaking and the retention of valuable institutional knowledge.

## Staff Development

The Fund implemented the Skillsoft-Percipio training platform which offers various training modules & certification that are tailored for the individual needs of every FNPF personnel. This is in line with the Fund's go-digital and culture transformation initiatives.

Furthermore, the Fund continued to invest in its people through in-house, external and overseas training programs and seminars.

These programs ensure that the Fund has a workforce that is competent, with professional, ethical and trustworthy standards of behaviour that support its transformation journey.

**Table 8:** More than 90% of staff trained

| TRAINING TYPE | COUNT | INVESTMENT |
|---|---|---|
| External | 15 | $ 86,186.22 |
| Overseas | 20 | $ 419,266.97 |
| In House | 53 | $ 191,607.12 |
| TOTAL | 88 | $ 697,060.31 |

Capacity building and succession planning programs remains pivotal to sustaining performance at all levels through leadership training.

The Fund has collaborated with the Dale Carnegie and John Maxwell leadership group to ensure leadership sustainability and cascading of these standards to the entire workforce.

## Occupational Health & Safety (OHS) and Wellbeing

The Fund has developed its OHS management system and security policy that will be fully implemented in the new year.

These documents ensure the Fund is able to maintain productivity through the creation of a working environment that is safe and secure for all Health & wellness continues to be reinforced throughout the year to ensure the Fund has a healthy workforce in order to enhance service delivery.

This is reflected in the Fund's investment in terms of localizing health and wellness programs for staff with the weekly zumba and aerobics sessions as well as collaborating with health agencies for regular health checks.

The Fund has also provided support to the Ministry of Health through various blood drives, which have been embraced by its personnel.

## Projects

A number of key projects will be undertaken in the new year.

These projects strengthen the Fund's efforts in improving operational efficiency, and will be through the project management framework

Some of these projects include the:
- HR management system – manage all facets of the HR operations.
- PMS system – manage and fully automate the PMS function
- Financial literacy – enhance a savings culture in the Fund
- Records management project – manage and automate the Fund's records management process


# Giving back to society

**During the year, staff organised their own corporate social responsibility activities. These ranged from visitations to St Christopher's Home, donating christmas gifts to prisoner's children, providing lunch at Father Law Home, clothing the homeless of Suva City and mangrove planting in Lautoka.**

**The expenses for these community initiatives were fully funded by FNPF staff. The Fund also supported charity events such as for Home of Hope and Lifeline Fiji.**

**The Fund plans to pursue a volunteerism program in the next financial year to motivate staff to volunteer their time and skills to the community.**

# Corporate Diary

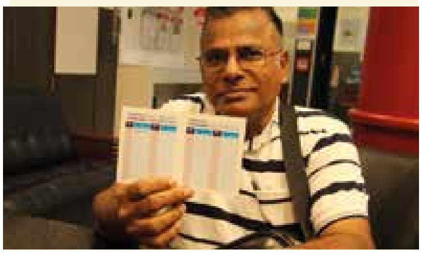
## JULY

- **2nd – 6th** Capital Markets week held at the Downtown Boulevard
- FNPF Medical Board Orientation
- **11th** – Legal Aid Commission conducts an awareness session on Wills and Probates for Fund staff
- **19th** – Fiji Police Forensics Department conducts finger print training for Fund staff
- **28th** – Major CSR Activity where Fund staff Fiji-wide cleaned up FNPF properties in Suva, as well as public recreational areas in the Central, Western and Northern Divisions.

## AUGUST

- **1st - 52nd** Fund Anniversary
- **1st** – Valelevu Agency celebrates its 1st Anniversary
- **8th** - FNPF signs MOU with REALB to address compliance issues within the real estate industry


- **13th** – Pension Renewal Certificate cycle changed from four months to 6 months
- **15th** – Retirement and products services awareness conducted for the spouses of Methodist Church Ministers.
- **16th – 23rd** – World Humanitarian week-long exhibition held at Downtown Boulevard
- **31st** – MATAI system, FNPF's IT administration that had been used since the 1980s, was closed off.



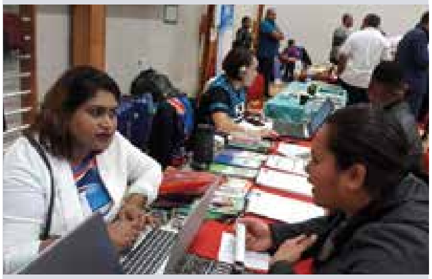
## SEPTEMBER

- **2nd** FNPF subsidiaries meeting – A briefing between FNPF and the heads of its subsidiaries, where opportunities to synergize, were discussed.
- **19-22:** West - Retirement Expos
  **26-28:** North - Retirement Expos


- **28th** – FNPF awarded the Best Design and Presentation Layout (Unlisted Organizations Category) at the South Pacific Stock Exchange 2018 Annual Report Awards

## OCTOBER

- **2nd – 4th** - ISSA Good Practices: 2 Certificate of Merit awards for FNPF – the Fund's efforts to ease Employer's superannuation business as well as the provision of assistance to members during times of natural disasters, was recognised by the ISSA

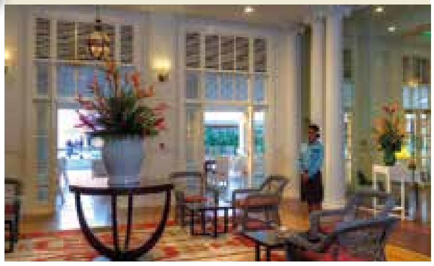


- **13th – 21st** – FNPF Team visits Fijians in the UK conducting awareness sessions on retirement savings and the Fund's achievements.
- **16th** – Awareness sessions conducted in Rakiraki for Tourism Stakeholders and the Ra Fisherman Association
- Voluntary membership activated on myFNPF App

## NOVEMBER

- **18th** - A Partnership Agreement is signed between the Fund, Aspen Medical and the Fijian Government to upgrade the Lautoka and Ba Hospitals under the Public Private Partnership.
- Fund received dividends from its subsidiaries – HFC Bank and Fiji Ports Corporation Limited.

- **Member forums**
  - **24 Nov:** Labasa Forum
  - **27 Nov:** Nadi
  - **28 Nov:** Lautoka
  - **4 Dec**: Suva
- **30th** – FNPF fully owns the Grand Pacific Hotel after acquiring the 75% shares owned by Papua New Guinea's National Superannuation Fund (NASFUND) and CGA Properties.



## DECEMBER

- **14th** FNPF hosts children of St Christophers Home in a Special Christmas Staff Meeting at HQ

CORPORATE DIARY

# Corporate Diary

- **27th** - Fund paid a premium of $8.753m to TLTB for the reinstatement of the expired leases for 50 acres of land where Sheraton Fiji Resort and Westin Resort at Denarau, Nadi.

## JANUARY

- **17th** – Signing of a Concession Agreement between Government and Healthcare Fiji Private Limited, which is owned by FNPF (80% shares) and Aspen Medical (20% shares) for the upgrade, equipping and operation of the Lautoka and Ba Hospitals

## FEBRUARY

- **1st** – Minor Voluntary Membership launched, extending the voluntary membership scheme to children from 6 years old.
- **27th** – A briefing was held with the members of the media where the CEO Jaoji Koroi provided key Fund updates.

## MARCH

- **18th** – World Bank opens its Pacific Hub at the MyFNPF Centre, effectively increasing its presence in Fiji and the region.

- **30th** – The first-ever Pensioners Day was held at the Grand Pacific Hotel as part of efforts to engage more with Pensioners.

## APRIL

- **April 10th – 13th** – the FNPF Retirement Expo Suva 'It's easy to save' was held at the Downtown Boulevard, where more than 700 people accessed more than 800 services.
- **27th** – FNPF subsidiaries Barton Ltd (Sheraton) and Dubbo Ltd (Westin) signed two MOUs with the Y3 Gopher Trust – which is the owner of the I-Taukei Land at Denarau Island
- **30th** – Voluntary Member Registration enabled on myFNPF App


## MAY

- **1st – 5th** – The 52nd Annual ADB Governors Meeting was held at the Fund's Denarau Properties.
- **8th** – The Cook Islands National Superannuation Fund signed a MOU with FNPF allowing Fijians working in the Cook Islands to transfer their funds to FNPF once their employment ceases.
- Two new appointees to the FNPF Board – Joel Abraham and Kalpana Lata.
- **16th – 18th** - FNPF Retirement Expo held for the first time in Sigatoka

## JUNE

- **6th** – FNPF signs a MOU with the Ministry of Forestry to address compliance issues with its licensees.
- **12th – 15th** – FNPF Retirement Expo held in Taveuni.
- **20th** – FNPF signs MOU with the Water Authority of Fiji to encourage data sharing
- **30th** - FNPF Board declares 6.75% interest – crediting a total of $353 million to its members.

**6.75%**

**INTEREST DECLARED TO MEMBERS**

# FINANCIAL STATEMENTS
# 30 JUNE 2019


| | |
|---|---|
| Board of Members' Report | 41 – 42 |
| Statement by Board of Members | 43 |
| Independent Auditor's Report to the members of Fiji National Provident Fund | 44 – 46 |
| Income Statements | 47 |
| Statements of Financial Position | 48 – 49 |
| Statements of Changes in Member Benefits | 50 |
| Statements of Changes in Reserves | 51 – 52 |
| Income Statement by Fund | 53 |
| Statement of Financial Position by Fund | 54 – 55 |
| Statements of Cash Flows | 56 |
| Notes to and forming part of the financial statements | 57 – 155 |

Fiji National Provident Fund and its subsidiaries

# Board of Members' Report

For the year ended 30 June 2019

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 2019 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
Mr. Sanjay Kaba (Resigned 07 December 2018)
Ms. Kalpana Lal (Appointed 02 April 2019)
Mr. Joel Abraham (Appointed 02 April 2019)

## 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 2019 was $499,914,000; (2018:$472,212,000 and for the Fund was $568,383,000 (2018: $538,662,000).

## 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 6.75% (2018:6.35%).

## 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) On 28th November 2018, FNPF acquired the remaining 75% shares of GPH shares from National Superannuation Fund and CGA Property Limited of Papua New Guinea (PNG).

(ii) During the year, the Fiji Government together with the Fund, initiated a Public Private Partnership which led to the establishment of subsidiary; Health Care (Fiji) Pte Limited, whereby the Fund owns an 80% stake with Aspen Medical owning 20%. Currently the Fund's investment exposure is at $1.2m and will increase in the years to come.

(iii) During the year and in line with the objective of value enhancement and assessment of its existing local equities portfolio, the Fund divested 0.4% of its shareholding in ATH.

(iv) On 7 December 2018, the subsidiary company, ATH International Venture Pte Limited (ATHIVPL), a fully owned holding company of Amalgamated Telecom Holdings Limited (ATH) was incorporated in Singapore and executed definitive agreements to purchase 70% shareholdings in each of Digitec Communications Limited, Etech ICT Pte Limited and Etech ICT Pty Limited (collectively Digitec Group).

The parties agreed to ATHIVPL acquiring 70% shareholding in the Digitec Group for a total consideration of USD13.32 million on 10 December 2018. The parties have also agreed to capitalise Digitec Communications Limited to fund a mobile network rollout in Papua New Guinea. The acquisition was effective on the date of change of control, which was 1 January 2019.

# Board of Members' Report (continued)

For the year ended 30 June 2019

## Significant events during the year (continued)

(v) On 31 December 2018, Amper SA transferred the control of AST Telecom, LLC (doing business as Bluesky of American Samoa, American Samoa Hawaii Cable, LLC, of Samoa and Samoa American Samoa Cable, LLC of Samoa) to ATH to be effective 1 January 2019. As a result, all the Amper SA appointed directors in the respective entities resigned effective from 31 December 2018 and ATH appointed their nominee directors to the boards of respective entities effective from 1 January 2019.

(vi) Amalgamated Telecom Holdings Limited (ATH) received a conditional approval from the Fijian Competition and Consumer Commission (FCCC) for the integration of subsidiary Telecom Fiji Pte Limited (TFL) and Fiji International Telecommunications Limited (FINTEL) via TFL acquisition of certain assets and liabilities of FINTEL. The integration remains on foot while the companies are working towards meeting the regulatory conditions and obtaining official (High Court) sanction to proceed with the transaction.

## Events Subsequent to the Balance Date

On 13 August 2019, The Government of the Republic of Fiji announced that it had entered into an agreement to divest 20% of the shares in Energy Fiji Limited ("EFL") to the Fiji National Provident Fund ("FNPF"). Following the divestment, the Government will retain 75% of the shares in EFL, with the remaining shares held by FNPF (20%) and the general public of Fiji (5%). Financial completion will take place following satisfaction of certain conditions.

On 29 August 2019, the Fiji Sugar Corporation Limited (FSC) formally sought deferment of its quarterly repayment of $1,403,743.12 (being principal and interest on the $50 million loan facility) which was due on 31 August 2019. The moratorium request is until 31 October 2019. As per the relevant clause in the Loan Agreement, FSC has been allowed deferment until 31 October 2019. This loan is secured by a Government Guarantee. The Government is fully aware of the situation after discussions with the Ministry of Economy. The Fund in its books has adequate provisions covering the default amount.

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 the 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 30th day of September 2019.

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 2019

**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 2019;

(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 2019;

(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 2019;

(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 2019;

(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 2019;

(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 30th day of September 2019.

Signed in accordance with a resolution of the Board:

| | |
|---|---|
| **Chairperson** | **Director** |

# Independent Auditor's Report

## To the Members of Fiji National Provident Fund

## Report on the audit of the financial statements of the Fund and the Group

### *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 (together the 'Group'), which comprise the statements of financial position for the Fund and the Group, and the statements of financial position by Fund as at 30 June 2019, and the income statements, statements of changes in member benefits, statements of changes in reserves and the statements of cash flows for the Fund and the Group and the income statement by Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 2019, 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.

### *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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

### *Independence*

We are independent of the Fund and the Group in accordance with the ethical requirements of the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the financial statements in Fiji, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

### *Other Information*

Board members and management are responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 30 June 2019 (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except that not all other information was available to us at the date of our signing.

*PricewaterhouseCoopers, Level 8, Civic Tower, 272 Victolria Parade, Suva, Fiji.*
*GPO Box 200, Suva, Fiji.*
*T: (679)3313955 / 3315199, F: (679)3300947*

***Responsibilities of Board Members' and Management for the Financial Statements***

Board members and management are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and with the requirements of the Fiji National Provident Fund Act 2011, and for such internal control as the board members and management determine 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, the board members and management are responsible for assessing the Group'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 the board members and management either intend to liquidate the Fund or any of its subsidiaries or to cease operations, or have no realistic alternative but to do so.

The board members and management are responsible for overseeing the Fund's financial reporting process.

***Auditor's 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 auditor's 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 the ISAs 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 the financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism 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 the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board members and management.

- Conclude on the appropriateness of the board members' and 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 and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund or the Group 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 consolidated financial statements of the Group. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with board members and management 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

In our opinion the financial statements have been prepared in accordance with the requirements of the Fiji National Provident Fund Act 2011 in all material respects, and;

a) we have been given all information, explanations and assistance necessary for the conduct of the audit; and
b) the Fund has kept financial records sufficient to enable the financial statements to be prepared and audited.

## Restriction on Use

This report is made solely to the Fund's members, as a body, in accordance with the Fiji National Provident Fund Act 2011. Our audit work has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

PricewaterhouseCoopers

**PricewaterhouseCoopers**
**Chartered Accountants**

**Grant Burns**
**Partner**

**Suva, Fiji**
**30 September 2019**

FINANCE

Fiji National Provident Fund and its subsidiaries

## Income statements

For the year ended 30 June 2019

| | Notes | Consolidated 2019 $000 | Consolidated 2018 $000 | The Fund 2019 $000 | The Fund 2018 $000 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Interest income | 6 | 308,034 | 278,540 | 298,750 | 268,733 |
| Dividends from other equities | | 35,860 | 22,251 | 48,132 | 22,351 |
| Dividends from subsidiaries | 16(a) | - | - | 42,306 | 44,533 |
| Property rental income | | 26,511 | 23,595 | 18,841 | 18,426 |
| Change in fair value of investment properties | 17 | 18,896 | 82,249 | 18,467 | 82,871 |
| Fair value gains from equity investments | 7(a) | 90,356 | 51,047 | 198,510 | 117,837 |
| Net foreign exchange gains | 7(b) | - | 8,491 | - | 5,693 |
| Sales revenue | 8(a) | 758,283 | 579,051 | - | - |
| Other income | 8(b) | 39,399 | 3 6,895 | 2,096 | 3,834 |
| Reversal of impairment of loans - subsidiaries | | - | - | 8,425 | 25,055 |
| | | 1,277,339 | 1,082,119 | 635,527 | 589,333 |
| *Less:* | | | | | |
| Net foreign exchange losses | 7(b) | 14,681 | - | 13,251 | - |
| Impairment of financial assets at amortised cost | | 5,629 | 6,038 | 3,557 | 1,639 |
| Impairment of goodwill | 22 (b) | 9,628 | - | - | - |
| **Net income** | | 1,247,401 | 1,076,081 | 618,719 | 587,694 |
| **Expenses** | | | | | |
| Investment expenses | | 8,952 | 16,604 | 8,952 | 16,605 |
| Property expenses | | 6,448 | 4,539 | 6,351 | 4,539 |
| Interest expenses | | 5,426 | 8,249 | 19 | - |
| Equipment and ancillary charges | | 87,930 | 73,396 | - | - |
| Airtime and PSTN charges | | 71,616 | 65,239 | - | - |
| General administration expenses | 9 | 439,509 | 344,344 | 24,303 | 24,786 |
| Depreciation and amortization | | 100,068 | 75,316 | 3,505 | 3,102 |
| Impairment of contribution receivable | | 7,206 | - | 7,206 | - |
| **Total expenses** | | 727,155 | 587,687 | 50,336 | 49,032 |
| Share of profit of associates, net of tax | 16(b) | 10,668 | 11,375 | - | - |
| **Profit before tax** | | 530,914 | 499,769 | 568,383 | 538,662 |
| Income tax expense | 10(a) | (31,000) | (27,557) | - | - |
| **Profit after tax** | | 499,914 | 472,212 | 568,383 | 538,662 |
| **Other comprehensive income** | | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | | |
| Foreign operations – foreign currency translation differences | 30(d) | 2,244 | 437 | - | - |
| **Other comprehensive income, net of tax** | | 2,244 | 437 | - | - |
| **Total comprehensive income** | | 502,158 | 472,649 | 568,383 | 538,662 |
| Net profit available for allocation | | 502,158 | 472,649 | 568,383 | 538,662 |
| Non-controlling interest | | (18,560) | (20,719) | - | - |
| | | 483,598 | 451,930 | 568,383 | 538,662 |
| Net benefits allocated to member's account | 32(a)(ii) | (353,145) | (296,983) | (353,145) | (296,983) |
| **Net profit taken to reserves** | | 130,453 | 154,947 | 215,238 | 241,679 |

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

Fiji National Provident Fund and its subsidiaries

# Statements of financial position

As at 30 June 2019

| | Notes | Consolidated 2019 | Consolidated 2018 | The Fund 2019 | The Fund 2018 |
|---|---|---|---|---|---|
| **Assets** | | **$000** | **$000** | **$000** | **$000** |
| **Cash and cash equivalents** | | | | | |
| Cash and cash equivalents | 19 | 788,224 | 786,580 | 459,455 | 481,825 |
| **Receivables** | | | | | |
| Investment income receivable | 25 | 75,737 | 77,959 | 118,399 | 109,009 |
| Trade receivables | 20 | 91,052 | 58,264 | - | - |
| Other receivables | 24 | 139,458 | 141,447 | 49,794 | 29,954 |
| **Investments** | | | | | |
| Term deposits | 11 | 327,171 | 466,505 | 429,785 | 577,400 |
| Government securities | 12 | 3,102,665 | 2,650,278 | 3,008,547 | 2,582,641 |
| Other fixed interest securities | 13 | 196,120 | 248,009 | 196,120 | 248,009 |
| Loans and advances | 14 | 1,130,999 | 948,240 | 854,084 | 686,253 |
| Equities | 15 | 606,274 | 434,979 | 603,008 | 431,645 |
| Investment in subsidiaries | 16(a) | - | - | 1,270,374 | 1,059,355 |
| Investment in associates and joint venture | 16(b) | 83,990 | 106,999 | 66,400 | 75,857 |
| Investment properties | 17 | 361,837 | 306,392 | 385,868 | 326,487 |
| Property held for development | 18 | 9,745 | 9,745 | - | - |
| **Other assets** | | | | | |
| Inventories | 21 | 51,970 | 37,609 | - | - |
| Property, plant and equipment | 23 | 1,166,980 | 879,801 | 11,461 | 14,559 |
| Right of use assets | 29(a) | 56,964 | - | 236 | - |
| Intangible assets | 22 | 428,648 | 263,362 | 10,254 | 9,171 |
| Deferred tax assets | 10(d) | 26,254 | 13,756 | - | - |
| Contract assets | | 2,080 | - | - | - |
| **Total assets** | | **8,646,168** | **7,429,925** | **7,463,785** | **6,632,165** |
| **Liabilities** | | | | | |
| Creditors and borrowings | 26 | 1,275,853 | 946,767 | 6,497 | 5,232 |
| Other liabilities | 27 | 96,420 | 99,342 | 13,487 | 12,284 |
| Lease liability | 29(b) | 36,884 | - | 243 | - |
| Employee entitlements | 28 | 12,305 | 12,935 | 1,157 | 1,914 |
| Current tax liability | 10(b) | 5,359 | 4,115 | - | - |
| Deferred tax liabilities | 10(c) | 58,115 | 54,260 | - | - |
| Contract liabilities | | 9,691 | - | - | - |
| **Total liabilities** | | **1,494,627** | **1,117,419** | **21,384** | **19,430** |
| **Net assets available for member benefits** | | **7,151,541** | **6,312,506** | **7,442,401** | **6,612,735** |
| Less: non-controlling interest | | 198,344 | 104,346 | - | - |
| **Net assets available to pay benefits** | | **6,953,197** | **6,208,160** | **7,442,401** | **6,612,735** |
| **Comprising:** | | | | | |
| **Member accounts** | | | | | |
| Allocated to members | | 6,098,652 | 5,445,448 | 6,098,652 | 5,445,448 |
| Unallocated to members | | 8,686 | 14,631 | 8,686 | 14,631 |
| **Total member accounts** | | **6,107,338** | **5,460,079** | **6,107,338** | **5,460,079** |
| **Reserves** | | **845,859** | **748,081** | **1,335,063** | **1,152,656** |

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

Fiji National Provident Fund and its subsidiaries

## Statements of financial position (continued)

As at 30 June 2019

| | Notes | Consolidated 2019 | Consolidated 2018 | The Fund 2019 | The Fund 2018 |
|---|---|---|---|---|---|
| **Reserves** | | **$000** | **$000** | **$000** | **$000** |
| Investment reserve | | 412,395 | 339,802 | 629,668 | 516,578 |
| Solvency reserve | | 705,395 | 636,078 | 705,395 | 636,078 |
| Accumulated losses | 30(a) | (100,629) | (60,603) | - | - |
| Other equity reserve | 30 | (171,996) | (171,996) | - | - |
| Credit loss reserve | 30(c) | - | 5,470 | - | - |
| Foreign currency translation reserve | 30(d) | 694 | (670) | - | - |
| **Total Reserves** | | **845,859** | **748,081** | **1,335,063** | **1,152,656** |

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.

## Statements of changes in member benefits

For the year ended 30 June 2019

| | Notes | Consolidated and the Fund 2019 $000 | 2018 $000 |
|---|---|---|---|
| Opening balance of members' accounts | | 5,460,079 | 4,875,388 |
| Adjustment on initial application of IFRS 9 * on 1 July 2018 | | | |
| - SDB | 30(b) | (48) | - |
| - RIF | 30(b) | (310) | - |
| **Balance at 1 July 2018** | | **5,459,721** | **4,875,388** |
| Contributions: | | | |
| Employers | | 362,201 | 328,081 |
| Members | | 289,760 | 271,774 |
| **Total contribution** | 30(e) | **651,961** | **599,855** |
| Benefit payments to members | 32(a)(ii) | (355,755) | (323,816) |
| Pension payments to pensioners | 30(b) | (24,356) | (23,782) |
| Benefits allocated to members' account, comprising: | | | |
| Interest to members | 32(a)(ii) | 353,145 | 296,983 |
| Current year investment returns | | | |
| - SDB | 33 | 2,699 | 2,221 |
| - RIF | 33 | 25,709 | 24,826 |
| Transfer to solvency reserve | | | |
| - SDB | 32(c) | (6,180) | (5,324) |
| - RIF | 32(b) | 394 | (11,749) |
| Transfer from general reserve | 32(a) | - | 25,477 |
| **Closing balance of members' benefits** | | **6,107,338** | **5,460,079** |

* Impairment allowance on financial assets

The statements 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 2019

**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 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** |
| Impact of adjustment on initial application of IFRS 9 * (net of tax) | 2.2 | (7,871) | - | (3,959) | - | - | - | (11,830) |
| Impact of adjustment on initial application of IFRS 15 (net of tax) | 2.2 | - | - | 810 | - | - | - | 810 |
| Balance at 1 July 2018 | | **331,931** | **636,078** | **(63,752)** | **(171,996)** | **5,470** | **(670)** | **737,061** |
| Adjustment for share of profit from associate which became a subsidiary | | - | - | 1,830 | - | - | - | 1,830 |
| Net transfers to/from member benefits/reserves | | | | | | | | |
| - FNPF | | (63,531) | 63,531 | - | - | - | - | - |
| - SDB | | - | 6,180 | - | - | - | - | 6,180 |
| - RIF | | - | (394) | - | - | - | - | (394) |
| Profit | | 143,995 | - | (38,707) | - | (5,470) | - | 99,818 |
| Other comprehensive income | | - | - | - | - | - | 1,364 | 1,364 |
| **Balance at 30 June 2019** | | **412,395** | **705,395** | **(100,629)** | **(171,996)** | **-** | **694** | **845,859** |

* Impairment allowance on financial assets

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

## Statements of changes in reserves (continued)

For the year ended 30 June 2019

| **The Fund** | **Investment Reserve $000** | **Solvency reserve $000** | **Total $000** |
|---|---|---|---|
| **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 |
| Profit | 214,632 | - | 214,632 |
| Transfer to liability due to members | (25,477) | - | (25,477) |
| **Balance at 30 June 2018** | **516,578** | **636,078** | **1,152,656** |
| Adjustment on initial application of IFRS 9 * | (10,209) | - | (10,209) |
| **Balance at 1 July 2018** | **506,369** | **636,078** | **1,142,447** |
| Net transfers to/from member benefits/reserves | | | |
| - FNPF | (63,531) | 63,531 | - |
| - SDB | - | 6,180 | 6,180 |
| - RIF | - | (394) | (394) |
| Profit | 186,830 | - | 186,830 |
| **Balance at 30 June 2019** | **629,668** | **705,395** | **1,335,063** |

* Impairment allowance on financial assets

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

# Income statement by Fund

For the year ended 30 June 2019

| | Notes | FNPF 2019 $000 | FNPF 2018 $000 | Retirement Income Fund ("RIF") 2019 $000 | RIF 2018 $000 | Special Death Benefit Fund ("SDBF") 2019 $000 | SDBF 2018 $000 | Total 2019 $000 | Total 2018 $000 |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | |
| Interest income | 6 | 270,011 | 241,313 | 26,036 | 25,199 | 2,703 | 2,221 | 298,750 | 268,733 |
| Dividends | | 48,132 | 22,351 | - | - | - | - | 48,132 | 22,351 |
| Dividends from subsidiaries | 16(a) | 42,306 | 44,533 | - | - | - | - | 42,306 | 44,533 |
| Property rental income | | 18,841 | 18,426 | - | - | - | - | 18,841 | 18,426 |
| Change in fair value of investment properties | 17 | 18,467 | 82,871 | - | - | - | - | 18,467 | 82,871 |
| Net change in fair value of investments | 7(a) | 198,510 | 117,837 | - | - | - | - | 198,510 | 117,837 |
| Net Foreign Exchange gain | 7(b) | - | 5,693 | - | - | - | - | - | 5,693 |
| Other income | | 2,096 | 3,834 | - | - | - | - | 2,096 | 3,834 |
| Reversal of impairment of loans - subsidiaries | | 8,425 | 25,055 | - | - | - | - | 8,425 | 25,055 |
| **Total revenue** | | 606,788 | 561,913 | 26,036 | 25,199 | 2,703 | 2,221 | 635,527 | 589,333 |
| *Less:* | | | | | | | | | |
| Net foreign exchange losses | 7(b) | 13,251 | - | - | - | - | - | 13,251 | - |
| Impairment of loans and advances, trade and other receivables | | 3,540 | 1,639 | 13 | - | 4 | - | 3,557 | 1,639 |
| **Net income** | | 589,997 | 560,274 | 26,023 | 25,199 | 2,699 | 2,221 | 611,513 | 587,694 |
| **Expenses** | | | | | | | | | |
| Investment expenses | | 8,952 | 16,605 | - | - | - | - | 8,952 | 16,605 |
| Property expenses | | 6,351 | 4,539 | - | - | - | - | 6,351 | 4,539 |
| Interest expense | | 19 | - | - | - | - | - | 19 | - |
| General administration expenses | 9 | 23,992 | 24,424 | 311 | 362 | - | - | 24,303 | 24,786 |
| Depreciation and amortisation | | 3,502 | 3,091 | 3 | 11 | - | - | 3,505 | 3,102 |
| Impairment of contribution receivable | | 7,206 | - | - | - | - | - | 7,206 | - |
| **Total expenses** | | 50,022 | 48,659 | 314 | 373 | - | - | 50,336 | 49,032 |
| **Net profit available for allocation** | | 539,975 | 511,615 | 25,709 | 24,826 | 2,699 | 2,221 | 568,383 | 538,662 |
| Less: net benefits allocated to member accounts | | 353,145 | 296,983 | - | - | - | - | 353,145 | 296,983 |
| Profit before income tax | | 186,830 | 214,632 | 25,709 | 24,826 | 2,699 | 2,221 | 215,238 | 241,679 |
| Income tax expense | 10(a) | - | - | - | - | - | - | - | - |
| **Net profit taken to reserves** | 30(b) | 186,830 | 214,632 | 25,709 | 24,826 | 2,699 | 2,221 | 215,238 | 241,679 |

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

Fiji National Provident Fund and its subsidiaries

## Statement of financial position by Fund

For the year ended 30 June 2019

| | FNPF | | Retirement Income Fund ("RIF") | | Special Death Benefit Fund ("SDBF") | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2019 $000 | 2018 $000 | 2019 $000 | 2018 $000 | 2019 $000 | 2018 $000 | 2019 $000 | 2018 $000 |
| **Assets** | | | | | | | | |
| **Cash and cash equivalent** | | | | | | | | |
| Cash and cash equivalent | 450,268 | 471,529 | 7,150 | 6,743 | 2,037 | 3,553 | 459,455 | 481,825 |
| **Receivables** | | | | | | | | |
| Investment income receivable | 111,172 | 102,427 | 6,404 | 5,987 | 823 | 595 | 118,399 | 109,009 |
| Other receivables | 49,241 | 29,234 | - | - | 553 | 720 | 49,794 | 29,954 |
| **Investments** | | | | | | | | |
| Term deposits | 429,785 | 577,400 | - | - | - | - | 429,785 | 577,400 |
| Government securities | 2,650,978 | 2,243,484 | 309,211 | 297,752 | 48,358 | 41,405 | 3,008,547 | 2,582,641 |
| Other fixed interest securities | 196,120 | 248,009 | - | - | - | - | 196,120 | 248,009 |
| Equities | 603,008 | 431,645 | - | - | - | - | 603,008 | 431,645 |
| Loans and advances | 854,084 | 686,253 | - | - | - | - | 854,084 | 686,253 |
| Investment in subsidiaries | 1,270,374 | 1,059,355 | - | - | - | - | 1,270,374 | 1,059,355 |
| Investment in associates and joint venture | 66,400 | 75,857 | - | - | - | - | 66,400 | 75,857 |
| Investment properties | 385,868 | 326,487 | - | - | - | - | 385,868 | 326,487 |
| **Other assets** | | | | | | | | |
| Property, plant and equipment | 11,412 | 14,508 | 49 | 51 | - | - | 11,461 | 14,559 |
| Intangible assets | 10,254 | 9,171 | - | - | - | - | 10,254 | 9,171 |
| Right of use asset | 236 | - | - | - | - | - | 236 | - |
| **Total assets** | **7,089,200** | **6,275,359** | **322,814** | **310,533** | **51,771** | **46,273** | **7,463,785** | **6,632,165** |
| **Liabilities** | | | | | | | | |
| Creditors and borrowings | 6,354 | 5,161 | 143 | 71 | - | - | 6,497 | 5,232 |
| Other liabilities | 4,753 | 3,522 | 16 | - | 8,718 | 8,762 | 13,487 | 12,284 |
| Lease liability | 243 | - | - | - | - | - | 243 | - |
| Employee entitlements | 1,157 | 1,914 | - | - | - | - | 1,157 | 1,914 |
| **Total liabilities** | **12,507** | **10,597** | **159** | **71** | **8,718** | **8,762** | **21,384** | **19,430** |
| **Net assets available for member benefits** | **7,076,693** | **6,264,762** | **322,655** | **310,462** | **43,053** | **37,511** | **7,442,401** | **6,612,735** |

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

## Statement of financial position by Fund

For the year ended 30 June 2019

| | FNPF | | Retirement Income Fund ("RIF") | | Special Death Benefit Fund ("SDBF") | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| **Assets** | **$000** | **$000** | **$000** | **$000** | **$000** | **$000** | **$000** | **$000** |
| **Member benefits** | | | | | | | | |
| Allocated to members | 5,855,162 | 5,214,545 | 243,490 | 230,903 | - | - | 6,098,652 | 5,445,448 |
| Unallocated to members | 5,770 | 11,077 | - | - | 2,916 | 3,554 | 8,686 | 14,631 |
| **Total member benefits** | **5,860,932** | **5,225,622** | **243,490** | **230,903** | **2,916** | **3,554** | **6,107,338** | **5,460,079** |
| **Total net assets** | **1,215,761** | **1,039,140** | **79,165** | **79,559** | **40,137** | **33,957** | **1,335,063** | **1,152,656** |
| **Equity** | | | | | | | | |
| Investment reserve | 629,668 | 516,578 | - | - | - | - | 629,668 | 516,578 |
| Solvency reserve | 586,093 | 522,562 | 79,165 | 79,559 | 40,137 | 33,957 | 705,395 | 636,078 |
| **Total equity** | **1,215,761** | **1,039,140** | **79,165** | **79,559** | **40,137** | **33,957** | **1,335,063** | **1,152,656** |

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

Fiji National Provident Fund and its subsidiaries

## Statements of cash flows

For the year ended 30 June 2019

| | Notes | Consolidated 2019 $000 | Consolidated 2018 $000 | The Fund 2019 $000 | The Fund 2018 $000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash receipts from customers | | 925,981 | 717,221 | - | - |
| Interest received | | 310,418 | 293,215 | 291,457 | 258,904 |
| Dividends received | | 49,430 | 20,090 | 81,892 | 36,346 |
| Property rentals received | | 15,123 | 14,596 | 17,199 | 17,107 |
| Other income received | | 14,340 | 14,512 | 2,096 | 5,624 |
| Loans and advances provided | | (123,258) | (96,966) | - | - |
| Statutory reserve deposit | | (3,000) | (20,000) | - | - |
| Payments to suppliers and employees | | (675,277) | (443,462) | (67,878) | (37,088) |
| Interest paid | | (18,465) | (31,231) | - | - |
| Income taxes paid | 10(b) | (36,433) | (26,379) | - | - |
| Net cash generated from operating activities | | 458,859 | 441,596 | 324,766 | 280,893 |
| **Cash flows from investing activities** | | | | | |
| Government securities acquired | | (445,576) | (333,476) | (428,437) | (307,077) |
| Other securities matured | | 50,552 | 27,720 | 50,552 | 27,720 |
| Loans and advances provided | | (71,127) | (160,170) | (164,149) | (152,749) |
| Term deposits matured | | 145,488 | 101,225 | 146,053 | 101,203 |
| Shares in subsidiaries acquired | | (165,949) | (157,808) | (87,240) | (157,808) |
| Shares and units acquired | | (93,692) | (91,871) | (93,692) | (91,871) |
| Proceeds from sale of property, plant and equipment | | 799 | 5,163 | - | - |
| Purchase of property, plant and equipment | | (207,377) | (95,232) | (1,189) | (4,996) |
| Acquisition of intangible assets | | (624) | (1,759) | - | (293) |
| Advances to related entities | | - | 2,500 | - | - |
| Investment in joint venture | | - | 685 | - | - |
| Amount spent to acquire/develop investment properties | | (41,834) | (13,611) | (41,834) | (13,611) |
| Net cash used in investing activities | | (829,340) | (716,634) | (619,936) | (599,482) |
| **Cash flows from financing activities** | | | | | |
| Proceeds from borrowings, net | | 58,265 | (22,833) | - | - |
| Finance lease repayments | | (4,180) | (373) | (165) | - |
| Contributions received from employers | | 354,577 | 331,015 | 354,577 | 331,015 |
| Contributions received from members | | 289,760 | 266,602 | 289,760 | 266,602 |
| Withdrawal payments to members | | (345,790) | (323,817) | (345,790) | (323,817) |
| Pension annuity paid to members | | (24,356) | (23,782) | (24,356) | (23,782) |
| Proceeds from share issue / share premium | | 285 | - | - | - |
| Dividends paid | | (11,694) | (23,830) | - | - |
| Net cash generated from financing activities | | 316,867 | 202,982 | 274,026 | 250,018 |
| Net decrease in cash and cash equivalents | | (53,614) | (72,056) | (21,144) | (68,571) |
| Effect of exchange rate movement | | 944 | (298) | - | - |
| Addition of cash and cash equivalents from acquisition of shares in subsidiary | | 36,634 | 11,292 | - | - |
| Cash and cash equivalents at beginning of the financial year | | 691,808 | 752,870 | 481,825 | 550,396 |
| **Cash and cash equivalents at end of the financial year** | 34(a) | 675,772 | 691,808 | 460,681 | 481,825 |

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 2019

## 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 2019 comprise the Fund and its controlled entities ("the Group").

The financial statements of the Fund as at and for the year ended 30 June 2019 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 30 September 2019.

## 2 Summary of significant accounting policies

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

### 2.1 Statement of compliance

The financial statements of the Fund and the Group (being the Fund and its subsidiaries) 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 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 fair valuing of investment properties and equity investments (other than those in associates and joint ventures).

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

***(a) Standards issued but not yet effective***

Apart from the early adoption of IFRS 16 Leases, certain new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2019, and have not been applied in preparing these financial statements. None of the new standards, amendments and interpretations are expected to have a significant effect on the financial statements of the Fund and the Group.

***(b) Changes in accounting policies***

Except for the changes below, the Fund and the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements. Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated and have not been required to be restated to reflect the requirements of the new standards.

## 2 Summary of significant accounting policies (continued)

### 2.2 Changes in accounting policies and disclosures (continued)

**A. IFRS 9 *Financial Instruments***

The Group has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 July 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement.

The nature and effects of the key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below.

As a result of the adoption of IFRS 9, the Group adopted consequential amendments to IAS 1 Presentation of Financial Statements which requires impairment of financial assets to be presented in a separate line item in the income statement. Previously, the Fund and the Group's approach was to include the impairment of financial assets in other expenses. Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures for 2018 but generally have not been applied to comparative information.

i. Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see Note 2.10.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

ii. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI and loan commitments issued, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39 – see Note 2.10.

iii. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 (2014) have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 July 2018.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on the asset had not increased significantly since its initial recognition.

Fiji National Provident Fund and its subsidiaries
## Notes to and forming part of the financial statements
For the year ended 30 June 2019

### 2 Summary of significant accounting policies (continued)

#### 2.2 Changes in accounting policies and disclosures (continued)

**A. IFRS 9 *Financial Instruments (continued)***

iii. Transition (continued)

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 July 2018.

| The Group | Note | Original Classification under IAS 39 | New Classification under IFRS 9 | Original carrying amount under IAS 39 | New carrying amount under IFRS 9 |
|---|---|---|---|---|---|
| | | | | $'000 | $'000 |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 19 | Loans and receivables | Amortised cost | 786,580 | 785,996 |
| Investment income receivable | 25 | Loans and receivables | Amortised cost | 77,959 | 77,695 |
| Trade and other receivables | 20 & 24 | Loans and receivables | Amortised cost | 199,711 | 199,492 |
| Term deposits | 11 | Held-to-maturity | Amortised cost | 466,505 | 465,153 |
| Government securities | 12 | Held-to-maturity | Amortised cost | 2,650,278 | 2,647,747 |
| Other fixed interest securities | 13 | Held-to-maturity | Amortised cost | 248,009 | 246,672 |
| Equities | 15 | FVTPL | FVTPL | 434,979 | 434,911 |
| Loan and advances | 14 | Loans and receivable | Amortised cost | 948,240 | 942,697 |
| Investment in subsidiaries | 16(a) | FVTPL | FVTPL | - | - |
| Total Financial Assets | | | | 5,812,261 | 5,800,363 |
| **Financial Liabilities** | | | | | |
| Creditors and borrowings | 26 | Other financial liabilities | Other financial liabilities | 946,767 | 946,767 |
| Other liabilities | 27 | Other financial liabilities | Other financial liabilities | 99,342 | 99,342 |
| Total financial liabilities | | | | 1,046,109 | 1,046,109 |

## 2 Summary of significant accounting policies (continued)

### 2.2 Changes in accounting policies and disclosures (continued)

**A. IFRS 9 *Financial Instruments (continued)***

iii. Transition (continued)

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets and financial liabilities as at 1 July 2018.

| The Fund | Note | Original Classification under IAS 39 | New Classification under IFRS 9 | Original carrying amount under IAS 39 | New carrying amount under IFRS 9 |
|---|---|---|---|---|---|
| | | | | $'000 | $'000 |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 19 | Loans and receivables | Amortised cost | 481,825 | 481,241 |
| Investment income receivable | 25 | Loans and receivables | Amortised cost | 109,009 | 108,599 |
| Trade and other receivables | 20 & 24 | Loans and receivables | Amortised cost | 29,954 | 29,953 |
| Term deposits | 11 | Held-to-maturity | Amortised cost | 577,400 | 575,839 |
| Government securities | 12 | Held-to-maturity | Amortised cost | 2,582,641 | 2,580,110 |
| Other fixed interest securities | 13 | Held-to-maturity | Amortised cost | 248,009 | 246,672 |
| Equities | 15 | FVTPL | FVTPL | 431,645 | 431,645 |
| Loan and advances | 14 | Loans and receivable | Amortised cost | 686,253 | 682,110 |
| Investment in subsidiaries | 16(a) | FVTPL | FVTPL | 1,059,355 | 1,059,355 |
| Total financial assets | | | | 6,206,091 | 6,195,524 |
| **Financial Liabilities** | | | | | |
| Creditors and borrowings | 26 | Other financial liabilities | Other financial liabilities | 5,232 | 5,232 |
| Other liabilities | 27 | Other financial liabilities | Other financial liabilities | 12,284 | 12,284 |
| Total financial liabilities | | | | 17,516 | 17,516 |

The Group's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 2.10. The application of these policies resulted in the reclassifications set out in the table above and explained below.

- Under IAS 39, equity securities were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under IFRS 9.
- Cash and cash equivalents, term deposits, loans, advances and receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of $7,962,000 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 July 2018 on transition to IFRS 9.
- Debt securities that were previously classified as held-to-maturity are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. An allowance for impairment of $3,868,000 was recognised in opening retaining earnings at 1 July 2018 on transition to IFRS 9.

Fiji National Provident Fund and its subsidiaries

# Notes to and forming part of the financial statements

For the year ended 30 June 2019

## 2 Summary of significant accounting policies (continued)

### 2.2 Changes in accounting policies and disclosures (continued)

**A. IFRS 9 *Financial Instruments (continued)***

iii. Transition (continued)

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 July 2018.

**The Group**

| | IAS 39 carrying amount at 30 June 2018 | Reclassification | Remeasurement | IFRS 9 carrying amount at 1 July 2018 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Financial assets** | | | | |
| Cash and cash equivalents | 786,580 | - | (584) | 785,996 |
| Investment income receivable | 77,959 | - | (264) | 77,695 |
| Other receivables | 199,711 | - | (219) | 199,492 |
| Term deposits | 466,505 | - | (1,352) | 465,153 |
| Government securities | 2,650,278 | - | (2,531) | 2,647,747 |
| Other fixed interest securities | 248,009 | - | (1,337) | 246,672 |
| Loan and advances | 948,240 | - | (5,543) | 942,697 |
| Total amortised cost | 5,377,282 | - | (11,830) | 5,365,452 |

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 July 2018.

**The Fund**

| | IAS 39 carrying amount at 30 June 2018 | Reclassification | Remeasurement | IFRS 9 carrying amount at 1 July 2018 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Financial assets** | | | | |
| Cash and cash equivalents | 481,825 | - | (584) | 481,241 |
| Investment income receivable | 109,009 | - | (410) | 108,599 |
| Other receivables | 29,954 | - | (1) | 29,953 |
| Term deposits | 577,400 | - | (1,561) | 575,839 |
| Government securities | 2,582,641 | - | (2,531) | 2,580,110 |
| Other fixed interest securities | 248,009 | - | (1,337) | 246,672 |
| Loan and advances | 686,253 | - | (4,143) | 682,110 |
| Total amortised cost | 4,715,091 | - | (10,567) | 4,704,524 |

## 2 Summary of significant accounting policies (continued)

### 2.2 Changes in accounting policies and disclosures (continued)

**A. IFRS 9 *Financial Instruments (continued)***

iii. Transition (continued)

The following table reconciles:

- the closing impairment allowance for financial assets in accordance with IAS 39 and provisions for loan commitments in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets as at 30 June 2018; to
- the opening ECL allowance determined in accordance with IFRS 9 as at 1 July 2018.

**The Group**

| | 30 June 2018 (IAS 39) | Reclassification | Remeasurement | 1 July 2018 (IFRS 9) |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Loans and receivables under IAS 39/ financial assets at amortised cost under IFRS 9 (includes cash and cash equivalents, investment income receivable, trade receivables, other receivables, term deposits, government securities, other fixed interest securities and loan and advances) | 26,203 | - | 11,830 | 38,033 |
| | 26,203 | - | 11,830 | 38,033 |

**The Fund**

| | 30 June 2018 (IAS 39) | Reclassification | Remeasurement | 1 July 2018 (IFRS 9) |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Loans and receivables IAS 39/ financial assets at amortised cost under IFRS 9 (includes cash and cash equivalents, investment income receivable, trade receivables, other receivables, term deposits, government securities, other fixed interest securities and loan and advances) | 116,170 | - | 10,567 | 126,737 |
| | 116,170 | - | 10,567 | 126,737 |

**B. 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 has adopted IFRS 15 effective 1 July 2018 prospectively and the impact, which has included recognition of contract assets and liabilities relating to the telecommunication business, has been summarized in note 2.2(iii). The Fund has adopted IFRS 15 with a date of transition of 1 July 2018.

The Fund has assessed that such adoption did not result in changes in accounting policies and adjustments to the amounts recognised in the financial statements in relation to revenues, with revenue being continued to be recognised as the Fund satisfies its performance obligations.

## 2 Summary of significant accounting policies (continued)

### 2.2 Changes in accounting policies and disclosures (continued)

iii. Transition (continued)

**C. IFRS 16 *Leases***

The Fund and the Group applied IFRS 16 with a date of initial application of 1 July 2018. As a result, the Fund and the Group has changed its accounting policy for lease contracts as detailed below.

The Fund and the Group applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below.

**Definition of a lease**

Previously, the Fund and the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Fund and the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 2.15.

On transition to IFRS 16, the Fund and the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 July 2018.

**As a lessee**

As a lessee, the Fund and the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Fund and the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Fund and the Group decided to apply recognition exemptions to short-term leases of space (see Note 2.15). For leases of other assets, which were classified as operating under IAS 17, the Fund and the Group recognised right-of-use assets and lease liabilities.

**a. Leases classified as operating leases under IAS 17**

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Fund and the Group's incremental borrowing rate as at 1 July 2018. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessees incremental borrowing rate at the date of initial application – the Fund and the Group did not apply this approach; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Fund and the Group applied this approach to all leases.
- The Fund and the Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.
    - Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
    - Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
    - Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease

**b. Leases previously classified as finance leases**

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of- use asset and the lease liability at 1 July 2018 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

## 2 Summary of significant accounting policies (continued)

### 2.2 Changes in accounting policies and disclosures (continued)

iii. Transition (continued)

**C. IFRS 16 *Leases (continued)***

**c. As a lessor**

The Fund and the Group are not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Group is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. The Fund and the Group has no sub-lease contract.

**d. Impacts on financial statements**

On transition to IFRS 16, the Group recognised an additional $50,370,000 of right-of-use assets and lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 July 2018. The weighted-average rates applied range from 3.85% to 7%.

| | **$'000** |
|---|---|
| Operating lease commitment at 30 June 2018 | |
| as disclosed in the Group's consolidated financial statements | 80,728 |
| Discounted using the incremental borrowing rate at 1 July 2018 | (13,388) |
| - Recognition exemption for: | |
| - Other operating and maintenance expenditure commitment included as part of operating leases | (2,789) |
| - short term leases of low value assets | (7,525) |
| Extension and termination options reasonably certain to be exercised | 14,748 |
| Variable lease payments or no rental agreements | (21,404) |
| Lease liabilities recognised at 1 July 2018 | 50,370 |

In applying IFRS 16 for the first time, the Fund has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2018 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On transition to IFRS 16, the Fund recognised an additional $389,000 of right-of-use assets and lease liabilities. When measuring lease liabilities, the Fund discounted lease payments using its incremental borrowing rate at 1 July 2018. The weighted-average rate applied is 6%.

| | **$'000** |
|---|---|
| Operating lease commitment at 30 June 2018 | |
| as disclosed in the Group's consolidated financial statements | - |
| Not previously recognized and discounted using the incremental borrowing rate at 1 July 2018 | 389 |
| Variable lease payments or no rental agreements | - |
| Lease liabilities recognised at 1 July 2018 | 389 |

Fiji National Provident Fund and its subsidiaries

# Notes to and forming part of the financial statements

For the year ended 30 June 2019

## 2 Summary of significant accounting policies (continued)

### 2.2 Changes in accounting policies and disclosures (continued)

iii. Transition (continued)

The following tables summarise the impacts of adopting IFRS 9, 15 and 16 on the Group and Fund's statement of financial position and statement of profit and loss and other comprehensive income. There was no material impact on the statement of cash flows for the year ended 30 June 2019.

Line items that were not affected by the changes have not been included.

**The Group**

| Statement of financial position | 30 June 2018 | IFRS 9 | IFRS 15 | IFRS 16 | 01 July 18 |
|---|---|---|---|---|---|
| **Assets** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Cash and cash equivalents | 786,580 | (584) | - | - | 785,996 |
| Investment income receivable | 77,959 | (264) | - | - | 77,695 |
| Trade and other receivables | 199,711 | (219) | - | - | 199,492 |
| Term Deposits | 466,505 | (1,352) | - | - | 465,153 |
| Government securities | 2,650,278 | (2,531) | - | - | 2,647,747 |
| Other fixed interest securities | 248,009 | (1,337) | - | - | 246,672 |
| Loan and advances | 948,240 | (5,543) | - | - | 942,697 |
| Contract Assets | - | - | 2,275 | - | 2,275 |
| Right-of-use assets | - | - | - | 50,370 | 50,370 |
| **Liabilities** | | | | | |
| Contract liabilities | - | - | 658 | - | 658 |
| Lease liabilities | - | - | - | 50,370 | 50,370 |
| **Reserves** | | | | | |
| Reserves | 975,880 | (7,871) | - | - | 968,009 |
| Accumulated losses | (60,603) | (3,959) | 810 | - | (63,752) |

**The Fund**

| Statement of financial position | 30 June 2018 | IFRS 9 | IFRS 15 | IFRS 16 | 01 July 18 |
|---|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Assets** | | | | | |
| Cash and cash equivalents | 481,825 | (584) | - | - | 481,241 |
| Investment income receivable | 109,009 | (410) | - | - | 108,599 |
| Other receivables | 29,954 | (1) | - | - | 29,953 |
| Term Deposits | 577,400 | (1,561) | - | - | 575,839 |
| Government securities | 2,582,641 | (2,531) | - | - | 2,580,110 |
| Other fixed interest securities | 248,009 | (1,337) | - | - | 246,672 |
| Loan and advances | 686,253 | (4,143) | - | - | 682,110 |
| Right of use asset | - | - | - | 389 | 389 |
| **Liabilities** | | | | | |
| Lease liabilities | - | - | - | 389 | 389 |
| **Reserves** | | | | | |
| Reserves | 1,152,656 | (10,209) | - | - | 1,142,447 |
| Member Benefits | 5,460,079 | (358) | - | - | 5,459,721 |

## 2 Summary of significant accounting policies (continued)

### 2.3 Basis of consolidation

***Subsidiaries***

Subsidiaries are entities controlled by the Fund. The Fund 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 combinations using the acquisition method when control is transferred to the Fund. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of the purchase. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Investments in subsidiaries are accounted for at fair value through profit and loss in the financial statements of the Fund.

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

Changes in the Fund's interest in a subsidiary company that does not result in the Fund 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 2019 results and financial position.

***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 Pte Limited (VFL) and Amalgamated Telecom Holdings Limited (ATH)***

The acquisition of VFL and the additional interest in ATH in the prior years was 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.

***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. The fund accounts for its interest in associates and the joint venture at cost.

## 2 Summary of significant accounting policies (continued)

### 2.3 Basis of consolidation (continued)

***Subsidiaries (continued)***

***Interests in equity-accounted investees (continued)***

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).

### 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 fair value. 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 item is derecognised. All other repairs and maintenance are charged to the expenses 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 |

## 2 Summary of significant accounting policies (continued)

### 2.5 Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9). Upon impairment, the revised carrying value of the asset is depreciated over the remaining estimated useful life of the asset. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in the 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 re-measured to fair value. Any gain or loss arising on re-measurement is recognised in the profit or loss.

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

### 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 acquisition 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 are determined after taking into account the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) 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.

## 2 Summary of significant accounting policies (continued)

### 2.8 Intangible assets (continued)

*(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.

### 2.10 Financial instruments – Policy applicable from 1 July 2018

***(a) Recognition and initial measurement***

Trade receivables, loans and advances, debt investment securities and deposits are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Fund and the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**Financial assets**

***(b) Classification***

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

## 2 Summary of significant accounting policies (continued)

### 2.10 Financial instruments – Policy applicable from 1 July 2018 (continued)

***(b) Classification (continued)***

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**Business Model Assessment**

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets are assessed whether contractual cash flows are solely payments of principal and interest.

## 2 Summary of significant accounting policies (continued)

### 2.10 Financial instruments – Policy applicable from 1 July 2018 (continued)

***(b) Classification (continued)***

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

***(c) Subsequent measurement and gains and losses***

*i. Financial assets at FVTPL*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

*ii. Financial assets at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

*iii. Debt investments at FVOCI*

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

*iv. Equity investments at FVOCI*

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

***(d) Impairment***

The Group recognises loss allowances for expected credit loss (ECLs) on financial assets measured at amortised cost and loan commitments issued.

No impairment loss is recognised on equity investment.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12 month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition. These include cash at bank, nostro accounts, exchange settlement account and regulatory deposits in respect of banking operation.

## 2 Summary of significant accounting policies (continued)

### 2.10 Financial instruments – Policy applicable from 1 July 2018 (continued)

***(d) Impairment –(continued)***

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Fund considers this to be Baa3 or higher per rating agency Moody's or BBB  or higher per rating agency Standard & Poor's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

**Measurement of ECLs**

ECLs are a probability weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive. The date the operation becomes a party to the irrecoverable loan commitment that is to be the date of initial recognition for the purposes of applying the impairment requirements.

ECLs are discounted at the effective interest rate of the financial asset.

***Restructured financial assets- Banking operation***

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; and
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

## 2 Summary of significant accounting policies (continued)

### 2.10 Financial instruments – Policy applicable from 1 July 2018 (continued)

***(d) Impairment –(continued)***

**Credit-impaired financial assets**

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

**Presentation of allowance for ECL in the statement of financial position**

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

***(e) Write-off***

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the party does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

***(f) Derecognition***

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it 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 or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

***(g) Modifications of financial assets***

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

## 2 Summary of significant accounting policies (continued)

### 2.10 Financial instruments – Policy applicable from 1 July 2018 (continued)

***(g) Modifications of financial assets –(continued)***

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate.

***(h) Reclassification***

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.

**Financial liabilities**

***(i) Classification, subsequent measurement and gains and losses***

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

***(j) Derecognition***

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non cash assets transferred or liabilities assumed) is recognised in profit or loss.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### 2.11 Financial instruments – Policy applicable before 1 July 2018

*Financial instruments comprised 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.*

Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

For the year ended 30 June 2019

### 2 Summary of significant accounting policies (continued)

#### 2.11 Financial instruments – Policy applicable before 1 July 2018 (continued)

*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.*

## 2 Summary of significant accounting policies (continued)

### 2.11 Financial instruments – Policy applicable before 1 July 2018 (continued)

***Impairment of financial assets carried at amortised cost***

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

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

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

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

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

*In respect of Group's banking operations, the following additional impairment policies apply:*

***(i) Renegotiated loans***

*Where possible, the Company 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 Company 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 Company 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 Company'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 rate fair value at the repossession date in line with the Company's policy.*

## 2 Summary of significant accounting policies (continued)

### 2.12 Inventories

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

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

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

### 2.13 Trade receivables

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

### 2.15 Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 2.2.

**Policy applicable from 1 July 2018**

At inception of a contract, the Fund and the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 July 2018. At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

***i. As a lessee***

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

## 2 Summary of significant accounting policies (continued)

### 2.15 Leases (continued)

***Policy applicable from 1 July 2018 (continued)***

***i. As a lessee (continued)***

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Fund and the Group's incremental borrowing rate. Generally, the Fund and the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities as separate line items in the statement of financial position (see note 8).

*Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of space that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

***ii. As a lessor***

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Fund and the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16. However, when the Group was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

Fiji National Provident Fund and its subsidiaries
## Notes to and forming part of the financial statements
For the year ended 30 June 2019

### 2 Summary of significant accounting policies (continued)

#### 2.15 Leases (continued)

***Policy applicable before 1 July 2018***

*For contracts entered into before 1 July 2018, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:*

- *fulfilment of the arrangement was dependent on the use of a specific asset or assets; and*
- *the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:*
- *the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;*
- *the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or*
- *facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.*

***Operating leases***

*Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating leases. Where the Group is the lessee, the lease rentals payable on operating leases were recognised in the profit or loss over the term of the lease.*

#### 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 employee entitlements liabilities 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 and other leave arrangements 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 Summary of significant accounting policies (continued)

### 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 banking operation, 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.

### 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 of the Group:

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.

Fiji National Provident Fund and its subsidiaries

# Notes to and forming part of the financial statements

For the year ended 30 June 2019

## 2 Summary of significant accounting policies (continued)

### 2.19 Income tax (continued)

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.

### 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. It has been calculated as each Fund's net assets as stated on the statement of financial position less the investment reserve account, if any.

For members of the FNPF this represents the amount standing to the balance in member accounts as at reporting date, plus solvency as set out in the Act of 10%.

For the Retirement Income Fund (RIF), this represents the actuarial value of future annuity payments plus amounts required to meet solvency by the regulator, as determined by the Fund Actuary.

For the Special Death Benefit Fund (SDBF) this represents the reserve for claims incurred but not yet reported plus amounts required in meeting the solvency by the regulator, as determined by the Fund Actuary.

## 2 Summary of significant accounting policies (continued)

### 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

The Group has applied IFRS 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The details of accounting policies under IAS 18 and IAS 11 are disclosed separately if they are different from those under IFRS 15 and the impact of changes is disclosed in Note 2.2(iii).

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. In the comparative period, revenue was measured at the fair value of the consideration received or receivable, net of value added tax, rebates and discounts and for the consolidated financial statements, after eliminating sales within the Group.

Revenue is recognised as follows:

| Revenue | Nature, timing of satisfaction of performance obligations and significant payment terms |
|---|---|
| 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.<br><br>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.<br><br>Revenue from international public and dedicated telecommunications services is recognised upon the use of service by the customer.<br><br>Revenue from the provision of data and internet services is recognised upon the use of service by the customer.<br><br>Revenue from installation, connection and associated costs are recognised upon completion of the installation or connection.<br><br>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.<br><br>Revenue from contracts in relation to on-line directory services is recognised over the term of the contract.<br><br>For other than prepaid revenue, settlement terms are 30 days. |
| 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. Settlement terms are 30 days. |
| Airtime and gaming revenue | Revenue from airtime and gaming services is recognised when earned.<br><br>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. Settlement terms are 30 days. |
| Dividend income | Dividend income from investments is recognised when the right to receive payment is established. Settlement terms are within one year. |

## 2 Summary of significant accounting policies (continued)

### 2.23 Revenue recognition (continued)

| Revenue | Nature, timing of satisfaction of performance obligations and significant payment terms |
|---|---|
| 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.<br><br>In respect of banking operation, the following policy applies:<br><br>*Interest and similar income and expense*<br>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. Settlement terms are 30 days.<br><br>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.<br><br>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. |
| 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. Settlement terms are 30 days. |
| 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.<br><br>In respect of banking operation, the following policy applies:<br><br>*Fee and commission income*<br>The bank earns fee and commission income from a diverse range of services it provides to its customers.<br><br>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.<br><br>In respect of the banking operation, the following policy applies;<br><br>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. |

## 2 Summary of significant accounting policies (continued)

### 2.23 Revenue recognition (continued)

| Revenue | Nature, timing of satisfaction of performance obligations and significant payment terms |
|---|---|
| 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). |
| 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. Settlement terms are 30 days. |
| Rooms | A customer books to stay at the hotel for a specified number of room nights. Revenue from rooms is recognised over time as the room nights are utilised by the customer. On check-out from the hotel, room charges are billed to travel agents if the customer has come through a travel agent. Invoices are payable within 30 days for travel agents.<br><br>If a customer has directly booked at the hotel, the room charges will be settled by the customer on check-out from the hotel. For customers that prepay, the amount received is recognised as contract liability and revenue is recognised as the Company satisfies the respective performance obligation for the service. There is no significant financing component in respect of contract liabilities. |
| Food and beverage | A customer places an order for a food and beverage item at the hotel. Customers obtain control of the food and beverage items when the order has been delivered to the customer. The order is charged to the customer's room for a customer residing at the hotel which the customer will settle on checkout from the hotel. For a non-residing customer, payment for the order is made once the order has been delivered. Revenue from food and beverage is recognised when the order has been delivered to the customer. |
| Other hotel related services | Revenue from other hotel related services is recognised as the service is provided to the customer and is usually recognised at a point in time. |
| Land held for resale – residential lots | Revenue from land held for resale – residential lots are recognised when risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable and there is no continuing management involvement with the residential lots and the amount can be measured reliably.<br><br>The timing of the transfer of risks and rewards occurs when a customer pays in full for the sale and when title is transferred to the customer. |
| Golf revenue | Revenue from golf club is recognised evenly over the year. Green fees, tournaments, shops, food and beverage are recognized once the service has been provided. |

## 2 Summary of significant accounting policies (continued)

### 2.23 Revenue recognition (continued)

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities; and
- impairment losses (and reversals) on investments in debt securities carried at amortised cost.

Interest income or expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

### 2.24 Contract liabilities and assests

Contract liabilities arise where a customer has paid an amount of consideration prior to the Group performing by transferring the related good or service to the customer. The year-end contract liability balance represents advanced consideration received from customers.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

In the prior year under the previous policy, these assets and liabilities were presented with trade receivable and other liabilities.

### 2.25 Comparative figures

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

## 3. Financial risk management

### 3.1 Financial risk factors

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

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

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

Risk management is carried out by executive management under policies approved by the individual Group entities' Board of Directors. FNPF caters for the retirement funding of its members and invests 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.

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):

| | 2019<br>$000 | 2018<br>$000 |
|---|---|---|
| *Assets* | | |
| AUD | 185,839 | 207,302 |
| USD | 245,811 | 186,811 |
| EURO | 17,494 | - |
| NZD | - | 235 |
| PGK | 189,839 | 70,569 |
| *Liabilities* | | |
| AUD | - | - |
| USD | - | 89,396 |
| EURO | - | 12,540 |

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.

## 3. Financial risk management (continued)

### 3.1 Financial risk factors (continued)

### (a) Market risk *(continued)*

*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.

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

| Consolidated | | Impact on equity | |
|---|---|---|---|
| | Carrying Amount *$000's* (FJD) | -10% *$000's* (FJD) | +10% *$000's* (FJD) |
| **Assets** | | | |
| **30 June 2019** | | | |
| USD | 245,811 | (25,722) | 23,906 |
| AUD | 185,839 | (16,894) | 20,649 |
| EURO | 17,494 | (1,944) | 1,590 |
| PGK | 189,839 | (17,225) | 21,053 |
| | | **(61,785)** | **67,198** |
| **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 |
| | | **(46,422)** | **46,422** |
| **Liabilities** | | | |
| **30 June 2019** | | | |
| USD | - | - | - |
| EURO | - | - | - |
| | | - | - |
| **30 June 2018** | | | |
| USD | 89,396 | (8,940) | 8,940 |
| EURO | 12,540 | (1,254) | 1,254 |
| | | **(10,194)** | **10,194** |

*(ii) Price risk*

The Group is significantly exposed to equity securities price risk because of investments held by the Group 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 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 sensitivity of increases / (decreases) of the above two exchanges prices on 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 investment prices increased / (decreased) in value by 5% it would have had an equal but opposite effect.

## 3. Financial risk management (continued)

### 3.1 Financial risk factors (continued)

**(a) Market risk *(continued)***

*Sensitivity Analysis (continued)*

*(ii) Price risk (continued)*

| | Group Impact on profit | | Fund Impact on profit | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $000 | $000 | $000 | $000 |
| **Index** | | | | |
| South Pacific Stock Exchange | 8,585 | 5,504 | 8,424 | 5,343 |
| Australian Securities Exchange | 5,137 | 5,964 | 5,137 | 5,964 |
| | 13,722 | 11,468 | 13,561 | 11,307 |

*(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 refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management on a regular basis.

Impairment losses on financial assets at amortised cost recognised in changes in net assets were as follows:

| | Consolidated | | The Fund | |
|---|---|---|---|---|
| | | 01 July | | 01 July |
| | 2019 | 2018 | 2019 | 2018 |
| | $000 | $000 | $000 | $000 |
| Cash and cash equivalents | 643 | 584 | 643 | 584 |
| Investment income receivable | 658 | 264 | 658 | 410 |
| Trade and other receivables | 7,450 | 219 | 8,054 | 1 |
| Term deposits | (346) | 1,352 | (346) | 1,561 |
| Government securities | 420 | 2,531 | 420 | 2,531 |
| Other fixed interest securities | (102) | 1,337 | (102) | 1,337 |
| Loan and advances | 4,112 | 5,543 | (6,989) | 4,143 |
| | 12,835 | 11,830 | 2,338 | 10,567 |

These 2019 balances represent reversal of impairment of loans-subsidiaries, financial assets at amortised cost and contribution receivables in the current year and are reflected in the income statements.

## 3. Financial risk management (continued)

### 3.1 Financial risk factors (continued)

### (b) Credit risk *(continued)*

**Amounts arising from Expected Credit Loss (ECL)**

***Inputs, assumptions and techniques used for estimating impairment.***

See accounting policy in Note 2.10

***Significant increase in credit risk***

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and expert credit assessment and including forward-looking information.

***Generating the term structure of Probability of Default (PD)***

The Fund collects performance and default information about its credit risk exposures and analyses by type of borrower to determine the term structure of PD for exposures. The Fund uses the rating tools developed by Standard & Poor's (S&P) to generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. The PDs used are the S&P rates based on sovereign risk ratings attaching to or appropriate to the counterparty or the S&P rates applying directly to the risk rating of the counterparty. These S&P rates are applied to commercial paper and treasury bills, other debt securities, cash and cash equivalents, interest receivable and loans and advances. Those loans guaranteed by Government adopt the sovereign ratings of Government.

For "other receivables" and certain loans the Fund individually assesses the expected credit losses.

*The following applies to banking operation:*

*Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading.*

*The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.*

*This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For all exposures, key macro-economic indicators used is deposit rates, based on publications by the Reserve Bank of Fiji.*

*Determining whether credit risk has increased significantly*

*The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.*

*Using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. Renegotiation of loans to customers in financial difficulties is a qualitative indicator of a significant increase in credit risk.*

*As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.*

## 3. Financial risk management (continued)

### 3.1 Financial risk factors (continued)

### (b) Credit risk *(continued)*

*Determining whether credit risk has increased significantly (continued)*

*The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:*

- *the criteria's are capable of identifying significant increases in credit risk before an exposure is in default;*
- *the criteria's do not align with the point in time when an asset becomes 30 days past due; and*
- *there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).*

***Modified financial assets***

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions and other factors not related to a current or potential credit deterioration of the borrower. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

The Fund renegotiates loans to borrowers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Generally, this forbearance is a qualitative indicator of a significant increase in credit risk.

*The following applies to banking operation:*

*When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:*
- *its remaining lifetime PD at the reporting date based on the modified terms; with*
- *the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms*

*Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. The Board regularly reviews reports on forbearance activities.*
*For loans and advances modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.*

*Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.*

***Definition of default***

The group considers financial assets to be in default when:
- the counterparty is unlikely to pay its credit obligations to the group in full, without recourse by the Fund to actions such as realising security (if any is held); or
- the borrower is past due more than 30 days on any material credit obligation to the Fund.
- the borrower is past due more than 90 days on any material credit obligation to the banking operation. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the group considers indicators that are:
- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Fund; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether financial assets are in default and their significance may vary over time to reflect changes in circumstances.

*Incorporation of forward-looking information*

The Fund uses sovereign risk ratings which by their nature incorporate forward-looking information into the determination of both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Fund also considers the future direction of the respective economies. If necessary the Fund will develop a further individual assessment adjustment if its analysis suggests the need to do so.

## 3. Financial risk management (continued)

### 3.1 Financial risk factors (continued)

### (b) Credit risk *(continued)*

***Measurement of ECL***

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors and the rating tools developed by S&P. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Fund estimates LGD parameters based on the parameters determined for different types and natures of financial assets, and using guidance material developed by ratings agencies and other independent parties.

The LGD rates reflect the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to recovery or settlement of the financial assets as well as the finance cost of settlement delays.

EAD represents the expected exposure in the event of a default. The Fund derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD is generally the gross carrying amount of the financial asset.

*The following applies to banking operation:*

*Subject to using a maximum of a 12-month PD for loans and advances for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment.*
*However, for overdrafts that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to contractual notice period.*

*These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.*

*Loans and advances are grouped on the basis of shared risk characteristics that include loan purpose and credit risk grading's. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.*

***Collateral management***

Collateral is used to mitigate credit risk, as the secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations.

*The following applies to banking operation:*

*The Bank's credit principles specify to only lend when the counterparty has the capacity and ability to repay and the Bank sets limits on the acceptable level of credit risk. Acceptance of credit risk is firstly based on the counterparty's assessed capacity to meet contractual obligations, (i.e. interest and capital repayments). Obtaining collateral is only used to mitigate and assess "loss in the event of default". Procedures are designed to ensure collateral is managed, legally enforceable, conservatively valued and adequately insured where appropriate. The most common types of collateral includes:*

*- charges over cash deposits*
*- charges over residential, commercial, industrial and rural property*
*- fixed / floating charges over business assets, eg: premises, stock and debtors, motor vehicles and plant and machinery*
*- charges over financial instruments*
*- financial guarantees and pledges*

*In the event of customer default, any loan security is usually held as mortgagee in possession while the Bank is actively seeking to realise it. Therefore the Bank does not usually hold any real estate or other assets acquired through the enforcement of security.*

## 3. Financial risk management (continued)

### 3.1 Financial risk factors (continued)

**(b) Credit risk *(continued)***

*The following applies to banking operation:*

***Maximum exposure to credit risk***

For financial assets recognised on balance sheet, the maximum exposure to credit risk is the carrying amount. For contingent exposures, the maximum exposure to credit risk is the maximum amount the group would have to pay if the instrument is called upon. For undrawn facilities, the maximum exposure to credit risk is the full amount of the committed facilities. The group uses a two-dimensional risk grading system, which measures both the customer's ability to repay (probability of default (PD)) and the loss in the event of default (LGD) (a factor of the security taken to support the lending). It also uses financial and statistical tools to assist in the risk grading of customers. Customer risk grades are actively and periodically reviewed and monitored to ensure the risk grade of the customer is accurately reflected at all times. The carrying amounts of financial assets represent the maximum credit exposure.

***Credit risk grades relating to banking operations***

*The Bank allocates each exposure to a credit risk grade based on certain data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.*

*Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.*

*Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.*

- *Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage and compliance with covenants;*
- *Payment record – this includes overdue status as well as a range of variables about payment ratios;*
- *Utilisation of the granted limit;*
- *Requests for and granting of forbearance; and*
- *Existing and forecast changes in business, financial and economic conditions.*

**Concentration of credit exposure**

The Group and Fund's significant end-of-year concentrations of credit exposure by portfolio type were as follows, before impairment:

| | Consolidated | | | | The Fund | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| | $000 | % | $000 | % | $000 | % | $000 | % |
| Cash and cash equivalents | 789,519 | 13 | 786,580 | 15 | 460,681 | 9 | 481,825 | 10 |
| Investment income receivable | 75,261 | 1 | 76,884 | 1 | 117,928 | 2 | 107,934 | 2 |
| Term deposits | 328,386 | 6 | 466,505 | 9 | 431,000 | 8 | 577,400 | 12 |
| Government Bonds | 3,105,645 | 53 | 2,650,278 | 49 | 3,011,498 | 58 | 2,582,641 | 53 |
| Other Fixed Interest Securities | 197,355 | 3 | 248,009 | 5 | 197,335 | 4 | 248,009 | 5 |
| Loans and advances | 1,151,070 | 19 | 956,436 | 18 | 966,366 | 18 | 802,217 | 17 |
| Trade and other receivables | 268,329 | 5 | 221,148 | 4 | 46,484 | 1 | 33,458 | 1 |
| | 5,915,565 | 100 | 5,405,840 | 100 | 5,231,292 | 100 | 4,833,484 | 100 |

Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

For the year ended 30 June 2019

### 3. Financial risk management (continued)

**3.1 Financial risk factors (continued)**

**(b) Credit risk *(continued)***

***Concentration of credit exposure (continued)***

The following table presents the Fund's financial assets held with counterparties based on S&P's credit ratings. AAA is the highest quality rating possible and indicates the counterparty has a strong capacity to pay interest and principal. N/R indicates that the counterparty has not been rated based on S&P ratings.

| Concentration by credit rating | 2019 | 1 Jul 2018 |
|---|---|---|
| | % | % |
| A- to A+ | 14 | 14 |
| BBB- to BBB+ | 5 | 5 |
| BB- to BB+ | 5 | 5 |
| B- to B+ | 50 | 50 |
| CC to CCC+ | 9 | 9 |
| N/R | 17 | 17 |
| | 100 | 100 |

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

| | Consolidated | | | | The Fund | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| | $000 | % | $000 | % | $000 | % | $000 | % |
| Agriculture | 91,083 | 8 | 49,390 | 5 | 73,590 | 8 | 29,835 | 4 |
| Construction | 107,531 | 9 | 72,222 | 8 | - | - | - | - |
| Financial institutions | 30,000 | 3 | 30,000 | 3 | 30,000 | 3 | 33,388 | 4 |
| Government and statutory bodies | 55,838 | 5 | 57,624 | 6 | 46,166 | 5 | 57,624 | 7 |
| Telecommunications | - | - | - | - | 80,000 | 8 | - | - |
| Manufacturing | 64,166 | 6 | 56,804 | 6 | - | - | - | |
| Mining | 15,494 | 1 | 11,845 | 1 | - | - | - | - |
| Private others (includes staff loans) | 201,325 | 17 | 185,095 | 19 | 104 | - | 178 | - |
| Professional and business services | 27,891 | 3 | 29,542 | 3 | 1,001 | - | 1,861 | - |
| Real estate development | 196,656 | 17 | 141,807 | 15 | 21,239 | 2 | 18,612 | 2 |
| Education | 5,001 | - | 5,098 | 1 | 5,001 | 1 | 5,098 | 1 |
| Transport and storage | 257,458 | 22 | 202,083 | 21 | 149,348 | 15 | 111,566 | 14 |
| Wholesale and retail | 98,627 | 9 | 114,926 | 12 | - | - | - | - |
| Other (Hotels & Restaurants) | - | - | - | - | 559,917 | 58 | 544,055 | 68 |
| **Total** | **1,151,070** | **100** | **956,436** | **100** | **966,366** | **100** | **802,217** | **100** |

FINANCE

## 3. Financial risk management (continued)

### 3.1 Financial risk factors (continued)

**(b) Credit risk *(continued)***

***Cash and cash equivalents and Term Deposits***

The Group held cash and cash equivalents of $789,519,000 and term deposit of $328,386,000 at 30 June 2019 (2018: $786,580,000 and 466,505,000). The cash and cash equivalents and term deposits are held with banks, which are rated B to B-, based on Standard and Poor's (S&P) ratings and Ba3 to Aa3 based on Moody's ratings.

Impairment on cash and cash equivalents has been measured on the 12 month expected loss basis and reflects the short maturities of the exposures. The Fund and the Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities.

***Trade and other receivable - Group only***

Trade accounts receivable consist of a large number of customers, spread across geographical areas. Ongoing credit evaluations are performed on the financial condition of accounts receivables.

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the group's maximum exposure to credit risk.

The Fund does not have any trade receivables which needs to be impaired using the expected credit loss model. For HFC, the impairment recognized in profit and loss has been set out in the notes below.

The Group's impairment losses on trade and other receivables recognised in profit or loss were as follows:

| Impairment Losses | $'000 |
|---|---|
| Impairment loss on trade and other receivables | 8,146 |
| Reversal of impairment on trade and other receivables | (696) |
| Impairment on trade and other receivables, net | 7,450 |

*Expected credit loss assessment for Trade receivables as at 30 June 2019*

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

The following table provides information about the exposure to credit risk and ECLs for trade from individual customers as at 30 June 2019:

| | Weighted average loss rate (%) | Gross carrying amount $'000 | Loss Allowance $'000 | Credit Impaired $'000 |
|---|---|---|---|---|
| Current(not past due) | 6.54 | 53,899 | 3,525 | 50,374 |
| 30 days past due | 8.66 | 15,370 | 1,331 | 14,039 |
| 60 days past due | 11.68 | 7,534 | 880 | 6,654 |
| More than 90 days past due | 26.62 | 8,771 | 2,335 | 6,436 |
| More than 120 days past due | 53.51 | 27,764 | 14,858 | 12,906 |
| | | 113,338 | 22,929 | 90,409 |
| Debtors specifically assessed | | 3,818 | 1,637 | 2,181 |
| | | 117,156 | 24,566 | 92,590 |

Loss rates are based on actual credit loss experience over the past two years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast GDP growth rates or inflation rates. The movement in the allowance for impairment in respect of trade and other receivables during the year is disclosed in note 20 and 24.

Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

For the year ended 30 June 2019

### 3. Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

#### (b) Credit risk *(continued)*

***Debt investment securities***

Debt investment securities includes government bonds and other fixed interest securities.

The Group held debt investment securities of $3,303,000,000 at 30 June 2019 (2018: $2,898,287,000). The debt investment securities are held with banks, credit institutions and the Fiji Government. Debt investment securities held with banks and the Fiji Government are rated B to AA-, based on S&P ratings and Ba3 to Aa3 based on Moody's ratings.

Impairment on debt investment securities held with banks and credit institutions has been measured on the 12 month expected loss basis and reflects the short maturities of the exposures. The Group considers that its debt investment securities held with banks and credit institutions have low credit risk based on the external credit ratings of the counterparties (in relation to banks) and available press and regulatory information (in relation to credit institutions).

Impairment on debt investment securities held with the Fiji Government has been measured on the 12 month expected loss basis. Sovereign rating of B to B- based on Standard and Poor's (S&P) ratings has been adopted for government securities and those advances guaranteed by Government. The Fund held debt investment securities of $3,208,833,000 at 30 June 2019 (2018: $2,830,650,000).

The Fund is exposed to credit risk which is the risk that a counter party will be unable to pay amounts in full when due. The Fund's maximum credit risk, excluding the value of collateral, is generally reflected in the carrying value of financial assets. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. Impairment provisions are provided for expected credit losses.

Credit risk on financial assets is minimized where applicable by dealing with recognised monetary institutions. Selection of a counterparty is made based on their respective credit ratings. Investment decisions are based on credit ratings of the particular issuer and counterparty limits, as well as liquidity and expected returns.

***Loans and advances***

The Fund adopts a similar approach to that adopted for debt securities to its consideration of ECLs for its loans and advances. Those loans not individually assessed for expected credit losses have PD rates assigned using S&P rates appropriate to the rating of the organisation, or a proxy for that rating if that organisation is not specifically rated.

The following tables show reconciliations from the opening to the closing balance of the loss allowance for loans and advances for the Group.

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | **12-month ECL** | **Lifetime ECL not credit-impaired** | **Lifetime ECL credit-impaired** | **Total** | **Total** |
| **Loans and advances to customers at amortised cost** | | | | | |
| Balance at 1 July | 10,615 | 384 | 5,555 | 16,554 | 7,429 |
| Transfer to lifetime ECL credit impaired | (1,020) | (240) | 1,260 | - | - |
| Net remeasurement of loss allowance | (1,213) | 62 | 3,301 | 2,150 | 2,372 |
| New loans originated | 2,747 | 7 | 428 | 3,182 | - |
| Loans that have been derecognised | (807) | (57) | (951) | (1,815) | (1,605) |
| Balance at 30 June | 10,322 | 156 | 9,593 | 20,071 | 8,196 |

## 3. Financial risk management

### 3.1 Financial risk factors

### (b) Credit risk (continued)

*The following applies to banking operation:*

***Credit-impaired loans and advances***

*Credit-impaired loans and advances are graded 9 and 10 in the Bank's internal credit risk grading system. See accounting policy in note 2.10.*

***Collateral held and other credit enhancements***

*The Bank holds collateral and other credit enhancements against its credit exposures. The following table sets out the principal types of collateral held against different portfolios of loans and advances.*

| | ***Percentage of exposure that is subject to collateral requirements*** | | ***Principal type of collateral*** |
|---|---|---|---|
| | ***2019*** | ***2018*** | |
| ***Loans and advances to customers*** | | | |
| *Personal Loans* | *100%* | *100%* | *Motor Vehicle, FNPF pledge, real estate.* |
| *Housing Loans* | *100%* | *100%* | *Residential property.* |
| *Business Loans* | *100%* | *100%* | *Commercial property, charge over corporate assets, guarantee by directors and shareholders.* |

*At 30 June 2019, the net carrying amount of credit-impaired loans and advances to customers amounted to $57,365,000 (2018: $48,742,000) and the value of identifiable collateral (mainly real estate, property, plant & equipment) held against those loans and advances amounted to $62,142,000 (2018: $65,905,000). For each loan, the value of disclosed collateral is capped to the nominal amount of the loan that it is held against.*

Fiji National Provident Fund and its subsidiaries

# Notes to and forming part of the financial statements

For the year ended 30 June 2019

## 3. Financial risk management

### 3.1 Financial risk factors

### (b) Credit risk (continued)

***Banking operations (continued)***

***Credit quality analysis***

*The following table sets out the information about the credit quality of loans and advances. Unless specifically indicated, for loans and advances, the amounts in the table represents gross carrying amount. For loan commitments, the amounts in the table represent the amounts committed. Explanation of the terms: 12-months ECL, lifetime ECL and credit-impaired are included in note 2.10*

| | | | 2019 | | 2018 |
|---|---|---|---|---|---|
| | 12-month ECL $000 | Lifetime ECL not credit-impaired $000 | Lifetime ECL credit-impaired $000 | Total $000 | Total $000 |
| **Loans and advances to customers** | | | | | |
| Grades 1 - 6: Standard | 661,492 | 1,541 | 1,865 | 664,898 | 540,619 |
| Grade 7: Special Mention | 99,874 | 4,349 | 7,603 | 111,826 | 112,853 |
| Grade 8: Substandard | - | - | 18,075 | 18,075 | 36,044 |
| Grade 9: Doubtful | - | - | 26,282 | 26,282 | 9,188 |
| Grade 10: Loss | - | - | 3,540 | 3,540 | 3,055 |
| | 761,366 | 5,890 | 57,365 | 824,621 | 701,759 |
| Loss allowance | (5,700) | (156) | (9,593) | (15,449) | (6,255) |
| Carrying amount | **755,666** | **5,734** | **47,772** | **809,172** | **695,504** |
| **Loan commitments** | | | | | |
| Grades 1 - 6: Standard | 36,248 | - | - | 36,248 | 46,280 |
| Grade 7: Special Mention | - | - | - | - | - |
| Grade 8: Substandard | - | - | - | - | - |
| Grade 9: Doubtful | - | - | - | - | - |
| Grade 10: Loss | - | - | - | - | - |
| | 36,248 | - | - | 36,248 | 46,280 |
| Loss allowance | (271) | - | - | (271) | - |
| Carrying amount | **35,977** | **-** | **-** | **35,977** | **46,280** |

***Commitments and guarantees***

*To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are, therefore, part of the overall risk of the Bank.*

## 3. Financial risk management (continued)

### 3.1 Financial risk factors (continued)

### (b) Credit risk *(continued)*

*The table below shows the Bank's maximum credit risk exposure for commitments and guarantees.*

| | *2019* | *2018* |
|---|---|---|
| ***Credit Risk*** | ***$000*** | ***$000*** |
| *Performance bond* | *10,393* | *4,317* |
| *Letter of credit* | *422* | *-* |
| | *10,815* | *4,317* |

*The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position.*

**Comparative information under IAS 39**

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 banking operation-Prior year*

***Impairment assessment - Prior year***

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

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

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

***(i) Individually assessed allowances - Prior year***

*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.*

## 3. Financial risk management (continued)

### 3.1 Financial risk factors (continued)

### (b) Credit risk *(continued)*

**Comparative information under IAS 39 (continued)**

*The following applies to banking operation-Prior year (continued)*

***(ii) Collectively assessed allowances - Prior year***

*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.*

***Credit quality by class of financial assets - Prior year***

*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*** | ***$'000*** | ***$'000*** | ***$'000*** | ***$'000*** |
| ***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* |
| ***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* |

## 3. Financial risk management (continued)

### 3.1 Financial risk factors (continued)

### (b) Credit risk *(continued)*

***Credit quality by class of financial assets - Prior year***

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

| | Notes | Consolidated 2018 $000 | The Fund 2018 $'000 |
|---|---|---|---|
| *Term deposits* | 11 | 466,505 | 577,400 |
| *Government securities* | 12 | 2,650,278 | 2,582,641 |
| *Other fixed interest securities* | 13 | 248,009 | 248,009 |
| *Equities* | 15 | 434,979 | 431,645 |
| *Loans and advances* | 14 | 948,240 | 686,253 |
| *Cash and cash equivalents* | 19 | 786,580 | 481,825 |
| *Trade receivables* | 20 | 58,264 | - |
| | | 5,592,855 | 5,007,773 |

### (c) Liquidity risk

Liquidity risk is the risk that the Group are unable to meet their 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.

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.

Fiji National Provident Fund and its subsidiaries
# Notes to and forming part of the financial statements
For the year ended 30 June 2019

## 3. Financial risk management (continued)

### 3.1 Financial risk factors (continued)

### (c) Liquidity risk *(continued)*

*The following applies to the banking operation:*

*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:*

| | ***2019*** | ***2018*** | ***Satisfactory position*** | ***Marginal position*** |
|---|---|---|---|---|
| *1. Loan to Total Funding Ratio* | *92.4%* | *86.0%* | *70.0%* | *80.0%* |
| *2. Liquid Assets to Total Assets Ratio* | *24.6%* | *16.7%* | *30.0%* | *20.0%* |
| *3. Liquid Assets to Total Funding Ratio* | *30.2%* | *19.5%* | *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.*

## 3. Financial risk management (continued)

### 3.2 Capital risk management

The capital of the Fund is represented by the net assets available to pay benefits to its members. The amount of net assets available to pay benefits to its members can change significantly 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 the banking operation:

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 financial assets**

Impairment of financial assets are assessed using the expected credit level model. For details of impairment on financial assets, refer to note 2.10 and note 3.1(b).

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

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

**(c) Actuarial present value of accrued benefits**

The Fund determines the actuarial present value of the accrued benefits in its 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 cash flows are also projected and the rate of future (re)investment return on the projected net cash flows of the RIF (projected asset cash flows less projected benefit payments less projected expenses) is assumed to be 5.5% per annum. The methodology requires the proportion of projected asset cash flows, 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 5.63% pa (2018: 5.84%).

## 4. Critical accounting estimates and judgments (continued)

### (c) Actuarial present value of accrued benefits *(continued)*

For the valuation as at 30 June 2019, 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.

### (d) Fair Value determination for financial assets carried at fair value

The fund carries a number of its financial assets, being investments at fair value. Refer to Note 5 for details.

## 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).

## 5. Fair value estimation (continued)

The following table shows the carrying amounts and fair values of financial assets and financial liabilities and investment properties, 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 | | | |
|---|---|---|---|---|---|---|---|
| | Fair value $000 | Amortised Cost $000 | Total $000 | Level 1 $000 | Level 2 $000 | Level 3 $000 | Total $000 |
| **Consolidated** | | | | | | | |
| **Balance as at 30 June 2019** | | | | | | | |
| Equities | 606,274 | - | 606,274 | 577,008 | 29,251 | 15 | 606,274 |
| Government securities | - | 3,105,645 | 3,105,645 | - | 3,326,160 | - | 3,326,160 |
| Fiji Bonds | - | 134,800 | 134,800 | - | 137,254 | - | 137,254 |
| Investment properties | 361,837 | - | 361,837 | - | - | 361,837 | 361,837 |
| **Balance as at 30 June 2018** | | | | | | | |
| Equities | 434,979 | - | 434,979 | 408,735 | 26,229 | 15 | 434,979 |
| Government securities | - | 2,650,278 | 2,650,278 | - | 2,950,497 | - | 2,950,497 |
| Fiji Bonds | - | 138,300 | 138,300 | - | 142,142 | - | 142,142 |
| Investment properties | 306,392 | - | 306,392 | - | - | 306,392 | 306,392 |
| **The Fund** | | | | | | | |
| **Balance as at 30 June 2019** | | | | | | | |
| Equities (including investment in subsidiaries) | 1,873,382 | - | 1,873,382 | 573,742 | 29,251 | 1,270,389 | 1,873,382 |
| Government securities | - | 3,011,498 | 3,011,498 | - | 3,273,013 | - | 3,273,013 |
| Fiji Bonds | - | 134,800 | 134,800 | - | 137,254 | - | 137,254 |
| Investment properties | 385,868 | - | 385,868 | - | - | 385,868 | 385,868 |
| **Balance as at 30 June 2018** | | | | | | | |
| Equities (including investment in subsidiaries) | 1,491,000 | - | 1,491,000 | 405,401 | 26,229 | 1,059,370 | 1,491,000 |
| Government securities | - | 2,582,641 | 2,582,641 | - | 2,878,438 | - | 2,878,438 |
| Fiji Bonds | - | 138,300 | 138,300 | - | 142,142 | - | 142,142 |
| Investment properties | 326,487 | - | 326,487 | - | - | 326,487 | 326,487 |

## 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 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $000 | $000 | $000 | $000 |
| Balance at 1 July | 306,392 | 205,002 | 1,385,857 | 1,060,894 |
| Gains (loss) included in profit or loss | 55,445 | 101,390 | 172,315 | 162,078 |
| Acquisition | - | - | 98,085 | 162,885 |
| Balance at 30 June | 361,837 | 306,392 | 1,656,257 | 1,385,857 |

| Type | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| 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 |
| Investment in Subsidiaries | The valuation techniques, significant unobservable inputs and inter-relationships are set out in note 16 (a). | | |
| Investment Properties | The valuation techniques, significant unobservable inputs and inter-relationships are set out in note 17. | | |

**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 on fair value of investment in subsidiaries:

| | Increase | Decrease |
|---|---|---|
| | $000 | $000 |
| Capitalization rates | 15,518 | (11,320) |
| Adjusted market multiple | 37,881 | (37,881) |
| Cost of equity rates | 31,585 | (29,655) |

For the investment properties – a reasonable possible change of 5% at the reporting date to one of the significant unobservable inputs, holding other inputs constant would impact the fair values by $945,000.

# Notes to and forming part of the financial statements



| | Consolidated | | The Fund | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **6. Interest income** | $000 | $000 | $000 | $000 |
| Fixed interest securities | | | | |
| - Government | 206,397 | 182,730 | 206,397 | 182,730 |
| - Other | 12,787 | 17,435 | 12,835 | 17,435 |
| Loans and advances | 55,107 | 36,498 | 38,182 | 26,445 |
| Term deposits | 19,211 | 21,318 | 24,444 | 21,718 |
| Other interest income | 14,532 | 20,559 | 16,892 | 20,405 |
| | 308,034 | 278,540 | 298,750 | 268,733 |
| **7. Net Change in value of investments** | | | | |
| **(a) Fair value changes - equity investments** | | | | |
| Unrealised gains on investments | 86,261 | 49,091 | 194,415 | 115,881 |
| Realised gains on investments | 4,095 | 1,956 | 4,095 | 1,956 |
| | 90,356 | 51,047 | 198,510 | 117,837 |
| **(b) Net foreign exchange gain/(loss)** | | | | |
| Unrealised exchange gains/(losses) | (10,418) | 6,839 | (8,178) | 5,807 |
| Realised exchange gains/(losses) | (4,263) | 1,652 | (5,073) | (114) |
| | (14,681) | 8,491 | (13,251) | 5,693 |
| **8 (a). Sales revenue** | | | | |
| Sales revenue include the following: | | | | |
| ***Telecommunication activities*** | | | | |
| Access fees | 21,736 | 21,057 | - | - |
| Call revenue | 169,662 | 165,916 | - | - |
| Data network and internet | 187,918 | 157,591 | - | - |
| Equipment and Ancillaries | 88,700 | 76,701 | - | - |
| Computer hardware, software and support | 31,962 | 21,644 | - | - |
| Others | 23,972 | 20,537 | - | - |
| ***Hotel activities*** | | | | |
| Food and beverage | 90,734 | 40,030 | - | - |
| Rooms | 143,599 | 75,575 | - | - |
| | 758,283 | 579,051 | - | - |
| **8 (b). Other income** | | | | |
| Other income includes the following specific items: | | | | |
| Gain on sale of fixed assets and investment property | 271 | 5,000 | 6 | 54 |
| Fees and commissions | 7,337 | 7,519 | 191 | 787 |
| Surcharge income | 269 | 599 | 269 | 599 |

Fiji National Provident Fund and its subsidiaries
## Notes to and forming part of the financial statements
For the year ended 30 June 2019

| | Notes | Consolidated 2019 $000 | Consolidated 2018 $000 | The Fund 2019 $000 | The Fund 2018 $000 |
|---|---|---|---|---|---|
| **9. General administration expenses** | | | | | |
| Auditors' remuneration: | | | | | |
| - Audit - PwC | | 262 | - | 125 | - |
| - Other firms | | 392 | 438 | - | 88 |
| - Other services - PwC | | 4 | - | - | - |
| - Other firms | | 233 | 266 | 62 | 49 |
| Directors fees | | 560 | 511 | 37 | 41 |
| Electricity | | 13,404 | 10,263 | 536 | 468 |
| Hotel operating expenses | | 84,206 | 39,774 | - | - |
| Insurance | | 10,751 | 8,937 | 55 | 54 |
| Impairment expenses: | | | | | |
| - Net impairment of property, plant and equipment | 23 | 1,538 | 50,012 | - | - |
| - Reversal of property held for development/resale | 18 | - | (2,601) | - | - |
| Licence fees | | 12,510 | 18,598 | - | - |
| Loss on sale of fixed assets and investment property | | 6,883 | 76 | - | - |
| Loss on disposal of associate | | 667 | - | - | - |
| Marketing and promotion | | 28,913 | 19,232 | - | - |
| Operating leases | | 4,853 | 7,045 | - | - |
| Provision/(Reversal)/for stock obsolescence | 21 | 571 | 518 | - | - |
| Personnel expenses: | | | | | |
| - Salaries and wages | | 101,713 | 87,540 | 14,777 | 15,156 |
| - Other staff benefits and expenses | | 18,204 | 18,123 | 1,608 | 1,724 |
| Repairs and maintenance | | 19,424 | 7,439 | 188 | 176 |
| Reform expenses | | - | - | - | - |
| Other operating and general expenses | 9 (a) | 134,421 | 78,173 | 6,915 | 7,030 |
| | | 439,509 | 344,344 | 24,303 | 24,786 |

| **9 (a). Other operating and general expenses – The Fund** | The Fund 2019 $000 | The Fund 2018 $000 |
|---|---|---|
| Training | 862 | 504 |
| Advertising | 743 | 457 |
| Professional subscription | 34 | 15 |
| Software maintenance and support | 914 | 1,086 |
| Motor vehicle cost | 138 | 76 |
| Communication | 907 | 795 |
| Stationery and printing | 131 | 157 |
| Travelling and subsistence | 456 | 527 |
| General and operating expenses | 236 | 297 |
| Small assets | 36 | 57 |
| Computer sundries | 164 | 155 |
| Consultancy | 321 | 492 |
| Legal cost | 55 | 58 |
| Office cleaning | 156 | 143 |
| Rent | 1,528 | 1,710 |
| Water rates | 15 | 19 |
| Office sundries | 53 | 57 |
| Security expense | 166 | 205 |
| Member expenses | - | 220 |
| | 6,915 | 7,030 |

**10. Income tax**

**(a) Income tax expense**

| | Consolidated | | The Fund | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **$000** | **$000** | **$000** | **$000** |
| Prima facie income tax expense calculated at 20% (2018:20%) on profit | 104,169 | 97,679 | 113,677 | 107,732 |
| add/(deduct): | | | | |
| Income not subject to tax | (65,389) | (64,787) | (113,677) | (107,732) |
| Impact of difference in tax rate | (6,782) | (4,751) | - | - |
| Tax FAR adjustment | (848) | - | - | - |
| Export income allowances | - | (117) | - | - |
| Investment allowances | (528) | (489) | - | - |
| Amortisation of Government Grant | (9) | 20 | - | - |
| DTA on tax losses not recognised | 839 | - | - | - |
| Temporary differences recognized | (1,071) | (15) | - | - |
| Under provision in prior year | 619 | 17 | - | - |
| Income tax expense | 31,000 | 27,557 | - | - |
| | | | | |
| Income tax expense is made up of: | 34,990 | 26,685 | - | - |
| Current tax expense | (4,609) | 855 | - | - |
| Deferred tax (income)/expense | 619 | 17 | - | - |
| Under provision in prior years | 31,000 | 27,557 | - | - |

Tax expense excludes the Group's share of the tax expense of equity-accounted investees of $2,128,000 (2018: $2,078,000), 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 | 4,115 | 3,961 | - | - |
| Current income tax expense | 34,990 | 26,685 | - | - |
| Income taxes paid | (36,433) | (26,379) | - | - |
| Withholding taxes net | 17 | 39 | - | - |
| Over provision in prior years | 619 | 17 | - | - |
| Recognition upon business Acquisition | 2,051 | (208) | - | - |
| Balance at the end of the year | 5,359 | 4,115 | - | - |

**(c) Deferred tax liabilities**

| | | | | |
|---|---|---|---|---|
| Deferred tax liabilities comprises the following at 10% (2018:10%) for ATH and 20% (2018:20%) for other subsidiaries: | | | | |
| Deferred expenses | 12 | 13 | - | - |
| Property, plant and equipment | 24,647 | 20,272 | - | - |
| Lease liabilities | 5 | - | - | - |
| Unrealised exchange gain | 57 | 17 | - | - |
| Unrealised fair value gain on consolidation | 33,394 | 33,958 | - | - |
| | 58,115 | 54,260 | - | - |

**10. Income tax (continued)**

**(d) Deferred tax assets**

| | Consolidated | | The Fund | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $000 | $000 | $000 | $000 |
| Deferred tax assets comprises the following at 10% (2018:10%) for ATH and 20% (2018:20%) for other subsidiaries: | | | | |
| Inventory obsolescence | 688 | 433 | - | - |
| Deferred revenue | 176 | 190 | - | - |
| Employee entitlements | 1,952 | 1,752 | - | - |
| Impairment of allowances | 9,403 | 4,084 | - | - |
| Tax losses | 102 | - | - | - |
| Property, plant and equipment | 13,676 | 7,236 | - | - |
| Difference between right to use assets and lease liability | 76 | - | - | - |
| Unrealised exchange loss | 71 | - | - | - |
| Other | 110 | 61 | - | - |
| | 26,254 | 13,756 | - | - |

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

**(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 Pte 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 Pte 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 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $000 | $000 | $000 | $000 |
| **11. Term deposits** | | | | |
| Local banks and financial institutions– local currency | 328,386 | 466,505 | 431,000 | 577,400 |
| Impairment provision | (1,215) | - | (1,215) | - |
| | 327,171 | 466,505 | 429,785 | 577,400 |
| ***Maturity represented as:*** | | | | |
| Less than or equal to 3 months | 49,603 | 72,975 | 98,000 | 195,900 |
| 3 to 12 months | 248,783 | 393,530 | 303,000 | 381,500 |
| 1 to 5 years | 30,000 | - | 30,000 | - |
| Greater than 5 years | - | - | - | - |
| | 328,386 | 466,505 | 431,000 | 577,400 |
| **12. Government securities** | | | | |
| Fiji Government Registered Stock | 3,055,120 | 2,632,516 | 3,001,973 | 2,578,219 |
| Treasury Bills | 50,525 | 17,762 | 9,525 | 4,422 |
| | 3,105,645 | 2,650,278 | 3,011,498 | 2,582,641 |
| Impairment provision | (2,980) | - | (2,951) | - |
| | 3,102,665 | 2,650,278 | 3,008,547 | 2,582,641 |
| Maturity represented as: | | | | |
| Less than or equal to 3 months | 62,200 | 46,642 | 45,200 | 46,542 |
| 3 to 12 months | 129,255 | 140,435 | 92,555 | 113,045 |
| 1 to 5 years | 730,736 | 634,562 | 701,844 | 606,170 |
| Greater than 5 years | 2,183,454 | 1,828,639 | 2,171,899 | 1,816,884 |
| | 3,105,645 | 2,650,278 | 3,011,498 | 2,582,641 |

The above investments are accounted for at amortized cost and measured in accordance with note 2.10 to the financial statements. ATH has pledged government bonds amounting to $680,000 (2018:$16,980,000) as security for the loan obtained from the ANZ Banking Group Limited.

**13. Other fixed interest securities**

| | Consolidated | | The Fund | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $000 | $000 | $000 | $000 |
| Promissory notes | 9,608 | 5,793 | 9,608 | 5,793 |
| Fiji Bonds | 134,800 | 138,300 | 134,800 | 138,300 |
| Foreign Bonds | 52,947 | 103,916 | 52,947 | 103,916 |
| | 197,355 | 248,009 | 197,355 | 248,009 |
| Impairment provision | (1,235) | - | (1,235) | - |
| | 196,120 | 248,009 | 196,120 | 248,009 |
| ***Maturity represented as:*** | | | | |
| Less than 3 months | 26,000 | 2,000 | 26,000 | 2,000 |
| 3 to 12 months | 37,108 | 29,293 | 37,108 | 29,293 |
| 1 to 5 years | 134,247 | 211,416 | 134,247 | 211,416 |
| Greater than 5 years | - | 5,300 | - | 5,300 |
| | 197,355 | 248,009 | 197,335 | 248,009 |

Promissory notes and Fiji bonds are guaranteed by the Government of Fiji. The above investments are measured at amortised cost as they are considered likely to be held to collect contractual cash flows 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 2019

| **14. Loans and advances** | **Consolidated** | | **The Fund** | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **$000** | **$000** | **$000** | **$000** |
| Loans and advances (quasi-government) | 119,757 | 87,459 | 119,757 | 87,459 |
| Loans to subsidiaries (Note 36(b)) | - | - | 639,917 | 547,541 |
| Customer term loans | 1,031,208 | 861,703 | 206,587 | 167,039 |
| Staff loans | 105 | 7,274 | 105 | 178 |
| | 1,151,070 | 956,436 | 966,366 | 802,217 |
| Impairment provision | (20,071) | (8,196) | (112,282) | (115,964) |
| | 1,130,999 | 948,240 | 854,084 | 686,253 |
| ***Maturity represented as:*** | | | | |
| Less than or equal to 3 months | 21,170 | 22,911 | 9,315 | 8,690 |
| 3 to 12 months | 67,531 | 57,737 | 53,277 | 29,563 |
| 1 to 5 years | 207,853 | 282,153 | 230,450 | 141,961 |
| Greater than 5 years | 854,516 | 593,635 | 673,324 | 622,003 |
| | 1,151,070 | 956,436 | 966,366 | 802,217 |

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 fully drew the balance of $25,000,000 from a loan facility of $50,000,000 approved in the previous year. Additional bridging finance of $21,217,125 was approved and fully drawn during the year;

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 Pte Limited, the loan is largely unsecured. Refer below for further comments. During the year, the Fund advanced the sum of $26,000,000 to Barton Pte Limited for the upgrade of the Sheraton properties and $80,000,000 to Vodafone Fiji Pte Limited for upgrade of its infrastructure and other capital expenditure;

Customer term loans – The head security is a registered first mortgage over property and improvements. Lotus Garments Limited loan which was approved in 2017, continued its progressive drawdowns.

A loan of $52,800,000 was also approved for Air Pacific Pte Limited which was fully drawn 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.

**Natadola Bay Resort Pte Limited (NBRL)**

The carrying value of the loan provided to NBRL by the Fund is $291,543,000 (2018: $293,624,000). Further details of the loan are in Note 36(b). As at year end, the Fund is carrying a provision for impairment against the loan of $105,549,000 (2018: $114,024,000).

**Momi Bay Resort Pte Limited (MBRL)**

The carrying value of the loan provided to MBRL for the Momi Resort development is $120,181,000 (2018: $121,807,000). 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

### 14. Loans and advances (continued)

Movements in the impairment provision – Consolidated are as follows:

| | Loans & advances $000 | Customer term loans $000 | Staff loans $000 | Total $000 |
|---|---|---|---|---|
| **Collectively Assessed Provisions** | | | | |
| Balance as at 1 July 2017 | - | - | 179 | 179 |
| New and increased provisioning | - | - | - | - |
| Provisions released as no longer required | - | - | (2) | (2) |
| Balance as at 30 June 2018 | - | - | 177 | 177 |
| New and increase provisioning | - | - | - | - |
| Provisions released as no longer required | - | - | (73) | (73) |
| Balance as at 30 June 2019 | - | - | 104 | 104 |
| **Individually Assessed Provisions** | | | | |
| Balance as at 1 July 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 |
| Initial application of IFRS 9 | - | 12,092 | - | 12,092 |
| New and increased provisioning | - | - | - | - |
| Provisions released as no longer required | - | (144) | - | (144) |
| Balance as at 30 June 2019 | - | 19,967 | - | 19,967 |
| Total provision for impairment at 1 July 2017 | - | 7,250 | 179 | 7,429 |
| Total provision for impairment at 30 June 2018 | - | 8,019 | 177 | 8,196 |
| Total provision for impairment at 30 June 2019 | - | 19,967 | 104 | 20,071 |

### 14. Loans and advances (continued)

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

| | Loans and advances $000 | Loans to subsidiaries $000 | Customer term loans $000 | Staff loans $000 | Total $000 |
|---|---|---|---|---|---|
| **Collectively Assessed Provisions** | | | | | |
| Balance as at 1 July 2017 | - | - | - | 179 | 179 |
| New and increased provisioning | - | - | - | - | - |
| Provisions no longer required | - | - | - | (2) | (2) |
| Balance as at 30 June 2018 | - | - | - | 177 | 177 |
| New and increased provisioning | - | - | - | - | - |
| Provisions no longer required | - | - | - | (73) | (73) |
| Balance as at 30 June 2019 | - | - | - | 104 | 104 |
| **Individually Assessed Provisions** | | | | | |
| Balance as at 1 July 2017 | - | 145,969 | 1,929 | - | 147,898 |
| Assignment from Natadola Land Holdings Limited | - | (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 |
| Initial application of IFRS 9 | - | 2,334 | 1,810 | - | 4,144 |
| New and increased provisioning | - | - | 1,436 | - | 1,436 |
| Provisions no longer required | - | (9,189) | - | - | (9,189) |
| Balance as at 30 June 2019 | - | 107,168 | 5,010 | - | 112,178 |
| Total provision for impairment at 1 July 2017 | - | 145,969 | 1,929 | 179 | 148,077 |
| Total provision for impairment at 30 June 2018 | - | 114,023 | 1,764 | 177 | 115,964 |
| Total provision for impairment at 30 June 2019 | - | 107,168 | 5,010 | 104 | 112,282 |

Total impairment provisions as at balance date are:

| | Consolidated | | The Fund | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $000 | $000 | $000 | $000 |
| Collectively assessed provisions | 104 | 177 | 104 | 177 |
| Individually assessed provisions | 19,967 | 8,019 | 112,178 | 115,787 |
| | 20,071 | 8,196 | 112,282 | 115,964 |

### 15. Equities

| | Consolidated 2019 | Consolidated 2018 | The Fund 2019 | The Fund 2018 |
|---|---|---|---|---|
| Local listed equities | 171,689 | 114,441 | 168,423 | 111,107 |
| Local unlisted equities | 5,189 | 15 | 5,189 | 15 |
| Local unit trusts | 29,251 | 26,229 | 29,251 | 26,229 |
| Overseas equities | 400,145 | 294,294 | 400,145 | 294,294 |
| | 606,274 | 434,979 | 603,008 | 431,645 |

Equity investments are valued in accordance with Note 2.10 at fair value through profit or loss. 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.

Local equities amounting to $3,225,000 (2018: $3,225,000) are held by FNPF Nominees Limited on behalf of members and therefore are not available to the Group.

**16. Investments in subsidiaries, associates and joint ventures**

**(a) Investment in subsidiaries – fair value**

| | Consolidated | | The Fund | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $000 | $000 | $000 | $000 |
| Investments in subsidiaries | - | - | 1,270,374 | 1,059,355 |
| Impairment provision | - | - | - | - |
| | - | - | 1,270,374 | 1,059,355 |

Investment in subsidiaries consists of the following:

| Name | Principal activities | Balance Date Used | 2019 Fair value $000 | 2018 Fair value $000 |
|---|---|---|---|---|
| Amalgamated Telecom Holdings Limited | Telecommunications | 31 March | 594,682 | 530,878 |
| Home Finance Company Pte Limited | Financial services | 30 June | 149,217 | 77,250 |
| FNPF Holdings (PNG) Limited | Investments | 30 June | 52 | 53 |
| Yatule Beach Resort Pte Limited | Resort operations | 30 June | - | - |
| FNPF Hotel Resorts Pte Limited | Resort operations | 30 June | 53,822 | 51,400 |
| Vodafone Fiji Pte Limited | Telecommunications | 31 March | 250,701 | 210,042 |
| FNPF Nominees Limited | Nominee Services | 30 June | - | - |
| Natadola Bay Resort Pte Limited | Resort operations | 30 June | - | - |
| Momi Bay Resort Pte Limited* | Resort operations | 30 June | 43,825 | 29,159 |
| Dareton Pte Limited | Land development | 30 June | 5,400 | 2,765 |
| Health Care (Fiji) Pte Ltd | Health Services | 30 June | 1,224 | - |
| Grand Pacific Hotel Pte Ltd | Resort operations | 30 June | 6,512 | - |
| Farleigh Pte Limited | Resort operations | 30 June | 164,939 | 157,808 |
| | | | 1,270,374 | 1,059,355 |

Refer to note 36(c) for details on ownership interest for the above subsidiaries.

Dividend income from subsidiaries for the year ended 30 June 2019 amounted to $42,306,000 (2018: $44,533,000).

On 28th November 2019, the Fund acquired the remaining 75% shares of the Grand Pacific Hotel Pte Limited from foreign shareholders.

During the year, the Fiji Government together with the Fund, initiated a Public Private Partnership which led to the establishment of subsidiary; Health Care (Fiji) Pte Limited, whereby the Fund owns an 80% stake with Aspen Medical owning 20%.

During the year, in line with the objective of value enhancement and assessment of its existing local equities portfolio, the Fund divested 0.4% of its shareholding in ATH. ATH acquired interest in other entities as set out in note 38.

**Valuation technique and significant unobservable inputs**

The following table shows the valuation technique used by the independent valuers in measuring Level 3 fair values, as well as the significant unobservable inputs used.

| Type | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Investment in Subsidiaries | Future Maintainable Earnings (ATH & VFL):<br>Discounted Cash Flow Method (other subsidiaries and hotels) | • Earnings multiple (6.0x-6.5x)<br>• Weighted Average Cost of Capital (13.1% -16.9%)<br>• Discount Rate Hotels (9.0% - 12.0%)<br>• Forecasted Earnings | The estimated fair value would increase/ (decrease) if any of the significant unobservable inputs were changed:<br>• Earnings multiple was higher(lower);<br>• Weighted Average Cost of Capital were lower (higher)<br>• Discount rate were lower (Higher)<br>• Forecasted Earnings were higher (lower). |

Fiji National Provident Fund and its subsidiaries
## Notes to and forming part of the financial statements
For the year ended 30 June 2019

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

| | Consolidated | | The Fund | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $000 | $000 | $000 | $000 |
| **16 (b) Investment in associates and joint venture** | | | | |
| Investment in associates - at cost | 87,673 | 115,251 | 71,143 | 85,252 |
| allowance for impairment | (4,743) | (9,395) | (4,743) | (9,395) |
| Interest in joint venture | 1,060 | 1,143 | - | - |
| | 83,990 | 106,999 | 66,400 | 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 |
| Provisions released/ transferred | (4,652) | - | (4,652) | - |
| Balance at the end of the year | 4,743 | 9,395 | 4,743 | 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 $10,668,000 (2018: $11,375,000) has been recorded in the Group's income statement, relating to the investment in Fiji Ports Corporation Limited.

Investment in associates consists of the following:

| **Consolidated Name** | **Interest** | **2019 Cost $000** | **2019 Impairment $000** | **2019 Carrying value $000** | **2018 Cost $000** | **2018 Impairment $000** | **2018 Carrying value $000** |
|---|---|---|---|---|---|---|---|
| Grand Pacific Hotel Pte Limited | 25% | - | - | - | 11,675 | 4,652 | 7,023 |
| 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% | 82,005 | - | 82,005 | 83,608 | - | 83,608 |
| Bluesky SamoaTel Investments Limited | 25% | - | - | - | 14,341 | - | 14,341 |
| Bligh Water Shipping Limited | 26% | 2,903 | 2,903 | - | 2,903 | 2,903 | - |
| Denarau Corporation Limited | 41% | 41 | - | 41 | - | - | - |
| | | 87,673 | 4,743 | 82,930 | 115,251 | 9,395 | 105,856 |

| **The Fund Name** | **Interest** | **2019 Cost $000** | **2019 Impairment $000** | **2019 Carrying value $000** | **2018 Cost $000** | **2018 Impairment $000** | **2018 Carrying value $000** |
|---|---|---|---|---|---|---|---|
| Grand Pacific Hotel Pte Limited | 25% | - | - | - | 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 | - |
| | | 71,143 | 4,743 | 66,400 | 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.

**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 for Grand Pacific Hotel Pte 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.

Subsidiary company, HFC has a 50% interest, equivalent to $539,000 (2018: $607,000) 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 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **17. Investment properties** | $000 | $000 | $000 | $000 |
| Balance as at 1 July | 306,392 | 205,002 | 326,487 | 231,199 |
| Transfer from/(to) property, plant and equipment and intangibles | (4,667) | 4,017 | (233) | (2,707) |
| Change in fair value | 18,896 | 82,249 | 18,467 | 82,871 |
| Acquisitions | 33,615 | 5,479 | 33,546 | 5,479 |
| Work in progress | 7,601 | 10,556 | 7,601 | 10,556 |
| Disposals | - | (911) | - | (911) |
| Balance as at 30 June | 361,837 | 306,392 | 385,868 | 326,487 |

Investment properties for the Fund includes Momi Bay foreclosed assets comprising of land at fair value of $143,800,000 (2018: $122,365,000). Management believes that the above mentioned land has 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 value gains of $18,896,000 has been included in the income statement respectively.

**Fair value hierarchy**

The fair values of investment properties were 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 annually. 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 techniques of the independent valuers 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 models of the independent valuers consider 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%<br>• Annualised vacancy and credit loss allowance, 2% - 6%<br>• Market based management fee 3.5%<br>• Operating expense increases, 2.5%<br>• Capitalisation rates – 7% - 10% | The estimated fair values would increase (decrease) if:<br>• expected market rental growth were higher (lower);<br>• void periods were shorter (longer);<br>• the occupancy rate were higher (lower);<br>• rent-free periods were shorter (longer); or<br>• 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 2019

| | Consolidated | | The Fund | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **18. Property held for development** | $000 | $000 | $000 | $000 |
| Opening carrying value | 9,745 | 7,144 | - | - |
| Reversal of impairment | - | 2,601 | - | - |
| | 9,745 | 9,745 | - | - |

Property held for development is accounted for at cost. During the year, a valuation of the land held for development was carried out by an independent valuer. The fair value of the land held for development was estimated at $13,006,000.

| | Consolidated | | The Fund | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **19. Cash and cash equivalents** | $000 | $000 | $000 | $000 |
| Cash at bank | 550,687 | 564,513 | 414,783 | 470,013 |
| Cash on hand | 61,321 | 34,340 | 45,898 | 11,807 |
| Cash at bank – restricted* | - | 5 | - | 5 |
| Statutory reserve deposit with RBF** | 93,280 | 90,280 | - | - |
| Exchange settlement account | 66,505 | 67,526 | - | - |
| Short term deposits | 17,726 | 29,916 | - | - |
| | 789,519 | 786,580 | 460,681 | 481,825 |
| Impairment provision | (1,295) | - | (1,226) | - |
| | 788,224 | 786,580 | 459,455 | 481,825 |

* 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 | | The Fund | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **20. Trade receivables** | $000 | $000 | $000 | $000 |
| Trade receivables | 117,156 | 76,528 | - | - |
| Unearned income | (1,538) | (1,573) | - | - |
| Impairment provision | (24,566) | (16,691) | - | - |
| | 91,052 | 58,264 | - | - |
| Movements on the impairment provision are as follows: | | | | |
| Balance at the beginning of the year | 16,691 | 19,158 | - | - |
| Adjustment on initial application of IFRS 9 | 218 | - | - | - |
| Balance at 1 July 2018 per IFRS 9 | 16,909 | 19,158 | - | - |
| Acquired on business acquisition | 16,320 | - | - | - |
| Additional provisioning | 423 | 3,309 | - | - |
| Bad debts written off | (7,763) | (5,721) | - | - |
| Provisions released | (1,323) | (55) | - | - |
| | 24,566 | 16,691 | - | - |

The maximum exposure to credit risk at the reporting date is the carrying value of receivables mentioned above which largely relate to the telecommunication activities. 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 $5,867,000 (2018: $6,037,000).

| 21. Inventories | Consolidated 2019 $000 | Consolidated 2018 $000 | The Fund 2019 $000 | The Fund 2018 $000 |
|---|---|---|---|---|
| Consumables and finished goods | 43,938 | 30,554 | - | - |
| Allowances for obsolescence | (3,618) | (3,047) | - | - |
| | 40,320 | 27,507 | - | - |
| Land held for sale * | 10,744 | 9,487 | - | - |
| Business combination | - | 558 | - | - |
| Goods in transit | 906 | 57 | - | - |
| | 51,970 | 37,609 | - | - |

*Land held for resale is accounted for at cost and 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.

| 22. Intangible assets | Consolidated 2019 $000 | Consolidated 2018 $000 | The Fund 2019 $000 | The Fund 2018 $000 |
|---|---|---|---|---|
| Software costs | 15,042 | 14,839 | 10,254 | 9,171 |
| Goodwill on consolidation | 322,144 | 141,857 | - | - |
| Indefeasible rights of use capacity | - | 13,828 | - | - |
| Spectrum licences | 4,982 | 5,479 | - | - |
| Intangibles - other | 86,480 | 87,359 | - | - |
| | 428,648 | 263,362 | 10,254 | 9,171 |

***Represented by:***

**(a) Software costs**

| | Consolidated 2019 $000 | Consolidated 2018 $000 | The Fund 2019 $000 | The Fund 2018 $000 |
|---|---|---|---|---|
| ***Cost*** | | | | |
| Balance at the beginning of the year | 59,715 | 57,803 | 17,337 | 17,125 |
| Additions during the year | 136 | 499 | 15 | 120 |
| Transfer from property, plant and equipment and investment property | 3,310 | 571 | 2,891 | 92 |
| Work in progress | 97 | - | - | - |
| Balance at the end of the year | 63,258 | 58,873 | 20,243 | 17,337 |
| ***Amortisation and impairment*** | | | | |
| Balance at the beginning of the year | 44,034 | 40,750 | 8,166 | 6,773 |
| Amortisation charge for the year | 4,182 | 3,277 | 1,823 | 1,393 |
| Adjustment | - | 7 | - | - |
| Balance at the end of the year | 48,216 | 44,034 | 9,989 | 8,166 |
| ***Carrying amount*** | | | | |
| At the beginning of the year | 14,839 | 17,053 | 9,171 | 10,352 |
| At the end of the year | 15,042 | 14,839 | 10,254 | 9,171 |

Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

For the year ended 30 June 2019

| | | Consolidated | | The Fund | |
|---|---|---|---|---|---|
| **22. Intangible assets (continued)** | **Note** | **2019** | **2018** | **2019** | **2018** |
| **(b) Goodwill on consolidation** | | **$000** | **$000** | **$000** | **$000** |
| ***Cost*** | | | | | |
| Balance at the beginning of the year | | 231,113 | 214,228 | - | - |
| Additions on business acquisition | | 189,915 | 16,885 | - | - |
| Balance at the end of the year | (i) | 421,028 | 231,113 | - | - |
| ***Accumulated impairment allowance*** | | | | | |
| Balance at the beginning of the year | | 89,256 | 89,256 | - | - |
| Impairment | | 9,628 | - | - | - |
| Balance at the end of the year | (ii) | 98,884 | 89,256 | - | - |
| ***Carrying Value*** | | | | | |
| At the beginning of the year | | 141,857 | 124,972 | - | - |
| At the end of the year | | 322,144 | 141,857 | - | - |

| | Consolidated | | The Fund | |
|---|---|---|---|---|
| ***(i) Gross Goodwill on acquisition of:*** | **2019** | **2018** | **2019** | **2018** |
| | **$000** | **$000** | **$000** | **$000** |
| ATH Limited | 199,687 | 199,687 | - | - |
| FNPF Hotel Resorts Pte Limited | 5,224 | 5,224 | - | - |
| Datec (Fiji) Pte Limited | 3,401 | 3,401 | - | - |
| Telecom Vanuatu Limited | 5,711 | 5,711 | - | - |
| Home Finance Company Pte Limited | 205 | 205 | - | - |
| Farleigh Pte Limited | 16,885 | 16,885 | - | - |
| Bluesky Group | 130,780 | - | - | - |
| Digitec Group | 22,689 | - | - | - |
| TCNZ Cook Islands Limited | 24,684 | - | - | - |
| American Samoa Entertainment Inc. | 2,134 | - | - | - |
| Grand Pacific Hotel Pte Limited | 9,628 | - | - | - |
| | 421,028 | 231,113 | - | - |
| ***(ii) Impairment of:*** | | | - | - |
| ATH Limited | 89,051 | 89,051 | - | - |
| Home Finance Company Pte Limited | 205 | 205 | - | - |
| Grand Pacific Hotel Pte Limited | 9,628 | - | - | - |
| | 98,884 | 89,256 | - | - |

***Impairment assessments***

**ATH Limited**

Fair value for ATH has been determined based on the quoted price of shares traded on the South Pacific Stock Exchange at 30 June 2019 of $3.20 (2018:$2.85) less estimated cost to sell. A decrease in ATH's share price by $1.25 would result in impairment. The fair value measurement was categorised as a Level 1 fair value based on quoted prices. The carrying amount of the CGU in 2019 was determined to be lower than its recoverable amount of $1,350,736,000 (2018: $873,900,000).

**FNPF Hotel Resorts Pte Limited**

The fair of FHRL has been determined by an independent valuer as at 30 June 2019 for which the carrying amount is lower than its recoverable amount. The fair values have been determined using unobservable inputs and has been classified as level 3, the details of the unobservable inputs has been disclosed in note 16(a).

**Datec (Fiji) Pte Limited**

Goodwill of $3,401,000 has been tested for impairment by reviewing the underlying net assets supporting the investment in subsidiary. The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated. The terminal value of the CGU in 2019 was determined to be lower than its recoverable amount. Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the long-term compound annual EBITDA growth rate estimated by management, consistent with the assumption that a market participant would make. Based on the impairment assessment made by management, no provision for impairment has been made on Goodwill in respect of Datec (Fiji) Pte Limited and its subsidiary company as management reasonably believes that no indicators of impairment exist.

## 22. Intangible assets (continued)

### Goodwill on consolidation (continued)

***Impairment assessments (continued)***

**Telecom Vanuatu Limited**

On 27 March 2017, ATH acquired 100% shareholding 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. Goodwill of $5.7 million has been tested for impairment based on the forecasted free cash flow to equity. Free cash flow projections were based on financial budgets approved by management for the year ending March 2020. Cash flows beyond March 2020 are extrapolated using the GDP growth as a long-term growth to determine the terminal value. A discount rate of 10% was used based on the recent assessment of Equity Risk Premium. The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated. The carrying amount of the CGU in 2019 was determined to be lower than its recoverable amount. Based on the impairment assessment made by management, no provision for impairment has been made on Goodwill in respect Telecom Vanuatu Limited as management reasonably believes that no indicators of impairment exist.

**Farleigh Pte Limited**

On 24 May 2018, FNPF acquired 100% shareholding 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. Based on the impairment assessment made by management, no provision for impairment has been made on Goodwill in respect Farleigh Limited as management reasonably believes that no indicators of impairment exist. The fair value of Farleigh Limited has been determined by an independent valuer as at 30 June 2019 for which the carrying amount is lower than its recoverable amount. The fair values have been determined using unobservable inputs and has been classified as level 3, the details of the unobservable inputs has been disclosed in note 16 (a).

**Bluesky Group**

During the year 2019, ATH completed the acquisition of Bluesky Group, a mobile and telecommunications provider in Samoa, Cook Islands and American Samoa. Upon receiving the requisite approvals, the acquisition was effective on the date of change of control, which was 1 January 2019 and was completed when the consideration was transferred to Amper (vendor), that is, on the 22 February 2019.The consideration was a 100% cash consideration of FJD $196,640,000. ATH has identified provisional fair values of the identifiable assets and liabilities assumed and resulting provisional goodwill of Bluesky Group at the date of acquisition of $130,780,000. ATH is in the process of completing the assessment of the fair values of identifiable assets and liabilities of Bluesky Group at the date of acquisition.

**Digitec Group**

During the year, ATH acquired the Digitec group, an ICT provider in PNG, Singapore and Australia the acquisition was effective on the date of change of control, which was 1 January 2019, and was completed when the initial consideration was transferred to Austel (vendor) on 14 February 2019. The consideration was 100% cash consideration of approximately FJD$28,490,000. ATH is in the process of assessing the fair values of identifiable assets and liabilities of Digitec Group at the date of acquisition. As per IFRS 3 – Business Combinations, given ATH is still in its measurement period and the fair value measurement exercise is currently taking place, ATH has identified provisional fair values of the identifiable assets and liabilities assumed and resulting provisional goodwill of Digitec Group at the date of acquisition of $22,689,000. ATH in the process of completing the assessment of the fair values of identifiable assets and liabilities of Digitec Group at the date of acquisition.

**TCNZ Cook Islands Limited**

TCNZ Cook Islands Limited was acquired in January 2015 by AST Telecom LLC which was acquired by the holding company during the year. As a result the Company remains fairly current. The recoverable amount of the goodwill as at 31 March 2019, has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The projected cash flows have been updated to reflect the increased demand for products and services. The pre-tax discount rate applied to cash flow projection is 10% and cash flows beyond the five-year period are extrapolated using a 1% growth rate. It was concluded that the fair value less costs of disposal did not exceed the value in use.

Fiji National Provident Fund and its subsidiaries
## Notes to and forming part of the financial statements
For the year ended 30 June 2019

**22. Intangible assets (continued)**

**Goodwill on consolidation (continued)**

***Impairment assessments (continued)***

**American Samoa Entertainment Inc.**

American Samoa Entertainment Inc's recoverable amount of the goodwill through acquisition as at 31 March 2019, is also determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the decreased demand for products and services. The pre-tax discount rate applied to the cash flow projections is 12%. The growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 2%. This growth rate is below the industry average growth rate. Management believes this growth rate is justified based on the acquisition of the company. It was concluded that the fair value less costs of disposal did not exceed the value in use.

**Grand Pacific Hotel Pte Limited**

On 28th November 2018, the Fund acquired the remaining 75% shares of the Grand Pacific Pte Hotel Limited from CGA and NASFUND for $36,000,000. Goodwill of $9,628,000 was recognised as the excess of the total consideration over the fair value of net assets of $35,162,000. The goodwill on consolidation at 30 June 2019 was fully impaired consistent with the decline in fair value of GPH determined by independent valuer.

| | Consolidated | | The Fund | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **(c) Indefeasible rights of use capacity** | $000 | $000 | $000 | $000 |
| ***Cost*** | | | | |
| Balance at the beginning of the year | 80,462 | 79,157 | - | - |
| Transfer to right of use asset | (80,462) | - | - | - |
| Additions | - | 1,305 | - | - |
| Balance at the end of the year | - | 80,462 | - | - |
| ***Amortisation*** | | | | |
| Balance at the beginning of the year | 61,712 | 64,681 | - | - |
| Transfer to right of use asset | (61,712) | - | - | - |
| Amortisation charge for the year | - | 1,953 | - | - |
| Balance at the end of the year | - | 66,634 | - | - |
| ***Carrying value*** | | | | |
| At the beginning of the year | 13,828 | 14,476 | - | - |
| At the end of the year | - | 13,828 | - | - |

Indefeasible Rights of Use ("IRU") capacity relates to the lease of IRU network capacities by subsidiaries, Telecom Fiji Pte Limited and Fiji International Telecommunications Pte 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.

**22. Intangible assets (continued)**

| | Consolidated | | The Fund | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **(d) Spectrum licences** | $000 | $000 | $000 | $000 |
| ***Cost*** | | | | |
| Balance at the beginning of the year | 6,370 | 6,370 | - | - |
| Balance at the end of the year | 6,370 | 6,370 | - | - |
| ***Amortisation*** | | | | |
| Balance at the beginning of the year | (891) | 594 | - | - |
| Amortisation charge for the year | (497) | 297 | - | - |
| Balance at the end of the year | (1,388) | 891 | - | - |
| ***Carrying value*** | | | | |
| At the beginning of the year | 5,479 | 5,776 | - | - |
| At the end of the year | 4,982 | 5,479 | - | - |

Spectrum licences include licenses acquired by the subsidiaries, Telecom Fiji Pte Limited and Vodafone Fiji Pte 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 Pte Limited and Vodafone Fiji Pte 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 was capitalised to intangible assets.

The licence of Amalgamated Telecom Holdings (Kiribati) Limited has an initial 15 year term starting from 26 May 2016, then extending for 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.

**(e) Intangibles - other**

Intangible – other includes assets acquired with the acquisition of Farleigh Pte 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.

| | Consolidated | | The Fund | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $000 | $000 | $000 | $000 |
| Balance at the beginning of the year | 87,359 | - | - | - |
| Acquisitions | - | 87,359 | | |
| Amortisation charge for the year | (879) | - | - | - |
| Balance at the end of the year | 86,480 | 87,359 | - | - |

**Leasehold Land**

This represents leasehold land operating leases of Barton Pte Limited, Dubbo Pte 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.

**23. Property, plant and equipment – Consolidated**

| | Freehold Land | Leasehold Land | Buildings | Resort buildings at cost | Telecommunication equipment & plant | Capital spares | Plant and machinery | Office equipment | Motor vehicles | Furniture & fittings | Work in progress | Linen | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 |
| **Cost** | | | | | | | | | | | | | |
| Balance at the beginning of the year | 820 | 50,446 | 340,231 | 437,132 | 804,040 | 3,903 | 7,489 | 78,366 | 25,385 | 92,536 | 40,037 | 1,904 | 1,882,289 |
| Disposals | - | - | (7,078) | 13 | (545) | (1,246) | (3,541) | (227) | (1,151) | (6,011) | - | - | (19,786) |
| Acquisition through business combination | - | 15,379 | 82,059 | - | 62,511 | - | 7,091 | - | 2,155 | 8,980 | 12,636 | 659 | 191,470 |
| Acquisitions | - | 29,631 | 2 | 443 | 17,372 | - | 692 | 1,410 | 4,646 | 6,514 | 172,066 | 420 | 233,196 |
| Reclassification | - | 29 | - | - | - | - | - | 10 | - | - | - | - | 39 |
| Transfers | - | (12,787) | 878 | 4,424 | 38,937 | - | 112 | (592) | 1,413 | 3,788 | (47,337) | - | (11,164) |
| Net foreign exchange movement | - | 98 | - | - | - | - | - | - | 49 | 866 | - | - | 1,013 |
| Balance at the end of the year | 820 | 82,796 | 416,092 | 442,012 | 922,315 | 2,657 | 11,843 | 78,967 | 32,497 | 106,673 | 177,402 | 2,983 | 2,277,057 |
| **Accumulated impairment** | | | | | | | | | | | | | |
| Balance at the beginning of the year | - | 9,587 | 58,732 | 105,588 | 11,798 | 735 | - | 825 | 309 | 8,451 | 650 | - | 196,675 |
| Impairment on acquisition | - | 659 | 19,933 | - | - | - | 357 | - | - | - | - | 53 | 21,002 |
| Impairment for the year(Reversal) | - | (14,218) | 36,093 | (20,977) | - | - | - | (552) | (184) | 1,429 | - | (53) | 1,538 |
| Balance at the end of the year | - | ( 3,972 ) | 114,758 | 84,611 | 11,798 | 735 | 357 | 273 | 125 | 9,880 | 650 | - | 219,215 |
| **Accumulated depreciation** | | | | | | | | | | | | | |
| Balance at the beginning of the year | - | 196 | 89,961 | 37,848 | 529,523 | - | 5,501 | 65,406 | 19,010 | 57,124 | - | 1,244 | 805,813 |
| Depreciation charge for the year | - | 6,023 | 1,795 | 9,290 | 52,951 | - | 435 | 3,421 | 2,640 | 11,096 | - | 509 | 88,160 |
| Acquisition through business combination | - | - | - | - | - | - | - | - | 37 | 3,943 | - | 327 | 4,307 |
| Transfers | - | (21) | - | - | - | - | - | (1,349) | 1,166 | (2,489) | - | - | (2,693) |
| Disposals | - | - | - | 13 | - | - | (3,520) | (46) | (800) | (358) | - | (14) | (4,725) |
| Balance at the end of the year | - | 6,198 | 91,756 | 47,151 | 582,474 | - | 2,416 | 67,432 | 22,053 | 69,316 | - | 2,066 | 890,862 |
| **Carrying amount** | | | | | | | | | | | | | |
| At the beginning of the year | 820 | 40,663 | 191,538 | 293,696 | 262,719 | 3,168 | 1,988 | 12,135 | 6,066 | 26,961 | 39,387 | 660 | 879,801 |
| At the end of the year | 820 | 80,570 | 209,578 | 310,250 | 328,043 | 1,922 | 9,070 | 11,262 | 10,319 | 27,477 | 176,752 | 917 | 1,166,980 |

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

*(a) Momi Bay Resort Pte Limited (MBRL)*

In 2019, an independent valuation of the Momi Bay Resort Pte 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 reversal of $10,356,000. The valuation technique used in arriving at the fair values at 30 June 2019 has been set out in note 16.

*(b) Natadola Bay Resort Pte Limited (NBRL)*

In 2009, an impairment loss was recognised based on an independent valuation conducted. In 2019, 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 $13,104,000 (2018: reversal of impairment $15,089,000). The valuation technique used in arriving at the fair values at 30 June 2019 has been set out in note 16.

*(c) Grand Pacific Hotel Pte Limited (GPH)*

In 2019, an independent valuation of the Grand Pacific Hotel Pte 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 $21,922,000. The valuation technique used in arriving at the fair values at 30 June 2019 has been set out in note 16.

*(d) ATH Limited*

Based on the impairment assessment performed by Telecom Fiji Pte Limited and Fiji International Telecommunications Pte Limited no impairment loss has been booked against capital spares during the year ended 31 March 2019 (2018: $258,000).

### 23. Property, plant and equipment – The Fund (continued)

| | Freehold 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** |
| Balance at the beginning of the year | 371 | 97 | 12,446 | 9,069 | 142 | 2,138 | 2,523 | 44 | 1,778 | 28,608 |
| Transfer to intangible | - | - | - | - | - | - | - | - | (2,656) | (2,656) |
| Additions | - | - | - | 193 | - | - | 16 | - | 891 | 1,100 |
| Disposals | - | - | - | (36) | - | (46) | - | - | - | (82) |
| Transfer from WIP | - | - | - | - | - | - | - | - | (13) | (13) |
| Balance at the end of the year | 371 | 97 | 12,446 | 9,226 | 142 | 2,092 | 2,539 | 44 | - | 26,957 |
| | | | | | | | | | | |
| **Accumulated depreciation** | | | | | | | | | | |
| Balance at the beginning of the year | - | 88 | 3,586 | 6,660 | 92 | 1,475 | 2,104 | 44 | - | 14,049 |
| Depreciation charge for the year | - | 1 | 200 | 849 | 3 | 310 | 166 | - | - | 1,529 |
| Disposals | - | - | - | (36) | - | (46) | - | - | - | (82) |
| Balance at the end of the year | - | 89 | 3,786 | 7,473 | 95 | 1,739 | 2,270 | 44 | | 15,496 |
| | | | | | | | | | | |
| **Carrying amount** | | | | | | | | | | |
| At the beginning of the year | 371 | 9 | 8,860 | 2,409 | 50 | 663 | 419 | - | 1,778 | 14,559 |
| At the end of the year | 371 | 8 | 8,660 | 1,753 | 47 | 353 | 269 | - | - | 11,461 |

| | Consolidated | | The Fund | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **24. Other receivables** | $000 | $000 | $000 | $000 |
| Contributions receivable | 16,120 | 8,496 | 16,120 | 8,496 |
| Impairment Provision | (10,640) | (3,440) | (10,640) | (3,440) |
| | 5,480 | 5,056 | 5,480 | 5,056 |
| Other deposits and receivables | 135,053 | 136,124 | 46,484 | 24,962 |
| Impairment Provision | (3,229) | (1,174) | (2,170) | (64) |
| | 131,824 | 134,950 | 44,314 | 24,898 |
| Accrued revenue | 2,154 | 1,441 | - | - |
| | 139,458 | 141,447 | 49,794 | 29,954 |

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.

| | Consolidated | | The Fund | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $000 | $000 | $000 | $000 |
| Maturity of gross receivables represented as: | | | | |
| 1 to 12 months | 141,546 | 68,757 | 50,823 | 20,558 |
| 1 to 5 years | 11,781 | 77,304 | 11,781 | 12,900 |
| | 153,327 | 146,061 | 62,604 | 33,458 |

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 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 |
| New and increased provisioning | 7,200 | - | 7,200 | 2,106 |
| Provisions reversed | - | 2,055 | - | - |
| **Balance as at 30 June 2019** | 10,640 | 3,229 | 10,640 | 2,170 |

Fiji National Provident Fund and its subsidiaries
## Notes to and forming part of the financial statements
For the year ended 30 June 2019

### 25. Investment income receivable

| | Notes | Consolidated 2019 $000 | Consolidated 2018 $000 | The Fund 2019 $000 | The Fund 2018 $000 |
|---|---|---|---|---|---|
| Interest receivable | | 72,464 | 65,638 | 72,965 | 65,332 |
| Impairment Provision | | (745) | - | (750) | - |
| Dividend receivable | | 2,797 | 11,246 | 2,797 | 11,246 |
| Rent receivable | | 1,342 | 1,217 | 1,342 | 1,217 |
| Impairment Provision | | (121) | (142) | (121) | (142) |
| Receivable from related parties | 36(b) | - | - | 42,166 | 31,356 |
| | | 75,737 | 77,959 | 118,399 | 109,009 |

Movements in the impairment provision are as follows:

| | Consolidated Receivable from related parties $000 | Consolidated Rent receivable $000 | The Fund Receivable from related parties $000 | The Fund Rent receivable $000 |
|---|---|---|---|---|
| **Balance as at 1 July 2017** | 96 | - | 96 | - |
| New and increased provisioning | 46 | - | 46 | - |
| Provisions reversed | - | - | - | - |
| **Balance as at 30 June 2018** | 142 | - | 142 | - |
| New and increased provisioning | | 745 | - | 750 |
| Provisions reversed | (21) | - | (21) | - |
| **Balance as at 30 June 2019** | 121 | 745 | 121 | 750 |

### 26. Creditors and borrowings

| | Consolidated 2019 $000 | Consolidated 2018 $000 | The Fund 2019 $000 | The Fund 2018 $000 |
|---|---|---|---|---|
| Customer deposits are fixed term and at call deposits with the banking operation. | | | | |
| Sundry creditors and accruals | 205,730 | 116,836 | 6,497 | 5,232 |
| Bank overdraft | 20,467 | 4,492 | - | - |
| Borrowings | 299,382 | 166,636 | - | - |
| Customer deposits – unsecured | 750,274 | 658,803 | - | - |
| | 1,275,853 | 946,767 | 6,497 | 5,232 |
| Maturity represented as: | | | | |
| At call | 518,904 | 509,674 | - | - |
| Less than or equal to 3 months | 329,724 | 75,003 | 6,497 | 5,232 |
| 3 to 12 months | 148,587 | 232,206 | - | - |
| 1 to 5 years | 140,094 | 96,538 | - | - |
| Greater than 5 years | 155,146 | 46,569 | - | - |
| | 1,292,455 | 959,990 | 6,497 | 5,232 |

The above maturity analysis includes future interest payable.

### 26. Creditors and borrowings (continued)

**Group - summary of borrowings**

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Health Care (Fiji) Pte Limited loan – Aspen Limited | 424 | - |
| ATH Term loan -Westpac Banking Corporation | 4,912 | 2,495 |
| ATH Finance lease -Westpac Banking Corporation | - | 367 |
| ATH Term loan - ANZ Bank Samoa | 31,192 | - |
| ATH Term loan – Vanuatu National Provident Fund | 15,388 | - |
| ATH Term loan - ANZ Bank Vanuatu | 15,632 | 19,225 |
| ATH Term loan – ANZ Bank Kiribati | 5,519 | 7,560 |
| ATH Term loan – ANZ Bank Fiji | 176,548 | 118,867 |
| ATH Term loan – Bred Bank | 5,326 | - |
| HFC - EXIM loan | 4,318 | 18,122 |
| GPH Term loan – Bank of South Pacific | 40,123 | - |
| Total | 299,382 | 166,636 |

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

***(a) Term loan - ANZ Bank American Samoa Limited***

The subsidiary companies, AST Telecom, LLC and Bluesky Samoa Limited, have a loan and line of credit facility with ANZ Bank American Samoa Limited. These facilities are secured as follows:

(i) AST Telecom LLC stock pledge in favour of ANZ America Samoa Bank over AST's shares in Bluesky Samoa Tel Investments Ltd, dated 31 March 2011.

(ii) First registered mortgage over leasehold Bluesky Headquarters at Maluafou. Lease is 20 years commencing 2003 with a right of renewal of 20 years, final expiry 2043.

(iii) First registered Mortgage Debenture over the fixed and floating assets (including paid and unpaid capital) of Bluesky Samoa Limited dated 18 November 2014.

***(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 - Fiji***

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

The loan facility from ANZ Banking Group Limited is 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 of the holding company.

ii) Scrip lien over Government bonds of $680,000.

iii) Authority to appropriate and set off term deposit.

***Borrowing for acquisition of Telecom Vanuatu Limited***

The loan amounting to FJD23.59 million as at year end was obtained for the purpose of funding the transaction to acquire Telecom Vanuatu Limited.

The loan is payable on repayments based on notional term of 14 years with remaining debts to be cleared in full.

**26. Creditors and borrowings (continued)**

**Group - summary of borrowings *(continued)***

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

The loan amounting to FJD153 million as at year end comprises of USD71.6 million obtained to fund the transaction to acquire Amper SA's interest in subsidiaries of Bluesky Group.

The loan amounting to FJD74.8 million (USD30 million and FJD13.4 million) was serviced on at Interest only basis as bridging finance.

Effective from 26 November 2018, the loan was renegotiated and is payable on principal and interest basis over a notional term of 13 years and 6 months.

Also, during the year, the holding company converted USD530k into FJD out of the USD 30 million and this was fully paid by the holding company.

Furthermore, in February 2019, additional USD43.5 million loan was obtained by the holding company and the loan is payable on principal and interest based on notional term of 15 years.

Term loans with ANZ bears competitive interest rate per annum and are repayable by monthly instalments of USD615,505 (inclusive of interest) and FJD292,809 (inclusive of interest), respectively.

***(d) Bank Loan and Bank Overdraft – ANZ Bank (Kiribati) Limited***

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***

Vodafone Fiji Pte 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.

**26. Creditors and borrowings (continued)**

**Group - summary of borrowings *(continued)***

***(g) 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.

***(h) Term loans - Vanuatu National Provident Fund***

The subsidiary company, Telecom Vanuatu Limited, has an equity convertible loan from Vanuatu National Provident Fund which is subject to competitive interest rate. Corporate guarantee has been provided by the holding company for the loan.

***(i) Other Bank Facilities - ANZ Banking Group Limited***

Telecom Fiji Pte 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.

***Banking Operation - Home Finance Company Pte Limited***

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** | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **$000** | **$000** | **$000** | **$000** |
| Advance for relocation of telecommunications cable | 29 | 2,271 | - | - |
| Deposits | 3,811 | 3,821 | 1,799 | 1,720 |
| Government Grant | 6,459 | 6,459 | - | - |
| Provision for amortisation | (6,424) | (6,379) | - | - |
| Deferred revenue | 24,878 | 20,375 | 1,361 | 751 |
| Dividends payable | 8,187 | 20,436 | - | - |
| Pension payable | - | - | - | - |
| Finance lease liabilities | - | 252 | - | - |
| Other payables | 59,480 | 52,107 | 10,327 | 9,813 |
| | 96,420 | 99,342 | 13,487 | 12,284 |

Telecom Fiji Pte Limited received $6,273,091 (VEP) during the financial year (2018:$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 $6,244,210 (2018: $4,001,655) which have been offset against the advance received.

Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

For the year ended 30 June 2019

| 28. Employee entitlements | Consolidated | | The Fund | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $000 | $000 | $000 | $000 |
| Annual leave | 4,587 | 4,102 | 845 | 1,534 |
| Long service leave and gratuity | 518 | 1,557 | 312 | 380 |
| Retirement benefit | 1,447 | 2,002 | - | - |
| Bonus | 5,753 | 5,274 | - | - |
| | 12,305 | 12,935 | 1,157 | 1,914 |
| As at 1 July | 13,316 | 16,521 | 1,914 | 2,261 |
| Additional provisions recognised | 6,546 | 4,447 | 451 | 2,144 |
| Paid during the year | (7,557) | (8,033) | (1,208) | (2,491) |
| Provisions no longer required | - | - | - | - |
| Carrying amount as at 30 June | 12,305 | 12,935 | 1,157 | 1,914 |

| 29. Leases | Consolidated | | The Fund | |
|---|---|---|---|---|
| **As a lessee** | 2019 | 2018 | 2019 | 2018 |
| | $000 | $000 | $000 | $000 |
| **(a) Right-of-use assets** | | | | |
| **Property leases** | | | | |
| Recognised as at 1 July 2018 | 36,542 | - | 389 | - |
| Additions | 11,447 | - | - | - |
| Depreciation charge for the year | (4,282) | - | (153) | - |
| Balance as at 30 June 2019 | 43,707 | - | 236 | - |
| **IRU network capacity** | | | | |
| Recognised as at 1 July 2018 | 13,828 | - | - | - |
| Additions | 1,514 | - | - | - |
| Adjustments | (17) | - | - | - |
| Depreciation charge for the year | (2,068) | - | - | - |
| Balance as at 30 June 2019 | 13,257 | - | - | - |
| Total right-of-use assets | 56,964 | - | 236 | - |

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

During the prior year, the subsidiary company, Fiji International Telecommunications Pte Limited entered in an agreement with Southern Cross Cables (SX Next), to lease a new submarine cable route for a period of 15 years via Australia and USA links, amounting to USD 20,000,000. The company paid FJD 880,266 (USD 350,000) for Marine Route Survey. The remaining balance of FJD 49,546,000 (USD 19,650,000) inclusive of withholding tax is disclosed as part of capital commitments.

**29. Leases (continued)**

**(b) Lease liabilities**

| | Consolidated | | The Fund | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **$000** | **$000** | **$000** | **$000** |
| **Maturity analysis –contractual undiscounted cashflows** | | | | |
| Less than one year | 5,802 | - | 118 | - |
| One to five years | 16,285 | - | 143 | - |
| More than five years | 59,850 | - | - | - |
| **Total undiscounted lease liabilities at 30 June 2019** | 81,937 | - | 261 | - |
| **Lease liabilities at 30 June 2019** | | | | |
| **Property leases** | | | | |
| Current | 4,269 | - | 107 | - |
| Non-Current | 31,420 | - | 136 | - |
| | 35,689 | - | 243 | - |
| **IRU network capacity** | | | | |
| Current | 577 | - | - | - |
| Non-Current | 618 | - | - | - |
| | 1,195 | - | - | - |
| Total lease liabilities | 36,884 | - | 243 | - |
| **Amount recognized in profit or loss** | | | | |
| Interest on lease liabilities | 1,776 | - | 19 | - |
| Depreciation | 6,350 | - | 153 | - |
| Variable lease payments not included in the measurement of lease liabilities | 26,623 | - | 146 | - |
| | 34,749 | | 318 | - |
| **Amount recognized in the statements** | | | | |
| Total cash outflow for leases | 4,432 | - | 165 | - |

| **30. Net assets available to pay benefits** | **Notes** | **2019** | **2018** | **2019** | **2018** |
|---|---|---|---|---|---|
| | | **$000** | **$000** | **$000** | **$000** |
| Net assets available to pay benefits | | 6,953,197 | 6,208,160 | 7,442,401 | 6,612,735 |
| **Represented by:** | | | | | |
| Liability for accrued benefits | 32(a) | 5,860,932 | 5,225,622 | 5,860,932 | 5,225,622 |
| Accumulated losses | 30(a) | (100,629) | (60,603) | - | - |
| General Reserves | 30(b) | 1,364,196 | 1,210,337 | 1,581,469 | 1,387,113 |
| Credit loss reserve | 30(c) | - | 5,470 | | - |
| Foreign currency translation reserve | 30(d) | 694 | (670) | | - |
| Other equity reserve | 38 | (171,996) | (171,996) | | - |
| | | 6,953,197 | 6,208,160 | 7,442,401 | 6,612,735 |
| **(a) Accumulated losses** | | | | | |
| Balance at the beginning of the year | | (60,603) | (40,097) | - | - |
| Adjustment on initial application of IFRS 9 | | (3,959) | - | - | - |
| Adjustment on initial application of IFRS 15 | | 810 | - | - | - |
| Balance at 1 July 2018 | | (63,752) | (40,097) | - | - |
| Adjustment for share of profit from associate | | 1,830 | - | - | - |
| Add transfers from income statement | | (38,707) | (20,506) | - | - |
| Balance at the end of the year | | (100,629) | (60,603) | - | - |

**30. Net assets available to pay benefits (continued)**

| (b) Reserves | Consolidated 2019 $000 | Consolidated 2018 $000 | The Fund 2019 $000 | The Fund 2018 $000 |
|---|---|---|---|---|
| Balance at the end of the year | 1,364,196 | 1,210,337 | 1,581,469 | 1,387,113 |
| *Reserves comprise the following:* | | | | |
| Special death benefit fund reserve | 43,053 | 37,511 | 43,053 | 37,511 |
| Retirement income fund reserve | 322,655 | 310,462 | 322,655 | 310,462 |
| FNPF reserve | 998,488 | 862,364 | 1,215,761 | 1,039,140 |
| | 1,364,196 | 1,210,337 | 1,581,469 | 1,387,113 |

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

The movements in the reserves are as follows:

| | Notes | 2019 $000 | 2018 $000 | 2019 $000 | 2018 $000 |
|---|---|---|---|---|---|
| **Special death benefit fund reserve** | | | | | |
| Balance at the beginning of the year | | 37,511 | 32,620 | 37,511 | 32,620 |
| Adjustment on initial application of IFRS 9 | | (48) | - | (48) | - |
| Balance at 1 July 2018 | | 37,463 | 32,620 | 37,463 | 32,620 |
| Add/(less) transfers from/(to) member benefits: | | | | | |
| Transfer from | 30(e) | 11,609 | 11,430 | 11,609 | 11,430 |
| Transfer to | 33(f) | (8,718) | (8,760) | (8,718) | (8,760) |
| Transfer from income statement - current year investment returns | 33 | 2,699 | 2,221 | 2,699 | 2,221 |
| Balance at the end of the year | | 43,053 | 37,511 | 43,053 | 37,511 |

The amounts transferred to the Special Death Benefit Fund Reserve of $11,609,000 (2018: $11,430,000) represent deductions of $35 (2018: $35) or less from the accounts of each entitled member.

The amounts transferred from the Special Death Benefit Fund Reserve of $8,718,000 (2018: $8,760,000) represent disbursements to the nominees of those members who died during the year of $8,500 (2018: $8,500) per member. These disbursements are in addition to the accumulated amounts owing to the deceased member.

| | Notes | 2019 $000 | 2018 $000 | 2019 $000 | 2018 $000 |
|---|---|---|---|---|---|
| **Retirement income fund reserve** | | | | | |
| Balance at the beginning of the year | | 310,462 | 298,995 | 310,462 | 298,995 |
| Adjustment on initial application of IFRS 9 | | (310) | - | (310) | - |
| Balance at 1 July 2018 | | 310,152 | 298,995 | 310,152 | 298,995 |
| Add/(less) transfers from/(to) member benefits: | | | | | |
| Transfer from | | 11,150 | 10,423 | 11,150 | 10,423 |
| Transfer to | | (24,356) | (23,782) | (24,356) | (23,782) |
| Transfer from income statement - current year investment returns | | 25,709 | 24,826 | 25,709 | 24,826 |
| Balance at the end of the year | | 322,655 | 310,462 | 322,655 | 310,462 |

The amount transferred to the Retirement Income Fund Reserve of $11,150,000 (2018: $10,423,000) represents pension income during the year. The amounts transferred from the Retirement Income Fund Reserve of $24,356,000 (2018: $23,782,000) represent pension annuities to pensioners whilst amounts transferred to the Retirement Income Fund Reserve during the year of $25,709,000 (2018: $24,826,000) represents investment returns after allowing for operating expenses of $327,000 (2018: $373,000).

**30. Net assets available to pay benefits (continued)**

| (b) Reserves (continued) | Notes | Consolidated 2019 $000 | Consolidated 2018 $000 | The Fund 2019 $000 | The Fund 2018 $000 |
|---|---|---|---|---|---|
| **FNPF reserve** | | | | | |
| Balance at the beginning of the year | | 862,364 | 739,999 | 1,039,140 | 849,985 |
| Adjustment on initial application of IFRS 9 on 1 Jul 2018 | | (7,871) | - | (10,209) | - |
| Balance at 1 July 2018 | | 854,493 | 739,999 | 1,028,931 | 849,985 |
| Add transfers from income statement | 33 | 143,995 | 147,842 | 186,830 | 214,632 |
| Less transfers to liability due to members | | - | (25,477) | - | (25,477) |
| Balance at the end of the year | | 998,488 | 862,364 | 1,215,761 | 1,039,140 |
| **(c) Credit loss reserve** | | | | | |
| Balance at the beginning of the year | | 5,470 | 5,470 | - | - |
| Movements during the year | | (5,470) | - | - | - |
| Balance at the end of the year | | - | 5,470 | - | - |
| **(d) Foreign currency translation reserve** | | | | | |
| Balance at the beginning of the year | | (670) | (988) | - | - |
| Currency translation differences arising during the year | | 2,244 | 437 | - | - |
| Less non-controlling interests | | (880) | (119) | - | - |
| Balance at the end of the year | | 694 | (670) | - | - |

**(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 the Retirement Income Fund ("RIF").

The allocation of contributions is set out below:

| | Notes | SDBF $000 | RIF $000 | FNPF $000 | All funds $000 |
|---|---|---|---|---|---|
| **2019** | | | | | |
| Member contributions, net | | - | - | 640,352 | 640,352 |
| SDB premiums | 30(b) | 11,609 | - | - | 11,609 |
| | | 11,609 | - | 640,352 | 651,961 |
| Purchase of annuities | | - | 11,150 | - | 11,150 |
| Total | | 11,609 | 11,150 | 640,352 | 663,111 |

| | Notes | SDBF $000 | RIF $000 | FNPF $000 | All funds $000 |
|---|---|---|---|---|---|
| **2018** | | | | | |
| Member contributions, net | | - | - | 588,425 | 588,425 |
| SDB premiums | 30(b) | 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 |

**30. Net assets available to pay benefits (continued)**

| (f) Payments to beneficiaries | SDBF | RIF | FNPF | All funds |
|---|---|---|---|---|
| | $000 | $000 | $000 | $000 |
| **2019** | 8,718 | 24,357 | 347,036 | 380,111 |
| **2018** | 8,760 | 23,782 | 315,056 | 347,598 |

Total benefits paid, excluding pension annuity relating to RIF, amounted to $355,753,000 (2018:$ 323,816,000).

The breakdown of payments is as follows.

| | | 2019 | 2018 |
|---|---|---|---|
| **Benefit type** | | **$000** | **$000** |
| 1 | 55 years and over | 167,131 | 143,981 |
| 2 | Death | 23,455 | 22,490 |
| 3 | Disability | 4,517 | 4,827 |
| 4 | Migration | 26,681 | 25,526 |
| 6 | Non-Citizens migrating | 9,918 | 7,785 |
| | Small accounts | 1,448 | 2,210 |
| 7-8 | Partial | 56,341 | 63,771 |
| 9 | Housing transfers | 57,545 | 44,234 |
| Unclaimed over 65 years | | - | - |
| Fees deducted from members accounts | | - | 232 |
| Total | | 347,036 | 315,056 |

Total benefits exclude $11,150,000 (2018:$11,760,000) being the amount transferred from FNPF to RIF in respect of FNPF members purchasing annuities.

| | | 2019 | 2018 |
|---|---|---|---|
| **The breakdown of payments from RIF is:** | | **$000** | **$000** |
| 1 - | Sole life annuity | 11,544 | 11,497 |
| 2 - | Joint life annuity | 6,331 | 5,941 |
| 3 - | Term annuity | 1,466 | 1,261 |
| 4 - | Top up pension (in respect of pre March 2012 pensioners) | 4,780 | 4,822 |
| 5 - | Commutation | 236 | 261 |
| | | 24,357 | 23,782 |

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.

**31. 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 sufficient 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.

**32. Net assets at balance date and liability for accrued benefits**

| | Notes | 2019 | 2018 |
|---|---|---|---|
| **(a) FNPF** | | **$000** | **$000** |
| Balance at the beginning of the year | | 5,225,622 | 4,640,216 |
| Add transfers from General Reserve | 30(b) | - | 25,477 |
| Net movement during the year | 32(a)ii | 635,310 | 559,929 |
| Balance at the end of the year | | 5,860,932 | 5,225,622 |
| | | | |
| **(i) Allocation of Benefits** | | | |
| Allocated to Members' Accounts | | 5,855,162 | 5,214,545 |
| Unallocated to Members' Accounts | | 5,770 | 11,077 |
| | | 5,860,932 | 5,225,622 |
| | | | |
| Solvency requirement of 10% of member accounts | | 586,093 | 522,562 |
| Other | | 629,668 | 516,578 |
| **FNPF reserve** | 30(b) | 1,215,761 | 1,039,140 |
| | | | |
| **Net assets at end of year** | | 7,076,693 | 6,264,762 |

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 | 2019 | 2018 |
|---|---|---|---|
| | | **$000** | **$000** |
| **(ii) Benefits accrued during the year** | | | |
| Contributions received | | 651,961 | 599,855 |
| Benefits paid | 30(f) | (355,755) | (323,816) |
| Interest credited on members' accounts | | 353,145 | 296,983 |
| Net amounts transferred: | | | |
| Special Death Benefit Reserve | 30 (b) | (2,891) | (2,670) |
| Transfer to Retirement Income Fund | 30(b) | (11,150) | (10,423) |
| | | 635,310 | 559,929 |

The Board declared an annual interest rate for 2019 of 6.75% to be credited to members' accounts as at the reporting date (2018: 6.35%).

| | Notes | 2019 | 2018 |
|---|---|---|---|
| | | **$000** | **$000** |
| **(iii) Movement in liability:** | | | |
| Liability at beginning of year | | 5,225,622 | 4,640,216 |
| Net contributions | 30(e) | 640,352 | 588,425 |
| Benefits paid (including annuity purchase) | 30(e,f) | (358,187) | (325,479) |
| Interest allocated to members | | 353,145 | 296,983 |
| Interest on withdrawals | | - | - |
| Transfer from General Reserve | | - | 25,477 |
| Liability at end of year | | 5,860,932 | 5,225,622 |

Fiji National Provident Fund and its subsidiaries
## Notes to and forming part of the financial statements
For the year ended 30 June 2019

**32. Net assets at balance date and liability for accrued benefits (continued)**
**(b) RIF**

| | 2019 | 2018 |
|---|---|---|
| | $000 | $000 |
| Liability for future annuity payments | 243,490 | 230,903 |
| Solvency reserve | 79,165 | 79,559 |
| **Net assets** | 322,655 | 310,462 |
| | | |
| **Movement in liability** | | |
| Liability at start of year | 230,903 | 231,185 |
| New purchases (including SF transfers) | 11,150 | 10,423 |
| Expected reduction for year | (6,302) | (10,135) |
| Model and assumption changes and variation in experience | 7,739 | (570) |
| Liability at end of year | 243,490 | 230,903 |

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 $243,490,000 (2018: $230,903,000). 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:

- Mortality for male life annuitants in 2019 in accordance with World Health Organisation 2008 Fiji population life table scaled by a factor derived by linear interpolation; Mortality for female life annuitants in 2019 in accordance with World Health Organisation 2008 Fiji population life table, assuming 2% per annum reduction in female rates continuously from 2013 and set back one year; ongoing mortality rate reduction for males and females of 1% per annum from 2019 (2018: 1% per annum in both male and female from 2012);
- Fiji government bonds will be redeemed at the earliest opportunity; that is, up to 4 years before maturity (2018: 4 years)
- An average long run market rate of reinvestment of RIF asset cash flows of 5.5% per annum over the term of the current annuities (2018: 5.2% pa)
- A continuous liquidity allowance of one year's worth of annuity payments which does not attract interest (2018: one year)
- An allowance for RIF expenses of 5.9% of annuity payments from time to time (2018: 5.0%)

The calculated proportion of RIF asset cash flows was 75.5%. This means that 75.5% of each RIF asset cash flow, 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 (5.0% per annum) is calculated as $247,193,000 (76.6% of the face value of RIF investments). The liability assuming a reinvestment rate of return 50bp higher (6.0% pa) is calculated as $240,087,000 (74.4% of the face value of RIF assets).

**32. 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.

| | 2019 | 2018 |
|---|---|---|
| | $000 | $000 |
| Liability for claims incurred but not reported (IBNR) | 2,916 | 3,554 |
| Provision for mortality fluctuation | 4,795 | 4,818 |
| Catastrophe reserve | 35,342 | 29,139 |
| Net assets | 43,053 | 37,511 |

| | 2019 | 2018 |
|---|---|---|
| | $000 | $000 |
| IBNR at the start of the year | 3,554 | 3,987 |
| Less expected benefit payments | (1,675) | (2,066) |
| Experience effects and assumption changes | (383) | (141) |
| New business related | 1,420 | 1,775 |
| IBNR at the end of the year | 2,916 | 3,554 |

**33. Net profit for the year**

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

| | 2019 | 2018 |
|---|---|---|
| | $000 | $000 |
| **Profit for the year attributable to members of the Fund** | 568,383 | 538,662 |
| *Allocated to:* | | |
| Liability for accrued benefits | (353,145) | (296,983) |
| | | |
| Special death benefit fund reserve | (2,699) | (2,221) |
| FNPF reserve | (186,830) | (214,632) |
| Retirement income fund reserve | (25,709) | (24,826) |
| | (215,238) | (241,679) |
| | | |
| | (568,383) | (538,662) |

FINANCE

Fiji National Provident Fund and its subsidiaries
## Notes to and forming part of the financial statements
For the year ended 30 June 2019

### 34. 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 | 2019 | 2018 | 2019 | 2018 |
| | | $000 | $000 | $000 | $000 |
| Cash and cash equivalents | 19 | 789,519 | 786,580 | 460,681 | 481,825 |
| Deduct: Statutory Reserve Deposit | 19 | (93,280) | (90,280) | - | - |
| Bank overdraft | 26 | (20,467) | (4,492) | - | - |
| Cash and cash equivalents at end of financial year | | 675,772 | 691,808 | 460,681 | 481,825 |

Statutory Reserve Deposits with the Reserve Bank of Fiji amounting to $93,280,000 (2018: $90,280,000) (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.

### 35. Commitments and contingent liabilities

| (a) Commitments | Consolidated | | The Fund | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $000 | $000 | $000 | $000 |
| Capital expenditure commitments | 143,226 | 134,943 | 3,239 | 5,970 |
| Undrawn facilities in relation to mortgage loans | 43,917 | 82,819 | 7,669 | 36,539 |
| | 187,143 | 217,762 | 10,908 | 42,509 |
| **(b) Contingent liabilities** | | | | |
| Performance bond | - | - | - | - |
| Litigation * | 101,356 | 5,401 | 79,334 | 372 |
| Guarantees | 3,840 | 1,298 | - | - |
| | 105,196 | 6,699 | 79,334 | 372 |

* The Fund includes $77million regarding a claim against Farleigh Pte Limited for the year 2019 – refer note 38.

**(c) Operating lease commitments**

| | | | | |
|---|---|---|---|---|
| Total commitments for non-cancellable future lease rentals are payable as follows: | | | | |
| Not later than 1 year | - | 9,387 | - | - |
| Later than 1 year but not later than 5 years | - | 15,820 | - | - |
| Greater than 5 years | - | 55,521 | - | - |
| | - | 80,728 | - | - |

**(d) Finance lease commitments**

| | | | | |
|---|---|---|---|---|
| Total finance lease commitments contracted are payable as follows: | | | | |
| Not later than 1 year | - | 159 | - | - |
| Later than 1 year but not later than 5 years | - | 228 | - | - |
| Future finance charges | - | (20) | - | - |
| | - | 367 | - | - |

**35. Commitments and contingent liabilities (continued)**

**(e) Operating lease revenue**

| | Consolidated | | The Fund | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $000 | $000 | $000 | $000 |
| Non- cancellable operating lease rentals are receivable as follows: | | | | |
| Not later than 1 year | 11,761 | 13,861 | 11,545 | 12,199 |
| Later than 1 year but not later than 5 years | 18,083 | 20,519 | 21,903 | 18,533 |
| Greater than 5 years | 631 | 4,451 | 5,153 | 4,451 |
| | 30,475 | 38,831 | 38,601 | 35,183 |

**(f) Sponsorship agreement with Fiji Rugby Union**

Subsidiary company, VFL has a sponsorship agreement with Fiji Rugby Union to November 2022. 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. This includes corporate entities for sponsorship in cash and sponsorship in kind.

**(g) Sponsorship agreement with Fiji Football Association**

VFL has a sponsorship agreement with Fiji Football Association to January 2024. Fiji Football Association (the Association) has granted sponsorship rights in respect to its competitions, the Association and, the district affiliate teams on an exclusive basis to VFL. This is for sponsorship in cash and sponsorship in kind.

**(h) Sponsorship agreement with Fiji National Rugby League Limited**

VFL has a sponsorship agreement with Fiji National Rugby League Limited to January 2022.

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. This is for sponsorship in cash and sponsorship in kind.

**(i) Sponsorship agreement with Samoa Rugby Union**

Subsidiary company, Bluesky Samoa Limited has a sponsorship agreement with Samoa Rugby Union to 2020. The Samoa Rugby Union has granted sponsorship rights in relation to the team and to events including the Manu Samoa 7s team and the HSBC Sevens Series. The value of the contract is WST 5 million (cash and kind) for the term of the contract. Annual commitment by Bluesky Samoa Limited is WST 1.25 million towards the Manu Samoa 7s.

**(j) Licence fees**

Certain subsidiaries within the ATH group are committed to pay licence fees to the Government of Fiji, the Government of Kiribati (for Amalgamated Telecom Holdings (Kiribati) Limited), the Government of Vanuatu (for Telecom Vanuatu Limited) and Office of the Regulator (for Bluesky Samoa Limited) based on the audited annual gross revenue which arises directly from the provision of services under the respective licence.

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

As outlined in the shareholders agreement, ATH International Venture Pte Limited (ATHIV), company in the ATH Group, company is committed to make a conditional payment of USD 10m. This amount is measured to be the notional value ascribed for the telecommunication licenses and spectrums initially held by Austel Pty Ltd (current 30% Shareholder in Digitec Group). Moreover, this payment is conditional upon the successful rollout of the mobile network by Digitec Communications Limited.

## 36. 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. Kalpana Lal (Appointed 02 April 2019)

Mr. Joel Abraham (Appointed 02 April 2019)

Mr.Sanjay Kaba (Resigned 07 December 2018)

### (b) Transactions and balances with related parties

| | Consolidated | | The Fund | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **$000** | **$000** | **$000** | **$000** |
| **Directors*** | | | | |
| Directors remuneration - fees and allowances | 45 | 50 | 37 | 41 |
| Other services provided to the Fund | 11 | 15 | 9 | 15 |
| | 56 | 65 | 46 | 56 |

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

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

**Key management personnel**

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

- Mr. Jaoji Koroi – Chief Executive Officer
- Mr. Viliame Vodonaivalu – Chief Investment Officer
- 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
- Ms. Millie Low – General Manager Business Transformation
- Mr. Rukshan Rajapaksha – Chief Information and Technology Officer (Appointed – 20 November 2018)
- Mr. Ivan Fong – General Manager (ATH)
- Mr. Rakesh Ram – Chief Executive Officer (HFC)

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 | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **$000** | **$000** | **$000** | **$000** |
| Short-term benefits | 2,438 | 2,295 | 1,433 | 1,425 |

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).

**36. Related parties (continued)**

**(b) Transactions and balances with related parties (continued)**

The investments and ownership interests in subsidiary companies are disclosed in Note 36(c).

**(i) Transactions with related parties during the year**

**Interest income**

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

| | Consolidated | | The Fund | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $000 | $000 | $000 | $000 |
| ATH Limited | - | - | - | 17 |
| Vodafone Fiji Pte Limited | - | - | 1,525 | - |
| Telecom Fiji Pte Limited | - | - | - | 2 |
| Home Finance Company Pte Limited | - | - | 10,995 | 3,663 |
| Natadola Bay Resort Pte Limited | - | - | 7,181 | 7,341 |
| FNPF Hotel Resorts Pte Limited | - | - | 387 | 435 |
| Yatule Beach Resort Pte Limited | - | - | 114 | 127 |
| Momi Bay Resort Pte Limited | - | - | 8,491 | 8,482 |
| Farleigh Pte Limited | - | - | 4,049 | 428 |
| Barton Pte Limited | - | - | 2,122 | 193 |
| | - | - | 34,864 | 20,688 |

**Rental income**

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

| | Consolidated | | The Fund | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $000 | $000 | $000 | $000 |
| ATH Limited | - | - | 47 | 63 |
| Vodafone Fiji Pte Limited | - | - | 665 | 828 |
| Telecom Fiji Pte Limited | - | - | 579 | 814 |
| Home Finance Company Pte Limited | - | - | 784 | 806 |
| | - | - | 2,075 | 2,511 |
| **Dividend income from subsidiaries** | | | | |
| The amount of dividend income from subsidiaries during the year is as follows: | | | | |
| ATH Limited | - | - | 7,666 | 13,798 |
| Home Finance Company Pte Limited | - | - | 9,590 | 6,185 |
| Vodafone Fiji Pte Limited | - | - | 22,050 | 22,050 |
| FNPF Hotel Resorts Pte Limited | - | - | 3,000 | 2,500 |
| | - | - | 42,306 | 44,533 |

Fiji National Provident Fund and its subsidiaries
## Notes to and forming part of the financial statements
For the year ended 30 June 2019

**36. Related parties (continued)**

**(b) Transactions and balances with related parties (continued)**

**(ii) Balances with related parties at the year end**

**Other receivables from related parties**

| | Consolidated | | The Fund | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $000 | $000 | $000 | $000 |
| ATH Limited | - | - | 7,666 | 6,133 |
| Home Finance Company Pte Limited | - | - | 9,450 | 6,185 |
| Vodafone Fiji Pte Limited | - | - | 22,050 | 16,538 |
| FNPF Hotel Resorts Pte Limited | - | - | 3,000 | 2,500 |
| | | - | 42,166 | 31,356 |
| Less : Impairment Provision | - | - | - | - |
| | - | - | 42,166 | 31,356 |

**Interest receivable from related parties**

| | | | | |
|---|---|---|---|---|
| FHRL | - | - | 30 | 11 |
| Barton Pte Limited | - | - | 316 | 33 |
| FL Group | - | - | 411 | - |
| | - | - | 757 | 44 |

**Loans provided by the Fund to subsidiaries (Note 14)**

| | 2019 | 2018 |
|---|---|---|
| | $000 | $000 |
| Natadola Bay Resort Pte Limited | 291,543 | 293,624 |
| Momi Bay Resort Pte Limited | 120,181 | 121,807 |
| FNPF Hotel Resorts Pte Limited | 5,997 | 6,764 |
| FNPF Nominees Limited | 98 | 98 |
| Home Finance Company Pte Limited | - | 3,388 |
| Yatule Beach Resort Pte Limited | 2,354 | 2,668 |
| Vodafone Fiji Pte Limited | 80,000 | - |
| Farleigh Pte Limited | 78,459 | 82,217 |
| Barton Pte Limited | 61,285 | 36,975 |
| | 639,917 | 547,541 |
| Less : Impairment provision | (107,168) | (114,023) |
| | 532,749 | 433,518 |

**36. Related parties (continued)**

**(b) Transactions with related parties (continued)**

**Transactions with other related parties *(continued)***

*Natadola Bay Resort Pte 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 $7,181,188 (2018: $7,340,545). 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:

- First registered mortgage with improvement thereon over:
    - TLTB reference no. 4/11/11438, part of Sanasana and Navo Island, Tikina Malomalo, Province Nadroga;
    - Agreement for Lease Contract number 50034331, part of Vile, Malomalo, Nadroga;
    - Crown Lease 16834;
    - Cown lease 16833
    - Cown lease 7491
    - Crown Lease 559677, Lot 24, DP 4724;
    - Crown Lease 559662, Lot 32, DP 4724;
    - Approval Notice LD Ref 4/11/710, Lot 27, DP 4724;
    - Approval Notice LD Ref 4/11/711, Lot 28, DP 4724;
    - Approval Notice LD Ref 4/11/703A, Lot 33, DP 4724;
    - Approval Notice LD Ref 4/11/732, Lot 30, DP 4724;
- Comprehensive insurance cover over the property with improvements thereon and FNPF's interest noted thereon;
- An equitable mortgage over the bank accounts of the Mortgagor and assignment of income arising out of the Hotel & Golf Operations and Residential subdivision to be effective when arrears of obligations are outstanding.

*Vodafone Fiji Pte Limited (VFL)*

In March 2006, Vodafone Fiji Pte 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.

During the year, the Fund advanced a sum of $80,000,000 to VFL for purposes of capital expenditure and upgrade of its infrastructure. The loan is for 7 years and secured by a Corporate Guarantee.

**36. Related parties (continued)**

**(b) Transactions with related parties (continued)**

**Transactions with other related parties *(continued)***

*FNPF Hotel Resorts Pte Limited (FHRL)*

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

*Momi Bay Resort Pte Limited*

The loan of $120,000,000 was approved by FNPF Board on 30 July 2015 for a term of 25 years. The loan term included a moratorium period of 2 years, and an 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 November 2017, with monthly principal and interest repayments commencing from November 2018.

The loan is secured by:

- First registered Mortgage over Development Lease – LD Ref: 60/782-3
- First registered Mortgage over a portion of Freehold Land described as DP. 10698
- First registered Debenture over all assets of Momi Bay Resort Limited
- Other conditions of the Loan Agreement remains in full force and effect

The Equitable mortgage over the bank accounts of the borrower and an assignment of income arising out of the Hotel operation will apply when arrears of obligations are outstanding

*Farleigh Pte Limited*

FNPF entered into a Share Sale Deed with Marriott International, Inc. and Fiji Cayman Holdings Ltd in 2018 being Starwood Properties transaction, for the acquisition of 100% shares in Farleigh Limited, for $277,000,000 which was made up of Debt and Equity. The debt novated under Farleigh Limited to the Fund amounted to $82,220,000, with the loan maturing on 24 May 2033. The loan is repayable in quarterly installments of $1,955,932, inclusive of interest and principal.

The loan is secured by:

- First Registered Mortgage over NL 34718 described as Lot 1, Denarau Island being the Westin property.
- First registered Mortgage over State Lease No. 13451 described as Lots 1, 2 and 3 on SO.3705 being the Golf Course & Racquet Club.
- First registered Mortgage over State Lease No. 19370 described as Lot 9 on SO.5005 being the Dump Site and ponds.
- First registered Mortgage over State Lease No. 19371 described as Lot 7 on SO.5005 being the residential dwelling.

*Barton Pte Limited*

The debt novated under Barton Limited amounted to $36,980,000 as part of the Starwood Properties acquisition.

During the year, an additional sum of $26,000,000 was loaned to Barton Limited towards the refurbishment of the Sheraton properties on the same terms and conditions as the novated loan. The loan will mature on 24 May 2033 and is repayable in quarterly repayment of $879,644 inclusive of interest and principal.

The loans are secured by:

- First Registered Mortgage over NL.34714 described as Lot 2 on ND.4946 being the Sheraton Property.
- 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 Pte Limited (HFC)*

During the year, HFC fully paid off a Debenture loan.

A Stand-by Facility of $50,000,000 was approved for HFC during the year for a period of 1 year. The facility attracted a fee of 0.05% and is to be drawn only in periods of liquidity pressure faced by HFC. The Facility is secured by:

- fixed and floating debenture over the assets of HFC (excluding the Statutory Reserve Deposit)
- Term deposit certificate for drawn amount
- Comprehensive insurance cover over the assets with FNPF’s interest noted.

The Facility remained undrawn as at end of financial year. No loans were disbursed to HFC during the financial year.

**36. Related parties (continued)**

**(c) Group enterprises – significant subsidiaries**

| | Principal place of business | Effective Ownership Interest 2019 | Effective Ownership Interest 2018 |
|---|---|---|---|
| Amalgamated Telecom Holdings Limited* | Fiji | 73% | 73% |
| - Telecom Fiji Pte Limited* | Fiji | | |
| - Fiji Directories Pte Limited* | Fiji | | |
| - Vodafone Fiji Pte Limited* & ** | Fiji | 86% | 86% |
| - Datec (Fiji) Pte Limited* | Fiji | | |
| - Datec Australia Pty Limited* | Australia | | |
| - Telecom Services Kiribati Limited* | Kiribati | | |
| - FINTEL* | Fiji | | |
| - Telecom Vanuatu Limited* | Vanuatu | | |
| - ATH International Venture Pte Limited (ATHIV)* | Singapore | | |
| -Digitec Communication Limited – PNG* | PNG | | |
| -Digitec ICT Limited – PNG* | PNG | | |
| -Etech ICT Pty Limited – Australia* | Australia | | |
| -Etech ICT Pte Limited – Singapore* | Singapore | | |
| -Amalgamated Bluesky Telecom Holdings Incorporated (ABHI)* | USA | | |
| -AST Telecom LLC (AST)* | American Samoa | | |
| -eLandia Technologies, LLC (c)* | USA | | |
| -American Samoa Entertainment* | American Samoa | | |
| -Bluesky Samoa Limited* | Samoa | | |
| -Telecom Cook Islands Limited* | Cook Islands | | |
| -TCNZ Cook Islands Limited* | Cook Islands | | |
| -Bluesky Pacific Holdings Limited* | Samoa | | |
| -Bluesky Holding New Zealand Limited* | New Zealand | | |
| -Teleraro Management Limited* | Cook Islands | | |
| -American Samoa Hawaii Cable LLC* | American Samoa | | |
| -Samoa American Samoa* | American Samoa | | |
| Home Finance Company Pte Limited* | Fiji | 75% | 75% |
| FNPF Holdings (PNG) Limited* | PNG | 100% | 100% |
| FNPF Nominee Company Limited* | Fiji | 100% | 100% |
| Farleigh Pte Limited | Fiji | 100% | - |
| Momi Bay Resorts Pte Limited | Fiji | 100% | 100% |
| Yatule Beach Resort Pte Limited | Fiji | 100% | 100% |
| Natadola Bay Resort Pte Limited | Fiji | 100% | 100% |
| FNPF Hotel Resorts Pte Limited | Fiji | 100% | 100% |
| Dareton Pte Limited* | Fiji | 100% | 100% |
| Grand Pacific Hotel Pte Limited | Fiji | 100% | 25% |
| Health Care Fiji Pte Limited | Fiji | 80% | - |

* Not audited by PricewaterhouseCoopers

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.

** The Fund holds a direct interest in VFL of 49% and ATH holds a 51% interest in VFL, resulting in an 86% effective interest in VFL.

Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

For the year ended 30 June 2019

### 37. Non-Controlling Interests

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

**30 June 2019**

| | ATH $(000) 31 March 2019 | HFC $(000) 30 June 2019 | Health Care$(000) 30 June 2019 | Intra-group eliminations $(000) | Total $(000) |
|---|---|---|---|---|---|
| **NCI percentage** | **27%** | **25%** | **20%** | | |
| Non-current assets | 825,475 | 823,427 | 15 | | |
| Current assets | 296,304 | 272,323 | 1,191 | | |
| Non-current liabilities | (355,555) | (25,016) | - | | |
| Current liabilities | (306,682) | (894,907) | (649) | | |
| **Net assets** | **459,542** | **175,827** | **557** | | |
| Carrying amount of NCI | 124,076 | 43,957 | 111 | 30,200 | 198,344 |
| Revenue | 531,751 | 41,789 | 13 | | |
| Profit | 77,878 | 18,234 | (973) | | |
| OCI | 2,244 | - | - | | |
| **Total comprehensive income** | **80,122** | **18,234** | **(973)** | | |
| Profit allocated to NCI | 21,633 | 4,559 | (195) | (7,434) | 18,562 |
| OCI allocated to NCI | 2 | - | - | | 2 |
| Cash flow from operating activities | 140,350 | (25,067) | (763) | | |
| Cash flow used in investment activities | (259,486) | (40,435) | (15) | | |
| Cash flow from/(used in) financing activities (dividends to NCI: $11,694,000) | 93,309 | 46,612 | 1,953 | | |
| **Net increase in cash and cash equivalents** | **(25,827)** | **(18,890)** | **1,175** | | |

**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: 23,830,000) | (58,446) | (6,484) | | |
| **Net increase in cash and cash equivalents** | **(2,449)** | **(10,973)** | | |

FINANCE

### 38. 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.

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

**Vodafone Fiji Pte 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 percent.

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

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

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

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

### 38. Acquisition of Non-Controlling Interest in Subsidiary

**Farleigh Pte Limited**

On 24 May 2018, FNPF acquired 100% shareholding in Farleigh Pte Limited (the holding company) from Fiji Caymans Holdings for a consideration of $157,808,000. FNPF acquired Farleigh Pte 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 Pte Limited owns the Sheraton Fiji Resort, the Westin Denarau Island Resort and Rylestone Pte 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:

| Farleigh Pte Group | |
|---|---|
| **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** |
| 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 fair 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 was mainly attributed to the Marriott brand name, resort locations of Farleigh Pte Limited's subsidiaries (Sheraton Fiji Resort, the Westin Denarau Island Resort and Rylestone Pte 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 costs 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 Pte 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 Pte Limited and Dubbo Pte Limited from Fiji Cayman Holdings 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. No amount was quantifiable by the Fund's legal team in relation to a reasonable probability of outflow of resources embodying economic benefits. This was not recognized in the acquisition accounting in accordance with IFRS 3 as it was 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. There has been no change in status of this matter since.

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

**Bluesky Group**

During the year, ATH completed the acquisition of Bluesky Group, a mobile and telecommunications provider in Samoa, Cook Islands and American Samoa. The acquisition is in line with ATH's investment strategy as it combines two businesses that are highly complementary for a number of reasons, including their respective market positions and geographic presence, and the opportunity to deliver scale benefits and synergies for the combined group.

The acquisition was implemented through an arrangement under which ATH acquired an approximate 64% controlling interest in the Bluesky Group. Upon receiving the requisite approvals, the acquisition was effective on the date of change of control, which was 1 January 2019 and was completed when the consideration was transferred to Amper SA(vendor), that is, on the 22 February 2019.The consideration was a 100% cash consideration of FJD 196.64m.

On 31 January 2018, ATH incorporated a fully owned subsidiary company, Amalgamated Bluesky Telecom Holdings Incorporated of USA. Amalgamated Bluesky Telecom Holdings Incorporated of USA holds 100% membership interest in AST Telecom LLC with effect from 1 January 2019.

ATH is in the process of assessing the fair values of identifiable assets and liabilities of Bluesky Group at the date of acquisition. As per IFRS 3 – Business Combinations, given ATH is still in its measurement period and the fair value measurement exercise is currently taking place, ATH has identified the provisional fair values of the identifiable assets and liabilities assumed and resulting provisional goodwill of Bluesky Group at the date of acquisition as follows:

| **Bluesky Group** | |
|---|---|
| **Identifiable Assets Acquired** | **$ 000** |
| Cash in hand and at bank | 30,342 |
| Property, plant and equipment | 89,693 |
| Inventories | 6,121 |
| Deferred tax assets | 3,160 |
| Intangible assets – Goodwill | 19,868 |
| Trade and other receivables | 38,652 |
| **Total assets** | 187,836 |
| | |
| **Liabilities Assumed** | |
| Trade payable and other liabilities | 47,618 |
| Current tax | 1,056 |
| Deferred tax liability | 576 |
| Interest bearing borrowings | 33,745 |
| Provisions | 2,567 |
| **Total liabilities** | **85,562** |
| | |
| **Net Fair Value of Assets of the Bluesky Group (Provisional)** | **102,274** |
| | |
| Total identifiable net assets acquired (64.4% controlling interest) | 65,864 |
| Purchase consideration paid | 196,644 |
| **Provisional Goodwill on acquisition** | **130,780** |
| | |
| Net cash outflow from the acquisition (net of cash in hand and at bank) | 177,104 |

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

**Bluesky Group (continued)**

ATH has engaged an independent valuer in assessing the fair values of its assets and liabilities of Bluesky Group including its intangibles. Upon completion of the above exercise, if it found that the fair values of the assets and liabilities together with intangibles is significantly different from the provisionally recognised fair values of the assets and liabilities of Bluesky Group, ATH is intending to retrospectively adjust the provisional amounts of assets and liabilities recognised at the acquisition date including the goodwill.

The provisional goodwill arising on the acquisition is primarily attributable to two key factors; namely the cash generating ability of the businesses being acquired and the synergies expected to be achieved by the ATH Group from integrating Bluesky.

For the year ended 31 March 2019, Bluesky group of companies contributed revenue of USD 15.25m and EBITDA of USD 5.69m to the group's results for the 3 months post acquisition.

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

**Digitec Group**

During the year, ATH acquired the Digitec group, an ICT provider in PNG, Singapore and Australia.

The acquisition is a strategic to ATH's existing businesses and highly complementary for a number of reasons, including their respective market positioning and geographic presence, and should deliver scale benefits for the combined group. Digitec group also has acquired mobile license and spectrum in PNG.

The acquisition was implemented through a transaction where ATH acquired a 70% controlling interest in the Digitec Group.

Upon receiving the requisite approvals, the acquisition was effective on the date of change of control, which was 1 January 2019, and was completed when the initial consideration was transferred to Austel (vendor) on 14 February 2019. The consideration was 100% cash consideration of approximately FJD28.49m.

On 7 December 2018, the holding company, Amalgamated Telecom Holdings Pte Limited (ATH) incorporated a fully owned subsidiary company, ATH International Venture Pte Limited in Singapore.

ATH is in the process of assessing the fair values of identifiable assets and liabilities of Digitec Group at the date of acquisition. As per IFRS 3 – Business Combinations, given ATH is still in its measurement period and the fair value measurement exercise is currently taking place, ATH has identified the provisional fair values of the identifiable assets and liabilities assumed and resulting provisional goodwill of Digitec Group at the date of acquisition as follows:

| **Digitec Group** | **$ 000** |
|---|---|
| **Identifiable Assets Acquired** | |
| Cash in hand and at bank | 1,443 |
| Property, plant and equipment | 1,117 |
| Inventories | 5,968 |
| Trade and other receivables | 2,533 |
| **Total assets** | 11,061 |
| | |
| **Liabilities Assumed** | |
| Trade payable and other liabilities | 2,777 |
| **Total liabilities** | 2,777 |
| | |
| **Net Fair Values of Assets of the Digitec Group (Provisional)** | **8,284** |
| | |
| Total identifiable net assets acquired (70% controlling interest) | 5,799 |
| | |
| Purchase consideration paid | 28,488 |
| | |
| **Provisional Goodwill on acquisition** | **22,689** |
| | |
| **Net cash outflow from the acquisition (net of cash in hand and of bank)** | 27,478 |

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

**Digitec Group (continued)**

ATH has engaged an independent valuer in assessing the fair values of its assets and liabilities of Digitec Group including its intangibles, if any. Upon completion of the above exercise, if it found that the fair values of the assets and liabilities together with intangibles is significantly different from the provisionally recognised fair values of the assets and liabilities of Digitec Group, ATH is intending to retrospectively adjust the provisional amounts of assets and liabilities recognised at the acquisition date including the goodwill.

For the year ended 31 March 2019, Digitec group of companies contributed revenue of FJD9.4 million and EBITDA of (FJD 1.2 million) to the group's results for the 3 months post acquisition.

The goodwill arising on the acquisition is primarily attributable to the synergies expected to be achieved from integrating Digitec into the Group's operations. The elements or factors that make up the intangible asset of goodwill are comprised of things such as Digitec's a loyal customer or client base, recognition, especially talented workforce, and exclusive distribution rights to key products and brands.

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

**Grand Pacific Hotel Pte Limited (GPH)**

On 28 November 2018, The Fund acquired the remaining 75% shares of the Grand Pacific Hotel Pte Limited from foreign shareholders for F$36m. This acquisition adds to the existing hotel portfolio of the Fund.

Goodwill of $9,628,000 was recognised as the excess of the total consideration over the fair value of net assets of $35,162,000. The goodwill on consolidation at year end 30 June 2019 was fully impaired consistent with the decline in fair value of GPH determined by Independent valuer.

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

| **Grand Pacific Hotel Pte Limited** | |
|---|---|
| **Fair value of net identifiable assets acquired** | **100%** |
| **Assets** | **$ 000** |
| Cash and cash equivalents | 10 |
| Trade and other receivables | 1,279 |
| Inventories | 236 |
| Deferred tax assets | 1,532 |
| Property, plant and equipment | 77,092 |
| **Total Assets** | **80,149** |
| Bank overdraft | 1,159 |
| Trade and other payables | 1,116 |
| Employee entitlements | 158 |
| Interest-bearing borrowings | 42,554 |
| **Total liabilities** | **44,987** |
| | |
| **Net fair value of identifiable assets as at 28 November 2018** | **35,162** |
| | |
| **Goodwill on acquisition of 75%** | |
| Purchase consideration paid for 75% equity | 36,000 |
| Fair value of previously held equity interest (25%) in GPH | 8,790 |
| **Total consideration** | **44,790** |
| Fair value of net identifiable assets acquired (100%) | (35,162) |
| **Goodwill** | **9,628** |
| | |
| **Net cash outflow from the acquisition** | **35,992** |

Fiji National Provident Fund and its subsidiaries

# Notes to and forming part of the financial statements

For the year ended 30 June 2019

### 39. Events Subsequent to the Balance Date

On 13 August 2019, The Government of the Republic of Fiji announced that it has entered into an agreement to divest 20% of the shares in Energy Fiji Limited ("EFL") to the Fund. Following the divestment, the Government will retain 75% of the shares in EFL, with the remaining shares held by FNPF (20%) and the general public of Fiji (5%). Financial completion will take place following satisfaction of certain conditions.

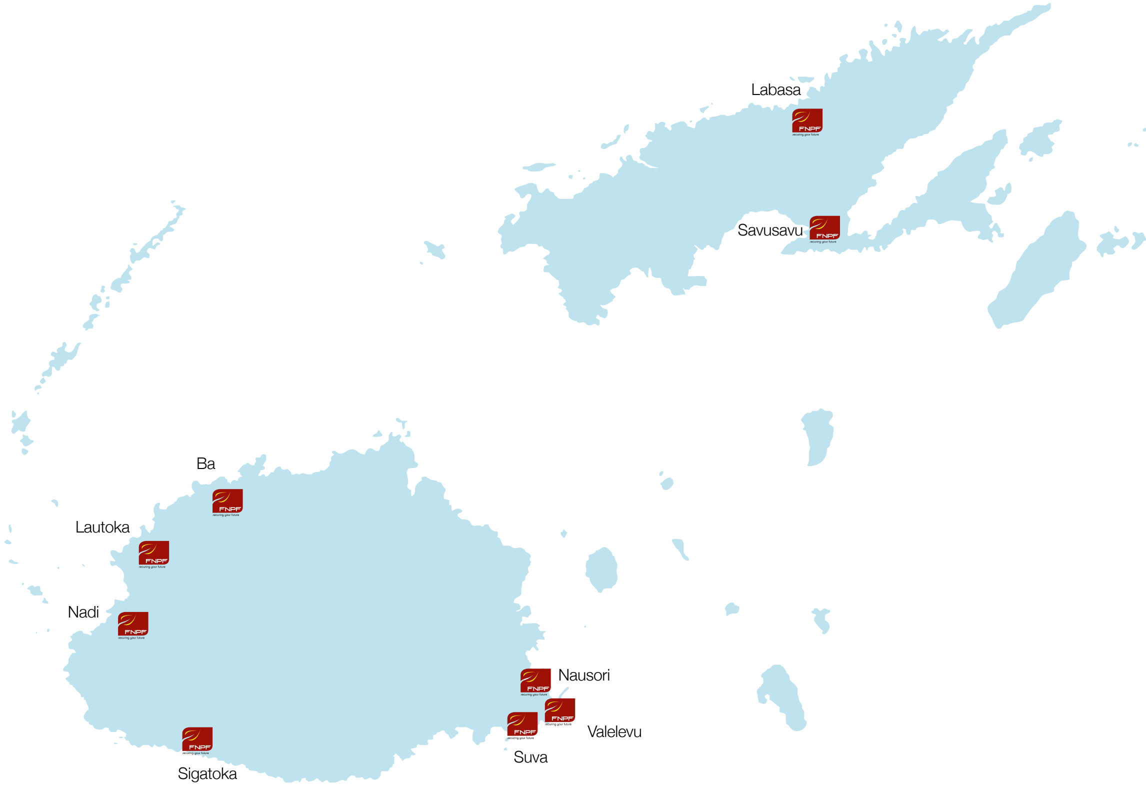
On 29 August 2019, the Fiji Sugar Corporation Limited (FSC) formally sought deferment of its quarterly repayment of $1,403,743.12 (being principal and interest on the $50 million loan facility) which was due on 31 August 2019. The moratorium request is until 31 October 2019. As per the relevant clause in the Loan Agreement, FSC has been allowed deferment until 31 October 2019. This loan is secured by a Government Guarantee. The Government is fully aware of the situation after discussions with the Ministry of Economy. The Fund in its books has adequate provisions covering the default amount.

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 PricewaterhouseCoopers (PwC), the Fund's external auditors contribute to and receive benefits on the same terms and conditions as those available to other members and PricewaterhouseCoopers contributes to the Fund as required by the Act. The PricewaterhouseCoopers audit signing partner is not a member of the Fund and has no interest in the Fund.

**Notes**





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