ANNUAL REPORT 2021

FIJI NATIONAL PROVIDENT FUND

PP NO. 52 OF 2021

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

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

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

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

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

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

Cover

Despite the challenges presented by the COVID-19 pandemic, the Fund continued to carry out its fiduciary duties - collecting, managing and investing members' funds as best as we could, given the circumstances. The economic slow-down from border closures worldwide, displaced many Fijians who found themselves out of work and in dire need of assistance. In collaboration with Government, the Fund was at the forefront of relief efforts – providing thousands of members and their families with cash assistance. FNPF has become a symbol of hope for many Fijians with provisions of relief for our vulnerable members. These efforts reflected our major activities this year; and is the story behind our annual report cover.

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, unemployment, funeral 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.

Darshika Raj is a 24 year old entrepreneur, who started her greeting card business "Just Say It" in March 2021 from her COVID-19 unemployment relief funds. These helped pay for her accommodation in Suva, while she worked on her dream to get her business off the ground.

Her cards are now a hit in the local market and she believes that this would not have been possible had she returned to her hometown in Labasa, when she was unemployed.

Darshika

ANNUAL REPORT 2021

contents

A year dominated by COVID-19

The 2021 financial year was overshadowed by the

The major focus for 2021 was to effectively manage members' funds, capitalize on opportunities, create innovative solutions and mitigate risks to ensure the Fund remained sustainable.

With thousands of members unemployed by the economic impact brought on by the pandemic, the Fund's unemployment assistance continued throughout the year, with Government contributing substantially to the combined relief effort.

The health and safety protocols that were enforced required our systems and processes to undergo continuous transformation so that we could offer our service in a safe space.

Our members were restless but our teams worked tirelessly to deliver, knowing that behind our members were countless individuals and families, who were equally reliant on the financial relief.

A total of 24 relief phases were rolled out, four phases are still active, while 20 have closed. Close to 140,000 members were assisted, with a payout of more than $330 million since April 2020.

global health pandemic, COVID-19.

Employers were also assisted, with 1,143 exempted from penalties that would have been imposed under normal conditions. As a result, $6.2 million in penalties was waived.

Our digital platforms were upgraded to offer our members, pensioners and employers, a safer physical distancing solution to access our services.

Several enhancements were made to the myFNPF App as relief phases progressed throughout the year.

Live webchat facilities and short code telephone numbers were activated in response to the high volume of queries. Other engagement channels such as emails and social media were popular and were managed through resource planning and staff movements.

Despite all odds, the resilience of our members, pensioners, employers and our own people shone through, providing a glimmer of hope that the pandemic will not outlast us.

2021 AT A GLANCE

General Reserve

$1.51b

from $1.34b in 2020

Investment Income

$592.1m

compared to $424.4m in 2020

Member Fund
(excludes RIF and SDB)

$6.4b

from $6.3b in 2020

Contributions

$321.3m

compared to $591.4m in 2020

Interest Credited

$302.8m

at 5% compared to $293.9m in 2020 at 5%

Benefit Payments

$500.8m

compared to $438.9m in 2020

Net Increase in Net Assets

$496.5m

compared to $320.4m in 2020

Members Served

700,366

increase of 27% from 2020

Total Assets

$8.2b

from $7.9b in 2020

myFNPF app take up

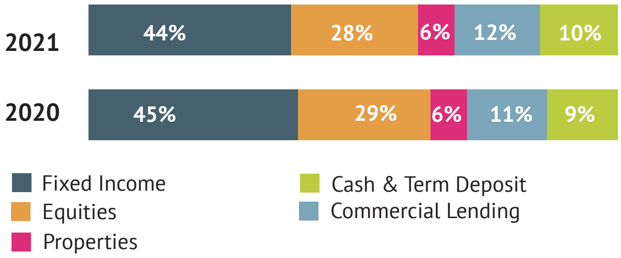
163,393

increase in total user count by 126% from 72,264

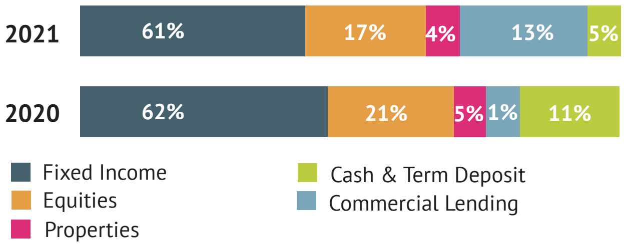
2021 HIGHLIGHTS

INVESTMENT

Portfolio Allocation

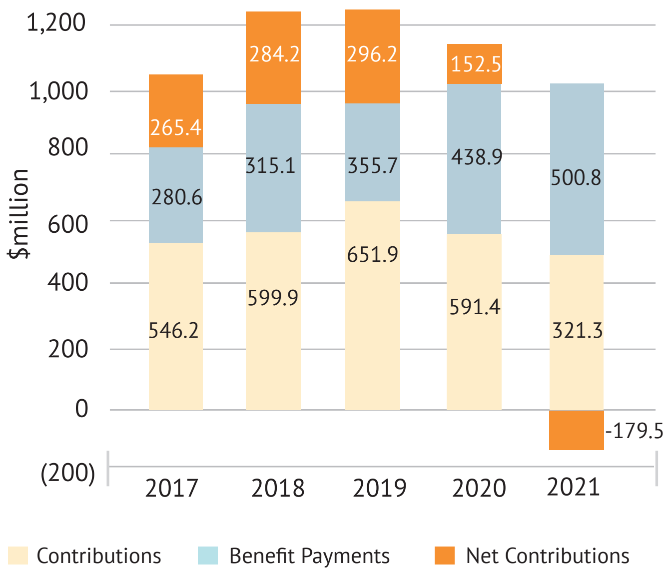


Income by Portfolio
(excludes valuation gains)



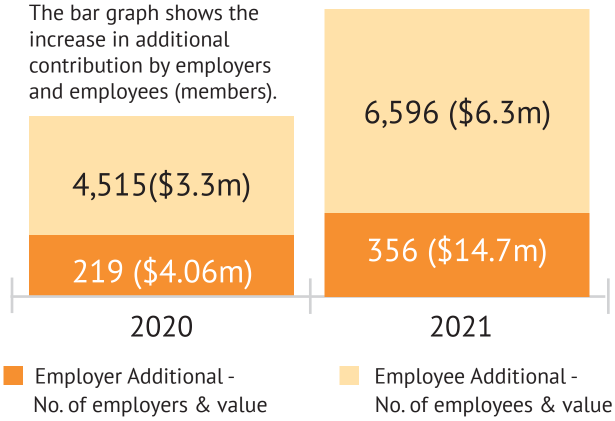
NET CONTRIBUTIONS

Contributions less Benefit Payments



ADDITIONAL CONTRIBUTIONS

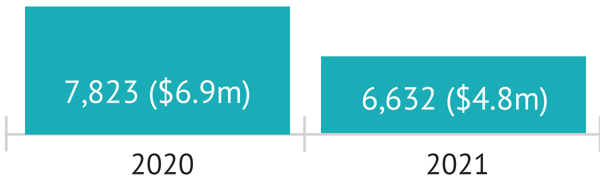
The bar graph shows the increase in additional contribution by employers and employees (members).



**Despite the reduction in the mandated contribution from 18% to 10% (10% employers & 8% members) a marked increase in additional contributions was realised .*

VOLUNTARY CONTRIBUTIONS

The bar graph reflects the change in contributions by voluntary members.



**COVID-19 had impacted the number of new members joining the scheme in the year.*

2021 HIGHLIGHTS

BENEFITS

$500.8m

paid out to members during the year

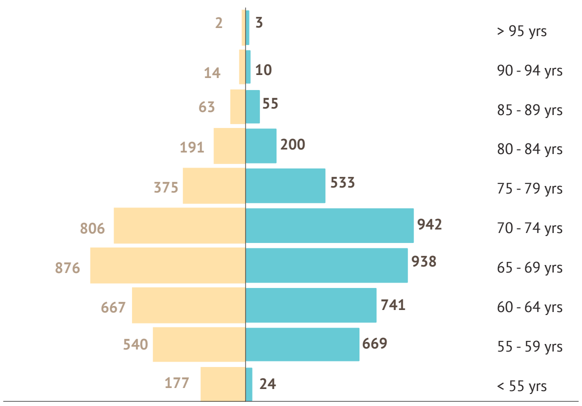
Early*	Housing
$144.9m	**$66.9m**
$117.5m in 2020	$55.5m in 2020

Retirement	Death	Disability	Migration	Small Account
$217.9m	**$34.2m**	**$5.1m**	**$29.9m**	**$1.9m**
$191.8m in 2020	$35.2m in 2020 *(includes SDB)*	$3.9m in 2020	$33.6m in 2020	$1.4m in 2020

*For breakdown of early withdrawals accessed by members in 2021 please turn to page 21.

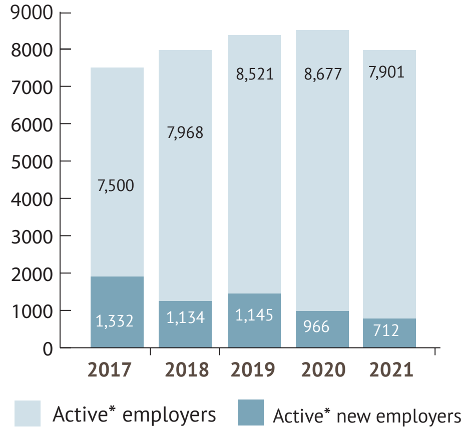
PENSIONERS

Pensioners by Age Group & Gender



EMPLOYERS

Active Employers

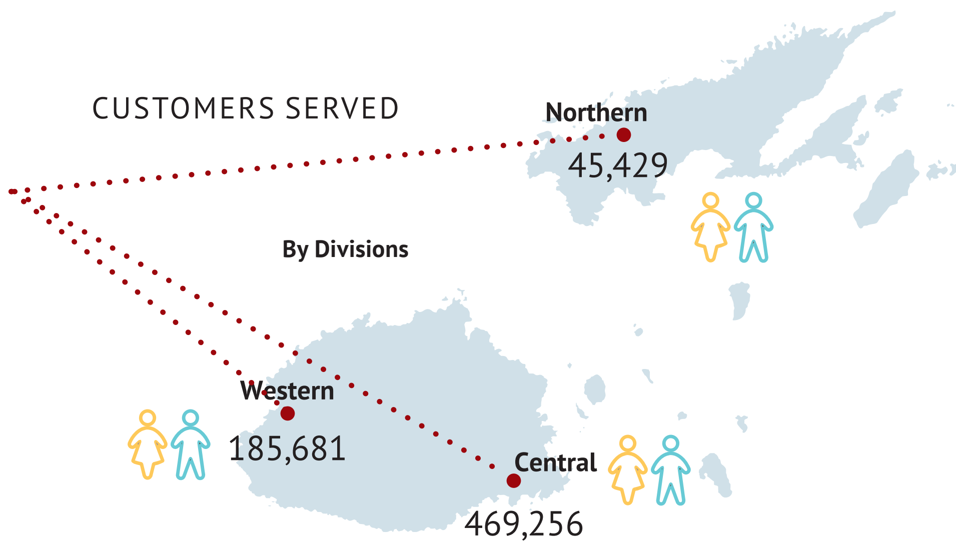


*These employers are those that paid their employees contribution at least once during the financial year.

CUSTOMERS SERVED

700,366

In 2021 compared to 553,072 in 2020



2021 MEMBER PROFILE

MEMBERSHIP

446,658

compared to 447,635 in 2020

208,574 Contributing Compulsory members **42%** **58%**

6,632 Contributing Voluntary members **48%** **52%**

Gender All members **44%** **56%**

SHARE OF WEALTH

Count	44%	56%
Share of Wealth	35%	65%

MEMBER BALANCES BY AGE

Member Balances	≤ 15yrs	16-24yrs	25-34yrs	35-44yrs	45-49yrs	50-54yrs	≥ 55yrs	Total
Zero Balance	7	1934	6149	10,780	6,905	7,196	25,741	58,712
$0.01 and $5,000.00	837	44,612	65,356	42,115	14,016	10,140	11,212	188,288
$5,000.01 and $20,000.00	12	3,606	47,108	36,580	11,691	9,594	3,925	112,516
$20,000.01 and $40,000.00	1	26	14,057	19,424	6,273	5,310	1,417	46,508
$40,000.01 and $100,000.00	-	4	3,288	15,360	6,701	5,446	1,244	32,043
$100,000.01 and $2500,00.00	-	1	131	2,162	2,130	2,362	742	7,528
$250,000.01 and $500,000.00	-	-	3	180	186	272	195	836
$500,000.01 and above	-	-	-	18	31	71	107	227
GRAND TOTAL	857	50,183	136,092	126,619	47,933	40,391	44,578	446,658

**This includes 22,310 Voluntary members*

ZERO BALANCES*

Count

58,712

**Refer to the Zero Balance Account Case Study on page 8.*

25,550 >55YRS OLD

- **25,145** PRE-PRESERVATION
- **405** POST-PRESERVATION

33,162 <55YRS OLD

- **29,095** PRE-PRESERVATION
- **4,067** POST-PRESERVATION

***Pre-Preservation - before 1 November 2014*
****Post-Preservation - after 1 November 2014*

CASE STUDY

Zero Balance Accounts

For years, the Fund has disclosed the number of members with zero balances as part of our annual report.

While these accounts do not hold any monetary value, the Fund is unable to terminate these as our laws prohibit us from doing so without members' consent. The zero balance accounts have gradually become a contentious issue, wrongly interpreted and misconstrued.

These accounts were reduced to zero prior to the Implementation of the preservation policy in November 2014, when members' savings were split into sub-accounts – the preserved and general accounts. The preserved account holds 70% of the members' total balance, whilst 30% is in the general account.

The preservation rule basically locks a larger amount of members' savings for retirement (70%) and only allows members to access their general account for early withdrawals and special death benefit payments.

So, under the preservation policy, a member's account is highly unlikely to be reduced to zero until and when the member fully withdraws from the Fund.

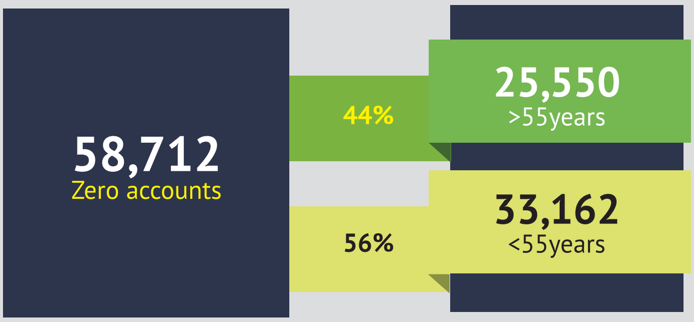
The table on Page 7 depicts the distribution of our members by age and balance cohorts. The Fund has continued to redefine membership classification to reflect a realistic membership profile.

Findings on Zero Account Status

The issue of zero balance accounts is not unique to the Fund. Other superannuation funds around the world also carry zero balance accounts in their membership numbers.

While some key reasons are similar given the nature of operations and as a long-term customer-base institution, other reasons are unique to the Fund.

As at 30 June 2021, the total number of zero balance accounts - or accounts with zero balances was 58,712.



These member accounts have been reduced to zero balance because:

- there were no contributions paid to the account;
- no contributions were received for re-entrant accounts;
- 98% are accounts inherited from pre-preservation policy;
- there were inconsistent contributions and continuous withdrawals which depleted members' balance;
- 97% are dormant for 10 years or more.

These are made up of members who:

- joined the workforce for a short period and had inconsistent contributions;
- joined the informal sector without any contribution payments to their accounts;
- 87% are accounts inherited from pre-preservation policy.

Closing a zero balance account

Section 36 (6) of the FNPF Act stipulates that a member account will only cease upon reaching an entitlement event. The entitlement events are specified in Section 4 (1) of the Act and the Fund can only act on it upon notification by member, or next of kin. These entitlement events are when a member:

i) reaches the prescribed retirement age, currently at 55;
ii) is no longer fit for employment under medical ground and advice;
iii) permanently leaves the country to migrate to another; and
iv) dies.

Unless the Fund is advised on the status of a member, especially if he/she is deceased, then his/her account remain open and are included as part of the total membership count.

Way forward

The Fund is exploring a number of policy changes and operation adjustments to address our membership data and reporting. These include:

i. to create an inactive account status for accounts with zero balances and with no transaction over a period of time;
ii. to reclassify members with dormant account with no transaction over a certain period;
iii. to validate our data to identify members that may be deceased and reclassify them accordingly; and
iv. to close dormant accounts for re-entrant members, who had withdrawn under an entitlement event and opted to rejoin, but have not had a single transaction since.

The Fund will continue to improve our membership data, and hope to present the new classification in future annual reports.

Viniana Taginavulau's FNPF COVID-19 Relief funds was her primary source of income supporting her family through the pandemic. She was able to use part of her funds to set up her floral business, which helped her earn extra income, boosting her ability to provide for her family.

Viniana

MESSAGE FROM THE CHAIRMAN

Challenges relating to COVID-19 shaped all facets of FNPF's operations in the past year. The Board is acutely aware that COVID-19 has severely impacted our members, pensioners, employers, colleagues and communities. Businesses that were hard hit such as those in the tourism, wholesale/retail, manufacturing and transport industries have yet to fully recover, and some may not recover at all.

FNPF has stepped up and shown the critical role it can play in supporting Fiji's transition towards a post COVID-19 world. We have been at the forefront of helping our key stakeholders deal with the difficulties that they face and we continue to positively contribute towards national efforts towards recovery and future growth.

Our staff have stepped up to provide their utmost care, passion and commitment to ensure support was provided to those members that came forward for various assistance.

Providing stewardship through a period of uncertainty

The Board has been focused on making necessary adjustments to our operations and business strategies to ensure that FNPF continues to achieve its purpose.

We are mindful of the changing needs of members and are reviewing the role that FNPF should play in providing protection following unforeseen events. In particular, withdrawal trends have indicated the growing reliance on FNPF savings by members, to provide immediate relief following unplanned events. Cyclones and floods are now almost a certainty for every new cyclone season. The most appropriate way of providing for the needs of the citizens of Fiji following events of this nature must be the subject of a national conversation.

FNPF is also operating in a changed environment affecting inflows into the Fund. Monthly contributions were slashed by almost 50% during the year as a result of increased unemployment and also the reduction of mandatory contributions by law. An ongoing challenge for the Board is to consider the best measures we can put forward to balance our long-term objectives with volatile situations that members will face before retirement.

The Fijian economy has been under significant stress this year and the Board has maintained a focus on ramifications for the investment performance of the Fund. The Chief Executive Officer's report discusses performance in detail, including the benefit that diversified sector exposures have provided in these exceptional times.

Serving the needs of our members

In the past year, we introduced the ground breaking option of enabling all member accounts to receive contributions through all three streams - mandated contributions through the employer, additional contributions paid as employee benefit by employers/employees and paid through payroll,

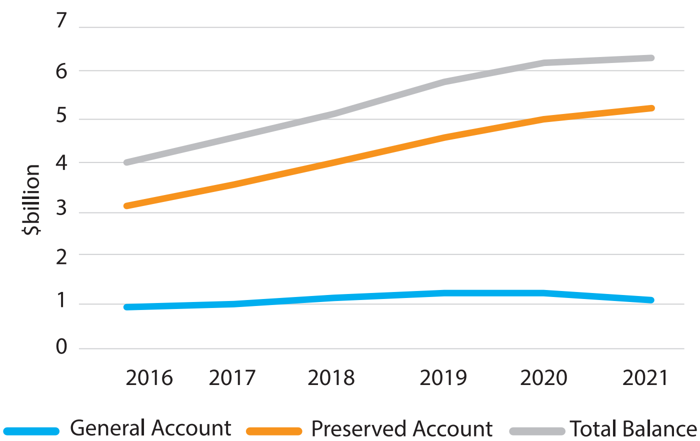
and voluntary additional contributions which can be paid directly by members into their own accounts.

This is a key strategy in building members balance so that they can build their account resilience. This new account feature will empower our members to make the choice to boost their own savings and ensure that they benefit from the interest rates offered by FNPF.

The preservation rule and access to general entitlement strictly for specific lifetime events is a savings discipline which is uniquely available with FNPF, which is a strength of our member's savings plan. We can only encourage our members to take control of this important life-decision and to plan ahead as much as possible.

FNPF has never been more committed to bringing our services to you than now. Member account details are

Figure 1: Benefit of the Preservation Rule




Members, pensioners & employers turned out in numbers during the annual member forum, held at the new FNPF complex - myFNPF center in Nadi.

accessible and available online or through a phone call. Information kits and support services for retirement counselling and financial planning can also be accessed remotely, thereby empowering members to make informed decisions for withdrawals.

Various withdrawal grounds may be available for members but we urge them to wisely plan decisions when accessing their retirement savings for early withdrawals. Our contact officers, staff and management team would assist any member who may require clarification, assistance or advice.

All FNPF services are now available remotely. The pandemic has forced us to limit face to face interactions as much as possible. Your decision to utilize online platforms is a major step towards our common goal of stamping out the COVID-19 virus from our midst.

On the investment side of our activities, the Board is deeply aware that our strategies must be reflected in our bottom line through returns to our members. We are focused on governance and risk management that supports the implementation of investment strategies consistent with FNPF's objectives.

Our team and commitment

There have been some key changes within the Board and Executive Management during the past year. Ms Makereta Konrote, vacated her position as Board Director following her resignation as the Permanent Secretary (PS) Economy. Mr Shiri Gounder, Acting PS Economy has joined the Board to replace Ms Konrote.

I wish to extend our sincere acknowledgement and gratitude to Ms Konrote for the five years she served as a Director on the FNPF Board.

On behalf of the Board and staff, I also welcome Mr Gounder; the Fund will no doubt benefit from his contribution and support.

We also farewelled the former CEO, Mr Jaoji Koroi after his 10 plus years of service. We express our gratitude to Mr Koroi for his contribution to the Fund through his dedicated leadership during his tenure.

It has also been a great pleasure for the Board to confirm the appointment of the new Chief Executive Officer, Mr Viliame Vodonaivalu. We are confident that Mr Vodonaivalu possesses the necessary skills, technical expertise and capabilities required by the Fund and the Board during this time.

As an institution we have pursued the delivery of our services with excellence, creativity and passion, as well as a longstanding commitment to our members, stakeholders, the economy and society at large. We acknowledge and seek to learn from those moments where our service delivery has been questioned. We will endeavor to continuously improve our processes to achieve excellence.

It is the Board's firm ambition and determination that the Fund must listen and understand our members, to engage in more dialogue and partnerships and to pursue new initiatives in order to improve service delivery.

We will continue to encourage a culture that reinforces the importance of risk management and focuses on personal accountability. A culture where every single employee is proud of his or her role and contribution towards the FNPF vision.

Acknowledgement

I would like to thank our members and stakeholders for always providing your candid feedback, which has allowed us to continuously improve.

I also acknowledge the efforts of our management and staff who remain committed to delivering the Fund's roles and responsibilities. All your sacrifice and hard work is a key pillar on which the Fund's success is built. But there is always more to do, there are more lessons to learn and more changes to make. I encourage you all to remain focused and to keep on striving for higher standards.

Now is the time for breakthrough ideas, bold commitments and initiatives. We will no longer survive just by mending the edges.

Finally, our victory over the COVID 19 pandemic requires our collective effort, we should all play our part. Together, we will be Securing your Future.

Daksesh Patel
Chairman

CHIEF EXECUTIVE's REPORT

Why we are here

2021 has undoubtedly been a challenging year for most of us as economic activities ground to a near standstill because of COVID-19. Whilst acknowledging that our institutional strength was built on saving for retirement, we had to seriously evaluate this premise as members suffered from the pandemic. We had to step up, within the confines of our laws and policies, to help members' draw from their savings for their daily sustenance. Although it did not cover all their personal losses, the financial assistance got them through one of the darkest phases of their lives and in our history.

The Fund served approximately 700,000 members, processed over 300,000 applications and paid out $500.8 million to members during the year. The high volume of applications meant that we also attracted our fair share of complaints. Our members' feedbacks kept us honest and we simply had to deliver on our promises. More importantly, at every opportunity, the Fund addressed operating challenges as we streamlined our services to make it efficient and relevant to our members.

Amidst the tough operating climate and rising expectations, our people stepped up to serve and provide continued confidence that the Fund was and continues to be financially-sound and administratively capable. I am extremely proud of the professionalism, dedication and energy that my colleagues demonstrated as they helped ensure our members received the support they needed, whilst managing their own.

Balancing and adapting our role

The challenge of increasing benefit payments, reduction in contribution rates and a tough investment climate required us to realistically adapt our asset and liability management approach. We maintained an inflow and outflow consistent with requirements of liquidity, and an income yield to support and ensure our solvency position is protected.

We were continually challenged to find the right balance in new investments to support our operations under varying circumstances.

We were not spared either. Our subsidiaries, tenants, borrowers and employers were struggling. We made adjustments to support them and implemented moratorium on loan repayments, waiver of penalties, extension of payment dates, and reduction of rental costs to assist our tenants.

Our net contribution pool was impacted, perpetuated by increasing COVID-19 assistance payments. Close assessment and monitoring was necessary to ensure the Fund was not compromised in any way.

Members slipping into unemployment and under-employment continued to increase as the crisis infiltrated the central system of our economy. The needs of our members could not be ignored.

We had to strike a balance between our fiduciary role and the demands of social responsibility. We had to exercise humility – a core value of the Fund. It was no longer relevant to focus on our core purpose only but what we could do to make a difference in our members' lives.

We also had to deal with restrictive inter- personal services that were managed with innovative and transformative services. While we recognized the need, we also had to guarantee that we complied with health safety advisories aimed at protecting our members and staff.

In balancing competing and essential priorities, greater prominence was shifted to our risk management processes to ensure the Fund remains true to its purpose, and is not exposed or undermined in any way.

> Our strategic direction for the coming year is to continue with our "Member-Centric" approach.

Managing our risk

The Fund identified imminent risks and formulated mitigation strategies related to all facets of our business. Key operational plans were held back as risk- based strategies were operationalized to map our way through the crisis.

Liquidity was a key risk. We understood that the value of some key assets would drop, affecting our revenue, and our withdrawal payments would be substantial.

Given physical distancing restrictions, our operational administration was shifted online. This meant that the Fund was vulnerable to cyber security threats. Our IT infrastructure upgrade were pushed forward to identify new and emerging gaps.

However, our efforts to stabilise and address low member balances was stalled. How does the Fund manage governance and compliance risk without deviating too far from our fiduciary role to ensure members' retire with a meaningful balance? Finding the answer to this question requires collaboration between external partners including Government, to ensure the formulation of national policies that support this. Meanwhile, the Fund will continue to review the scheme design so we could balance our commitment to our members to meet their needs, both immediate and for retirement.

Serving our members

Providing COVID-19 Support

Employing a member-centric focus, meant that we had to create greater efficiencies in our processes and offer new products to assist members and strengthen our reach.

We channelled payments totalling $277.2 million for COVID-19 assistance to our members - $172.3 million paid by Government and $104.9 million from members' funds, during the year.

The reduction in contribution rate by 8% (5% from employers and 3% for members) was extended to December 2021, to support employers reduce their costs and provide additional disposable income for their employees. Additional support were provided to Employers with the waiver of penalties for late payment of contributions and the extension of the payment date by another month.

Enhancing Accessibility and Service Experience

Digital services and processes planned for later years were fast-tracked to ensure access and adaptations to new operating conditions.

The Fund enhanced and developed existing and new social distancing solutions. The mobile app was enhanced to enable members to apply directly without the need to visit their employer or visit our offices.

The game changer for this year was the Robotic Process Automation (RPA). This saw applications being automatically processed from registration to payment without any human involvement. It immensely improved the process turnaround time and accuracy. By 30 June 2021, 82% of 120,000 COVID-19 applications were received online. Further controls were also in-built into the administration system to complement the RPA functionality.

While necessity has certainly facilitated our technological needs, it has also increased engagement and take-up of the mobile app. By the end of the financial year, our mobile take-up rate increased by 126% from around 72,264 in 2020 to 163,393 by 30 June 2021.

Tropical Cyclone Yasa relief

In the midst of the pandemic, Fiji was unfortunate to be battered by the Category 5 Tropical Cyclone Yasa, which wreaked havoc in the Northern region of our country.

In addition to the COVID-19 unemployment assistance, the Fund activated the Cyclone Yasa relief in December 2020, allowing members residing in cyclone-affected areas, to withdraw a maximum of $2,000 from their General Account. FNPF paid out a total of $8 million to 5,621 members for this assistance.

Managing the challenges of services in a COVID-19 period

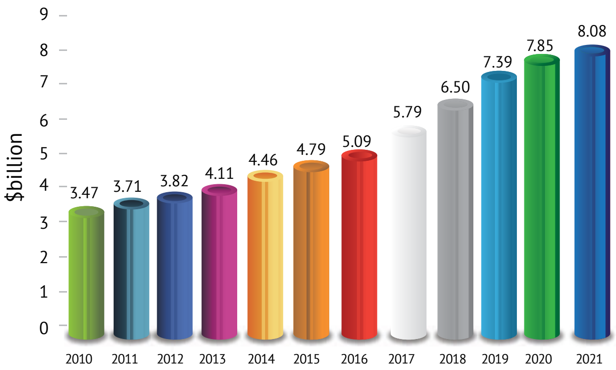
Learning from our experiences on crisis management, operating at such a scale was not without its challenges. From the onset, we were aware of the limitations we had and projected difficulties that could arise.

Anticipating all possible difficulties, frequent communications were pushed through social media and along with key information on the various products with elaborate infographics, posters, and instructional videos. The same was carried out for our staff with trainings and Q&A sessions organised online to ensure consistency in messaging. A live chat facility was launched on our website.

A complaints management system facilitated through our Information Center was resourced with a dedicated team to manage the influx of calls and emails for enquiries or complaints. We acknowledge that an increase in online services will be met by a similar increase in online traffic.

The Fund made every effort to step-up and step-out to our members. But, we also admit our shortfalls. These

Figure 2: Investment Portfolio Growth



learnings and insights will assist us to better manage expectations of what our members require of us.

Our Financial Performance

Underlying Performance

Despite the upheavals, the Fund managed to record a net income of $543 million in 2021 compared to $370 million in 2020. Whilst applying cost efficiency strategies, the Fund also managed to save 6% on expenses compared to last year. After meeting all required expenditure, the Fund realised a substantial net increase in net assets of $496.5 million. This result reflects the materialization of effective investment strategies and fruition of the hard work by our employees.

Strong performance in fixed income & treasury investments contributed $331.3 million towards the net income. other investment portfolio such as equities, commercial loans and properties added $212.1 million as well. Due to such sturdy performance an interest rate of 5% was declared and $302.8 million was distributed to 389,986 members.

The Fund's net assets stood at $8.2 billion with a growth rate of 3.5%. The investments portfolio generated an ROI (return on investment) of 6.5% overall.

Members' funds grew from $6.3 billion in 2020 to $6.4 billion this year. Despite large volumes of withdrawals arising out of COVID-19 pandemic and reduced contributions from members, interest credited to members largely contributed to the growth of member's funds. Net assets available for member benefits and reserves increased from $7.9 billion in 2020 to $8.2 billion in 2021.

Lockdowns, travel restriction and the shutdown of international borders severely halted our hotel operations. Whilst local tourism provided some cashflow relief, the resultant effects of the second wave of the pandemic further exacerbated their performance.

> "The Fund's net assets stood at $8.2 billion with a growth rate of 3.5%."

The Fund used this downtime to upgrade two of its hotels, Sheraton Fiji Resort underwent major refurbishment and the Westin Resort upgrade project commenced. This sector makes up 8% of our total investment portfolio.

The telecommunication sector thrived under the crisis, earning healthy return margins. Comprising about 14.7% of our investment, the sector has been vital to the health of our portfolio.

Like many superannuation funds around the world, FNPF investments in Government bonds continued to provide lucrative returns. Bond investments have undeniably been a substantial contributor towards the annual interest declared and distributed to members.

The safety of Government Bonds ensured market produced good return for our members. Of course, the Fund's investments are placed in line with its long-term investment strategy of asset and liability matching the bonds.

The varying ability of the sectors further endorses our diversification strategy. Exposure level varies according to risks our investment encounters in different environments.

Despite the challenges, we continued to provide required returns and accessible liquidity to our members during the year.

Looking ahead

It is undeniable that the COVID-19 pandemic has changed our world forever.

Our key priority though are our members. The struggles and challenges that they endured, record-breaking pre-retirement withdrawals and the pro-longed administration of the COVID-19 assistance required an agile, innovative and transformed institution.

We have plans to review our scheme design. This includes a re-evaluation of our pre-retirement products, accumulation and retirement offerings to ensure it is fit-for-purpose, suitable to Fiji's context.

Members need to be better protected against unexpected life events to support them without denying them the opportunity to pursue and achieve retirement security.

our strategic direction for the coming year is to continue with our "Member-Centric" approach. This focus is not only driven by demands and data insights, but also from business trends and shifts in the global superannuation market.

Acknowledgement

I extend my appreciation to our members for bearing with us throughout the year. It has not been easy for all of us but the crisis has not broken us and will never conquer our determination.

I also thank our Employers and business community for their support. They have been instrumental partners in our COVID-19 assistance roll-out and were there to assist our members and the Fund.

Our pensioners are never out of our sight and we hope they are enjoying their time with their families during this tumultuous period.

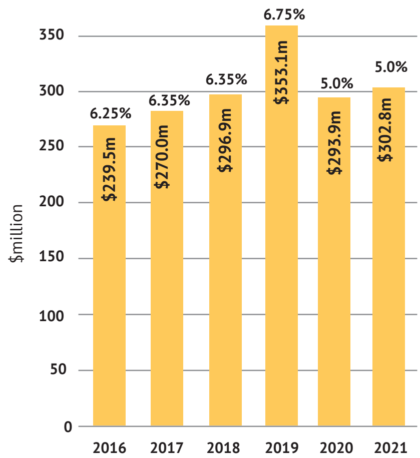
On a sad note, apart from financial losses, the Fund also recorded the deaths of some of our members and pensioners because of COVID-19. We extend our sincere condolences to their families and to all members, who had to farewell their loved ones these past few months.

It would be amiss of us not to acknowledge the partnership and assistance of the Fijian Government in supporting our members through the crisis. We hope to build on this partnership as we collaborate further to better serve and meet the needs of our members.

I thank the Chairman and Board Directors for their wisdom, counsel and guidance. Their dedication to the Fund's cause and the nation is admirable. Their wealth of experience is indispensable to drive and direct the Fund to its next chapter.

I am indeed grateful to have the support and to lead a talented pool of staff and Management team. Your strength and resolve drove the Fund's performance in an extremely demanding year. I also thank your families for their patience and support that allowed you to carry out your roles.

Figure 3: Interest Credited 2016-2021



Finally, I owe my utmost gratitude to God for His wisdom and strength in this leadership journey and for His continued guidance in the stewardship of the country's largest financial institution.

Vinaka vakalevu and I wish everyone a safe year ahead and certainly a year of growth and restoration.

Viliame Vodonaivalu
Chief Executive

Meeting our stakeholder's needs

Without doubt, COVID-19 has once again demonstrated the important role superannuation industries play in supporting the well-being of their members. FNPF proved this once again this year, when it rolled out various COVID-19 relief efforts to assist different clusters of members.

Acknowledging the importance of operating and making decisions within the provisions of our laws, the Fund explored and packaged assistance programs to benefit members, especially those affected by the pandemic.

Unemployment relief
The Fijian Government's subsidy for affected members ended on June 2021 for Phase 2 and Phase 3. These two phases focused on members unemployed from October 2019 (Phase 2) and members who were on reduced working hours or wages (Phase 3).

The Government provided top up for members with insufficient general account balances since the COVID-19 unemployment relief began on April 2020.

In addition, the Fund also allowed members who were unemployed for longer periods (pre-COVID-19) and voluntary members to access their FNPF funds provided they had sufficient general account balances.

Phase 2 and Phase 3 members received a total of $249.6 million, of which $172.3 million was from Government top-ups.

Lockdown relief
This relief was activated for members living or working in lockdown areas, to assist those who were unable to work because of the restrictions in movement and imposed physical distancing requirements.

The Fund paid $10.8 million whilst Government paid a top up of $5.7 million to members who had insufficient general account balance.

Non-Government top up assistance
The Fund was also mindful that members who have been unemployed prior to the first wave of the pandemic and were directly or indirectly affected by the crisis. We allowed these members, unemployed from January 2010 to September 2019 to apply for the unemployment relief. This was termed as Phase 4.

Voluntary members were also allowed to access their FNPF funds to assist them with their needs.

Both these schemes gave members the opportunity to apply for a maximum of $1,000 provided they had sufficient general account balance. A total of $11.5 million was accessed by Phase 4 and Voluntary members during the year.

Refer to Table 1 for the roll-out schedule of Phases 2, 3, 4 voluntary & lockdown assistance in 2021.

Home Loan (mortgage assistance)
The COVID-19 response home loan assistance was offered to members, whose employment was impacted by the pandemic, and had difficulties servicing monthly repayment for existing home loans. This assistance was activated on 1 April 2021 and will close on 31 December 2021.

Through this home loan relief, members were able to access up to 50% of their preserved account, plus 100% of their general account to pay up to 12 months loan repayments.

As at end of June 2021, the Fund had paid out $5.3 million for 504 members.

Supporting our employers
Employers were also assisted with 1,143 accessing the relief packages. These employers were exempted from penalties that would have been imposed during normal times.
As a result, a total of $6.2 million in penalties was waived.

The employer's relief package consisted of the following:

1. Waiver of penalties
2. Time payment arrangements
3. Compliance letters
4. Other third-party recoveries

The Fund also encouraged employers to take advantage of the 150% tax deduction for employer additional contributions paid above the current mandatory of 5%.

Supporting our pensioners
As the second wave began in April 2021, the Fund encouraged members to access services online, as a preventative measure against the pandemic.

Similar to 2020, the Fund waived pensioners' renewal certificates due during the months of May to September 2021. These pensioners continued to receive their payments based on the presumption of life.

Supporting our tenants
In understanding the surmounting challenges faced by all businesses, the Fund provided rental concessions to its tenants during the year.

Approximately 70% of our tenancies benefitted from the rental concessions, which amounted to $1.27 million. The Fund also put on hold all rental that was due for review during the year, providing some respite for our tenants.

Table 1: FNPF COVID-19 Unemployment, Voluntary & Lockdown relief schedule		
Phases	**Start Date**	**End Date**
Phase 2 Round 1 - Govt top up	9-Jun-20	14-Aug-20
Phase 2 Round 2 - Govt top up	24-Aug-20	23-Oct-20
Phase 2 Round 3 - Govt top up	28-Oct-20	31-Dec-20
Phase 2 Round 4 - Govt top up	6-Jan-21	11-Mar-21
Phase 2 Round 5 - Govt top up	22-Mar-21	27-May-21
Phase 2 Round 6 - Govt top up	9-Jun-21	25-Jun-21
Phase 2 Round 7 - Non Govt top up	9-Aug-21	1-Oct-21
Phase 3 Round 1 - Govt top up	10-Aug-20	16-Oct-20
Phase 3 Round 2 - Govt top up	21-Oct-20	24-Dec-20
Phase 3 Round 3 - Govt top up	30-Dec-20	4-Mar-21
Phase 3 Round 4 - Govt top up	15-Mar-21	20-May-21
Phase 3 Round 5 - Govt top up	3-Jun-21	22-Jun-21
Phase 3 Round 6 - Non Govt top up	16-Aug-21	1-Oct-21
Phase 4 Round 1- Non Govt top up	31-Aug-20	31-Mar-21
Phase 4 Round 2- Non Govt top up	5-May-21	31-May-21
Phase 4 Round 3- Non Govt top up	11-Jun-21	30-Jun-21
Phase 4 Round 4- Non Govt top up	9-Aug-21	1-Oct-21
Voluntary Relief Round 1- Non Govt top up	26-Apr-21	30-Jun-21
Voluntary Relief Round 2- Non Govt top up	9-Aug-21	1-Oct-21
Lockdown Relief Round 1- Govt top up	26-Apr-21	31-May-21
Lockdown Relief Round 2- Govt top up	9-Jun-21	25-Jun-21

Our Road map

2021

The Strategic theme for 2021 was "Resetting and Repositioning the Fund", COVID-19. We identified six key focus areas to drive our response

Strategic Focus	**1. Reinforce Our Governance**	**2. Manage our Social Security Purpose**	**3. Sustain our Digital Focus**
	To protect member savings and ensure our governance framework are strengthened	To manage our social security role by offering services and products to meet our member's needs	To ensure our digital focus continues to lift and transform our operations to suit the changing business environment
Outcomes	• Assessed effectiveness of the governance oversight function on Board Governance issues, Risk Management and Compliance and Oversight • Pertinent risks were identified and mitigation strategies were formulated accordingly • Engaged BDO Australia to conduct a risk assessment for assurance purposes • Strengthened management of the Fund to ensure the preservation policy is intact and guaranteed through various assistance.	• Rolled-out Unemployment assistance for members affected by the pandemic and those unemployed before 2019. • Partial employment assistance for members on reduced hours or wages rolled out as Phase 3 • COVID-19 Home Loan assistance for members unable to meet their loan repayments • Extending education assistance to Online Learning and Education • Voluntary members assistance for those in the informal sectors	• IT Infrastructure revamp - Phase 1 • Employer Portal improvements • myFNPF mobile App enhancements • ProMIS administration system enhancements • Robotic Process Automation (RPA) solution for system processing of withdrawal applications • Implemented LiveChat function on the website • Improvement to data insights enable through Data Warehouse • Online education withdrawal application submission • Activate Work From Home capabilities with access to networks and online meetings function

2022

Our experience last year has provided us with a grip on maneuvering Fund to adapt to disruptions while continuing to forge a growth path.

Strategic Priority	**1. Member Centric & Service Driven**	**2. Realign Investments & Contribution Streams**
	To understand the needs of our members, capitalise on feedbacks and data analytics to improve our services, products and enhance members' retirement decisions	To ensure a balanced investment approach to leverage portfolio growth and redirect contribution collection structure to ensure sustainable returns
Planned Actions	• Implement member-focused products designed to meet the needs and diversity of our member makeup • Activate sections of the FNPF Act yet to be deployed • Review and rebrand of the voluntary product • Formulate and implement a 360 degree service and 'know your customer' facility • Carry out member behavioural study • Review of scheme design • Educate members on retirement planning, and formulate retirement standards and information package	• Pursue investments in resilient sectors • Review value outcomes of crisis affected portfolios • Collaborate with Government for SOE privatization, medical public private partnership and affordable housing • Develop prime land/properties • Drive additional contribution uptake • Increase voluntary contribution • Ensure sustainable returns to members

taking measured steps in managing our operation through the uncertainty brought on by to the crisis.

4. Rebalance our Investment	5. Harness the Resourcefulness of our People	6. Operational Efficiency
To review and provide a balance position of our investments and pursuance of a more sustainable portfolio mix	To leverage on the strength of our people to deliver and adapt to the changing environment	To effect measures to boost operational efficiency and manage our cost of doing business
• Established liquidity mitigation strategies. • Acquired QBE building, in Suva's central business district • Continued investments in ATH's expansion in the region • Stress testing of investment portfolios to assess its strength to operate under duress • Engaged in new investments • Re-valuation of our assets • Sale of EFL shares	• Transparent and updated communication to staff on the COVID-19 health measures, protocols, and responsibilities • Established safety protocols within the office and provided assurance to staff of a safe working environment • Engaged staff in health measures through organized corporate programs • Rolled out virtual engagement and webinar sessions on health and wellbeing with working from home • Established counselling facility for staff • Carried out internal and assigned online trainings through the Percipio Skillsoft training platform	• Established liquidity management committee to manage our Cashflow position • Reviewed contribution and debt management policies as part of the collection mechanism and relief provided to members and employers • Pursued additional contribution from employers and employees • Scrutinised operational costs and development of scenario plan in anticipation of shift in environment • Addressed member account reconciliation

through this crisis. We have identified four strategic priorities for 2022 to transition the Our Theme for this journey is "Leading the Transition" through a member-centric lens.

3. Digital Transformation & Business Resilience	4. People & Culture
To transform the Fund through integrated digital technology and to harness the power of data to guide our governance, operations and deliver value to members	To empower our people to feel safe, upskilled and engaged and to nurture the appropriate behaviors conducive to high performing teams
• Automation of internal proceses in identified functions • Identify new and enhance existing digital platforms and social distancing solutions • Update our administration system framework, ProMIS • Upgrade our information center • Embed data informed practices through data internalization plan and fully functional data warehouse • Improve data integrity and data standards of the Fund	• Establish a high performance culture through an agile work environment • Manage and rollout health and wellness conscious programs • Establish and monitor standard practices on managing staff wellbeing • Align and prioritise organisational training needs to strategic priorities of the Fund • Formulate capacity plan for transition and future needs of the Fund • Institute staff development practices with robust succession planning and training development

Our Operations

Member Services

Our operations were restrained whilst we complied with national health protocols to ensure the safety of our customers and staff during the year. This resulted in a change in our mode of operations, with staff re-deployed to respond to the surge in queries received via telephone and email.

Of the 700,000 members served during the year, close to 500,000 visited the Fund's offices – an increase of 27% compared to the last financial year. However, the uptake in queries received via telephone and email was quite notable – with telephone queries increasing by 195.7% while emails increased by 80.7%.

COVID-19 Response

The extension of the relief phases meant that staff had to quickly grasp the finer details of each product prior to its activation. Staff were continuously updated to ensure the same messages were disseminated to members. Frequent refresher trainings were also conducted.

Despite constant updates to members, many still chose to visit our offices, resulting in queues and crowds gathering at FNPF offices around the country. The team had to be reshuffled with staff deployed from other business units to assist with the high volume of queries.

Benefit payments

The total amount paid to members under full withdrawal was $288.9 million a 25% increase compared to the 2020 payment of $265.9 million.

The total amount paid for early withdrawals was $144.9 million, compared to $117.5 million in 2020.

Withdrawals for housing assistance totaled $66.9 million, a 20% increase compared to $55.5 million last year, attributed to the COVID-19 response home loan assistance offered during the year.

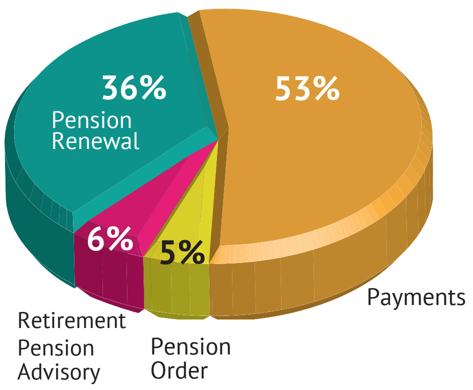
Pension Services

Pension related services saw 18,142 customers served during the year. Of these 36% inquired about payments, 53% were for renewal certificates, 5% for pension advisory and 6% for pension orders.

Pension take-up rate

The pension take-up rate was 4.07% compared to 3.6% last year. The take-up rate refers to the number of members purchasing one or any combination of FNPF's pension/annuity products over the total number of members that came forward to exercise their full withdrawal option.

Figure 4: Pension Services accessed in 2021



Member Counselling Session

Retirement counselling sessions were organized for members nearing retirement age. Attendees were provided their account balance and shown their projected balances at retirement. Following these sessions some members signed up for additional contibutions to boost their savings.

Staff are trained to provide members with all the necessary information, empowering them to make practical decisions on their retirement savings.

These sessions are part of the Fund's ongoing advocacy to assist members achieve their retirement savings goals.

Figure 5: Pension Takeup Rate for 2021

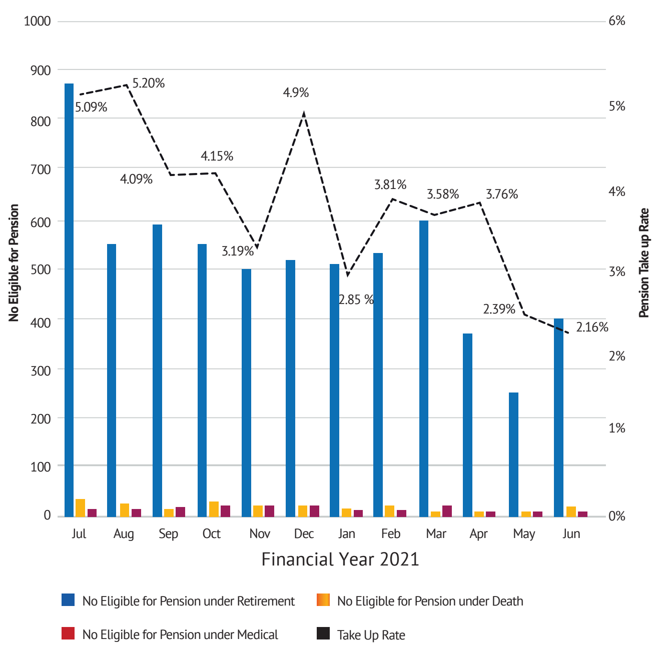
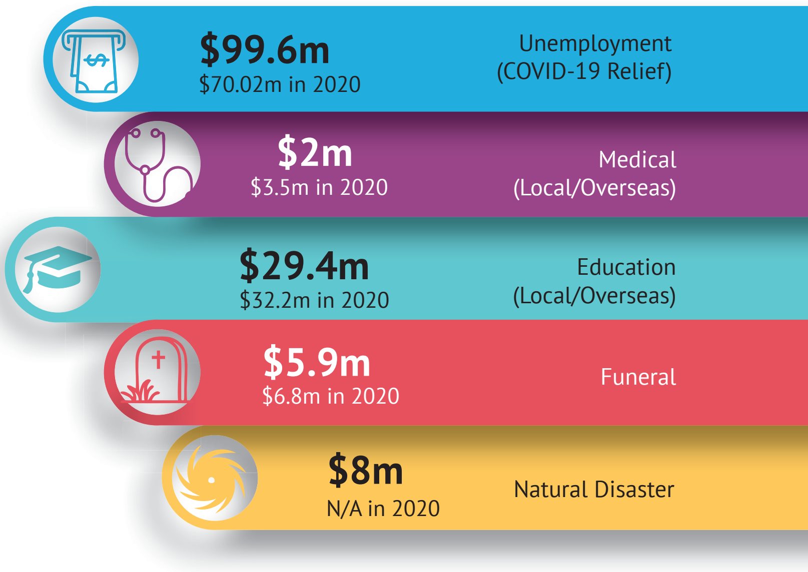
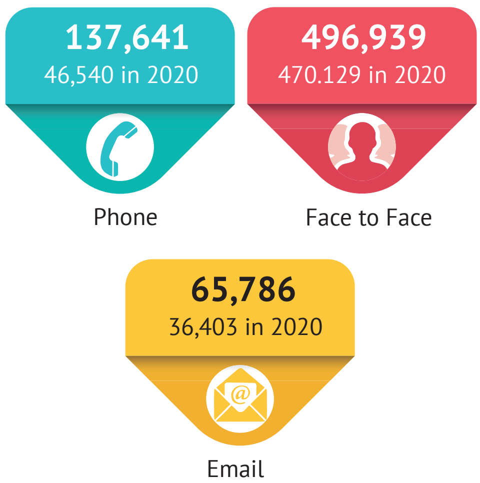


Figure 6: Early Withdrawals in 2021



$144.9m total early withdrawals paid to members
$117.5m in 2020

Figure 7: Customers Served by Contact Types in 2021



A Facility Services Limited staff and FNPF staff going through the employee records.

Facility Services Limited is one of many companies that accessed FNPF's COVID-19 Employer Relief. This allowed the company to meet trade supplier debts and to assist their staff during the extended lockdown. The company was also able to pay off accrued FNPF balances once operations picked up again. The Employer Relief package was able to relieve the company of the financial pressures it had faced.

Membership
The Fund's total membership at the end of the year was 446,658 - a decrease of 0.21% from 2020.

This figure includes 22,310 members registered as the voluntary members.

Employers
The Fund's active employers totaled 7,901 compared to 8,677 in 2020.

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

A total of 712 new employers were registered compared to 966 in 2020.

Total Contribution
Contributions collected totaled $321.3 million compared to $591.4 million last year, a decrease of 45%.

The decrease is due to the reduction in mandatory contribution from 18% to 10% on 1 April 2020 as a COVID-19 response measure to assist all employers. The reduction is also attributed to loss of employment for members, as well as those whose working hours or wages were reduced.

From the total contributions, $6.9 million was collected from voluntary members and $21.0 million in employer and employee additional contributions.

Contribution Debtors
The balance of unpaid contributions was $20.4 million at the end of the financial year, compared to $18.2 million in 2020.

Suspense
A total of $0.2 million was transferred to the suspense account compared to $0.7 million in 2020.

These are contributions collected but not distributed to members' accounts because of insufficient information provided by employers.

Unclaimed Deposits Account
The Fund transferred $0.2 million of members funds to unclaimed deposits account after reasonable diligent inquiry.

Employer Portal
Employers that registered for the employer portal totaled 1,122 bringing the total user numbers to 11,224 with a usage rate of 60%.

Employer Inspection
FNPF conducted 5,142 employer inspections in which 2,195 employers were visited more than once. Due to the second wave of COVID-19 in April, employer inspections stopped and staff were redeployed to other functions to assist with member applications and queries.

Employer Complaints – Nonpayment of member contributions
One hundred and ninety-one (191) member complaints against 147 employers for non-compliance were received during the year; 142 complaints were from the central division, 46 west and 3 north.

From the 191 member complaints, 148 were resolved, 27 member complaints are awaiting employer response, 13 still under investigation and 3 awaiting member feedback.

Employer Penalty
FNPF introduced an employer relief package for all employers during the COVID-19 period which included a penalty waiver for all employers that faced financial difficulties.

FNPF waived penalties totalling $6.2 million for 1,143 employers in the financial year.

Contract management
A total of 121 legal advice were issued in 2021. One hundred and thirty one (131) contracts were drafted and reviewed for and on behalf of FNPF and subsidiaries with a total contract value of $303.9 million.

Civil litigation
Civil litigation cases for the year totaled 45, 36 of which are still pending in Court at the end of the financial year.

Member account transfers - family court orders
60 court orders valued at $0.3 million were processed for transfers between member accounts in the financial year.

Recovery of member contributions
A total of 96 employers cases were registered during the year with the following breakdown:

2021	Sum	No of cases
Opening debt	$1.6 million	105
Current value of active cases	$2.1 million	132
Debt recovered	$0.7 million	69
Outstanding debt	$2.1 million	96
Civil recoveries	$1.2 million	19

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) Failing to register as an employer.

Discharge of property titles
FNPF continues to actively discharge all property titles for members who withdrew for housing assistance prior to November, 2014.

A total of 373 property titles were collected, 2,484 were ready for collection, while 167 are currently awaiting the endorsement of the Registrar of Titles before these are released to members or their lenders.

Our Investments

Like most Funds around the world, the FNPF faced unprecedented challenges from 2020 to 2021 due to the COVID-19 pandemic. The health pandemic and the requisite containment measures resulted in major human and economic losses worldwide.

In the domestic market, weakening aggregate demand brought a decline in many industries. Reduced member contribution and accelerated withdrawals continued to exert pressure on the Fund's liquidity. Despite these challenges, we managed to sustain these pressures, maintain financial performance and continued to grow.

As a member-based superannuation fund, our primary responsibility is to operate in the best interest of our members. Our highly diversified portfolio includes a wide range of assets such as properties, local and international shares, cash and cash equivalents, commercial loans and fixed interests.

The investment financial market experienced unprecedented volatility given the raging effects of the pandemic. Despite these concerns, the Funds' investments returns posited positive returns of 6.5% for 2021.

The investment portfolio grew from $7.9 billion in 2020 to close at $8.1 billion in 2021.

The net investment income before expenses for financial year 2021 is $542.9 million.

The Fund recorded an $8.2 billion of net assets for the year, which was the basis of a declared 5% interest that saw the distribution of $302.8 million to 389,986 members.

Growth in fixed income securities, cash & cash equivalents and commercial lending was noted while the properties portfolio contracted due to the impact of the current subdued economic condition on the market valuation of properties.

Some investment highlights for 2021 are;
1. ATH Share acquisition
2. Commercial loans
3. Acquisition of the QBE Insurance Property

Fixed Income

Investments in fixed income securities has been the backbone of our investments portfolio with its low risk features and steady flow of income. Over the year, tough competition from other investors and reduced interest rates was a concern. The reduction in interest rate is a result of high liquidity levels. However, the Fund managed to maintain our investments in bonds, which contributed towards the interest credit to member balances.

Government Securities

The Government bonds portfolio increased from $3.4 billion in 2020 to $3.5 billion in 2021. The increase was due to investments exceeding maturities. Total investments in Government bonds was $282.8 million compared to maturities amounting to $148.96 million. The increase in investments was a direct result of Government's initiative to cushion the impact of the pandemic on the economy.

The bond rates fell during the year. The 15-year bond rate closed at 4.8% at 30 June 2021 compared to 6.25% at 30 June 2020. The 20-year bond rate closed at 5.25% at 30 June 2021 compared to 6.75% at 30 June 2020.

Quasi-Government Securities

The quasi-government securities portfolio consists of investments in statutory bodies such as Fiji Development Bank (FDB), Energy Fiji Limited (EFL), Housing Authority of Fiji (HA) and Fiji Sugar Corporation (FSC). The investments in these bodies are guaranteed by the Government. The portfolio closed at $56 million in 2021 compared to $124 million in 2020.

The reduction in the overall portfolio was due to maturities noted from HA and FDB. In addition, some institutions took advantage of the low interest environment and redeemed their high-yielding bonds earlier to tap into the lower rates offered by commercial banks. As a result, most institutions did not float long-term bonds and no new investment were made by the Fund.

Treasury

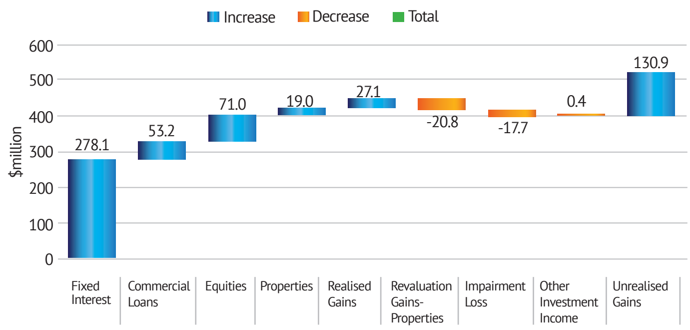
Our treasury function acts as the custodian of cash and cash equivalents ensuring adequate liquidity is availabile to meet our financial obligations. These include member withdrawals, operating expenses, investment payments and pension liability.

Liquidity in the banking system stood at $1,668.5 million against $751.8 million for June 2020. The increase is attributed to the reduction in currency circulation and higher foreign reserves. The Fund's cash holdings (cash & terms deposits) in June 2021 was $816.7 million compared to $693.9 million in June 2020. The increase is attributed to inflows from the sale of EFL shares in the last quarter of the financial year.

Local Term Deposits

The local term deposits decreased from $383.0 million last year to close at $215.5 million this financial year. The decrease was due to the redemption of term deposits for investments and member withdrawals.

Figure 9: Investment Income



Offshore Term Deposits and Cash

The offshore term deposit and cash portfolio closed at $71.5 million in the review period compared to $1.7 million in 2020. The increase is attributed to dividends from offshore equity investments and the injection of new funds approved by the RBF for offshore investment in Bank of the South Pacific (BSP) PNG shares.

Commercial Lending

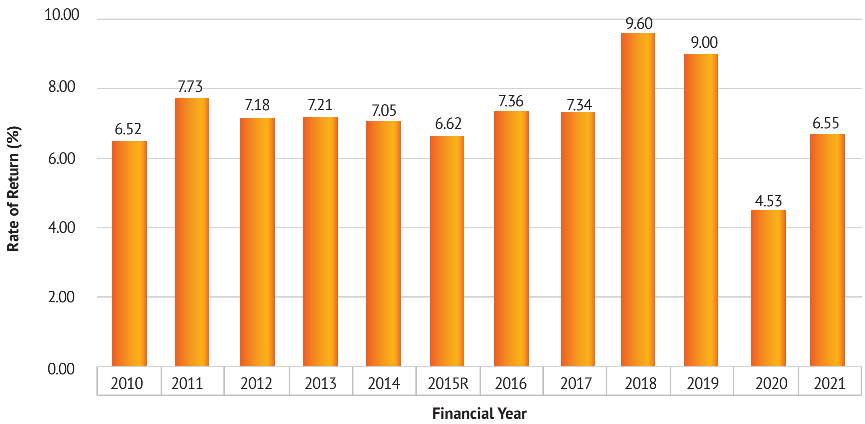
The commercial lending portfolio closed at $974.4 million (after impairment) compared to $889.3 million in 2020, equating to a growth on portfolio (net of impairment) of 9.57%.

The portfolio felt the impact of subdued demand for borrowing following the second wave of the pandemic.

Loan accounts with exposure to the aviation and tourism sector continued to feel the prolonged impact of the pandemic due to the closure of borders and restrictions on travel. As such, repayment relief put in place in 2020 were extended for an additional year. Despite these challenges, the portfolio managed to grow both its size and income. Total income for the year was $53.1 million compared to $45.8 million last year, a growth of 15.94%.

As per requirements of IFRS 9, the portfolio was assessed for impairments based on an expected and forward looking credit loss model as opposed to an incurred loss basis.

Figure 8: Return on Investment Gross



Equities

Local Equities

At the end of financial year, the local equities portfolio totalled $1.72 billion, a decrease of 2.1% in comparison with 2020's $1.76 billion. The decrease was mainly driven by the divestment of FNPF's 20% stake in EFL and other smaller divestments in line with the Fund's strategy to actively assess and enhance value of its current portfolio.

Moreover, additional investment of $46 million was poured into Amalgamated Telecom Holdings (ATH) via the ATH share rights issue. A capital injection of $5.7 million was also allocated to our subsidiary; Health Care (Fiji) Pte Limited, which is a Public Private Partnership for the Lautoka and Ba hospitals. Added to this were some dividend re-investments undertaken during the financial year.

Dividend income from the local equity portfolio totalled $36 million as opposed to $41.9 million in 2020. This is a reduction of about 14.2% driven mainly by extensive trading in a COVID-19 environment, which reulted in negative knock-on effects were felt in the other sectors such as wholesale & retail, financial sector, telecommunications and infrastructure assets, amongst others.

Furthermore, the Fund's annual fair value movements in subsidiaries and associates declined. The revaluation of the Fund's hotel subsidiaries took a further dip from 2020. However, the telecommunication, financial and infrastructure sectors were less volatile and contributed to the stability of overall returns as a result of having a diversified local equities portfolio.

Figure 10: Local Equities

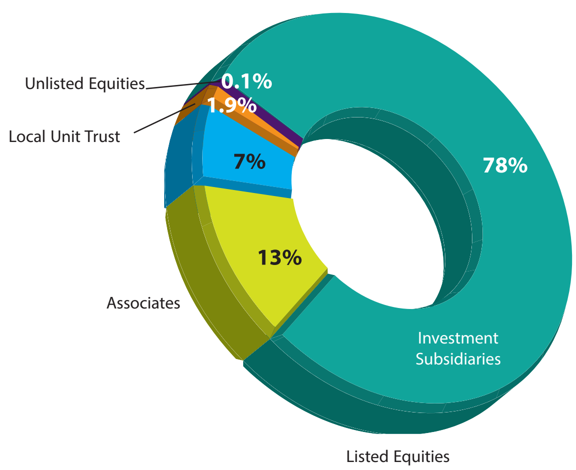
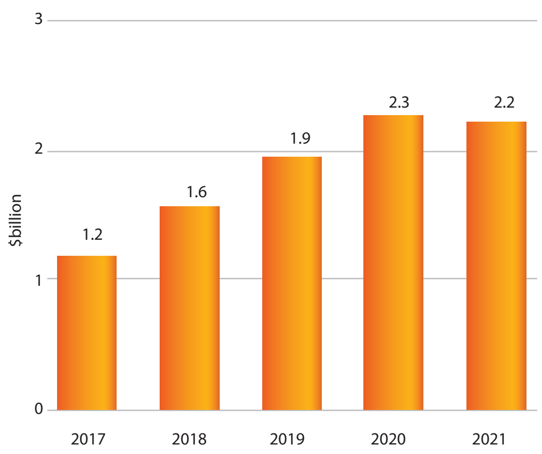


Figure 11: Total Equities Portfolio

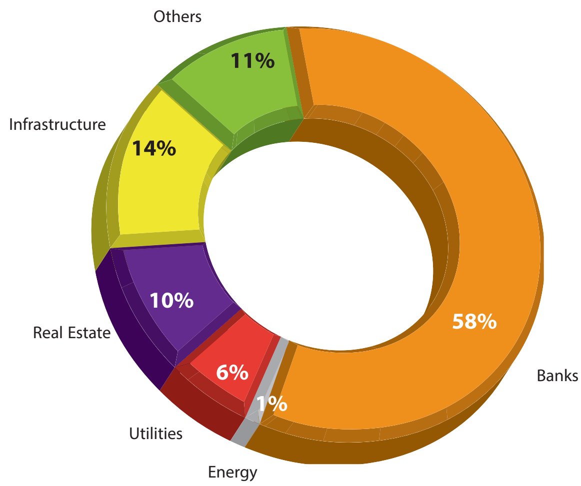


Offshore Equities

The offshore equities portfolio increased from $463.6 million in 2020 to $503.8 million in 2021 a growth of around 8.7%. The change is predominantly driven by the additional investment into the Emerging Asia Fund of circa $20.1 million and unrealised capital gains of circa $20 million from Martin Currie Australia portfolios and BSP.

Dividend received in 2021 amounted to $35.1 million compared to $36.8 million for last year; a decline of 4.6%. This has been mostly due to the reduction in dividends received from BSP as a result of COVID-19.

Figure 12: Offshore Sector Exposure



The acquisition of the QBE Insurance Arcade building further adds to the Fund's overall property portfolio which now stands at 29 properties.

Properties

The property portfolio consists of 29 properties, 19 of which are commercial properties leased for retail and office use and 10 vacant land held under the land bank with potential for future development.

For the year ended 30 June 2021, property portfolio value closed at $431 million compared to $440 million in 2020. The reduction is the impact of the current subdued economic condition on the market valuation of investment properties resulting in a 5% loss on the overall fair value.

There was overall growth on leasable area following the acquisition of QBE building in the year and the successful completion of My FNPF Centre in Nadi with a 68% occupancy status.

Occupancy rate for the property portfolio was 92% and portfolio income was $19 million compared to $19.6 million in 2020. The reduction in income is attributed to the rental relief of $1.27 million provided to tenants for the year ending 2021.

As the economic climate persists, the vacancy levels would not drastically improve. The same is true for rent serviceability by tenants. However, we will continue to explore investment opportunities that will provide strategic growth options.

Projects

Sheraton Refurbishment Project

The refurbishment for Sheraton Fiji is due for completion in November 2021. The refurbishment covers all facilities at the resort including the construction of a new sea wall to protect the newly upgraded property. The resort will be better placed competitively, offering superior products and services when compared to other hotels in the same vicinity. The closure of borders and low occupany was an opportune time for the Fund to upgrade the resort. Marriott will be responsible for the hotel operation after the full completion of the renovations.

Westin Upgrade

Construction of the Westin mock up room progresses with target for completion in October 2021. The main focus for Westin would be the refurbishment of the mock up room and roof works. The Tender process for phase 1 works for Westin is expected to commence from October 2021 with a maximum of 12 months' construction period.

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

InterContinental Fiji Golf Resort & Spa · Marriott · Grand Pacific Hotel · Holiday Inn Suva · Sheraton Fiji Resort · Vodafone · Fintel Beyond the Call · ATH · tfl · yellow pages · HFC Bank

CASE STUDY

Why Superannuation Funds invest in Government Securities

Bonds are most commonly traded as Government securities. Bonds can be a significant part of any superannuation fund's investment profile particularly when it comes to long-term investments.

More specifically, Government bonds are a key strategy to diversify investment portfolios and to reduce risk. The tenure of government bonds ranges from 5 to 40 years. Such maturity terms are accommodative to investment needs of Funds' whose member retirement profiles match and require such long term earnings.

Investing in Government bonds provides guaranteed returns and are less risky than other assets. There are market related risks associated with government bonds, but holding the bonds until maturity can nullify these risks. The bonds issuer pays fixed interest rates on bonds and by remaining invested in government bonds until maturity, investors can derive maximum yield. The bonds portfolio is largely stable and perform well when other asset classes are under pressure.

FNPF's investment strategies have been aligned to its member's retirement profiles and have proven to be successful since the early 1970's.

For individuals, bonds are especially popular if they are looking to save money for a long-term goal. For example, you might buy bonds when you are in your 20's or 30's to afford a little extra cushion for your retirement. You might also buy bonds for your children to cash out for college or a home during adulthood. However, individuals lack the capacity to accumulate substantial funds to invest generally. Institutional investors have capacity to accumulate money and therefore Funds have largely participated in making bond investments.

From $10.7 million in 1970, the Fund's investments portfolio has grown substantially to $8 billion in 2021. This growth is a remarkable achievement. (see Figure 13)

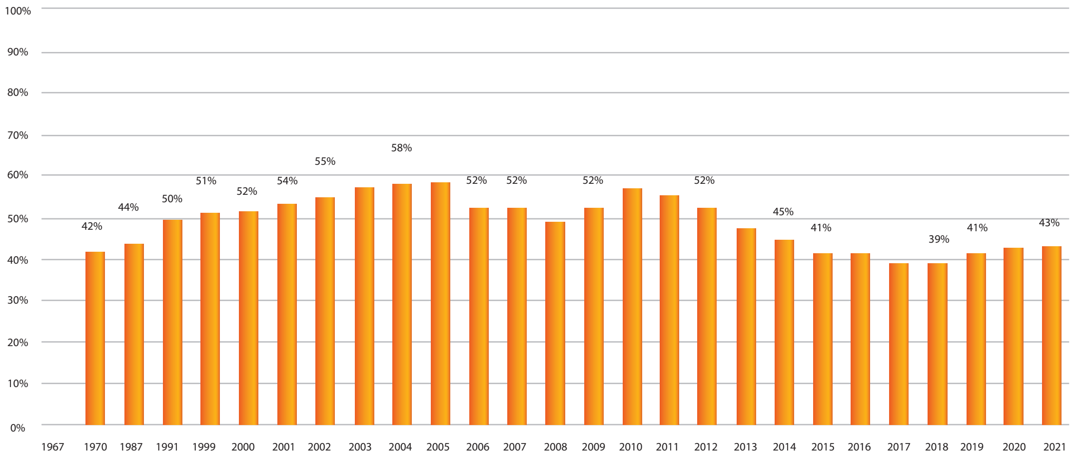
Over the years, the Fund has successfully managed to grow all types of its investment portfolios. Growth asset and non-statutory asset investments have grown faster than investment in Government securities. In 2021, 43% of investment portfolio were in Government securities and 57% comprised growth assets, commercial lending and cash holdings. In comparison to the 2004, Government securities comprised 58% of all investment portfolio and this reduced to 43% in 2021. This strategic shift is a result of the Fund's assets allocation strategies.

As shown in Figure 14, Government securities consists of bonds, treasury bills and RBF notes and are net of provisions. Holdings in Government securities in proportion to investment portfolio have reduced since 2010 when the Fund embarked on growth investments to increase returns.

Like many superannuation funds around the world, FNPF investments in Government securities bring lucrative returns. Bonds investments have undeniably been a substantial contributor towards the annual interest declared and distributed to members. This stream of income has been fixed and guaranteed which enable the Fund to secure long term financing of member retirements.

Figure 13: Composition of Govt Securities in FNPF Investment Portfolio

Figure 14: Composition of Govt Securities in FNPF Investment Portfolio



For FNPF, a diversified portfolio has proven to be a successful investment strategy. This is a story that FNPF members should know to appreciate the sources of returns on their funds, and how these investment strategies grow their funds.

Contribution rates have generally increased over the life of the Fund. Such increases have led to a boost in cash inflow streams demanding secured returns. The Fund has actively invested these inflows into desired investment portfolios.

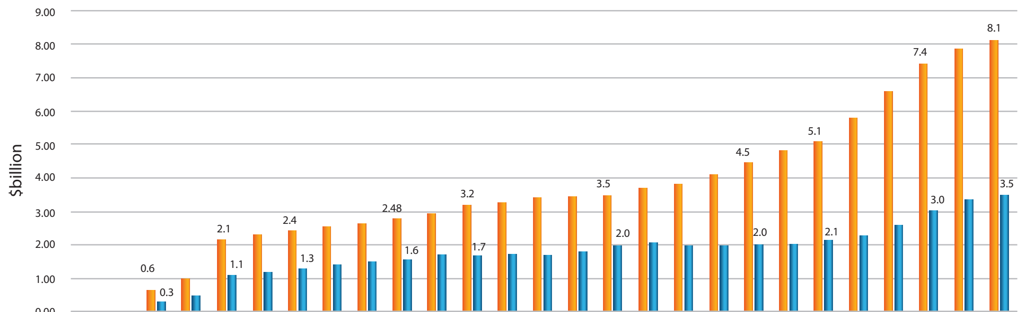
Apart from the $3.5 billion worth of Government securities in 2021, the Fund also held $4.6 billion of other investments. Government securities are growing at a reducing rate and growth asset investments are growing at an increasing rate. This is evident in Figure 15.

Government securities enhances cash flows with a fixed rate of interest paid bi-annually until the bond's mature. Returns are not only accrued but received throughout the investment period.

Steady returns from Government securities helped offset the volatility of equity prices. The COVID-19 downturn and economic crisis bear witness to this.

We are fair to our members. Member's funds are invested in bonds which have low risk of default. These are safe investment that provide security of funds for all our members.

Figure 15: Government Securities in Investment Portfolio



	1967	1970	1987	1991	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Investment Portfolio	0.00	0.01	0.6	1.0	2.1	2.3	2.4	2.5	2.6	2.8	3.0	3.2	3.3	3.4	3.4	3.5	3.7	3.8	4.1	4.5	4.8	5.1	5.8	6.6	7.4	7.9	8.1
Government Securities	0.0	0.0	0.3	0.5	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.7	1.7	1.7	1.8	2.0	2.1	2.0	2.0	2.0	2.0	2.1	2.3	2.6	3.0	3.4	3.5

Government Securities portfolio has had steady returns and growth

Enabling our Services

Infrastructure Revamp

A major upgrade to the latest technology stack of the IT Infrastructure was completed during the year. The upgrade included its servers, networks, security, storage and backup systems.

This upgrade enabled the Fund to provide the foundational platform for its Digital Strategy. It would ensure that services are maintained and that systems and data are secure.

Member Digital take up

Member digital take up increased by 91,129 from 2020 to 2021 and 74% of the applications received via digital platforms for processing. This resulted in improved processing accuracy and faster response times.

Furthermore, the improved digital take up helped with the Fund's operation during the movement restrictions and imposed safety protocols later in the financial year.

Robotic Process Automation

The Fund leveraged on utilising the robotic process automation (RPA) technology in 2020, on this innovation. RPA became the preferred solution for many of the COVID-19 related assistance.

Up to 74% of the total applications received were processed and paid out through robotic process automation (RPA). This allowed staff to focus on managing exception cases and promptly resolving member queries.

Employer Portal Revamp

The FNPF Employer Portal serves as the digital window for the collection of contribution for members. It is critical tool for the Fund, and we are pleased to report that 96% of our employers are now on board – registered and enabled to use the portal.

A total revamp of the portal was done using the latest technology stack. The pilot phase was launched in March 2021 and the remaining phases will be completed in 2022.

Mobile Technology

Mobile phones usage has grown significantly in Fiji over the last 12 months. FNPF leveraged on this growth as it used the myFNPF app to introduce various COVID-19 relief schemes.

This helped mitigate the health concerns on travelling and social distancing during the pandemic. In addition, it also saved members time and money from having to travel to their nearest FNPF office and also resulted in a faster turn-around time in processing their applications.

Members were able to monitor the progress of their applications from their phones. The myFNPF app is arguably the local app with the most number of users with about 163,393 active users compared to all other mobile apps used in Fiji.

Housing Moratorium Assistance

The Fund responded to the need of members for assistance with their Housing Loans. To ensure that this was an efficient and effective process, technology solutions were provided to lenders to on-board member applications through the Employer Portal.

Agile and Responsive System

New business requirements were developed regularly by the Fund to respond to members' needs. All these new requirements required technology to ensure that these changes could be implemented efficiently.

The Fund had to find ways in which it could quickly turnaround solutions without comprising the quality of our service. Our software development process had to adapt an agile software development methodology as well as a rapid application development method to respond to the needs of the Fund and our members.

Live Chat Introduced

To assist with the lockdown situation, a live chat function was also implemented during the year. In the first four days of implementation, a total of 1951 chat sessions were completed successfully, with the second day peaking at over 830 chat session. Many of our members have engaged the Fund through live chat and have become advocates to others as well.

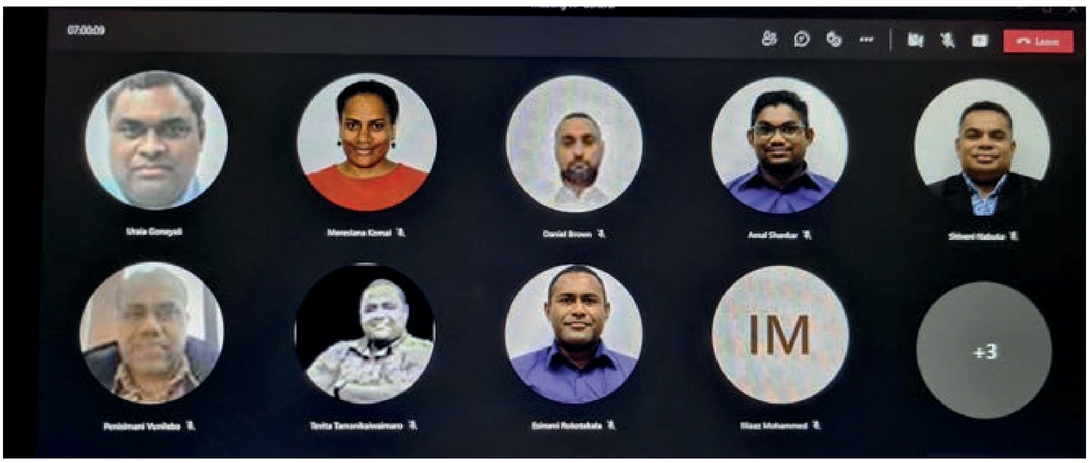
Data Intelligence

The Fund continued to capitalize on its data to provide insights and guide the decision-making process in relation to new products and continued improvements to existing services.

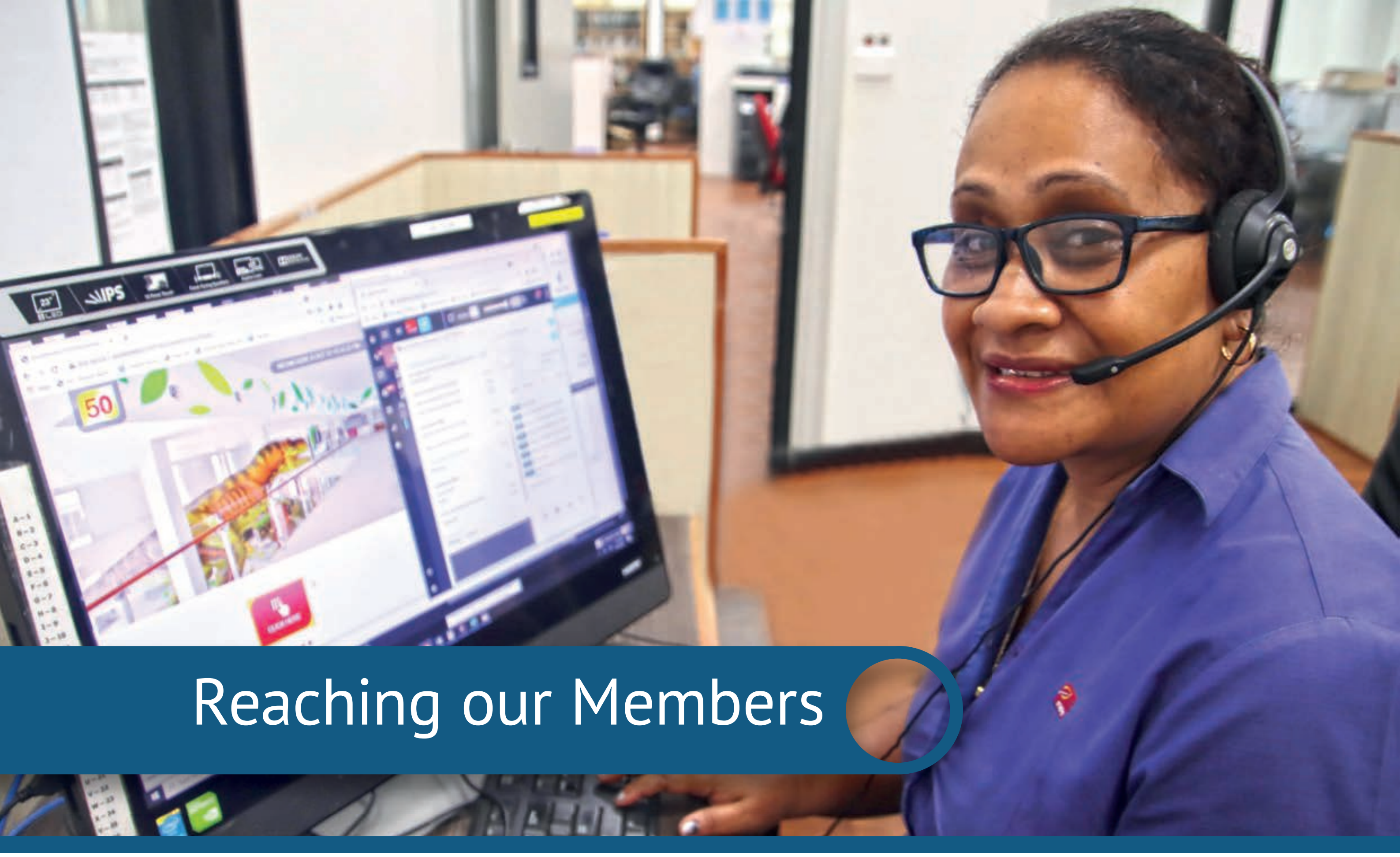
This has enabled improved turnaround times for making key decisions.

Work from Home

With the COVID-19 pandemic requiring staff to work from home, the Fund's IT systems and infrastructure capabilities were tested to deliver. Staff were able to conduct almost all services remotely from their home. Even the end of financial year 2021, interest crediting process was successfully completed remotely. This showed the capability and stability of the IT Infrastructure, reflecting how the Fund had grown digitally.



The Microsoft Teams application proved to be an effective online communication platform for staff in 2021.



Reaching our Members

COVID-19 products formed the core of our communication efforts this financial year. With various segments of the Fund's membership impacted by the pandemic, implementing targeted communications was critical.

As the Fund suspended its walk-in services due to health restrictions, a majority of the Fund's efforts focused on providing the necessary information online, as social media became the digital platform of choice for most members.

The Fund provided information and product support to members using the following platforms:

- frequent email blasts to members and employers
- hosted webinars and live question & answer sessions on Facebook
- consistent updates on social media
- press conferences hosted by the CEO & executives
- media releases
- extensive use of radio as a medium to broadcast urgent messages via 8 stations
- provided step-by-step video tutorials on the Unemployment relief & myFNPF mobile app
- developed print materials in the main vernaculars (Hindustani and iTaukei languages) that was also pushed out on social media

The Fund's official communication channels were inundated with queries and follow-ups from members. To help alleviate the ongoing demands from members, the Fund launched a livechat facility on the FNPF website.

The Fund also introduced a mobile short-code 5857 for members to call for queries, easing the tariff charges for Vodafone and Digicel mobile users who would have otherwised called FNPF's landline, 3307811.

Media support and collaboration was critical during the year to ensure effective COVID-19 communications. FNPF held 5 press conferences and issued 35 media releases that generated around 70 mentions during the year.

Strategic Communications

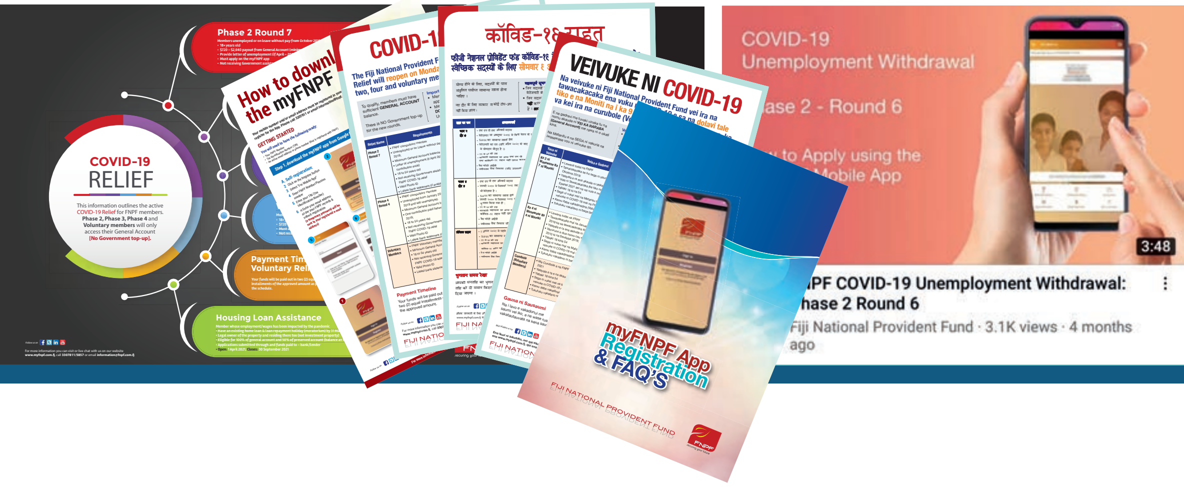
As a form of reassurance for members, the Fund rolled out a proactive strategic communications program in 2021 that addressed recurring issues that resulted in negative publicity.

Executive management were guests at radio and television talkback shows, responding to topics that questioned the liquidity and solvency of the Fund, sustainability, investment in Government bonds and supposed fraying of member confidence.

In addition, the Fund also produced 2-minute social media clips and monthly articles to help members gain a better understanding of these issues.

We plan to increase member engagement initiatives to ensure they are not easily swayed by individuals or groups with ulterior motives to discredit the Fund.

Facebook	Twitter	LinkedIn
65,719 followers	*2,453 followers*	*11,197 followers*



Annual Member Forum

As stipulated in the FNPF Act, the Fund held four forums during the financial year to discuss the Fund's financial performance with its members.

Doors to the new myFNPF Centre in Nadi were opened to members for the Nadi forum. The other forums were held in Suva, Lautoka and Labasa. About 550 members were in attendance and 40,000 more watched the facebook livestream sessions.

Advocacy & Awareness

A total of 49 awareness sessions, attended by 1,733 members, were conducted during the year. The Fund also hosted a retirement expo in October 2020.

The Fund will roll out a comprehensive awareness plan in the coming year to encourage members to save more and replenish funds they have withdrawn through the COVID-19 Unemployment relief benefits.

Website users

myfnpf.com.fj

page views
2,008,197

Recorded users
373,879

Email Subscribers

172,524
Members

11,281
Employers

1,905
Pensioners

Online Portal users

12,224 Employers

Members 46,395

*MyFund (*567#) users*

26,269

myFNPF Mobile App installs

163,393

Managing our Risks

Prudential Supervision

The Fund continued to work with the Reserve Bank of Fiji (RBF) with the facilitation and provision of information for its offsite monitoring, quarterly prudential consultation meetings and updates on onsite examination recommendations.

The RBF conducted an onsite assessment during the year focusing on the Board's conflict of interest review and culture and conduct risk. This review is to ensure the Fund's governance mechanisms are aligned to the regulatory standards, and are compliant with the policies of the Fund.

FNPF also continued to collaborate with the financial intelligence unit in accordance with the regulatory guidelines and policy advisories.

As part of the stakeholder consultation, the Fund also participated in the review of the superannuation supervision policy statement no. 1 on the minimum requirements for corporate governance for FNPF. The revised prudential standards will be incorporated into the Fund's policies once finalized and issued by the RBF.

Compliance Management

The Fund's compliance management framework provides the mandate for compliance to legislations, prudential guidelines and supervision statements. Although there were disruptions to the performance of the function due to diversion of resources for the COVID-19 member assistance, the oversight role was carried out as follows:

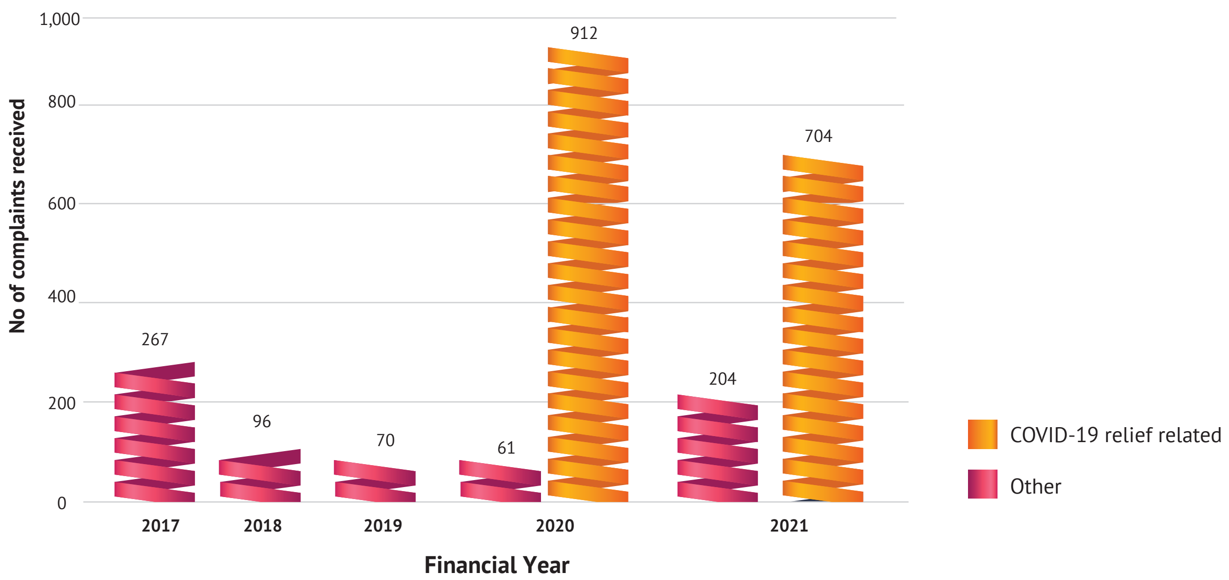
i. Analysis and reporting on the annual declaration of interest by Board, management and staff. The process was managed using a digital platform with little interaction with staff;
ii. Monitoring and reporting of cash transactions reports and suspicious transactions reports to the financial intelligence unit for further investigation and analysis;
iii. Regular reports to management on financial transactions and coordination of due diligence mechanisms for assurance and in line with the know your customer requirements established under the FTR guidelines.
iv. Facilitated RBF on-site examinations and review of targeted areas during the year;
v. Joint effort compliance check on the Fund's digital platform used to on-board members as part of its digital strategy
vi. Facilitated the FY2021 risk review assessment for compliance and operational risks; and
vii. Review of compliance elements for the subsidiary governance of hotels.

Risk Management

The challenges brought on by the COVID-19 pandemic led to identifying and monitoring of new and emerging risks in the ever-changing operating environment.

The level of complexity and uncertainty of the changing scenarios required frequent review of the Fund's top risks, continuous oversight of operational risks and risk assessments on projects and other initiatives undertaken by the Fund.

Figure 16: Complaints Trend for the past 5 Financial Years



Members continued to visit FNPF offices despite constant advisories from the Fund to access sevices online.

The Fund embarked on an independent review of our risks to provide added assurance to the Board that the risk universe is adequately scanned and mitigation plans were established; as a result of the COVID-19 pandemic.

The exercise is expected to identify areas of improvement in risk management.

Business Continuity Planning (BCP) was critical in the successful delivery of the Fund's operations in the COVID-19 environment, especially during the second wave of the pandemic. Relevant protocols for COVID-19 operations were established including the facilitation of a fully-fledged "work from home" BCP simulation test in November 2020.

This allowed the Fund to manage its key functions remotely, and meet stakeholder expectations.

A lockdown plan was also developed outlining the Fund's response to certain indicators pertaining to COVID-19 inclusive of a nationwide lockdown. The plan served as a guide for managing system readiness and the continual delivery of critical services to our members

Policy & Governance

FNPF continued to revise policies and strengthen governance mechanisms to ensure alignment to the organization's corporate values, culture and strategic themes during the year.

Regular assessments were conducted on the Fund's governance mechanisms, as well as the Board's oversight of our operations.

A notable contribution was the assessment of the Fund's governance position during the pandemic scenario and operating environment.

The assessment noted that the Board governance status was strong, with continuous oversight over the organization's functions. Similarly, the governance of hotel policy and structure was also formalized for the FNPF hotel's board committees, to allow standardised reporting and monitoring of hotel operations

Complaints Management

The Fund ensures that issues raised by members, pensioners, employers and stakeholders on its operations and policies are managed promptly and satisfactorily within the stipulated turnaround time. Figure 16 shows the complaints trend for the past five financial years.

Analysis on root causes for complaints were assessed to enable the Fund to improve on areas with recurring complaints. Quarterly reports were also provided to the RBF in accordance with the regulatory requirements.

The Fund encourages a positive and open working relationship within departments to ensure ownership of complaints resolutions.

The evolving risks stemming from the COVID-19 pandemic required internal audit agility to deliver key objectives.

The key areas of focus for Internal Audit (IA) during the financial year were as follows:

- Members services for COVID-19 assistance;
- Project management and governance for investment and IT;
- Information ad cyber security
- Credit risk- commercial lending investments

The voluminous processing of COVID-19 unemployment withdrawals resulting in a substantial outflow of funds in member payments, required continuous audit monitoring through on-going data analytics.

Data analytics enabled real-time monitoring and a wider net of compliance checks as opposed to conventional methods of sample selection. A total of six (6) reviews were carried out during the year on the various phases of COVID-19 Relief assistance.

Our challenges varied from working with available resources, reassignment of staff to member services, delays in provision of internal audit requests and keeping up with the pace on the implementation of various projects.

Dedicated and collapsible audit teams were assigned to various projects, leveraging on specialized staff competencies and technology, communication platforms and the continuous monitoring of audit projects was key to achieving objectives and meeting challenges.

The Fund plans to strengthen the monitoring of operations by enhancing IA exception reports and cyclical reporting. Opportunities exist on working closely with the risk management function to provide combined assurances on certain Fund projects.

Audit of wholly-owned subsidiaries and hotel operations have also been planned in the 2022 thus filling the vacuum created from movement in resources and recruitment of specialized skillset.

Audit Status	Count
Audit/Investigations planned (AWP)	50
Audit/Investigations completed	43
Audits in Progress (planned)	9
Investigations (unplanned)	27

Ron Khan and Sanivalati Vukinagauna of Divine's Kitchen.

A group of friends, who once plied their trade in the tourism sector, pooled their skills during the COVID-19 pandemic to establish a catering business called **Divine's Kitchen.** Based in the Western Division, the popular catering business provides hearty home-cooked meals to more than 100 customers each week! Group member, Ron Khan said when FNPF rolled out its pandemic unemployment assistance, they decided to utilize part of the fortnightly assistance to kick start their business.

Divine's Kitchen

Our Governance

The Board

The FNPF Board is given the responsibility under the FNPF Act 2011 to govern the Fund and exercise oversight on the administration of the organization.

The functions and role of the Board are set out in Section 6 of the Act. Board members are appointed by the Minister for Economy in accordance with Section 7 of the Act, subject to a fit and proper assessment by the RBF.

The Board comprised six directors with Daksesh Patel and Sanjay Kaba continuing as Chairman and Deputy Chairman respectively Joel Abraham, Mukhtar Ali, Kalpana Lal and Makereta Konrote were members.

Ms Konrote left the Board following her resignation from her position as Permanent Secretary for Economy on 15 February, 2021. Acting Permanent Secretary for Economy, Shiri Gounder was appointed to the FNPF Board on 16 March, 2021 to replace Ms Konrote.

In exercising its roles under the law, the Board is governed good governance requirements in place to manage conflicts of interest and delineated powers and responsibility of the Board and the management.

The RBF is mandated by law to conduct regular and periodic reviews to ensure the appropriate performance of the Board are in compliance with good governance practices.

The Board further comprises four board committees which also provide technical support and advice on pertinent matters submitted by Management for Board decision.

The Board committees includes Independent members who are experts in the relevant fields of these subcommittee.

The powers of the Board to establish these committees are set out under section 16 of the Act and the FNPF Regulations, 2014. The Board has established committees on audit and risk, human resources, investments and information technology.

The committees convene on a quarterly basis or as required to deliberate on specific matters recommended by management before these are tabled to the Board for decision.

Table 2: Board and Board committee meetings and attendance in 2021

Board Members	BOARD		BARC		BIC		BHR		BIT	
	No of meetings		No of meetings		No of meetings		No of meetings		No of meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
1 July 2020 to 31 June, 2021										
Mr Daksesh Patel (Chair-man)	13	12								
Mr Sanjay Kaba (Deputy Chairman)	13	12			5	4				
Ms Makereta Konrote*	13	5					5	4		
Ms Kalpana Lal	13	13	5	5	5	5				
Mr Mukhtar Ali	13	13	5	4	5	5				
Mr Joel Abraham**	13	10					5	1	4	4
Mr Shiri Gounder***	13	1								
Other Board Committee Members										
Board Committee Members			BARC		BIC		BHR		BIT	
			Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Taito Waqa****							5	1		
Ms Thelma Savua *****							5	3		
Mr Kameli Batiweti							5	5		
Mr Geoffrey Rashbrooke			5	5						
Mr Gitesh Nair			5	4						
Mr Nacanieli Rika			5	4						
Mr Timoci Tuisawau									4	2
Mr Vilash Chand									4	3
Mr Chinthake Ranasinghe									4	3
Mr John Magnifico									4	4
Ms Emily Yalimaiwai					5	1				

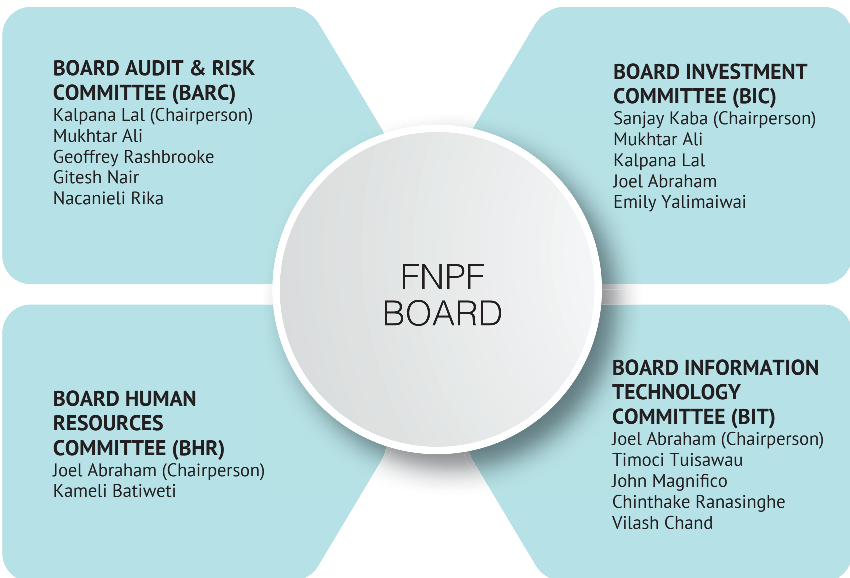
*__Ms Makereta Konrote__ vacated her position on the Board and Board HR committee on 15 February, 2021.

**__Mr Joel Abraham__ was appointed Chairman of the Board HR committee to replace Ms Konrote. Director Abraham attended only one meeting as a result of his appointment late into the financial year.

*** __Mr Shiri Gounder__ was appointed on 16 March, 2021.

****__Mr Taito Waqa__ resigned from the Board HR committee on 12 October, 2020.

*****__Ms Thelma Savua__ resigned from the Board HR committee on 5 March, 2021.



Board of Directors

Mr Daksesh Patel

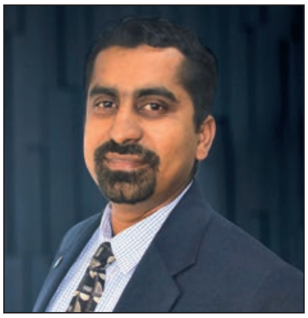
Since January 2020

Mr Sanjay Kaba

Since January 2020

Mr Mukhtar Ali

Since January 2020



Mr Shiri Gounder

Since March 2021

Mr Joel Abraham

Since April 2019

Ms Kalpana Lal

Since April 2019

Mr Daksesh Patel - Chairman

Mr Patel was born and raised in Ba. He was the InfraBuild CEO from October 2019 to July 2021, helming the business during a time of transformational change. As CEO, he led transformation activities to arrest the business's performance trajectory, setting the foundation for optimization and establishing a platform for future growth.

He is a current Director of InfraBuild, Australia's largest vertically-integrated long steel manufacturer, as well as a member of the global LIBERTY Steel Group Board. He founded Mesh & Bar, Australia's largest independent steel reinforcing company, in 1988.

He has extensive leadership experience in the Australian steel industry, in manufacturing, retail and governance and has held senior leadership roles in privately-held businesses operating throughout the Oceania region.

He is the current Chairman of EFL.

Mr Sanjay Kaba - Director

Chairperson of the Board Investment Committee. He has vast experience in project development, project management and planning and civil/structural engineering.

He is also a director of Vodafone Fiji Limited.

He is a professional member of the Australian Institute of Engineers and the Fiji Institute of Engineers.

Mr Muktar Ali - Director

Member of the Board Audit and Risk Committee and of the Board Investment Committee. Mr Ali is the Executive Vice President and Chief Credit Officer of the Community Bank of the Bay in Oakland, California, USA.

He is an expert in enhancing profitability, developing strategic lending initiatives and has vast knowledge in banking regulations.

Mr Joel Abraham - Director

Chairperson of the Board Human Resources, Board Information and Technology Committee and Member of the Board Investment Committee. He has extensive experience in the areas of accounting, business advisory, compliance, finance, regulatory, and research.

He is a member of the Australian Institute of Company Directors, Association of Certified Fraud Examiners, CPA Australia, and a Chartered Accountant.

Mr. Abraham holds a Master of Commerce in Professional Accounting, Master of Arts in International Relations and Diplomacy and, Post Graduate Diploma in Climate Change, Post Graduate Diploma in International Relations, Post Graduate Diploma in Public Law and Bachelor of Commerce in Accounting and Economics.

Mr Shiri Gounder - Director

Mr Gounder is the Acting Permanent Secretary for Economy and has over 15 years of professional experience in the areas of national budget formulation, taxation & customs policy, public financial management, macroeconomic policy and strategic management.

He is also a Director of the Reserve Bank of Fiji, Fiji Revenue and Customs Service, Energy Fiji Limited, Unit Trust of Fiji and Fiji Investment Corporation Limited.

Mr. Gounder holds a Master with Distinction in International and Development Economics from the Australian National University, a Post Graduate Diploma in Economics and a Bachelor of Arts Degree in Economics & Accounting from the University of the South Pacific.

Ms Kalpana Lal - Director

Chairperson of the Board Audit and Risk Committee and a member of the Board Investment Committee.

She has extensive experience in financial reporting, management of procurement processes & other related functions, the review and compliance of financing contracts, consultancies and local subsidiaries.

Ms. Lal is a Fellow of CPA Australia and a professional member of Australian Institute of Company Directors, Fiji Institute of Accountants and the Association of Certified Fraud Examiners.

She holds a Master in Business Administration with Distinction from Deakin University, Australia, CPA from CPA Australia, Bachelor of Arts Degree from the University of the South Pacific in Accounting, Financial Management and Information Systems and is a graduate of Fiji Directors Course with AICD.

Executive Team

Mr Viliame Vodonaivalu

Chief Executive Officer

- Master in Applied Finance (University of Melbourne, Aust)
- Post Grad Diploma in Accounting & Finance (Victoria University of Technology, Aust)
- Bachelor of Arts (Accounting & Info Systems)(USP, Fiji)
- Diploma in Applied Statistics & Data Processing (USP, Fiji)
- Certified Treasury Professional (Australian Finance & Treasury Professional)

Mr Pravinesh Singh

Chief Operating Officer

- Post Grad Diploma in Commerce (USP, Fiji)
- Bachelor of Arts (Accounting, Financial Management & Economics)(USP, Fiji)
- Member, FIA (Chartered Accountant)
- Member, FIA Council
- Member, CPA Australia

Mr Tevita Lomalagi

Chief Financial Officer

- Bachelor of Arts (Accounting/ Economics)(USP, Fiji)
- Member, FIA (Chartered Accountant)
- Member, CPA Australia

Mr Rukshan Rajapaksha

Chief Information Officer

- Master of Science (University of Keel, UK)
- Professional Graduate Diploma (British Computer Society, UK)
- Member, Chartered Member of British Computer Society (UK)
- PRINCE2® Certified Project Manager.
- ITIL® Certified Service Management

Ms Millie low

General Manager Business Transformation

- Master in Public Policy (Victoria University of Wellington, NZ)
- Bachelor of Arts (Business Studies Accounting)(USP, Fiji)

Mr Alipate Waqairawai

General Manager Member Services

- Bachelor of Business (Banking & Finance - Victoria University of Technology, Aust)

Mr Uday Singh

General Manager Corporate Governance

- Master of Development Economics (Dalhousie University, Canada)
- Bachelor of Arts (Economics and Management)(USP, Fiji)
- Certificate in Quality Management (University of Hawaii, USA)
- Member, Australian Institute of Company Directors

Mr Ravinesh Krishna

Genral Manager Human Resources

- Master in Business Administration (USP, Fiji)
- Bachelor of Arts (USP, Fiji)
- Graduate Cert in Management (University of the Sunshine Coast, Aust)
- Certificate IV Training & Workplace Assessment (TAFE Western Sydney, Aust)
- Member, Australian Human Resources Institute

Our People

As a social security provider, in a challenging operating environment, the quality of our people and culture is crucial to the Fund's success.

The Fund's people have always been an integral part of this success and therefore, strengthening a positive and engaging employee experience, remains a management priority. The Fund has seen an increased collaboration, innovation and performance of our people, as measured by the Fund's Employee Engagement Survey.

Improving from a rating of 3.84 in 2018 to 3.95 (+0.11) is remarkable given the demanding environment the Fund's people were placed in 2021.

As well as investing in our people's skills, the Fund has created an enabling and supportive environment for our human assets.

A key milestone for the year was the delivery of key policies that allowed the Fund to quickly adapt to the new normal that has been imposed by the COVID-19 crisis.

A number of lessons were learnt from the aftermath of the first COVID-19 wave in March 2020 and the potential of a second wave of infections. Based on these assumptions, the Fund placed emphasis on policy and strategy implementation and staff engagement to mitigate risks.

These significantly cushioned the impact of the pandemic on our staff and essentially our service delivery to members.

The escalating number of COVID-19 infections from April 2021 presented challenges to staff who were in constant contact with members.

Regardless of the threat the virus imposed on staff and their families, the Fund continues to deploy solutions and manpower where needed to ensure services to affected members continued unabated.

Milestones

Key achievements regarding staff wefare and activities were as follows:

- implementation of the remote work policy enabling the Fund to ease in transition into remote work/work from home during the second wave of COVID-19;
- implementation of the succession planning framework to prepare the future leaders of the Fund;
- rollout of the security policy;
- increased staff engagement on percipio (online learning platform) from 1,352 in 2020 to 2,187 in 2021 (+61.7%);
- rollout of counselling services for staff. This was initially rolled out by seasoned experts and aimed at helping staff manage stressors posed by COVID-19 and other social issues;
- Health & wellness activities were implemented in the Fund and included: i) online Zumba, ii) online yoga, iii) corporate walks, iv) health checks v) CHIP programme which graduated 20 staff who lost on average +5kg over a month;
- charitable drives in partnership with relevant development agencies. This included donations to i) WOW's Kids Fiji, ii) TC Yasa Relief, iii) Movember Drive and iv) Gift a Kid a Shoe
- advocacy initiatives were introduced for issues like i) Prostate Cancer, ii) Violence Against Women, iii) Breast Cancer and iv) Cancer in Children
- support provided for staff during the second wave of COVID-19 infections.

The Fund's People

At the end of June 2021, the Fund had a total of 387 staff. A detailed summary of the staff welfare trends is reflected in table 3.

Table 3: Summary of staff welfare trends 2019 – 2021

ITEM	2019	2020	2021
Staff Numbers	466	398	387
Recruits	73	12	11
Exits	51	78	15
Labour Turnover (LTO) (all staff)	10.87%	16.32%	3.81%
Labour Turnover (permanent staff)	5.5%	2.5%	3.5%
Employment Relation (ER) Cases	21	14	34
Years of Service (YOS) (avg)	8	9	10
Age (avg)	36	37	38
Occupational Health & Safety incidents	10	3	2
Training Activities (Face to Face)	88	25	48
Training Cost	$697K	$270K	$48K
Percipio Cost	$100K	$100K	$80K
Percipio take up	61%	71%	74%
Courses Completed (Percipio)	952	1352	2187

The implementation of key staff welfare activities has resulted in the following:

- reduction in LTO by 77%;
- increased ER cases by 20 means leaders are actively monitoring their staff;
- increase in the YOS for staff by 11% reinforces staff belief in the work the Fund does for its members;
- absorption of in-house talent into management and executive positions respectively;
- increased uptake of Percipio by 1.8%;
- increase in the completion of Percipio material by 61.7%;
- reduction of OHS incidents.

Key Activities

The Fund plans to roll out the following initiatives the next year

- development of a disruption framework that would encompass measures to be followed during a disruption event (pandemics, epidemics, natural disasters etc.);
- review human resource processes to ensure its relevance dictated by changing environments and business needs;
- robust learning and development programmes;
- continuation of the Fund's succession planning programme to ensure talent are managed appropriately and leadership skills continue to be developed and sustained;
- continuation of containment efforts in ensuring the Fund continues to curb, control and manage COVID-19.

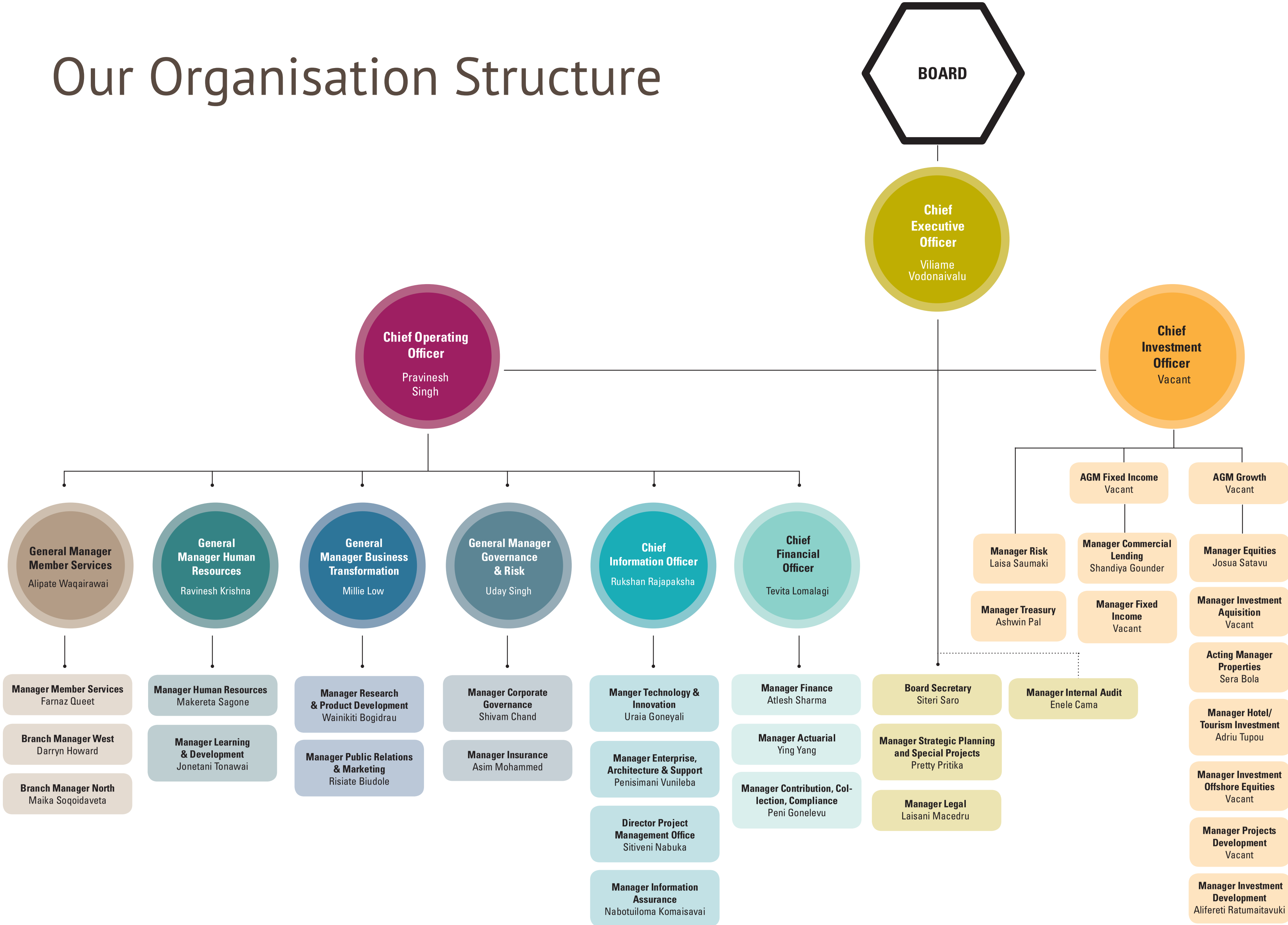
Looking Ahead

With learnings from the pandemic, the Fund will ensure that its people are ready and equipped:

1. to complement efforts for economic recovery;
2. to continue supporting members during this crisis; and
3. to adapt and to conform the Fund's business to this reality.

The Fund will need to work closely with our people and business leaders to ensure that it continues to drive its core mission, with a member centric focus and resilient leadership direction.

Our Organisation Structure



FIJI NATIONAL PROVIDENT FUND

Financial Statements
30 June 2021

Contents

Fiji National Provident Fund
Board Members' Report
For the year ended 30 June 2021

The Board members present their report together with the financial statements of Fiji National Provident Fund ("the Fund") for the year ended 30 June 2021 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. Daksesh Patel (Chairman)
Mr. Mukhtar Ali
Mr. Sanjay Kaba
Ms. Makereta Konrote (Resigned – 15 March 2021)
Ms. Kalpana Lal
Mr. Joel Abraham
Mr. Shiri Gounder (Appointed 16 March 2021)

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.

Going concern and impact of COVID-19

The Fund has prepared an assessment of its ability to continue as a going concern, taking into account all available information for a period of 12 months from the date of issuing the financial statements.

The continued impact of the COVID-19 pandemic has resulted in the Fund's operations experiencing challenging and uncertain times with the second wave of COVID-19 creating further uncertainty. Whilst the situation is evolving, the Fund remains confident that it will be able to continue as a going concern which assumes the Fund will be able to continue operating and realise assets and discharge liabilities in the ordinary course of business for the foreseeable future. In reaching this position, the following factors have been considered:

- The Fund has cash of $596.3 million as at 30 June 2021 and has adequate levels of liquidity through term deposits held with local banks of $215.5 million of which 98% or $210.5 million is maturing within 12 months.
- The Fund's exposure where the potential credit risk is more severe including hospitality and accommodation, tourism, transport and telecommunication is approximately 19% of the financial assets base as disclosed in note 3.1(b) under the heading "Concentration of credit exposure".
- The Fund has prepared for several scenarios assuming the COVID-19 pandemic continues for the next 6 and 12 months, stress testing operating cash flows and in all cases the Fund expects to remain sufficiently liquid and solvent.
- The outcome of all of the above leads the Fund to determine that the Fund's financial position is strong, and it will be able to meet its debts as and when they fall due for at least a period of 12 months from the date of the financial statements.

The financial statements have therefore been prepared on a going concern basis.

Operating Results

The net surplus attributable for allocation for the year ended 30 June 2021 was $496,552,000 (2020: $320,440,000).

Reserves

The Board approved the allocation of net surplus to member's accounts from the Fund's income statement as annual interest at a rate of 5.00% (2020:5.00%).

Bad and Doubtful debts

The Board members took reasonable steps before the Fund'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) The unprecedented uncertainty in the economic environment continued in FY2021 and the second wave of pandemic from April 2021 has caused further uncertainty in the Fijian economy. Actual economic events and conditions in future may be materially different from those estimated by the Fund at the reporting date. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have further adverse impacts to the fair value of the Fund's portfolio and a future price achieved if the assets are to be realised. At the date of the annual report, an estimate of the future effects of the COVID-19 pandemic on the Fund's portfolio cannot be made, as the impact will depend on the magnitude and duration of the economic downturn, with the full range of possible effects unknown.

Further considerations in relation to the COVID-19 pandemic are included in the going concern disclosure on above and expected credit losses, equity investments and properties valuations in notes 3.1(b), 14 and15 to the financial statements respectively.

(ii) During the year, the Fund disposed its total equity interest of 20% in Energy Fiji Limited, which was acquired in April 2020, to Sevens Pacific Pte Limited. The Government has also disposed 24% of its 75% of the shares in Energy Fiji Limited.

(iii) The Fiji Government, in collaboration with the Fund and in response to the COVID-19 pandemic, allowed members to access their General account held with the Fund. The members were eligible to withdraw through Phase 2, phase 3, phase 4, Voluntary member assistance, SME & Taxis and lockdown assistance during the second wave of the pandemic. The total payments for various COVID-19 assistance at reporting date amounted to $99,644,000.

(iv) Further assistance was provided to members in the form of housing mortgage relief. Members who were facing difficulties in making repayments were provided assistance. A total of 504 members have been assisted as of reporting date amounting to $5,310,273.

(v) FNPF exercised its rights to participate in the Amalgamated Telecom Holdings Limited (ATH) Share Rights Issue during the year. FNPF invested a total of $86 million in two separate approval tranches in July 2020 and between May to June 2021.

Events Subsequent to the Balance Date

(a) COVID-19 Pandemic
The unprecedented uncertainty in the economic environment continues post year end and it is difficult to predict what the eventual impact it may have on the Fund. Actual economic events and conditions in future may be materially different from those estimated by the Fund at the reporting date. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have further adverse impacts to the fair value of the Fund's investment portfolio of properties and equities and of future prices achieved if the assets are to be realised. It may also adversely impact the level of expected credit losses attaching to loans and advances, receivables and government securities and fixed interest securities and their final realised positions, as the counterparties will all experience their own impacts of COVID-19 on their business activities and cash flows.

At the date of the release of the financial statements an estimate of the future effects of the COVID-19 pandemic on the Fund's portfolio cannot be made, as the impact will depend on the magnitude and duration of the economic downturn, with the full range of possible effects unknown. The financial statements, however, reflect the best estimates of the Fund's Board and management based on the information available at the time of preparation.

Future changes in valuations, realised values and expected or actual credit losses are non-adjusting events at 30 June 2021 and will impact on the value of net assets available for members' benefit and on the income statement in future periods.

The Fund will continue to assess the impact of COVID-19 and take relevant measures to respond to the evolving environment. Further considerations in relation to the COVID-19 pandemic impact on equity valuations, investment properties valuations and expected credit losses at balance date and in future periods are included in the respective notes in the financial statements.

(b) Assistance to members
The final rounds of phases 2 and 3 were completed in July 2021 bringing to closure the partnership with Government subsidized COVID-19 assistance to affected members. The final date of phase 2 and 3 payment is 6th July 2021. A total of $88,762,003 was paid out from member's general account and $172,276,642 from Government top up towards unemployment benefits of affected members during the financial year.

(c) The Government in its 2021/2022 national budget announced the continuation of the COVID-19 assistance. This includes payments to members who have been unemployed or on leave without pay from October 2019, members whose wage rate and hours has been reduced and members who have been unemployed from January 2010 to September 2019 and still unemployed. As at 19th September 2021, a total of $10,289,000 has been paid as unemployment assistance.

(d) Amalgamated Telecom Holdings Limited's (ATH) Share Rights Issue
FNPF exercised its rights to subscribe to ATH's Share Rights Issue and acquired a total of 20,000,000 new shares at the share rights issue price of $2.00 amounting to $40,000,000. The shares were registered to FNPF in July 2021, whereby, FNPF would hold an equity interest in ATH of 72.7%.

(e) Vodafone Fiji Limited additional loan
During the year, the FNPF Board approved an additional loan of $60 million to Vodafone. As of 30 June 2021, the terms and conditions of the loan were under negotiation. VFL accepted the loan offer on 16th July 2021, legal documentation executed with first drawdown of $30 million made on 10th August 2021 while second drawdown of $20 million made on 20th August 2021.

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, the results of those operations or the state of affairs of the Fund.

Basis of preparation

The financial statements of the Fund 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 adequately disclosed in the attached financial statement.

Fiji National Provident Fund
Board Members' Report (continued)
For the year ended 30 June 2021

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's 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.

Actuary's certification

The Fund's Actuary has signed off on the liabilities and solvency of the RIF and SDBF and that interest credited to FNPF members will not place undue stress on the solvency of the FNPF on the basis of the valuation of assets undertaken at reporting date.

Board members' 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 statement) by reason of a contract made by the Fund or related corporation with the Board member or with a firm of which he/she is a member, or with an entity in which he/she has a substantial financial interest.

Dated at Suva this 30th day of September, 2021.

Signed in accordance with a resolution of the Board:

Chairperson

Director

Fiji National Provident Fund
Statement by Board Members
For the year ended 30 June 2021

In the opinion of the Board members:

(a) The accompanying income statement is drawn up so as to give a true and fair view of the results of the Fund for the year ended 30 June 2021;

(b) The accompanying statement of net assets available for benefits is drawn up so as to give a true and fair view of the state of the affairs of the Fund at 30 June 2021;

(c) The accompanying statement of changes in member benefits is drawn up so as to give a true and fair view of movement in member benefits of the Fund for the year ended 30 June 2021;

(d) The accompanying statement of changes in reserves is drawn up so as to give a true and fair view of movement in reserves of the Fund at 30 June 2021;

(e) The accompanying statement of cash flows is drawn up so as to give a true and fair view of the cash flows of the Fund for the year ended 30 June 2021;

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

(g) All related party transactions have been recorded and adequately disclosed in the financial statement in accordance with IAS 24; and

(h) The financial statement and notes are in accordance with the Fiji National Provident Fund Act 2011.

Dated at Suva this 30th day of September, 2021.

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

Opinion

We have audited the accompanying financial statements of Fiji National Provident Fund (the 'Fund'), which comprise the statement of net assets available for benefits and the statements of net assets available for benefits by Fund as at 30 June 2021, and the income statement, the income statements by Fund, statement of changes in member benefits, statement of changes in reserves and statement of cash flows 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 as at 30 June 2021, and of its financial performance, changes in member benefits, changes in reserves and 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 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.

Emphasis of Matter

We draw attention to Notes 2.1 and 31 (a) which relate to COVID-19 and its impact on the Fund during the year and the ongoing associated uncertainties post year end. We also refer to Note 4, which summarises the areas of critical accounting estimates and judgment applied in the fair value measurement of financial assets and investment properties as well as impairment assessments of financial and non-financial assets. The unprecedented uncertainty of the economic environment at the date of signing the financial statements has heightened the estimation uncertainty and actual economic events and conditions in future may be materially different from those estimated by the Fund in their above assessments, since anticipated events frequently do not occur as expected. This increases the risk of a material adjustment to the carrying amount of financial assets and investment properties within the next financial year. In our judgement, this issue is fundamental to the users' understanding of the financial statements, the financial position and performance of the Fund. Our opinion is not modified in respect of this matter.

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

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 2021 (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.

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 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 Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board members and management either intend to liquidate the Fund 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 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 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 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 represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board members and managements 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 Act 2011 in all material respects, and;

a) we have obtained all the information and explanation that, to the best of our knowledge and belief, were necessary for the purpose of the audit; and

b) we have been given all information, explanations and assistance necessary for the conduct of the audit.

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
Chartered Accountants

Wiliki Takiveikata
Partner

30 September 2021
Suva, Fiji

Fiji National Provident Fund
Income Statement
For the year ended 30 June 2021

	Notes	2021	2020
		$000	$000
Income			
Interest	6(a)	331,315	323,638
Dividend	6(b)	71,023	78,747
Property rental		19,007	19,574
Change in fair value of equity investments	7(a)	167,564	-
Foreign exchange gains	7(b)	-	806
Other income	8	1,979	1,396
Reversal of impairment of assets held at amortized cost		1,175	284
Total income		**592,063**	**424,445**
Less:			
Impairment on mortgaged loans		18,611	40,340
Impairment of assets held at amortized cost		245	7
Foreign exchange losses	7(b)	9,531	-
Change in fair value of investment properties	15	20,752	2,676
Change in fair value of equity investments	7(a)	-	11,628
Net income		**542,924**	**369,794**
Expenses			
Investment expenses		5,508	7,353
Property expenses		8,266	7,869
Interest expenses		21	19
General administration expenses	9	25,787	26,737
Depreciation and amortization		3,436	3,641
Net impairment of contribution receivable	19	3,354	3,735
Total expenses		**46,372**	**49,354**
Net increase in net assets available for allocation		**496,552**	**320,440**
Other comprehensive income			
Items that may be reclassified subsequently to income statement		-	-
Net increase in net assets available for allocation	**27**	**496,552**	**320,440**
Net increase in net assets allocated to:			
Members' accounts		302,769	293,957
Funds		193,783	26,483
Total		**496,552**	**320,440**

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

Fiji National Provident Fund
Statement of net assets available for benefits
As at 30 June 2021

	Notes	2021 $000	2020 $000
Assets			
Cash and cash equivalents			
Cash and cash equivalents	16	595,687	311,466
Receivables			
Investment income receivable	20	106,464	139,499
Other receivables	19	86,799	43,071
Investments			
Term deposits	10	214,787	382,748
Government securities	11	3,495,699	3,362,100
Other fixed interest securities	12	55,918	123,882
Loans and advances	13	974,413	889,337
Equity investments	14	2,225,531	2,221,834
Investment properties	15	430,714	438,107
Other assets			
Property, plant and equipment	18	14,294	11,636
Right of use assets	23(a)	331	249
Intangible assets	17	6,394	8,396
Total assets		**8,207,031**	**7,932,325**
Liabilities			
Other payables and accruals	21	18,929	36,024
Lease liability	23(b)	9,357	9,302
Employee entitlements	22	1,034	1,034
Total liabilities (excluding net assets available to pay benefits)		**29,320**	**46,360**
Net assets available for member benefits and reserves	**24**	**8,177,711**	**7,885,965**
Comprising:			
Member benefits			
Allocated to members		6,648,909	6,529,884
Unallocated to members		15,339	16,034
Total member benefits		**6,664,248**	**6,545,918**
Reserves			
Investment reserve		748,823	583,189
Solvency reserve		764,640	756,858
Total reserves		**1,513,463**	**1,340,047**
Total Funds		**8,177,711**	**7,885,965**

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**

Fiji National Provident Fund
Statement of changes in member benefits
As at 30 June 2021

	Notes	2021	2020
		$000	$000
Balance at 1 July		**6,545,918**	**6,107,338**
Contributions:			
Employers		160,645	328,568
Members		160,645	262,854
Total contribution	26(a)(ii)	**321,290**	**591,422**
Benefit payments to members	24(e)	(500,815)	(438,973)
Pension payments to pensioners	24(e)	(25,281)	(29,339)
Benefits allocated to members' account, comprising:			
Interest to members	26(a)(iii)	302,769	293,957
Current year investment returns			
- SDB	27	3,363	3,134
- RIF	27	26,750	26,616
Transfer to solvency reserve			
- SDB	26(c)	(7,122)	(7,091)
- RIF	26(b)	8,847	(1,171)
Transfer from/(to) general reserve		(11,471)	25
Closing balance of members' benefits		**6,664,248**	**6,545,918**

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

Fiji National Provident Fund
Statement of changes in reserves
As at 30 June 2021

	Investment Reserve	Solvency reserve	Total
	$000	$000	$000
Balance at 1 July 2019	**629,668**	**705,395**	**1,335,063**
Net transfers to/from member benefits/reserves			
- FNPF	(43,201)	43,201	-
- SDB	-	7,091	7,091
- RIF	-	1,171	1,171
Net current year investment returns	(3,267)	-	(3,267)
Transfer to member liability	(11)	-	(11)
Balance at 30 June 2020	**583,189**	**756,858**	**1,340,047**
Net transfers to/from member benefits/reserves			
- FNPF	(9,507)	9,507	-
- SDB	-	7,122	7,122
- RIF	-	(8,847)	(8,847)
Net current year investment returns	163,670	-	163,670
Transfer from member liability	11,471	-	11,471
Balance at 30 June 2021	**748,823**	**764,640**	**1,513,463**

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

Fiji National Provident Fund
Income Statements by Fund
For the year ended 30 June 2021

	FNPF		Retirement Income Fund ("RIF")		Special Death Benefit Fund ("SDBF")		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Income	$000	$000	$000	$000	$000	$000	$000	$000
Interest	300,675	293,647	27,261	26,850	3,379	3,141	331,315	323,638
Dividends	71,023	78,747	-	-	-	-	71,023	78,747
Property rental	19,007	19,574	-	-	-	-	19,007	19,574
Change in fair value of equity investments	167,564	-	-	-	-	-	167,564	-
Foreign exchange gain	-	806	-	-	-	-	-	806
Other income	1,979	1,396	-	-	-	-	1,979	1,396
Reversal of impairment on assets held at amortized cost	1,384	178	(199)	106	(10)	-	1,175	284
Total income	**561,632**	**394,348**	**27,062**	**26,956**	**3,369**	**3,141**	**592,063**	**424,445**
Less:								
Impairment of assets held at amortized cost	228	-	11	-	6	7	245	7
Impairment on mortgaged loans	18,611	40,340	-	-	-	-	18,611	40,340
Foreign exchange losses	9,531	-	-	-	-	-	9,531	-
Change in fair value of investment properties	20,752	2,676	-	-	-	-	20,752	2,676
Change in fair value of equity investments	-	11,628	-	-	-	-	-	11,628
Net income	**512,510**	**339,704**	**27,051**	**26,956**	**3,363**	**3,134**	**542,924**	**369,794**
Expenses								
Investment expenses	5,508	7,353	-	-	-	-	5,508	7,353
Property expenses	8,266	7,869	-	-	-	-	8,266	7,869
Interest expense	21	19	-	-	-	-	21	19
General administration expenses	25,486	26,399	301	338	-	-	25,787	26,737
Depreciation and amortisation	3,436	3,639	-	2	-	-	3,436	3,641
Net impairment of contribution receivable	3,354	3,735	-	-	-	-	3,354	3,735
Total expenses	**46,071**	**49,014**	**301**	**340**	**-**	**-**	**46,372**	**49,354**
Net increase in net assets available for allocation	**466,439**	**290,690**	**26,750**	**26,616**	**3,363**	**3,134**	**496,552**	**320,440**
Allocated to:								
Members' accounts	302,769	293,957	-	-	-	-	302,769	293,957
Funds	163,670	(3,267)	26,750	26,616	3,363	3,134	193,783	26,483
Total	**466,439**	**290,690**	**26,750**	**26,616**	**3,363**	**3,134**	**496,552**	**320,440**

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
Statements of net assets available for benefits by Fund
As at 30 June 2021

	FNPF		Retirement Income Fund ("RIF")		Special Death Benefit Fund ("SDBF")		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Assets	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Cash and cash equivalent								
Cash and cash equivalent	565,499	304,750	26,367	3,913	3,821	2,803	595,687	311,466
Receivables								
Investment income receivable	99,240	132,406	6,300	6,178	924	915	106,464	139,499
Other receivables	85,988	42,350	-	-	811	721	86,799	43,071
Investments								
Term deposits	214,787	382,748	-	-	-	-	214,787	382,748
Government securities	3,124,113	2,987,497	313,217	321,228	58,369	53,375	3,495,699	3,362,100
Other fixed interest securities	55,918	123,882	-	-	-	-	55,918	123,882
Equity investments	2,225,531	2,221,834	-	-	-	-	2,225,531	2,221,834
Loans and advances	974,413	889,337	-	-	-	-	974,413	889,337
Investment properties	430,714	438,107	-	-	-	-	430,714	438,107
Other assets								
Property, plant and equipment	14,248	11,589	46	47	-	-	14,294	11,636
Intangible assets	6,394	8,396	-	-	-	-	6,394	8,396
Right of use asset	331	249	-	-	-	-	331	249
Total assets	**7,797,176**	**7,543,145**	**345,930**	**331,366**	**63,925**	**57,814**	**8,207,031**	**7,932,325**
Liabilities								
Other payables and accruals	11,162	27,385	139	190	7,628	8,449	18,929	36,024
Lease liability	9,357	9,302	-	-	-	-	9,357	9,302
Employee entitlements	1,034	1,034	-	-	-	-	1,034	1,034
Total liabilities	**21,553**	**37,721**	**139**	**190**	**7,628**	**8,449**	**29,320**	**46,360**
Net assets available for member benefits and reserves	**7,775,623**	**7,505,424**	**345,791**	**331,176**	**56,297**	**49,365**	**8,177,711**	**7,885,965**

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

Fiji National Provident Fund
Statements of net assets available for benefits by Fund (continued)
As at year ended 30 June 2021

	FNPF		Retirement Income Fund ("RIF")		Special Death Benefit Fund ("SDBF")		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Net assets available for member benefits comprise:	$000	$000	$000	$000	$000	$000	$000	$000
Member benefits								
Allocated to members	6,374,608	6,279,045	274,301	250,839	-	-	6,648,909	6,529,884
Unallocated to members	13,392	13,897	-	-	1,947	2,137	15,339	16,034
Total member benefits	**6,388,000**	**6,292,942**	**274,301**	**250,839**	**1,947**	**2,137**	**6,664,248**	**6,545,918**
Reserves								
Investment reserve	748,823	583,189	-	-	-	-	748,823	583,189
Solvency reserve	638,800	629,293	71,490	80,337	54,350	47,228	764,640	756,858
Total reserves	**1,387,623**	**1,212,482**	**71,490**	**80,337**	**54,350**	**47,228**	**1,513,463**	**1,340,047**
Total funds	**7,775,623**	**7,505,424**	**345,791**	**331,176**	**56,297**	**49,365**	**8,177,711**	**7,885,965**

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

Fiji National Provident Fund
Statement of cash flows
For the year ended 30 June 2021

	Notes	2021	2020
		$000	$000
Cash flows from operating activities			
Interest received		308,252	318,752
Dividends received		61,961	51,526
Property rentals received		18,714	17,216
Other income received		1,979	2,566
Payments to suppliers and employees		(35,886)	(41,916)
Net cash generated from operating activities		355,020	348,144
Cash flows from investing activities			
Government securities matured/(acquired)		(133,844)	(352,485)
Other securities matured /(acquired)		68,014	73,341
Loans and advances provided / (repaid)		(75,711)	(96,859)
Term deposits matured/ (invested)		167,500	59,416
Deposit for ATH Share Rights Issue		(40,000)	-
Equity investments (acquired)/disposed		181,570	(291,673)
Purchase of property, plant and equipment		(3,923)	(1,653)
Acquisition of intangible assets		(24)	(164)
Amount spent to acquire/develop investment properties		(13,359)	(21,062)
Net cash from/(used in) investing activities		150,223	(631,139)
Cash flows from financing activities			
Contributions received from employers		158,366	326,565
Contributions received from members		160,645	262,854
Withdrawal payments to members		(401,171)	(382,989)
Payments for COVID-19 assistance		(99,644)	(55,817)
Pension annuity paid to members		(25,281)	(29,339)
Finance lease repayments		(729)	(132)
Net cash(used in)/ from financing activities		(207,814)	121,142
Net increase/ (decrease) in cash and cash equivalents		297,429	(161,853)
Cash and cash equivalents at beginning of the financial year		298,828	460,681
Cash and cash equivalents at end of the financial year	28	**596,257**	**298,828**

The statement of cash flow is to be read in conjunction with the notes to and forming part of the financial statement.

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 financial statements of the Fund as at and for the year ended 30 June 2021 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) – entitlement on payable on member's death as per the FNPF Act 2011;
(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 FNPF including the SDBF and the RIF is considered a defined contribution plan as defined under IAS 19. Under the FNPF Act, the liability of employers is limited to making contributions as defined in section 37 of the FNPF Act. The Board of the FNPF is required under the Act to manage financial risk. Key financial risks for the FNPF are investment risk and mortality risk. However, even if there is extremely adverse investment performance (or mortality experience), the Board of the FNPF cannot seek any additional contributions from employers or other source which is consistent with the definition of a defined contributions plan as set out in IAS 19. Therefore, investment risk (and mortality risk) is borne wholly by the FNPF membership. Since these risks are borne wholly by the FNPF membership, the FNPF is considered a defined contribution plan for the financial reporting purpose of IAS 26. According to the FNPF Act, the Actuary is required to provide advice to the Board on the annual crediting rate and the solvency position of the Fund.

The financial statements were authorised for issue by the Board of Members on 30 September 2021.

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 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 ("IASB") 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.

The financial statements of the Fund represent all the Fund's investment and operation activities and accounts for all equity interests at fair value. As per IAS 27, the Fund has prepared a separate financial statement to provide a more comprehensive and precise financial statement for its members in relation to the Fund's activities and operations. The consolidated financial statement are presented separately.

IFRSs form the basis of International Accounting Standards adopted by the IASB. The preparation of financial statements in accordance with IFRS requires management to exercise its judgment in the process of applying the Fund'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.

Going concern and impact of COVID-19

The World Health Organisation declared a pandemic in relation to the Novel Coronavirus (COVID-19) in 2020, bringing a significant health impact globally. Measures taken to contain the virus are already having a significant negative economic impact on global markets including Fiji's major trading partners. Economic activity in Fiji has been drastically impacted with business disruptions and levels of activity reduced in most sectors. The Fiji tourism industry, in which the Fund has a significant stake hold, has been severely impacted.

In response to the economic impact of the COVID-19 outbreak, and in support of the initiatives identified by the Fiji Government, the Fund introduced an assistance program in 2020 and continued in 2021 whereby qualifying members could withdraw specified sums from their accounts. At the year-end, this totaled to $99,644,000 (2020: $55,817,000) have been paid to members from the general account.

There is considerable uncertainty around the possible duration of and the resulting depth of impact that may come from the disruption caused due to the fluidity of the situation. The impact of the COVID-19 pandemic has resulted in the Fund's operations experiencing challenging and uncertain times and it is uncertain what the impact may be on the Funds operating results and liquidity for the financial year. Whilst the situation is evolving, the Fund remains confident that it will be able to continue as a going concern which assumes the Fund will be able to continue operating and realise assets and discharge liabilities in the ordinary course of business for the foreseeable future.

2. Summary of significant accounting policies (continued)

Going concern and impact of COVID-19 (continued)

In reaching this position, the following factors have been considered:

- the Fund has cash of $596.3 million as at 30 June 2021 and has adequate levels of liquidity through term deposits held with local banks of $215.5 million of which 98% or $210.5 million maturing within 12months.
- the Fund's exposure where the potential credit risk is more severe including hospitality and accommodation, tourism, transport and telecommunication is approximately 19% of the financial assets base as disclosed in note 3.1(b) under the heading "Concentration of credit exposure".
- the Fund has prepared for several scenarios assuming the COVID-19 pandemic continues for next 6 and 12 months, stress testing operating cash flows. These scenarios include the current commitments on COVID-19 related withdrawals and potential financial support it may need to provide to its investments in the tourism sector. In all cases, the Fund remains sufficiently liquid and solvent.

The outcome of all of the above leads the Fund to determine that the Fund's financial position is strong, and it will be able to meet its debts as and when they fall due for at least a period of 12 months from the date of the financial statements.

The financial statements have therefore been prepared on a going concern basis.

2.2 Changes in accounting policies and disclosures

(a) Standards issued but not yet effective

A number of new amended standard are effective for annual periods beginning after 1 July 2020 and earlier applications is permitted; however, the Fund has not early adopted the new or amended standards in preparing the financial statements.

The following new and amended standards and interpretation are not expected to have a significant impact on the Funds financial statements.

- Amendments to IAS 37 Onerous Contract – Cost of Fulfilling a Contract
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use;
- Annual Improvements to IFRS 2018-2020;
- Amendments to IFRS 3 Reference to Conceptual Framework: and
- Amendments to IAS 1 Classification of Liabilities as Current or Non-Current
- IFRS 17 Insurance Contract

(b) standard issued and adopted

A number of new standards, amendments to standards and/or interpretations are effective for annual periods beginning on 1 July 2020. The following amendment was applicable to the Fund:

- Amendments to IFRS 16 COVID-19 Related Rent Concessions.

However, this did not have a material impact on the Fund.

(c) Changes in accounting policies

The Fund has consistently applied the accounting policies to all periods presented in this financial statements.

2.3 Foreign currency translation

(a) Functional and presentation currency

The Fund operates 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 functional currency of the Fund 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.

2 Summary of significant accounting policies (continued)

2.4 Property, plant and equipment

Freehold land is measured at cost. Properties are measured at cost less depreciation 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 Fund 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. Leasehold land is accounted for in accordance with note 2.11. 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	• Vehicles	4 – 7 years
• Buildings	40 – 80 years	• Furniture, fittings and equipment	3 – 8 years
• Plant and machinery	4 – 17 years	• Computer equipment and software	3 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7). 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 income statement.

2.5 Intangible assets

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 Fund, 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).

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 Fund. 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 income statement.

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 Fund and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement 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 income statement.

All leases that meet the definition of investment property are classified as investment property and measured at fair value.

Investment property that is obtained through a lease is measured initially at the lease liability amount adjusted for any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the Fund, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

2. Summary of significant accounting policies (continued)

2.6 Investment properties (continued)

If a valuation obtained for a property held under a lease is net of all payments expected to be made, any related lease liability recognized separately in the statement of financial position is added back to arrive at the carrying value of the investment property for accounting purposes.

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 or loss arising on this remeasurement is recognised in the income statement.

2.7 Impairment of non-financial assets

The carrying amounts of the Fund's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognised in profit or loss. 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.

2.8 Financial instruments

Financial assets

(a) Recognition and initial measurement

Receivables, loans and advances and debt investment securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Fund 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.

(b) Classification

On initial recognition, a financial asset is classified and measured at amortised cost or fair value through profit or loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Fund 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.

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

Debt investments are measured at amortised cost.

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

2 Summary of significant accounting policies (continued)

2.8 Financial instruments (continued)

(b) Classification (continued)

Business Model Assessment

The Fund 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 Fund'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.

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.

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 Fund 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 Fund 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 Fund'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 include equity investments that are subsequently measured at fair value through profit and loss. Net gains and losses, including any interest or dividend income, are recognised in income statement. Movement in fair value of equity investments are recognised as gain/(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).

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 income statement. Any gain or loss on derecognition is recognised in income statement.

2. Summary of significant accounting policies (continued)

2.8 Financial instruments – (continued)

(d) Impairment

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

The Fund 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, loans and advances, term deposits 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.

Loss allowances for other 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 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 informed credit assessment and including forward looking information.

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

The Fund 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 BB or higher per rating agency Standard & Poors.

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 Fund 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 Fund 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 Fund if the commitment is drawn down and the cash flows that the Fund 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 consider the effective interest rate of the financial asset.

In practical terms the Fund applies Standard & Poors ratings to certain financial assets to determines the ECLs attributable to those financial assets, as detailed in note 3.1(b)

2. **Summary of significant accounting policies (continued)**

2.8 Financial instruments – (continued)

(d) Impairment (continued)

Credit-impaired financial assets

At each reporting date, the Fund assesses whether financial assets carried at amortised cost 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 30 days past due;
- the restructuring of a loan or advance by the Fund on terms that the Fund 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 net assets available for benefits

Loss allowances for ECL are presented in the statement of net assets available for benefits 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 Fund cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Fund 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.

(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 Fund 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 Fund's procedures for recovery of amounts due.

(f) Derecognition

The Fund 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 Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Fund enters into transactions whereby it transfers assets recognised in its statement of net assets available for benefits, 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 Fund 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.

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 Fund 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 income statement. 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.

2. **Summary of significant accounting policies (continued)**

2.8 Financial instruments (continued)

Financial liabilities

(a) Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. 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 income statement. Any gain or loss on derecognition is also recognised in income statement.

(b) Derecognition

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Fund 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 income statement.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of net assets available for benefits when, and only when, the Fund 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.

2.9 Receivables

Receivables are carried at amortised cost less provision for impairment on the basis set out in note 2.8. Receivables are categorised as being at amortised cost under financial assets.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Cash and cash equivalents are categorised as amortised cost under financial assets.

2.11 Leases

At inception of a contract, the Fund 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. At inception or on reassessment of a contract that contains a lease component, the Fund allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

i. As a lessee

The Fund 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.

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 Fund's incremental borrowing rate. Generally, the Fund uses its incremental borrowing rate as the discount rate.

2 Summary of significant accounting policies (continued)

2.11 Leases (continued)

i. As a lessee (continued)

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 Fund is reasonably certain to exercise, lease payments in an optional renewal period if the Fund is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Fund 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 Fund's estimate of the amount expected to be payable under a residual value guarantee, or if the Fund 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 income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The Fund presents right-of-use assets (other than for investment properties) and lease liabilities as separate line items in the statement of net assets available for benefits.

Short-term leases and leases of low-value assets

The Fund 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 Fund 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 Fund 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 Fund 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 Fund considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

2.12 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.

(b) Termination benefits

The Fund 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.

2 Summary of significant accounting policies (continued)

2.12 Employee entitlements (continued)

(c) 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.

(d) Bonus incentive

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

2.13. Other payables and accruals

Other payables and accruals are measured at amortised cost.

2.14. Income tax

The Fund is exempt from income tax under Part 6 (2) of the Income Tax Act 2015. Hence, income tax is not separately accounted for in the Fund's financial statements.

2.15 Provisions

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

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

2.16 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 net assets available for benefits 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 requirements by the regulator, as determined by the Fund Actuary.

2.17 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.

In response to the effects of COVID-19 pandemic on the Fijian Economy, the contribution rates were reduced to a total of 10% being for 5% contribution from the employer and 5% deducted from the total wages of the employee effective from 1 April 2020.

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

2. Summary of significant accounting policies (continued)

2.18 Income recognition

Income is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Fund recognises income when it transfers control over a product or provides a service to a third party.

Income is recognised as follows:

Income	Nature, timing of satisfaction of performance obligations and significant payment terms
Dividend income	Dividend income from investments is recognized when the right to receive payment is established. Settlement terms are within one year.
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.
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 documentation, investment application, loan confirmation, commitment and computer service fees. Income from fees and commissions is recognised when related services have been provided.

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.

2.19 Comparative figures

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

2.20 Reserves

Reserves comprises both the legislative solvency reserve equivalent to 10% of the total benefits accrued to members of the Fund as required under the FNPF Act 2011 and an investment reserve held in order to maintain a high level of confidence that the legislative solvency requirement will be met at all times.

2.21 Subsidiaries and Associates

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 incorporates the assets and liabilities of all entities controlled by the fund as at 30 June 2021 and the results of all controlled entities for the financial year then ended. The effects of all transaction between entities in the consolidation entity are eliminated in full.

Investment in subsidiaries is accounted for at fair value through profit or loss in the separate financial statement of the Fund.

Associates - Associates are those entities in which the Fund has significant influence, but not control, over the financial and operating policies. Investment in associates is accounted for at fair value through profit or loss in the separate financial statements of the Fund.

The investments in subsidiaries and associates are accounted in accordance with IFRS 10 and IAS 28 in the consolidated financial statements.

3. Financial risk management

3.1 Financial risk factors

The Fund's objective is to take a strategic and consistent approach to managing risks across the Fund through risk management and associated activities that assist in the safeguarding of the Fund's assets and seeks to avoid potential adverse effects on the Fund'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 Board of Directors. FNPF caters for the retirement funding of its members and invests to cater for this. The Fund'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 Fund 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 Fund's 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 Fund is required to seek quotations from recognised banks and use the most favourable exchange rate for purposes of the settlement.

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

	2021 $000	2020 $000
Assets		
Cash and cash equivalents		
AUD	3,466	1,680
NZD	412	-
USD	67,642	-
Foreign equities		
AUD	201,644	172,566
USD	38,239	18,837
PGK	263,954	272,150
Liabilities		
AUD	-	-
USD	-	-
EURO	-	-

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)

(i) Foreign exchange risk (continued)

Sensitivity Analysis

Following analysis of historical data over the past 5 years and expected currency rate movements during the 2021 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 2021/20 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 income statement and net assets by the amounts shown below:

	Carrying	**Impact on net assets**	
	Amount	-10%	+10%
	$000's	*$000's*	*$000's*
Assets	(FJD)	(FJD)	(FJD)
30 June 2021			
USD	105,881	11,765	(9,626)
AUD	205,110	22,790	(18,646)
PGK	263,955	29,328	(23,996)
NZD	412	46	(37)
		63,929	**(52,305)**
30 June 2020			
USD	18,837	4,030	(4,029)
AUD	174,246	25,643	(25,636)
PGK	272,150	15,220	(15,218)
		44,893	**(44,883)**
Liabilities			
30 June 2021			
USD	-	-	-
EURO	-	-	-
		-	-
30 June 2020			
USD	-	-	-
EURO	-	-	-
		-	-

(ii) Price risk

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

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

3.1 Financial risk factors (continued)

(a) Market risk (continued)

Sensitivity Analysis (continued)

(ii) Price risk (continued)

Index	Carrying Amount	Impact on net change in assets	
	2021	2021	2020
	$000	$000	$000
South Pacific Stock Exchange	225,725	11,286	10,420
Australian Securities Exchange	109,916	5,595	4,336
Papua New Guinea Stock Exchange	263,906	13,195	13,605
		30,076	28,361

(iii) Cash flow interest rate risk

The Fund has significant interest-bearing assets in the form of short and long-term cash deposits, government securities, 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. Risks arising from variable rate instruments are considered not to be material.

For re-investment of short and long term cash deposits, the Fund 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 Fund and agreed at its commencement.

The assumed average long run market rate of reinvestment of RIF asset cash flows over the term of current annuities have declined from 5.25% to 4.0% at 30 June 2021. This is mainly due to the reduction occurred in the government bond yield curve in FY2021. The calculated proportion of RIF asset cash flows was 79.3% under this assumption and assumptions stated in note 26(b), this means that 79.3% 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.

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 Fund. The Fund has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Fund'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/(reversals) on financial assets at amortised cost recognised in changes in net assets were as follows:

	2021	2020
	$000	$000
Cash and cash equivalents	(506)	389
Investment income receivable	1,197	(6)
Other receivables	3,354	3,926
Term deposits	461	(963)
Government securities	245	(1,068)
Other fixed interest securities	(50)	(1,103)
Loan and advances	18,611	40,340
Undrawn loan commitments	(2,277)	2,283
	21,035	**43,798**

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Amounts arising from Expected Credit Loss (ECL)

These 2021 balances largely represent impairment of loans, financial assets at amortised cost and contribution receivables in the current year, or the reversal of previous impairment losses and are reflected in the income statement.

Inputs, assumptions and techniques used for estimating impairment.
Refer to accounting policy in Note 2.8 (d)

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 & Poors (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, term deposit, 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.

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.

Due to the impact of COVID-19 which resulted in the closure of borders and suspension of international flights, affecting the operations of the Resorts, repayment relief in the form of moratorium of principal and interest has been provided from April 2020 to June 2021 and with second wave of the pandemic and continued closure of borders and restrictions in international travel, the hotel accounts continued to experience short -term liquidity difficulties and those difficulties were mitigated by an extension of repayment holidays that will reduce the risk of default and not experience a significant increase in credit risk. Loans agreements contain pre-existing clauses permitting the borrower a payment holiday, so it is not considered a modification to the original loan contract. Based on the assessment, the fund considered that the payment holiday related to COVID-19 for hotels is not a significant increase in credit risk and remain in the same stages. Repayment holidays were approved for the loans to Air Pacific Limited through granting of principal moratorium until 31 December 2023, while they continue to pay interest during this period. The loan term for Air Pacific Loan facilities were also extended by seven (7) years. Based on management assessment, the modification was seen as non-substantial and thus not resulting in de-recognition. Interest rates for several loans were reset during the year, which was in accordance to the contractual agreement. Furthermore the restructuring did not result in any change to the outstanding loan balance.

Definition of default
The Fund considers financial assets to be in default when:
- the counterparty is unlikely to pay its credit obligations to the Fund 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.

In assessing whether a borrower is in default, the Fund 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

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Definition of default (continued)

- 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.

The Fund has incorporated the Gross Domestic Product (GDP) annual contraction rate of -21.7% in determination of expected credit losses. The Fund has also conservatively adjusted the credit rating of the total loan book downwards by one notch. The Loss Given Default (LGD) estimate for selected loans were also adjusted.

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. Probability of default for loan and advances range from 1.98% to 53.68%. 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. LGD for loans and advances range from 10% to 20%.

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. As for expected losses a 100% factor is applied to drawn and undrawn committed exposures.

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.

Impact of COVID-19 pandemic on the credit risk exposure

The first onslaught of the COVID-19 pandemic in March 2020 had caused significant deteriorations in economic conditions for some organisations and an increase in economic uncertainty for others. This was further exacerbated by the second wave which hit the country in April 2021. As a result counterparts are undertaking a diverse and sometimes complex range of financing activities in response to the effects of COVID-19 on their businesses and industries. These activities include obtaining and utilizing credit facilities, calling on undrawn facilities and moratoriums. Given the unprecedented impact COVID-19 is having on various industries, historical collection patterns (past events) may no longer be a reliable indicator of the recoverability of an organisation's financial asset's portfolio. The effects of COVID-19 will impact the assumptions about the collectability of the financial assets and hence the expected credit loss (ECLs).

The Fund has used its judgments based on the specific facts and circumstances including the recovery forecasts of different industries, the various government stimulus packages and the organisation's own responses to determine the various possible future scenarios which forms the basis of their assumptions in their estimation of ECL.

3. **Financial risk management (continued)**

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Maximum exposure to credit risk

For financial assets recognised on statement of net assets available for benefits, the maximum exposure to credit risk is the carrying amount. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Fund 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 Fund 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 individual financial assets. These 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.

Concentration of credit exposure

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

		2021		2020
	$000	%	$000	%
Cash and cash equivalents	596,257	10	298,828	6
Investment income receivable	108,140	2	140,540	3
Term deposits	215,500	4	383,000	7
Government Bonds	3,497,827	61	3,363,983	62
Other Fixed Interest Securities	56,000	1	124,014	2
Loans and advances – Quasi-government loans	45,682	1	91,004	2
Loans and advances – commercial loans	1,099,964	19	950,955	17
Other receivables	106,889	2	59,807	1
	5,726,259	100	5,412,131	100

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	2021	2020
	%	%
A- to A+	10	10
BBB- to BBB+	0	3
BB- to BB+	76	72
B- to B+	3	3
CC to CCC+	3	3
N/R	8	9
	100	100

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Concentration of credit exposure (continued)

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

	2021		2020	
	$000	%	$000	%
Agriculture	45,682	4	48,520	5
Construction	-	0	-	0
Financial institutions	30,000	3	30,000	3
Energy	-	0	42,484	4
Telecommunications	71,761	6	80,000	8
Manufacturing	-	0	-	0
Mining	-	0	-	0
Private others (includes staff loans)	202	0	104	0
Professional and business services	1,001	0	1,000	0
Real estate development	26,702	2	25,633	2
Education	4,272	1	4,562	1
Transport and storage	226,531	20	174,540	17
Wholesale and retail	39,216	3	-	0
Other (Hotels & Restaurants)	700,279	61	635,116	60
Total	**1,145,646**	**100**	**1,041,959**	**100**

There is no geographic credit risk concentration as there are no loan exposure outside of Fiji.

Sensitivity Analysis

The modelled ECL is sensitive to the length of time between a downturn and a recovery, and the period of time recovery action takes to complete, as it influences both the probability of default, and the value of collateral that may be utilised. A +/-5% change in PD and +/-50% change in LGD at 30 June 2021 would have increased/(decreased) the net change in net assets and net assets by the amounts shown below:

		Increase	Decrease
		$000	$000
Loans and advances	PD +/- 5%	835	(835)
Loans and advances	LGD +/-50%	8,352	(8,352)

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.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Maximum exposure to credit risk

The following table contains an analysis of the credit risk exposure of loans and advances for which an ECL allowance is recognized. The Gross carrying amount of loans and advances below also represents the Fund's maximum exposure to credit risk on these assets.

				2021	2020
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	Total
	Stage 1	Stage 2	Stage 3		
	$000	$000	$000	$000	$000
Credit grade					
Standard	653,554	272,027	-	925,581	821,523
Special mention	-	-	-	-	16,398
Substandard	-	-	16,027	16,027	-
Doubtful	-	-	203,037	203,037	203,037
Loss	-	-	1,001	1,001	1,001
Gross carrying amount	**653,554**	**272,027**	**220,065**	**1,145,646**	**1,041,959**
Loss allowance	(3,471)	(13,234)	(154,528)	(171,233)	(152,622)
Carrying amount	**650,083**	**258,793**	**65,537**	**974,413**	**889,337**

Credit-impaired assets

	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Loans and advances	17,028	(1,814)	15,214	24,770
Total credit impaired assets	**17,028**	**(1,814)**	**15,214**	**24,770**

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

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
	$000	$000	$000	$000
Loss allowance at 1 July	3,879	147,311	1,432	152,622
Movements with impact to income statement				
Transfer from stage 1 to stage 2	-	-	441	441
New loans originated	388	2,636	-	3,024
Loans that have been derecognised	(165)	-	-	(165)
Changes in PDs/LGDs/EADs	(304)	2,460	12,570	14,726
Changes to model assumptions and methodologies	585	-	-	585
Loss allowance at 30 June	**4,383**	**152,407**	**14,443**	**171,233**

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Maximum exposure to credit risk

The following tables show reconciliations from the opening to the closing balance of the gross carrying amounts for loans and advances to help explain their significance to the changes in the loss allowance:

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
	$000	$000	$000	$000
Gross carrying amounts at 1 July	**603,530**	**234,391**	**204,038**	**1,041,959**
Movements with impact to income statement	-	-	-	-
Transfer from stage 1 to stage 2	-	(16,398)	16,398	-
Financial assets derecognised during the period other than write-offs	(52,507)	(3,944)	(371)	(56,822)
New financial assets purchased or originated	106,908	53,601	-	160,509
Write-offs	-	-	-	-
Gross carrying amounts at 30 June	**657,931**	**267,650**	**220,065**	**1,145,646**

Cash and cash equivalents and Term Deposits

The Fund held cash and cash equivalents of $596,257,000 and term deposits of $215,500,000 at 30 June 2021 (2020: $298,828,000 and 383,000,000). The cash and cash equivalents and term deposits are held with banks, which are rated A- to B-, based on Standard and Poor's (S&P) 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 considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Fund uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities.

Debt investment securities

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

The Fund held debt investment securities of $3,553,827,000 at 30 June 2021 (2020: $3,487,997,000).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 B+, based on S&P 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 Fund 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 Poors (S&P) ratings has been adopted for government securities and those advances guaranteed by Government.

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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter exertion in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial asset. Being a key investment risk, Liquidity has become one of the paramount risks requiring attention as the world tries to manage financial and economical catastrophes created by impact of COVID-19 pandemic.

Besides the significant attention required by the Fund in managing its cash and cash equivalent resources to meet the uncertainties arising out of the continuing pandemic, Liquidity Risk had always been a significant risk for the Fund. It requires vigilance and long term planning to place investment assets to mature in line with the expected member liability payout. Treasury Department under the guardian of Treasury policy manages and monitors the liquidity strategies.

The Funds Treasury and other policies are designed to ensure it maintains sufficient cash and liquid investments to meet its obligations to members and counterparties in periods of stress or otherwise. The Board together with its Investment Committee and the Liquidity Committee regularly monitors the Fund's liquidity position and reviews the results of liquidity stress testing across scenarios. In addition, management monitors and maintains adequate liquid asset balances to finance its operations and mitigate the effects of fluctuations in cash flows.

The financial liabilities of the Fund at 30 June 2021 comprise of net assets attributable to members. As at 30 June 2021, the financial liabilities were worth $6,722,413,000 and the financial assets were valued at $7,736,761,000. The financial assets are added to the guaranteed interest income from Fixed Income risk free portfolio investments worth $2,477,947,000 thereby topping up the financial assets to $10,214,708,000. Upon matching the financial assets to liabilities, there a residual net positive position of $3,492,295,000. The Asset and Liability matching is an economic indicator of managing short and long-term liquidity risks. Net positive asset and liability funding gap signifies effective management of the Fund over a long-term retrospectively.

In terms of offshore investments, the Fund is limited by Reserve Bank of Fiji's (RBF) exchange regulations. RBF Exchange Control approves all outward funds transfers required for offshore investments. Due to an almost non-existent secondary market, most of the Fund's local investments in capital and money market do not have the opportunities of secondary trading. Fiji Government and quasi-government securities are among these investments, which are held to maturity with limited chance for the Fund to sell or exchange them. Moreover, commercial loans and property investments are also part of the Fund's portfolio. Within the local markets, these assets have limited liquidity and large sell downs of positions may not be possible. In addition, these investments have different investment maturity spans, which may not meet the timing of the member withdrawals. Therefore an active asset and liability management model is used to secure Fund's long-term assets and liability position.

The Fund's Treasury department 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.

Effects of COVID-19 lead to increased withdrawals, decrease in contributions arising out of unemployment, and decreased contribution rates. To combat such adversities the Fund maintains liquidity mitigation strategies. The Treasury Policy on Liquidity Buffer safeguards the Fund from mass withdrawals or other unforeseen circumstances.

The following items are treated as Cash on Call (Reserves) and are used as mitigation strategy to rectify any probable liquidity buffer breaches:
- Arrangement with RBF for Line of Tradeable Facility for $150 million to $200 million- (Bonds Buy Back Scheme) where FNPF sells bonds to RBF as and when required.
- Include sell of ASX registered stock of $85 million, which has a 5 days turnaround time.

The Fund's liquidity risk is managed on a daily basis in accordance with the Fund's Treasury policy and Investment policy statements. Stress testing and scenario analysis are done on a regular basis. Generally, the Fund ensures availability of sufficient liquidity to meet its liability on maturity under normal and stressed conditions. The liquidity risk is managed actively to avoid any damage to the reputation of the Fund.

3 **Financial risk management (continued)**

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The tables below shows the Fund's financial liabilities and assets for the year ended 30 June 2021. Except for RIF financial liabilities ($274,301,000), all other Fund's financial liabilities and assets are based on their contractual maturities using undiscounted cash flows.

Financial liabilities	On demand	Less than or equal to 3 months	3 – 12 months	1 to 5 years	Greater than 5 years	Total
	$000	$000	$000	$000	$000	$000
Member balance-Fund	541,925	33,306	186,974	1,123,391	4,502,404	6,388,000
Allocated to members – Retirement income Fund	-	6,400	19,199	83,444	165,258	274,301
Allocated to members - SDBF	-	222	665	850	210	1,947
Total member liabilities	**541,925**	**39,928**	**206,838**	**1,207,685**	**4,667,872**	**6,664,248**
Other payables and accruals	281	5,208	9,049	2,303	3,122	19,963
Lease liabilities	-	-	712	2,420	35,070	38,202
Total financial liabilities	**542,206**	**45,136**	**216,599**	**1,212,408**	**4,706,064**	**6,722,413**

Financial Assets	On demand	Less than or equal to 3 months	3 – 12 months	1 to 5 years	Greater than 5 years	Total
	$000	$000	$000	$000	$000	$000
Cash and cash equivalents	596,257	-	-	-	-	596,257
Term deposits	-	73,000	137,500	5,000	-	215,500
Government securities	-	70,900	144,990	783,601	2,498,336	3,497,827
Other fixed interest securities	-	5,000	14,000	37,000	-	56,000
Equity investments	-	-	-	-	2,225,531	2,225,531
Loans and advances	-	3,886	14,165	240,314	887,281	1,145,646
Total financial assets	**596,257**	**152,786**	**310,655**	**1,065,915**	**5,611,148**	**7,736,761**
Interest income – Fund	-	61,974	166,409	913,528	1,098,548	2,240,459
Interest income - RIF	-	6,163	19,386	117,250	66,591	209,390
Interest income - SDBF	-	1,173	2,197	12,474	12,254	28,098
Total financial assets including interest income	**596,257**	**222,096**	**498,647**	**2,109,167**	**6,788,541**	**10,214,708**

3. Financial risk management (continued)

3.1 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.

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 Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

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 carried at amortized cost are assessed using the expected credit loss model. For details of impairment on financial assets, refer to note 2.8 (d) and note 3.1(b).

(b) Impairment of property, plant and equipment

The Fund assesses whether there are indicators of impairment of all property, plant and equipment 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.

(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 4.00% per annum (2020:5.25%). 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 4.48% pa (2020: 5.36%). The solvency reserve for RIF is determined after taking into account the projected liability cashflows of the in-force annuity business and the projected asset cashflows at the valuation date, including under reasonably foreseeable adverse circumstances.

For the valuation at 30 June 2021, 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. The solvency reserve for the SDBF is represented by both the provision for mortality fluctuations (inclusive of Covid) and catastrophe reserve.

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

(d) Fair value determination for financial assets and investment properties carried at fair value

The Fund carries a number of its financial assets, being equity investments at fair value. Refer to Note 5 and 14 for details. In addition, it carries its investment properties at fair value, as detailed in note 15. Refer also the comments below regarding COVID-19 impacts.

COVID-19 Pandemic

Due to the COVID-19 pandemic, there is heightened estimation uncertainty at balance date that increases the risk of a material adjustment to the carrying amounts of assets within the next financial year relates to expected credit losses, valuation of investment properties and equity investments. The impact of the COVID -19 pandemic on each of these accounting estimates is discussed further below:

Equity investments

Equity investments are carried at fair value at balance date based on market information and/or the best estimates of fair value as determined generally by independent and knowledgeable valuers, but markets are subject to considerable volatility (though it is noted that the global markets have generally returned to their pre-COVID-19 level at the time of release of the financial statements). The valuations bring with them an increased level of uncertainty, which increases the risk of values in future periods or on realisation being materially different to the values at which they are recorded. Similarly, future market movements may lead to similar impacts on the recorded values of those equities that are readily tradeable. This increases the risk of a material adjustment to the carrying amount of equity investments within the next financial year. The assumptions underlying the value in use calculations used to measure the fair value of equity investments were adjusted through discount rate ranging from 2.5% to 30% and cash flow projections to reflect reasonable estimates of the on-going impact of a COVID-19 operating environment in the near term and with a view to resumption of some normalcy in the medium term.

Further considerations in relation to the COVID-19 pandemic impact on equity valuations at balance date and in future periods are included in notes 5 and 14.

Investment properties

Investment properties are also carried at fair value at balance date based on the best estimates of fair value determined generally by independent and knowledgeable valuers. The property valuations also bring with them an increased level of uncertainty, which increases the risk of values in future periods or on realisation being materially different to the values at which they are recorded. The increased risk and the uncertainty associated with COVID- 19 were adjusted thorough the discount and capitalisation rates for the properties. The Uncertainity has also been captured through incorporating period of void in the financial projections. This increases the risk of a material adjustment to the carrying amount of investment properties within the next financial year.

Further considerations in relation to the COVID-19 pandemic impact on investment properties valuations at balance date and in future periods are included in notes 5 and 15.

Expected credit losses

The Fund's holdings in financial assets carried at amortised cost, including loans and advances, receivables and government securities and fixed interest securities, are subject to consideration of expected credit losses that may result from delays in settlement or non-collection of the asset. The expected credit losses have been determined based on best estimates of probability of default and loss given default, taking into consideration the possible impact of COVID-19 on the counterparties. However, there is and increased level of uncertainty because of greater estimation around future events impacting the counterparties, which increases the risk of material adjustments being made to the level of expected credit losses as further information around the counterparties in future. This increases the risk of a material adjustment to the carrying amount of above mentioned financial asset within the next financial year. The Fund has used its judgments based on the specific facts and circumstances including the recovery forecasts of different industries, the various government stimulus packages and the organisation's own responses to determine the various possible future scenarios which forms the basis of their assumptions in their estimation of ECL.

Further considerations in relation to the COVID-19 pandemic impact on expected credit losses at balance date and in future periods are included in notes 3.1(b) and 10, 11, 12 and 13.

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 Fund has access at that date. The fair value of a liability reflects its non-performance risk.

The Fund 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 Fund 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.

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 Fund 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 the income statement on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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

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

Fiji National Provident Fund
Notes to and forming part of the financial statements
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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	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000	$000	$000	$000
Balance as at 30 June 2021							
Equity investments	2,225,531	-	2,225,531	734,349	29,042	1,462,140	2,225,531
Government securities*	-	3,497,827	3,497,827		4,257,379		4,257,379
Fiji Bonds*	-	56,000	56,000		60,253		60,253
Investment properties	430,714	-	430,714	-	-	430,714	430,714
Balance as at 30 June 2020							
Equity investments	2,221,834	-	2,221,834	676,740	29,210	1,515,884	2,221,834
Government securities*	-	3,363,983	3,363,983	-	3,817,675	-	3,817,675
Fiji Bonds*	-	124,014	124,014	-	129,427	-	129,427
Investment properties	438,107	-	438,107	-	-	438,107	438,107

* In accordance with IAS 26, retirement benefit plans investments shall be carried at fair value. However, the Government securities and Fiji Bonds are carried at amortised cost and the fair values of $4,257,379,000 and $60,253,000 respectively are determined by the indicative prices quoted by the Reserve Bank of Fiji. These investments are not measured at fair value as there is no secondary market to trade these instruments in Fiji. Therefore, the amortised cost method is used for valuation and management is of the view that it is more conservative and appropriate.

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.

	2021 $000	2020 $000
Equity investments		
Balance at 1 July	1,515,884	1,336,789
Unrealised gains (losses) included in income statement	104,453	(39,805)
Acquisition	47,913	218,900
Disposal	(206,110)	-
Balance at 30 June	1,462,140	1,515,884
Investment properties		
Balance at 1 July	438,107	385,868
Unrealised gains (losses) included in income statement	(20,752)	(2,676)
Net Acquisition	13,509	45,877
Right of use asset	(150)	9,038
Balance at 30 June	430,714	438,107

Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used by the Fund in level 2 and 3 fair value measurements.

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 other equity investments	The valuation techniques, significant unobservable inputs and inter-relationships are set out in note 14.		
Investment Properties	The valuation techniques, significant unobservable inputs and inter-relationships are set out in note 15.		

Sensitivity analysis

For the fair values of equities – investment in other equity investments and investment properties, a reasonable possible change of 5% and 0.5% at the reporting date to one of the significant unobservable inputs, holding other inputs constant would have the following effects on fair value of other equity investments and investment properties respectively:

	Increase $000	Decrease $000
Other equity investments		
Discount rate (+/-5%)	(67,277)	78,046
Adjusted market multiple (+/-5%)	37,860	37,023
Cost of equity rates (+/-5%)	(34,032)	49,465
Investment properties		
Capitalization rates (+/- 0.5%)	(6,580)	6,766
Rate per acre (+/-5%)	11,428	(11,441)

	Note	2021	2020
6. Income		**$000**	**$000**
(a). Interest income			
Fixed interest securities			
- Government securities		251,997	229,128
- Other fixed interest securities		5,463	8,191
Loans and advances		53,119	45,774
Term deposits		12,264	23,706
Other interest income		8,472	16,839
		331,315	**323,638**
(b). Dividend			
Dividends from other equities		47,718	51,959
Dividends from related parties	30(b)	23,305	26,788
		71,023	**78,747**
7. Change in fair value of equity investments			
(a). Fair value changes - equity investments			
Unrealised gains/(losses) on investments		140,307	(10,022)
Realised gains/(losses) on investments		27,257	(1,606)
Net fair value gains/(losses)		**167,564**	**(11,628)**
(b). Net foreign exchange gain/(loss)			
Unrealised exchange loss		(9,364)	(326)
Realised exchange gains		(167)	1,132
Net foreign exchange gain/(loss)		**(9,531)**	**806**
8. Other income			
Other income includes the following specific items:			
Gain on sale of fixed assets and investment property		-	183
Fees and commissions		-	1,286
Surcharge income		257	651
Performance bond*		-	(1,157)
Other revenue		1,722	433
		1,979	**1,396**

*Performance bond relates to Nadi Retail development project.

	Note	2021 $000	2020 $000
9. General administration expenses			
Auditor's remuneration:			
- Audit – PwC		108	104
- Other services - PwC		77	4
- Other firms		-	-
Directors fees		45	67
Electricity		524	554
Insurance		2,201	61
Loss on sale of fixed assets and investment property		20	-
Personnel expenses:			
- Salaries and wages		14,779	16,637
- Other staff benefits and expenses		1,417	1,782
Repairs and maintenance		143	225
Other operating and general expenses	9(a)	6,473	7,303
		25,787	**26,737**

9(a). Other operating and general expenses		
Training	-	527
Advertising	367	746
Professional subscription	-	20
Software maintenance and support	2,075	2,044
Motor vehicle cost	175	128
Communication	834	681
Stationery and printing	36	102
Travelling and subsistence	60	241
General and operating expenses	539	215
Small assets	16	30
Computer sundries	83	144
Consultancy	305	481
Legal cost	20	28
Office cleaning	163	133
Rent	1,550	1,547
Water rates	4	7
Office sundries	42	57
Security expense	204	170
Member expenses	-	2
	6,473	**7,303**

	2021 $000	2020 $000
10. Term deposits		
Local banks and financial institutions– local currency	215,500	383,000
Impairment provision	(713)	(252)
	214,787	**382,748**
Maturity represented as:		
Less than or equal to 3 months	73,000	113,000
3 to 12 months	137,500	230,000
1 to 5 years	5,000	40,000
	215,500	**383,000**
11. Government securities		
Fiji Government Registered Stock	3,497,827	3,363,983
Treasury Bills	-	-
	3,497,827	3,363,983
Impairment provision	(2,128)	(1,883)
	3,495,699	**3,362,100**
Maturity represented as:		
Less than or equal to 3 months	70,900	28,456
3 to 12 months	144,990	120,500
1 to 5 years	783,601	645,399
Greater than 5 years	2,498,336	2,569,628
	3,497,827	**3,363,983**

The above investments are accounted for at amortized cost and measured in accordance with note 2.8 to the financial statements.

12. Other fixed interest securities

	2021 $000	2020 $000
Promissory notes	-	-
Fiji Bonds	56,000	124,014
Foreign Bonds	-	-
	56,000	**124,014**
Impairment provision	(82)	(132)
	55,918	**123,882**
Maturity represented as:		
Less than 3 months	5,000	7,000
3 to 12 months	14,000	34,189
1 to 5 years	37,000	82,825
	56,000	**124,014**

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.

13. Loans and advances

	Note	2021 $000	2020 $000
Loans and advances (quasi-government)		45,682	91,004
Loans to related parties	30(b)	772,138	715,116
Customer term loans		327,722	235,735
Staff loans		104	104
		1,145,646	**1,041,959**
Provision for Impairment		(171,233)	(152,622)
		974,413	**889,337**
Maturity represented as:			
Less than or equal to 3 months		3,886	1,699
3 to 12 months		14,165	35,829
1 to 5 years		240,314	317,920
Greater than 5 years		887,281	686,511
		1,145,646	**1,041,959**

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, no quasi loans were disbursed;
- Loans to related parties – 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 additional loans to Farleigh Pte Limited, Barton Pte Limited and Dubbo Pte Limited towards the refurbishment of the Sheraton and Westin Resorts. Additional loan was also disbursed to the Grand Pacific Hotel Limited as part of upgrade required towards rebranding to the Intercontinental brand;
- Customer term loans – head security is a registered first mortgage over property and improvements or Government Guarantee. Lotus Garments Limited continued to progressively draw on the loan previously approved. New loan was approved for Kalabo Investments Pte Limited, while Air Pacific drew on undrawn commitments approved in FY2020.

A loan is assessed as impaired if the loan is non-performing and the loan balance is greater than the security value.

Due to the impact of COVID-19, which impacted the travel and tourism industry, repayment holidays were approved for the loans to Air Pacific Limited and the hotels in FY2020. Due to the onslaught on second wave of the pandemic in April 2021, the moratoriums were extended. A principal moratorium was granted on loans to Air Pacific Limited until 31 December 2023, while they continue to pay interest during this period. The loan term on Air Pacific Loan facilities were also extended by seven years. Details of the modification assessment are outline in note 3.1(b). The moratorium for the hotel loans were extended for additional 12 months. Details of moratorium for the hotel loans are outlined in Note 30(b).

Natadola Bay Resort Pte Limited (NBRL)
The carrying value of the loan provided to NBRL by FNPF is $298,990,000 (2020: $291,621,000). Further details of the loan are in Note 30(b). As at year end, the Fund is carrying a provision for impairment against the loan of $153,104,000 (2020: $140,499,000). The increase in impairment is a result of the impact of a lower valuation outcome for the NBRL assets (being the value of the collateral) which has been affected due to the COVID-19 pandemic.

Momi Bay Resort Limited (MBRL)
The carrying value of the loan provided to MBRL for the Momi Resort development is $125,179,000 (2020: $117,641,000). 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

13. Loans and advances (continued)

Momi Bay Resort Limited (continued)
- Assignment of Income
- Assignment of Bank Accounts BSP A/c & HFC A/c

Movements in the impairment provision

	Loans to related parties $000	Customer term loans $000	Staff loans $000	Total $000
Collectively Assessed Provisions				
Balance as at 1 July 2019	-	-	104	104
Balance as at 30 June 2020	-	**-**	**104**	**104**
Balance as at 30 June 2021	-	**-**	**104**	**104**
Individually Assessed Provisions				
Balance as at 1 July 2019	107,168	5,010	-	112,178
New and increased provisioning	35,371	4,969	-	40,340
Provisions no longer required	-	-	-	-
Balance as at 30 June 2020	142,539	9,979	-	152,518
New and increased provisioning	13,033	5,578	-	18,611
Provisions no longer required	-	-	-	-
Balance as at 30 June 2021	**155,572**	**15,557**	**104**	**171,233**
Total provision for impairment at 30 June 2020	**142,539**	**9,979**	**104**	**152,622**
Total provision for impairment at 30 June 2021	**155,572**	**15,556**	**104**	**171,233**

Total impairment provisions as at balance date are:

	Note	2021 $000	2020 $000
Collectively assessed provisions		104	104
Individually assessed provisions		171,129	152,518
		171,233	**152,622**

14. Equity investments

	Note	2021	2020
Traded equities	14(a)	763,391	705,950
Other equity investments	14(b)	1,462,140	1,515,884
		2,225,531	**2,221,834**

14(a). Traded equities

	2021	2020
Level 1 - Local listed equities	225,725	208,403
Level 1 - Foreign equities	503,788	463,501
Local Unit trust	29,042	29,210
Local unlisted equities	4,836	4,836
	763,391	**705,950**

- Level 1 equity investments are classified at fair value through Profit or loss and the Fund uses the closing market price as at reporting date.
- For Unit Trusts, the Fund uses exit prices at the reporting date.
- Local unlisted equities include investments in Fiji Gas Limited and Yatu Lau Company Limited. These are classified at fair value through Profit or loss and is valued using “Kontiki Price Matching Services Over the Counter facility” as these shares are traded by a willing buyer and willing seller at the reporting date.

14. Equity investments (continued)

(b). Other equity investments
Investment in other equity investment consists of the following:

Name	Principal activities	Place of business	Valuer	% Owner-ship	2021 Fair value $000	2020 Fair value $000
Subsidiaries						
Amalgamated Telecom Holdings Limited*	Telecommunications	Fiji	FTI Consulting (Australia) Pty Ltd	71.5	712,677	645,434
Home Finance Company Pte Limited	Financial services	Fiji	FTI Consulting (Australia) Pty Ltd	75.0	164,462	148,697
FNPF Holdings (PNG) Limited	Investment	PNG	Management Assessment	100.0	49	52
Yatule Beach Resort Pte Limited	Resort operations	Fiji	Colliers New Zealand	100.0	4,081	-
FNPF Hotel Resorts Pte Limited	Resort operations	Fiji	Colliers New Zealand	100.0	42,967	44,245
FNPF Nominees Limited	Nominee Services	Fiji	Management Assessment	100.0	-	-
Natadola Bay Resort Pte Limited	Resort operations	Fiji	Colliers New Zealand	100.0	-	-
Momi Bay Resort Pte Limited	Resort operations	Fiji	Colliers New Zealand	100.0	-	9,488
Dareton Pte Limited	Land development	Fiji	Rolle Associates	100.0	8,000	5,400
Health Care (Fiji) Pte Ltd	Healthcare	Fiji	Management Assessment	80.0	6,109	1,487
Grand Pacific Hotel Pte Ltd	Resort operations	Fiji	Colliers New Zealand	100.0	8,853	12,300
Farleigh Limited	Resort operations	Fiji	Colliers New Zealand	100.0	35,280	74,580
Associates						
Energy Fiji Limited**	Energy	Fiji		20.0	-	206,110
Tropic Health Incorporated (Fiji) Limited	Medical	Fiji	Management Assessment	46.0	-	-
Active (Fiji) Co. Limited	Tourism	Fiji	Management Assessment	23.0	-	-
Halabe Investments Limited	Real Estate	Fiji	Management Assessment	25.0	884	884
Fiji Ports Corporation Limited	Wharfage	Fiji	FTI Consulting (Australia) Pty Ltd	39.0	109,716	86,022
Bligh Water Shipping Limited	Shpping	Fiji	Management Assessment	26.0	-	-
Other						
Vodafone Fiji Pte Limited	Telecommunications	Fiji	FTI Consulting (Australia) Pty Ltd	49.0	369,062	281,185
					1,462,140	**1,515,884**

The above investments have been measured at fair value in accordance with note 2.8(c)(i) and 2.21.

*FNPF exercised its rights to participate in the Amalgamated Telecom Holdings Limited (ATH) Share Rights Issue during the year. FNPF invested 20,000,000 shares paid in three installments. The final installment was paid in July 2021, for the issue of the share certificate. Total shareholding will increase to 72.7% from 71.5%.

**During the year, FNPF disposed its total equity interest of 20% in Energy Fiji Limited to Sevens Pacific Pte Limited which was acquired in April 2020. A realized gain of $25,390,000 has been recorded in the financial statements.

14. Equity investments (continued)

b. Other equity investments (continued)

Valuation technique and significant unobservable inputs
The following table shows the valuation techniques 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
Other equity investments	**ATH/VFL/HFC/FPCL:** - Discounted Cash Flow Method (DCF) - Future maintainable earnings (FME) **Hotels:** - Discounted Cash Flow Method (DCF) - Income Capitalization	• Weighted Average Cost of Capital (WACC): 9.8% -10.8% Note: does not include Digitec Communications (PNG) specific WACC range of 28-30%. • Earnings multiple: 0.95x- 14.5x • Discount Rate: 9.75% -14.5% • Capitalization rate: 8.75% -12.0%;	The estimated fair value would increase/(decrease) if any of the significant unobservable inputs were changed: • Earnings multiple was higher (increase); • Weighted Average Cost of Capital were lower (increase) • Discount rate were lower (increase) • Capitalization rate were lower (increase)

Valuation Process
FNPF engages independent, reputable and adequately qualified international firms to carry out valuations of its investment in equities. The valuation firms are selected via a tender process in compliance with the Fund's Procurement Policy. The firms selected to carry out the valuations work with the Fund management team and the investee's management team to prepare a business valuation required under IFRS 13. The Board reviews and approves the valuations undertaken by the independent valuers subsequent to the endorsement by the Board Investment Committee (BIC).

The business valuations of ATH, VFL, HFC and FPCL were carried out by FTI Consulting (Australia) Pty Limited and Colliers International-Auckland was engaged to carry out the valuation of the Fund's investments in hotel and resort operations.

FTI Consulting (Australia) has undertaken the valuation in accordance with the Accounting Professional & Ethical Standards Board Limited Professional Standard APES 225 'Valuation Services'. The Valuation reports are based on information available on 30 June 2021 and the impact caused by COVID-19 global pandemic has been considered. A combination of both Discounted Cashflow (DCF) and Capitalization of future maintainable earnings (CFME) methodologies were used to ascertain the values at year end. An illiquidity discount or discount for lack of marketability (DLOM) has been factored in arriving at the fair value of the investments. Valuation uncertainties have been factored by adjusting the company specific risk premiums.

Colliers have attached less weight to previous market evidence for comparison purposes in their assessment of the hotel and resort valuations as at 30 June 2021. COVID-19 continues to have significant impact on both the Fijian and global economy and particularly the tourism and hotel industry. Given the uncertainty of when COVID-19 cases would be constrained and to allow for opening of borders and international travel, the hotel valuations were therefore reported on the basis of 'material valuation uncertainty'. It must be noted that the valuation assumptions undertaken by Colliers is based on its view at 30 June 2021, whilst subsequent to this, the key assumptions would have changed materially in Fiji, especially with the second wave of COVID-19. The Discounted Cashflow method (DCF) has been adopted as the most reflective of the fair value of the Fund's investments in hotel and resort operations.

Management assessment is based on income approach using future maintainable earnings and earnings multiples of similar industries. Refer note 14(b) for other equity investment. The impact of COVID-19 has been factored in the future earnings. The Board reviews and approves the valuation undertaken subsequent to the endorsement by the BIC.

15. Investment properties

	2021	2020
Properties at fair value	**$000**	**$000**
Balance at the beginning of the year	429,069	385,868
Transfer from/(to) property, plant and equipment and intangibles	-	(243)
Change in fair value	(20,752)	(2,676)
Acquisitions	11,960	38,759
Work in progress	1,549	7,361
	421,826	**429,069**
Add: lease liabilities – leasehold land	8,888	9,038
Balance at the end of the year	**430,714**	**438,107**

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 Fund's investment property annually. 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.

Investment property comprises a number of commercial properties that are leased to third parties for rental income and vacant land which are held for future development for capital appreciation.

Rolle Associates had been engaged to undertake full valuation of the property portfolio as at 30 June 2021. The increased risk and the uncertainty associated with COVID- 19 were adjusted thorough the discount and capitalisation rates for the properties. The uncertainity has also been captured through incorporating period of void in the financial projections. This increases the risk of a material adjustment to the carrying amount of investment properties within the next financial year. The valuer brought in a new method of estimating the fair values by using an ARGUS DCF system to project a multiple range of fair values by taking into account different going in capitalisation rates, discount rates and terminal rates. Based on the best mix of the all the rates (all rates which was most suitable for the property), the fair value was determined in the valuation report. Impact of COVID-19 uncertainity has been captured by adjusting key elements such as the cashflows (including growth rates for income & expenditure), void losses, capitalisation and discount rates.

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 approach*:** Discounted cash flows (DCF) In this approach the valuation models of the independent valuers consider the present value of each year's net operating income (NOI) to be generated from the property, taking into account the expected rental growth rate, expenses growth rate and void periods (probability of tenants lease renewal). The net operating income is discounted by applying the discount rate, sometimes called yield rate or internal rate of return (IRR). The DCF also calculate the future selling price at the end of the 10 year period. This is done by applying an exit capitalization rate on the 11th year stabilized NOI. This year the valuer developed a Discounted Cash Flow model using Argus Enterprise. The software analyses each lease, property expenses and unobservable inputs to provide a sensitivity value matrix for indicated value range. These values were reconciled with the other valuation techniques to come to a value estimate. ***Market approach: This approach was adopted for all the land held for future development. The market approach utilizes sales of comparable properties, adjusted for differences to indicate the value for the subject.	• Discount Rate (IRR) 8%-12% • Exit Capitalization Rate 6%-9% • Expected rental growth 1%- 2%; • Void period Annualised vacancy 1% - 8% • Market based management fee 2%-3% • Expected expense growth 2%-3% • Land rate per acre $68k- $5m	The estimated fair values would increase (decrease) if: • Discount rates- (IRR) were higher (decrease); • Exit capitalization rates were higher (decrease); • void periods were shorter (increase); • the occupancy rate were higher (increase); • Expected rental growth were higher (increase); • Land rates per acre were higher (increase)

	2021 $000	2020 $000
16. Cash and cash equivalents		
Cash at bank	593,677	296,969
Cash on hand	2,580	1,859
Cash at bank – restricted*	539	14,253
	596,796	**313,081**
Impairment provision	(1,109)	(1,615)
	595,687	**311,466**

* The amount includes restricted cash of $539,000 of members' funds and government subsidy held in trust. The funds will be disbursed subsequent to balance date to affected eligible members of the Fund.

17. Intangible assets

	2021 $000	2020 $000
Software at cost		
Balance at the beginning of the year	20,407	20,243
Additions during the year	24	164
Transfer from property, plant and equipment and investment property	-	-
Balance at the end of the year	**20,431**	**20,407**
Amortisation and impairment		
Balance at the beginning of the year	12,011	9,989
Amortisation charge for the year	2,026	2,022
Balance at the end of the year	**14,037**	**12,011**
Carrying amount		
At the beginning of the year	**8,396**	**10,254**
At the end of the year	**6,394**	**8,396**

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18. Property, plant and equipment

	Freehold Land	Leasehold Land	Buildings	Office Equipment		Motor vehicles	Furniture & fittings		Work in Progress	Total
				FNPF	RIF		FNPF	RIF		
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Cost										
Balance at the beginning of the year	371	97	12,759	9,457	143	2,406	2,555	44	139	27,971
Additions	-	-	-	205	-	-	2	-	3,716	3,923
Transfer from investment property	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(50)	(9)	-	-	-	-	(59)
Balance at the end of the year	371	97	12,759	9,612	134	2,406	2,557	44	3,855	31,835
Accumulated depreciation										
Balance at the beginning of the year	-	90	3,988	8,154	97	1,594	2,368	44	-	16,335
Depreciation charge for the year	-	1	204	707	-	315	38	-	-	1,265
Disposals	-	-	-	(50)	(9)	-	-	-	-	(59)
Balance at the end of the year	-	91	4,192	8,811	88	1,909	2,406	44	-	17,541
Carrying amount										
At the beginning of the year	**371**	**7**	**8,771**	**1,303**	**46**	**812**	**187**	**-**	**139**	**11,636**
At the end of the year	**371**	**6**	**8,567**	**801**	**46**	**497**	**151**	**-**	**3,855**	**14,294**

	Note	2021 $000	2020 $000
19. Other receivables			
Contributions receivable		20,403	18,123
Impairment provision		(17,729)	(14,375)
Net contribution receivable		**2,674**	**3,748**
Receivable from related parties	30(b)	10,044	9,871
Other deposits and receivables		76,442	31,813
Provision for Impairment		(2,361)	(2,361)
Net other receivables		**84,125**	**39,323**
		86,799	**43,071**

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.

	2021 $000	2020 $000
Maturity of gross other receivables represented as:		
1 to 12 months	64,191	27,319
1 to 5 years	42,698	32,488
	106,889	**59,807**

Movements in the provisions for impairment are as follows:

	Contributions receivable $000	Other $000
Balance at 1 July 2019	**10,640**	**2,170**
New and increased provisioning	3,735	191
Provisions reversed	-	-
Balance as at 30 June 2020	**14,375**	**2,361**
New and increased provisioning	3,354	-
Provisions reversed	-	-
Balance as at 30 June 2021	**17,729**	**2,361**

20. Investment income receivable

	Note	2021 $000	2020 $000
Interest receivable		73,209	77,852
Provision for Impairment		(1,014)	(744)
Dividend receivable- others		5,785	32,217
Rent receivable		959	2,183
Provision for Impairment		(662)	(297)
Dividend receivable from related parties	30(b)(ii)	28,187	28,288
		106,464	**139,499**

Movements in the impairment provision are as follows:

	Interest receivable $000	Rent receivable $000
Balance as at 1 July 2019	**750**	**121**
New and increased provisioning	-	176
Provisions reversed	(6)	-
Balance as at 30 June 2020	**744**	**297**
New and increased provisioning	270	365
Provisions reversed	-	-
Balance as at 30 June 2021	**1,014**	**662**

21. Other payables and accruals	2021 $000	2020 $000
Deposits	2,296	2,258
Deferred revenue	566	347
COVID-19 Government assistance*	1,762	3,861
Other payables**	14,305	29,558
	18,929	**36,024**

*COVID-19 Government assistance of $1,762,000 relates to the funds received from government awaiting disbursement to members affected by the impacts of COVID-19 pandemic under phase one, phase two, phase three and Lockdowns.

** Other payables includes $918,610 of COVID-19 assistance transferred from members' accounts awaiting to be disbursed to members at reporting date.

22. Employee entitlements	2021 $000	2020 $000
Annual leave	944	853
Long service leave and gratuity	90	181
	1,034	**1,034**
As at 1 July	1,034	1,157
Additional provisions recognised	1,034	1,413
Paid during the year	(1,034)	(1,536)
Carrying amount as at 30 June	**1,034**	**1,034**

23. Leases	2021 $000	2020 $000
(a) Right-of-use assets		
Balance at 1 July	249	236
Additions	227	153
Depreciation charge for the year	(145)	(140)
Balance as at 30 June	**331**	**249**

The incremental borrowing rate for new lease was 6% (2020: 6%).

	2021 $000	2020 $000
(b) Lease liabilities		
Maturity analysis –contractual undiscounted cashflows		
Less than one year	712	458
One to five years	2,420	1,489
More than five years	35,070	18,621
Total undiscounted lease liabilities at 30 June	**38,202**	**20,568**
Lease liabilities at 30 June		
Property leases (included in investment properties and right of use assets)		
Current	158	127
Non-Current	9,199	9,175
	9,357	**9,302**
Amount recognized in income statement		
Interest on lease liabilities	21	19
Depreciation on right of use assets	145	140
Variable lease payments not included in the measurement of lease liabilities	98	428
	264	**587**
Amount recognized in the statements		
Total cash outflow for leases	**729**	**131**

24. Net assets available to pay benefits

	Note	2021 $000	2020 $000
Net assets available to pay benefits		**8,177,711**	**7,885,965**
Represented by:			
Liability for accrued benefits	26(a)	6,388,000	6,292,942
Special death benefit fund reserve	24(a)	56,297	49,365
Retirement income fund reserve	24(b)	345,791	331,176
General reserve	24(c)	1,387,623	1,212,482
		8,177,711	**7,885,965**

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

(a). Special Death Benefit Fund Reserve

		2021 $000	2020 $000
Balance at 1 July		49,365	43,053
Add/(less) transfers from/(to) member benefits:		-	
Transfers from member accounts -premiums	24(d)	11,197	11,627
Payments to members' nominees	24(e)	(7,628)	(8,449)
Add transfers from statement of change in net assets	27	3,363	3,134
Balance at the end of the year		**56,297**	**49,365**

The amounts transferred to the Special Death Benefit Fund Reserve of $11,197,000 (2020: $11,627,000) represents annual deductions of $35 (2020: $35) or less from the accounts of each entitled member.

The amounts transferred from the Special Death Benefit Fund Reserve of $7,628,000 (2020: $8,449,000) represent disbursements to the nominees of those members who died during the year at $8,500 (2020: $8,500) per member. These disbursements are in addition to the accumulated amounts owing to the deceased member.

(b). Retirement income fund reserve

	Note	2021 $000	2020 $000
Balance at 1 July		331,176	322,655
Add/(less) transfers from/(to) member benefits:			
Transfer from		13,146	11,244
Transfer to	24(e)	(25,243)	(25,038)
COVID-19 assistance*	24(e)	(38)	(4,301)
Add transfers from statement of change in net assets	27	26,750	26,616
Balance at the end of the year		**345,791**	**331,176**

*The Retirement Income Fund Reserve discharged a one-off payment of $38,000 (2020:4,301,000) to pensioners as a relief assistance for COVID-19.

The amount transferred to the Retirement Income Fund Reserve of $13,146,000 (2020: $11,244,000) represents new annuity purchases (previously stated as pension income) during the year. The amounts transferred from the Retirement Income Fund Reserve of $25,243,000 (2020: $25,038,000) represent pension annuities to pensioners whilst amounts transferred to the Retirement Income Fund Reserve during the year of $26,750,000 (2020: $26,616,000) represents investment returns after allowing for operating expenses of $511,367 (includes impairment on financial assets of $209,966) (2020: impairment reversal of $145,000).

(c). General reserve

General reserve comprises both the legislative solvency reserve equivalent to 10% of the total benefits accrued to members of the Fund as required under the FNPF Act 2011 and an investment reserve held in order to maintain a high level of confidence that the legislative solvency requirement will be met at all times.

	Notes	2021 $000	2020 $000
Balance at 1 July 2019		1,212,482	1,215,761
Add transfers from statement of change in net assets	27	163,670	(3,267)
Add/(Less) transfers from/to liability for accrued benefits		11,471	(12)
Balance at the end of the year		**1,387,623**	**1,212,482**

24. Net assets available to pay benefits (continued)

(d). Contributions to the Fund for benefits
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 to the nominee 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	RIF	FNPF	All funds
		$000	$000	$000	$000
2021					
Member contributions, net	26(a)(iii)	-	-	310,093	310,093
SDB premiums	24(a)	11,197	-	-	11,197
		11,197	**-**	**310,093**	**321,290**
Purchase of annuities		-	13,146	-	13,146
Total		**11,197**	**13,146**	**310,093**	**334,436**

	Notes	SDBF	RIF	FNPF	All funds
2020		$000	$000	$000	$000
Member contributions, net		-	-	579,795	579,795
SDB premiums	24(a)	11,627	-	-	11,627
		11,627	-	579,795	591,422
Purchase of annuities		-	11,244	-	11,244
Total		11,627	11,244	579,795	602,666

(e). Payments to beneficiaries

	SDBF	RIF	FNPF	All funds
	$000	$000	$000	$000
2021	7,628	25,281	493,187	526,096
2020	8,449	29,339	430,524	468,312

Total benefits paid, excluding pension annuity relating to RIF, amounted to $500,815,000 (2020:$438,973,000).
The details of the payments are as follows:

		2021	2020
Benefit type		$000	$000
1	55 years and over	217,917	191,798
2	Death	26,561	26,742
3	Disability	5,080	3,899
4	Migration	20,847	24,190
6	Non-Citizens migrating	9,085	9,375
	Small accounts	1,883	1,444
7-8	Partial including COVID-19*	144,948	117,527
9	Housing transfers	66,866	55,525
Lump-sum – Supplementary Fund		-	24
Total		**493,187**	**430,524**

*The Fijian Government in collaboration with the Fund in response to the COVID-19 pandemic allowed members to access their General account held with the Fund. There were separate products introduced to assist members in different scenarios with total payment from members general account of $99,644,000.

24. Net assets available to pay benefits (continued)

(e). Payments to beneficiaries (continued)
Total benefits exclude $13,146,000 (2020:$11,244,000) being the amount transferred from FNPF to RIF in respect of FNPF members purchasing annuities.

	2021	2020
	$000	**$000**
The breakdown of payments from RIF is:		
1 - Sole life annuity	11,466	11,843
2 - Joint life annuity	7,013	6,612
3 - Term annuity	2,189	1,765
4 - Top up pension (in respect of pre March 2012 pensioners)	4,386	4,594
5 - Commutation	189	225
6 - COVID-19 assistance	38	4,301
	25,281	**29,340**

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.

25. Transfers between funds under the FNPF Act 2011

Amounts may be transferred between funds only in accordance with the FNPF Act 2011. Provisions include:
- Transfers from FNPF to RIF for purchase of annuities
- Deductions from FNPF for premiums due to SDBF
- Transfers from RIF and SDBF 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.

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

	Notes	2021	2020
(a) FNPF		**$000**	**$000**
Balance at the beginning of the year		6,292,942	5,860,932
Add transfers from statement of change in net assets	26(a)(ii)	106,529	431,985
Add transfers (to)/from general reserve	26(a)(iii)	(11,471)	25
Balance at the end of the year		**6,388,000**	**6,292,942**
(i) Allocation of Benefits			
Allocated to Members' Accounts		6,374,608	6,279,045
Unallocated to Members' Accounts		13,392	13,897
		6,388,000	**6,292,942**
Solvency requirement of 10% of member accounts		638,800	629,294
Other		748,823	583,188
FNPF reserve	24(c)	**1,387,623**	**1,212,482**
Net assets at end of year		**7,775,623**	**7,505,424**

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 2.16.

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

(a) FNPF (continued)

	Notes	2021 $000	2020 $000
(ii) Benefits accrued during the year			
Contributions received		321,290	591,423
Benefits paid	24(e)	(500,815)	(438,973)
Interest credited on members' accounts		302,769	293,957
Net amounts transferred:			
Special Death Benefit Reserve	24(a)	(3,569)	(3,178)
Transfer to Retirement Income Fund	24(b)	(13,146)	(11,244)
		106,529	**431,985**

The Board declared an annual interest rate for 2021 of 5.00% to be credited to members' accounts as at the reporting date (2020: 5.00%).

	2021 $000	2020 $000
(iii) Movement in liability for accrued benefits:		
Liability for accrued benefits at beginning of year	6,292,942	5,860,932
Net contributions*	310,093	579,795
Benefits paid**	(506,333)	(441,767)
Interest allocated to members	302,769	293,957
Transfer (to)/from general reserve	(11,471)	25
Liability for accrued benefits at end of year	**6,388,000**	**6,292,942**

*Gross contributions less SDB premiums deducted.
** Members withdrawals including amounts transferred to Retirement income Fund for RIF products purchased by retiring members.

(b) RIF	2021 $000	2020 $000
Liability for future annuity payments	274,301	250,839
Solvency reserve	71,490	80,337
Net assets	**345,791**	**331,176**
Movement in liability		
Liability at start of year	250,839	243,490
New purchases	13,146	11,244
Expected reduction for year	(6,327)	(7,716)
Model and assumption changes and variation in experience	16,643	3,821
Liability at end of year	**274,301**	**250,839**

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 $274,301,000 (2020: $250,839,000). 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.

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

(b) RIF (continued)

The proportion of RIF asset cash flows 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 2021 in accordance with World Health Organisation 2008 Fiji population life table, assuming set back 2 years from age 70 with 1% per annum reduction in male rates continuously for 8 years. Mortality for female life annuitants in 2021 in accordance with World Health Organisation 2008 Fiji population life table, set back 1 year with further 15% reduction at all ages, and 1% per annum reduction in female rates continuously for 8 years. Ongoing mortality rate reduction for males and females of 1% per annum from 2021 (Mortality for male life annuitants in 2020 in accordance with World Health Organisation 2008 Fiji population life table scaled by a factor derived by linear interpolation, with one year of mortality improvement at 1 per cent at all ages; Mortality for female life annuitants in 2020 in accordance with World Health Organisation 2008 Fiji population life table, assuming 2% per annum reduction in female rates continuously for 11 years and set back one year, and a further year of mortality improvement at 1 per cent at all ages; ongoing mortality rate reduction for males and females of 1% per annum from 2020);
    - Fiji government bonds will be redeemed at the earliest opportunity; that is, up to 4 years before maturity (2020:4 years)
    - An average long run market rate of reinvestment of RIF asset cash flows of 4.00% per annum over the term of the current annuities (2020: 5.25% pa)
    - A continuous liquidity allowance of one year's worth of annuity payments which does not attract interest (2020: one year)
    - An allowance for RIF expenses of 5.0% of annuity payments from time to time (2020: 5.5%)

The calculated proportion of RIF asset cash flows was 79.3%. This means that 79.3% 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 (3.50% per annum) is calculated as $280,407,000 (81.1% of the face value of RIF investments). The liability assuming a reinvestment rate of return 50bp higher (4.50% per annum) is calculated as $268,640,000 (77.7% of the face value of RIF assets).

(c) SDBF

	2021	2020
	$000	$000
Liability for claims incurred but not reported (IBNR)	1,947	2,137
Provision for mortality fluctuation	4,590	4,647
Catastrophe reserve	49,760	42,581
Net assets	**56,297**	**49,365**

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 includes estimated random variation and systematic impact to the expected annual SDB claims of $2,890,000 (2020: 4,647,000) and estimated additional claims related to Covid of $1,700,000 (2020: NIL) during the following financial year. The reduction in the provision for mortality fluctuation (exclusive of Covid) is a result of change in estimation methodology, it is not a reduction in risk. The balance in the fund is held against the possibility of major catastrophic loss of life amongst those eligible for SDB. Fiji could suffer a major catastrophe or catastrophes, with significant loss of life. Such a disaster causing more than two to three thousand additional member deaths is very unlikely, but not unfortunately impossible. Consequently, the catastrophe presents a theoretical risk to the solvency of the SDBF.

The best estimate for the IBNR liability is $1,947,000. The actual IBNR liability will only ever be known with the benefit of hindsight but is reasonably likely to fall between $1,752,000 and $2,141,000.

	2021	2020
	$000	$000
IBNR at the start of the year	2,137	2,916
Utilized expected SDB benefit payments	(818)	(735)
Unutilized expected SDB benefit payments	(155)	(610)
Other experience effects and assumption changes	(113)	(519)
New business related	896	1,085
IBNR at the end of the year	**1,947**	**2,137**

27. Change in net assets available for allocation

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

	2021 $000	2020 $000
Change in net assets available for allocation	**496,552**	**320,440**
Allocated to:		
Liability for accrued benefits	(302,769)	(293,957)
Special death benefit fund	(3,363)	(3,134)
FNPF fund	(163,670)	3,267
Retirement income fund	(26,750)	(26,616)
	(193,783)	(26,483)
	(496,552)	**(320,440)**

28. 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:

	Note	2021 $000	2020 $000
Cash and cash equivalents	16	596,257	298,828
Cash and cash equivalents at end of financial year		**596,257**	**298,828**

(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.

29. Commitments and contingent liabilities

(a) Commitments

	2021 $000	2020 $000
Capital expenditure commitments	-	6,114
Undrawn facilities in relation to mortgage loans*	1,447	60,279
	1,447	**66,393**

During the financial year, the Air Pacific drew on the $53.6 million noted under undrawn commitment in FY2020. Several loans approved previously in FY2020 remained undrawn at year end.
.
(b) Contingent liabilities

	2021 $000	2020 $000
Litigation *	81,100	79,334
	81,100	**79,334**

* The Fund is a party to a claim against once of its subsidiary – Farleigh Pte Limited. This relates to claims for loss of entitlement under itaukei lease (Sheraton Land) which amounts to $77 million. Furthermore, there are two cases related to same claim for damages in lieu of or in addition to specific performance by Tropic Health Investment amounts to $4 million. The cases are pending before the high court as at the year end. There are other claims against the fund, however these are insignificant.

The Fund has provided a Letter of support to its hotel subsidiaries for working capital purposes.

29. Commitments and contingent liabilities (continued)

(c) Operating lease revenue

Non- cancellable operating lease rentals are receivable as follows:

	2021	2020
	$000	$000
Not later than 1 year	8,504	11,677
Later than 1 year but not later than 5 years	26,534	27,350
Greater than 5 years	15,526	16,671
	50,564	**55,698**

30. Related parties

(a) Board members

The Board members of the Fund during the year were:
Mr. Daksesh Patel (Chairman)
Mr. Mukhtar Ali
Mr. Sanjay Kaba
Ms. Makereta Konrote (Resigned -15 March 2021)
Ms. Kalpana Lal
Mr. Joel Abraham
Mr. Shiri Goundar (Appointed - 16 March 2021)

(b) Transactions and balances with related parties

	2021	2020
	$000	$000
Directors*		
Directors remuneration - fees and allowances	45	67
Other services provided to the Fund	-	10
	45	**77**

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.

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 (Resigned – 8th March 2021)
- Mr. Viliame Vodonaivalu – Acting Chief Executive Officer/Chief Investment Officer
- Mr. Pravinesh Singh – Chief Operating Officer
- Mr. Tevita Lomalagi – Chief Finance Officer
- Mr. Uday Singh – General Manager Governance & Risk
- Mr. Ravinesh Krishna – General Manager Human Resources
- Mr. Alipate Waqairawai – General Manager Member Services
- Ms. Millie Low – General Manager Business Transformation
- Mr. Rukshan Rajapaksha – Chief Information and Technology Officer

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

	2021	2020
	$000	$000
Short-term benefits	1,781	1,652

30. Related parties (continued)

(b) Transactions and balances with related parties (continued)

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).

The investments and ownership interests in subsidiary companies are disclosed in Note 14(b).

During the year, further capital injection was done in Health Care (Fiji) Pte Ltd of $5,723,000 and FNPF participated in the Amalgamated Telecom Holdings Pte Limited's (ATH) share rights amounting to $86,000,000.

(i) Transactions with related parties during the year

Interest income

The amount of interest income from loans, current account and term deposits from related parties during the year is as follows:

	2021	2020
	$000	$000
Vodafone Fiji Pte Limited	3,348	3,439
Home Finance Company Pte Limited	8,134	8,479
Natadola Bay Resort Pte Limited	7,369	7,025
FNPF Hotel Resorts Pte Limited	339	340
Yatule Beach Resort Pte Limited	99	99
Momi Bay Resort Pte Limited	8,444	8,327
Farleigh Pte Limited	4,040	3,908
Barton Pte Limited	5,626	3,640
Dubbo Pte Limited	590	311
Grand Pacific Hotel	2,173	1,359
	40,162	**36,927**

Rental income

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

	2021	2020
	$000	$000
Amalgamated Telecom Holdings Limited	56	63
Vodafone Fiji Pte Limited	842	825
Telecom Fiji Pte Limited	693	693
Home Finance Company Pte Limited	733	733
	2,324	**2,314**

Dividend income from related parties

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

Home Finance Company Pte Limited	11,055	4,738
Vodafone Fiji Pte Limited	12,250	22,050
	23,305	**26,788**

(ii) Balances with related parties at the year end
Dividend receivable from related parties

	2021	2020
	$000	$000
Vodafone Fiji Pte Limited	17,763	22,050
Home Finance Company Pte Limited	9,024	4,738
FNPF Hotel Resorts Pte Limited	1,400	1,500
	28,187	**28,288**

30. Related parties (continued)

(b) Transactions and balances with related parties (continued)

Balances with related parties at the year-end (continued)

Other receivable from related parties

	2021	2020
	$000	$000
Farleigh Pte Limited Group	75	60
Dubbo Pte Limited	4,647	4,647
Barton Pte Limited	5,164	5,164
Grand Pacific Hotel Pte Limited	66	-
Amalgamated Telecom Holdings Limited	92	-
	10,044	9,871

Loans provided by the Fund to related parties

	2021	2020
	$000	$000
Natadola Bay Resort Pte Limited	298,990	291,621
Momi Bay Resort Pte Limited	125,179	117,641
FNPF Hotel Resorts Pte Limited – Holiday Inn	5,839	5,500
FNPF Nominees Limited	98	98
Yatule Beach Resort Pte Limited	2,118	2,025
Vodafone Fiji Pte Limited	71,761	80,000
Farleigh Pte Limited	83,155	78,867
Barton Pte Limited	127,723	90,209
Dubbo Pte Limited	14,453	10,217
Grand Pacific Hotel Pte Limited	42,822	38,938
	772,138	**715,116**
Less : Impairment provision	(155,572)	(142,539)
	616,566	**572,577**

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 $7,369,459 (2020: $7,025,459). 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.

30. Related parties (continued)

(b) Transactions and balances with related parties (continued)

Balances with related parties at the year end (continued)

Natadola Bay Resort Pte Limited (NBRL) (continued)

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.

Due to the impact of COVID-19 which resulted in the closure of borders and suspension of international flights, affecting the operations of the Resort, repayment relief in the form of moratorium of principal and interest has been provided from April 2020 to June 2021 and further extended until 30 June 2022.

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.

In 2019 the Fund had 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 with option to extend by an additional 5 years. During the year, Vodafone exercised its right to extend the loan term by an additional 1 year. The loan is secured by a Corporate Guarantee.

Grand Pacific Hotel Pte Limited
In FY2020, the fund had refinanced a loan of $ 39,015,789 previously held with the Bank of South Pacific. The refinancing of the loan was part of the strategy of reacquiring the remaining 75% shares in the Grand Pacific Hotel. The loan is for a term of 15 years.

During the year, additional loan of $1,710,801 was disbursed. Due to the impact of COVID-19 which resulted in the closure of borders and suspension of international flights, affecting the operations of the hotel, repayment relief in the form of moratorium on principal and interest has been provided from April 2020 to June 2021 and further extended to June 2022

30. Related parties (continued)

(b) Transactions and balances with related parties (continued)

Balances with related parties at the year end (continued)

Barton Pte Limited

The debt novated under Barton Limited amounted to $36,980,000 as part of the Starwood Properties acquisition. To date additional loans of $84,384,250,000 have been disbursed 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.
The loans are secured by:

- First Registered Mortgage over NL.34714 described as Lot 2 on ND.4946 being the Sheraton Property.
- First Registered Mortgage 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);

Due to the closure of the Resort due to renovation, a moratorium on principal and interest was granted from December 2019 to November 2020. Upon expiry of the initial moratorium period and in light of the impact of the COVID-19 pandemic, additional moratorium was granted to 30 June 2021. Further extension has been granted to June 2022.

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

Due to the impact of COVID-19 which resulted in the closure of borders and suspension of international flights, affecting the operations of the hotel, repayment relief in the form of moratorium on principal only has been provided from July 2020 to June 2021 and further extension provided until December 2021.

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.

Due to the impact of COVID-19 which resulted in the closure of borders and suspension of international flights, affecting the operations of the hotel, repayment relief in the form of moratorium on principal and interest has been provided from April 2020 to June 2021 and further extension has been granted until June 2022.

30. Related parties (continued)

(b) Transactions and balances with related parties (continued)

Balances with other related parties at the year end (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. Current balance on the loans is to $5,839,000 (2020: $5,500,000).

Due to the impact of COVID-19 which resulted in the closure of borders and suspension of international flights, affecting the operations of the hotel, repayment relief in the form of moratorium of principal and interest has been provided from May 2020 to June 2021 and further extension has been granted until June 2022.

Dubbo Pte Limited

During the year, the Fund disbursed a sum of $10,217,000 to Dubbo Pte Limited towards the renovation of the Westin Resort renovations. The loan is for a term of 15 years and matures on 30 September 2034.

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.

Due to the impact of COVID-19 which resulted in the closure of borders and suspension of international flights, affecting the operations of the hotel, repayment relief in the form of moratorium on principal and interest has been provided from April 2020 to June 2021 and further extension has been granted until June 2022.

31. Events Subsequent to the Balance Date

(a) COVID 19 Pandemic

The unprecedented uncertainty in the economic environment continues post year end and it is difficult to predict what the eventual impact it may have on the Fund. Actual economic events and conditions in future may be materially different from those estimated by the Fund at the reporting date. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have further adverse impacts to the fair value of the Fund's investment portfolio of properties and equities and of future prices achieved if the assets are to be realised. It may also adversely impact the level of expected credit losses attaching to loans and advances, receivables and government securities and fixed interest securities and their final realised positions, as the counterparties will all experience their own impacts of COVID-19 on their business activities and cash flows.

At the date of the release of the financial statements an estimate of the future effects of the COVID-19 pandemic on the Fund's portfolio cannot be made, as the impact will depend on the magnitude and duration of the economic downturn, with the full range of possible effects unknown. The financial statements, however, reflect the best estimates of the Fund's Board and management based on the information available at the time of preparation. Future changes in valuations, realised values and expected or actual credit losses are non-adjusting events at 30 June 2021 and will impact on the value of net assets available for benefits and on the income statement in future periods.

The Fund will continue to assess the impact of COVID-19 and take relevant measures to respond to the evolving environment.

Further considerations in relation to the COVID-19 pandemic impact on equity valuations, investment properties valuations and expected credit losses at balance and in future periods are included in the respective notes in the financial statements.

31. Events Subsequent to the Balance Date (continued)

(b) Assistance to members
The final rounds of phases 2 and 3 were completed in July 2021 bringing to closure the partnership with Government subsidized COVID-19 assistance to affected members. The final date of phase 2 and 3 payment is 6th July 2021. A total of $88,762,003 million was paid out from member's general account and $172,276,642 million from Government top up towards unemployment benefits of affected members during the financial year.

(c) The Government in its 2021/2022 national budget announced the continuation of the COVID-19 assistance. This includes payments to members who have been unemployed or on leave without pay from October 2019, members whose wage rate and hours has been reduced and members who have been unemployed from January 2010 to September 2019 and still unemployed. Until 23rd August, 2021 a total of 2,653 applications have been approved.

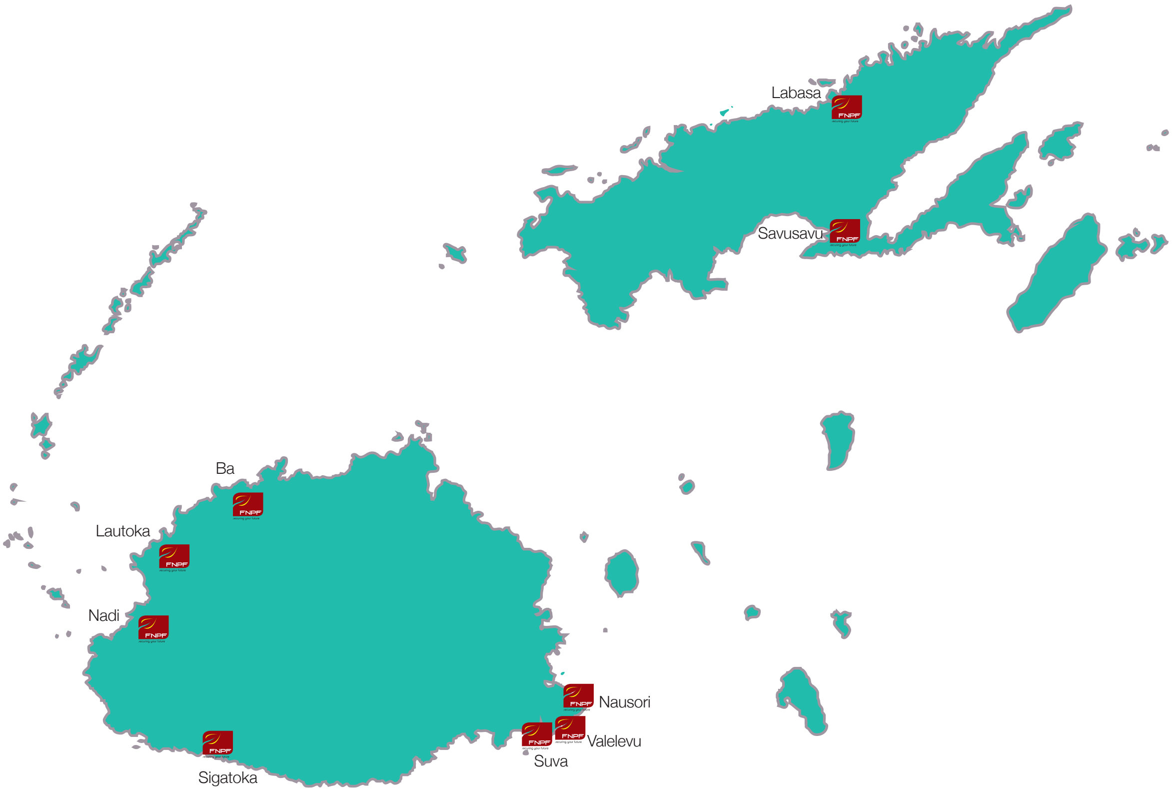
(d) Amalgamated Telecom Holdings Limited's (ATH) share rights issue
FNPF exercised its rights to subscribe to ATH's Share Rights Issue and acquired a total of 20,000,000 new shares at the share rights issue price of $2.00 amounting to $40,000,000. The shares were registered to FNPF in July 2021, whereby, FNPF would hold an equity interest in ATH of 72.7%.

(e) Vodafone Fiji Limited additional loan
During the year, the FNPF Board approved an additional loan of $60 million to Vodafone. As of 30 June 2021, the terms and conditions of the loan were under negotiation. VFL accepted the loan offer on 16th July 2021, legal documentation executed with first drawdown of $30 million made on 10th August 2021 while second drawdown of $20 million made on 20th August 2021.

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, the results of those operations or the state of affairs of the Fund.

32. 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.



Email
Email us at **information@fnpf.com.fj**
For complaints, compliments or suggestions you can email **complaints@fnpf.com.fj.**
For media queries, you can email **mediaqueries@fnpf.com.fj.**

Call us
You can call us on **(679) 3307811 or 5857** (mobile short code). We are available 8.30am to 4.30pm, weekdays only. We do not operate on weekends or public holidays.

Online
Message us on our Facebook or Twitter pages where our support team will get back to you during working hours. You can livechat with us on our website **www.myfnpf.com.fj** on weekdays.

Advocacy & Awareness
If you would like us to conduct an awareness at your organisation or community groups, you can email **AdvocacyTeam@fnpf.com.fj.** We can help you financially plan your retirement. You can also contact us if you wish to have a one on one appointment.

If you would like a copy of the Annual Report or seek clarification on related matters , please reach us on **publicrelations@fnpf.com.fj.**

Suva - Head Office
Provident Plaza Two
33 Ellery Street, Suva
Private Mail Bag, Suva, Fiji.
Phone: (679) 330 7811
Fax: (679) 330 7611

Valelevu Agency
Shop 3, Rajendra Prasad
Bros Supermarket
Complex, Valelevu, Nasinu
Telephone (679) 330 7811

Nausori Agency
Lot 1, Main Street, Nausori
Telephone: (679) 330 7811

Lautoka Branch
Shop 5, Provid ent Centre, 6
Naviti Street, Lautoka,
Phone: (679) 666 1888

Nadi Agency
Shop 2, Lot 13, Concave
Subdivision, Namaka, Nadi
Phone: (679) 666 1888

Ba Agency
Ganga Singh Street,
Ba CBD
Phone: (679) 666 1888

Labasa Branch
Rosawa Street, Labasa
Phone: (679) 881 2111

Savusavu Agency
PO Box 89, Savusavu
Main Street, Savusavu
Phone: (679) 881 2111

Sigatoka Branch
Shop 3-4, Hanif Building,
Matamata Subdivision
Phone: (679) 666 1888

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