

A N N U A L R E P O R T

## *Our Vision*

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That the people of Fiji will enjoy peace of mind during their working life and in retirement.

## *Our Mission*

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To be Fiji's foremost provider of social security and financial services to all its members.

## *Our Values*

Members can have complete trust in the integrity of FNPF, as in all of our dealings;

- we will exercise sound management and prudent investment policies;
- we will be a responsible steward of the fund with which we are entrusted;
- we will be a good corporate citizen always acting in the best interest of Fiji;
- we will do business in an ethical manner;
- we will provide quality service promptly, effectively and courteously;
- we will provide opportunities for our employees to develop their full potential in a safe, co-operative working environment.

# CONTENTS

2	<i>Highlights</i>
3	<i>Board of Trustees</i>
4	<i>Chairman's Report</i>
5	<i>Executive Team</i>
5	<i>Organisation Structure - Reporting Lines</i>
6	<i>Chief Executive's Report</i>
7	<i>Corporate Governance</i>
9	<i>Prudential Supervision</i>
10	<i>Risk and Treasury</i>
11	<i>Year in Review</i>
	<i>Operations •</i>
	<i>Investments •</i>
	<i>Corporate Services •</i>
	<i>Human Resources •</i>
	<i>Prime Services •</i>
23-58	<i>Financial Statements</i>
59-60	<i>Appendix of Tables</i>

## HIGHLIGHTS

- Contributions collected increased by 9% from F\$245.68 million the previous year to F\$267.66 million
- Total benefit payments to members ( inclusive of Pension payments and SDB payments) increased by 13.5% from F\$216.78 million to F\$250.62 million in 2006.
- Total investment income increased from F\$168.59 million the previous year to F\$240 million, with ROI of 7.63%
- Fund membership increased by 4.5% from 316,791 the previous year to 331,050.
- Interest credited to members on 30 June 2006 at 6.5% was F\$124.57 million compared to F\$111.96 million at 6.25% the previous year
- Members balance totalled F\$2.33billion on 30 June 2006 compared to F\$2.17billion in 2005.
- Re-organisation of customer service continues.
- Decentralization of full FNPF services to Lautoka and Labasa branches.
- Special Death Benefit increased to \$6,000 from 1 July 2005 to 30 June 2006 with a premium coverage of \$20, an increase from \$17 from FY 2005.
- Legislative changes were passed by Cabinet in June for changes to the FNPF Act. Investment reference to the Trustee Act was changed to the Prudent Person Approach
- Review of Strategic Plan FY2005-2008.
- Staff alignment to the Strategic Plan and new Organisation Structure to implement 01 July 2006.
- Implementation of revised HR Policy.
- Investment Policy Statement reviewed

## BOARD OF TRUSTEES

Anare Jale

*Government  
Representative*



Paula Uluinaceva

*Government  
Representative*



Harvie Probert

*Employers'  
Representative*



Himmat Lodhia

*Employers'  
Representative*



James Raman

*Employees'  
Representative*



Maika Namudu

*Employees'  
Representative*



# CHAIRMAN'S REPORT



I am pleased to report on the performance of the Fiji National Provident Fund in the financial year ending 30 June 2006.

## Legislation

Following the approval by Parliament of the amendments to the FNPF Act that changed the definitions of wages, employers and employees and widened the powers of the Board to invest in any property, implementation of the changes were effective immediately from 01 July 2005. Some changes that needed further consultation due to difficulties in collecting contributions from self-employed individuals were deferred until a list of exemptions are approved by the Minister.

## Corporate Governance

The year commenced with the adoption of the Reserve Bank Policy Statement No 1 under its supervisory role effective from 01 July 2005. The policy requires the Board to put in place and comply, with a corporate governance framework that ensures good governance in the operation of the Fund. The outcomes include the formulation and approval of Board policies and procedures, formation of Board Committees and their Charters and the appointment of six Board Committees. The Committees set up were:

- Nominations Committee
- Investment Committee
- Audit and Compliance Committee
- Risk and Strategy Committee
- Human Resources Committee
- ICT Committee

The Committee Charters specify the role, policies and procedures which have been approved by the Board to guide them in assisting the Board in its decisions.

The RBF in its supervision role, conducted its first on-site examination during the year and its report was presented to the Board by the Governor in June 2006. The Board has since responded to the issues raised in the report.

## Strategic Plan

As part of the Board strategy to maintain alignment throughout the organization, the Fund's strategic plan 2005-2008 had its mid-term review during the year which revealed that 80% of the targets have been achieved. In line with the revised plan, the organization structure was also reviewed which led to executive appointments that became effective after the end of the financial year.

## Risk Management

The Fund now has in place a risk management framework that identifies risks and formulates strategies to manage and minimize any negative impact on the Fund's operation. These are in addition to those identified during the RBF onsite examination, the FSAP Report, which still has to be received, and the Actuarial Report by ILO.

With the Internal Audit conducting its routine audit timetable and the external auditor identifying financial risks during their annual audit, the Fund is well protected from any event occurring of significant financial impact without early detection and elimination.

## Investments

A draft Investment Policy Statement was approved during the year with new appointments to the subsidiary Boards. The statement was held back from implementation by the Board to await the RBF On-Site Supervision Report and the enterprise risk management strategies.

In response to prudential management expectations, the Board adopted a conservative approach to its investments during the year following the aggressive strategy taken in the previous year, which enabled the Fund to capture rare investment opportunities in Natadola, Momi, Outrigger, Holiday Inn and GPH.

Major investments were reviewed during the year including ATH and HFC in an effort to achieve the best returns from funds, which became scarce towards the end of the financial year.

The Fund also had to repatriate some of its offshore investments following a directive by the Reserve Bank under the mandate given to FNPF on its international asset allocation. The recall led to portfolio rebalancing and brought significant capital gains which improved overall returns for the year.

I take this opportunity to thank members of the FNPF Board and various Committees for their commitment and hard work during the year, management and staff for implementing Board decisions to the best of their abilities and the stakeholders, Government, employers and the workers of this country for their support.

A handwritten signature in black ink, appearing to read 'Anare Jale'. The signature is stylized with a long, sweeping underline.

Anare Jale  
CHAIRMAN

# EXECUTIVE TEAM



**Olota Rokovunisei**  
Chief Executive Officer



**Foana Tukana Nemani**  
Deputy General  
Manager/Chief  
Operating Officer



**Neale Wright**  
Chief Investment Officer  
(contract ended  
13 Dec 2005)



**Mervyn Low**  
AGM Properties and  
Administration  
(retired 10 Mar 2006)



**Winston Chan**  
Senior Manager,  
Information Technology

## FNPF ORGANISATION STRUCTURE - REPORTING LINES



Note: The FNPF new organisation structure came into effect on 01 July 2006.



## CHIEF EXECUTIVE'S REPORT

The Fund continues to grow and became more visible in its activities during the year 2006 as a deliberate strategy to take its rightful place in its role in the daily lives of Fiji citizens.

While contributions, investments and benefits increased, cost control remain critical as a prudential management strategy.

### Operation

The Fund continues to achieve record results every year including the year 2006. Contributions collected were \$267.6m compared to \$245m in 2005 while benefit payments (other than Pension and SDB) totalled \$208m compared to \$181m in 2005. Investment income was \$240m compared to \$168m in 2005 resulting in a return on investments of 7.63% compared to 5.73% in 2005.

Operating expenses rose with budgets because the decentralisation of services to the Branches and of the public awareness programme that the fund undertook for the first time since inception, to explain to members and the public the role of the fund, the benefits to members and society in general, and the new legislation that was passed by Parliament in May 2005. Total membership grew to 331,050 from 20,596 new registrations, while the number of active employers grew by 810 from 5,620 in 2005 to 6,227 in 2006.

### Financial Information

The size of the Fund as at 30 June 2006 was \$3.24b compared to \$3.0b in 2005. The investment portfolio also grew by 7.44% from 2.93b in 2005 to \$3.15b in 2006. The growth comes from net contribution (contributions less withdrawals) and investment income, which are distributed as annual interest to members' balances on 30 June 2006, the rest to reserves. Of the funds held on 30 June 2006, \$2.33b are in the members' accounts and \$912.23m are in the general reserves.

### ICT

The role of IT in the Fund's operation continues to increase in importance as deliberate strategies are put in place to improve services through decentralization of services and speeding up processing by automated payments and collection. With the existing ICT infrastructure becoming obsolete, the Fund has embarked on an ICT Review project which includes digital

document storage and access, business process reengineering workflows and redesigning an integrated system that will take the fund forward in terms of technology in the next 10-15 years. The project is under the oversight of the Board ICT Committee.

The Board approved a Document Retention Policy during the year to assist in identifying documents that need to be captured and stored in digital format.

### Human Resources

New appointments made during the year included two senior positions in Risk & Strategy and Prime Services. The position of CIO, which was left vacant with the resignation of the previous incumbent, was advertised during the year and the appointment as from 01 September 2006, into the next financial year.

The Board introduced a Share In Performance award for the first time during the year, as a reward to all staff for achieving the key organization objectives set by Board before the financial year commences. The Fund is also, for the first time, entering into the Fiji Business Excellence Award competition, as a way of improving performance by establishing benchmarks and procedures to achieve them.

### Prime Services

This new division is the link of the fund to the future and the external stakeholders. It has established itself well and is making the Fund visible to the public as an awareness strategy and being proactive in addressing issues that concern members and the public. Its key indicator in the year and the new financial year is the proposed medical scheme and the public awareness program.

Community projects have been undertaken to take the fund to the people, including non-members, to confirm its important role in the lives of the citizens of Fiji.

I thank the Board, management and staff for their support during the year and look forward to many more years of success for the Fund.

**Olota T Rokovunisei**  
GENERAL MANAGER & CHIEF EXECUTIVE



# CORPORATE GOVERNANCE

## Role of the Board of Trustees

The role of the Board is to achieve the FNPF mission in a prudent and ethical manner that will fulfill its trusteeship role by providing proper governance and strategic guidance to enhance return on members' funds.

## The Board

The Board has tripartite representation composed of 6 Board members, two of which are representatives from government, two from employers and two from employees. The establishment and constitution of the Board are provided under Section 3 of the FNPF Act.

The Board members in office as of 30 June 2006 were Messrs Anare Jale (Chairman), Paula Uluinaceva, James Raman, Maika Namudu, Harvie Probert and Himmat Lodhia.

The Board members were paid a total fee of \$87,235 for their services during the year. In addition, Board members were paid total allowances of \$27,185 for attending various Committee meetings.

The Board Members are also paid entertainment allowance of \$2,000 each per year.

## Corporate Governance Policy and Board Charter

The Corporate Governance Policy and Board Charters were implemented from 21 October 2005 to comply with Reserve Bank of Fiji's supervision requirements under the FNPF Supervision Policy Statement 1. This came into effect on 01 July 2005. The Board charter sets the framework for FNPF Board governance.

The mandatory review of the governance policy will take place on 01 July 2008.

## Meetings of the Board

The regular business undertaken by the Board during its meetings includes business investments and strategic matters, governance and compliance, the Chief Executive's report, financial reports and performance of subsidiary companies.

The Board met 13 times during the financial year ending 30 June 2006. Attendance was as follows:

DIRECTOR	MEETINGS ENTITLED	MEETINGS ATTENDED	APOLOGIES RECEIVED
Mr. Anare Jale	13	13	0
Mr. Don Aidney	3	2	1
Mr. Paula Uluinaceva	10	7	3
Mr. Himmat Lodhia	13	12	1
Mr. James Raman	13	13	0
Mr. Maika Namudu	13	11	2
Mr. Harvie Probert	8	6	2

Mr. Paula Uluinaceva was appointed on 02 November, 2005 and Mr. Harvie Probert on 01 January, 2006 as Government and Employers representatives respectively. The appointments filled the vacancies caused by the retirement of Mr. Tevita Banuve on 30 June 2005 as Government representative and Mr. Don Aidney on 31 December, 2005 as Employers representative.

## Committees of the Board

The Board has approved six permanent committees: Investments Committee, Audit and Compliance Committee, Human Resources Committee, Information and Communications Technology Committee, Nominations Committee and Risk and Strategy Committee.

## The Investments Committee

This committee was established to assist the Board in developing investment strategies, policies and guidelines, and to review risk management policy and statements in respect to investment management, and to monitor compliance with these policies.

The committee: Messrs Paula Uluinaceva (Chairman), James Raman, Himmat Lodhia, Isoa Kaloumaira, Daniel Elisha and Dr Esther Williams (appointed on 15 May 2006 to fill the vacancy following the resignation of Mr Don Aidney and Mr Lionel Yee).

The Committee met seven times during the year and attendance was as follows:

DIRECTOR	MEETINGS ENTITLED	MEETINGS ATTENDED	APOLOGIES RECEIVED
Mr. Paula Uluinaceva	5	5	0
Mr. James Raman	7	7	0
Mr. Himmat Lodhia	7	6	1
Mr. Harvie Probert	6	5	1
Mr. Isoa Kaloumaira	7	6	1
Mr. Daniel Elisha	7	6	1
Dr Esther Williams	1	1	0

## CORPORATE GOVERNANCE

### *The Audit and Compliance Committee*

This committee is responsible for ensuring financial reporting compliance with accounting standards, assessment of the effectiveness of internal controls and risk management processes by Internal Audit, monitoring compliance with all applicable laws and regulations and for reviewing the external audit reports and results.

The committee: Messrs Paula Uluinaceva (Chairman), Himmat Lodhia and Harvie Probert.

The Committee met seven times during the year and attendance was as follows:

DIRECTOR	MEETINGS ENTITLED	MEETINGS ATTENDED	APOLOGIES RECEIVED
Mr. Don Aidney	6	6	0
Mr. James Raman	7	7	0
Mr. Paula Uluinaceva	1	1	0
Mr. Harvie Probert	1	1	0

### *The Human Resources Committee*

It is responsible for advising the Board on human resources issues including the remuneration and incentive package policies of Senior Executives who report to GM & CEO as well as succession planning.

The Committee: Messrs Anare Jale (Chairman), James Raman (co-opted member until end of Feb 2006), Himmat Lodhia and Maika Namudu.

The Committee met five times during the year and attendance was as follows:

DIRECTOR	MEETINGS ENTITLED	MEETINGS ATTENDED	APOLOGIES RECEIVED
Mr. Anare Jale	5	5	0
Mr. James Raman	2	2	0
Mr. Himmat Lodhia	5	5	0
Mr. Maika Namudu	5	5	0

### *The Information and Communications Technology Committee*

The committee is responsible for assisting the Board in the achievement of strategic ICT objectives through prudent management of ICT risks and optimization of ICT costs. The Committee: Messrs Harvie Probert (Chairman), Maika Namudu and Himmat Lodhia.

The Committee met two times during the year and attendance was as follows:

DIRECTOR	MEETINGS ENTITLED	MEETINGS ATTENDED	APOLOGIES RECEIVED
Mr. Harvie Probert	2	2	0
Mr. Himmat Lodhia	2	2	0
Mr. Maika Namudu	2	1	1

### *The Nominations Committee*

It was established to assist the Board in developing processes for the evaluation of the performance of the Board, Chairman and individual Directors, Board Committees, as well as the appointment of the CEO, the selection of the Board Committees and FNPF nominees for Boards of the subsidiaries of FNPF.

The Committee: Messrs Paula Uluinaceva (Chairman), Himmat Lodhia and James Raman. The Committee met once in the year and was attended by all committee members.

### *The Risk and Strategy Committee*

The committee was established to assist the Board in risk profiling and assessment and in developing a policy for the management of major risks, and to monitor the implementation of these policies.

The Committee: Messrs Anare Jale (Chairman), Paula Uluinaceva, Himmat Lodhia, Harvie Probert, James Raman and Maika Namudu.

*Management in FNPF stress good Corporate Governance to ensure that all activities stay transparent and ethical.*



# PRUDENTIAL SUPERVISION

As the prudential supervisor of FNPF under the Insurance Act 1998, the Reserve Bank of Fiji carried out its first onsite examination in March 2006, as required under the Corporate Governance Policy Statement (PSI). The Bank adopted a risk-based approach to assess the safety and soundness of the Fund.

The examination report was received in June 2006. The Fund has provided its initial response to the report.

A revised draft of the Bank's policy on FNPF Assets and Investments Management (AIM) was issued on 29th June 2006. The Fund has been invited to comment on the draft.

## Board Policy

A manual comprising Board governance policies was compiled and distributed to all Board members and management staff. A similar manual is being compiled to align executive staff with Board's policies.

## Compliance Framework

Compliance is crucial to the Fund, both as a requirement under the Corporate Governance Policy Statement (PSI), and as required under the Board's governance policies. A compliance officer was employed in the year to ensure that there is a cost effective and efficient framework to enable the Fund to comply with all its internal and external compliance obligations.

## Ethical Standard

In accordance with the Board's policy on Conflict of Interest and Staff Code of Conduct, all Board members, management and staff are required to disclose any material personal interests that may cause a potential or actual conflict of interest in the performance of their duties. Declaration of Interests is monitored and updated regularly.

## Corporate Governance Capacity

The Fund is determined to develop and improve its corporate governance capacity by providing appropriate training to the Board members, management and staff, at least once yearly (a training session was held in February, 2006). Board governance policies are also reviewed on an annual basis.

## INTERNAL AUDIT

Internal Audit is responsible to ensure that there are adequate controls over the Funds operational risks and governance processes.

## Internal Control Reviews

Internal Audit reviewed and recommended improvements to controls in Electronic Funds Transfer of Member Withdrawal Payments, Assessment of the Completeness, Reliability and Security of Member Data and Member Accounts and Status Review of Audit Recommendations. Audit also focused on Investigation of Alleged Irregularities and facilitation of Board Audit Committee Meetings.

The benchmark used to rate a functions control environment is as follows:

Internal Control Rating	Internal Control Score
Unsatisfactory	0 To 9%
Significant Improvements Needed	10 To 49%
Moderate Improvements Needed	50 To 74%
Minor Improvements Needed	75 To 99%
Controlled	100%

Internal Audit rated the control environment of the functions reviewed to be either "Moderate Improvements Needed" or "Significant Improvements Needed". The respective business units continue to implement actions to raise their control rating to a satisfactory level.

## Audit Recommendations Status Review

Implementation of Audit Recommendations was rated to be Fair/Marginal, because 50% to 75% of recommendations were generally complied with. However greater attention was warranted and brought to the attention of the business unit concerned; actions are being taken to resolve the recommendations.

## Implementation of Computer Assisted Audit Tool (CAATS)

Internal Audit staff attended an intensive training programme on how to use Computer Assisted Audit Tool (CAATs), specifically "Audit Command Language" (ACL) software. ACL is now being used to support reviews for compliance and detect potential areas of irregularities.

It has also added value to Internal Audit by assisting business units generate specific information and reports needed to support critical decisions. A policy to safeguard the use of member data for audit testing the Computer Assisted Audit Tool is now in place.

# RISK AND TREASURY

## Risk framework

FNPF's has a comprehensive risk management framework comprising

- The Board of Trustees that oversees risk strategies and monitors risk management progress.
- A strong framework for the development and maintenance of enterprise-wide risk management policies, procedures and systems. This is watched over by the Treasury and Risk Unit which reports to the Chief Executive Officer, as well as to the Board Risk Committee.
- A business unit level accountability for management of risk in alignment with FNPF strategies.

A major undertaking was launched in April to organize the assigned roles, as part of the long-term goal of the Board and aligned to the Reserve Bank of Fiji's supervisory requirement. Significant progress has been made in achieving the goal.

## Enterprise Risk Management Project

KPMG was engaged in May 2006 to assist the Board in strengthening the Enterprise Risk Management (ERM) framework, including conducting risk assessment and training programmes.

It is the intention of management to make risk management an integral part of operations.

By the end of the financial year, FNPF has now in place a Risk Register, Risk Management Policy, Guidelines and a Risk Management Process document that represents the views of the senior management team.

Risk Owners, working with Treasury, are currently in the process of developing action plans on risk categorised as high and significant. The risk classification was based on their financial implications and probability of occurrence.

In addition the Treasury Unit is responsible for the Fund's Balance Sheet as well as associated risks.

## Managing the Fund's Balance Sheet

The management of the Fund's balance sheet involved a wide range of activities including the management of the balance sheet interest rate risk, liquidity, funding and other regulatory issues.

- Interest rate risk management involves minimizing fluctuations in Net Interest Income that occur over time as result of changes in market interest rates.
- Interest Rate fluctuations affect earnings by changing net interest income and other interest-sensitive income and expense levels.
- Much of this risk arises when the re-pricing characteristics of the assets and liabilities making up the balance sheet are not matched.
- The greater the extent of such asset and liabilities mismatching, the greater will be the potential for volatility in future net interest income.
- Treasury uses a simulation model to replicate the impact of earnings in a number of scenarios of rate changes and future balance sheet structures. This allows management to accurately quantify the risk and formulate strategies to manage current and future risk profiles.

It is important to note that the characteristics of investments and products offered have a direct bearing on the balance sheet or Interest Rate Risk (IRR).

The FNPF Board's responsibility is to ensure that management effectively identifies, measures, monitors and controls the interest rate risk.

## IRR Management programme

The policies, procedure and systems used to achieve these aims comprise the IRR management programme. Although many methodologies effectively guide IRR management, all programmes should address:

- Board and senior management oversight
- Strategies, risk limits, and controls
- Risk identification and measurement
- Monitoring and reporting
- Independent review.

The Fund was able to draw up its first ever asset and liability matching profile in the year using the Gap system approach. The GAP schedules segregate rate-sensitive assets and rate-sensitive liabilities according to their re-pricing characteristics.

It is expected that risk identification will lead to new policies and procedures to be adopted by next year.

## OPERATIONS

### Executive Summary

The FNPF performed above expectations in collection of contributions, as well as significantly improving enforcement and customer services, while containing cost of operations.

### Restructuring Customer Services

A major undertaking during the year was the restructuring of customer services, which is expected to continue well into 2007, to significantly improve the approval and payments processes and provide greater autonomy for FNPF branch offices. The restructuring will also prepare FNPF for any eventuality with an ongoing focus on improving all aspects of its operations as a priority.

As part of the customer service restructuring, plans are well underway to open customer service agencies in key locations around the country, including Nadi, Savusavu, Valelevu and Nausori.

A Pension Center will be opened in Suva, offering pension advisory and dedicated services to current pensioners and those close to 55.

### Move to deliver service on-line:

Planning is well advanced to open an e-lobby in Suva where members can access a range of services on-line. This offers an optional delivery mode to the current face-to-face and telephone service. During the new financial year, it is also planned to install enquiry kiosks in all FNPF branches and agencies.

### Workflow and Document Management:

To speed up work processing, we are about to embark on a 3-pronged project approach that will involve, firstly, the scanning of all documents and storing of the digitized images electronically (Electronic Document Management System project), secondly, to re-engineer all attendant business processes in the operations area (Business Process Re-engineering project), and then to use a well tested and proven tool for Workflows that will move and distribute the work electronically to workstations.

The aim here is to reduce processing time, reduce complaints, reduce paper, fairly distribute work, and allow for audit trail

for close supervision of all work that is logged into the FNPF system, and for use in performance management.

### PAP (Public Awareness Campaign)

In one of the biggest public awareness programmes ever launched by the FNPF, four teams of around 30 FNPF employees were sent to all corners of Fiji to update members on legislative changes and operational restructuring. In addition the teams reviewed member records to make sure information was accurate. The teams visited cities, towns, villages and communities in a programme that lasted for more than a year.

The awareness programme is deemed very successful, covering 80% of the country.

While awareness was important to the members, the teams received suggestions and concerns from members, that have become key initiators for some major projects that are planned for implementation in 2007.

### Payments at post offices

Voluntary members can now make their FNPF payments through post offices throughout Fiji. Previously, voluntary members could only pay to the FNPF cashier at the head office, which proved to be difficult for many. This new initiative has simplified that payment process.

## EMPLOYER SERVICES

### Employers Registration

There were 810 newly registered employers in 2006 of which the majority were retailers from the Western region. The total number of registered employers with the Fund stood at 6,227 at end of the financial year.

### Membership

The Fund registered 20,596 new members during the year, an increase of 4.5%, bringing the total number of members in the Fund to 331,050 as at 30 June 2006.

The Voluntary Membership Scheme registered 3,404 new members in 2006. Most of the new members registered were students.

### Contributions

The total amount of contributions collected by the Fund was \$267.66 million, averaging approximately \$22.3 million in

## YEAR IN REVIEW

contributions collected per month. This is a 9% increase over last year.

### MEMBER BENEFITS

#### Member Benefits

The ongoing challenge for FNPF is to preserve the value of the members' funds so that a member can receive an adequate level of pension when he or she retires.

The problem as we see it is that a large number of members continually run their balances down during their membership life by making partial withdrawals for a host of eventualities, such as housing, medical, education, unemployment, funerals, small business, share investment, etc.

Also, only a small percentage of qualifying members opted for a pension, and a larger proportion are still taking cash lump sums.

Meeting the needs of our members is an essential objective of the Fund's long term plans. The importance of the benefits is reflected in the rise in the number of requests received annually. During the past years, the rise in member benefits assistance provided is a testimony to the commitment that the Fund continues to provide to all members.

The total number of withdrawal applications received this year was 71,853 which is 13.1% higher than 2005. The total amount withdrawn by members was \$208.36 million for this year, compared to last year's figure of \$181.09 million. These figures exclude Pension Annuity payments which are paid out of the Pension Reserve, and it also excludes Special Death benefit payments which are out of the SDB Reserve.

#### Special Death Benefit

On 01 July 2005, the FNPF Board had declared a maximum of \$6,000 payable for special death benefit during the 2006 financial year, on an annual premium of \$20. A total amount of \$4.83 million was paid out this year, compared to \$3.95m last year.

#### Pension Scheme

The current total number of pensioners is 8,505, an increase from 7,803 last year. Out of a total number of members eligible for pension this year, 25% opted for pension compared with 28% last year. Annuities paid to pensioners during the year totaled \$37.43 million compared to \$31.74 million last year.

#### Housing Assistance Finance Scheme

A total number of 6,906 member applications were approved for housing transfers with a total of \$35.17 million paid out to members, compared to \$34.93 million last year. From this, a total of \$8.14 million was paid under the Village Housing Scheme.

*Secondary students aged 16 and above were the biggest growth area in voluntary membership for the year with more 3,400 members registered.*



## INVESTMENTS

The primary objective for the investments division is to maximize long-term investment returns, subject to constraints imposed to contain short-term fluctuations in the returns within acceptable limits. Fluctuations in investment returns directly affect benefits accruing to members.

The Fund attempts to achieve returns, after fees, in excess of increases in inflation in Fiji by a minimum 1% per year, rolling over a three-year period.

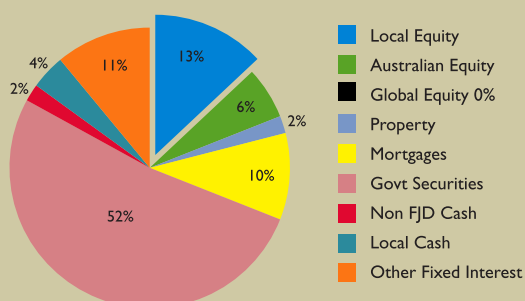
Amendments to the FNPF Act that came into effect in July of this year went far towards achieving the investment objectives. But achieving acceptable returns continues to be a major challenge to the Investment Division, although the changes in the Act has allowed the Fund a wider field of investment opportunities to achieve its objectives. Record investment income in 2006 is evidence that it is gearing itself in the right direction.

The inflation rate for the past year ending 30<sup>th</sup> June 2006 was 2.03% compared to 2.93% last year.

### Asset allocation strategy

The graph below shows the asset allocation at end of the year, reflecting the FNPF's current strategy.

The Fund will continue to pursue its long-term objective in correcting the imbalance between income and growth investments, taking into account the needs of its stakeholders.



### Record income

The Investment Division achieved a record income of \$240 million for 2006 compared to \$168 million the previous year, an increase of 42.86%.

This is primarily attributed to the sales of the FNPF's offshore equity funds resulting in substantial capital and foreign exchange gains as well as an increase in interest rates domestically.

The rate of return on our investments consequently increased to 7.6% compared to 5.73% last year. Interest credited to members' accounts also increased to 6.5%.

### Repatriation

In the second half of the financial year, the FNPF was required by the Reserve Bank of Fiji to repatriate a portion of its funds invested offshore back into the country. The Reserve Bank issued a repatriation schedule to be completed close to July 2006.

As of 30<sup>th</sup> June 2006, the amount repatriated was \$139.7 million. In turn, these funds were invested in short-term papers as well as government bonds, commercial loans and FNPF projects.

Overall, there was a shift in investments from growth assets to fixed income on both long and short-term securities.

### Interest rates

By repatriating its offshore funds as requested by the Reserve Bank of Fiji, the FNPF found that it could re-invest the money in higher yielding short and long-term domestic accounts due to a positive shift in interest rates. Money was in short supply which resulted in interest rates significantly increasing.

The following table shows the interest rate movements during this period.

TYPE OF INVESTMENT	DEC 05	FEB 06	MAY/JUNE 06
Treasury bills (91 days)	2.43	3.30	7.91
Term deposits (91 days)	3.08	4.07	8.78
<b>Government Bonds</b>			
3 years	2.65	3.50	8.50
10 Years	5.75	7.00	9.40
15 Years	6.75	7.50	10.20

### Government Bonds

The FNPF invested a portion of its repatriated funds in government bonds but reduced its holdings from \$1.7 billion last year to \$1.6 billion this year.

This was the result of FNPF investments in civil works or construction projects during the financial year that diverted previous bond investments into these portfolios.

## YEAR IN REVIEW

### Offshore equities

The FNPF had to terminate two of its offshore fund managers as a result of the directive by the Reserve Bank to repatriate funds. These were the Index funds (managed by FNPF Investment division) and Legg Mason, formerly Citigroup.

These terminations were accomplished in the most cost-effective manner; with funds placed in offshore daily short-term deposit accounts, before being repatriated. WM Mercer, through its investment arm, supervised the process.

As at 30<sup>th</sup> June 2006, balance of offshore equities was FJD196 million compared to FJD209 million the same period last year.

### Term deposits

With the Reserve Bank directive to repatriate offshore funds, the majority of offshore term deposits were recalled. As at 30 June 2006, offshore term deposits were FJD2.03m compared to FJD95.3m in 2005, a reduction of 98%.

As a result of this action, domestic term deposits increased from \$27 million last year to \$118 million in June 2006, a 337 percent increase. Most of these funds, including those repatriated, were invested at an average 8.5 percent for an average term of 91 days.

### Other short term papers

Due to the shortage of funds in the market, a significant increase was recorded in Promissory notes, which stood at \$42.4 million in the current financial year compared to \$3.9 million last year.

Because of the lower interest rates being offered on Reserve Bank of Fiji notes, the Fund choose to invest elsewhere. There were no investments in Reserve Bank notes as of 30<sup>th</sup> June 2006 compared to \$171 million in 2005.

### Investment Policy Statement

As a result of the Investment Policy Statement reviewed in the year, the Board has introduced the relevant changes to the FNPF act into the statement which now allows for consideration of a wider choice of investment opportunities.

The relevant change instituted in the FNPF Act is known as the 'prudent person test' that must be considered before an investment can be approved:

- The purposes of the Fund and the needs and circumstances of the members of the Fund;
- The desirability of diversifying the investments of the Fund;
- The nature of existing Fund investments;
- The need to maintain the real value of the capital of income of the Fund;
- The risk of loss or depreciation of capital or income;
- The potential for capital appreciation;
- The likely income return and the timing of the income return;
- The length of the term of the proposed investment;
- The liquidity and marketability of the proposed investment during, and on the determination of the term of the proposed investment;
- The aggregate value of the Fund;
- The likelihood of inflation affecting the value of the proposed investment or other Fund investments;
- The costs in respect of making proposed investments including commissions, fees, charges and duties and
- The outcome of a review of existing Fund investments.

*The FNPF is in the forefront of tourism growth through investment. Momi Bay Marriot Resort (shown here) is a project that has benefited from FNPF funding.*





## **FNPF SUBSIDIARIES**

### **FNPF INVESTMENTS LIMITED**

FNPF Investment Limited is a subsidiary company, wholly owned by FNPF. It was established in 01 July 2004 as an investment vehicle for the Fund to invest in areas previously restricted under the Trustee Act.

The total capital utilized for capital investments, as at end of financial year, was \$105.7m. Returns from FNPF Investments Limited will further enhance the return to FNPF members as its investments in development projects and joint ventures grow.

Funds were invested in various asset classes like listed and unlisted equities, acquisition, and establishment of subsidiary companies, commercial loans and term deposits.

Subsidiary companies established through equity participation include:

- Natadola Holdings Limited (51%)
- Natadola Bay Resort Limited (100%)
- FNPF Holiday Resorts Ltd, trading as Holiday Inn; (100%)
- GPH Limited (80%)
- Nadi Holiday Inn (100%)
- Penina Limited (51%)

### **AMALGAMATED TELECOM HOLDINGS (ATH)**

ATH was incorporated as a public company on 10 March 1998, with Government as the 100% shareholder. It was created to consolidate Government's investments in the telecommunications sector as part of the public sector reform programme.

The Government then sold a 49% strategic stake to FNPF in November 1998. The FNPF acquired a further 2% of the issued share from Government as contracted in September 1999.

FNPF continues to benefit from its investment in ATH in two ways, dividends and capital growth through an increase in the value of shares listed on the South Pacific Exchange.

*Shown here is the artist's impression of the new Grand Pacific Crowne Plaza Hotel in Suva, a result of the FNPF new investment policy that allows for diversification in the FNPF investment portfolio.*

In the financial year 2006, FNPF received \$14,753,811.21 on a nett profit (post tax) of \$34,932,000.

### **HOME FINANCE COMPANY (HFC)**

HFC Finance, formally known as Home Finance Company Limited is majority owned by FNPF (75%), with Unit Trust of Fiji (UTOF) holding the remaining shares.

The Company is a well-established licensed financial institution, serving the people of Fiji in the home lending market for the past 43 years.

HFC Finance's operating profit increased by 4.7% to (post tax) by end of financial year 2006.

The company's total assets increased by 25.6% to \$184,142,883.

### **FNPF NOMINEES LIMITED**

FNPF Nominees Limited is a fully owned subsidiary of FNPF and was set up to manage the Fund's Share Investment Scheme (SIS).

The scheme gives FNPF members the choice to invest part of their savings by buying and selling shares in approved profitable companies that are listed on the South Pacific Stock Exchange. In addition FNPF Nominees also manages the Funds Small Business Equity scheme and is the custodian for FNPF Members' Housing Titles.



## YEAR IN REVIEW

The following is a summary on the investments made by members, under the FNPF Share Investment Scheme in 2006:

STOCK	MEMBER INVESTED	SHARES HELD	MARKET VALUE OF SHARES.
Amalgamated Telecom Holdings	996	2,389,678	\$2,509,161
Foster's Group Pacific Ltd	11	2,360	\$66,080
Fijian Holdings Ltd	349	375,405	\$1,482,849
Flour Mills of Fiji	11	60,500	\$65,340
Fiji Television Ltd	16	7,140	\$40,126
Pacific Green Industries Ltd	3	6,398	\$14,395
RB Patel Group Ltd	4	4,400	\$7,920
Rice Company of Fiji	2	1,700	\$5,865
<b>TOTAL</b>	<b>1,392</b>	<b>2,847,581</b>	<b>\$4,191,736</b>

### FNPF PROPERTIES

#### Suva

- Harbour Front Building, Cnr of Robertson & Rodwell Roads & Usher & Nina Streets, Suva
- FNPF Place, Victoria Pde, Suva
- Kwong Tiy Plaza, Mark & Cumming Streets, Suva
- Harbour Centre, Thompson & Scott Streets, Suva
- Provident Plaza/Downtown Boulevard, Ellery St, Suva
- HFC Centre, Suva
- Victoria Corner, Victoria Pde, Suva
- ICI Building, Wailada, Lami
- Grantham Plaza, Grantham Rd, Suva
- Hugh S Robinson Complex, Grantham Rd, Suva
- Greig St Carpark, Greig St, Suva
- Vodafone Building, Princess Road, Suva
- Parshotam Building, Greig St, Suva
- FIRCA Building, Cnr Queen Elizabeth Drv & Ratu Sukuna Rd, Suva (under construction)
- Tappoo City Complex, Suva (under construction)

#### Lautoka/Nadi/Labasa

- Nadi Hotel Complex, Main St & Koroivolu Avenue, Nadi Town
- Lautoka City Complex, Cnr Naviti & Vidilo St, Lautoka (under construction)
- Lautoka Branch, Drasa Avenue, Lautoka
- ASCO Labasa, Cnr Park & Rosawa St, Labasa
- Labasa residence, Nada Subdivision, Labasa

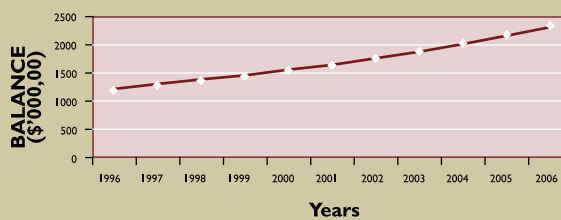
## CORPORATE SERVICES

### FINANCIALS

The total equity of the Fund, for the year ended 30 June 2006, continues to grow steadily at 7.98% (6.47% in 2005) with a net surplus of \$489m (\$398 in 2005).

The increase is mainly attributed to both an increase of investment revenue of \$71.5 million and \$22 million in contributions collected. Expenses increased by \$2.6m. This was in line with the Board approved budget and its strategic focus in providing efficient and improved customer services to its member and pensioners.

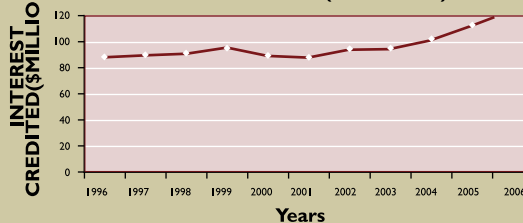
### TOTAL MEMBER BALANCE (1996-2006)



### Interest earned by members

The Board declared an interest rate of 6.5%, which was the basis for crediting interest accounts on 30 June 2006. This was a 0.25% increase from last year's interest rate. The total amount distributed out to the members accounts was \$124.75m compared to \$111.96m the previous year.

### AMOUNT OF INTEREST CREDITED TO MEMBERS (1996-2006)



## INFORMATION AND COMMUNICATION TECHNOLOGY

### FNPF Products & Services

With the installation of additional computers and communication technology at the FNPF's Lautoka office, customer service and backend processing has been decentralized, which will result in improved member services.

Lautoka has also received a membership card database and card printer, essentially used for instant membership cards.

## YEAR IN REVIEW



*The FPNF headquarters in Suva is one of the Funds' properties that is a significant income stream for overall investments.*

Both of these new developments will provide easier access to services for members located on the western-side of Viti Levu where Lautoka is located.

In the new financial year, Vanua Levu members will also enjoy improved customer service at the Labasa office through the introduction of technology to help in decentralization. FPNF agencies, that will also be introduced next year, will be equipped with similar technology.

Using on-line information and processing, FPNF has introduced the technology required for decentralizing many of FPNF's products and services, including printing of disbursement payment letters, approval letters, detailed statement printing and member account enquiries.

FPNF field officers are now equipped with computer notebooks provided by ICT to better service members away from branch offices.

### **Strategic Planning**

The ICT Road Map was developed following a strategic review of the Fund's information and communication systems, aligned to the 2005-2008 Strategic Plan.

The Roadmap is designed for implementation of critical information systems, the upgrade of ICT infrastructure and the re-engineering of business processes that will assist in the delivery of medium to long-term strategic goals.

### **Process Management**

Scanning, as well as the electronic movement of documents, was introduced to improve customer response times, member benefit application processing and to reduce operational costs in the near future.

### **Information Security**

To safe guard member confidentiality and FPNF internal information, ICT has engaged a consultant to conduct a comprehensive assessment and renovation of ICT systems and policies. The work is expected to be completed next year.

Internal auditors are equipped to review data stored in the corporate database for fraud management, data assurance, and improvements to internal controls. ICT assisted the internal audit department to introduce software tools into its operations.

### **Electronic Funds Transfer**

FPNF has upgraded technology to further improve the security and transfer of electronic payments directly into a customer's bank account instead of using the traditional cheque and

## YEAR IN REVIEW

payment voucher system. The new electronic payment system is more secure, easier and faster.

### Disaster Recovery

ICT continues to review its disaster recovery plan to be able to address unplanned failures to systems. Because of the importance of information stored in FNPF offices, this updating of disaster plans is of significant importance to the well-being of members.

### Staff Development

ICT staff is encouraged to expand their expertise through on-the-job training, attending related technology courses and conferences (such as ISSA) as well as system maintenance and implementation workshops and seminars. This has helped in adjusting to the ever changing world of technology.

### Infrastructure Upgrades

The following ICT infrastructure was upgraded during the year:

- **Bandwith**  
The FNPF-wide area network was upgraded for greater bandwidth to accommodate additional data traffic and provide voice-over-IP telephony services to branch offices.
- **Data Link**  
To minimize disruption to ICT services to the branch offices, an additional data link was installed to provide an alternative route in case the Suva-Lautoka-Labasa data link is disrupted.
- **Auto Attendant**  
Additional telephony services were installed at the branch offices to provide 'auto attendant' services and call accounting system functionality.
- **Telephone System**  
As part of the decentralization of services, the Lautoka PABX system was upgraded with an auto attendant feature to better manage and route incoming calls, that will result in delivering better communication services to members in Western Viti Levu.
- **Telephone Call Accounting System**  
Telephone call cost monitoring and reporting has been enhanced with the implementation of a new centralized "TABS" Telephone Call Accounting system. Telephone calls made from any of the main branches are logged. Management is now better able to analyze telephone traffic for improvements to call routing and usage.
- **Storage**  
The network storage infrastructure has been upgraded to cater for the increase in information storage requirements from new initiatives like document scanning and image storage. Storage and server link redundancy has been implemented, offering an alternative path in the event of a hardware failure. There are plans to extend the redundancy to disk storage by adding a second storage unit.



*Stringent budget controls ensure that use of member funds are carefully scrutinized. Finance staff are shown here reviewing operational expenses.*

## YEAR IN REVIEW

- **Server Farm Improvements**  
FNPF has replaced some of its aging server infrastructure with new IBM Blade Server technology that consists of dual hardware components offering redundancy; this was done in the event of a hardware failure. This technology has provided additional processing power and offers excellent scalability where servers can be simply added to the blade rack as the business grows.
- **Network**  
Network performance has been enhanced through upgrades to switching equipment and cabling from 100MB to 1GB backbone to cater for new data and application requirements. A new, managed, gigabyte switch replaced the older unmanaged hubs and switches, which is expected to improve data transfer rates.
- **Bandwidth**  
Data and voice links between offices have been upgraded to improve the communication between staff as well as provide access to systems at the main branch. This will allow more image and voice data exchange over the dedicated links to achieve cost savings and improved customer service.
- **Security**  
Security in the Suva and Lautoka branch offices has been greatly enhanced with the implementation of a new electronic door system that controls access and logs the movement of people by time and location.
- **Queue Management System**  
Customer Queue management at all main customer service centers has been standardized to improve recording and reporting of services provided to customers. This facility will allow analysis and continuous improvements to customer queue management.
- **Lautoka Backup Generator**  
The Lautoka branch can remain operational during electricity outages. A power backup generator was installed at the office to offer uninterrupted services in the event of an electricity supply failure. Uninterruptible Power Supply units were also installed to provide a smooth transition between external power supply and the backup generator.
- **OHS**  
In compliance with Occupation Health and Safety requirement and staff safety, FNPF has replaced the older fire suppressant system with a more human friendly 'Inergern' gas system in its Suva computer centre.

*FNPF continues to upgrade its entire IT programme that will allow for nationwide networking of member services, as part of the reorganization of the Fund.*



# YEAR IN REVIEW

## HUMAN RESOURCES

### Focus on Customers

Human Resource Department's efforts during the year focused on the reorganization of its services to be more customer-oriented. This involved strengthening the rewards system, together with the acquisition of required attitudes, knowledge and skills, to encourage the achievement of staff career goals and the Fund's strategic objectives.

### Operations Reorganization

With the reorganisation strategies identified for Operations, Human Resources focused on providing the staffing and training required, ensuring appropriate delegations were in place and that competency reviews were in line with business requirements.

Together with the increased decentralisation of services to the branch offices, the task was to ensure the staffing requirements were met, including the appointment of a new Manager External Branches to oversee branch operations.

### Training and Development

To effectively manage the Fund's training and development in line with the corporate plan, much of the work for the year was in ensuring that the Training Plan was implemented together with the development of strategies to identify levels of performance and the required improvements.

The Fund launched a major Public Awareness Program (PAP) at the beginning of the financial year in which four FNPF PAP teams would travel throughout Fiji to update members on developments. To prepare the four teams, Human Resource provided the training that focused on the Fund's products and services, legislative changes, team building and protocol.

Human Resource continued to provide training programmes for staff to build capacity and ensure they are continually able to meet job expectations. Executives and management also attended management development programmes and courses specific to their own areas of work. New managers also attended the AGSM middle management programme as part of the Fund's Institutional Strengthening plan. The challenge ahead for HR will be in measuring the effectiveness of training and to develop strategies to address competency gaps at the total organisational level. New staff also underwent an Induction into the Fund course.

During the year, Human Resource also co-ordinated attachments of island Provident Fund staff from Kiribati, Tonga and Vanuatu. The Fund's training room was refurbished, together with the set up of a computer-based training facility. Training video sessions for staff were also run monthly in the staff cafeteria.

### Performance Management

With the new Performance Management System in place that included FNPF achieving certain criteria to allow eligibility as well as the achievement of specified Key Result Areas for the previous financial year, a Share In Performance bonus was paid out to all staff in addition to an annual merit increase for individual performance.



*Training is a priority at FNPF to ensure that staff have the capability to provide a level of customer service to meet member expectations.*

The post-appraisal process also saw staff re-graded based on merit. Emphasis was also placed on process reviews and on-the-job training to improve performance, with a project reward system being introduced. Managers and staff also attended training workshops on the new Performance Management System.

## Employee Relations

During the year, one dispute was resolved at the Dispute Committee Level, while the Fund was awarded one settlement, and two disputes remain pending with Arbitration. Disciplinary issues and staff grievances were also handled amicably.

A new internal job evaluation policy was introduced to address the need to evaluate new positions in-house. The review of the current collective agreement is still pending and is expected to be resolved in the new year. For the first time, all staff were required to sign declarations of interest. A staff awareness course on the Fund's business ethics and code of conduct policies was also conducted.

The Staff Sports Day and Awards Night was a huge success.

## Health & Safety

The OHS management system was continuously reviewed to strengthen compliance and working conditions for staff. The OHS Committee held regular meetings and conducted audits to identify and improve general workplace conditions. Fire drills were also held to familiarise staff with emergency procedures. As a reflection of this commitment, the staff cafeteria was refurbished and the staff gym was re-equipped.

## Staffing

Total staff for the FNPF now stands at 242, of which 28 were new. Ten staff left, four migrated, three retired, two resigned and one was terminated.

Staff numbers are expected to increase in the new year because of the introduction of new units that now include Prime Services and Treasury.

Staff benefits, are continuously reviewed and have resulted in an increase in the Fund's contribution to death in a staff's family. Quarterly sick leave reports were also provided to managers to monitor staff attendance. A new annual leave planner will be implemented for better leave management.

## PRIME SERVICES

PRIME is an acronym that stands for Public Relations, Intelligence, Media, Enabling Services.

It covers the departments of Research and Strategic Planning, Public Relations and Corporate Communications/ Stakeholder Relations, Marketing and New Business.

The position of Senior Manager PRIME was filled on the 3<sup>rd</sup> of April 2006 as a result of the revised Organisation Structure that arose from the Board's adoption, approval and implementation of the Strategic Plan 2005 – 2008 document.

The immediate positive impact was a simple, single and clearer reporting line, and authority to the staff in the division.

## Research and Planning

One of the biggest exercises undertaken by the Division was the mid-term review of the Strategic Plan 2005 -2008 which took place on the 15<sup>th</sup> and 16<sup>th</sup> June 2006 at the Raffles Tradewinds Hotel, Lami.

The workshop, in conjunction with InterAction New Zealand, reviewed the current status of the Strategic Plan, to see where the Fund was at halfway through the plan period. It was confirmed that the Fund had achieved 80% of the Strategic Plan during this mid term. The workshop was attended by Management and senior staff.

Research contributed to the preparatory work for the Fund to enter the Fiji Business Excellence Awards Competition in 2006.

The department played a key role in the Preliminary Pension Actuarial Valuation which was completed in March under the guidance of the ILO Sub-regional Office for South-East Asia and the Pacific, Mr Kenichi Hirose.

The report recommended that the current pension scheme was still generous and if COLA was to be introduced, certain conditions would have to be imposed to ensure the sustainability of the Fund and may include:

- the requirement of the minimum balance at the time of retirement
- lowering the interest rate to members
- lowering the pension annuity factor
- not to calculate COLA for those who received a higher pension rate

## YEAR IN REVIEW

During the year we hosted staff on training attachments from the Retirement Fund Board of Tonga and the Vanuatu Provident Fund.

### **Public Relations and Corporate Communications**

A proactive relationship with the media was encouraged and cultivated so that the Fund portrayed an honest and transparent image. Also, staff were instructed to refer all enquiries and requests from the media to ensure a timely and accurate response.

A comprehensive review of all our product and services brochures is on-going in order for members to understand clearly what is available.

Joint initiatives were organized with the Employers' Department in their Nomination and Suspense Account Drives, and these proved popular and received wide acclaim from members.

The department was present in a majority of the Careers Expos, organized by the Ministry of Education, not only to promote voluntary membership, but also to discuss career opportunities available within the Fund.

A notable achievement was the commencement and production of the weekly and monthly staff electronic newsletters named the "Rorogo" and "Voqa" respectively. The publications were aimed at improving communication amongst the staff, departments, divisions and the whole organization, and it has quickly gained a lot of support and a loyal readership base.

The Fund will be celebrating its 40<sup>th</sup> Anniversary in August 2006 and the Department has been busy planning the wide range of activities that will be undertaken internally and externally to commemorate this major milestone achievement.

In the coming year, the department plans to implement an expanded customer relations programme that will include talkback shows and informational radio programmes, as well as the promotion and continuous upgrade of the FNPF Website.

### **PAP (Public Awareness Programme)**

The Public Awareness Programme (PAP) that was launched in September 2005 was a nation-wide undertaking to update members on developments as well as upgrade member data.

Four teams were initially sent to all corners of the country, but after achieving an 80% of coverage, the teams were reduced to two, and are presently covering the remaining 20% of Fiji. It is part of the Fund's efforts to become more customer oriented with these type of initiatives.

### **QRT (Quick Response Team)**

QRT is a highly trained team that can address concerns of members or organizations about documentation, benefits, and customer service requests in a timely fashion. They work closely with the PAP teams in providing up-to-date information on FNPF developments.

In the year the requests came from Employer Services, Lautoka and Labasa Branches, Member Services as well as Customer Services. They also served record numbers of visitors during the Fiji Showcase 2006 held at the FMF Dome. The team also attended all Career Expos organized by the Ministry of Education, promoting the Voluntary Membership Scheme.



*The whole purpose of the FNPF is to ensure financial security for members at their time of retirement. Over \$37 million was paid to pensioners during the financial year.*



## Report to the members For the year ended 30 June 2006

The Board presents its report together with the financial statements of Fiji National Provident Fund ("the Fund") and its subsidiaries for the financial year ended 30 June 2006, and the auditors' report thereon.

### Board Members

The Board members of the Fund during the year were:

Board member	Representative of	Appointed	Resigned
Chief Executive Officer for the Public Service Commission – Mr. Anare Jale	Government	22.05.04 (Chairman from 09.03.05)	-
Chief Executive Officer for Finance – Mr. Paula Uluinaceva	Government	02.11.05	-
Mr Don Aidney	Employer	05.02.02	31.12.05
Mr. Harvie Probert	Employer	01.01.06	-
Mr. Himmat Lodhia	Employer	05.02.02	-
Mr. Maika Namudu	Employee	05.02.02	-
Mr. James Raman	Employee	05.02.02	-

### State of Affairs

In our opinion, the accompanying consolidated financial statements, as set out on pages 26 to 58, give a true and fair view of the state of affairs of the Fund and its subsidiaries as at 30 June 2006, and of the results of the operations and cash flows of the Fund and its subsidiaries for the year then ended.

### 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 and the Trustee Act.

### Principal Activities

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

## Report to the members For the year ended 30 June 2006 (continued)

### Operating Results

The principal activities of the subsidiary entities during the year were those of investment, provision of telecommunication services, provision of management services, commercial lending, provision of finance for home ownership, acceptance of term deposits, facilitating investments by FNPF members and the administration of the Small Business Scheme.

The benefits accrued as a result of operations for the year ended 30 June 2006 amounted to \$409,972,000 (2005: \$371,269,000). The consolidated results for the Group for the year ended 30 June 2006 was a surplus of \$454,694,000. (2005: \$417,281,000).

### Reserves

The Board approved the transfer from the operating statement to the following reserves during the year:

- \$6,303,000 (2005: \$4,819,000) to the Special Death Benefit Reserve.
- \$23,842,000 (2005: \$22,735,000) to the Pension Buffer Reserve.
- \$92,033,000 (2005: \$35,800,000) to the General Reserve.

### Significant Events

There were no significant events that occurred during the financial year that have not otherwise been disclosed in the financial statements.

### Events Subsequent to the Balance Date

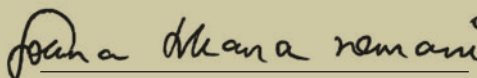
There has not being, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Board Members of the Fund, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Dated at Suva this 15 day of September 2006.

Signed in accordance with a resolution of the Board:



Anare Jale  
Chairman



Foana Tukana Nemani  
MCom (UNSW), BA, Fellow-FINSIA, CA (Fiji), ASA  
Acting General Manager and Chief Executive

# Independent auditors' report to the members of Fiji National Provident Fund and its subsidiaries

## Scope

We have audited the financial statements of the Fiji National Provident Fund for the year ended 30 June 2006, consisting of the operating statements, statements of changes in equity, statements of financial position, statements of cash flows and accompanying notes, set out on pages 26 to 58. The financial statements comprise the financial statements of the Fund and the consolidated financial statements of the Group, being the Fund and its subsidiaries. The Fund's Board Members are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Fund.

Our audit has been conducted in accordance with Fiji Standards on Auditing to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether in all material respects the financial statements are presented fairly in accordance with Fiji Accounting Standards and statutory requirements so as to present a view which is consistent with our understanding of the Fund's and the Group's financial position, results of operations and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

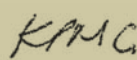
## Audit Opinion

In our opinion:

- (a) proper books of account have been kept by the Fund, so far as appears from our examination of those books; and
- (b) the accompanying financial statements which have been prepared under the Fiji Accounting Standards:
  - (i) are in agreement with the books of account;
  - (ii) to the best of our information and according to the explanations given to us:
    - (a) give a true and fair view of the state of affairs of the Fund and the Group as at 30 June 2006 and of the results and cash flows of the Fund and the Group for the year ended on that date;
    - (b) give the information required in accordance with section 12 of the Fiji National Provident Fund Act in the manner so required.

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

Suva, Fiji Islands  
15 September, 2006

  
KPMG  
Chartered Accountants

Fiji National Provident Fund and its subsidiaries  
 Operating statements  
 For the year ended 30 June 2006

	Note	Consolidated		The Fund	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>Investment revenue</b>					
Interest	3	138,595	128,170	130,219	121,911
Property rentals		3,683	3,501	3,943	3,708
Dividends		11,439	7,977	10,534	7,977
Dividends from subsidiaries	12	-	-	15,204	16,253
Changes in net market value					
Unrealised gains / (losses) on investments		9,172	25,443	31,940	(1,605)
Unrealised gains on revaluation of investment properties		10,877	-	10,877	-
Realised gains / (losses) on investments		36,740	12,476	36,740	12,475
Unrealised exchange gains / (losses)		(1,196)	7,909	(1,404)	7,869
Realised exchange gains		2,272	78	1,985	-
		<u>211,582</u>	<u>185,554</u>	<u>240,038</u>	<u>168,588</u>
<b>Other revenue</b>					
Employers and members contributions		267,655	245,678	267,655	245,678
Sales income		237,786	222,402	-	-
Other income	4	13,832	6,162	1,545	1,404
<b>Total revenue</b>		<u>730,855</u>	<u>659,796</u>	<u>509,238</u>	<u>415,670</u>
<b>Less:</b>					
Direct investment expenses		4,418	3,713	4,418	3,713
Bad and doubtful debts		4,088	1,705	300	650
Depreciation		42,785	32,660	2,289	2,622
Interest expense		1,349	1,322	-	-
Impairment loss on goodwill		5,874	-	-	-
Personnel expenses	5	44,133	52,077	7,263	6,641
Other expenses	6	121,364	116,311	5,081	3,113
<b>Total expenses</b>		<u>224,011</u>	<u>207,788</u>	<u>19,351</u>	<u>16,739</u>
<b>Net surplus before tax</b>		<u>506,844</u>	<u>452,008</u>	<u>489,887</u>	<u>398,931</u>
Income tax expense	7 (a)	24,925	12,494	-	-
<b>Net surplus after tax</b>		<u>481,919</u>	<u>439,514</u>	<u>489,887</u>	<u>398,931</u>
Minority interest		27,225	22,233	-	-
<b>Net surplus for the year attributable to members of the Fund</b>		<u>454,694</u>	<u>417,281</u>	<u>489,887</u>	<u>398,931</u>

The operating statements are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 31 to 58.

Fiji National Provident Fund and its subsidiaries  
Statements of changes in equity  
As at 30 June 2006

	Note	Consolidated		The Fund	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>Liability for accrued benefits</b>					
Balance at the beginning of the year		2,166,142	2,011,654	2,166,142	2,011,654
Add transfers from operating statements:	23,24	409,972	371,269	409,972	371,269
Less member withdrawals	23	(250,622)	(216,781)	(250,622)	(216,781)
Balance at the end of the year	23	<u>2,325,492</u>	<u>2,166,142</u>	<u>2,325,492</u>	<u>2,166,142</u>
<b>Retained earnings</b>					
Balance at the beginning of the year		42,941	24,591	-	-
Add transfers from operating statements:		(35,193)	18,350	-	-
Balance at the end of the year		<u>7,748</u>	<u>42,941</u>	<u>-</u>	<u>-</u>
<b>General Reserve Account (GRA)</b>					
Balance at the end of the year		<u>912,230</u>	<u>832,315</u>	<u>912,230</u>	<u>832,315</u>
GRA comprises of the following reserves:					
Special death benefit reserve					
Balance at the beginning of the year		3,714	2,844	3,714	2,844
Add/(less) transfers from/(to) operating statements:					
Transfer from	24	6,303	4,819	6,303	4,819
Transfer to	24	(4,835)	(3,949)	(4,835)	(3,949)
Balance at the end of the year		<u>5,182</u>	<u>3,714</u>	<u>5,182</u>	<u>3,714</u>
<b>Pension buffer reserve</b>					
Balance at the beginning of the year		200,210	209,218	200,210	209,218
Add/(less) transfers from/(to) operating statements:					
Transfer from	24	23,842	22,735	23,842	22,735
Transfer to	24	(37,428)	(31,743)	(37,428)	(31,743)
Balance at the end of the year		<u>186,624</u>	<u>200,210</u>	<u>186,624</u>	<u>200,210</u>
<b>General reserve</b>					
Balance at the beginning of the year		628,391	592,591	628,391	592,591
Add/(less) transfers from/(to) operating statements:					
Transfer from		92,033	35,800	92,033	35,800
Transfer to		-	-	-	-
Balance at the end of the year		<u>720,424</u>	<u>628,391</u>	<u>720,424</u>	<u>628,391</u>

The statements of changes in equity are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 31 to 58.

Fiji National Provident Fund and its subsidiaries  
 Statements of financial position  
 As at 30 June 2006

	Note	Consolidated		The Fund	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>Investments</b>					
Government securities	8	1,741,278	1,795,238	1,663,561	1,720,817
Other fixed interest securities	9	348,595	283,951	361,095	282,817
Loans and advances	10	307,404	194,843	329,543	245,018
Term deposits	11	98,736	118,290	119,007	122,290
Equities	12	254,574	248,296	611,135	509,527
Investment properties	13	63,949	49,738	63,949	49,738
		<u>2,814,536</u>	<u>2,690,356</u>	<u>3,148,290</u>	<u>2,930,207</u>
<b>Other assets</b>					
Cash	14	128,838	76,422	23,857	16,260
Trade receivables	15	18,844	18,578	-	-
Inventories	16	13,488	9,452	-	-
Land held for resale		28,511	27,246	-	-
Property, plant and equipment	17	306,559	238,772	29,393	20,210
Intangible assets	18	149,556	164,158	-	-
Future income tax benefit	7 (d)	6,591	15,419	-	-
Other receivables	19	61,426	56,294	44,965	39,025
		<u>713,813</u>	<u>606,341</u>	<u>98,215</u>	<u>75,495</u>
<b>Total assets</b>		<u>3,528,349</u>	<u>3,296,697</u>	<u>3,246,505</u>	<u>3,005,702</u>
<b>Liabilities</b>					
Creditors and borrowings	20	104,827	70,545	5,056	4,523
Other liabilities	21	33,239	41,675	3,229	2,341
Provision for income tax	7 (b)	13,341	10,323	-	-
Deferred income tax liability	7 (c)	15,127	21,759	-	-
Employee benefits	22	5,777	7,281	498	381
Total liabilities		<u>172,311</u>	<u>151,583</u>	<u>8,783</u>	<u>7,245</u>
<b>Net assets</b>		<u>3,356,038</u>	<u>3,145,114</u>	<u>3,237,722</u>	<u>2,998,457</u>

The statements of financial position are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 31 to 58.

Fiji National Provident Fund and its subsidiaries  
Statements of financial position  
As at 30 June 2006

	Note	Consolidated		The Fund	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>Represented by:</b>					
Liability for accrued benefits	23	2,325,492	2,166,142	2,325,492	2,166,142
Retained earnings		7,748	42,941	-	-
General Reserve Account (GRA)		912,230	832,315	912,230	832,315
		<u>3,245,470</u>	<u>3,041,398</u>	<u>3,237,722</u>	<u>2,998,457</u>
Minority interest		<u>110,568</u>	<u>103,716</u>	<u>-</u>	<u>-</u>
<b>Total equity, accrued benefits, reserves and minority interest</b>		<u>3,356,038</u>	<u>3,145,114</u>	<u>3,237,722</u>	<u>2,998,457</u>
Commitments and contingent liabilities	27				

Signed in accordance with a resolution of the Board:



**Anare Jale**  
Chairman



**Foana Tukana Nemani**  
MCom (UNSW), BA, ASIA, CA (Fiji)  
Acting General Manager and Chief Executive

The statements of financial position are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 31 to 58.

Fiji National Provident Fund and its subsidiaries  
 Statements of cash flows  
 For the year ended 30 June 2006

	Note	Consolidated		The Fund	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>Cash flows from operating activities</b>					
Contributions received		266,995	245,805	266,995	245,805
Cash receipts from customers		252,474	226,195	-	-
Interest received		135,880	128,903	127,883	120,534
Dividends received		9,446	8,418	25,349	23,770
Rental received from properties		3,809	3,778	3,987	3,985
Other income received		4,050	3,572	949	2,044
Withdrawal payments to members		(250,622)	(216,781)	(250,622)	(216,781)
Payments to suppliers and employees		(163,518)	(118,479)	(14,075)	(9,757)
Interest paid		(1,458)	(6,288)	-	-
Income tax paid		(19,900)	(14,046)	-	-
Investment expenses paid		(4,418)	(3,714)	(4,418)	(3,714)
Receipts from members for share purchases		250	485	-	-
Net cash provided by operating activities		<u>232,988</u>	<u>257,848</u>	<u>156,048</u>	<u>165,886</u>
<b>Cash flows from investing activities</b>					
Government securities realised/(purchased)		53,451	(112,622)	57,256	(109,628)
Other securities (purchased) / realised		(72,665)	29,538	(78,278)	25,593
Loans and advances (issued)		(122,773)	(42,791)	(84,778)	(35,458)
Insurance proceeds		425	1,037	425	1,037
Term deposits realised / (purchased)		27,407	(27,499)	5,268	8,833
Purchase of shares in subsidiaries		(34,288)	-	(79,220)	(30,274)
Shares and units disposed/(purchased)		45,907	(23,604)	45,907	(23,604)
Proceeds from sale of property, plant and equipment		1,217	1,687	770	41
Purchase of property, plant and equipment		(78,278)	(36,122)	(15,002)	(2,641)
Purchase of investment properties		(331)	(24,214)	(331)	(6,898)
Net cash used in investing activities		<u>(179,928)</u>	<u>(234,590)</u>	<u>(147,983)</u>	<u>(172,999)</u>
<b>Cash flows from financing activities</b>					
Payment of finance lease liabilities		(9)	-	-	-
Proceeds from borrowings		29,467	28,883	-	-
Repayment of borrowings		(11,943)	(11,819)	-	-
Receipts from share issue		2,990	1,250	-	-
Dividends paid		(24,782)	(18,392)	-	-
Net cash provided by financing activities		<u>(4,277)</u>	<u>(78)</u>	<u>-</u>	<u>-</u>
Net increase / (decrease) in cash held		48,783	23,180	8,065	(7,113)
Cash acquired through business combinations		4,456	-	-	-
Cash at beginning of the financial year		<u>73,279</u>	<u>50,099</u>	<u>13,472</u>	<u>20,585</u>
<b>Cash at end of the financial year</b>	26(a)	<u>126,518</u>	<u>73,279</u>	<u>21,537</u>	<u>13,472</u>

The statements of cash flows are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 31 to 58.



# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2006

#### **I. Statement of significant accounting policies**

Fiji National Provident Fund is a superannuation fund domiciled in Fiji. The consolidated financial statements of the Fund for the year ended 30 June 2006 comprise the Fund and its subsidiaries, which include Amalgamated Telecom Holdings Limited, Home Finance Company Limited, FNPF Nominee Company Limited and FNPF Investments Limited. The financial statements were authorised for issue by the Board Members on 15th September 2006.

#### ***Intention to adopt International Financial Reporting Standards from 1 July 2006.***

Fiji National Provident Fund and its subsidiaries intend to adopt International Financial Reporting Standards ("IFRS") from 1 July 2006. This will be in advance of the expected adoption of IFRS in Fiji, the deadline for which is financial periods beginning 1 January 2007. Transition disclosures, including restatement of comparatives, will be reported in the next financial reporting period in accordance with "early adoption" provisions of Fiji Institute of Accountants.

#### **(a) Statement of compliance**

The financial statements of the Fund have been drawn up in accordance with the provisions of the Fiji National Provident Fund Act and the accounting standards and disclosure requirements of the Fiji Institute of Accountants except where stated.

#### **(b) Basis of preparation**

The financial statements have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations or the market values of the assets. The accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

#### **(c) Basis of consolidation**

##### ***Subsidiaries***

Subsidiaries are those enterprises controlled by the Fund. Control exists when the Fund has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidated figures contain amounts for the year ended 30 June 2006 except for Amalgamated Telecom Holdings Limited and its subsidiaries, where the amounts used are for the year ended 31 March 2006. There were no significant events or transactions that occurred between the subsidiaries reporting date and the Fund's balance date that require adjustment to the Fund's consolidated financial statements.

##### ***Transactions eliminated on consolidation***

Related transactions and balances and any unrealised gains / (losses) arising from these transactions are eliminated in preparing the consolidated financial statements.

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2006

#### I. Statement of significant accounting policies (continued)

##### (d) Investments

Investments representing government and semi-government securities, term deposits and loans and advances are stated at cost and do not reflect the fair market value of the portfolio. Equities and investment properties are stated at market value. The following general policies are recognised in terms of specific investments:

###### *Investment securities*

Investment securities are primarily purchased with the intention of being held until maturity. Premiums and discounts are capitalised and amortised from date of purchase to maturity. Gains and losses are only recognised when securities are realised.

###### *Term deposits*

Term deposits are brought to account on a cost basis.

###### *Loans and advances*

Loans and advances include direct finance provided to customers and staff through term loans. Staff loans include car loans, housing loans and advances, and interest is charged at 40% of the operating rate.

Term loans are carried at principal balances outstanding adjusted for provisions for doubtful debts and unearned income.

###### *Credit assessment*

All loans are subject to continuous scrutiny and are classified as either productive or non-performing.

###### *Bad and doubtful debts*

The collectability of debts is assessed at year-end and a specific provision is created for non-performing accounts without sufficient security. A collective provision is maintained for future losses, which are inherent in any asset portfolio. Bad debts are written off against the provision in the year in which they are recognised.

Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification to individual loans and estimation of expected losses in relation to loan portfolios where specific identification is impracticable. Bad debts are written off against the provision in the year in which they are recognised unless no provision for impairment has previously been recognised.

###### *Equities*

Equities include listed and unlisted shares and interests in unit trusts. Equity investments are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognized in the operating statement. The fair value of equity investments are determined as follows:

- (i) Value of listed equities is determined using their latest available market value as quoted on stock exchanges; and
- (ii) Value of unlisted equities including investments in subsidiaries is determined based on independent valuation of the equity investments.

Realised gains and losses on disposals and unrealised market value adjustments are reflected in 'Investment revenue' within the operating statement.

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2006

#### **I. Statement of significant accounting policies (continued)**

##### **(d) Investments (continued)**

###### *Investment properties*

Investment properties, including freehold and leasehold properties, are properties which are held either to earn rental income or for capital appreciation, or for both. Investment properties are stated at fair value. An external, independent valuation company, having an appropriate recognized professional qualification and recent experience in the location and category of property being valued, is hired to carry out the valuation. Increments and/or decrements to these properties are recognised in the operating statement.

##### **(e) Cash and cash equivalents**

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

##### **(f) Trade receivables**

Trade receivables are stated at cost, less provision for doubtful debts. Provisions are made for doubtful debts based on management's evaluation of the collectability of the receivables. Bad debts are written off in the period in which they are identified.

##### **(g) Inventories**

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

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

Provisions for inventory obsolescence are raised, based on a review of inventories. Inventories considered obsolete or unsaleable are written off in the year in which they are identified.

##### **(h) Land held for resale**

Development properties are carried at the lower of cost and net-realizable value. Cost includes the cost of acquisition, development, and holding costs such as borrowing costs, rates and taxes. Borrowings costs and holding costs incurred after completion of development are expensed.

##### **(i) Property, plant and equipment**

Items of property, plant and equipment are recorded at cost less accumulated depreciation (see below) and impairment losses (see accounting policy k).

The annual depreciation charge on all assets is calculated on a straight-line basis at rates estimated to reduce such assets to their residual values at the end of their estimated lives.

The cost of improvements to or on leasehold property is written off by means of a depreciation charge over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2006

#### **I. Statement of significant accounting policies (continued)**

##### **(i) Property, plant and equipment (continued)**

The principal annual rates applied for each class of assets are as follows:

<b>Leasehold land</b>	<b>Term of lease</b>
Buildings – Residential	2.5%
– Office and others	1.25% - 10%
Exchange plant and telecommunications infrastructure	6.7% - 10%
Subscriber equipment	5% - 10%
Trunk network plant	6.7%
Plant and machinery	20%
Office equipment	20%
Computer equipment and software	20% - 40%
Furniture and fittings	10% - 20%
Motor vehicles	15% - 25%

Items of property, plant and equipment are reviewed to establish whether written down values exceed estimated recoverable amounts.

Capital work in progress including investment properties under construction is not depreciated.

##### **(j) Investment in movie productions**

Investments in movie productions are initially recorded at cost and are valued at a value expected to be recovered from the exploitation of the copyright in accordance with the Production Investment Agreement.

##### **(k) Impairment**

As at balance sheet date, the group reviews the carrying amounts of certain assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

For goodwill and management rights, the recoverable amount is estimated at each balance sheet date.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset (for cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in operating statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

##### **(l) Finance leases**

Assets of the group acquired under finance lease are capitalised. The initial amount of the leased asset and the corresponding lease liability are recorded at the present value of minimum lease payments. Leased assets are amortised over the life of the relevant lease or, where it is likely the group will obtain ownership of the asset, on

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2006

#### **I. Statement of significant accounting policies (continued)**

##### **(l) Finance lease (continued)**

expiration of the lease, the expected useful life of the asset. Lease liabilities are reduced by the principal component of lease payments. The interest component is charged against operating profit.

##### **(m) Operating lease**

Operating leases are not capitalised and rental payments are charged to the operating statement in the period in which they are incurred.

##### **(n) Intangible assets**

###### *Goodwill*

Goodwill arising on an acquisition of Amalgamated Telecom Holdings Limited and Home Finance Company represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. Goodwill is stated at cost less accumulated amortisation at the following amortisation rates and impairment losses (refer accounting policy k):

	<i>Amortisation rate</i>
Amalgamated Telecom Holdings Limited	5%
Home Finance Company Limited	10%

###### *Management rights*

Management rights represent the right to manage all of the issued shares in the State's interest in an international telecommunications entity. This right is carried at cost and is amortised over the term of the right.

##### **(o) Other receivables**

Other receivables are stated at cost less impairment losses.

##### **(p) Other payables**

Other payables are stated at cost.

##### **(q) Employee benefits**

The provision for employee entitlements relates to amounts expected to be paid to employees for annual leave, long service leave and gratuity benefit, and is based on legal and contractual entitlements. Current wage rates are used in the calculation of the provisions.

##### **(r) Provisions**

A provision is recognised in the statement of financial position when the Fund or the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

##### **(s) Liability for accrued benefits**

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries, and has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the sundry liabilities, net of reserves, as at reporting date. Interests on pension buffer reserve and special death benefit reserve are included in the general reserve.

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2006

#### **I. Statement of significant accounting policies (continued)**

##### **(t) Income tax**

The Fund is exempt from income tax under section 16(26) of the Income Tax Act 1976.

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

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, are carried forward in the statement of financial position as a future income tax benefit or a provision for deferred tax.

Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain.

##### **(u) Foreign currency transactions**

Foreign currency transactions are translated to Fiji dollars at the rates of exchange ruling at the dates of the transactions. Amounts receivable including foreign currency deposits held at year-end and amounts payable in foreign currencies are translated at the rates of exchange ruling at balance date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the operating statement in the financial year in which the exchange rates change.

##### **(v) Revenue recognition**

###### *Contributions income*

Contributions from the members are recorded in the operating statement on an accrual basis.

###### *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 in the operating statement on an accrual basis. With regard to the subsidiary, Home Finance Company, interest income is brought to account when earned. No unearned interest is included in mortgage loans at balance date.

###### *Rental income*

Rental income earned from investment property is recognised in the operating statement on an accrual basis.

###### *Dividend income*

Dividend income from equity investments is recognised in the operating statement on an accrual basis.

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2006

#### **I. Statement of significant accounting policies (continued)**

##### **(v) Revenue recognition**

###### *Sales revenue*

Sales revenue represents the revenue generated from fixed and mobile telecommunications services, sale of equipment and ancillaries, internet services, and advertising after deducting allowances, taxes and other amounts collected on behalf of third parties. Revenue for all services is recognised when earned.

Billings for telephone services are made on a monthly basis throughout the month. Unbilled revenues from the billing cycle date to the end of each month are recognised as revenue during the month the service is provided. Revenue recognition is deferred in respect of that portion of fixed monthly charges which have been billed in advance.

Revenue from the provision of internet services is recognised upon the use of service by the customers. Revenue earned from publication of the telephone directory is stated net of allowances.

##### **(w) Government grants**

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. These conditions have been fulfilled by the Group. Grants that compensate the Group for expenses incurred are recognised as revenue in the operating statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the operating statement as revenue on a systematic basis over the useful life of the asset.

##### **(x) Expenses**

Expenses are recognised in the operating statement when incurred on an accrual basis.

##### **(y) Unclaimed deposits**

Unclaimed deposits represent amounts transferred to the General Reserve Account of amounts remaining unclaimed for greater than 10 years in accordance with Regulation 49(1) of the Fiji National Provident Fund Regulations.

##### **(z) Comparative figures**

Where necessary, amounts shown for the previous financial year have been reclassified to facilitate comparison.

##### **(aa) Rounding**

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

#### **2. Change in accounting policy**

During the year, the Fund changed its accounting policy on investment properties. Previously, investment properties were recorded at cost and depreciated over their estimated useful lives. Investment properties are now recorded at market value. During the year, the Fund carried out an independent valuation of its investment properties, which resulted in a net gain of \$10,877,000 being recorded in the operating statement. The Fund is unable to disclose the impact on prior period as the market value of the investment properties as at 30 June 2005 is not available. Investments properties are disclosed in Note 13.

Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2006

	Note	Consolidated		The Fund	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>3. Interest income</b>					
Fixed interest securities					
- Government		94,153	91,727	93,855	91,203
- Other		14,723	13,356	14,694	13,356
Loans and advances		18,077	14,950	14,406	11,774
Term deposits		6,808	5,460	6,755	5,460
Other interest income		4,834	2,677	509	118
		<u>138,595</u>	<u>128,170</u>	<u>130,219</u>	<u>121,911</u>
<b>4. Other income</b>					
Fees and commission		2,221	1,522	640	287
Food and beverage revenue		4,167	-	-	-
Gain on sale of assets		246	2,619	235	66
Room revenue		2,763	-	-	-
Surcharge income		309	244	309	244
Unclaimed deposits	1(y)	133	167	133	167
Other income		3,993	1,610	228	640
		<u>13,832</u>	<u>6,162</u>	<u>1,545</u>	<u>1,404</u>
<b>5. Personnel expenses</b>					
Salaries and wages		35,143	39,379	5,526	4,872
Annual leave		729	604	373	256
FNTC contributions		284	390	59	72
FNPF contributions		2,921	3,606	770	764
Gratuity benefit		68	203	68	203
Other staff expenses		4,988	7,895	467	474
		<u>44,133</u>	<u>52,077</u>	<u>7,263</u>	<u>6,641</u>
<b>6. Other expenses</b>					
Amortisation – goodwill	18	12,452	10,005	-	-
– management rights	18	1,500	1,500	-	-
Auditors' remuneration – audit - KPMG		117	85	29	27
- other firms		145	64	-	-
– other - KPMG		33	20	20	16
- other firm		262	156	-	-
Directors' fees and allowances		569	690	86	123
Deemed contributions		156	181	156	181
Loss on sale of assets		-	169	-	-
Hotel operation expenses		1,129	-	-	-
Equipment and ancillary charges		20,226	16,375	-	-
Airtime and PSTN charges		22,247	24,713	-	-
Discounts and rebates allowed		1,197	2,223	-	-
Other operating and general expenses		61,331	60,130	4,790	2,766
		<u>121,364</u>	<u>116,311</u>	<u>5,081</u>	<u>3,113</u>



Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2006

	Consolidated		The Fund	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>7. Income tax</b>				
<b>(a) Income tax expense</b>				
Prima facie income tax expense calculated at 31% (2005: 31%) on the net surplus	157,122	140,122	151,865	123,669
Income tax expense on income not subject to tax	<u>(133,676)</u>	<u>(123,436)</u>	<u>(151,865)</u>	<u>(123,669)</u>
	23,446	16,686	-	-
Increase/(decrease) in income tax expense due to:				
Non-deductible items	(1,554)	(6,112)	-	-
Tax losses not recognised as future income tax benefit	2,176	1,239	-	-
Timing differences not previously brought to account	(1)	(18)	-	-
Investment write down	-	113	-	-
Under provision in prior year	1,412	593	-	-
Hotel Aid investment allowance	(554)	-	-	-
Effect of change in tax rate	-	(7)	-	-
	<u>24,925</u>	<u>12,494</u>	<u>-</u>	<u>-</u>
Income tax expense is made up of:				
Current income tax expense	24,908	14,308	-	-
Provision for deferred income tax	(6,632)	7,827	-	-
Future income tax benefit	8,828	(9,662)	-	-
Under/(over) provision in prior years	<u>(2,179)</u>	<u>21</u>	<u>-</u>	<u>-</u>
	24,925	12,494	-	-
<b>(b) Provision for current income tax</b>				
Movements during the year were as follows:				
Balance at the beginning of the year	10,323	10,066	-	-
Income tax paid	(19,900)	(14,046)	-	-
Over provision on prior years	(1,990)	(5)	-	-
Current income tax expense on operating profit	<u>24,908</u>	<u>14,308</u>	<u>-</u>	<u>-</u>
Balance at the end of the year	<u>13,341</u>	<u>10,323</u>	<u>-</u>	<u>-</u>

Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2006

	Consolidated		The Fund	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
(c) Provision for deferred income tax				
Provision for deferred income tax comprises the estimated expense at current income tax rates of the following items:				
Difference in depreciation for accounting and income tax purposes	15,127	21,759	-	-
	<u>15,127</u>	<u>21,759</u>	<u>-</u>	<u>-</u>
(d) Future income tax benefit				
Future income tax benefit comprises the estimated future benefit at current income tax rate of the following items:				
Provision for stock obsolescence	-	400	-	-
Provision for employee entitlements	(319)	2,258	-	-
Provision for impairment and doubtful debts	847	2,667	-	-
Difference in depreciation for accounting and income tax purposes	6,063	10,094	-	-
	<u>6,591</u>	<u>15,419</u>	<u>-</u>	<u>-</u>
(e) Future income tax benefit not brought to account				
Tax losses carried forward	2,192	1,261	-	-
Difference in depreciation for accounting and income tax purposes	-	(5)	-	-
	<u>2,192</u>	<u>1,256</u>	<u>-</u>	<u>-</u>

The future income tax benefit, which has not been recognised as an asset, will only be obtained if:

- (i) the subsidiaries derive future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- (ii) the subsidiaries continue to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the subsidiaries in realising the benefit.

Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2006

	Consolidated		The Fund	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>8. Government securities</b>				
<i>Held to maturity investments</i>				
Fiji Government Registered Stock	1,714,163	1,586,279	1,636,523	1,511,955
Reserve Bank of Fiji Notes	-	171,253	-	171,253
Treasury Bills	26,081	36,265	26,081	36,265
	<u>1,740,244</u>	<u>1,793,797</u>	<u>1,662,604</u>	<u>1,719,473</u>
Add: Unamortised premium	1,034	1,441	957	1,344
	<u>1,741,278</u>	<u>1,795,238</u>	<u>1,663,561</u>	<u>1,720,817</u>
 <i>Represented as:</i>				
Less than or equal to 3 months	75,231	236,024	69,621	234,730
3 to 12 months	99,267	129,509	98,063	128,505
1 to 5 years	737,441	556,279	722,818	546,472
Greater than 5 years	829,339	873,426	773,059	811,110
	<u>1,741,278</u>	<u>1,795,238</u>	<u>1,663,561</u>	<u>1,720,817</u>
 <b>9. Other fixed interest securities</b>				
<i>Held to maturity investments</i>				
Promissory notes	42,387	3,953	42,387	3,953
Promissory notes in related company	-	-	12,500	-
Bonds	305,968	279,804	305,968	278,670
	<u>348,355</u>	<u>283,757</u>	<u>360,855</u>	<u>282,623</u>
Add: Unamortised premium	240	194	240	194
	<u>348,595</u>	<u>283,951</u>	<u>361,095</u>	<u>282,817</u>
 <i>Represented as:</i>				
Less than 3 months	45,187	10,353	57,687	10,353
3 to 12 months	31,661	39,778	31,661	38,778
1 to 5 years	197,384	155,512	197,384	155,378
Greater than 5 years	74,363	78,308	74,363	78,308
	<u>348,595</u>	<u>283,951</u>	<u>361,095</u>	<u>282,817</u>

Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2006

	Consolidated		The Fund	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>10. Loans and advances</b>				
Loans and advances (quasi-government)	69,059	53,738	69,059	53,738
Loans to subsidiaries	-	-	185,331	181,086
Customer term loans	234,440	137,909	69,580	5,422
Staff loans	9,703	8,799	7,920	6,866
	<u>313,202</u>	<u>200,446</u>	<u>331,890</u>	<u>247,112</u>
Less: Provision for doubtful debts	(5,077)	(4,477)	(2,347)	(2,094)
Unearned revenue	(721)	(1,126)	-	-
	<u>307,404</u>	<u>194,843</u>	<u>329,543</u>	<u>245,018</u>
<b>Represented as:</b>				
Less than or equal to 3 months	39,279	46,054	35,217	54,619
3 to 12 months	122,722	14,042	146,356	11,590
1 to 5 years	20,190	33,762	110,006	128,384
Greater than 5 years	131,011	106,588	40,311	52,519
	<u>313,202</u>	<u>200,446</u>	<u>331,890</u>	<u>247,112</u>
<b>11. Term deposits</b>				
Local banks and financial institutions– local currency	96,711	23,000	96,711	23,000
Local banks – foreign currency	2,025	95,290	2,025	95,290
Related parties – local currency	-	-	20,271	4,000
	<u>98,736</u>	<u>118,290</u>	<u>119,007</u>	<u>122,290</u>
<b>Represented as:</b>				
Less than or equal to 3 months	72,535	16,000	93,482	20,000
3 to 12 months	20,525	102,290	20,525	102,290
1 to 5 years	5,676	-	5,000	-
	<u>98,736</u>	<u>118,290</u>	<u>119,007</u>	<u>122,290</u>
<b>12. Equities</b>				
Local equities	28,451	15,745	22,006	14,645
Investment in subsidiaries	-	-	372,337	269,331
Investment in movie production	9,331	7,000	-	-
Unit trusts	18,721	14,819	18,721	14,819
Kula Fund – foreign currency	1,376	1,728	1,376	1,728
Overseas equities	196,695	209,004	196,695	209,004
	<u>254,574</u>	<u>248,296</u>	<u>611,135</u>	<u>509,527</u>

Investments in movie production have been granted FI Certificate by Fiji Audio Visual Commission and thereby incentives by way of 150% tax deduction are available. Investments in movie production are valued at a value expected to be recovered from the exploitation of the copyright in accordance with the Production Investment Agreement. Accordingly, in line with the recognition of income tax benefit and royalty income as appropriate, provision for write-down has been made in the subsidiary's financial statements.

Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2006

**12. Equities (continued)**

*Investments in subsidiaries*

Name	Principal activities	Balance Date	2006 Cost \$000	2005 Cost \$000
Amalgamated Telecom Holdings Limited	Telecommunications	31 March	295,763	295,752
Home Finance Company Limited	Financing	30 June	9,134	9,134
FNPF Nominee Company Limited	Nominee services	30 June	98	98
FNPF Investments Limited	Investments	30 June	105,708	26,500

During the year, an additional 10,850 shares were acquired by the Fund in Amalgamated Telecom Holdings Limited and 79,207,955 shares in FNPF Investments Limited.

FNPF Investments Limited also acquired 100% shareholdings in FNPF Hotel Resorts Limited, 100% in Natadola Bay Resort Limited and 80% in Grand Pacific Hotel Limited, during the year.

Dividends received from the above entities for the year ended 30 June 2006 amounted to \$15,203,947 (2005: \$16,253,265).

Consolidated		The Fund	
2006 \$000	2005 \$000	2006 \$000	2005 \$000

**13. Investment properties**

Balance as at 1 July	49,738	51,231	49,738	51,231
Acquisitions	331	6,377	331	6,377
Net transfers	3,003	(7,312)	3,003	(7,312)
Disposal	-	(558)	-	(558)
Fair value adjustments	10,877	-	10,877	-
Balance as at 30 June	<u>63,949</u>	<u>49,738</u>	<u>63,949</u>	<u>49,738</u>

During the year, an independent valuation of the Fund's investment properties was carried out by Rolle & Associates. The valuation was adopted by the Fund on 30 June 2006.

Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2006

**14. Cash**

	Consolidated		The Fund	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Cash at bank	119,070	50,099	14,090	6,151
Cash on hand	9,224	25,557	9,223	9,343
Cash with agents	544	766	544	766
	<u>128,838</u>	<u>76,422</u>	<u>23,857</u>	<u>16,260</u>

**15. Trade receivables**

Trade debtors	29,665	25,607	-	-
Less: Unearned income	(1,453)	(808)	-	-
Less: Provision for doubtful debts	(9,368)	(6,221)	-	-
	<u>18,844</u>	<u>18,578</u>	<u>-</u>	<u>-</u>

**16. Inventories**

Consumables and finished goods	11,274	10,219	-	-
Goods in transit	3,504	523	-	-
	<u>14,778</u>	<u>10,742</u>	<u>-</u>	<u>-</u>
Less: Provision for obsolescence	(1,290)	(1,290)	-	-
	<u>13,488</u>	<u>9,452</u>	<u>-</u>	<u>-</u>

Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2006

**17. Property, plant and equipment**

*Consolidated*

	Land at valuation	Land at cost	Buildings at valuation	Buildings at cost	Exchange and telecommunication infrastructure	Subscriber equipment	Trunk network plant	Plant and machinery	Office equipment	Motor vehicles & fittings	Furniture & fittings	Work in progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Cost</b>													
Balance at the beginning of the year	584	683	37,998	1,798	129,142	180,840	57,029	8,488	52,926	14,021	13,778	22,315	519,602
Acquisition through business combinations	-	2,499	-	7,971	-	-	-	1,435	-	-	142	4,342	16,389
Transfers	-	1,117	-	3,194	1,897	8,338	4,108	994	366	-	-	(23,017)	(3,003)
Acquisitions	-	-	271	16,535	16,320	1,806	-	847	6,173	1,250	1,706	63,988	108,896
Disposals	-	-	-	(225)	(1)	(22)	(1,310)	(454)	(3,101)	(2,622)	(521)	(504)	(8,760)
Balance at the end of the year	584	4,299	38,269	29,273	147,358	190,962	59,827	11,310	56,364	12,649	15,105	67,124	633,124
<b>Depreciation</b>													
Balance at the beginning of the year	68	57	14,275	247	77,076	106,626	22,518	5,160	36,147	7,457	11,199	-	280,830
Acquisition through business combinations	-	-	-	1,647	-	-	-	760	-	-	-	-	2,407
Depreciation charge for the year	-	3	910	366	16,349	10,556	3,850	1,114	6,648	2,079	909	-	42,784
Transfers	-	-	-	-	(2)	81	1	(81)	2	-	(1)	-	-
Impaired loss	-	-	-	-	-	1,000	6031	-	-	-	-	-	7,031
Disposals during the year	-	-	-	(55)	-	(8)	(999)	(398)	(2,479)	(2,177)	(371)	-	(6,487)
Balance at the end of the year	68	60	15,185	2,205	93,423	118,255	31,401	6,555	40,318	7,359	11,736	-	326,565
<b>Carrying amount</b>													
At 1 July 2005	516	626	23,723	1,551	52,066	74,214	34,511	3,328	16,779	6,564	2,579	22,315	238,772
At 30 June 2006	516	4,239	23,084	27,068	53,935	72,707	28,426	4,755	16,046	5,290	3,369	67,124	306,559

Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2006

**17. Property, plant and equipment (continued)**

<i>The Fund</i>	Freehold land \$000	Leasehold land \$000	Buildings at valuation \$000	Buildings at cost \$000	Office equipment \$000	Motor vehicles \$000	Furniture & fittings \$000	Work in Progress \$000	Total \$000
<b>Cost</b>									
Balance at the beginning of the year	423	260	6,708	1,798	10,733	957	2,522	7,312	30,713
Acquisitions	-	-	-	774	2,223	230	343	11,432	15,002
Disposals	-	-	-	(225)	(2,158)	(211)	(43)	-	(2,637)
Transfer from/(to) investment properties	-	1,117	-	-	-	-	-	(4,120)	(3,003)
Balance at the end of the year	423	1,377	6,708	2,347	10,798	976	2,822	14,624	40,075
<b>Depreciation</b>									
Balance at the beginning of the year	-	57	1,297	247	6,385	462	2,055	-	10,503
Depreciation charge for the year	-	3	84	27	1,709	234	232	-	2,289
Disposals	-	-	-	(55)	(1,809)	(206)	(40)	-	(2,110)
Balance at the end of the year	-	60	1,381	219	6,285	490	2,247	-	10,682
<b>Carrying amount</b>									
At 1 July 2005	423	203	5,411	1,551	4,348	495	467	7,312	20,210
At 30 June 2006	423	1,317	5,327	2,128	4,513	486	575	14,624	29,393



Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2006

	Consolidated		The Fund	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>18. Intangible assets</b>				
Goodwill	130,056	143,158	-	-
Management rights	19,500	21,000	-	-
	<u>149,556</u>	<u>164,158</u>	<u>-</u>	<u>-</u>
<i>Represented by:</i>				
<b>Goodwill</b>				
<i>Cost</i>				
Balance at the beginning of the year	199,918	199,918	-	-
Acquisitions through business combinations	5,224	-	-	-
Balance at the end of the year	<u>205,142</u>	<u>199,918</u>	<u>-</u>	<u>-</u>
<i>Amortisation</i>				
Balance at the beginning of the year	56,760	46,755	-	-
Amortisation charge for the year	12,452	10,005	-	-
Impairment loss	5,874	-	-	-
Balance at the end of the year	<u>75,086</u>	<u>56,760</u>	<u>-</u>	<u>-</u>
<i>Carrying value</i>				
At the beginning of the year	143,158	153,163	-	-
At the end of the year	<u>130,056</u>	<u>143,158</u>	<u>-</u>	<u>-</u>
<b>Management rights</b>				
<i>Cost</i>				
Balance at the beginning of the year	30,000	30,000	-	-
Balance at the end of the year	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>-</u>
<i>Amortisation</i>				
Balance at the beginning of the year	9,000	7,500	-	-
Amortisation charge for the year	1,500	1,500	-	-
Balance at the end of the year	<u>10,500</u>	<u>9,000</u>	<u>-</u>	<u>-</u>
<i>Carrying value</i>				
At the beginning of the year	21,000	22,500	-	-
At the end of the year	<u>19,500</u>	<u>21,000</u>	<u>-</u>	<u>-</u>

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

Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2006

	Consolidated		The Fund	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>19. Other receivables</b>				
Contributions receivable	2,914	2,410	2,914	2,410
Less: Provision for doubtful debts	(1,259)	(1,259)	(1,259)	(1,259)
	<u>1,655</u>	<u>1,151</u>	<u>1,655</u>	<u>1,151</u>
Interest receivable	28,563	25,736	30,312	27,976
Dividends receivable	444	324	7,821	8,451
Rent receivable	210	254	210	254
Less: Provision for doubtful debts	(210)	(210)	(210)	(210)
	<u>-</u>	<u>44</u>	<u>-</u>	<u>44</u>
Other deposits and receivables	<u>30,764</u>	<u>29,039</u>	<u>5,177</u>	<u>1,403</u>
	<u>61,426</u>	<u>56,294</u>	<u>44,965</u>	<u>39,025</u>
<b>20. Creditors and borrowings</b>				
Sundry creditors and accruals	45,486	25,811	2,736	1,735
Bank overdraft	2,320	3,143	2,320	2,788
Finance lease	154	-	-	-
Borrowings – secured	18,783	9,242	-	-
Borrowings – unsecured	38,084	32,349	-	-
	<u>104,827</u>	<u>70,545</u>	<u>5,056</u>	<u>4,523</u>
Represented as:				
Less than or equal to 3 months	24,540	32,189	5,056	4,523
3 to 12 months	53,911	30,576	-	-
1 to 5 years	26,376	7,780	-	-
Greater than 5 years	-	-	-	-
	<u>104,827</u>	<u>70,545</u>	<u>5,056</u>	<u>4,523</u>

The bank overdraft of a related company, Telecom Fiji Limited, which has a limit of \$5m with ANZ Banking Group Limited, is secured by a registered mortgage debenture over all of that related company's assets and undertakings, including its uncalled and unpaid capital up to \$10m. The interest rate on the overdraft facility is 5.1%.

The borrowings of subsidiary companies are secured as follows:

- a) Borrowings by the Home Finance Company are secured by the company's undertaking and properties. Interest rates vary from 2.5% to 8.5% and repayments vary up to 7 years.
- b) ATH has an ANZ Bank loan as at its balance date of \$8,913,235. The term loans have been obtained to finance investment in certain movie productions. The loans are subject to interest rates of 6% per annum, which is payable monthly. The loans are secured by standby letter of credit provided by Commercica Bank of Michigan, USA, and has no recourse on the assets of the subsidiaries.

Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2006

	Consolidated		The Fund	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>21. Other liabilities</b>				
Deposits	6,116	6,050	742	795
Government grants	5,926	5,482	-	-
Less: Provision for amortization	(5,482)	(5,205)	-	-
	<u>6,560</u>	<u>6,327</u>	<u>742</u>	<u>795</u>
Other deferred revenue	6,724	5,251	-	-
Owing to FNPF members – Nominee				
Investments	4,493	4,243	-	-
Dividends payable	12,340	13,810	-	-
Pensions payable	2,487	1,546	2,487	1,546
Other payable	635	10,498	-	-
	<u>33,239</u>	<u>41,675</u>	<u>3,229</u>	<u>2,341</u>
<b>22. Employee benefits</b>				
Balance at the beginning of the year	7,281	5,441	381	521
Current year expense	797	2,448	441	459
Payments during the year	(2,301)	(608)	(324)	(599)
Total employee benefits	<u>5,777</u>	<u>7,281</u>	<u>498</u>	<u>381</u>
<b>23. Liability for accrued benefits</b>				
<b>(a) Allocation of Benefits</b>				
Allocated to Members' Accounts	2,321,863	2,163,220	2,321,863	2,163,220
Unallocated to Members' Accounts	3,629	2,922	3,629	2,922
	<u>2,325,492</u>	<u>2,166,142</u>	<u>2,325,492</u>	<u>2,166,142</u>

Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2006

	Consolidated		The Fund	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>23. Liability for accrued benefits (continued)</b>				
The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries and has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the sundry liabilities (net of reserves) as at reporting date.				
<b>(b) Benefits accrued during the year</b>				
Contributions received	267,655	245,678	267,655	245,678
Interest credited on members' accounts	124,572	111,964	124,572	111,964
Interest on withdrawals	5,627	5,489	5,627	5,489
Add: Net amounts transferred from 'Special Death Benefit' and 'Pension Buffer' reserve	12,118	8,138	12,118	8,138
	<u>409,972</u>	<u>371,269</u>	<u>409,972</u>	<u>371,269</u>

The Board declared an annual interest rate of 6.5% to be credited to the members' accounts as at reporting date (2005: 6.25%).

**(c) Benefits paid during the year**

1 - 55 years and over	46,767	45,844	46,767	45,844
2 - Death	9,321	10,467	9,321	10,467
3 - Disability	3,449	3,897	3,449	3,897
4 - Migration	33,026	28,967	33,026	28,967
5 - Marriage	14	-	14	-
6 - Non-Citizens migrating	7,534	4,876	7,534	4,876
7-8 - Partial/Small Business Equity Scheme	73,077	52,108	73,077	52,108
9 - Housing transfers	35,171	34,930	35,171	34,930
Pension Annuity	37,428	31,743	37,428	31,743
Special Death Benefit costs	4,835	3,949	4,835	3,949
	<u>250,622</u>	<u>216,781</u>	<u>250,622</u>	<u>216,781</u>

**24. Reserves**

**(a) Appropriation of net surplus for the year attributable to members of the Fund**

The net surplus for the year attributable to members of the Fund has been appropriated to accrued benefits, reserves and retained earnings as follows:

**Net surplus for the year attributable to members of the Fund**

(Less)/ Add net transfers to/from:

Net surplus for the year attributable to members of the Fund	454,694	417,281	489,887	398,931
Liability for accrued benefits	(409,972)	(371,269)	(409,972)	(371,269)
Special death benefit	(1,468)	(870)	(1,468)	(870)
Pension buffer	13,586	9,008	13,586	9,008
General reserve	(92,033)	(35,800)	(92,033)	(35,800)
Retained earnings	35,193	(18,350)	-	-
	<u>(454,694)</u>	<u>(417,281)</u>	<u>(489,887)</u>	<u>(398,931)</u>

# Fiji National Provident Fund and its subsidiaries

## Notes to and forming part of the financial statements

### For the year ended 30 June 2006

#### 24. Reserves (continued)

##### (b) Movements in reserves

The amounts transferred to the Pension Buffer Reserve relate to members who have opted to purchase annuities during the year of \$23,842,000 (2005: \$22,735,000).

The amounts transferred from the Pension Buffer Reserve of \$37,428,000 (2005: \$31,743,000) represent payment of annuities during the year:

The amounts transferred to the Special Death Benefit Reserve of \$6,303,000 (2005: \$4,819,000) represent deductions of \$25 (2005: \$20) or less from the accounts of each entitled member:

The amounts transferred from the Special Death Benefit Reserve of \$4,835,000 (2005: \$3,949,000) represent disbursements to the nominees of those members who died during the year of \$6,000 (2005: \$5,400) per member. These disbursements are in addition to the amounts standing to the deceased members' credit.

#### 25. Funding arrangements

In the year 2006, the employers contributed to the Fund at a minimum rate of 1.6% (2005: 1.6%) of the gross salaries of those employees who were members of the Fund.

#### 26. Notes to the statements of cash flows

##### (a) Reconciliation of cash

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

	Note	Consolidated		The Fund	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Cash and short term liquid assets	14	128,838	76,422	23,857	16,260
Bank overdraft	20	(2,320)	(3,143)	(2,320)	(2,788)
Cash at end of financial year		<u>126,518</u>	<u>73,279</u>	<u>21,537</u>	<u>13,472</u>

##### (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) purchase and realisation of term deposits.

Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2006

**27. Commitments and contingent liabilities**

	Consolidated		The Fund	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>(a) Commitments</b>				
Capital expenditure commitments	277,890	83,814	-	-
Other commitments	318,672	329,823	156,127	32,500
Undrawn facilities in relation to mortgage loans	87,186	20,380	73,582	95,002
	<u>683,748</u>	<u>434,017</u>	<u>229,709</u>	<u>127,502</u>

The Fund has committed to providing finance for the construction of several investment properties during the 2006 financial year:

**(b) Contingent liabilities**

Litigation	1,411	160	-	60
Letter of credit	2,087	-	-	-
Guarantees	1,155	759	23	134

Various claims have been brought against the subsidiary companies. The directors have obtained legal advice on these claims and are confident that no significant liability, other than those that have been brought to account, will eventuate.

In 2005, the Fiji Government indicated their intention of issuing mobile telephony license to other operators. Based on this indication, Vodafone Fiji Limited, a related company, filed an application for an interim injunction against the Minister of Information and Communications and the Fiji Government to stop this proposed action by Government and determine the validity of Vodafone's exclusive licence. The court refused to grant the interim injunction on the basis that it was of the view that Courts in Fiji do not have the power to grant injunctions against the State but advised the Government against issuing any licences pending the full hearing of this matter. This issue is now on appeal.

In the event that both the Court of Appeal and the High Court rules against Vodafone Fiji Limited, legal costs could be substantial but are not expected to exceed \$1m. This has been disclosed above in litigation.

**(c) Operating lease commitments**

Non cancellable operating lease rentals are payable as follows:

Not later than 1 year	3,526	1,350	-	-
Later than 1 year but not later than 2 years	1,816	1,220	-	-
Later than 2 years but not later than 5 years	3,922	1,776	-	-
Later than 5 years	19,745	20,790	-	-
	<u>29,009</u>	<u>25,136</u>	<u>-</u>	<u>-</u>

Telecom Fiji Limited and ATH Technology Park Limited, subsidiary companies of Amalgamated Telecom Holdings Ltd, are committed to minimum annual land lease rentals of \$219,000 and \$9,000 on various land leases.

Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2006

**27. Commitments and contingent liabilities (continued)**

	Consolidated		The Fund	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>(d) Operating lease revenue</b>				
Non cancellable operating lease rentals are Receivable as follows:				
Not later than 1 year	5,665	4,137	5,647	4,137
Later than 1 year but not later than 2 years	2,948	3,158	2,930	3,158
Later than 2 years but not later than 5 years	2,493	1,177	2,478	1,177
Greater than 5 years	2,363	-	2,363	-
	13,469	8,472	13,418	8,472

**(e) Finance lease**

Finance lease expenditure contracted for motor vehicles is payable as follows:

Not later than 1 year	66	-	-	-
Later than 1 year but not later than 2 years	66	-	-	-
Later than 2 years but not later than 5 years	40	-	-	-
	172	-	-	-
Future finance charges	(18)	-	-	-
Net finance lease liability	154	-	-	-
Reconciled to Finance lease (Note 20)	154	-	-	-

**28. Related parties**

**(a) Transactions with related parties**

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

The term and conditions of transactions with directors, director-related entities and key management were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

During the year the following remuneration were paid to the Directors

Directors fees and allowances	569	690	86	123
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Fiji National Provident Fund and its subsidiaries  
 Notes to and forming part of the financial statements  
 For the year ended 30 June 2006

**28. Related parties (continued)**

**(b) Amounts due to, and receivable from related parties**

An unsecured advance of \$5,000,000 was provided to Amalgamated Telecom Nominees Limited (ATN) at an interest rate of 1.2%.

**(c) Investments and ownership interest**

The investments and ownership interests in subsidiary companies are disclosed in Note 12 and 32 respectively.

**29. Number of employees**

	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Average number of employees during the financial year	<u>1,612</u>	<u>1,952</u>	<u>258</u>	<u>246</u>

**30. Principal activities**

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

The principal activities of the subsidiary entities during the year were those of investment, provision of telecommunications services, provision of management services, commercial lending, provision of finance for home ownership, acceptance of term deposits, facilitating investments by FNPF members and the administration of the Small Business Scheme.



Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2006

**31. Impairment of loans**

One of the controlled entities within the Group, Home Finance Company Limited, is required to disclose impaired, and past due loans.

	<b>2006</b>	<b>2005</b>
	<b>\$000</b>	<b>\$000</b>
<i>Specific provisions for impairment</i>		
Balance at 1 July 2005	919	1,292
Increase/(decrease) in specific provisions	1,246	1,028
Bad debts written off	(183)	(117)
Provision write backs	(1,046)	(1,284)
Balance at 30 June 2006	<u>936</u>	<u>919</u>
<i>General provisions for impairment</i>		
Balance at 1 July 2005	1,464	1,169
Increase in general provisions	329	295
Balance at 30 June 2006	<u>1,793</u>	<u>1,464</u>
<i>Bad debts expense</i>		
Specific provision for impairment	<u>183</u>	<u>117</u>
<i>Non accrual loans</i>		
With provisions	2,532	3,511
Specific provision for impairment	(582)	(696)
	<u>1,950</u>	<u>2,815</u>
<i>Past due loans</i>		
Balance	<u>3,278</u>	<u>8,237</u>

Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2006

**32. Group enterprises**

*Significant subsidiaries*

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

\* Not audited by KPMG

A subsidiary company of Amalgamated Telecom Holdings Limited (ATH) is Amalgamated Telecom Nominees Limited (ATN). The principal activity of ATN is to hold the shares in ATH for the qualifying employees of the ATH Group under the Employee Share Option Plan. ATN holds minimal assets and is economically inactive. Accordingly, the financial statements were not consolidated in the ATH consolidated financial statements.

**33. Segment reporting**

**(a) Industry segment**

The parent entity operates in the superannuation industry. The subsidiary companies operate predominantly in the telecommunication, investment and financial services industries.

**(b) Geographical segment**

The Group operates in Fiji, and is therefore one geographical area for reporting purposes.

Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2006

**33. Segment reporting (continued)**

Business segments	Superannuation		Telecommunication		Financial Services		Investments		Eliminations		Consolidated	
	2006 (\$000)	2005 (\$000)	2006 (\$000)	2005 (\$000)	2006 (\$000)	2005 (\$000)	2006 (\$000)	2005 (\$000)	2006 (\$000)	2005 (\$000)	2006 (\$000)	2005 (\$000)
Revenue from members' contributions	267,655	245,678	-	-	-	-	-	-	-	-	267,655	245,678
Revenue from external customers:	195,678	145,626	245,410	252,680	13,699	11,599	8,170	-	-	-	462,957	409,905
Revenue from inter-segment:	45,670	23,854	-	-	-	-	-	-	(45,670)	(23,854)	-	-
Total segment revenue	509,003	415,158	245,410	252,680	13,699	11,599	8,170	-	(45,670)	(23,854)	730,612	655,583
Other unallocated revenue	235	512	8	3,701	-	-	-	-	-	-	243	4,213
Total revenue	489,887	398,931	71,196	52,207	2,808	1,581	(688)	-	(42,407)	10,794	730,855	659,796
<b>Segment result</b>												
Profit from operations	489,887	398,931	71,196	52,207	2,808	1,581	(688)	-	(42,407)	10,794	520,796	463,513
Amortisation expense	-	-	-	-	-	-	-	-	-	-	(13,952)	(11,505)
Profit before income tax	-	-	-	-	-	-	-	-	-	-	506,844	452,008
Income tax expense	-	-	-	-	-	-	-	-	-	-	(24,925)	(12,494)
Net profit after tax	-	-	-	-	-	-	-	-	-	-	481,919	439,514
Depreciation expense	2,289	2,622	39,310	29,727	537	311	649	-	-	-	42,785	32,660
Impairment losses	-	-	5,750	-	124	-	-	-	-	-	5,874	-
Reversal of impairment loss	-	-	-	-	(1,046)	(1,284)	-	-	-	-	(1,046)	(1,284)

Fiji National Provident Fund and its subsidiaries  
Notes to and forming part of the financial statements  
For the year ended 30 June 2006

**33. Segment reporting (continued)**

Business segments	Superannuation		Telecommunication		Financial Services		Investments		Eliminations		Consolidated	
	2006 (\$000)	2005 (\$000)	2006 (\$000)	2005 (\$000)	2006 (\$000)	2005 (\$000)	2006 (\$000)	2005 (\$000)	2006 (\$000)	2005 (\$000)	2006 (\$000)	2005 (\$000)
<b>Assets</b>												
Purchase of property, plant and equipment	15,002	2,641	44,559	30,090	2,144	809	47,191	-	-	-	108,896	33,540
Segment assets	3,246,505	3,005,586	418,455	390,930	187,875	187,431	136,104	-	(616,737)	(466,827)	3,372,202	3,117,120
Goodwill and tax assets											156,147	179,577
Total assets											<u>3,528,349</u>	<u>3,296,697</u>
<b>Liabilities</b>												
Segment liabilities	8,783	7,129	189,673	208,326	174,269	138,413	23,526	-	(252,408)	(234,367)	143,843	119,501
Tax liabilities and others											28,468	32,082
Total liabilities											<u>172,311</u>	<u>151,583</u>
Capital expenditure & other commitments	156,127	32,500	48,045	39,314	172	341,823	392,218	-	-	-	596,562	413,637

TABLE 1: KEY PERFORMANCE INDICATORS FOR FY 2006

	YTD 2006	YTD 2005	% GROWTH
New employers	810	550	47.27
New Members	20,596	15,074	36.63
Total employers	6,040	5,620	7.47
Total members	331,050	316,791	4.5
Total members' balance \$	2,325,492,000	2,166,142,000	7.36
Total members' funds \$	3,237,722,000	2,998,457,000	7.98
Contributions received \$	267,655,000	245,678,000	8.95
Purchase of annuities \$	23,842,000	22,735,000	4.87
*Withdrawals \$	208,359,000	181,089,000	15.06
Housing transfers \$	35,171,000	34,930,000	0.69
Pension payouts \$	37,428,000	31,743,000	17.89
SDB payouts \$	4,835,000	3,949,000	22.44
Operating expenses \$	13,995,000	11,425,920	22.48
Investment expenses \$	5,498,000	4,973,367	10.55
Investment income \$	240,038,000	168,588,000	42.38
Investment portfolio \$	3,148,290,000	2,937,519,000	7.18
Interest to members \$	124,572,000	111,964,487	11.26

\*Withdrawals exclude Pension and SDB Payout

TABLE 2: EMPLOYERS REGISTRATION (2003-2006)

FINANCIAL YEAR	NO OF ACTIVE EMPLOYERS	GROWTH %
2003	5,153	3.52
2004	5,356	3.93
2005	5,620	4.92
2006	6,040	7.47

TABLE 3: GROWTH OF THE MEMBERS FUNDS (2003-2006)

YEAR	ANNUAL CONTRIBUTION (\$ '000)	TOTAL MEMBERS' BALANCE (\$ '000)	GROWTH RATE FOR BALANCES (%)	NUMBER OF MEMBERS	GROWTH RATE OF MEMBERS (%)
2003	209,186	1,868,230	6.83	289,800	2.92
2004	225,331	2,011,654	7.68	306,133	5.60
2005	245,678	2,166,142	7.68	316,791	3.48
2006	268,650	2,325,623	7.36	331,050	4.5

TABLE 7: VILLAGE HOUSING SCHEME FY2006

GEOGRAPHICAL DISTRIBUTION	AMOUNT (\$)	(%)
Fiji	8,852,098.83	98.62
Rotuma	110,927.00	1.24
Rabi	13,028.00	0.14
Total	8,976,053.83	100

TABLE 4: MEMBER BENEFITS (2003-2006)

## INTEREST EARNED BY MEMBERS

YEAR	INFLATION RATE	INTEREST CREDITED TO MEMBERS	INTEREST CREDITED NET	AMOUNT INTEREST CREDITED
2003	2.2	6.0	3.8	93,058
2004	3.5	6.0	2.5	100,205
2005	2.8	6.25	3.45	111,964
2006	2.03	6.5	4.47	124,570

TABLE 5: WITHDRAWALS FY2006

GROUND	2006	2005	2004
1	2,870	2,856	2,729
2	1,214	1,323	1,295
3	238	268	250
4	1,868	1,840	1,992
*5	0	0	0
6	423	333	270
8	70,549	49,279	48,330
9	6,906	6,253	5,180
TOTAL	83,978	62,422	60,046

\* this figure represents second payments made on applications approved subsequent to the closure of this ground of withdrawal on 01 July 1999

Ground 1 – Attaining age 55yrs

Ground 2 – Death of a member

Ground 3 – Permanent Physical or mental incapacity

Ground 4 – Fiji Citizens Migrating

Ground 5 – Marriage by female members

Ground 6 – non-citizens leaving Fiji

Ground 8 – Partial Withdrawal

Ground 9 – Housing Assistance Scheme

TABLE 6: HOUSING ASSISTANCE FINANCE SCHEME FY2006

LENDERS	AMOUNT (\$)	(%)
Housing Authority	5,319,317.50	15.23
Home Finance	3,778,478.00	10.82
Commercial Banks	11,822,123.72	33.86
FNPF village housing	8,976,053.83	25.7
FNPF direct assistance	3,375,301.60	9.67
Other approved lenders	1,641,633.85	4.7
Total	34,912,908.50	100

\*other approved lenders include Reserve Bank of Fiji, FDB, Colonial Mutual, FTUC and NBF Asset Management Bank

## Annex of Tables

**TABLE 8: INSPECTORATE FY2006**

ACTIVITY	NO.	AMOUNT (\$)
Collection of contributions		3,534,075.83
Collection of surcharges		103,095.73
Registration of employers	209	
Registration of employees	297	

\*Activities conducted by FNPF Inspectors

**TABLE 9: PROSECUTION**

ACTIVITY	NO.	FINES F\$	COST F\$	CONTRIBUTION RECOVERED F\$	SURCHARGE RECOVERED F\$
1 Failure to pay contributions	62	F\$350.00	F\$2,583.75	F\$443,008.96	F\$ Nil
2 Failure to pay surcharges	28	250.00	Nil	Nil	18,685.00
3 Failure to submit CS forms	14	Nil	Nil	Nil	Nil
4 Failure to produce documents on demand	Nil	Nil		Nil	Nil
5 Conniving to offence – Contributions	32	150.00	900.000	44,894.62	Nil
6 Conniving to offence – Surcharge	4	Nil	50.00	Nil	Nil
7 Conniving to offence document	Nil	Nil	Nil	Nil	Nil
8 Failure to register an employee	Nil	Nil	Nil	Nil	Nil
9 Contribution before cases filed	Nil	Nil	Nil	135,911.14	Nil
10 Surcharges before cases filed	Nil	Nil	Nil	Nil	100.00
11 Contributions received – Civil Action	Nil	Nil	Nil	Nil	Nil
12 Surcharge received – Civil Action	Nil	Nil	Nil	Nil	Nil
13 Contributions received – Receivership/liquidation	Nil	Nil	Nil	Nil	Nil
14 Surcharge received-Receivership/liquidation	Nil	Nil	Nil	Nil	Nil
15 Contributions received – Court Order	Nil	Nil	Nil	180,104.85	Nil
16 Surcharge received – Court Order	Nil	Nil	Nil	Nil	9,653.46
17 Court Costs – Court Order	Nil	Nil	1,617.50	Nil	Nil
18 Dishonoured Cheques Recovered	Nil	Nil	Nil	999,283.14	Nil
19 Falsely Produced Documents	Nil	Nil	Nil	Nil	Nil
20 Contributions recovered through debt recovery	Nil	Nil	Nil	152,304.52	Nil
21 Surcharge recovered through debt recovery	Nil	Nil	Nil	Nil	Nil

**TABLE 10: INVESTMENTS (2003-2006)**

YEAR	PORTFOLIO (\$)'000	GROWTH RATE (%)	RETURN ON INVESTMENT (%)	RETURN ON INVESTMENTS (NET INFLATION) (%)
2003	2,609,785	7.51	4.25	2.05
2004	2,748,922	5.33	5.98	2.48
2005	2,937,519	6.86	5.73	2.93
2006	3,150,000	7.14	7.63	5.59



**HEAD OFFICE**

Provident Plaza 2, 33 Ellery Street, Suva  
Private Mail Bag, Suva, Fiji  
Telephone: (679) 330 7811.  
Fax: (679) 330 7611

Email: [information@fnpf.com.fj](mailto:information@fnpf.com.fj)  
Website: [www.fnpf.com.fj](http://www.fnpf.com.fj)

**LAUTOKA OFFICE**

Drasa Avenue, Lautoka, Fiji  
Telephone: (679) 666 1888.  
Fax: (679) 666 5232

**LABASA OFFICE**

Rosawa Street. Private Mail Bag, Labasa, Fiji  
Telephone: (679) 881 2111.  
Fax: (679) 881 2741

