Housing Authority

Your Window of Change

Housing Authority Annual Report 2007

Our
Vision

To be the dynamic leader in housing

Our
Mission

The purpose of Housing Authority is to develop and produce affordable lots and mortgage financing with attractive loan packages on a competitive basis to all customers with special focus on low income earners

Corporate
Values

Dynamism
Excellence in Customer Service
Innovativeness
Understand, appreciate and involve staff
Ethic and Moral Values

Contents

Housing Authority

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18th March, 2009

The Interim Minister
Ministry of Labour, Industrial Relations, Employment, Local Government, Urban Development & Housing
GPO Box 14068
SUVA.

Dear Mr Minister,

Re:

ANNUAL REPORT FOR 2007

In accordance with Section 21 of the Housing Act, Cap 267, I am pleased to present the Authority's Annual Report for 2007 which incorporates a detailed summary of its operations and activities including Financial Statements for the year ended 31st December 2007.

For the year 2007, the Housing Authority recorded a surplus Of $0.583m against a budgeted surplus of $1.0m.

On behalf of the Management of the Authority, I take this opportunity to thank Government for its continued and unwavering support.

Yours sincerely,

Samuela Saumatua
BOARD CHAIRMAN

Lautoka
Housing Authority Building,
14 Tavewa Avenue, Lautoka
P.O. Box 262, Lautoka
Telephone: (679) 666 0299
Fax: (679) 666 5602

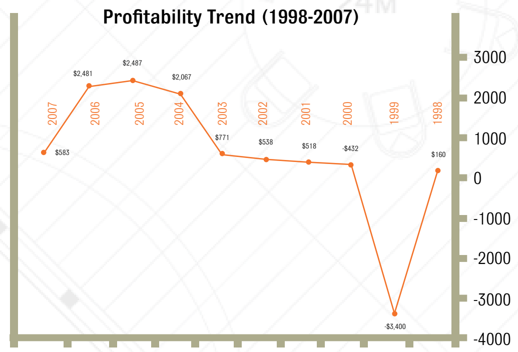
The Board's appointment expired on 31st December, 2006. However, in 2007 there was no substansitive appointment made by the Ministry for Women, Social Welfare and Housing.

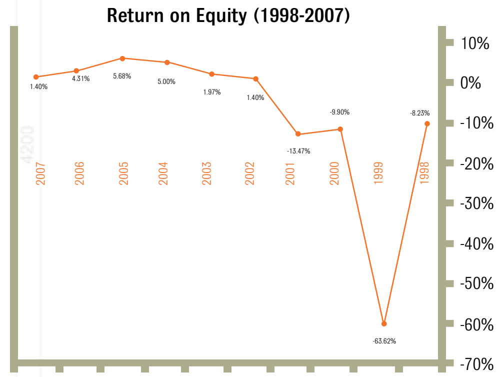
Mrs Litia Mawi was appointed as the Interim Board Chairperson effective from 15th March, 2007 for the duration of the year.

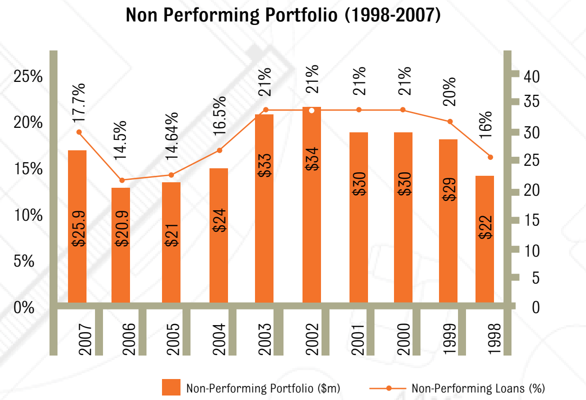
All matters requiring Board's approval was referred to the Permanent Secretary for Housing, Mrs Mawi.

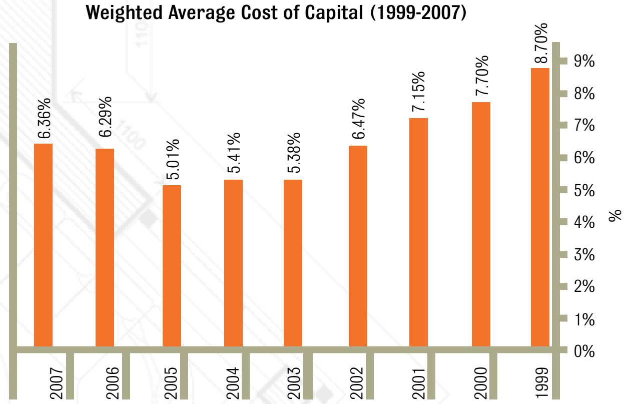
The Senior Management of the Authority also assisted the Interim Chairperson.

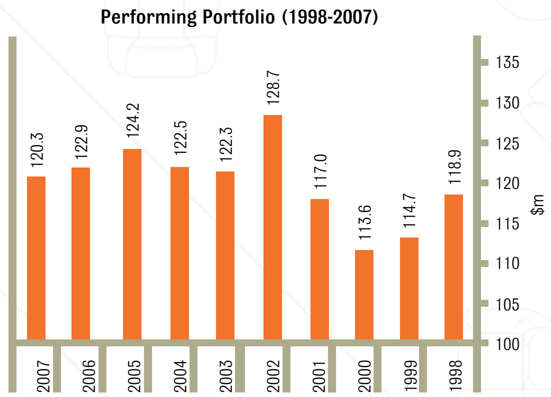
A total of 5 Board meetings were held during the year.

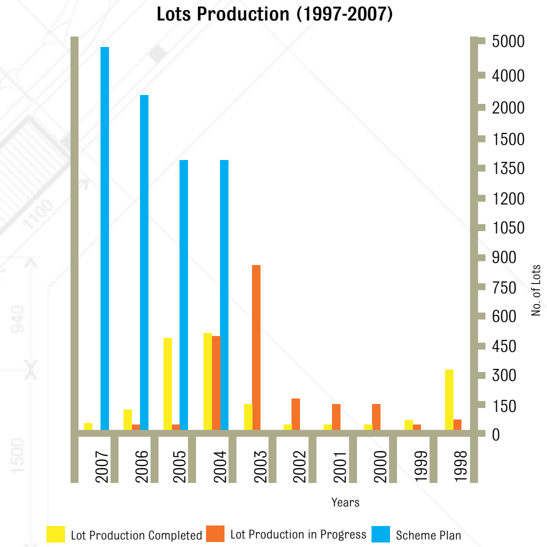


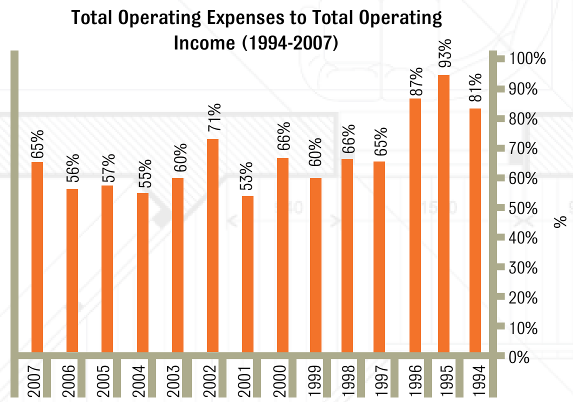


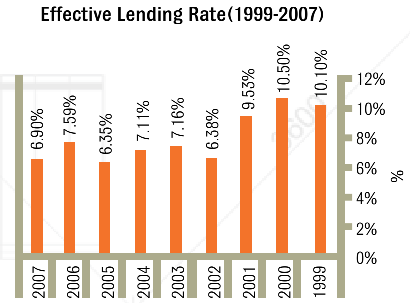












Minister for Labour, Industrial Relations, Employment, Local Government, Urban Development, Housing & Environment

Minister for Public services, Public Enterprises & public Sector reforms.

Acting Director
Mrs Litia Mawi

Chief Executive Officer
Alipate Naorosui

The Chief Executive's division has the primary responsibility of setting up strategic directions, implementing policies as approved by the board, corporate governance, monitoring and measuring of results against targets and risk management.

Board Secretary

Mr Jagdish Prasad

Consultant Project Manager Housing Development
Mr Manab Ghose

Housing Development Division is responsible for the Acquisition of land, its subdivision and production of houses.

General Manager Finance & administration
(Responsibility assumed by CEO)

The Finance and Adminstrative division has the primary responsibilty of ensuring prudent financial management including reporting ; incliding data intergrity and diseminating timely and quality information ; developing and driving appropriate human resources strategies and cultural change programes and providing efficient and direct adminstration support services.

General Manager Lendng
Mr Baij Maharaj

The Lending Division is responsible for all lending functions which include the assessment , approval , management and recovery of all loans. The division is also tasked with improving the overall quality of the Authority's laon portfolio through the implementation of more effective and efficient polices and procedures which continue to bring the Authority's lending functions on par with the commercial banking practices.

General Manager Customer Relations Mr Micheal Lee.

The Customer Relations Division's major responsibilities are to create new buisness and enhance the Authority's corporate image. its activities, land and house sales, marketing, research, product , development , valuation and boundary definitions.

The above is the Housing Authority Management Team. From left to right.

Mr Ajay Singh 1
is the Manager, Customer Relations, Western and is based at the Lautoka Office. Prior to being transferred to Lautoka. Mr Singh was attached to head office, as Manager Credit Recovery. Mr Singh has been with the Authority for 26 years. He holds at BA in Accounting & Management also a Diploma in Accounting Studies with USP.

Mr Muazzam Razak 5
joined Housing Authority in1986 as an Internal Audit Assistant. He held various Senior positions including Business Manager Lending, Manager Internal Auditor before being transferred to the Lautoka Office where he was appointed Manager Collections. After the Authority's re-structure in August 2002 he was appointed Manager Credit management. A position he held until his recent appointment as Manager Credit management, with additional responsibility for Credit Recovery functions.

Mr Aminio Tamani 2
is the Manager Customer Relations, Northern. Mr Tamani first joined the Authority in 1991 as a Trainee Valuer, and continued in that position until the restructure in 2004 where he was appointed Manager Lending. He has also held various managerial positions within the Authority including Manager Western, with responsibility for Loans and sales, until his present appointment. Mr Tamani hold a BA in Land and Property Management with USP and also Diplomas' in Building and Civil Engineering and Building Construction.

Mr Eapi Nabou 6
is the Acting General Manager, Lending. Mr Nabou joined the Authority in 1991 as a Valuer. Between 1994 and 2006 he held various Managerial positions in the West including Manager Sales, and Manager West. From 2000 to 2006 he was transferred to Suva and was appointed Manager Lending and Manager Customer Relations, Central respectively, prior to his present appointment. Mr Nabou holds a BA in Land Management from USP and a Post-Graduate Diploma and MBA from Queensland University

Mrs Losena Bulu 3
is the Manageress for the MIS Department. She joined Housing Authority in 1989 as a Computer Programmer. She was promoted Analyst Programmer in 1990 and systems Analyst in 2003. She has always been with the Authority in the nineteen years she has been with the Authority

Mr Alipate Naiorosui 7
is the Housing Authority's Chief executive Officer. Mr Naiorosui a Chartered Accountant by profession first joined the Authority in 1994 as Manager Finance and Administration. He was appointed Chief Executive Officer in 2003 and has held that position ever since. During that same year he won the Young Accountants of the Year Award which was organized by the Fiji Institute of Accountants. Apart from being a Chartered Accountant, Mr Naiorosui also holds a Bachelor of Arts degree, majoring in Accounting and Economics and MBA from the University of the South Pacific.

Mr Jagdish Prasad 4
is the Manager Corporate Governance/Board Secretary. Mr Prasad joined the Authority in 1973 as a Legal Clerk and is one of the longest serving staff. He has worked his way up through the ranks of the Authority, and held various senior positions including Manager Legal Services before being appointed to his present position.

Visha Vithal
was Manager Approvals. Prior to joinning Housing Authority she was Manager Credit Services with the bank of Baroda. She joined Housing Authority in August 2006,and resigned at the expiry of her contract in September 2008, to assist her son in his private buisness.She holds a certificate in Banking

Ratu Isireli vesikula
is the authoritys manager Legal services and joined the Authority in 2002. prior to joining the authority. He was acting Principallegal officer with the Ministry of Public Enterprises. He holds a Masters of Laws from Queenland University of Technology and a Master of Buisness Administration from the University of the South Pacific.

Mr Isikeli Navuda 8
is the Acting General Manager, Housing and Development. He first joined the Authority in 1993 holding the positions of Manger Lending, Manager Lending, Western, General Manager Lending, Manager Acquisition and Manager Land Development before his present appointment. A Registered Valuer by profession, he holds a BA in Land Management from USP and a Post-Graduate Diploma in Planning from the Queensland University. He is currently trying to persue an MBA from USP

Mr Inoke Bokini 12
is the Authority's Manager Human Resources, Training and Administration he joined the Authority in June 2005. Mr. Bokini, a HR practitioner, served with the Fiji Sugar Corporation and later with the Emperor Gold Mining Company Limited over a period of 16 years. He holds a BA in Management and Economics from the University of the South Pacific.

Mr Baij Maharaj 9
is the General Manager Customer Relations, responsible also for Squatter Management. Prior to joining Housing Authority Mr Maharaj was Manager with ANZ Bank spanning some 30 years. He holds a Master of Management from the University of Sunshine Coast, Brisbane Australia.

Mr Sairusi Komainavoka 13
is the Manager Village/ Rural Housing. Mr Komainavoka joined the Authority in 1991 as Corporate Planning Officer and held various Managerial positions including Manager Sales, Manager Special Projects and Manager Administration and Property Management, prior to his present appointment. He holds a BA from the University of the South Pacific.

Mr Gurmukh Kripalani 10
is the Authority's Manager Finance, originally from India, Mr Kripalani has over 15 years post qualification experience in Finance and Accounts, and has worked in various International locations including Qatar, Hong Kong and the United Kingdom. Prior to joining Housing Authority in 2006 he was employed as a partner with M/s RKJK Khanna & Company, a Chartered Accountants firm in Mumbbai, India.

Mr Mikaele Tupua 11
is the Authority's Engineer. Mikaele Tupua joined the Authority in 2005. Prior to joining Housing Authority he was an Engineer/Land-use Planner with the Native Land Trust Board. He holds a Post-Graduate Diploma in Urban Engineering and a Diploma in Planning with the University of the South Pacific.

MICHAEL LEE
Was the General Manager Lending. He joined the Housing Authority in 2002 and has held these positions prior to his resigning to migrate to Australia. Mr LEE had only untill graduated from the University of the South Pacific with a Masters in Buisness Administration. In 2004 he took up the position of General Manager Customer Relations and in early 2008 he reverted back to General Manager Lending prior to his resignation. Mr Lee also acted as Chief Executive Officer.

MR Lenord Kwan Sing:
is the Manager Credit Management and based at our Lautoka office. Prior to his present position he was Manager Customer Relations, Western. Leonard joined the Housing Authority in December2002 after spending some 12 years with the Public Rentals Board in various senior positions including Manager Administration/ Board Secretary. Lenoard has undertaken studies for a Diploma in Information Techonology through New Zealand Pacific trainning centre and holds a Buisness Management Certificate form the central Queensland University, Certificate in Workplace Development from Mt Eliza and Masters in Buisness Administration from the University of the Pacific.

Introduction

I am pleased to report that 2007 was a challenging year for the Housing Authority amidst a lot of changes on the political, commercial and social front. During this year, Housing Authority consolidated its position as a lending institution for low income earners and embarked on strengthening its technical division for production of houses and land.

In 2007, the Housing Authority did not have a full-fledged Board and the Permanent Secretary for Housing was appointed a one-person Board. The Authority's management team assisted in setting strategic directions and formulating policies to lift the business performance of the Authority.

Financial Results

The Authority recorded a surplus of $0.583m against a budgeted surplus of $1.0m. This year the Authority's surplus had declined due high cost for borrowing of funds and non realisation of profits from land sales as the land development projects did not commence as planned. However, it is to be noted there are still a demand for housing lots and the planned projects would now commence in 2008.

Housing Development

The Authority continued to look at ways and means of reducing housing development costs and for this reason had invited local architectural firms to provide housing concepts and feasibility studies for construction of houses and units in the Authority's forthcoming Subdivisions.
In view of high demand for housing in the Nadi area, the Authority had in December 2007 purchased 45 acres of native land at Matavolivoli, Nadi from the Native Land Trust Board. It is anticipated that the Authority would produce about 500 lots from subdivision of this land.
In 2007, the Authority commenced the sale of lots at its Field 40, Balawa Squatter Settlement Upgrade and Natabua Infill Sub-Divisions. A total of 934 lots were produced and a total of 114 lots were sold as at end of December 2007.

Low Income Focus

The Authority continued to subsidise interest on housing loans at 5.99% per annum for individual customers as well as for customers under the Authority's Village Housing Scheme, whose annual household income did not exceed $6,500. Land development subsidies were also provided to squatters and low-income earners to make lots affordable to them.

Under the Authority's Poverty Alleviation Scheme, financial assistance through Government Grant was provided to existing customers who were unable to repay their mortgage debt. This enabled many of our customers to retain their homes despite financial hardships. The Authority also continued to provide 6 months grace period by suspending loan repayments for existing customers who were unemployed or made redundant.

Home Loan

The Authority continued to maintain its variable lending interest rate on housing loans at 7.99% per annum despite the high cost of borrowing in the market. In 2007, the Authority approved a total loan of $19.07m to 1837 customers and its total loan portfolio stood at $144.7m as at end of this year.

It was encouraging to note that the Authority was able to reduce its non-performing loans which stood at $33.1m or 21.3% of the total loan portfolio at the beginning of the year to $24.1m or 16.5% of the total loan portfolio as at the end of this year. A reduction of 4.8% or $9m was achieved in non-performing loans. The writing of new quality loans was based on probability of default with security acting only as a second way out. The Authority also commenced risk grading of all its loans in accordance with the Reserve Bank's guidelines.

Customer Services

The Authority's friendly and professional approach to serve its customers has put the Authority apart from its competitors. Service is the hallmark and will continue to be our strength. During the year, the Authority has continued to refine its service standards by conducting various training workshops for its employees. I believe that these fundamentals will continue to underpin greater success for the Authority in the future.

In order to take its products and services to the door steps of its customers, the Authority operated 4 Customer Relations Centres at Nadi, Lautoka Labasa and downtown in Suva apart from its Headquarters at Valelevu, Nasinu.

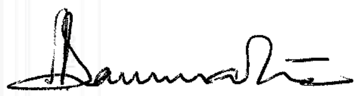
Corporate Governance

The Authority placed emphasis on staff and organisational performance; and conformance to policies and procedures governing all facets of the Authority's operations. Monitoring performance was done on a quarterly basis and reporting was done to the Government through the Ministry of Housing and the Ministry of Public Enterprises. Internal auditors provided quarterly reports to ensure that actions taken by the Authority were in conformity with policies and procedures.

Acknowledgement

I wish to thank the Government for its continued support and the Authority's management and staff for their contribution and dedication on their continued focus for providing housing assistance to low income earners.

I must also thank the Fiji Bank and Finance Sector Union leadership for their support in maintaining good industrial relations throughout the year.



Samu Saumatua
Chairman

Operating Results

The Housing Authority continued to record a profit despite the difficult economic climate, therefore, I am pleased to report that the Authority again recorded a profit of $0.583m for the seventh straight year.

Financial Performance Highlights

- A surplus of $0.583m was achieved for the year against a budget of $1.0m. The 2007 surplus represents a decrease of 74.99% over the last year's surplus.
- Return of Equity achieved was 1.4% against target of 2.38%.
- Total operating income decreased by 2.5% from $15.21m in 2006 to $14.83m in 2007.
- Interest income increased by 0.76% from $11.77m in 2006 to $11.86m in 2007.
- Total operating expenses increased by $1.311m due to increase in personnel expense by $895k due to increase of staff costs. Other administration costs such as rent, travel expense and allowance has also increased.
- Interest costs increased by 23.56% from $5.61m in 2006 to $6.93m in 2007. This was mainly due to $27m bonds which were borrowed in 2006 a higher weighted average cost.
- Total Performing Loans portfolio decreased by $2.6m to $120.3m in 2007 compared to $122.9m in 2006. The decrease was due to slow land sales in our completed subdivisions at Balawa, Field 40, Lautoka and Waila 3B, Davuilevu.
- Total Non-Performing portfolio increased from $20.9m in 2006 to $26.02m in 2007, this represents an increase of 25%. This result from the repayment problems faced by our customers due to the bad economic situation faced by the economy during the year.
- Borrowing portfolio reduced by 11.47% from $120.3m in 2006 to $106.5m in 2007.

Non Financial Performance Highlights

- Total of 1,837 customers and families were provided new housing and other related financial assistance compared to 2,072 families in 2006. More information is provided in Customer Relations Divisional Report on page 15.
- A total of 756 low income families with income on or below $16,500 were assisted. This represents 41.15% (target is 50%) out of the total of 1,837.
- 23 Village Housing Loans were approved to build new homes compared to 27 Village Loans for $0.76m in 2006.
- In addition, 38 families were assisted under the Home Ownership Plan scheme for them to retain their family homes in the sum of $0.60m from the Government grant compared to 11 families in the sum of $0.15m in 2006.

Housing Assistance Programme for Low Income Earners and Squatters

The Authority's mandate is to provide affordable and quality housing accommodation to its customers, particularly low to middle income workers. While we have expanded our housing loans to also include higher income earners, we still try to meet our original mandate by ensuring that not less than 50% of our housing assistance must go to low income earners. This commitment is also outlined in the Memorandum of Understanding signed with the Government in 2003. In 2007, the Authority assisted 1,837 customers of which 41.15% were low income

earners, however more assistance would be given next year once new development comes into place.

Information Technology System

The Requirements Documentation for the proposed IT system was compiled and finalized during the month of April. Management Information Services team ensured there was wide consultation with the staff of the Authority and that all the critical aspects of our business processes were covered in the document. The new IT system when implemented will increase the work efficiency and moral of staff.

Housing Development

The Authority continued to strengthen its Housing Development Division.

The Division would also commence the building of housing units. During 2007, the Authority has been working on engineering design for its Tacirua East and Wainibuku Subdivisions. A total of 1,293 lots would be produced in both these subdivisions. Construction works are anticipated to commence in 2008.

The Authority also formulated its three-year Land Development Program in 2007, which will now be reviewed annually.

Year	Development	Area (HA)	Location	No. of lots	Total No. of lots
2007	Tacirua East - Phase 2	25	Suva	500	
	Waqadra - Stage 2	19.4	Nadi	330	
	Tavakubu Balance - Stage 1	11	Lautoka	100	
	Tavakubu Balance - Stage 1	11	Lautoka	100	930
2008	Tacirua East 2 - Phase 3	20	Suva	400	
	Nepani Flats	16.19	Nasinu	340	
	Waila City - Phase 1	30	Nausori	600	
	Vatuwaqa - Viria Road	5.28		50	
	Matawalu Resdential	10.2	Sigatoka	95	1485
2009	Tacirua East 2 - Phase 4	15	Suva	150	
	Wainibuku - Stage 1	26.3	Nausori	225	
	Waila City - Phase 2	47.5	Nausori	650	1,025
	Total Lot Output				**3,435**

Land Acquisition

The Authority aims acquire suitable land now in order to meet housing demand in the future.

In 2007, it acquired a 40 acres site near Matavolivoli in Nadi. On this site we plan to develop 500 housing lots.

Human Resources, Industrial Relation and Training

Human Resources Management during the year was challenging given the economic situation which saw job losses, pay cuts and reduced hours of work across the spectrum of the employment sector. The Authority adopted strategies to minimize negative effects on its workforce ensuring job security.

Building on from last year systematic training continued, these programs were aimed at lifting the mantle of the staff to meet the challenges ahead and the changing dynamics of the housing market.

Performance Management System

Our new performance management system was implemented for the third time in 2007. Methodology for this new system was endorsed in 2004 by the Union as well as the Board and Management. For performance appraisals, the new system takes into consideration the corporate performance, individual staff performance and their behaviour. The performance management system would be reviewed next year.

Corporate Planning and Monitoring of Performance

The Authority's (2007-2009) Corporate and Work Plan were implemented during the year and reports tabled to the Board monthly. Management also meets monthly for half day to review progress and strategies to ensure we are on track and resolve issues and roadblocks.

Public Relations and Marketing

During 2007, Management worked hard to maintain the Authority's good public image and improve Corporate Profile. We were happy to note that there were no adverse reports in the media. To help achieve this image, the Authority issued press releases and newspaper supplements from time to time and was happy with responses to the Authority's activities and its services. The Authority's newsletter which is called the 'VALE' is published half-yearly and dwells on the projects, issues and other related activities of the Authority.

Audit

In accordance with the Financial Management Act (17 of 2004) and with effect from 1st January 2005, the Authority's financial accounts were audited by the Auditor General. Internal Audits were carried out by G. Lal & Company on a quarterly basis. Issues raised by the Internal and External Auditors were acted upon by the Management.

Insurance Services

The Authority continued to provide its customers mortgage protection and property insurance covers under a group policy. This arrangement enabled a total of our 11,949 mortgage customers to enjoy a very competitive insurance premium for both the covers. Insurance cover was reviewed annually and premiums remain unchanged since 2004. However, this year the Mortgage Protection Insurance policy was placed on a direct basis with Dominion Insurance Limited to enable speedy processing and payment of claims.

During the year, New India Assurance Co. Ltd responded to 12 fire claims and 24 flash-flood and malicious damage claims under the Property Insurance Cover. These claims amounted to $377,501.24. The Mortgage Protection Cover which was placed with Dominion Insurance Limited and the claims arising due to loss by death and/or total permanent disability had a loss ratio of 60% for the year. Apart from the above claims, 10 motor vehicle claims amounting to $15,402.00 for its customers, staff and the Authority were also attended to.

The Year Ahead

Looking ahead, the Authority would need to work hard and must resolve all its key strategic issues if it is to meet its social housing obligation. These are the huge challenges given the current economic situation and high interest rate in the market.

We have been able to maintain low interest rate for 2007 and we have continually strived to reduce our operating cost and weighted average cost of fund but this is not sustainable in the medium and long term.

I also take this opportunity to thank my management team and staff for their contribution during the year and also to the Union, customers and stakeholders for their support.

Finally, I wish to express my gratitude to the Interim Board Chairman, Mrs Litia Mawi and the Ministry of Housing, Finance and Public Enterprises for their continued support and direction during the year.

Alipate Naiorosui
Chief Executive Officer

Introduction

Continual improvement with focus on effective and efficient service delivery remained the key driver for the Customer Relations Division in 2007 with the main target group being low to middle income earners. The Authorities social obligations and responsibilities were brought to the fore with sale of developed subdivisions strictly being strictly reserved for low to middle income earners and in particular the informal settlers.

Residential Home Loan

In line with its charter to ensure the provision of housing products that would be affordable to low-income-earners, the Authority retained its variable interest rate of 7.99% despite increased borrowing costs and a significant increase in market mortgage lending rates. Table 1 shows the reduction in interest rates offered by the Authority over the past seven years.

Table 1

Year	Fixed Rate	Variable Rate*	Fixed Rate Term
2000	N/A	11.5%	N/A
2001	5.99%	8.35%	12 months
2002	5.99%	8.35%	12 months
2003	4.45%	7.99%	24 months
2004	4.45%	7.99%	24 months
2005 (from September)	3.99%/4.45%	7.99%	18/24 months respectively
2006	3.99%/4.45%	7.99%	18/24 months respectively
2007	N/A	7.99%	N/A

* *Low Income Earners (below $6,500) paid only 5.99%*

Fees and Charges

Despite increased administration and operational costs the Authority did not increase its fees and charges which remain well below market. Fees and charges are structured on a "user pay" concept with due consideration to low-income earners. The structure however also acts as an incentive for new clients and a disincentive for defaulting debtors. The Authority last reviewed its fee and charges in March 2005.

Loans Approved

Total value and number of loans approved in 2007 are shown in table 2 below. The trends are a direct reflection of the strategies adopted by the Authority over the last 2 with a shift in focus to low income earners with less emphasis on higher end lending products.

Table 2

	2007		2006		2005	
Products	No	Value ($)'000's	No	Value ($)'000's	No	Value ($)'000's
Cash Loans	464	13,347	712	18,058	979	24,899
Village Loans	23	608	27	759	56	2,393
Personal, Quick Repair and Car Loans	1090	2,590	1086	2,360	1,162	2,453
Home and Land Sales	260	2,525	247	1,932	35	494
Total	**1837**	**19,070**	**2072**	**23,109**	**2,232**	**30,239**

* *Loans approved includes cash sales*

Low Income focus

A total of 756 low-income clients were assisted in 2007 with a loan value amounting to $7,380k. Low income clients receive government subsidised interest of 2% i.e. annual rate of 5.99% as opposed to 7.99%.

Village Housing Scheme

This scheme was designed to assist rural or village dwellers to improve their living conditions through the provision of loans for dwelling construction. This scheme was also extended for investment purposes to include the purchase of residential properties in urban areas. Loans are repaid through lease rentals.

Squatter Resettlement

The Authority continued with assisting the Ministry of Housing in the relocation of informal settlers. This included the establishment of an "urban village" concept where settlers would be temporarily relocated to Sasawira which is located along the Kings road towards Nausori.

The idea behind such a project is to re-settle former squatter in order to cater for their immediate housing needs, whilst awaiting permanent accommodation. An initial total of 95 settlers were relocated.

In addition the Authority had allocated a total of 65 lots at its Waila subdivision for the resettlement of eligible tenants from Kilikali. Settlers from Vunivaivai and other settlements were also assistance in the relocation program.

Similar relocation programs are in train for settlers in other major urban centres.

Micheal Lee
General Manager Customer Relations

1. BACKGROUND INFORMATION.

One of it's commitment to government in 2003 in the write-off of the $28 million ADB loan debt, was for Housing Authority to produce an annual turnover of approximately 500 lots. However, based on the rapid increase in urbanisation, the demand for housing has increased greatly that the Authority has been asked to increase its production to 1000 lots in order to cater for the acute shortage of supply in the market. The high demand low supply situation has resulted in the high property prices realized in major urban centers like Suva, Nausori, Lami, Savusavu and Nadi. The authority is determined to deliver its quota of more than 1000 affordable, quality land lots/ housing units per year, once the necessary in-house infrastructure is ready.

The development of land for the Authority's many projects was encouraging during 2005 and 2006, as compared with 2007 where approximately 605 lots were produced from the following subdivisions, Waila 3B (466 lots) Balawa Subdivision (29 lots) and Natabua Infill (27 lots).

The Namosau subdivision in Ba (84 lots) was also completed in June 2007 and lots are currently being sold.

As a result of high tender prices received from our planned projects in the Greater Suva area namely Tacirua East Stage 2, Nepani and Wainibuku (1473 lots) construction works have to be suspended in order to enable the Authority to review the engineering design and specifications.

For the Tavua development (220 lots), the award of construction work had to be suspended owing to the closure of the Emperor Gold Mines, since the development was earmarked for mine workers. If the new mine owners resume operations, the Authority may then reconsider its position to finish the subdivision.

The Naqere subdivision in Savusavu (53 lots) construction tender had to be re-tendered since the price quoted by contractors was far above our estimate where the lot prices would be well above the eligibility levels of the target market.. Re-tendering and the start of construction work is expected by October 2009.

Waila Housing City has an area of 700 acres of freehold land and is expected to yield approximately 5,000 – 6,000 lots depending on the lot mix that will be adopted. This development was significantly delayed during the scheme planning stages. The main reason for the delays was the inability of our consultant to perform and deliver despite considerable efforts taken by management.

2. ACHIEVEMENTS.

Land Acquisition

With the economic slowdown that began at the end of 2006, we have to move cautiously on acquisition of land to ensure that sites acquired are viable in terms of sale after development. Otherwise the focus is to concentrate on the development of our existing undeveloped land stock.

In order to carry out residential developments the Housing Authority will need to have a steady supply of land by way of land acquisition. To date the Authority has acquired 114 acres of native land at Natadola which is earmarked for the development of more than 1,000 housing lots mainly to cater for hotel workers and others higher market development.

The Authority also purchased a 45 acre (18.2115 ha) of land known as Matavolivoli Stage 2 which should yield about 475 lots

Also in 2007, Lands Department has offered the Authority a lease over a 25 acre (10.1115 ha) state lease at Caubati and this will be formalized soon.

In 2008, the Authority hopes to finalise plans and obtain development leases from the Native Land Trust Board for land in Votualevu comprising approximately 40 hectares (100 acres) in area. The Authority is also liaising with the Department of Lands to acquire some State land in Vatuwaqa (4 hectares) and Caubati (10 hectares).

Works achieved to date are as follows:

- 45 acres Native Land at Matavolivoli was purchased for $384,000.00
- 114 acres of native land at Natadola was purchased in 2006 at the cost of $712,500.00
- Lands Department has offered the Authority a lease over a state lease land 25 acres between Raiwaqa and Vatuwaqa, and this will be formalized soon.

Planning:

Subdivision planning is a very important part of land and housing development. There are many problems associated with plan approval and this normally takes 6 months to 15 months.

Achievements made to date are as follows:

- Approval of Scheme and Engineering Designs for Tacirua East Stage 2, Phases 1A, 1B and 2 and 3A has been achieved.
- Approval of scheme and engineering plans for Nepani Stage 2.
- Approval of scheme, and engineering plans for Wainibuku Subdivision.
- Approval of scheme and engineering plans for Koronisalusalu residential subdivision in Tavua.
- Completion of site investigation survey for Tacirua East 2, Nepani and Wainibuku Subdivisions.
- Approval of scheme and engineering plans for Naqere residential subdivision in Savusavu.
- Approval of Daft Concept Plan for Waila Town.
- Completion of Archecture concept plan & estimates for Tacirua East, Waila Town and Nepani Subdivisions.

Construction of Subdivision.

As a result of limited number of contractors, material sourcing, fuel, machinery, etc, construction of subdivisions is always expensive and difficult to complete on time. Apart from the, workmanship are always very poor and needs urgent attention.

- The Namosau Subdivision was completed in August 2007 and is currently under maintenance.
- Construction of Wainibuku and Tacirua East are held up due to very high development cost obtained from tenders received in December last 2007. As a result, new expressions of interest have been recalled and closed on Thursday 14th August 2008. EOI's shall be opened on Tuesday 19th August 2008 and construction is earmarked for the last quarter of 2008.

Re-establishment of In-house Development Team.

Due to the urgent need to fully address problems relating to the production of quality and affordable housing, the Authority has taken urgent steps to revamp and strengthen the Housing Development team in recruiting professional engineers, surveyors, architects and draughtsmen in order to carry out subdivision development and lot production.

The Housing Authority has advertised for some of the key positions such as senior engineer, surveyors, architect and draughtsmen and will shortly be interviewing them in order to formalize thee positions by October 2008.

Squatter Relocation:

As a result of the proposed merger by Housing Authority and Public Rental Board, PRB, the Authority is also embarking on the development of social housing which includes the development of Sasawira subdivision to relocate squatters in Kilikali Settlement along Ratu Dovi Road.

The above work is fully funded by the Ministry of Housing and is expected to be completed by the end of August 2008, where all 94 lots will be handed over to the Ministry of Housing to allocate to the Kilikali squatters.

Development of other squatter subdivisions will be carried out in future.

Customer Complaints.

A lot of our resources are been directed to customer complaints arising form these four main areas:

- Land slide to properties.
- Storm water complaints.
- Building encroachments.
- Problems relating to communal septic tanks overflowing sewers, etc.

3. CONSTRAINTS.

a) Consultant's design estimates & Tenders received from contractors do not satisfy affordable costs.

b) Lack of priority given by government for housing regarding funding & JV's

c) Lack of Technical manpower

d) Delay in the timely approval of scheme, engineering and survey plans

e) HA are being asked by government to bear all cost of offsite infrastructures such as water mains, trunk sewers and electricity.

Manab Ghose
Consultant Project Manager
Housing Development

As at 31 December 2007, Housing Authority had a clientele base of 19,585 customer accounts. Total Mortgage Portfolio at the end of the year was $146.32m compared to $143.8m in 2006.

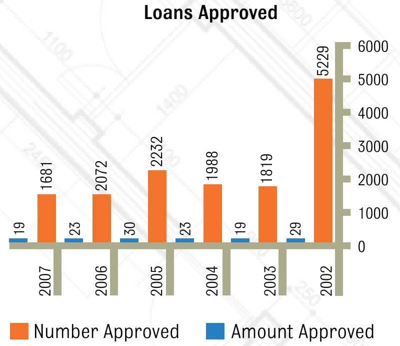
Performing lending portfolio stood at 120.3m compared to $122.9m in 2006. A slight decrease has been attributed to slow land sales in Field 40, Balawa and Natabua in Lautoka. Waila 3b was not sold in the open market as anticipated. Therefore, sales were delayed in Waila 3B due to squatter relocation/resettlements plans.

The Approvals department is responsible for approving quality loans. Approvals are strongly based on the probability of default, security coverage and repayment capacity. They ensure that, for all loans, there is a "second way out". Continuous improvement programs have been designed and implemented.

With ongoing training, coaching and guidance, Lending Division was able to identify and address any problem areas and roadblocks. Processes were re-engineered, changes initiated, work areas restructured and implemented together with other workable solutions to achieve customer satisfaction and efficiency.

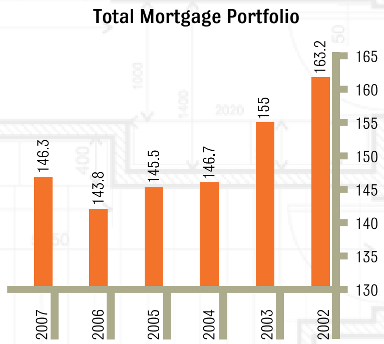
New and existing loan applications are screened by Data Bureau Limited. The Authority was also able to maintain high customer satisfaction levels by approving most loans within a 24 hour period.

Loans approved in 2007 was $19.4m compared with $23.1m in 2006.The decline was due slow land sales in Field 40, Balawa and Natabua coupled with delayed sales in Waila 3B and related squatter relocation/resettlements, suspension of investment loans and the usual slow business environment.
Bar graph blow reflects Loans Approved in 2007:



Mortgage Portfolio

Housing Authority continued to grow the loans portfolio and also focus on re-structuring non-performing loans in 2007. The total mortgage portfolio at the end of the year was $146.3m, compared to $143.8m in 2006. The bar graph below illustrates the trend for total mortgage portfolio over the last six years:

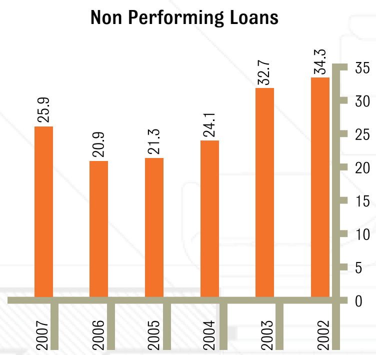


Non Performing Loans

Housing Authority has a social responsibility not to de-house families. Following the events of late 2006, job losses and or reduced hours were experienced in the tourism sector, garment industry, small and medium business enterprises and Emperor Gold Mine closed down. A cleansing exercise was also undertaken by the management in anticipation of the proposed IT System. As a result, non-performing loans increased to $25.9m in 2007, compared to $20.9m in 2006, that is, to 17.8% from 14.5%. Therefore, the target of 10% was not achieved.

$4.2m of these non-performing loans is related to Matavolivoli Subdivision in Nadi. Every house in Matavolivoli was inspected, costing done and an agreement was reached to repair the houses and

restructure the individual debts in 2007. So far 67 houses have been upgraded and loans have been restructured. Matavolivoli Tenants Association sought a legal redress on the pending court case in December 2007 and the matter is now in the court. High cost of basic food items and reduced hours or job losses and related matrimonial problems has contributed towards poor debt servicing. Following its goal not to evict tenants, the Authority continued to take innovative actions to meet its social objectives. Various Home Retention Schemes were also implemented. Bar graph below shows the trend:



Home Ownership Plan

The Home Ownership Plan was introduced in 2005 to assist those debtors who were unable to meet their financial commitments. Debtors were unable to pay their mortgage and were affected by old age, retirement, loss of income, sickness and there were those who had repaid their debts three or more times over their original borrowing. In 2007, thirty-eight debtors were assisted with a total portfolio of $0.60m.

Poverty Alleviation Scheme:

The Authority continued to assist low income earners whose total household income did not exceed $6,500 per annum through interest subsidy. Both individual homeowners and those in the Village Housing Scheme enjoyed an interest rate of 5.99% per annum on their mortgage loans instead of the variable interest rate of 7.99%. 215 families benefited from this scheme in 2007 with a total portfolio of $1.8m. An additional 46 village housing scheme customers benefited from this subsidy with a total portfolio of $4.4m.

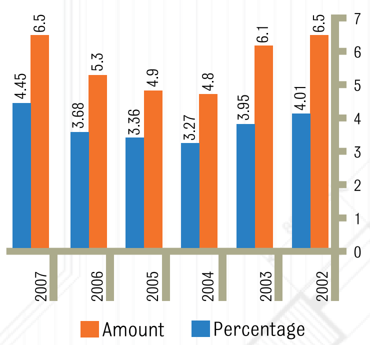
Write-offs

A total of $0.775m of doubtful and insolvent debts were written off from the Authority's books during 2007.

Arrears & Non-Performing Loans

Given the economic conditions, Mortgage arrears stood at $6.5m as at 31 December 2007 or 4.45% of the Authority's total loan portfolio against the target of 3.0%.

Bar graph below denotes the trends:



	Utilized For	No Assisted	Amount Utilised	Amount Un-utilised
1	Interest Subsidy – debtors earning below $6,500 pa	215	40,457	9,543
2	Interest Subsidy - Village Housing Scheme	46 SCHEMES	88,387	51,613
3	Home Ownership – under Home Ownership Plan (HOP)	38	249,608	67,742

Interest subsidy could not be utilized fully due to slow sales in Field 40, Balawa, Natabua and Waila 3B. These subdivisions were earmarked for low income earners. Likewise, delays were experienced with Home Ownership Plan.

Legal Services

A complete legal solution is provided to the Authority's customers. Part of the department's daily operations include conveyances and settlements at the Registrar of Titles Office, Fiji National Provident Fund transfers and documentation and consent to dealings and litigations.

The Legal department was also able to generate additional income through the preparation of Probates, Wills, Power of Attorney, Tenancy Agreements and Contract documents. Producing legal documents in-house gave the Authority a competitive edge, enabling legal fees to be kept to a minimum.

Fiji National Provident Fund

1,014 customers were assisted through the transfer of their Fiji National Provident Fund monies in 2007. $8.3m was transferred from FNPF against a target of $6m.

Litigation

Litigation was brought against 41 customers who had defaulted their payments. Usual checks were carried out to ensure that the amount to be recovered was first weighed against the administrative costs.

Stakeholders

Monthly stakeholder meetings were held between the Authority and the Registrar of Titles, the Native Land Trust Board and the Fiji National Provident Fund.

These meetings were held to improve then efficiency of loan approvals, preparation of legal documents and the transfer of funds.

Human Resource Development

Staff development continued in 2007 and in-service training, mentoring and daily guidance provided. Staff enjoyed the opportunity to relieve in various Managerial and other key lending positions and had a 'hands on' experience. This is in line with the strategic direction and succession planning concept.

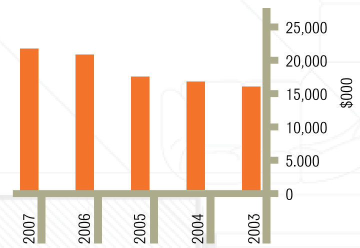
Baij Maharaj
General Manager Lending

The Division's core function is to ensure prudent financial management and reporting and efficient administrative services are provided to support the business activities and operations of the Authority. The Division prepares financial forecasts and does budgetary allocation of resources, controls and monitoring, Treasury management, provide timely and accurate management and financial reports and to manage corporate information technology

1. Revenue

Revenues remained almost in the same range with a slight decline of 1.5% in gross revenues of 2007 from those recorded in 2006. Despite hard times and economic downturn Authority was able to maintain revenues in the same range due to interest income earned on short term Bank Deposits which contributed to 17% of Revenue.

Revenue

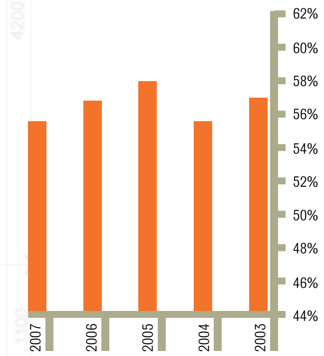


2. Expenditure

Administration expenses were well contained in 2007. There was a decline in total administrative expenditure by more than 5% in the year 2007 as compared to the administrative expenditure in 2006.

This was due to management efforts to control the costs and remain within the budgets. There was a savings also due to closure of two branch offices at Ba and Nausori.

Efficient Ratio:



3. Finance Management

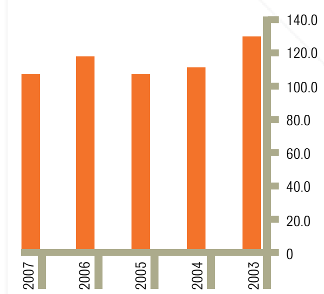
In line with strategy adopted in the year 2006 for earmarking 2007 for professional development, there was lot of training conducted for Finance Staff. Most of the Finance staff was sponsored by the Authority to undertake further studies in Accounting, Banking and Finance Management. Mr. Vinesh Prasad, Senior Accountant/ Manager Finance Designate graduated in Accounting and Banking from USP.

There has been restructure and multi skilling of finance staff. The development and training of staff is an ongoing process and will continue.

4. Borrowing Portfolio

The borrowing portfolio for the Authority stood at $106.505 million, which consisted of $98.90 million in Bonds and $7.605million in long-term loans from FNPF

Borrowing Portfolio:



5. Weighted Average Cost of Borrowings.

As there was no borrowing strategy adopted by the Authority during the year 2007, there were not much significant changes in Weighted Average Cost of Borrowings during the year. It went marginally up from 6.299% in the beginning of the year to 6.362% at the end of the year. The marginal increase was due to payments of low interest bearing bonds on maturity.

As part of the strategic goals of the Authority, the cost of funds is to be continuously monitored in order to sustain the low and competitive lending rate of 7.99%.

6. Information Technology

A new Computer Room was set up in 2007 to house all HA servers and related devices in readiness of the new IT System that Housing Authority is preparing to implement.

It is three times as large as the former computer room with raised floor and completely sealed from external surroundings except for a second entrance from the MIS staff section. This project was completed in July.

The renovation of the HA building was started towards the end of the year and we saw it an opportune time to start upgrading our data cables to cat6 and placing racks on each floor to improve communication over our network. Level three, the home of the Finance Division was completed by December.

The Requirements Documentation for the proposed IT system was compiled and finalised during the month of April. MIS ensured there was wide consultation with the management and staff of Housing Authority and that all critical aspects of our core business processes were covered in the document.
The MIS Department considers it a great privilege to serve HA daily with its IT needs.

7. Estates and Physical Resources

The much anticipated refurbishment of the Valelevu Office commenced in October culminating in the commissioning of the 3rd and part of the 4th floor in late December. At the current rate of work it is envisaged that refurbishment works will be completed by August, 2008. With the completion of refurbishment works the new look head office will add to the modern look of Nasinu Town.

In keeping with the cost management initiatives on office services implemented in 2004, contracts continued to be reviewed some contracts were rolled over into 2008 for further review and award.

As the managing agent of the Strata Units (Cakau, Edenville, Rogi Place and Vesida), made up of 208 units from the four estates, the Authority continued to carry out necessary repair and maintenance works. All major works earmarked for this year had to be rescheduled as a result of the change in business focus. With the planned merger with Public Rental Board it is expected that a feasible solution to the management of the Strata Units will be finalised in 2008.

8. Human Resource Development

Human Resources Management during the year was challenging given the economic situation which saw job losses, pay cuts and reduced hours of work across the spectrum of the employment sector. The Authority adopted strategies to minimise negative effects on its workforce ensuring job security.

Building on from last year systematic training continued, these programs were aimed at lifting the mantle of the staff to meet the challenges ahead and the changing dynamics of the housing market.

9. Training

The Authority continued to emphasise the importance of training in enhancing the overall efficiency and effectiveness of its Human Capital. The programs chosen were skills and knowledge specific to the needs of the organisation leading to the uplifting of productivity levels of individuals and service delivery on the whole.

In total 57 training programs were mounted and attended by 477 trainees resulting in 3,558 training hours being accumulated during the year, compared to 2006, 54 programs were conducted and attended by 471 persons resulting in 3,337 training hours being accumulated.

In comparison with 2006 one additional staff joined those undertaking studies at tertiary institutes, altogether 14 staff officers pursued studies under the Professional Development Program. These officers undertook courses ranging from Diplomas, Bachelors Degrees up to Postgraduate qualifications at the University of the South Pacific, Training and Productivity Authority of Fiji and the Fiji Institute of Technology. During the year 3 staff graduated with Masters in Business Administration (MBA) and 2 completed their respective program.

10. Staff Numbers

Staff numbers reduced from 130 in 2006 to 123 in 2007, during the year a number of Project Officers were employed to attend to specific projects like the new IT system and other projects which complimented normal operations.

In continuing with its responsibility to contribute to the national human capital development the Authority continued to accept and train potential graduates from the Fiji Institute of Technology, Training and Productivity Authority of Fiji and the USP.
This initiative will be maintained in 2008.

11. Industrial Relations

Meetings with the Union continued during the year, due to the overall industrial relations climate there was higher level of interaction with union executives and the secretariat both formally and informally. Following on from 2006 the union continued to receive due recognition as an integral stakeholder hence their participation in the Authority's social calendar and family fun day. Similarly, the Authority supported and participated in the union social activities.
Harmonious relations continued to be cultivated during the year which saw the resolution of issues spilling over from 2006 likewise new matters in an amicable manner.

The 2007 Price Water House Remuneration Survey Report was received and tabled before the board towards the later part of the year, it is envisaged this matter will be resolved and effected in 2008.

The Authority remains committed to maintaining and upholding sound industrial relations practices going into 2008 and beyond.

12. Sports & Social Activities:

The Authority firmly supports and practices the blending of sports and a healthy social calendar with work. A healthy, happy and vibrant workforce leads to high morale within the organisation resulting in a productive organisation. This year the Authority extended its social activities to cover its subdivisions, staff and friends took time out to beautify HA subdivisions by planting indigenous trees, medicinal plants and shrubs. Apart from uplifting the image of the surrounding environment this initiative served to inculcate in the young and the community at large a sense of pride for their community.

Keep fit programs continued to be pursued during the year with teams working towards the annual family fun day. This year the family fun day became a day for all organisations under the umbrella of the Ministry of Women, Social Welfare and Housing. The Ministry came together in September with a team from HQ, 1 team from PRB and HA fielded 2 teams. Whilst all teams walked away with at least 1 trophy HA2 were crowned the overall winners.

GKkripalani

Gurmukh Kripalani
Finance Manager

Financial Statements

Contents

The director present their report together with the financial statements of Housing Authority of Fiji (" the Authority") for the year ended 31 December 2007 and the auditors' report thereon.

Directors

During the year the Authority had only an Interim Chair person, Mrs. Litia Mawi, Permanent Secretary of Ministry of Woman, Social Welfare and Housing appointed with effect from 15th March 2007 and was serving till the year ended 31 December 2007.

State of affairs

In the opinion of the directors, the accompanying balance sheet and statement of changes in equity give a true and fair view of the state of affairs of the Authority as at 31 December 2007 and the accompanying income statement and statement of cash flows gives a true and fair view of the results of the Board and its cash flows for the year then ended.

Principal activities

The principal activities of the Authority during the course of the financial year were to provide affordable housing through the development of land and houses for sale and the financing of these properties. There was no significant change in the nature of the Authority during the year.

Operating results

The operating results for the Authority for the year ended 31 December was:

	2007 $'000	2006 $'000
Net profit before income tax	583	2,281
Income tax expense	-	-
Net profit for the year	583	2,281

Dividends

The directors recommend that no dividends be declared or paid during the year.

Reserves

The directors recommend that no amounts be transferred to or from reserves.

Events subsequent to balance date

There has not arisen 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 directors of the Authority, to affect significantly the operations of the Authority, the results of those operations, or the state of affairs of the Authority, in future financial years.

Unusual transactions

Apart from these matters and other matters specifically referred to in the financial statements, in the opinion of the directors, the results of the operations of the Authority during the year were not substantially affected by any item, transaction or event of a material unusual nature, nor has there arisen between the end of the year and the date of this report any item, transaction or event of a material unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Authority in the year ended, other than those reflected in the financial statements.

Other circumstances

As at the date of this report:

a) no charge on the assets of the Authority has been given since the end of the year to secure the liabilities of any other person;

b) no contingent liabilities have arisen since the end of the year for which the Authority could become liable; and

c) no contingent liabilities or other liabilities of the Authority has become or is likely to become enforceable within the year of twelve months after the end of the year which, in the opinion of the directors, will or may substantially affect the ability of the Authority to meet its obligations as and when they fall due.

As at the date of this report, the directors are not aware of any circumstances that have arisen, not otherwise dealt with in this report or the Authority's financial statements, which would make adherence to the existing method of valuation of assets or liabilities of the Authority misleading or inappropriate.

or and on behalf of the board and in accordance with a resolution of the directors.

Dated at Suva this **18th** day of **December** 2008.

Chairman **Member**

In accordance with a resolution of the Board of Directors of Housing Authority of Fiji, we state that in the opinion of the directors:

(i) the accompanying income statement of the Authority is drawn up so as to give a true and fair view of the results of the Authority for the year ended 31 December 2007;

(ii) the accompanying statement of changes in equity of the Authority is drawn up so as to give a true and fair view of the results of the Authority for the year ended 31 December 2007;

(iii) the accompanying balance sheet of the Authority is drawn up so as to give a true and fair view of the state of affairs of the Authority for the year ended 31 December 2007;

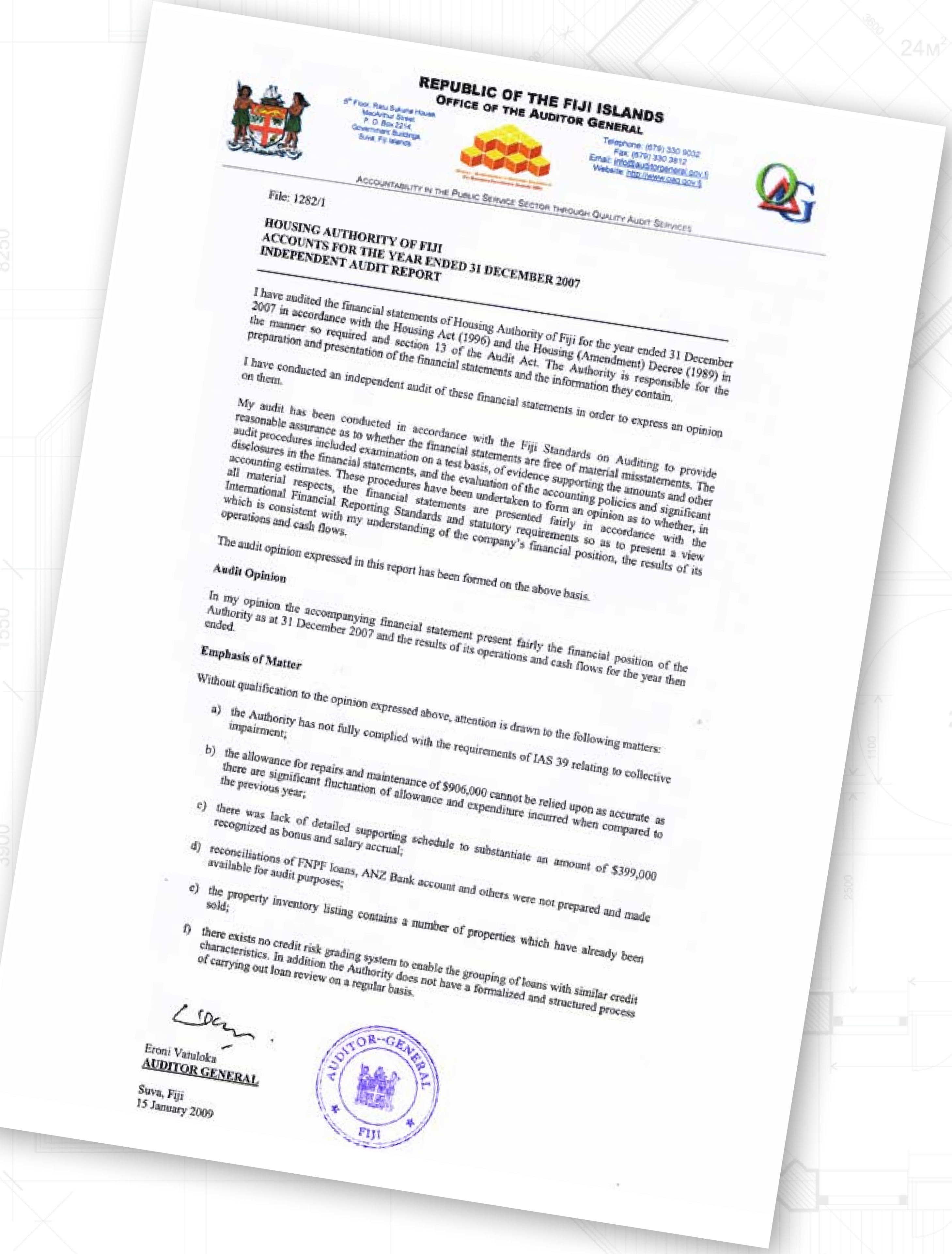
(iv) the accompanying statement of cash flows of the Authority is drawn up so as to give a true and fair view of the cash flows of the Authority for the year ended 31 December 2007;

(iv) at the date of this statement there are reasonable grounds to believe the Authority will be able to pay its debts as and when they fall due; and

(v) all related party transactions have been adequately recorded in the books of the Authority.

Dated at Suva this **18th** day of **December** 2008.

Chairman **Member**



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ACCOUNTABILITY IN THE PUBLIC SERVICE SECTOR THROUGH QUALITY AUDIT SERVICES

File: 1282/1

HOUSING AUTHORITY OF FIJI
ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2007
INDEPENDENT AUDIT REPORT

I have audited the financial statements of Housing Authority of Fiji for the year ended 31 December 2007 in accordance with the Housing Act (1996) and the Housing (Amendment) Decree (1989) in the manner so required and section 13 of the Audit Act. The Authority is responsible for the preparation and presentation of the financial statements and the information they contain.

I have conducted an independent audit of these financial statements in order to express an opinion on them.

My audit has been conducted in accordance with the Fiji Standards on Auditing to provide reasonable assurance as to whether the financial statements are free of material misstatements. The audit procedures included examination on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of the 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 the International Financial Reporting Standards and statutory requirements so as to present a view which is consistent with my understanding of the company's financial position, the results of its operations and cash flows.

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

Audit Opinion

In my opinion the accompanying financial statement present fairly the financial position of the Authority as at 31 December 2007 and the results of its operations and cash flows for the year then ended.

Emphasis of Matter

Without qualification to the opinion expressed above, attention is drawn to the following matters:

a) the Authority has not fully complied with the requirements of IAS 39 relating to collective impairment;

b) the allowance for repairs and maintenance of $906,000 cannot be relied upon as accurate as there are significant fluctuation of allowance and expenditure incurred when compared to the previous year;

c) there was lack of detailed supporting schedule to substantiate an amount of $399,000 recognized as bonus and salary accrual;

d) reconciliations of FNPF loans, ANZ Bank account and others were not prepared and made available for audit purposes;

e) the property inventory listing contains a number of properties which have already been sold;

f) there exists no credit risk grading system to enable the grouping of loans with similar credit characteristics. In addition the Authority does not have a formalized and structured process of carrying out loan review on a regular basis.

Eroni Vatuloka
AUDITOR GENERAL

Suva, Fiji
15 January 2009

AUDITOR-GENERAL
FIJI

	Notes	2007 $'000	2006 $'000
Interest income	2	11,856	11,767
Interest expense	3	(6,927)	(5,606)
Net interest income		4,929	6,161
Other operating income	2	9,898	9,053
Net operating income		14,827	15,214
Personnel expenses	3	5,126	4,231
Depreciation of property, plant and equipment		592	424
Bad and doubtful debts		2,163	2,665
Cost of sales - land and houses		3,490	2,872
Other operating expenses	3	2,873	2,741
Total operating expense		14,244	12,933
Net profit before income tax		583	2,281
Income tax expense		-	-
Net profit for the year		583	2,281

The accompanying notes form an integral part of the Income Statement.

	Capital contributions	Government Grant	Reserves	Accumulated Losses
Balance as at 31 December 2005 as per Fiji Accounting Standards per reported	41,772	15,958	4,212	(18,153)
Adjustments as on 1 January 2006 as per IFRS 1- First Time adoption of IFRS			(4,212)	4,212
Reinstated balance under IFRS as at 1 January 2006	41,772	15,958	-	(13,941)
Movements in reserves			6,834	
Net profit for the year ended 31 December 2006				2,281
Balance as at 31 December 2006	41,772	15,958	6,834	(11,660)
Movement in reserves			-	
Net profit for the year				583
Balance as at 31 December 2007	**41,772**	**15,958**	**6,834**	**(11,077)**

Note

(a) the retained profits balance as at 1 January 2006 and 31 December 2006 have been restated in accordance with IFRS 1"First Time Adoption of International Financial Reporting Standards".

(b) net profit for the year ended 31 December 2006 has been restated on transition from Fiji Accounting Standards

The above statement of change in equity should be read in conjunction with the accompanying notes.

	Notes	2007 $'000	2006 $'000
ASSETS			
Cash	4	7,212	1,282
Loans and advances	5	130,783	129,161
Financial investments - held to maturity	4	6,000	25,063
Property, plant and equipment	8	7,238	7,102
Inventory	6	11,013	12,714
Land held for future development	7	6,637	7,367
Other assets	9	138	763
TOTAL ASSETS		169,021	183,452
LIABILITIES			
Debt issued and borrowed funds	10	106,562	120,317
Other liabilities	11	7,593	9,021
Provisions	12	1,379	1,210
TOTAL LIABILITIES		115,534	130,548
EQUITY			
Capital	13	41,772	41,772
Government grant		15,958	15,958
Reserves	13	6,834	6,834
Accumulated losses		(11,077)	(11,660)
TOTAL EQUITY		53,487	52,904
TOTAL EQUITY AND LIABILITIES		169,021	183,452

The accompanying notes form an integral part of the Balance Sheet.

For and on behalf of the board and in accordance with a resolution of the directors.

Chairman **Member**

	Note	2007 Inflows/ (Outflows) $'000	2006 Inflows/ (Outflows) $'000
Operating activities			
Interest received		12,005	11,049
Fees, charges and other income received		9,898	9,053
Interest and other costs of finance paid		(7,129)	(5,076)
Net customer loans issued		(3,540)	(678)
Payments to suppliers for land and houses		(1,278)	(2,385)
Operating expenses		(8,156)	(5,510)
Cash flows from operating activities		1,800	6,453
Investing activities			
Payments for plant and equipment		(579)	(1,315)
Cash flows from investing activities		(579)	(1,315)
Financing activities			
Net increase/(decrease) in borrowings		(12,255)	14,284
Government grant received		(599)	1,328
Cash flows from financing activities		(12,854)	15,612
Net increase/(decrease) in cash held		(11,633)	20,750
Cash at the beginning of the financial year		24,845	4,095
Cash at the end of the financial year	4	**13,212**	**24,845**

The accompanying notes form an integral part of the Statement of cash flows.

1 Corporate Information

The financial statements of Housing Authority of Fiji ("the Authority") for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the directors on18th December, 2008. Housing Authority of Fiji is a statutory government body domiciled in the Republic of the Fiji Islands.

The principal activities of the Authority are described in Note 19.

1.1 Basis of preparation of the Financial Statements

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Fijian dollars and all values are rounded to the nearest dollar except when otherwise indicated.

1.2 Statement of compliance

The financial statements of Housing Authority of Fiji have been prepared in accordance with International Financial Reporting Standards (IFRS).

1.3 Changes in accounting policy and disclosures

For all periods up to and including the year ended 31 December 2006, the Authority prepared its financial statements in accordance with Fiji Accounting Standards. These financial statements, for the year ended 31 December 2007, are the first the Authority has prepared in accordance with IFRS.

Accordingly, the Authority has prepared financial statements which comply with IFRS applicable for periods beginning on or after 1 January 2007 as described in the accounting policies. In preparing these financial statements, the Authority's opening balance sheet was prepared as at 1 January 2006, the Authority's date of transition to IFRS. This note explains the principal adjustments made by the Authority restating its Fiji Accounting Standards balance sheet as 1 January 2006 and its previously published Fiji Accounting Standards financial statements for the year ended 31 December 2006.

Exemptions applied

IFRS 1 First-Time Adopters of International Financial Reporting Standards allows first-time adopters certain exemptions from the general requirement to apply IFRS as effective for December 2007 year ends retrospectively. The Authority has applied for the following exemption:

- Certain items of property, plant and equipment were carried in the balance sheet prepared in accordance with Fiji Accounting Standards on the basis of valuations performed in previous periods. The Authority has elected to regard those fair values as deemed cost at the date of the revaluation.

Other changes

Other changes to accounting policies as a result of the adoption of IFRS are:

The Authority has adopted the following IFRS during the year. Adoption of these standards did not have any effect on the performance or position of the Authority. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies.

While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Presentation of Financial Statements

This standard requires the Authority to make new disclosures to enable users of the financial statements to recognise the Authority's objectives, policies and processes for managing capital. These new disclosures are shown in Note 19.

IAS 14 Segment Reporting

The objective of this Standard is to establish principles for reporting financial information by segment—information about the different types of products and services an entity produces and the different geographical areas in which it operates—to help users of financial statements:

(a) better understand the entity's past performance;
(b) better assess the entity's risks and returns; and
(c) make more informed judgments about the entity as a whole.
The new disclosures are shown in Note 1.5(p).

IAS 16 Property, Plant and Equipment
This new standard requires the Authority to measure the property, plant and equipment at the deemed cost. While there has been no effect on the financial position or results, comparative information has been revised where needed. The new disclosure is outlined in Note 8.

IAS 24 Related Party Disclosures
The standard requires that the Authority's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The new disclosure included the requirement to disclose the compensation paid to the key management personnel. This is reflected in Note 16.

IAS 38: Intangible assets
Software costs which do not meet the recognition criteria under outlined in the Authority's accounting practices are expensed. Those costs which meet the recognition criteria are classified as intangible assets.

IAS 39 Financial Instruments: Recognition and measurement
The objective of this Standard is to establish principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Requirements for presenting and disclosing information about financial instruments are set out in IFRS 7 Financial Instruments: Disclosures.

1.4 Significant accounting judgments, estimates and assumptions
The preparation of the Authority's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments
In the process of applying the Authority's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Operating Lease Commitments
The Authority has entered in commercial property leases. The Authority has determined based on an evaluation of the terms and conditions of the arrangements, that it does not retain all the significant tasks and rewards of ownership of the property and so accounts for the contracts as operating leases.

Estimations and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant task of causing a material adjustments to the carrying amount of assets and liabilities within the next financial year are discussed below:

Impairment losses on loans and advances
The Authority reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes of the allowance.

In addition to specific allowances against individually significant loans and advances, the Authority also makes a collective impairment allowance against the exposures which although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in country risk industry and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

1.5 Summary of significant accounting policies
The principal accounting policies applied in the preparation of these financial statement are set out below.

a) Foreign currencies
The financial statements are presented in Fiji dollars, which is the Authority's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to 'Other operating income' or 'Other operating expenses' in the income statement.
Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

b) Financial instruments- initial recognition and subsequent measurement

i) Date of recognition
Purchases or sales of financial assets that require delivery of assets within the time frame established by convention in the marketplace are recognised on the trade date, i.e. the date that the Authority commits to purchase or sell the asset.

ii) Initial recognition of financial instruments
The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were required and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and liabilities not at fair value though profit and loss, any directly attributable incremental cost of acquisition or issue.

iii) Held to maturity financial investments
Held to maturity financial investments are those which carry fixed payments and have fixed maturities and which the Authority has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

iv) Loans and advances
Loans represent mortgage loans, village scheme loans, quick repair loans, home loans and personal loans. Quick repair loans, home loans and personal loans can only be obtained if the borrower has an existing mortgage loan. These loans are added to the existing mortgage loan balance. For mortgage loans, collateral consisting of the mortgaged properties, are obtained.

Loans and advances to customers are financial assets with fixed or determinable payments and fixed maturities that are not quoted on an active market. They are not entered into with the intention of immediate or short term resale and are not classified as 'Financial assets held for trading', designated as 'Financial investment - available for sale' or 'Financial assets desginated at fair value through profit and loss'. After inital measurement, loans and advances are subsequently measued at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acqusition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in 'Interest and similar income' in the income statement. The loss arising from impairment are recognised in the income statement in 'Bad and Doubtful Debts expense'.

Non performing loans

Loans are classified as non-performing if arrears relating to these loans are greater than three months. Non-performing loans are treated as non-accrual assets as reasonable doubt exists as to the collectability of principal and interest.

(v) *Debt issued and other borrowed funds*

Issued financial instruments or their components which are not designated at fair value through profit or loss, are classified as liabilities under 'Debt issued and other borrowed funds', where the substance of the contractual arrangement results in the Authority having an obligation either to deliver cash or another financial asset to the holder.

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

c) Impairment of financial assets

The Authority assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairmenrt as a result of one or more events that has occurred after the inital recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrrowers are experiencing significant financial difficulties with default or delinquency in interest or in principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

i) *Loans and advances to customers*

Loans and advances to customers are carried at amortised cost, the Authority first assesses individually whether objective evidence of impairment exist individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Authority determines no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the allowance for impairment losses account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Authority. If, in a subsequent year the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment is recognised, the impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If in future, write-off is later recovered, the recovery is credited to the allowance for impairment losses.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Authority's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristic similar to those in the group. Historical loss experience is adjusted on the basis of current observance data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of condition in the historical period that do not exist currently.

ii) *Held to maturity financial investments*

For held to maturity investments the Authority assess individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

d) Leased assets

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Authority as a lessee

Finance leases, which transfer to the Authority substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Authority will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

Authority as a lessor

Lease where the Authority does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. The Authority lease out its properties as operating leases, thus generating rental income. Initial direct costs incurred in negotiating operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rent are recognised as revenue in the period in which they are earned.

e) **Recognition of income and expenses**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

i) *Interest and income and expense*

For all financial istruments measured at amortised cost, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts the future cash payments or receipts through the expected life of the financial instrument or shorter period, where appropriate to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Authority revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

When a loan is categorised as non performing, interest on the loan ceases to be brought to account unless received or unless the loan becomes performing.

ii) *Fee income and charges*

The Authority earns fees and charges from a diverse range of services to its customers. The fee income is brought to account on an accrual basis.

iii) *Income from sale of land and houses*

Revenue relating to the sale of land and houses is brought to account at the time of the sale.

iv) *Rental income*

Rental income is accounted for on a straight line basis over the lease terms on ongoing leases and is recorded in the income statement.

v) *Gain or loss on sale of property, plant and equipment*

Gain or loss on sale of property, plant and equipment is treated as operating income or expense.

vi) *Bad and doubtful debts*

The annual charge against profits for bad and doubtful doubts reflects new individual impairment, reversals of individual impairment no longer required and movements in the collective impairment.

f) **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. For the purposes of the Statement of Cash Flows cash and cash equivalents consist of cash and cash equivalents as defined above.

g) **Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such costs includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria is met . All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight line basis over the useful life of the asset as follows:

Buildings	1.5% - 3.5%
Plant and equipment	20% - 33.33 %
Motor vehicles	20%
Computer equipment and software	20%
Furniture and fittings	10%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is disposed.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

h) **Intangible assets**

Intangible assets includes computer software that does not form an integral part of the hardware. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight line method to write down the cost the cost of intangible assets to their residual values over their estimated useful lives as follows:

i) **Impairment of non financial assets**

The Authority assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Authority makes an estimate of the asset's recoverable amount. The carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value. In determining fair value less costs to sell, an appropriate value model is used.

For assets an assignment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Authority makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

j) **Provisions**

Provisions are recognised when the Authority has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employee entitlements

The provision for employee entitlement relates to amounts expected to be paid to employees for annual leave, sick leave and long service leave. Current employee remuneration rates are used to calculate these provisions.

k) **Inventories**

Land and houses

Stock, comprising land and houses is carried at the lower of cost and net realisable value. At year end, the carrying value of unsold lots and developed properties are assessed and a provision for write-down is created where carrying values are determined to be less than net realisable value.

Developed and sub-divided lots include the cost of the land and capitalised expenses directly associated with bringing the stock to its existing condition and location.

Work in progress

Work-in-progress is valued at the lower of cost and net realisable value. Cost includes capitalised indirect administrative costs which are incurred as a result of land development and house construction and development interest costs on the funds used to finance the development up to the time of completion.

l) **Income tax**

The Authority is exempt from income tax under Section 26 of the Housing Act, Cap. 267

m) **Government grants**

The Government provides an annual grant to the Authority to assist qualifying customers in meeting their repayments and to subsidise the cost of developed lots. This grant is in the form of a one off rebate to customer's loan balance or an annual interest subsidy. Any grants that are not utilised at year end are shown as a liability until such time as they are applied. The Government grant takes the following forms:

(i) Poverty alleviation scheme

Funds received from Government are applied to the loan balance of qualifying customers usually at the inception of the loan. The grant to customers is a one off rebate. There are certain criteria set for customers to comply with to be eligible for financial assistance under the scheme. Financial assistance provided to a customer is up to a maximum amount of $5,000.

(ii) Interest subsidy

Interest subsidy is provided to customers who earn below $6,500 per annum and to village scheme customers on an accrual basis. The difference between the prevailing interest rate and subsidised rate provided to customers are brought to account in the income statement.

(iii) Deferred payment plan

Funds received from Government are applied to the loan balance of qualifying customers once the loan has been restructured to provide existing non-performing loans with an initial reduction in repayments commensurate with their ability to meet the repayments. There are certain criteria for customers to comply with to be eligible for financial assistance under the plan. Financial assistance provided to a customer is up to a maximum amount of $5,000.

(iv) Land development subsidy

Government subsidises the cost of developed lots to make it more affordable for qualifying customers. The subsidy is applied against the prevailing selling price. There are certain criteria set for customers to comply with in order to be eligible for assistance under this scheme.

n) **Creditors**

Liabilities are recognised for amounts to be paid in the future for goods and services rendered. Creditors and accruals are stated at cost.

o) **Comparatives**

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

p) **Segment information**

(a) Industry segment

The Authority operates predominantly in Housing Industry to provide affordable housing through development of land and houses for sale and the financing of these properties.

(b) Geographical segment

The Authority operates predominantly in Fiji and is therefore one geographical area for reporting purposes.

		2007 $'000	2006 $'000
2.	**REVENUE**		
2.1	**Interest income**		
	Investment securities	1,979	856
	Loans and advances	9,877	10,911
		11,856	11,767
2.2	**Other operating income**		
	Fees and charges	4,943	5,067
	Sale of land and houses	3,877	3,395
	Rent	140	130
	Other income	938	461
		9,898	9,053
3.	**EXPENSES**		
3.1	**Interest Expense**		
	Long term loans	318	724
	Bonds	6,580	4,881
	Bank overdraft	29	1
		6,927	5,606
3.2	**Personnel expenses**		
	Wages and salaries	4,515	3,662
	FNPF contribution	274	278
	Employee entitlements	265	185
	Other	72	106
		5,126	4,231
3.3	**Other operating expenses**		
	Auditors remuneration - audit fee	19	19
	- other services	57	32
	Loss on sale of property, plant and equipment	-	-
	Repairs and maintenance	111	90
	Stock write-down	88	50
	VAT expense	65	100
	Other	2,533	2450
		2,873	2,741

		2007 $'000	2006 $'000
4.	**CASH AND CASH EQUIVALENTS**		
	Cash	7,212	1,282
	Deposits on call- held to maturity	6,000	25,063
	Bank overdraft	-	(1,500)
		13,212	24,845
5.	**LOANS AND ADVANCES**		
	Mortgage loans	133,844	130,472
	Village scheme loans	7,601	8,727
		141,445	139,199
	Add: Accounts with credit balance	1,621	1,426
	Gross loans	143,066	140,625
	Less: Allowance for impairment losses	(12,283)	(11,464)
		130,783	129,161

Mortgage loans include staff housing loans and advances totaling $1,485,642 (2006: $1,361,938). Village scheme loans are secured by a combination of assignments over native lease rental monies.

Impairment allowances for loans by class is as follows:

	Mortgage $'000	Village scheme $'000	Total $'000
At 1 January 2007	9,358	2,106	11,464
Charge for the year	6	2,157	2,163
Recoveries	320	-	320
Amounts written off	(1,664)	-	(1,664)
As at 31 December 2007	8,020	4,263	12,283
Individual impairment	5,591	4,235	9,826
Collective impairment	2,429	28	2,457
	8,020	4,263	12,283
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	17,207	5,111	22,324

	Mortgage $'000	Village scheme $'000	Total $'000
At 1 January 2006	8,569	1,815	10,384
Charge for the year	2,374	291	2,665
Recoveries	19	-	19
Amounts written off	(1,604)	-	(1,604)
As at 31 December 2006	9,358	2,106	11,464
Individual impairment	8,043	2,050	10,093
Collective impairment	1,315	56	1,371
	9,358	2,106	11,464
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	20,076	3,180	23,256

The following is a reconciliation of the individual and collective allowances for impairment losses on loans.

	Individual Impairment $'000	Collective impairment $'000	Total 2007 $'000
At 1 January 2007	10,093	1,371	11,464
Charge for the year	1,077	1,086	2,163
Recoveries	320	-	320
Amounts written off	(1,664)	-	(1,664)
Interest accrued on impaired loans	-	-	-
At 31 December 2007	9,826	2,457	12,283

	Individual Impairment $'000	Collective impairment $'000	Total 2007 $'000
At 1 January 2006	9,464	920	10,384
Charge for the year	2,233	432	2,665
Recoveries	-	19	19
Amounts written off	(1,604)	-	(1,604)
Interest accrued on impaired loans	-	-	-
At 31 December 2006	10,093	1,371	11,464

6. INVENTORY

	2007 $'000	2006 $'000
Developed lots	3,974	7,483
Less: Provision for developed lots write-down	(217)	(154)
	3,757	7,329
Unsold properties	744	888
Less: Provision for unsold properties write-down	(252)	(227)
	492	661
Development work-in-progress	6,932	4,892
Less: Pre-sold lots	(21)	(21)
	6,911	4,871
Less: Provision for development work-in-progress write-down	(147)	(147)
TOTAL INVENTORY	11,013	12,714

7. LAND HELD FOR FUTURE DEVELOPMENT	2007 $'000	2006
Freehold land		
- at valuation	6,497	6,496
	6,497	6,496
Leasehold land – at cost	362	871
Less: Provision for amortisation	(222)	-
Total land held for future development	6,637	7,367

8. PROPERTY, PLANT AND EQUIPMENT		
Properties		
Cost		
At 1 January	5,563	4,523
Additions	64	101
Asset revaluation reserve	(88)	939
Inter Asset Transfer	(68)	-
Disposals	-	-
At 31 December	5,471	5,563
Depreciation and impairment:		
At 1 January	713	631
Depreciation charge for the year	77	82
Prior Period Depreciation charged	31	-
Disposals	-	-
At 31 December	821	713
Net written down value - properties	4,650	4,850
Furniture and Fittings		
Cost:		
At 1 January	1,549	1,437
Additions	58	112
Inter Asset Transfer	(83)	-
Disposals	-	-
At 31 December	1,524	1,549
Depreciation and impairment:		
At 1 January	1,275	1,226
Depreciation charge for the year	54	49
Prior Period Depreciation charged	15	-
Disposals	-	-
At 31 December	1,344	1,275
Net written down value - Furniture and fittings	180	274
Staff houses and shops		
Cost:		
At 1 January	241	241
Additions	-	-
Asset revaluation reserve	88	-
Inter Asset Transfer	(38)	-
Disposals	-	-

	2007 $'000	2006 $'000
At 31 December	291	241
Depreciation and impairment:		
At 1 January	46	40
Depreciation charge for the year	19	6
Prior Period Depreciation charged	2	-
Disposals	-	-
At 31 December	67	46
Net written down value - staff houses and shops	224	195
Motor vehicles		
Cost:		
At 1 January	695	581
Additions	210	114
Inter Asset Transfer	64	-
Disposals	322	-
At 31 December	1,291	695
Depreciation and impairment:		
At 1 January	465	359
Depreciation charge for the year	71	106
Disposals	322	-
Inter Asset Transfer	61	-
At 31 December	919	465
Net written down value - motor vehicles	372	230
Computer equipment		
Cost:		
At 1 January	3,292	3,085
Additions	127	207
Disposals	-	-
At 31 December	3,419	3,292
Depreciation and impairment:		
At 1 January	2,745	2,564
Depreciation charge for the year	222	181
Prior Period Depreciation charged	101	-
Disposals	-	-
At 31 December	3,068	2,745
Net written down value - computer equipment	351	547
Others		
Cost:		
At 1 January	68	68
Additions	-	-
Inter Asset Transfer	52	-
Disposals	-	-
At 31 December	120	68

	2007 $'000	2006 $'000
Depreciation and impairment:		
At 1 January	57	57
Depreciation charge for the year	-	-
Disposals	-	-
Inter Asset Transfer	8	-
At 31 December	65	57
Net written down value - others	55	11
Work in progress		
Cost:		
At 1 January	995	214
Additions	256	781
Inter Asset Transfer	86	-
Disposals	-	-
At 31 December	1,337	995
Depreciation and impairment:		
At 1 January		
Depreciation charge for the year	-	-
Inter Asset Transfer	(69)	-
Disposals	-	-
At 31 December	(69)	-
Net written down value - work in progress	1,406	995
Total		
Cost:		
At 1 January	12,403	10,149
Additions	715	1,315
Asset Revaluation Reserve	-	939
Inter Asset Transfer	13	-
Disposals	322	-
At 31 December	13,453	12,403
Depreciation and impairment:		
At 1 January	5,301	4,877
Depreciation charge for the year	443	424
Prior Period Depreciation charged	149	-
Inter Asset Transfer	-	-
Disposals	322	-
At 31 December	6,215	5,301
Net written down value - total	7,238	7,102

The Valelevu and Lautoka office premises and land adjoining the premises and staff houses and Police Posts were revalued as at 31 December 2006 by the Housing Authority's internal valuer.

			2007 $'000	2006 $'000
9. OTHER ASSETS				
Interest receivable			4	550
Staff advances			62	63
Stationery stock			20	18
Sundry debtors and prepayments			52	132
			138	763

10. DEBT ISSUED AND BORROWED FUNDS

	Maturity	Effective interest rate %	2007 $'000	2006 $'000
Current				
Bank overdraft	On demand		-	1,500
Bonds	Note 14	2.65% to 12%	18,302	9,700
Loans	Note 14	7.00 to 7.875%	2,051	2,612
			20,353	13,812
Non current				
Bonds		2.65% to 12%	80,598	98,900
Loans		7.00 to 7.875%	5,611	7,605
			86,209	106,505
Total debt issued and borrowed funds			106,562	120,317
	Maturity			
Bonds	2008 to 2021			
Loans	2008 to 2013			

	2007 $'000	2006 $'000
11. OTHER LIABILITIES		
Interest payable	1,195	1,397
Insurance aggregate	737	540
Mortgage accounts with credit balances	1,621	1,426
Deferred Government grant	1,001	2,723
Deferred grant - University of the South Pacific	(7)	40
Other creditors and accruals	3,046	2,895
	7,593	9,021

Terms and conditions of the above financial liabilities:

-Trade payables are non-interest bearing and are normally settled on 60-day terms.

-Other payables are non-interest bearing and have an average term of six months.

-Interest payable is normally settled monthly throughout the financial year.

12. PROVISIONS

The movement in provision during the year is as follows:

	$'000 Repairs and maintenance	$'000 Employee Entitlement	$'000 Total
At 1 January	670	540	1,210
Arising during the year	111	159	270
Utilised	(4)	-	(4)
Unused amounts reversed	(97)	-	(97)
As 31 December	680	699	1,379
Represented by:			
Current	680	699	1,379
Non current	-	-	-
	680	699	1,379

13. CAPITAL AND RESERVES

	2007 $'000	2006 $'000
Capital	41,772	41,772
Reserves		
Asset Revaluation Reserve	6,834	3,566
Balance at the beginning of the year	-	(3,566)
Effect of change in accounting policy	-	6,834
Movement during the year	6,834	6,834
Balance at the end of the year		
Asset Realisation Reserve		
Balance at the beginning of the year	-	646
Effect of change in accounting policy	-	(646)
Movement during the year	-	-
Balance at the end of the year	-	-
Total reserves	6,834	6,834

Nature and purpose of reserves

Asset Realisation Reserve

The asset realisation reserve represents capital gain on disposal of properties now reversed under the new accounting policies to retained earnings.

Asset Revaluation Reserve

The Asset Revaluation Reserve relates to land and buildings and comprises the cumulative increase in the value of property (revalued as at 31 December 2006 by the Housing Authority's internal valuer).

14. MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITES

The table below shows an analysis of financial assets and liabilities analysed according to when they are expected to be recovered or settled.

31 December 2007

	At call $'000	Less than 3 months $'000	4 to 12 months $'000	1 to 5 years $'000	over 5 years $'000	Provision for doubtful debts $'000	Suspended interest $'000	Total $'000
Financial assets								
Cash	7,212	-				-		7,212
Loans and advances	7,361	5,911	16,444	59,247	58,058	(12,283)	(3,945)	30,783
Financial investments - held to maturity		6,000	-	-	-	-	-	6,000
Total	14,573	11,911	16,444	59,247	58,048	(12,283)	(3,945)	143,995
Financial liabilities								
Mortgage loans with credit balances	1,621	-	-	-	-	-	-	1,621
Borrowings	-	177	20,176	57,960	28,249	-	-	106,562
Accrued interest	-	1,195	-	-	-	-	-	1,195
Accounts payable and accrued liabilities	-	3,046	-	-	-	-	-	3,046
Total	1,621	4,418	20,176	57,960	28,249	-	-	112,424

31 December 2006

	At call $'000	Less than 3 months $'000	4 to 12 months $'000	1 to 5 years $'000	over 5 years $'000	Provision for doubtful $'000	Suspended interest $'000	Total $'000
Financial assets								
Cash	1,282	-	-	-	-	-	-	1,282
Loans and advances	5,740	5,818	16,100	58,724	57,970	(11,464)	(3,727)	129,161
Financial investments - held to maturity	-	2,000	23,063	-	-	-	-	25,063
Total	7,022	7,818	39,163	58,724	57,970	(11,464)	(3,727)	155,506
Financial liabilities								
Mortgage loans with credit balances	1,426	-	-	-	-	-	-	1,426
Borrowings	1,500	518	11,794	71,211	35,294	-	-	120,317
Accrued interest	-	-	1,397	-	-	-	-	1,397
Accounts payable and accrued liabilities	-	2,895	-	-	-	-	-	2,895
Total	2,926	3,413	13,191	71,211	35,294	-	-	126,035

15. CONTINGENT LIABILITIES AND COMMITMENTS

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

The total outstanding commitments and contingent liabilities are as follows:

	2007 $'000	2006 $'000
Contingent liabilities		
Indemnity	6,027	7,219
Guarantees	5	5
	6,032	7,224
Commitments		
Operating lease commitments	595	570
Capital commitment	2,721	1,194
	3,316	1,764
Total	9,348	8,988

Contingent liabilities

The details and estimated maximum amounts of contingent liabilities that may become payable by the Authority are set out below. The directors are not aware of any circumstances or information that would lead them to believe that these contingent liabilities will crystallize and consequently no provisions are included in the financial statements in respect of these matters:

a) *Indemnity*

During 1989, loans owing to the Fiji National Provident Fund (FNPF) amounting to $18,573,232 was transferred to the Public Rental Board (PRB) by Government Decree (No. 12 of 8 May, 1989). The FNPF continues to recognise the Authority as the borrower of these loans and has not released the Authority from these loans or amended the loan documentation to specify the PRB as the rightful borrower. In the meantime, the Ministry of Finance is making repayments of principal and interest to FNPF on behalf of PRB. The total loan principal and interest accrued at balance date, but not reflected in the financial statements, are as follows:

	2007	2006
Principal	5962	7,141
Accrued interest	65	78
	6,027	7,219
b) *Guarantee*		
Fiji Electricity Authority bond	5	5

Commitments

a) Operating lease commitments

Future operating lease rentals not provided for in the financial statements and payable as follows:

	2007 $'000	2006 $'000
Not later than one year	148	138
Later than one year but not later than two years	228	108
Later than two years but not later than five years	219	324
	595	570

The Authority has various lease commitments for leasehold land. The leases typically run for a period of between three and ten years. It is not certain whether the land leases will offer an option of renewal after maturity. The annual lease rentals recognised as an expense in the income statement amount to $ 135,500 (2006: $78,000).

b) *Capital commitments*

	2007	2006
Approved by Board	2,721	1,194

The Authority has committed $1,152,341 for upgrading its current software, AS 400, to Microsoft Navision and Indus Lendsphere package; and $1,568,192 for Head Office renovations & refurbishment.

16. RELATED PARTY DISCLOSURES

(a) Identity of related parties

The Board has a controlling related party relationship with its directors. The directors of the Board in office during the year were:

Interim Chairperson	Litia Mawi

(b) Transactions with Related parties

Transactions with related parties during the year ended 31 December 2007 with approximate transaction value are summaried as follows:

	2007 $'000	2006 $'000
Board expenses and allowances	2	37
Government grant	995	2723
(c) Compensation of key management personnel		
Short term employee benefits	450	335
Post employment pension and medical benefits	-	-
Termination benefits	-	-
Other long-term benefits	-	-
	450	335

Key management personnel include the Chief Exective and the four General Managers of the Authority.

17. EVENTS AFTER THE BALANCE DATE

There has not arisen 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 directors of the Authority, to affect significantly the operations of the Authority, the results of those operations, or the state of affairs of the Authority, in future financial years.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

18.1 Introduction

Risk is inherent in the Authority's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Authority's continuing profitability and each individual within the Authority is accountable for the risk exposure relating to his or her responsibilities. The Authority is exposed to credit risk, liquidity risk and market risks. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Authority's strategic planning process.

Risk management structure
he Board of Directors is ultimately responsible for identifying and controlling risks; however; there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors
The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Internal audit
Risk management processes throughout the Authority are audited quarterly by the internal auditors, that examines the adequacy of the procedures and the Authority's compliance with the procedures. Internal audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk Management and reporting systems
The Authority's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical expense adjusted to reflect he economic environment. The Authority also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily based on limits established by the Authority. These limits reflect the business strategy and market environment of the Authority as well as he level of risk that the Authority is willing to accept, with additional emphasis on selected industries. In additions the Authority monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information complied from all the businesses is examined and processed in order to analyze, control and identify early risks. This information is presented and explained to the Board of Directors and the head of each business section.

Excessive risk concentration
Concentrations arise when a number of counterparties are engaged in similar business activities in the same geographic region, or have similar economic features that would cause their ability to meet the contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Authority's performance to developments affecting a particular industry or geographical locations.

In order to avoid excessive concentrations of risks, the Authority's polices and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

18.2 Credit Risk

Credit risk is the risk that the Authority will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Authority manages and controls credit risk by setting limits on the amount of risk it is wiling to accept for individual counterparties and for industry concentrations and by monitoring exposures in relation to such limits.

The Authority has established a credit quality review process to provide early identification of possible changes in the credit worthiness for counterparties including regular collateral revisions. The credit quality review process allows the Authority to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

The table below shows the maximum exposure to credit risk for the components of the balance sheet, The maximum exposure is shown gross, before the effect of mitigation.

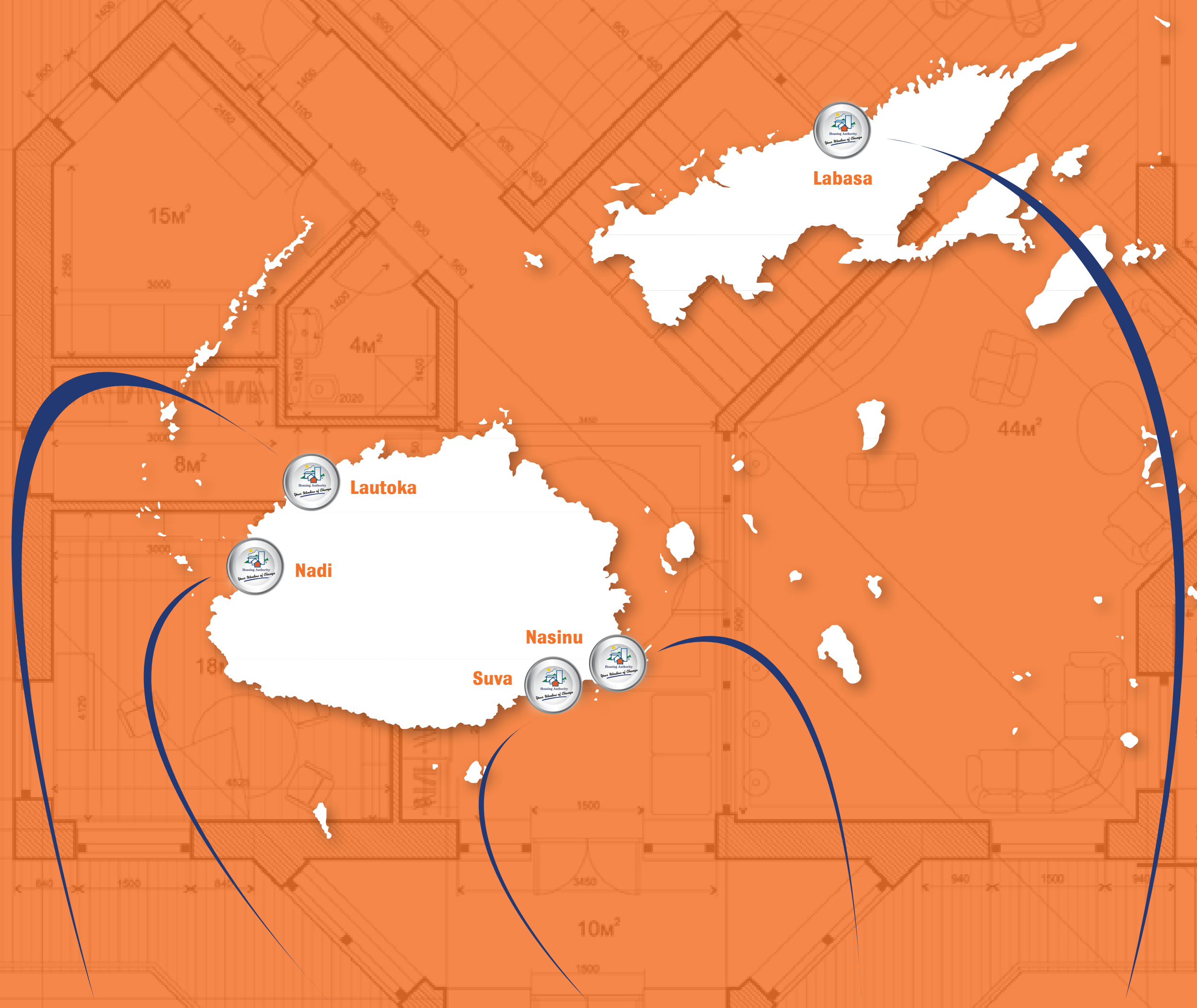
	Notes	Gross maximum exposure 2007 $'000	Gross maximum exposure 2006 $'000
Held to maturity investment	4	6,000	25,063
Loans and advances	5	130,783	129,161
Other assets	9	138	763
Total		136,921	154,987
Contingent liabilities	15	6,032	7,224
Commitments	15	3,316	1,764
Total		9,348	8,988
Total credit exposure		146,269	163,975

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes.

19. PRINCIPAL ACTIVITIES

"The principal activities of the Authority during the course of the financial year were to provide affordable housing through the development of land and houses for sale and the financing of these properties. There was no significant change in the nature of the activities of the Authority during the year."

HOUSING AUTHORITY OFFICES



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