



Public
RENTAL
Board

2011
Annual Report

Bringing places and people together

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Our VISION

To be the leading provider of affordable, quality and appropriate rental housing for our customers.

Our MISSION

The Public Rental Board will achieve its vision through:

- Facilitating the development of affordable and quality rental housing to meet the socio economic needs of customers.
- Maintaining efficient and effective customer service to meet customer expectation.
- Maintaining and enhancing flats to Public Rental Board standards.
- Empowering customers through innovative public relations and community building.
- Providing cohesive communities while enhancing commercial openings that can be used to facilitate win – win opportunity for everyone.
- Undertaking profiling and analysis of existing and potential customers.
- Promoting Public Private Partnership (PPP) for innovative development and funding.



Corporate Objectives

During 2011 PRB will undertake to achieve the following objectives:

1 Re-profiling

Re-profiling of customers in order to obtain a better understanding of PRB customers.

Provide Government with a more precise determination of rental subsidy.

Definition and socio-economic standing of the income range of PRB customers

2 Rent Review

Ensure equitable distribution of rental subsidy.

Maintain flats to current market rentals.

Increase income.

3 Government Grant and Aid

In the short to medium term Government is expected to continue servicing the subsidy grant to PRB.

The Government's social responsibility towards public housing will need to be quantified and claimed by PRB.

Develop community centers in PRB estates.

Continue assisting financially disadvantaged tenants.

Construct more flats.

Implementation in accordance with donor requirements.

4 Commercial Operations

Ensure PRB considers commercial development as a way forward with the understanding that higher returns from such will cross subsidise low income developments therefore ensuring less reliance on Government.

The move to a more commercial focus will be undertaken in light of the PRB's core business – providing rental accommodation to low and middle income earners.

5 Rental Property Stock versus Demand

PRB's competitors need to become partners.

Better information and better partnerships with other developers of low cost rental accommodation.

6 PRB's Cost Structure

PRB recognises that its current cost structure needs to be reduced or certainly refocused on areas of better return on investment.

7 PRB Subsidiary

Generate additional income for PRB.

Higher productivity – target driven.

Minimise maintenance expenses.

Letter to the Minister



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15th April 2013

Honorable Samuela Saumatua
Minister for Local Government, Urban Development, Housing and Environment
P O Box 2131
Government Buildings
SUVA

Dear Minister

Re: 2011 ANNUAL REPORT

Please find attached the PRB 2011 Annual Report. This report covers the activities of PRB for year ending 31st December 2011.

The report is in compliance with Section 21 of the Housing Act and also satisfy one of the Board's KPI's.

We acknowledge Government's commitment in the support to financially disadvantaged tenants of PRB and we look forward for a continued partnership with Government in serving the low income earners in the coming years.

Yours sincerely

A handwritten signature in black ink, appearing to read "Moese Tikoitoga".

MOSESE TIKOITOGA (Colonel)
Chairman of the Board of Directors

Board Members



Colonel Mosese Tikoitoga

Colonel Tikoitoga currently is the Land Force Commander of Republic of Fiji Military Forces and was appointed as PRB Board Chairman in February 2010. He possesses a Degree in Masters of Management of Defense Studies from Canberra University and Masters of Philosophy in Defense and Strategies Studies from Madras University in India. During 1988 to 1989 Colonel Tikoitoga was appointed Platoon Commander (P Commd) Third Battalion Fiji Infantry Regiment (3FIR), Seen Active service in Lebanon, Sinai, East Timor and Iraq. He has also served the RFMF as Senior Instructor of the Officers School, Commanding Officer for FTG – Nasinu, Chief Staff Officer for Training and Doctrine RFMF, Chief of Staff for Land Forces. Colonel Tikoitoga is a former Commissioner Central Division under Ministry of Provincial Development & Multi Ethnic Affairs. Colonel Tikoitoga has attended local and overseas military courses and attained a number of honors and awards.



Adrian Sofield

Appointed as PRB Director in September 2010 Mr. Sofield is an architect by profession with over 33 years' experience in the field. Originally from Perth in Western Australia Mr. Sofield has been a Fiji citizen since 1976. He is the current Chairman of the Fiji Trade & Investment Board, Investment Fiji, Airports Fiji Limited and Rewa Dairy. He is also the managing director for Adrian Sofield & Associates Ltd.



Father Kevin Barr

Father Barr currently is Consultant to People's Community Network, member of the Housing Board and Chairperson of the Wages Councils. He possesses a Degree in Education, Sociology and Anthropology, Theology plus studies in Economic theories and Development. Father Barr was appointed as PRB Director in March 2008. Born in Sydney Australia. Ordained a catholic priest in 1961. Father Barr has worked for 15 years in PNG teaching in secondary schools and University of PNG. Has now been in Fiji for past 30 years – teaching at PRS, PTC and USP for the first ten years. He is also one of the founders of ECREA, founder of Chevalier Hostel and Chevalier Training Centre for underprivileged youth.



Umarji Musa

Mr. Musa holds a Bachelor of Arts degree in Economics and a number of professional credentials. He joined Fiji Development Bank in 1974 and retired in 2010 after serving 36 years. He has had a distinguished career, having held the position of General Manager in the Bank's Lending Operations for 21 consecutive years prior to his retirement. Mr. Musa was appointed as PRB Director in September 2010 and brings across extensive experience in Banking, Financial Analysis, Project Finance, Agricultural Credit and managing large scale, complex and diverse projects. Currently, he practises as an independent Business and Finance Consultant and also serves on a number of Boards.



Petero Daurewa

Appointed to the Board on 2nd June 2011, Mr. Daurewa holds a Bachelor's Degree in Economics and Accounting from the University of the South Pacific. A brilliant and brut finance person, Mr. Daurewa has worked for various organizations and has held various managerial positions as well until his retirement whilst at the Reserve Bank of Fiji. A community worker since 2007 and currently serves as a Financial Advisor to the Catholic Church of Fiji and is also a member of the Saint Giles Hospital Board of Visitors.



Maraia Ubitau

Appointed to the Board on 2nd June 2011 Mrs Ubitau is a town planner by profession and holds a Masters in Urban and Regional Planning from the University of Sydney, Australia. She has over 30 years of experience in town planning and served as Director of Town & Country Planning for 7 years before joining the Ministry of Local Government, Urban Development, Housing and Environment as the Deputy Secretary from 2008 to 2009 and eventually becoming the Acting Permanent Secretary for the Ministry before retiring in 2010. She currently works as a consultant in the urban development and local government sector.

Chairman's Report

A lot has happened since my presentation of year 2010 annual report. Nonetheless, the Board concluded year 2011 with some milestone achievements in its bid to provide accommodation and implement policy changes for the betterment of the organization. Significant highlights for the year included:

- a. Commencement of construction of Raiwai & Raiwaqa Housing projects
- b. Policy on recalculated subsidy distribution criteria
- c. Successful implementation of in-house general maintenance /renovation projects
- d. Increased rental charges.

The Board has continued to focus on providing rental housing for those in need of accommodation. In 2011, the Board managed to provide homes for more than 100 new applicants and transfers. The time it takes to house applicants has reduced. During 2011, applicants were, on average, housed 5 days after a flat has become vacant.

In 2010/11, Government envisaged the need for a Social Housing Programme to facilitate and transform the delivery of social housing under the initiative of the National Housing Policy. Translating this into operations of PRB, the Board now has a clear mandate to be more flexible and more focused in providing homes. The challenges we face are immense. More than a third of our homes are the wrong size or type to meet current and future demands from our customers. We need to make changes to the way we think and work, and to do this as quickly as possible by constructing appropriate rental flats.



The Government's vision behind the reforms under the National Housing Policy is to address affordability and grow social housing by having the public, private and non-government sectors all working together to ensure that every Fijian has access to decent and affordable housing. On one hand, this is not so different from the past. However, on the other, it represents a change in the way the sector works together to deliver outcomes. As a result, the Board will need to work much more closely with our public housing partners.

I must acknowledge the contribution of Management and staff of Public Rental Board making it possible for the Board to achieve profit (2011 – \$768,942 against \$1,312,988 for 2010) despite the difficult year. The reduction in profit though, is mainly due to the reduction in Government Grant on payment of FNPF loan.

I also take this opportunity to thank Government for its continuing support in the provision of annual grants of slightly less than one million dollars with assistance rendered from staff of the Line Ministry, Ministry of Public Enterprises and other stakeholders.

A special note of thanks goes to my fellow Directors, who made positive contribution towards taking the Board forward.

In closing, I would like to acknowledge the efforts of my predecessors who have made significant contributions to the Board, and to the well being of the community. The PRB is facing significant change, but the Board, management and staff believe the challenges and opportunities arising from these changes will result in a fairer outcome for all those requiring housing assistance during their time of need.

A handwritten signature in black ink, appearing to read 'Moese Tikoitoga'. The signature is fluid and cursive, with a long horizontal stroke at the end.

MOSESE TIKOITOGA (Colonel)
Chairman of the Board of Directors

General Manager's Report

Over the last two years the Board has been on a journey to define and start implementing a new approach to provide housing. We are now at a significant stage of that transformation journey, where changes are impacting the way we deliver our services.

These changes are aligned with the broader vision of the Government's National Housing Policy of creating a responsive state housing system. At the same time in managing these changes, we note that in the last year we have dealt with major operational and strategic challenges of particular interest, these include the review of subsidy criteria and increase rent charges, while ensuring that our core business was maintained and meeting 80% of our performance targets. Selected highlights of the year include:

- Ground breaking and commencement of construction at Raiwai Housing site
- Opening of library at Charles St estate
- Delivering within budget estates property renovations
- Implementing new rent charges as well as reviewed tenancies for tenants
- Empowering women and youth groups within estate communities

Of the 15 performance measures outlined in our Statement of Corporate Intent, we have met year end targets for 12 measures (80 percent). Some of the measures we missed were in relation to submission of annual reports and planning documents.



Nonetheless, on these measures, and indeed on all our performance measures, we strive to improve our performance.

Right housing of tenants has continued to be a key focus of the Board's work in the last year. Through consistent general maintenance of flats, we upgraded 238 flats within budget. We have also continued to focus on adding to the portfolio by planning to construct new flats however, due to high cost of capital and lack of funds we are not able to achieve this goal.

The Board of Directors has given us a clear message that we need to focus on services directly related to our core purpose and that is to deliver affordable housing solutions. However, other areas where possible revenue could be generated were explored in the reporting year. The proposed mixed use development at Raiwaqa site was put on hold due to its magnitude, financial viability, and not being within the mandate of PRB.

Furthermore, our 2011 annual report also shows how PRB is addressing the following key focus areas:

- Reduce waitlisted applicants
- Corporate governance
- Rental revenue
- General Maintenance
- Distribution of Rental Subsidy
- New developments and construction
- Tenancy Management
- Sale of Rental Flats
- Financial Report
- Human Resources
- Information & Communication Technology

Of the 15 performance measures outlined in our Statement of Corporate Intent, we have met year end targets for 12 measures (80 percent).

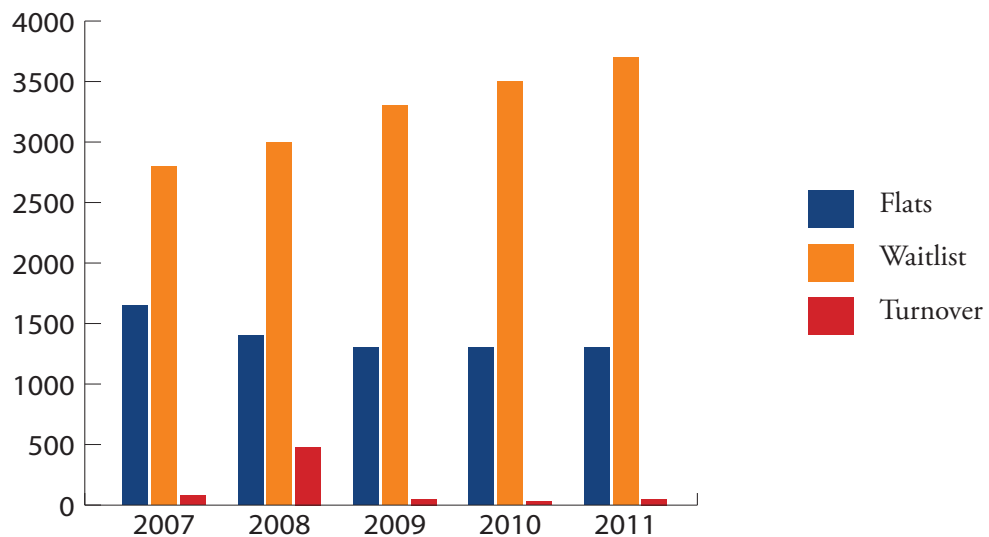
General Manager's Report (cont'd)

1 Reduce waitlisted applicants

PRB has had its own challenges in meeting the demand for rental flats. We have never been able to catch up with waitlist applications registered with the Board. Exorbitant construction cost has not assisted PRB in fulfilling the ever increasing demand. PRB currently has 1,345 flats available for renting against the demand which is in excess of 3,700. PRB's rental flats are located in 19 estates around the country. A five - year comparison on the number of flats available for renting against waitlist and turnover of flats is presented in the graph below.

It is evident that the turnover of rental flats is not fast enough to meet this huge demand list recorded with PRB. As stated earlier production of flats is expensive, this is the major reason for PRB not being able to construct cheaper rental flats annually. Furthermore high borrowing costs is also not assisting PRB in achieving this key performance indicator of increasing our stock volume. Construction of Raiwai & Raiwaqa Housing project commenced in 2011.

No. of Flats, Waitlist Applications & Flats Turnover



2 Corporate Governance

The Board of Directors and Management are responsible for corporate governance of the Board and remain committed to upholding the high standards of integrity and transparency in their governance of the Board. Finance, Audit and Risk Management Subcommittee further strengthens the Board's Corporate Governance.

Role of the Board

The role of the Board is to assume accountability for the success of PRB by taking responsibility for its direction and management in order to meet its objective of enhancing stakeholder value.

The Board

Board of Directors are elected by Minister for Housing under the Housing (Amendment) Decree 1989 for an initial term of three (3) years. This term shall be extended by another three (3) years by the Minister for Housing.

General Manager's Report (cont'd)

Meetings of the Board

The regular business of the Board during its meetings covers business investments and strategic matters, governance and compliance, the General Manager's report, financial report and performance of PRB. Member's attendance at Board meetings, during the financial year under review is tabled below:

| Director | Number of meetings entitled to attend | Number of meetings attended | Apologies Received |
|----------------------|---------------------------------------|-----------------------------|--------------------|
| Col Mosese Tikoitoga | 10 | 9 | 1 |
| Father Kevin Barr | 7 | 4 | 3 |
| Mr. Adrian Sofield | 10 | 10 | 0 |
| Mr. Petero Daurewa | 7 | 7 | 0 |
| Ms. Maraia Ubitau | 7 | 7 | 0 |
| Mr. Umarji Musa | 10 | 9 | 1 |

The Board met 10 times during the year under review. In addition to the normal board meeting there were 2 special board meetings held.

Meetings of the Board

The regular business of the Board during its meetings covers business investments and strategic matters, governance and compliance, the General Manager's report, financial report and performance of PRB. Member's attendance at Board meetings, during the financial year under review is tabled below:

The Board met 10 times during the year under review. In addition to the normal board meeting there were 2 special board meetings held.

Sub-committees of the Board

The Board has formally constituted three (3) sub-committees;

- Property Subcommittee
- Finance, Audit and Risk Management Sub committee and
- Human Resources Subcommittee.

As at the balance date, the Property Subcommittee comprised Mr. Adrian Sofield, Ms. Maraia Ubitau, Mr. Umarji Musa, Mr. Petero Daurewa, Father Kevin Barr.

The Property Subcommittee is responsible for undertaking house construction and development, general renovation of flats, engagement of private contractors for construction works, manage

projects efficiently, and meet socio-economic needs of people. Though the sub-committee did not have any meeting during the financial year under review, the executive management took decisions in consultation with the members of the sub-committee, where necessary.

As at the balance date, the Finance, Audit and Risk Management Subcommittee comprised Mr. Umarji Musa, Mr. Petero Daurewa, Father Kevin Barr, and Mr. Adrian Sofield.

The Finance, Audit and Risk Management Subcommittee is responsible for monitoring PRB's financial strategies, monitoring the external audit of the Board's affairs, reviewing the half-year and annual financial statements, and monitoring the Board's compliance with applicable laws and ministerial requirements. The Subcommittee is also responsible for monitoring the Risk Management to ensure that key business and operational risks are identified and appropriate controls and procedures are put in place to manage those risks.

Though the sub-committee did not have any meeting during the financial year under review, the executive management took decisions in consultation with the members of the sub-committee, where necessary.

General Manager's Report (cont'd)

As at the balance date, the Human Resources Subcommittee comprised Mr. Umarji Musa, Mr. Adrian Sofield, Father Kevin Barr, and Ms. Maraia Ubitau.

The Human Resources Subcommittee is responsible for providing recommendation to the Board for executive management appointment and remuneration, staff performance appraisal, administrative affairs of PRB, and staff welfare in the best interest of PRB.

Though the sub-committee did not have any meeting during the financial year under review, the executive management took decisions in consultation with the members of the sub-committee, where necessary.

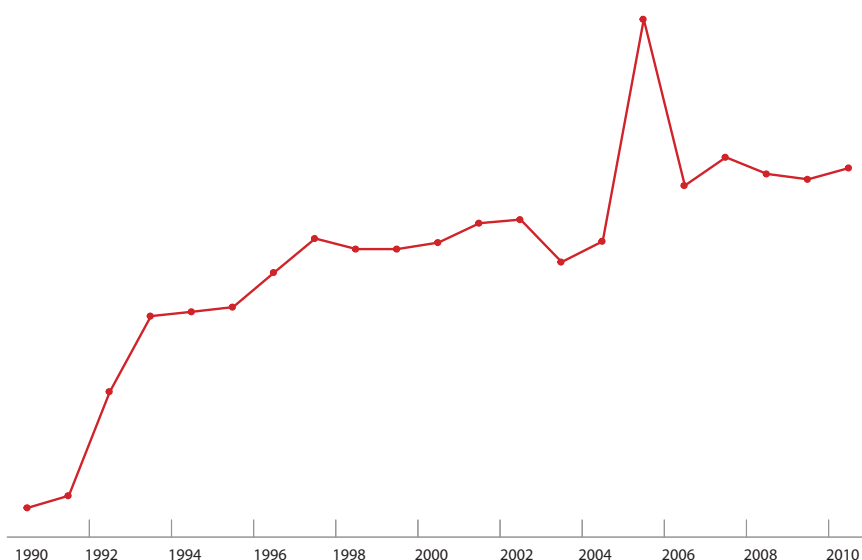
3 Rental Revenue

Actual rent charge for year 2011 was computed at \$2,200,385 and market rental charge at \$2,581,457. The Board through its rental collection initiative collected \$1,823,235 against the total collectable rent of \$2,156,377. Actual rent collected over actual rent charged is approximately 83% and approximately 71% of total market rent charge. The total rent collected includes rent for the period, arrears payments, and advance rental payments by tenants. Table 1 shows the collection amounts since commencement of operations.

The 2011 social cost (difference between market rent and actual rent) was directly funded by Government from allocated subsidy grant. Government's contribution towards payment of social cost was approximately \$381,072 for the reporting year.

Table 1

Actual Collections Comparison: 1990 to 2011 Actual Collections



| ACTUAL COLLECTION | |
|-------------------|-------------|
| 1990 | \$615,000 |
| 1991 | \$650,336 |
| 1992 | \$954,104 |
| 1993 | \$1,174,526 |
| 1994 | \$1,187,169 |
| 1995 | \$1,200,756 |
| 1996 | \$1,301,729 |
| 1997 | \$1,401,013 |
| 1998 | \$1,370,155 |
| 1999 | \$1,370,155 |
| 2000 | \$1,389,168 |
| 2001 | \$1,445,754 |
| 2002 | \$1,456,199 |
| 2003 | \$1,332,285 |
| 2004 | \$1,392,923 |
| 2005 | \$2,040,905 |
| 2006 | \$1,555,592 |
| 2007 | \$1,638,105 |
| 2008 | \$1,589,496 |
| 2009 | \$1,573,695 |
| 2010 | \$1,606,895 |
| 2011 | \$1,823,235 |

General Manager's Report (cont'd)

4 General Maintenance

PRB commenced the second overall general maintenance program in year 2008. In this cycle PRB undertakes general improvements and upgrading of its facilities such as tiling wet areas & floors, ceiling, etc.; following which, rental charges are reviewed equivalent to the market rent.

Tenants are however subsidized accordingly where appropriate. Therefore, maintenance is very important for PRB as money earned from rentals of such properties is the major contributing source of income for the Board. General maintenance undertaken in 2011 was in the following estates as presented in Table 2.

Table 2

| Estates | Contractors | Budget (\$) | Contract Sum (\$) | Expenditure (\$) |
|------------------------|---------------------------------|--------------------|--------------------------|-------------------------|
| Newtown, Nasinu | PRB Maintenance Team - in house | \$90,000 | \$90,000 | \$76,008.57 |
| Tuatua, Labasa | PRB Maintenance Team - in house | \$60,000 | \$60,000 | \$61,156.04 |
| Nadera, Nasinu | PRB Maintenance Team - in house | \$240,000 | \$240,000 | \$236,748.35 |

5 Distribution of Rental Subsidy

Subsidy assistance is provided to deserving tenants based on tenants' household Weekly Gross Income (WGI) in accordance with subsidy allocation criteria. Some 553 financially disadvantaged tenants received a total of \$472,847.42 subsidy assistance in 2011. Rental subsidy assistance given is the difference between actual rent and amount afforded by tenants and given through approved criteria.

The Board in 2011 reviewed rent charges for 4 estates (Mead Rd, Simla, Newtown and Tuatua). This brings the total number of 9 estates being applied progressively the new rent charges after completion of general maintenance. These are Charles St, Kalabu, Kia St, Levuka, Namaka, Mead Rd, Simla, Newtown and Tuatua.

The subsidy criteria was reviewed in year 2010 following valuations of properties to determine market rent charges and claim the non-commercial obligations (social cost) from Government's annual subsidy grant. Subsidy is allocated according to the subsidy agreement between Ministry of Housing and the Board. New subsidy criteria and rent charge would only be applicable to these 9 estates and will continue to apply to all other estates after rent review process.

The 1999 and new 2010 subsidy criteria are provided herein as follows:

1999 Subsidy Criteria

| | | | |
|-------------------------------|----------------|-------------|---------------|
| Weekly Gross household Income | \$0 - \$64, | tenant pays | 5% of Income |
| Weekly Gross household Income | \$65 - \$80, | tenant pays | 10% of Income |
| Weekly Gross household Income | \$80 - \$100, | tenant pays | 15% of Income |
| Weekly Gross household Income | \$101 - \$125, | tenant pays | 20% of Income |
| Weekly Gross household Income | \$126 - \$150, | tenant pays | 25% of Income |

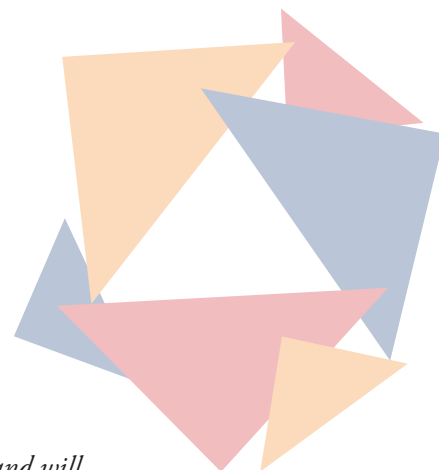
These criteria are still applied to all estates where rent has not been reviewed thus far.

General Manager's Report (cont'd)

2010 Subsidy Criteria

| | |
|--|---------------|
| Weekly Gross household Income \$0 - \$80, tenant pays | 5% of Income |
| Weekly Gross household Income \$80 - \$100, tenant pays | 8% of Income |
| Weekly Gross household Income \$100 - \$125, tenant pays | 11% of Income |
| Weekly Gross household Income \$126 - \$150, tenant pays | 14% of Income |
| Weekly Gross household Income \$151 - \$175, tenant pays | 17% of Income |
| Weekly Gross household Income \$176 - \$200, tenant pays | 20% of Income |

These criteria are applied to the 9 estates where rent has been reviewed in 2010 onwards and will continue to apply to all other estates after rent review process.



6 New Developments and Construction

Re-development work at Raiwai and Raiwaqa through loan from EXIM Bank of China have commenced in August 2011. It is anticipated that 208 rental flats would be constructed at Raiwai and some 220 flats at Raiwaqa estates. The Chinese contractor (China Railway First Group) has confirmed completing both these projects by end of 2013. Raiwai Housing project is expected to complete in early 2013 and available for letting. The design structure and concepts have been changed in these re-developments to allow for private entrance and balcony for tenants.

The Board is still considering and exploring cheaper construction methods to construct 30 units at Kalabu subject to availability of funds. High cost of construction is another reason for the delays in getting this project off the ground.

PRB is liaising with Housing Authority for confirmation of land available for PRB in their planned development sites.

7 Tenancy Management

Table 3

| | Valid Tenancies | Tenancies In-Valid for renewal | No. of Agreements issued in 2011 | No. of Agreements issued in 2010 |
|------------------|-----------------|--------------------------------|----------------------------------|----------------------------------|
| No. of Tenancies | 1330 | 15 | 1009 | 321 |

8 Sale of Rental Flats

The Board in 2003 approved the sale of flats at Grantham Road and Kia Street estates to sitting tenants. Makoi estate was also sold to tenants in year 1992 however, 2 flats were not sold due to some technical glitch in the registration of titles. The Board is doing all it can to correct the lease documents before the final execution of sale. Table 2 indicates the pending settlement for Makoi estate.

Sale of flats at Grantham Road estate completed in the reporting year. Kia Street sale was completed in 2007.

Table 4

| Estates | No. of Flats on Sale | No. Sold as at 31.12.2011 | Balance to be sold | Selling Price | Market Value for each unit |
|---------------|----------------------|---------------------------|--------------------|--|---|
| Grantham Road | 72 | 72 | 0 | Ranging from \$11,606.00 to \$16,800.75 | Ranging from \$22,000.00 to \$34,000.00 |
| Makoi | 2 | NIL | 2 | Yet to be determined; but will be sold at market rates | Ranging from \$20,000.00 to \$30,000.00 |

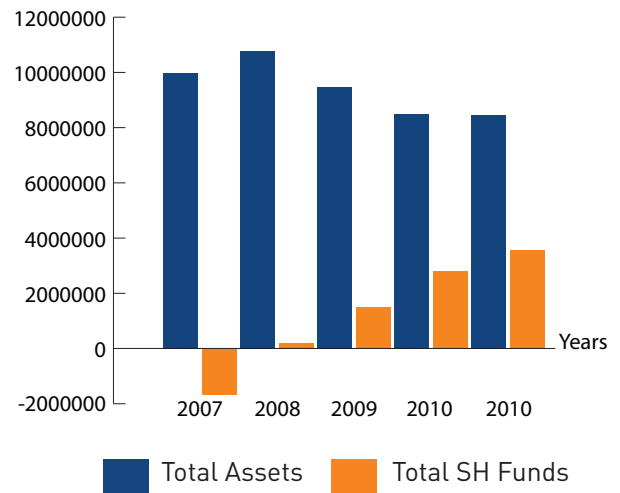
General Manager's Report (cont'd)

9 Financial Highlights

Total Assets & Shareholder's Funds

| Years | Total Assets | Total SH Funds |
|-------|--------------|----------------|
| 2007 | 10,316,235 | (1,697,150) |
| 2008 | 10,791,047 | 207,042 |
| 2009 | 9,476,701 | 1,502,149 |
| 2010 | 8,507,356 | 2,815,137 |
| 2011 | 8,442,709 | 3,584,079 |

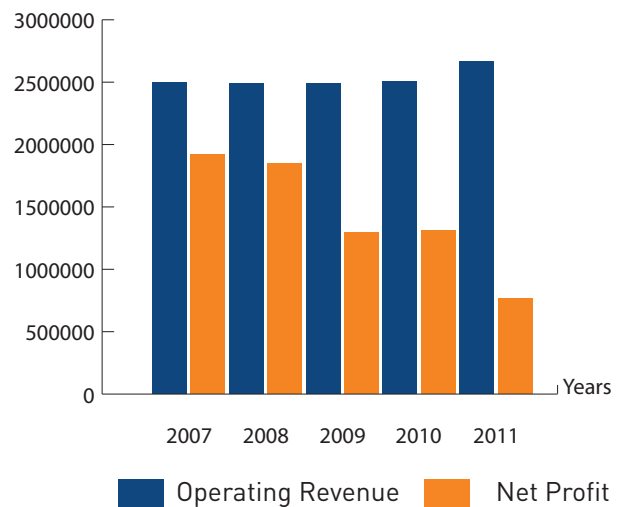
Total Assets & Shareholder's Funds



Operating Revenue & Net Profit

| Years | Operating Revenue | Net Profit |
|-------|-------------------|------------|
| 2007 | 2,496,147 | 1,918,585 |
| 2008 | 2,488,430 | 1,850,510 |
| 2009 | 2,487,212 | 1,295,107 |
| 2010 | 2,503,867 | 1,312,988 |
| 2011 | 2,663,162 | 768,942 |

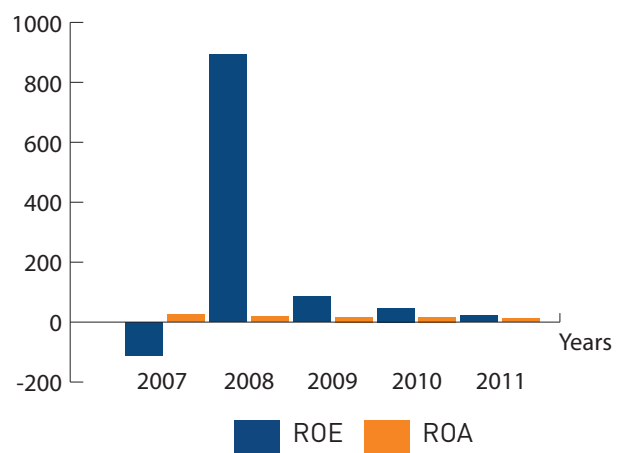
Operating Revenue & Net Profit



Return on Investment & Assets

| Years | ROE | ROA |
|-------|-------|-----|
| 2007 | -113% | 25% |
| 2008 | 894% | 20% |
| 2009 | 86% | 17% |
| 2010 | 47% | 17% |
| 2011 | 21% | 11% |

Return on Investment & Assets



General Manager's Report (cont'd)

10 Financial Report

Statement of Comprehensive Income (Extract)

| | 12 Months period ending 31.12.11 | 12 Months period ending 31.12.10 |
|---|--|--|
| Total Income | 4,269,433 | 4,224,292 |
| Total Expenses | (3,360,792) | (2,724,016) |
| Operating Profit before interest expenses | 908,641 | 1,500,276 |
| Operating profit % to Total Income | 21.28% | 35.52% |
| Interest Expenses | 139,699 | 187,288 |
| Net profit for the years | 768,942 | 1,312,988 |
| Net profit % to Total Income | 18.01% | 31.08% |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | 768,942 | 1,312,988 |
| % to Total Income | 18.01% | 31.08% |

Total Income reported as at 31st December 2011 increased by approximately 1% compared against same period last year. Increases were reported in rental income after rents were increased in 4 estates.

Total comprehensive income (net profit) for year 2011 however decreased by approximately 71% compared against same period last year. Total expenses increased by approximately 19% contributing to this reduction in profit. A significant increase in expenses was reported in building repairs and maintenance.

Statement of Financial Position (Extract)

| | 12 Months period ending 31.12.11 | 12 Months period ending 31.12.10 |
|-------------------------------------|--|--|
| Non Current Asset | 6,963,299 | 7,287,003 |
| Current Asset | 1,479,410 | 1,220,353 |
| Total Asset | 8,442,709 | 8,507,356 |
| Total Equity | 3,584,709 | 2,815,137 |
| Non Current Liabilities | 705,495 | 1,033,769 |
| Current Liabilities | 4,153,135 | 4,658,423 |
| Total Liabilities | 4,858,630 | 5,692,219 |
| Total Equity and Liabilities | 8,442,709 | 8,507,356 |

Non-Current assets reduced by approximately 5% as a result of depreciation whilst Current Assets increased by approximately 18%. Current Liability and Non-Current Liability reduced by approximately 12% and 47% respectively whereas total equity increased by approximately 21%. Total liabilities continue to decrease as a result of Government servicing the loan repayments on behalf of PRB.

General Manager's Report (cont'd)

Cash Flow

Net cash flow for the financial year ending 31st December 2011 was managed efficiently despite a difficult year. The cash and cash equivalent position increased by approximately 21%; as a result of increase in rental revenue after increasing rent charges in 4 estates.

11 Financial Ratio Analysis

Liquidity & Activity Analysis

Liquidity analysis measures the adequacy of the Board's cash resources to meet its near-term cash obligations. Activity analysis evaluates revenue and output generated by the Board's assets.

I. Current Ratio – Measures short-term debt obligations.

| | 2011 | 2010 |
|-----------------------------------|------|------|
| Current Asset/Current Liabilities | 0.36 | 0.26 |

The current ratio indicates that approximately 36% of current liabilities for financial year ending 2011 would be paid off upon liquidating 100% of current asset compared against 26% same period last year. Under normal circumstances this ratio should be at least 2:1. The Board's current ratio indicates that it lacks adequate cash to meet its short term debts and other obligations. A more conservative measure of liquidity is as follows:

| Quick Ratio | 2011 | 2010 |
|--|------|-------|
| Cash + marketable securities + accounts receivable/ Current Liabilities | 0.35 | 0.257 |

The current assets are referred to as "quick assets" because they can be quickly converted to cash.

II. Average No. of Days Receivables Outstanding – Measures the effectiveness of the Board's credit policies and indicates the level of investment in receivables needed to maintain a desired rental income level.

| Quick Ratio | 2011 | 2010 |
|---|------|------|
| Average No. of Days Receivables Outstanding | 14 | 18 |

Average collection days have improved by 4 days in the reporting year compared against the same period last year. This indicates PRB is becoming efficient on collecting rental income.

Long-Term Debt and Solvency Analysis

Examines the Board's capital structure, including the mix of financing sources and the ability of PRB to satisfy its longer-term debt and investment obligations.

III. Debt to Equity Ratio (financial leverage) – Measures how much money the Board should safely be able to borrow over long periods of time.

| | 2011 | 2010 |
|-------------------------|------|------|
| Total Debt/Total Equity | 1.36 | 2.02 |

General Manager's Report (cont'd)

The debt to equity ratio for financial year ending 2011 decreased compared against same period last year. This is mainly due to the decrease in debts (Fiji National Provident Fund – Housing Authority liability) and cushioned by an increase in total equity.

Profitability Analysis

Measures the income of the Board relative to revenue and invested capital.

IV.Return on Assets (ROA) – Measures how much profit is generated on every dollar of assets. This is a strong basis to gauge the asset intensity of the Board. It is probably one of the most useful measures of management's ability and efficiency in using the Board's assets to generate (operating) profits.

ROA is calculated using the formula: Earnings before Interest & Taxes / Total Assets

| | 2011 | 2010 |
|-------------------|------|------|
| Returns on Assets | 11% | 18% |

As a general rule, anything below 5% is more assets intensive whilst anything above 20% is less asset intensive. The above table indicates that the Board's ROA is less assets intensive.

V.Return on Equity (ROE) – Measures how much profit is earned in comparison with the total shareholder equity in balance sheet.

ROE is calculated using the formula: Net Profit / Total Equity

| | 2011 | 2010 |
|------------------|------|------|
| Return on Equity | 21% | 47% |

ROE decreased by approximately 45% compared against the same period for the previous year. It is generally accepted that a high return on equity is capable of generating cash internally. The required rate of return on equity ratio under the Public Enterprise Act is 10%.

VI.Profitability Ratio – Measures the percentage of profit made on income by the Board.

| | 2011 | 2010 |
|---------------------|------|------|
| Profitability Ratio | 18% | 31% |

The profitability ratio decreased for reporting financial year by approximately 58% compared to the same period in the previous year. This is mainly due to increase in expenses.

12 Human Resources, Payroll & Administration Report

Staff Personnel

Public Rental Board's personnel are divided into two categories of Established and Permanent Un-Established Staff. Staff costs continue to be a major expense for the Board. This comprises approximately 38% of the rental income in the current year. However, this percentage of staff cost against rental income would have been more (44%) if market rental were not subsidized by Government. Public Rental Board staff formation is tabulated below.

General Manager's Report (cont'd)

| Division | No. of Staff |
|-----------------------------|--------------|
| Executive | 2 |
| Finance and Administrations | 9 |
| Property | 17 |
| Un-Established | 18 |
| Total | 46 |

Traning

Training and development has been an ongoing challenge for the Board as it pursues the alignment of knowledge, skills and attitude of its workforce to new methods.

The Board ensures that relevant training and development of its workers are conducted at all levels of the organization. Performance gaps were identified during the Performance Management System's evaluation process in the reporting year and necessary actions taken in terms of training (mostly internal) in order to address these gaps. In addition to in-house training and workshops, employees also attended work related short courses conducted by various training institutions. Tabled below is a summary of 9 external training programs attended by 11 employees.

| Courses/Conference | Facilitator | No. of Participants (s) |
|----------------------------------|--------------|-------------------------|
| Carpentry General Class III | FNU | 1 |
| Carpentry General Class III | FNU | 1 |
| Advance Project Management | FNU | 1 |
| Carpentry General Class III | FNU | 1 |
| Managing Office Finance | FNU | 1 |
| Carpentry General Class III | FNU | 1 |
| The Supervisor | Prime Vision | 1 |
| Management Development Programme | FNU | 3 |
| Advanced Quantity Surveying | FNU | 1 |

13 Information & Communication Technology

The Board is currently using the Microsoft® Business Solutions – Navision® (4) as its main database system. All financial records with regard to tenants and reports are generated using Nav 4. It is a fully integrated system which has enhanced work time and quality and timely information for better decision making. Further enhancements are made to Nav 4 as and when required.

Modules integrated in Nav 4 are listed as follows:

- Finance & Accounting
- Payroll & Accounting
- Fixed Assets Register
- Rental System (Debtors Subsidiary)
- Creditors System (Creditors Subsidiary)
- Development & Tendering
- Tenants Complaints

General Manager's Report (cont'd)

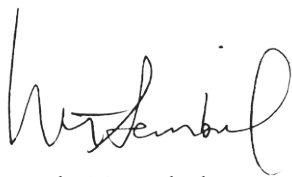
Acknowledgement

PRB remains committed to modernising the way it does business, so that the customers we serve receive the very best quality services, our employees develop professional skills and engage with the communities they serve, and our shareholders are appropriately rewarded for the support.

Having said the above, I acknowledge with appreciation the support given to Public Rental Board by the Minister for Local Government, Urban Development, Housing & Environment, his Permanent Secretary and staff together with other stakeholders who have worked closely with us. We acknowledge Government's continued support and financial assistance that has paved the way for PRB to reach a different milestone where the demand for rental properties is increasing.

Furthermore, I thank the Chairman and Board of Directors for their invaluable guidance and support to ensure we face adversities with diligence.

I also thank my colleagues in the Executive Management team for their continuous support and tireless contributions throughout the year. My sincere appreciation goes to all employees of the Board who continued to persevere in challenging circumstances. Our performance to date would not be possible without the skilled and committed management and staff. Their passion in the pursuit of delivering outstanding service is fundamental to the overall success of the organization.



Mesake T Senibulu
GENERAL MANAGER

Financial Statements

For the year ended
31 December 2011

**PUBLIC RENTAL BOARD
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011**

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PUBLIC RENTAL BOARD

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2011

In accordance with a resolution of the Board of Directors, the Directors herewith submit the statement of financial position of the Board as at 31 December 2011, the related statement of comprehensive income, statement of changes in equity and statement of cash flow for the year ended on that date and report as follows:

Directors

The directors of the Board during the financial year and up until the date of this report are:

| <i>Directors</i> | <i>Appointed</i> | <i>Served Until</i> |
|---------------------------------|------------------|---------------------|
| Mr. Mosese Tikoitoga - Chairman | Feb - 10 | - |
| Father Kevin Barr - Member | Jun - 11 | - |
| Mr. Adrian Sofield - Member | Sep - 10 | - |
| Mr. Ptetero Daurewa | Jun - 11 | - |
| Ms. Maraia Ubitau | Jun - 11 | - |
| Mr. Umarji Musa - Member | Sep - 10 | - |

Principal Activities

The principal activities of the Board during the course of the financial year were providing public rental housing to low income earners, estate services and building projects. There were no significant changes in the nature of activities of the Board during the year.

Results

The operating profit for the year was \$768,942 (2010: \$1,312,988).

Dividends

The Directors recommend that no dividends be declared or paid for the year.

Reserves

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

Bad Debts and Doubtful Debts

Prior to the completion of the Board's financial statements, the directors took reasonable steps to ascertain that action had been taken in relation to writing off bad debts. In the opinion of directors, the provision for doubtful debts is adequate.

As at the date of this report, the directors are not aware of any circumstances. Which would render the amount written off for bad debts inadequate to any substantial extent. would render the values attributed to non current assets in the Board's financial statements misleading.

PUBLIC RENTAL BOARD

DIRECTOR'S REPORT (cont'd)

YEAR ENDED 31 DECEMBER 2011

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 Board during the financial year were not substantially affected by 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 Board in the current financial year, other than those reflected in the financial statements.

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 members of the Board, to affect significantly the operations of the Board, the results of those operations, or the state of affairs of the Board, in subsequent financial years.

Other Circumstances

As at the date of this report:

- (i) no charge on the assets of the Board has been given since the end of the of the financial year to secure the liabilities of any other person;
- (ii) no contingent liabilities have arisen since the end of the financial year for which the Board could become liable; and
- (iii) no contingent liabilities or other liabilities of the Board has become or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the liability of the Board to meet its obligations as and when they fall due.

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

Directors' Benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than those included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements or received as the fixed salary of a full-time employee of the Board or of a related corporation) by reason of a contract made by the Board or by a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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

Dated this 21st day of December 2012.



Director



Director

PUBLIC RENTAL BOARD STATEMENT BY DIRECTORS YEAR ENDED 31 DECEMBER 2011

In accordance with a resolution of the Board of Directors of the Public Rental Board, we state that in the opinion of the directors:

- (i) the accompanying statement of comprehensive income of the Board is drawn up as to give a true and fair view of the results of the Board for the year ended 31 December 2011;
- (ii) the accompanying statement of changes in equity of the Board is drawn up so as to give a true and fair view of the changes in equity of the Board for the year ended 31 December 2011;
- (iii) the accompanying statement of financial position of the Board is drawn up so as to give a true and fair view of the state of affairs of the Board for the year ended 31 December 2011;
- (iv) the accompanying statement of cash flows of the Board is drawn up so as to give a true and fair view of the cash flows of the Board for the year ended 31 December 2011;
- (v) at the date of this statement there are reasonable grounds to believe the Board will be able to pay its debts as and when they fall due; and
- (vi) all related party transactions have been adequately recorded in the books of the Board.

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

Dated this 21st day of December 2012.



Director



Director



REPUBLIC OF THE FIJI ISLANDS
OFFICE OF THE AUDITOR GENERAL

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Excellence in Public Sector Auditing

Public Rental Board

Financial Statements for the Year Ended 31 December 2011

Independent Audit Report

I have audited the accompanying financial statements of Public Rental Board which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year ended and a summary of significant accounting policies and other explanatory information as set out in pages 11 – 23.

Director's and Management's Responsibility for the Financial Statements

The directors and management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the requirements of the Housing Act 1985 and the Public Enterprise Act 1996. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express my opinion on these financial statements based on the audit. I have conducted the audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence above the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Audit Opinion

In my opinion:

- (a) proper books of account have been kept by the Public Rental Board, so far as it appears from my examination of those books; and
- (i) are in agreement with the books of account;
- (ii) to the best of my information and according to the explanation given to me:
- give a true fair view of the state of affairs of the Public Rental Board as at 31 December 2011 and of its financial performance, changes in equity and its cash flows for the year ended on that date; and
 - give the information required by the Housing Act 1985 and Public Enterprise Act 1996, in the manner so required.



Tevita Bolanavanua
AUDITOR GENERAL

Suva, Fiji
24 December 2012



PUBLIC RENTAL BOARD

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2011

| | Notes | 2011 | 2010 |
|--|-------|-------------|-------------|
| | | \$ | \$ |
| Revenue | | | |
| Rental revenue | | 2,581,457 | 2,390,500 |
| Other operating income | 2 | 1,681,421 | 1,774,164 |
| Interest revenue | 5 | 6,555 | 59,628 |
| | | 4,269,433 | 4,224,292 |
| Expenses | | | |
| Amortisation and depreciation expenses | | (380,724) | (372,857) |
| Employee benefit expense | 3 | (969,153) | (915,077) |
| Other operating expenses | 4 | (2,010,914) | (1,436,082) |
| | | (3,360,792) | (2,724,016) |
| | | | |
| Profit from operations | | 908,641 | 1,500,276 |
| Finance cost | 5 | (139,699) | (187,288) |
| Net profit for the year | | 768,942 | 1,312,988 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 768,942 | 1,312,988 |

The accompanying notes form an integral part of this Statement of Comprehensive Income.

PUBLIC RENTAL BOARD

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2011

| | 2011 | 2010 |
|--------------------------------------|------------------|------------------|
| | \$ | \$ |
| Government equity | | |
| Balance at the beginning of the year | 695,810 | 695,810 |
| Additions during the year | - | - |
| Balance at the end of the year | 695,810 | 695,810 |
| Accumulated losses | | |
| Balance at the beginning of the year | 2,119,327 | 806,339 |
| Net profit for the year | 768,942 | 1,312,988 |
| Total available for appropriation | 2,888,269 | 2,119,327 |
| Dividends paid or proposed | - | - |
| Balance at the end of the year | 2,888,269 | 2,119,327 |
| Total Equity | 3,584,079 | 2,815,137 |

The accompanying notes form an integral part of this Statement of Changes in Equity.

PUBLIC RENTAL BOARD

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

| | Notes | 2011 | 2010 |
|-------------------------------------|-------|------------------|------------------|
| | | \$ | \$ |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 6,877,359 | 7,210,805 |
| Intangible asset | 7 | 8,245 | 768 |
| Investments | | 77,695 | 75,430 |
| | | 6,963,299 | 7,287,003 |
| Current assets | | | |
| Cash and short term deposits | 8 | 1,365,234 | 1,076,676 |
| Rent receivables | 9 | 102,290 | 120,928 |
| Inventories | 10 | 1,578 | 1,049 |
| Prepayments and other assets | 11 | 10,308 | 21,700 |
| | | 1,479,410 | 1,220,353 |
| TOTAL ASSETS | | 8,442,709 | 8,507,356 |
| Equity and Liabilities | | | |
| Capital and reserves | | | |
| Government equity | | 695,810 | 695,810 |
| Accumulated profit/(losses) | | 2,888,269 | 2,119,327 |
| Total equity | | 3,584,079 | 2,815,137 |
| Non-current liabilities | | | |
| Deferred revenue | 12 | 705,495 | 524,162 |
| Interest bearing debt | 13 | - | 509,634 |
| | | 705,495 | 1,033,796 |
| Current liabilities | | | |
| Trade payables and accruals | 14 | 2,361,799 | 1,973,667 |
| Interest bearing debts | 13 | 1,524,346 | 2,450,818 |
| Deferred revenue | 12 | 57,625 | 43,833 |
| Employee entitlements | 15 | 209,365 | 190,105 |
| | | 4,153,135 | 4,658,423 |
| Total liabilities | | 4,858,630 | 5,692,219 |
| TOTAL EQUITY AND LIABILITIES | | 8,442,709 | 8,507,356 |

The accompanying notes form an integral part of this Statement of Financial Position.

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



Director



Director

PUBLIC RENTAL BOARD

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2011

| | | 2011 | 2010 |
|---|----------|--------------------|--------------------|
| | | Inflows/(Outflows) | Inflows/(Outflows) |
| | Notes | \$ | \$ |
| Operating activities | | | |
| Government grant | | 1,548,646 | 1,620,670 |
| Receipts from customers | | 2,928,248 | 2,458,925 |
| Payments to suppliers and employees | | (2,566,477) | (2,153,166) |
| Interest pain | | (139,699) | (187,288) |
| Interest received | | 6,555 | 59,628 |
| Cash flows from operating activities | | 1,777,273 | 1,798,769 |
| Investing activities | | | |
| Payments for property, plant and equipment | | (50,345) | (235,856) |
| Payments for investments | | (2,264) | (75,430) |
| Cash flows from investing activities | | (52,609) | (311,286) |
| Financing activities | | | |
| Repayment of borrowings | | (1,436,106) | (2,417,529) |
| Cash flows from financing activities | | (1,436,106) | (2,417,529) |
| Net increase/ (decrease) in cash and cash | | 288,558 | (930,046) |
| Cash and cash equivalents at the beginning of the year | | 1,076,676 | 2,006,722 |
| Cash and cash equivalents at the end of the year | 8 | 1,365,234 | 1,076,676 |

The accompanying notes form an integral part of the Statement of Cash Flows.

PUBLIC RENTAL BOARD

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

1.0 Corporate Information

The Public Rental Board (“the Board”) is a fully owned Government of Fiji entity domiciled in Fiji. The financial statements were authorized for issue in accordance with a resolution of the directors on 21/12/12. The principal activities of the Board are described in Note 18.

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.

Statement of compliance

The financial statements of Public Rental Board have been in accordance with International Financial Reporting Standards (“IFRS”).

Going concern

The financial statements have been on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and settlement of liabilities in the ordinary course of business.

Borrowings of the Board that are utilized to fund its ongoing operations are guaranteed by the Government of Fiji and on the basis, the Board is satisfied that it will continue as a going concern and will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the classification of liabilities that may be necessary if the Board is unable to continue as a going concern.

IAS I Presentation of Financial Statements

This standard requires the Board to make new disclosures to enable users of the financial statements to evaluate the Board’s objectives, policies and processes for managing capital. These new disclosures are shown in Note 20.

1.2 Significant accounting judgments, estimates and assumptions

The preparation of the Board’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expense, 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 Board’s accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements:

Operating Lease Commitments

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

PUBLIC RENTAL BOARD

NOTES TO FINANCIAL STATEMENTS (cont'd)

YEAR ENDED 31 DECEMBER 2011

Estimation and assumptions

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

Impairment of non financial assets

The Board assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

1.3 Summary of significant accounting policies

a) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria is met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. 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:

| | |
|-----------------------------------|--|
| Leasehold land | Over period of lease |
| Building | Over their estimated remaining useful life |
| Furniture, fittings and equipment | 20% |
| Motor vehicles | 20% |
| Office premises | 2.5% |

An item of property, plant and equipment is derecognized 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 the profit or loss in the year the asset is recognized. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

b) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit and loss in the year in which the expenditure is incurred.

The useful lives of intangible assets for the Board are assessed to be finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is renewed at least at each financial year end.

PUBLIC RENTAL BOARD

NOTES TO FINANCIAL STATEMENTS (cont'd) YEAR ENDED 31 DECEMBER 2011

Changes in the expected useful life or expected pattern of consumption in future economic benefits embodied in the asset is accounted by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible assets.

Gain or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognised.

c) Impairment of non financial assets

The Board assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Board estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-engineering units fair value less costs to sell and its value in use 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.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Board makes an estimate of recoverable amount. A previously recognized 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 recognized. 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 recognized for the asset in prior years. Such a reversal is recognized in the income statement.

d) Rent receivables

Rent receivables are recognized on an accrual basis and are stated at cost less impairment losses (doubtful debts). Gains or losses are recognized in profit or loss when the receivables are derecognized or impaired, as well as through the amortization process. Bad debts are written-off as incurred.

e) Inventories

Inventories include items held for general repairs and maintenance of the Board's properties and are valued at the lower of cost and net realizable value. Cost has been determined on the basis of the "first-in-first-out" principle and includes expenditure incurred in acquiring the inventories and bringing it to its existing condition and location. Provision for inventory obsolescence is created for obsolete inventory items.

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.

PUBIC RENTAL BOARD

NOTES TO FINANCIAL STATEMENTS (cont'd)

YEAR ENDED 31 DECEMBER 2011

g) Financial liabilities

Interest bearing loans and borrowings

All loans and borrowing are initially recognized at fair value less directly attributable transaction costs, and have not been designated 'as at fair value through profit or loss'.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in profit or loss when the liabilities are derecognized as well as through the amortization process.

h) Provisions

Provisions are recognized when the Board has a present obligation (legal or constructive) is a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

When the Board expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when reimbursement is virtually certain. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

i) Employee entitlements

Employee entitlements relating to wages, salaries, annual leave, sick leave, long service leave and retirement benefit represents the amount which the Board has a present obligation to pay resulting from the employee's services provided up to balance date.

Wages and salaries, sick leave and annual leave

Liabilities for wages and salaries and annual leave are recognized, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employee's services up to that date.

Provision for long service leave

A liability for long service leave is recognized, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Retirement Provision

Provision for retirement leave have been calculated on an actuarial basis, based on the present value of expected future entitlements.

PUBIC RENTAL BOARD

NOTES TO FINANCIAL STATEMENTS (cont'd) YEAR ENDED 31 DECEMBER 2011

j) 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 use to the asset.

Board as a lessee

Finance leases, which transfer to the Board 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 the 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 Board will obtain ownership by the end of the lease term.

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

Board as a lessor

Leases where the Board does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

k) Taxes

The Board is exempt from income tax under Section 26 of the Housing Act (Cap. 267) and the Housing (Amendment) Decree No. 12 (1989).

l) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost (inclusive of VAT where applicable) which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the entity. Amounts payable that have been denominated in foreign currencies have been translated to local currency using the rates of exchange ruling at the end of the financial year.

m) Revenue recognition

Revenue is recognized to the extent that it is possible that the economic benefit will flow to the entity and the revenue will be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Rental income

Rental income represents income from providing and managing the Board's properties to low income earning families. Rental income is recognized on an actual basis.

PUBLIC RENTAL BOARD

NOTES TO FINANCIAL STATEMENTS (cont'd) YEAR ENDED 31 DECEMBER 2011

Government grant

The Government provides an annual grant to the Board to subsidise rental payments for tenants. Any grants that are not utilized at year end are shown as a liability until such time as they are applied. The Government grant takes the following forms:

- i) Social cost grant
Fund received from the Government are applied to subsidise the social cost that is incurred by the Board in levying rental below market rates. The amount is recognized directly in the profit or loss as revenue when the grant is received.
- ii) Rent subsidy grant
Fund received from Government to subsidy the rental charges levied by the Board to tenants. The grant is allocated to specific tenant accounts on a progressive basis on the level of income earned by tenants.
- iii) Deferred grant
Any other government grant is recognized in the statement of financial position initially as deferred income when there is reasonable assurance that it will be received and that the Board will comply with the conditions attaching to it. Grants that compensate the Board for the cost of an asset are recognized in the profit or loss as revenue on a systematic basis over the useful life of the asset.

n) Net financing cost

Net financing costs comprise of bank charges, interest received and interest paid and payable on borrowings and are recognized in the profit or loss.

| | 2011 | 2010 |
|---|-----------|-----------|
| | \$ | \$ |
| 2. Other operating income | | |
| Government grants | 1,548,646 | 1,620,670 |
| Amortisation of deferred revenue from government grants | 57,625 | 40,127 |
| Gain on sale of property, plant and equipment | - | 59,000 |
| Other income | 75,151 | 54,367 |
| | 1,681,421 | 1,774,164 |

| 3. Employee benefit expense | | |
|------------------------------------|---------|---------|
| Salaries and wages | 834,104 | 786,530 |
| FNPF contributions | 80,396 | 73,373 |
| TPAF levy | - | 9,352 |
| Other | 54,653 | 45,822 |
| | 969,153 | 915,077 |

The number of employees at the end of the financial year was 46 (2010 : 44)

PUBIC RENTAL BOARD**NOTES TO FINANCIAL STATEMENTS (cont'd)
YEAR ENDED 31 DECEMBER 2011**

| | 2011 | 2010 |
|---|-------------|-------------|
| 4. Other operating income | \$ | \$ |
| Auditors remuneration - audit fees | 13,500 | 13,500 |
| Bad and doubtful debts | 19,676 | 18,056 |
| Insurance | 24,028 | 15,496 |
| Repairs and maintenance | 909,323 | 925,176 |
| Others | 1,044,388 | 463,854 |
| | 2,010,914 | 1,436,082 |
| | | |
| 5. Net financing cost | | |
| Interest income | (6,554) | (59,628) |
| Interest expenses | 139,699 | 187,288 |
| Total costs | 133,145 | 127,660 |
| | | |
| 6. Property, plant and equipment | | |
| <i>Land and Buildings</i> | | |
| <i>Cost:</i> | | |
| At 1 January | 14,961,899 | 14,968,996 |
| Transfer from Work in progress | 77,107 | 54,227 |
| Additions | - | (61,324) |
| Disposals | - | - |
| At 31 December | 15,039,006 | 14,961,899 |
| <i>Depreciation and impairment</i> | | |
| At 1 January | 8,856,410 | 8,568,748 |
| Depreciation charge for the year | 268,632 | 287,622 |
| Disposals | | - |
| At 31 December | 9,125,042 | 8,856,410 |
| Net book value | 5,913,964 | 6,105,489 |

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS (cont'd)
YEAR ENDED 31 DECEMBER 2011

| | 2011 | 2010 |
|-------------------------------------|----------|---------|
| | \$ | \$ |
| <i>Office premises</i> | | |
| <i>Cost:</i> | | |
| At 1 January | 171,071 | 169,222 |
| Transfer from Work in progress | - | - |
| Additions | - | 1,849 |
| Disposals | - | - |
| At 31 December | 171,071 | 171,071 |
| | | |
| <i>Depreciation and impairment</i> | | |
| At 1 January | 91,194 | 87,022 |
| Depreciation charge for the year | 4,243 | 4,662 |
| Disposals | - | (490) |
| At 31 December | 95,437 | 91,194 |
| Net book value | 75,634 | 79,877 |
| | | |
| <i>Motor Vehicles</i> | | |
| <i>Cost:</i> | | |
| At 1 January | 632,474 | 412,274 |
| Transfer from work in progress | - | - |
| Additions | - | 220,200 |
| Disposals | 1,363.00 | - |
| At 31 December | 633,837 | 632,474 |
| <i>Depreciation and impairments</i> | | |
| At 1 January | 302,736 | 248,728 |
| Depreciation charge for the year | 82,575 | 54,008 |
| Disposals | | - |
| At 31 December | 385,311 | 302,736 |
| Net book value | 248,526 | 329,738 |

PUBIC RENTAL BOARD

NOTES TO FINANCIAL STATEMENTS (cont'd)

YEAR ENDED 31 DECEMBER 2011

| | \$ | \$ |
|------------------------------------|-----------|-----------|
| <i>Furniture and fittings</i> | | |
| <i>Cost:</i> | | |
| At 1 January | 818,531 | 805,912 |
| Transfer from work in progress | - | - |
| Additions | 22,595 | 12,619 |
| Disposals | (1,477) | - |
| At 31 December | 839,649 | 818,531 |
| <i>Depreciation and impairment</i> | | |
| At 1 January | 476,068 | 449,544 |
| Depreciation charge for the year | 22,771 | 26,524 |
| Disposals/Additions | - | - |
| At 31 December | 498,839 | 476,068 |
| Net book value | 340,810 | 342,463 |
| <i>Work in Progress</i> | | |
| <i>Cost:</i> | | |
| At 1 January | 353,238 | 268,444 |
| Transfer to land and buildings | (77,107) | (54,227) |
| Additions | 30,511 | 121,021 |
| Disposals | (9,967) | - |
| Net book value | 296,675 | 353,238 |
| <i>Other Long Term Assets</i> | | |
| Security Deposit - FEA | 1,750 | - |
| Net book value | 6,877,359 | 7,210,805 |

PUBLIC RENTAL BOARD**NOTES TO FINANCIAL STATEMENTS (cont'd)
YEAR ENDED 31 DECEMBER 2011**

| | 2011 | 2010 |
|---|-----------|-----------|
| 7. Intangible asset | \$ | \$ |
| Cost: | | |
| At 1 January | 768 | 5,546 |
| Additions | 9,980 | - |
| At 31 December | 10,748 | 5,546 |
| Additions | - | - |
| At 31 Dcember | 10,748 | 5,546 |
| | | |
| <i>Less amortisation and important:</i> | | |
| At 1 January | | 4,447 |
| Amortisation | 2,503 | 331 |
| At 31 December | 2,503 | 4,778 |
| Amortisation | - | - |
| At 31 December | 2,503 | 4,778 |
| | | |
| <i>Net book value:</i> | | |
| At 31 December | 8,245 | 768 |
| At 31 December | 8,245 | 768 |

8. Cash and short term deposits

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investment in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

| | \$ | \$ |
|---------------------|-----------|-----------|
| Cash | 265,234 | 1,076,676 |
| Short term deposits | 1,100,000 | - |
| | 1,365,234 | 1,076,676 |

PUBIC RENTAL BOARD

NOTES TO FINANCIAL STATEMENTS (cont'd)

YEAR ENDED 31 DECEMBER 2011

| 9. Rent receivables | \$ | \$ |
|-----------------------------------|---------|---------|
| Rent receivable | 141,833 | 160,610 |
| Less provision for Doubtful Debts | 39,543 | 39,682 |
| | 102,290 | 120,928 |

As at 31 December 2011 rent receivables at nominal value of \$141,833 (2010: \$160,610) were impaired and fully provided for.

Movement in the provision for impairment of receivables were as follows:

| | \$ | \$ |
|------------------------|--------|---------|
| At 1 January | | |
| Charge for the year | 29,682 | 46,703 |
| Utilized | - | - |
| Unused amount reversed | (139) | (7,021) |
| At 31 December | 39,543 | 39,682 |

At 31 December, the ageing analysis of rent receivables is as follows:

| | 2011 \$ | 2010 \$ |
|------------|------------|------------|
| Current | 38,915 | 48,249 |
| 30-60 days | (12,521) | 19,596 |
| 61-90 days | 37,087 | 19,507 |
| > 90 days | 78,352 | 73,258 |
| | 141,833 | 160,610 |

| 10. Inventories | \$ | \$ |
|-----------------------|-------|-------|
| Inventories - at cost | 1,578 | 1,049 |

PUBLIC RENTAL BOARD

NOTES TO FINANCIAL STATEMENTS (cont'd) YEAR ENDED 31 DECEMBER 2011

| 11. Prepayments and other assets | \$ | \$ |
|----------------------------------|---------|---------|
| Prepayments | 4,753 | 9,278 |
| Interest receivables | 3,116 | 9,404 |
| Sundry receivables | 2,439 | 3,018 |
| Subsidy receivable | - | - |
| | 10,308 | 21,700 |
| | | |
| 12. Deferred revenue | | |
| Current | 57,625 | 43,833 |
| Non Current | 705,495 | 524,162 |
| | 763,120 | 567,995 |

Deferred revenue relates to grant received from the Government for the construction of the Kaukimoce, Newtown stage 2, Kia Street, Newtown stage 3 and Raiwaqa flats in 1997, community halls at Vakatora in 2005, Vunimoli and Natokowaqa in 2008 and Kalabu in 2009, Newtown, Simla and Golf Link Community Halls in 2011. Revenue is brought to account over the periods necessary to match the related cost of the buildings.

| 13. Interest bearing debt | | |
|---------------------------|-----------|-----------|
| <i>Current</i> | | |
| Housing Authority bond | 1,014,712 | 1,014,712 |
| Housing Authority loans | 509,634 | 1,436,106 |
| Promissory notes | - | - |
| | 1,524,346 | 2,450,818 |
| <i>Non current</i> | | |
| Housing Authority loans | - | 509,634 |
| | 1,524,346 | 2,960,452 |

The promissory notes are guaranteed by the Government of the Republic of Fiji under the Public Rental Board Guarantee Decree No. 8, 1990.

The terms owing to Housing Authority but ultimately to the Fiji National Provident Fund (FNPF), are guaranteed by the Government of the Republic of Fiji under the Public Rental Board loan Guarantee decree No. 9, (1990). The term loans were transferred from the Housing Authority in 1989 and are payable in biannual installment over twenty years, including interest 7.095% and 8.375%.

The Housing Authority bond is due and payable to the Government of the Republic of Fiji.

PUBIC RENTAL BOARD

NOTES TO FINANCIAL STATEMENTS (cont'd)

YEAR ENDED 31 DECEMBER 2011

| | 2011 | 2010 |
|--|-----------|-----------|
| 14. Trade payables and accruals | \$ | \$ |
| Trade creditors and accruals | 978,143 | 433,138 |
| Consultancy | 30,300 | 60,519 |
| Rental deposits | 242,250 | 233,967 |
| Credit balance in receivables | 687,764 | 700,703 |
| Unallocated subsidy | 423,643 | 545,340 |
| | 2,361,799 | 1,973,667 |

The table below summarizes the maturity profile of the Board's financial liabilities at 31 December 2011 and 31 December 2010 based on contractual undiscounted payments. This includes the interest bearing borrowings and the trade payables and accruals.

| | | |
|-------------------------|-----------|-----------|
| On demand | 2,089,549 | 1,739,700 |
| 3 to 12 months | 1,554,346 | 2,450,818 |
| 1 to 5 years | 242,250 | 743,601 |
| Total | 3,886,145 | 4,934,119 |
| | | |
| 15. Provisions | | |
| At 1 January | 190,105 | 220,641 |
| Arising during the year | - | - |
| Utilised | 19,260 | - |
| Unused amount reversed | - | (30,536) |
| At 31 December | 209,365 | 190,105 |

16. Related parties

(a) Identify of related parties

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

| | Appointed | Served Until |
|---------------------------------|-----------|--------------|
| Mr. Mosese Tikoitoga – Chairman | Feb - 10 | - |
| Father Kevin Barr – Member | Jun - 11 | - |
| Adrian Sofield – Member | Sep - 10 | - |
| Mr. Umarji Musa – Member | Sep - 10 | - |
| Mr. Petero Daurewa – Member | Jun - 11 | - |
| Ms. Maraia Ubitau – Member | Jun - 11 | - |

PUBLIC RENTAL BOARD

NOTES TO FINANCIAL STATEMENTS (cont'd)

YEAR ENDED 31 DECEMBER 2011

(b) Transactions with related parties

Transactions with related parties during the year ended 31 December 2011 with approximate transaction value are summarized as follows:

| | | |
|---|--------------|-----------|
| Board expenses and allowances | 42,328 | 38,909 |
| Amount owing to the Government for FNPF Bond | 1,014,712 | 1,014,712 |
| Amount owing to the Government for FNPF Loan | (i) 509,634 | 3,363,269 |
| Government grant received to subsidise rental | (ii) 958,000 | 938,128 |

- (i) The Government made the payment on behalf of the Board towards the Housing Authority loans ultimately payable to FNPF of \$1,548,647 (2010:\$1,620,670).
- (ii) The Government grant of \$958,000 were directed towards rental subsidy of \$472,847 (2010: \$110,714) remains which may be used for capital expenditure after getting a variation signed by Minister.

(c) Compensation of key management personnel

| | | |
|------------------------------|----------------|----------------|
| Short term employee benefits | 186,786 | 199,335 |
| | <u>186,786</u> | <u>199,335</u> |

17. Commitments and contingent liabilities

(a) Capital Expenditure commitments

(b) Contingent liabilities

(c) Operating lease commitments

| | |
|----------|----------|
| - | - |
| <u>-</u> | <u>-</u> |

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

| | | |
|---|------------------|------------------|
| Not later than one year | 29,832 | 39,554 |
| Later than one year but not later than five years | 140,882 | 158,216 |
| Later than 5 years | 2,020,909 | 2,175,473 |
| | <u>2,191,623</u> | <u>2,373,243</u> |

The Board has various lease commitments for leasehold land. The leases typically run for a period of between sixteen and ninety nine years. It is not certain whether the land leases will offer an option of renewal after maturity. The annual lease rentals recognized as an expense in the income statement amount to \$29,832 (2010: \$ 39,554).

PUBIC RENTAL BOARD

NOTES TO FINANCIAL STATEMENTS (cont'd)

YEAR ENDED 31 DECEMBER 2011

18. Principal activities

The principal activities of the Board during the course of the financial year were providing public rental housing to low income earners, estate services and building projects. There were no significant changes in the nature of activities of the Board during the year.

19. Registered office

The boards head office is located at 132 Grantham Road, Raiwaqa.

20. Financial risk management objectives and policies

The principal financial liabilities compromise interest bearing borrowings and trade payables. The main purpose of these financial liabilities is to raise finance for the Board's operations. The Board has various financial assets such as trade receivable and cash, which arise directly from its operations.

The main risk arising from the Board's financial statements are interest rate risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

Interest rate risk

The Board's exposure to the risk of changes in the market interest rates relates primarily to the Board's interest bearing debt. The level of debt is disclosed in Note 13.

The following sensitivity analysis is based on the internet risk exposures in existence at the balance date:

| | (Increase/ decrease in interest rate) | (Effect on profit before tax) |
|------|--|--------------------------------------|
| 2011 | +10% | (655) |
| | -10% | 655 |
| 2010 | +10% | (5,963) |
| | -10% | 5,963 |

Credit risk

It is the Boards policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on going basis with the result that the Board's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Board.

PUBLIC RENTAL BOARD

NOTES TO FINANCIAL STATEMENTS (cont'd)

YEAR ENDED 31 DECEMBER 2011

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


| | Carrying Amount | |
|------------------------------|------------------------|------------------|
| | 2011 | 2010 |
| | \$ | \$ |
| Cash and cash equivalents | 265,234 | 1,076,676 |
| Trade and other receivables | 153,720 | 143,677 |
| Held-to-maturity investments | 1,177,695 | 71,000 |
| | 1,596,649 | 1,291,353 |

21. Subsequent Events


There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Board, the results of those operations or the state of affairs of the Board in the subsequent financial period.

NOTES





The Public Rental Board exists to provide affordable quality rental housing for its customers, and it is through this vision that the theme of the 2011 Annual Report was conceptualised. Simply put, PRB brings people and places together. Inspired by this idea, graphic elements like interconnecting lines and other shapes were used in the report. To connote housing and shelter, geometric shapes such as the triangle were used in different forms to create meaningful design in the pages of this report. Blocks of strong and bold colors like red, blue and yellow were also chosen to represent PRB's goal of being the leader and authority in the field of rental housing.

Public
RENT  L
Board

Public Rental Board

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