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LETTER TO THE MINISTER

22 August 2005

The Honourable Colonel Pio Wong
Minister for Local Government, Housing, Squatter Settlement and Environment
P O Box 2131
Government Buildings
SUVA

Dear Honourable Minister

Re: 2004 ANNUAL REPORT

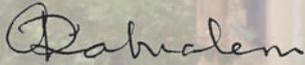
The Annual report of Public Rental Board for the year ended 31st December 2004 is presented herewith as required by section 21 of the Housing Act Cap 267.

As with previous reports, the Board acknowledges Government's commitment in meeting the social cost of taking care of the financially disadvantaged tenants through the payment of annual rent subsidy grant.

The Board looks forward to working in close partnership with Government in the construction of new rental units in the coming years.

The Members of the Board also extend their appreciation for the opportunity to work with Government in the delivery of rental flat service to low-income earners.

Yours Sincerely



Dr. Akanisi Tabualevu
Chairperson





BOARD MEMBERS 2004



DR. AKANISI TABUALEVU (CHAIRPERSON)

Appointed to the board in February 2005.
Dr. Tabualevu is currently the Head of School of Humanities at the University of the South Pacific.



MS. Kiri Naigulevu

Appointed to the Board in February 2005.
Ms. Naigulevu is a Tutor/Lecturer for School of Commerce at the Fiji Institute of Technology.



Mr. Frederic Archari

Appointed to the Board in February 2005.
Mr. Archari is a retired Senior civil servant who is currently a referee at the Small Claims Tribunal.



Mr. Alipate Naiorosui

Appointed to the Board in February 2005.
Mr. Naiorosui is the Chief Executive Officer for Housing Authority.



Mr. Netani Vosa

Appointed to the Board in July 1993.
Mr. Vosa is the Manager for Debt and Cashflow Management Unit for the Ministry for Finance and National Planning.



Mr. Cama Tuiroma

Appointed to the Board in January 2004.
Mr. Tuiroma is the Chief Executive Officer for the Ministry of Local Government, Housing, Squatter Settlement and Environment.



Ms. Ana Naivakasoro

Appointed to the Board in February 2005.
Ms Naivakasoro is the Manager Public Enterprises for Ministry of Public Enterprises and Public Sector Reform.

CHAIRPERSON'S REPORT'S REPORT

Public Rental Board (PRB) was established in 1989 under the Housing (Amendment) Decree No. 12 of 1989 to provide affordable rental accommodation to low income earners on a transitional basis without incurring a loss. Since its establishment, the Board has endeavored to perform its function as a provider of affordable rental flats to its customers. In spite of the inherited financial setback that the board has to contend with, PRB has come a long way in its committed effort to achieve its organizational goals together with its social obligations.



Profitability

Profit increase at \$849,882 (2003: \$778,226); reasons:

- * Increase in rental revenue
- * Other revenue slight increase
- * Decrease in net financing cost

Though entity is technically insolvent, status improving (from \$8,895,922 to \$8,136,110 (2003, 2004) reason:

- * Increase in operating profit (to be noted that bulk of profit was through government payment of fnpf loans; these were inherited loans as at the separation from HA).

Collection of rents improved: reduction of overall arrears from \$496,135 (2003) to \$491,094 (2004). Active accounts arrears were however reduced by \$14,238 for the same period largely due to improvement in efficiency.

Development

5 units completed at Kalabo, Nasinu (rental of \$40/wk) and 43 under construction at MacFarlane Road, Raiwai (rents pegged at \$80/week). Additional 90 are on plan approval processing stage for Kia Street, Raiwai and Votualevu, Nadi (on existing PRB properties).

Sale

Promotion of home ownership through sale of flats to sitting tenants has the downside to the entity in terms of rental revenue foregone from concerned flats and furthermore decreases number in low cost rental housing. Sale of 150 flats at Grantham Road and Kia Street is continuing with 26 sales concluded so far.

Four - Storey Buildings

Four storey structures at Raiwaqa and Raiwai have been determined to be below acceptable standards in an earth quake situation. Concerned tenants have been advised to vacate and the Board from March 2004 ceased collection of rents from tenants to lessen liability in the event consequential events result in injury or loss of lives. Government's assistance is required for relocation as the Board does not have the financial ability to handle it on its own.

Future

A customized Performance Management System has been developed with participation of Union. Implementation will greatly improve total efficiency and productivity of the organization. Linked with a requisite computerized information system, reporting targets and monitoring of outputs will be made available for further improvement in efficiency and productivity.

KPMG Consultants have identified that PRB is losing about \$700,000 in rental revenue by not charging market rents to tenants. This is a social subsidy. In year 2005, the Board will charge market rent which is to be subsidized by government however over the years to be paid by tenants.

Insolvent status: anticipate this to be removed through government assistance. Negotiations are firmly in progress with government.

Dr. Akanisi Tabualevu
Chairperson



MANAGEMENT REPORT



Performance of Public Rental Board continues to improve. In terms of housing stock, five units were completed in 2004 and additional forty three commenced construction during the year. Active arrears were reduced by 9% in December 2004 as compared to the same period in 2003. Likewise, vacated arrears were reduced by 18% in December 2004 compared to the same period in 2003. Initiation for further reduction of vacated arrears through debts write-off or collection by private bailiffs will see more improvement in this area.

Being the single largest player in provision of rental accommodation especially to urbanised low income workers, it is imperative that community based environment is created for families. Enhancement through involvement of tenants in setting up of local committees and beautification programmes has paid dividends in tenants taking ownership towards improvement of surroundings.

Community halls play a vital role in fostering social interaction of tenants; the commencement of construction of hall at an estate in Lautoka during the year brings to around 40% of estates with this facility. Collaborative work with Save the Children Fiji in the use of community halls for early education has been commended for its success.

Property

Rental Revenue

The actual rent charge for year 2004 was computed at \$1,730,625.05. The Board through its rental collection initiative collected \$1,387,923.00 against the total collectable rent of \$1,130,947.00. The actual rent collected over the total rent charge is 80%.

General Maintenance

For the year 2004 general maintenance was carried out in the following estates.

Estates	No of Flats	Total cost	Contractor
Macfarlane	36	\$ 48,193	PRB Maintenance Unit
Natokowaqa	138	\$181,000	Continental
Savusavu	25	\$ 62,500	Prem's Construction

General upgrading works as at above estates is part of a seven-year maintenance program adopted in year 2000 by the Board. The first cycle of general maintenance should be completed by year 2006. The three estates completed in 2004 brought the total estates maintained to thirteen.

Demand for Rental Accommodation

There is increasing demand for rental accommodation particularly in the Central Division and Nadi area in the Western Division. Concentration for new developments in these areas will somewhat address the need. Public Rental Board is working in consultation with stakeholders for provision of land for development.

Rent Subsidy

Subsidy assistance is allocated to deserving tenants based on tenants' Gross weekly income in accordance with current subsidy allocations criteria. Some 983 financially disadvantaged tenants received a total of \$499,323 subsidy assistance in 2004.

Allocations criteria

- Income Range \$0 to \$64, Tenant pays rate of 5% weekly HI Level
- Income Range \$65 to \$80, Tenant pays rate of 10% weekly HI Level
- Income Range \$81 to \$100, Tenant pays rate of 15% weekly HI Level
- Income Range \$101 to \$125, Tenant pays rate of 20% weekly HI Level
- Income Range \$126 to \$150, Tenant pays rate of 25% weekly HI Level

Development and Construction

The Board in its effort to provide more rental units had identified vacant sites for development within Public Rental Board estates at McFarlane road, Kia street, Namaka estate and Kalabu. Completion of five units at Kalabu has brought the rental accommodation stock to 1745 units. Commencement of construction of forty three units at MacFarlane Road during the year will further increase supply; processing of plans for the other two areas are in their final stages of approval and construction is to commence in year 2005.

Home Ownership

In line with Government's policy for home ownership, the Board approved sale of 72 units at Grantham Road and 78 units at Kia Street estates. Ninety six titles have been registered; remaining fifty four to be issued with unit titles are pending registration at the Titles office. Sitting tenants of these flats have been given first opportunity to purchase. As at December 2004, thirteen units were settled at Grantham Road and 3 at Kia Street. Remainder of sales is expected to be completed by 2005.

Financial

Profit & Loss

	12 months period ending 31-12-04	12 months period ending 31-12-03 (Restated)
Total Income	3,794,250	3,769,372
Operating Profit before interest expenses	1,438,648	1,607,279
% to Total Income	37.92%	42.64%
Interest Expenses	677,471	888,744
Operating profit after abnormal items & before income tax	849,882	778,226
% to Total Income	22.40%	20.65%
Operating Profit after income tax	849,882	778,226
% to Total Income	22.40%	20.65%
Accumulated funds at the beginning of the financial year	(13,071,045)	(13,849,271)
Dividend Payable	-	-
Accumulated funds at the end of the year	(12,221,163)	(13,071,045)



Total Income for the Board has increased from \$3,769,372 to \$3,794,250 for the financial year 2004. This increase is due to increase in rental income and other income from the sale of flats. The net profit for financial year ending 2004 is \$849,882. Government has continued to pay long term loans inherited from Housing Authority. Without Government's continued support for the payment of these loans, PRB will incur huge losses as a result of very high interest expenses. PRB also does not have the required cash to meet these loan payments.

Balance Sheet

	12 months period ending 31-12-04	12 months period ending 31-12-03 (Restated)
Current Asset	3,273,177	2,936,544
Non Current Asset	5,236,260	4,427,418
Total Asset	8,509,437	7,363,962
Current Liabilities	7,649,302	6,284,881
Non Current Liabilities	8,996,245	10,065,073
Total Liabilities	16,645,547	16,349,954
Net Asset	(8,136,110)	(8,985,992)
Total Capital & Reserves	(8,136,110)	(8,985,992)

Both Negative Capital & Reserves and Negative Assets that the Board inherited at its inception has started to decline, as a result of treating FNPF loan repayment by Government as Government Grant and also through better performance.

Cash Flow

Net cash flow for PRB was well maintained. This was achieved by controlling expenditure and increased efficiency in rent collection.

There was no additional borrowing done. The development of 43 units at a cost of 2.6m at MacFarlane is being funded internally through savings. Other minor capital expenditure and major general maintenance were also financed from Public Rental Board's own resources.



Financial Ratios

1. Current Ratio = Measures short-term solvency of the Board.

	2004	2003
		(Restated)
Current Asset / Current Liabilities	0.43	0.47

The current ratio indicates that 43% of current liabilities would be paid off upon liquidating 100% of current asset

2. Debt to Total Asset = Measures the percentage of total funds that have been provided by creditors.

	2004	2003
		(Restated)
Total debt / Total Asset	1.9	2.2

The debt to asset ratios has decreased mainly due to payment of Fiji National Provident Fund / Housing Authority decrease in long term loans. Increase in net assets as a result of new development has also bettered this ratio.

3. Average Collection Period = Measure of the accounts receivable turnover.

	2004	2003
Average Collection Days	105	111

Average Collection days has decreased from 111 to 105 days. During 2004 efficiency in collection of rental income resulted through stricter collection policies and staff trainings.

4. Return on Total Asset = Measures the return on total investment in the Board.

	2004	2003
		(Restated)
Return on Total Asset	9.99%	10.57%

The return on investment is virtually same as last year.



5. Profitability Ratio = Measures the percentage of profit made on income by the Board.

For the purpose of this calculation profit before abnormal items has been used to measure the percentage output.

	2004	2003
		(Restated)
Profitability Ratio	22.40%	20.65%

The profitability ratio has increased. Profitability has increased through increase in rent charge and collection.

Administration

Personnel

The organisation's personnel are divided into two categories of Established and Permanent Un-Established Staff. Personnel or staff costs continue to be a major expense for the Board. This comprises 50 % of the rental income. Staff establishment is tabled below.

Division	No. of Staff
Executive	2
Finance and Administration	10
Property	12
Un-Established	18
Total	42

Training

The importance of a competent and skilled workforce is crucial to the success of business. During the year, the Board ensured that relevant training and development of workers was conducted at all levels of the organisation. 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 external training attended by employees.



Courses/Conference	Venue/Conductor	No. of Participants
Performance Management System	TPAF	1
Accounting for Beginners – Basic Accounting Principles	In-house by TPAF	16
Linking Wages with Productivity	TPAF	2
Executive Customer Service	TPAF	1
Credit Control & Debtors Management	In-house by TPAF	15
Planning & Training	Prime Vision	1
First Aid Workshop	Fiji Employers Federation	1
Digital Business	Fiji Employers Federation	3
CEO's Seminar on Innovation & Best Practices	TPAF	3
CEO's Industrial Relations	Fiji Employers Federation	3
Technical workshop on Corporate Plan	Warwick by Ministry of Public Enterprises	3
Technical Conference – FIA	Warwick by FIA	2
FIA Congress	Sheraton by FIA	4

The actual expenditure on training has increased to \$22,000 during the reporting period from \$16,000 in 2003. This shows the commitment by the Board in upgrading its workers for better performance.

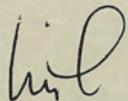
Performance Management System

Management and consultants Price Waterhouse Coopers (PWC) in consultation with Fiji Bank and Finance Sector Employees Union Executive has already drafted a Performance Management Framework. After final rectification, this framework is expected to be implemented from April 2005.

Looking Ahead

The way forward for Public Rental Board is to ensure effective and efficient use of resources and particularly improving work related skills of staff. Training in this direction is bearing fruit and with implementation of more robust computerized information system will support enhanced productivity. The effort by staff during the year under review is to be commended especially in their commitment to see that each one takes control of work challenges faced. The attitude transformation will go a long way in promoting satisfying relations with stakeholders particularly tenant communities. My gratitude goes out also to the outgoing Chairperson and members of the previous Board of Directors for their support and direction and looking forward to build up from platform left behind, with upcoming Directors.

Finally, Government's continuing assistance is appreciated and looking forward to its support in future especially in ensuring that Public Rental Board achieves financial independence early.



Mesake T Senibulu
General Manager



Public
RENT  **L**
Board

PUBLIC RENTAL BOARD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2004



Directors' Report

The directors present their report together with the financial statements of the Public Rental Board (the "Board") for the year ended 31 December 2004 and the auditors' report thereon.

Directors

The directors of the Board at the date of this report are:

Dr Akanisi Tabualevu (Chairperson)

Mrs Kiri Naigulevu

Mr Frederic Archari

Mr Alipate Naiorosui

The Chief Executive Officer for Finance and National Planning or his representative

The Chief Executive Officer for Local Government, Housing, Squatter Settlement and Environment or his representative

The Chief Executive Officer for Public Enterprises and Public Sector Reform or his representative

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 Board as at 31 December 2004 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 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.

Operating results

The operating profit for the year was \$849,882 (2003: \$778,226)

Reserves

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

Dividends

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

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.

Dated at Suva this 22nd day of August 2005.

Signed in accordance with a resolution of the directors.

Director 

Director 



Independent auditors' report to the members of Public Rental Board

Scope

We have audited the financial statements of **Public Rental Board** for the year ended 31 December 2004, consisting of the income statement, statement of changes in equity, balance sheet, statement of cash flows and accompanying notes, set out on pages 14 to 27. The Board's directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Board.

Our audit has been conducted in accordance with Fiji Standards on Auditing to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether in all material respects, the financial statements are presented fairly in accordance with Fiji Accounting Standards, the Housing Act (Cap.267), the Public Enterprise Act (1996) and the Housing (Amendment) Decree (1989) so as to present a view which is consistent with our understanding of the Board's financial position, the results of its operations and its cash flows.

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

Audit opinion

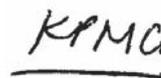
In our opinion:

- (a) proper books of accounts have been kept by the Board, so far as it appears from our examination of those books, and
- (b) the accompanying financial statements which have been prepared under the historical cost convention stated in Note 1 to the financial statements:
 - (i) are in agreement with the books of account;
 - (ii) to the best of our information and according to the explanations given to us:
 - (a) give a true and fair view of the state of affairs of the Board as at 31 December 2004 and of the results and cash flows of the Board for the year then ended;
 - (b) give the information required by the Housing Act (Cap. 267), the Public Enterprise Act (1996) and the Housing (Amendment) Decree (1989) in the manner so required.

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

Suva, Fiji

22nd August, 2005



KPMG
Chartered Accountants



*Income statement
For the year ended 31 December 2004*

	Note	2004 \$	2003 \$ (Restated)
Income			
Rental revenue		1,730,625	1,680,947
Other operating income	2	2,063,625	2,088,425
Total operating income		<u>3,794,250</u>	<u>3,769,372</u>
Expenses			
Depreciation		426,360	430,956
Staff costs	3	877,912	796,564
Other operating expenses	4	1,051,330	934,573
Profit from operations		1,438,648	1,607,279
Net financing costs	5	588,766	829,053
Net profit from ordinary activities		849,882	778,226
Net profit for the year		<u>849,882</u>	<u>778,226</u>

The income statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 18 to 27.



Statement of changes in equity For the year ended 31 December 2004

	2004 \$	2003 \$ (Restated)
Government equity		
Balance at beginning of year	695,810	695,810
Transfers (to)/from government equity	-	-
Balance at end of year	<u>695,810</u>	<u>695,810</u>
Asset revaluation reserve		
Balance at beginning of year	3,389,243	3,389,243
Transfers (to)/from retained profits	-	-
Balance at end of year	<u>3,389,243</u>	<u>3,389,243</u>
Accumulated losses		
Balance at beginning of year	(13,071,045)	(14,079,271)
Reversal of provision for repairs and maintenance	-	230,000
Restated balance at the beginning of year	<u>(13,071,045)</u>	<u>(13,849,271)</u>
Net profit for the year	849,882	778,226
Total available for appropriation	(12,221,163)	(13,071,045)
Dividends paid or provided	-	-
Balance at end of year	<u>(12,221,163)</u>	<u>(13,071,045)</u>
Total capital and reserves	<u>(8,136,110)</u>	<u>(8,985,992)</u>

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 18 to 27.



Balance sheet As at 31 December 2004

	Note	2004 \$	2003 \$
Current assets			(Restated)
Cash		529,394	86,693
Receivables	6	-	-
Inventories	7	4,969	11,116
Investments	8	2,700,000	2,799,997
Other assets	9	38,814	38,738
Total current assets		<u>3,273,177</u>	<u>2,936,544</u>
Non-current assets			
Property, plant and equipment	10	<u>5,236,260</u>	<u>4,427,418</u>
Total non-current assets		<u>5,236,260</u>	<u>4,427,418</u>
Total assets		<u>8,509,437</u>	<u>7,363,962</u>
Current liabilities			
Creditors	11	1,973,809	872,882
Deferred revenue	12	39,287	39,287
Borrowings	13	4,844,253	4,770,207
Provisions	14	791,953	602,505
Total current liabilities		<u>7,649,302</u>	<u>6,284,881</u>
Non-current liabilities			
Deferred revenue	12	760,565	799,852
Borrowings	13	8,235,680	9,265,221
Total non-current liabilities		<u>8,996,245</u>	<u>10,065,073</u>
Total liabilities		<u>16,645,547</u>	<u>16,349,954</u>
Net liabilities		<u>(8,136,110)</u>	<u>(8,985,992)</u>
Capital and reserves			
Government equity		695,810	695,810
Asset revaluation reserve		3,389,243	3,389,243
Accumulated losses		<u>(12,221,163)</u>	<u>(13,071,045)</u>
(Deficiency) in capital and reserves		<u>(8,136,110)</u>	<u>(8,985,992)</u>
Commitments and contingent liabilities	16		

Signed for and on behalf of the Board.

Director

Director

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 18 to 27.



Statement of cash flows

For the year ended 31 December 2004

	Note	2004 \$	2003 \$
Operating activities			
Government grant		969,262	1,325,165
Receipts from customers		1,698,547	1,596,541
Payments to suppliers and employees		(513,593)	(1,417,168)
Interest paid		(767,779)	(809,309)
Interest received		93,461	63,512
Other receipts		57,522	29,133
Cash flows from operating activities		<u>1,537,420</u>	<u>787,874</u>
Investing activities			
Payments for property, plant and equipment		(1,395,627)	(108,916)
Proceeds on disposal of property, plant and equipment		200,911	10,800
Cash flows from investing activities		<u>(1,194,716)</u>	<u>(98,116)</u>
Financing activities			
Repayment of borrowings		—	—
Cash flows from financing activities		<u>—</u>	<u>—</u>
Net increase in cash and cash equivalents		342,704	689,758
Cash and cash equivalents at the beginning of the year		<u>2,886,690</u>	<u>2,196,932</u>
Cash and cash equivalents at the end of the year	17	<u>3,229,394</u>	<u>2,886,690</u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 18 to 27.



Notes to and forming part of the financial statements For the year ended 31 December 2004

1. Statement of significant accounting policies

The Public Rental Board ("the Board") is a fully owned Government of Fiji entity domiciled in Fiji. The financial statements were authorised for issue by the directors on 22nd August, 2005.

The significant accounting policies which have been adopted in the preparation of these financial statements are:

(a) Statement of compliance

The financial statements of the Board have been drawn up in accordance with the accounting standards and disclosure requirements of the Fiji Institute of Accountants.

(b) Basis of preparation

The financial statements are presented in Fiji dollars, rounded to the nearest dollar. They have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non current assets.

The accounting policies have been consistently applied by the Board and except where there is a change in accounting policy, are consistent with those used in prior years.

(c) Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. As at 31 December 2004, the Board had a deficiency in net assets of \$8,136,110 (2003: deficiency of \$8,985,992).

Borrowings of the Board that are utilised to fund its ongoing operations are guaranteed by the Government of Fiji and on this basis, the Board is satisfied that it will continue as a going concern and will be able to realise 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.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash at hand and cash at bank and short term deposits.



Notes to and forming part of the financial statements For the year ended 31 December 2004

1. Statement of significant accounting policies (cont'd)

(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 realisable 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) Income tax

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

(g) Property, plant and equipment

Items of property, plant and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method of depreciation, except where stated otherwise.

The depreciation rates used for each class of asset are as follows:

Leasehold land	over period of lease
Buildings	over their estimated remaining useful life
Furniture, fittings & equipment	20%
Motor vehicles	20%
Office premises	2.5%

Gains and losses on disposal of property, plant and equipment are taken into account in determining the results for the period.

Capital work in progress is stated at cost and is not depreciated.

(h) Provision for self insurance

The Board has a policy of setting aside \$50,000 per annum for self insurance to cover against any potential losses or damages to its properties not covered under external insurance.

(i) Provision for employee entitlements

Provision for 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 employees' services provided up to balance date. Current employee remuneration rates are used to calculate the provisions.



Notes to and forming part of the financial statements For the year ended 31 December 2004

1. Statement of significant accounting policies (cont'd)

(j) Creditors and accruals

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

(k) Rent receivables

Rent receivables are recognised on an accrual basis and are stated at cost less impairment losses (doubtful debts). A provision for doubtful debts is brought to account for all rents that are outstanding at balance date.

(l) Investments

Investments comprise of term deposits with the intent of being held to maturity. The term deposits are recorded at cost and interest receivable is brought to account on an accrual basis.

(m) Borrowings

Loans are brought to account at the gross value of their outstanding balance. Promissory notes that have been issued by the Board are recorded at face value with an interest accrual raised at year-end. Borrowing costs are expensed in the period they are incurred.

(n) Revenue

(i) Rental income

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

(ii) Government grant

Unconditional Government grants are recognised in the income statement as revenue when the grant becomes receivable. Any other government grant is recognised in the balance sheet 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 expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Board for the cost of an asset are recognised in the income statement as revenue on a systematic basis over the useful life of the asset.

(o) Operating Leases

Payments made under operating leases are recognised in the income statement in equal instalments over the accounting periods covered by the lease terms.



Notes to and forming part of the financial statements For the year ended 31 December 2004

1. Statement of significant accounting policies (cont'd)

(p) 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.

	2004 \$	2003 \$
2. Other income		
Government grants	1,924,757	2,010,312
Amortisation of deferred revenue from government grants	39,287	39,287
Gain on sale of fixed assets	40,486	6,367
Other income	59,095	32,459
	<u>2,063,625</u>	<u>2,088,425</u>
3. Staff costs		
Salaries and wages	811,203	725,878
FNPF expenses	52,538	55,002
FNTC levy	10,272	3,526
Other	3,899	12,158
	<u>877,912</u>	<u>796,564</u>
<i>The number of employees at the end of the financial year was 40 (2003: 48).</i>		
4. Other operating expenses		
Auditors remuneration – audit fees	7,987	7,987
Bad and doubtful debts	32,078	84,406
Insurance	67,726	63,459
Repairs and maintenance	449,840	454,504
Other	493,699	324,217
	<u>1,051,330</u>	<u>934,573</u>



*Notes to and forming part of the financial statements
For the year ended 31 December 2004*

	2004	2003
	\$	\$
5. Net financing costs		
Interest income	(88,705)	(59,691)
Interest expense	<u>677,471</u>	<u>888,744</u>
	<u>588,766</u>	<u>829,053</u>
6. Receivables		
Rent receivable	496,791	509,668
Provision for doubtful debts	<u>(496,791)</u>	<u>(509,668)</u>
	<u>-</u>	<u>-</u>
7. Inventories		
Inventories – at cost	6,222	11,900
Provision for stock obsolescence	<u>(1,253)</u>	<u>(784)</u>
	<u>4,969</u>	<u>11,116</u>
8. Investments		
Short-term deposits	<u>2,700,000</u>	<u>2,799,997</u>
9. Other assets		
Prepayments	18,798	15,539
Interest receivable	3,219	7,975
Sundry receivables	<u>16,797</u>	<u>15,224</u>
	<u>38,814</u>	<u>38,738</u>



*Notes to and forming part of the financial statements
For the year ended 31 December 2004*

10. Property, plant and equipment

	Land and buildings	Office premises	Motor vehicles	Furniture & fittings	Work in progress	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance at 1 January 2004	11,262,754	169,222	221,986	356,713	42,862	12,053,537
Transfers in/(out)	24,318	-	-	-	(24,318)	-
Additions	78,996	-	-	11,379	1,305,252	1,395,627
Disposals	(272,176)	-	-	-	-	(272,176)
Balance at 31 December 2004	<u>11,093,892</u>	<u>169,222</u>	<u>221,986</u>	<u>368,092</u>	<u>1,323,796</u>	<u>13,176,988</u>
Depreciation						
Balance at 1 January 2004	7,159,157	61,921	151,299	253,742	-	7,626,119
Depreciation charge for the year	357,264	4,195	27,780	37,121	-	426,360
Disposals during the year	(111,751)	-	-	-	-	(111,751)
Balance at 31 December 2004	<u>7,404,670</u>	<u>66,116</u>	<u>179,079</u>	<u>290,863</u>	<u>-</u>	<u>7,940,728</u>
Carrying amount						
At 1 January 2004	4,103,597	107,301	70,687	102,971	42,862	4,427,418
At 31 December 2004	<u>3,689,222</u>	<u>103,106</u>	<u>42,907</u>	<u>77,229</u>	<u>1,323,796</u>	<u>5,236,260</u>

	2004	2003
	\$	\$
11. Creditors		
Credit balances in receivables	393,654	332,043
Rental deposits	271,450	241,116
Trade creditors and accruals	566,334	299,723
Deferred government grant	376,934	-
Unallocated subsidy	365,437	-
	<u>1,973,809</u>	<u>872,882</u>
12. Deferred revenue		
Current		
Deferred revenue	39,287	39,287
Non-current		
Deferred revenue	<u>760,565</u>	<u>799,852</u>
	<u>799,852</u>	<u>839,139</u>



Notes to and forming part of the financial statements For the year ended 31 December 2004

12. Deferred revenue (continued)

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. Revenue is brought to account over the periods necessary to match the related cost of the buildings.

	2004 \$	2003 \$
13. Borrowings		
Current		
Housing Authority bond	1,014,712	1,014,712
Housing Authority loans	1,029,541	955,495
Promissory notes	2,800,000	2,800,000
	<u>4,844,253</u>	<u>4,770,207</u>
Non-current		
Housing Authority loans	8,235,680	9,265,221
	<u>13,079,933</u>	<u>14,035,428</u>

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

The term loans owing to Housing Authority but ultimately to the Fiji National Provident Fund (FNPF), are guaranteed by the Government of the Republic of Fiji Islands under the Public Rental Board Loan Guarantee Decree No. 9 (1990). The term loans were transferred from the Housing Authority in 1989 and are repayable in bi-annual instalments over twenty years, including interest between 7.095% and 8.375%.

14. Provisions

Self insurance	600,000	550,000
Employee entitlements	191,953	52,505
	<u>791,953</u>	<u>602,505</u>

15. Capital and reserves

(a) Reserves

The asset revaluation reserve represents the excess of the total value of property, plant and equipment resulting from the independent revaluation of Housing Authority assets carried out in 1983 and carried forward upon transfer of these assets to the Board in 1989.

(b) Dividends

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



Notes to and forming part of the financial statements For the year ended 31 December 2004

16. Commitments and contingent liabilities

	2004	2003
	\$	\$
(a) Capital expenditure commitments	937,769	7,500
(b) Contingent liabilities	-	-
(c) Operating lease commitments		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	43,646	31,513
Later than one year but not later than five years	218,232	143,957
Later than five years	2,829,096	1,597,032
	<u>3,090,974</u>	<u>1,772,502</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 recognised as an expense in the income statement amount to \$31,513 (2003: \$22,222).

17. Notes to the statement of cash flows

Reconciliation of cash

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments 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 balance sheet as follows:

	Note	2004	2003
		\$	\$
Cash		529,394	86,693
Investments	8	2,700,000	2,799,997
		<u>3,229,394</u>	<u>2,886,690</u>



Notes to and forming part of the financial statements For the year ended 31 December 2004

18. Related parties

(a) Identity of related parties

The Board has a controlling related party relationship with its directors. The directors of the Board in office at the date of this report are:

Dr Akanisi Tabualevu (Chairperson)

Mrs Kiri Naigulevu

Mr Frederic Archari

Mr Alipate Naiorosui

The Chief Executive Officer of Ministry for Finance and National Planning or his representative

The Chief Executive Officer of Ministry for Local Government, Housing, Squatter Settlement and Environment or his representative

The Chief Executive Officer of Ministry for Public Enterprises and Public Sector Reform or his representative

(b) Transactions with related parties

	2004	2003
	\$	\$
Insurance expenses	3,854	-
Board expenses and allowances	<u>12,665</u>	<u>28,328</u>
	16,519	28,328

The Board provides a medical insurance cover for its directors.

19. Restatement of prior year balances

From the year 2002, the Board created a provision for general repairs and maintenance on an annual basis for all its estates based on their estimated maintenance cycles. The provision is not permissible under the Fiji Accounting Standards (FAS) 37, "Provisions, Contingent Liabilities and Contingent Assets" as it does not fulfil the conditions required to be recognised as a provision.

In 2004, the Board resolved to retrospectively reverse the provision for general repairs and maintenance and restate the comparative financial statements for 2002 and 2003 to conform with the benchmark treatment in FAS 8, "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies". The effect of the reversal is an increase in net profit by the amount provided for in the 2002 and the 2003 financial years. The cumulative effect of the change is a decrease in accumulated losses and a corresponding reduction in provisions by \$587,418 as at 31 December 2003.



Notes to and forming part of the financial statements For the year ended 31 December 2004

19. Restatement of prior year balances (cont'd)

Restated information for 2002 and 2003 is presented as if the provision for repairs and maintenance had not been maintained:

	2003 \$	2002 \$
Income statement		
Rental revenue	1,680,947	1,699,867
Government grant	2,010,312	1,974,170
Other income	78,113	366,765
Total operating income	<u>3,769,372</u>	<u>4,040,802</u>
Operating expenses	<u>(2,991,146)</u>	<u>(3,365,437)</u>
Net profit for the year	<u><u>778,226</u></u>	<u><u>675,365</u></u>

20. 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.

21. Registered office

The Board's registered office and head office is located at 132 Grantham Road, Raiwaqa.