

# Letter to the Minister



## Housing Authority

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*All correspondence to be addressed to the Chief Executive Officer*

12th December, 2007

The Interim Minister  
Ministry of Housing, Women and Social Welfare  
GPO Box 14068  
Suva

Dear Madam Minister,

**Re: Annual Report for 2006**

In accordance with section 21 of the Housing Act, Cap 267, I am pleased to present the Authority's Annual Report for 2006 which incorporates a detailed summary of its operations and activities including Financial Statements for the year ended 31st December 2006.

For the year 2006, the Housing Authority recorded an operating surplus of \$2.28m compared to a surplus of \$2.49m in the year 2005.

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

Yours sincerely

*Litia Mawi*

Litia Mawi  
Chairperson

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**Mr. Sada Reddy**  
Chairman

Appointed to the Board in December 1999 and became Chairman from December 2000. Mr. Reddy is an Economist having attained a Masters in Economics with distinction and presently the Deputy Governor of the Reserve Bank of Fiji. He joined the Reserve Bank of Fiji in 1975 and has held other senior management positions during the period of his employment. Mr. Reddy is also the Deputy Chairman of the Capital Markets Development Authority.



**Rev. Sereima Lomaloma**  
Director

Appointed to the Board in December 2002. Rev. Lomaloma has a Masters Degree in Social Planning from London School of Economics. She is currently serving as the General Secretary of the Anglican Church in Fiji, Tonga, Samoa and Archdeaconry in New Zealand. Rev. Lomaloma has held various senior positions in Government including being Director for Women in the Ministry of Women & Social Welfare for nine years.



**Mrs. Elenoa Gonelevu**  
Director

Appointed to the Board in February 2005. Mrs. Gonelevu holds a Post Graduate Diploma in Management & Public Administration and has completed 2 units in Masters in Business Administration, Bachelor of Arts in Management and Linguistics and Vocational Teachers Certificate. She is currently involved in social/community work and holds the position of Interim Secretary of Fijian Women's Organisation.



**Mr. Cama Tuiloma**  
Director

Appointed to the Board in January 2004. Mr. Tuiloma is the Chief Executive Officer for the Ministry of Local Government, Housing, Squatter Settlement & Environment from 2004. He had served with the Public Works Department for 24 years. Before taking up his new position, he was the Director of Buildings & Government Architect. Mr. Tuiloma holds a Bachelor and Masters Degree in Architectural Studies. He also holds a Graduate Certificate in Management. Mr. Tuiloma is also a Board member for Public Rental Board and National Fire Authority.



**Mr. Olota Rokovunisei**  
Director

Appointed to the Board in November 1996. Mr. Rokovunisei holds a Masters of Business Administration, Post Graduate Diploma in Applied Finance and Investment, Bachelor of Science in Mathematics & Physics and Bachelor of Arts in Accounting and Economics. He is presently the General Manager/Chief Executive of the Fiji National Provident Fund. Mr. Rokovunisei has continued to serve on various Boards including that of Unit Trust of Fiji (Management) Ltd, Yasana Holdings, Fiji TV, Home Finance Ltd, Credit Corporation Fiji Ltd, Telecom Fiji Ltd and Amalgamated Telecom Holdings Ltd.



**Mr. Vishnu Deo**  
Director

Appointed to the Board in December 2002. Mr Deo is a Chartered Accountant and a retired partner of the accounting firm KPMG where he served as partner-in-charge of the Lautoka office for some 20 years. He is a past president of the Fiji Institute of Accountants. Mr. Deo is currently a Business Consultant and a Board Member of Capital Markets Development Authority and holds other company directorship. He is also Chairman of Sathya Sai Service Organisation of Fiji, a spiritual and service organisation.

### Board Composition

There are six Directors on the Board, all of whom are appointed by the Minister for Women, Social Welfare and Housing. The Chief Executive Officer is an ex-officio member of the Board but does not have the power to vote nor regarded as a Board Director for the purpose of forming a quorum.

### Board Functions

The relationship between the Board and the Management is a partnership that is crucial to the Authority's long term success. Each has functions which should be clearly defined and understood. The Chief Executive Officer is responsible to the Board for the day to day management of the Authority. The Board gives directions and exercises judgment in setting the Authority's objectives and overseeing their implementation.

Some of the major responsibilities of the Board Directors include:

- The corporate governance of the Authority, including establishment of Sub-Committees;
- Oversight of business and affairs of the Authority by:
- Establishing with Management the strategies and financial objectives;
- Monitoring the performance of the Management
- Communicating with shareholders, results of, and developments in the operations of the Authority;
- Appointments of the Chief Executive Officer; and
- Approval of the Authority's major Human Resources policies and overseeing the development strategies for senior and high performance executives.

### Board Meeting

The number of Board Directors' meetings and number of meetings attended by each of the Board Directors of the Housing Authority during the financial year were:

| Board of Directors                     | No. of meetings held | No. of meetings attended |
|----------------------------------------|----------------------|--------------------------|
| Mr. Sada Reddy                         | 11                   | 11                       |
| Mr. Olota Rokovunisei                  | 11                   | 1                        |
| Mrs. Elenoa Gonelevu                   | 11                   | 9                        |
| Rev. Sereima Lomaloma                  | 11                   | 9                        |
| Mr. Vishnu Deo                         | 11                   | 7                        |
| Mr. Cama Tuiloma /Ms. Ernele Duituraga | 11                   | 9                        |

### Board Sub-Committees

To assist the Board to plan and support its activities and administration, three Sub-Committees were formed, namely Property, Finance, Audit & Risk Management and Human Resources Sub-Committees. The minutes of the meetings held by these Sub-Committees were tabled at Board meetings and all resolutions of these Committees required the approval of the Board.

### Property Sub-Committee

The Property Sub-Committee was chaired by Mr. Cama Tuiloma with Rev. Sereima Lomaloma, Mrs Elenoa Gonelevu and Mr. Vishnu Deo as members.

The Committee's primary role was to review Management's recommendations on all land development tenders and all acquisition of land by the development tenders and on all acquisition of land by the Authority. The Committee also evaluated and pre-qualified civil contractors/consultants eligible to carry out the Authority's projects and assisted Management where necessary in dealing with contractors/consultants, municipal authorities and other stakeholders.

### Finance, Audit and Risk Management Sub-Committee

The Finance, Audit & Risk Management Sub-Committee was chaired by Mr. Vishnu Deo with Mrs. Elenoa Gonelevu, Mr. Olota Rokovunisei and Rev. Sereima Lomaloma as members.

The Committee's main function was to assist the Board in fulfilling its responsibilities relating to the fiduciary management of the accounting policies and reporting practices of the Authority.

The Committee is charged with the responsibility to oversee and appraise the quality of the audits conducted by both internal and external auditors. The Committee also maintained open lines of communications among the Board, the internal auditors and external auditors to exchange views and information.

### Human Resources Sub-Committee

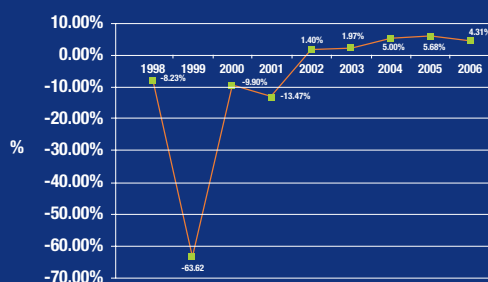
The Human Resources Sub-Committee was chaired by Mr. Sada Reddy with Mr. Cama Tuiloma, Mr. Vishnu Deo and Rev. Sereima Lomaloma as members.

The fundamental tasks of this Committee were to monitor the performance of the Chief Executive Officer, General Managers, recommend remuneration policies and address strategic human resource matters. In addition, the Committee endorses Management's recommendations in regard to performance management system and assists Management in maintaining good industrial relations with the Union.

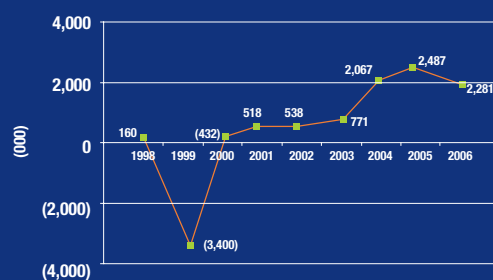
### Attendance to Sub-Committee Meetings

The number of Board Sub-Committee meetings held during the year were 8 and attendance to these meetings by the Board Directors averaged 70%.

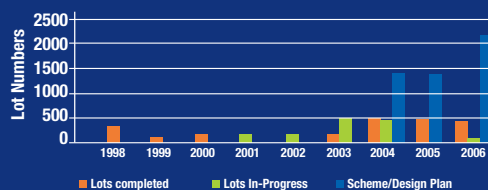
Return on Equity (1998-2006)



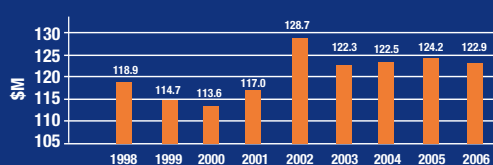
Profitability Trend (1998-2006)



Lots Production (1998 - 2006)



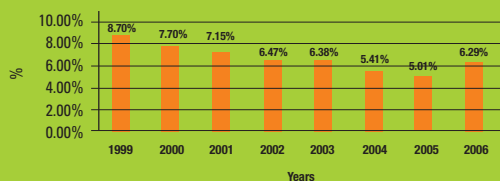
Performing Portfolio (1998-2006)



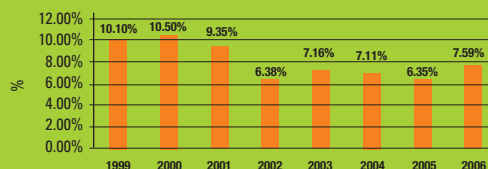
Non Performing Portfolio (1998-2006)



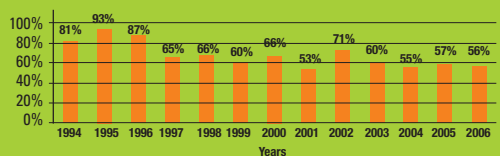
Weighted Average Cost of Capital (1999-2006)

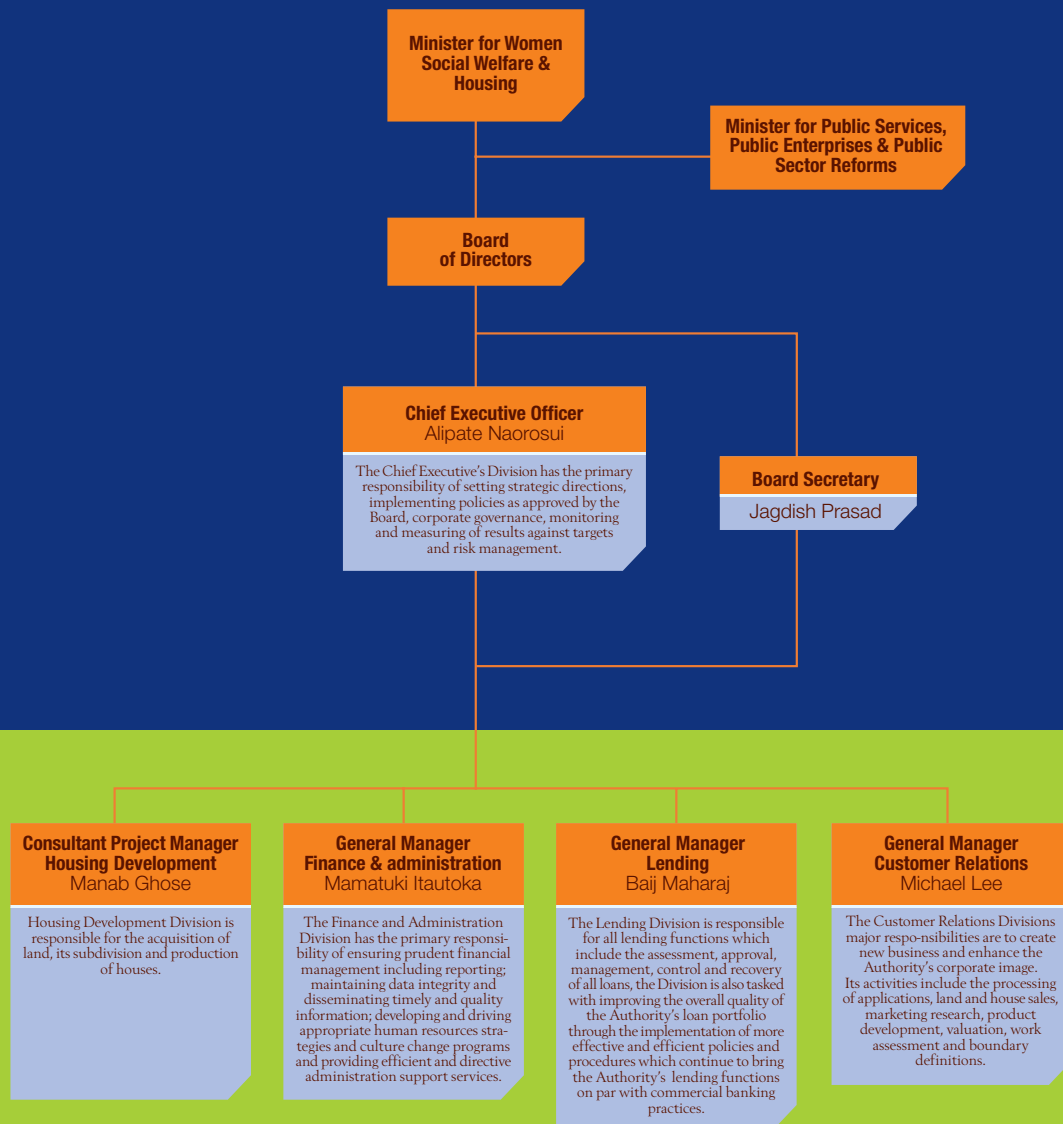


Effective Lending Rate (1999-2006)



Total Operating Expense to Total Operating Income (1994-2006)







**Alipate Naiorosui**  
*Chief Executive Officer*



**Baij Maharaj**  
*General Manager Lending*



**Manab Ghose**  
*Consultant Project Manager  
Housing Development*



**Michael Lee**  
*General Manager Customer  
Relations*



**Leonard Kwansing**  
*Manager Customer Relations-West*



**Mikaele Tupua**  
*Land Development Engineer*



**Muazzan Razak**  
*Manager Credit Management*



**Visha Vithal**  
*Manager Credit Approvals*



**Gurmukh Kripalani**  
*Manager Finance*



## Management Team

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**Mamatuki Itautoka**  
*General Manager Finance  
& Administration*



**Jagdish Prasad**  
*Manager Corporate Governance  
/ Board Secretary*



**Ajay Singh**  
*Manager Credit Recovery*



**Inoke Bokini**  
*Manager Human Resource & Training*



**Isikeli Navuda**  
*Manager Land Development*



**Rajeshwar Prasad**  
*Manager MIS*



**Sairusi Komainavoka**  
*Manager Administration  
& Property Management*



**Isikeli Vesikula**  
*Manager Legal Service*



**Eapi Nabou**  
*Manager Customer Relations-Central*



**Aminio Tamani**  
*Manager Customer Relations -North*





## Chairperson's Report

### Introduction

I am delighted to report that the Housing Authority has had yet another successful financial year in 2006, despite increased competition and high borrowing costs in the market.

### Financial Results

The Authority achieved a surplus of \$2.28m in comparison to a surplus of \$2.49m last year – a decrease of 11.6%. In addition to recording a surplus, the Authority maintained its 'Crystal Loan Package' at a fixed interest rate of 3.99% per annum for 18 months and thereafter, a variable rate of 7.99% per annum. This was achieved despite borrowing costs increasing significantly during the year.

### Lot Production

A high level of urban migration meant the Authority continued to experience a huge demand for housing lots in the Suva-Nausori corridor. The Authority's Waila 3B Subdivision at Davuilevu, Nausori with 466 lots, was finally completed, with approved subdivision plans. The lots in this Subdivision were mostly allocated to squatters, in consultation with the Ministry of Housing, which provided a grant of \$1.1m that reduced the development cost of lots by about 50%. The Authority successfully resettled 41 families that lived at Bainiose Settlement, Queen Elizabeth Drive, Suva, and 46 families that lived at Vunivaivai Settlement, Laqere, and at Nasinu to its Waila 3B Subdivision.

At the Authority's 74.4 hectare (184 acre) Tacirua East Stage 2 Subdivision, engineering plan approval was awaited and thereafter, earthworks would commence in 2007. The Authority intends to pre-sell the lots in this subdivision to reduce its borrowing and thereby make the lots cheaper to our customers. This Subdivision will be developed, providing about 261 upmarket lots, with the balance of 789 lots being for middle to low-income earners.

The Authority acquired 25.8 hectares (64 acres) of State land at Wainibuku, Nausori, and preliminary site investigation works are in progress. This Subdivision will produce 230 residential lots, a commercial centre and a school site. Earthworks on this project would commence in 2008.

In continuing its land development partnership with the Native Land Trust Board, the Authority has acquired 46 hectares (114 acres) of land at Natadola near Sigatoka. The Authority would carry out mixed development, producing about 600 lots to cater for hotel workers at Natadola, Momi Bay and other nearby resorts. The Authority also plans to build houses and apartments to cater for high and middle-income groups.

In the Western Division, 448 lots have been developed at Field 40 and Natabua subdivisions in Lautoka. In 2006, a total of 153 lots have been sold to our customers and that figure includes 24 lots to the 'Navutu' squatter families, in consultation with the Ministry of Housing, at Field 40 Subdivision.

### Low-Income Focus

The Authority continued to subsidise the interest rate of 2% on housing loans for all low-income-earning customers through its annual Government Grant. Additionally, customers under the Authority's Village Housing Scheme, whose annual household income did not exceed \$6,500 were also subsidised. Land development subsidies were also provided to low-income earners to make lots more affordable for them.

The Authority remained committed to helping more low-income earners and to meeting the Government's social housing objectives. In 2006, the Authority has assisted 2,072 customers of which 997 (48%) were low-income earners.

Furthermore, under the Authority's Home Ownership Plan (HOP), financial assistance was provided through a Government Grant to 11 existing customers who were unable to repay their mortgage debt. With this plan, many of our customers were able to retain their homes, despite facing financial hardship and 18 families have been assisted since the inception of HOP in 2005.

### Home Loans

Despite the highly competitive home loan market and high borrowing costs, the Authority was able to maintain its lending interest rate of 3.99% per annum for 18 months and thereafter, a variable rate of 7.99% per annum. This was the lowest interest rate package in the housing loan market.

In 2006, the Authority approved loans totalling \$23.1m to 2072 customers and its loan portfolio stood at \$143.8m as at the end of this year.

Even though the Authority has maintained its current lending rates, it is extremely difficult to maintain this rate under the prevailing conditions. A review of lending interest rates and products would be undertaken in early 2007.

### Corporate Governance

The Board strictly adhered to good corporate governance practices, which form a fundamental part of the Authority's values and its success. The Housing Authority already has in place a Board Charter that spells out the roles and responsibilities of the Board of Directors, including the disclosure of conflicts of interest by any Director who has a material personal interest in a matter being considered by the Board.

This year, financial statements were again audited by KPMG, Chartered Accountants on behalf of the Auditor-General of Fiji. The Authority's internal auditor was G. Lal & Co, which provided quarterly reports



that ensured operations conformed with established policies and procedures.

In the last quarter of 2006, KPMG was commissioned to carry out a risk management study. This study developed the risk profile of the Authority to assist the Board of Directors in the strategic planning process.

The Housing Authority continued to provide corporate performance reports to the Government through the Ministries of Housing and Public Enterprises & Public Sector Reform.

### Looking Forward

The Authority operates in a competitive home loan market and is faced with a number of constraints and challenges such as high borrowing rates and a scarcity of funds in the market. Its medium term goal is to obtain a license from the Reserve Bank of Fiji to accept savings deposits. This would require the Housing Authority to become more efficient in order to operate without reliance

on the Government for support and loan guarantees in the future. The recommendations of the Due Diligence Study carried out in 2005 by KPMG have been incorporated into the Authority's Corporate Plan to assist in achieving this goal. In the meantime, Government Guarantee would be required for the Authority's borrowings in order to carry out its various capital projects.

There is a need to review the Housing Act as it conflicts with the Public Enterprises Act, which requires the Housing Authority to operate in a business environment, to make surplus and provide returns of 10% on shareholders' funds. This would be difficult to achieve considering the Authority's social obligations and high social costs.

In 2007, the Housing Authority plans to implement its new IT system, which will make information readily available to staff and help them serve customers more efficiently. The system will also assist management to monitor the Auth-

ority's performance more effectively.

The major challenge for the Authority is to provide housing lots that most low-income earners and squatters can afford. To continue to meet this objective, the Authority has strengthened its Housing Development Division by appointing a Consultant Project Manager on a three-year contract. The Authority would carry out some of its land development projects through joint ventures, with other financial institutions acting as equity partners. However, it still faces delays in connection to water/sewer infrastructure and in subdivisional approvals and a shortage of consultants and civil contractors in the market. Further, illegal subdivisions carried out by landowners have impeded the sale of lots in our newly developed subdivisions, particularly in the Western Division.

### Conclusion

2006 has been a challenging year for the Housing Authority and there have been significant changes in the

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home loan market. The fact that the Authority has been able to achieve another good performance and again deliver a good financial result is a tribute to its efficient and productive workforce. Management acknowledges the vital role they play in the success of our operation and they should be congratulated for their efforts.

On behalf of the Board, I also wish to express my sincere gratitude to the Government for its continued support during the year.

I must also thank the Board Members for their contributions and commitment throughout the year. I would also like to thank the Fiji Bank and Finance Sector Union leadership for their support in resolving staff issues during the year.

Finally, I wish to thank all of our customers for their continued confidence in and support of the Authority.



**Litia Mawi**  
Chairperson





## Chief Executive Officer's Report

### Operating Results

Last year was a very competitive year for the Authority with increased competition in the market, borrowing cost increased significantly in the later half of the year and many of our projects were delayed for various reasons. However, I am pleased to report that the Authority again recorded another good profit for the fourth straight year. A \$2.28m operating profit was recorded for 2006 compared to \$2.49m last year, which is a remarkable achievement given the difficult operating environment and many social objectives the Authority strives to achieve.

The main factors behind our good results were largely due to the effective implementation of most of our key strategies outlined in our Corporate & Work Plans and including a better control of our expenses. We also met most of our targets for income through collection of budgeted fees and charges and provisioning of doubtful debts was increased in anticipation of change in policy in 2007 in accordance with RBF guidelines.

However, sales was low due to delays in the completion of 466 lots at our Waila 3B Subdivision in Davuilevu and poor sales recorded in our Field 40 and Natabua subdivisions in Lautoka.

### Financial Performance Highlights

A record surplus of \$2.28m was achieved for the year against stretched budget of \$2.6m. The 2006 surplus represents an increase of 11.6% over the last year's surplus of \$2.49m.

Return of Equity achieved was 4.3% against target of 5.3%.

Total operating income increased by 22% from \$11.92m in 2005 to \$15.21m in 2006.

Interest income increased by 7% from \$10.9m in 2005 to \$11.8m in 2006.

Total Performing Loans portfolio decreased by \$1.3m to \$122.9m in 2006 compared to \$124.2m in 2005.

The decrease was due to slow land sales in our completed subdivisions of Balawa and Field 40, Lautoka. Also there was a delay in the sale of Waila 3B subdivision due to squatter relocation issues.

Total Non-Performing portfolio reduced from \$21.3 in 2005 to \$20.9m in 2006, this represents a decrease of 1.9%. This was possible with new initiatives and strategies placed by the Authority with the focus of improving the existing loan portfolio in 2006 and bad debts write-offs during the year.

Borrowing portfolio increased by 15% from \$104.5m in 2005 to \$120.3m in 2006.

### Non Financial Performance Highlights

Total of 2,072 customers and families were provided new housing and other related financial assistance compared to 2,232 families in 2005. This represents a decrease of 7.17%. More information is provided in Customer Relations Divisional Report.

997 low income families with income on or below \$16,500 were assisted. This represents 48% (target is 50%) out of the total of 2,072

27 Village Housing Schemes were approved \$0.76m to build new homes compared to 56 schemes for \$2.4m in 2005.

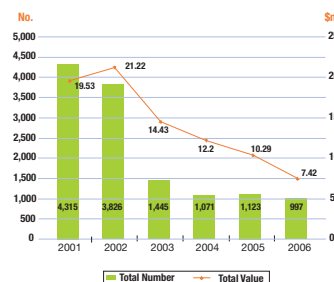
In addition, 11 families were assisted under the Home Ownership Plan scheme for them to retain their family homes in the sum of \$0.15m from the said government grant compared to 7 families in the sum of \$0.11m in 2005.

### Housing Assistance Programme for Low Income Earners and Squatters

The Authority's mandate is to provide affordable and quality

housing accommodation to its customers, particularly low to middle income workers. While we have expanded our housing loans to also include higher income earners, we still try to meet our original mandate by ensuring that not less than 50% of our housing assistance must go to low income earners. This commitment is also outlined in the Memorandum of Understanding signed with the Government in 2003. This was not achieved in 2006, however more assistance would be given next year once 800 new lots in Waila 3B and Field 40 Subdivisions are sold and allocated to the low income earners.

Housing Assistance to Low Income Earners



### Squatter Resettlement at Waila 3B Subdivision, Davuilevu

All 466 lots at Waila 3B have been earmarked for low income and squatter settlement. About 35 families moved from Vunivaivai Settlement and 30 families from Bainiose were allocated lots at Waila. A joint operation to start moving squatter from Pony Club to Waila 3B began in October, 2006. By year end, 28 families have been relocated. This was the result of a successful joint operation by Housing Authority, University of the South Pacific (USP) and Ministry of Housing & Squatter Resettlement Unit and the tenants which able to move Bainiose tenants who have been living there for more than 40 years. These lots have been partly financed by USP the landlord of Bainiose Settlement and Government subsidies who contributed \$5000 each to these families. On top of this USP is offering 4

scholarships a year for the next 25 years for these families and their descendants.

Most have rebuilt their houses, while some have applied for new construction and 8 plans have been approved ready to be built.

#### **Information Technology System**

The implementation of our new IT system commenced towards the end of 2005 following the signing of a contract with Larson & Toubro InfoTech Limited; an Indian-based company which will supply new accounting and lending software.

This project is a very important investment and a key strategy for the Authority to compete and be efficient in the future. The new system will help ensure that the Authority delivers effective and efficient service to its customers and track delinquent customers. With this new system, we will also be able to grade our loans in accordance with Reserve Bank of Fiji's guidelines and pursue our medium-

term goal to acquire a Savings Deposit License from the Reserve Bank.

#### **Housing Development**

Because of the continuous delays and problems faced with our engineering consultants over the past ten years, the Housing Authority Board took a major decision in November 2005 to re-establish the Land Development Division. The Division had originally been closed down in 1996 because it was felt that out-sourcing would be more efficient. This has not proven to be the case in the last 10 years.

The re-established Division will be called Housing Development and will operate with about ten professional staff members and be headed by a Project Manager. The Division's primary objective will be to acquire, design and develop land and also construct houses on all future developments.

The Division is expected to enter into joint ventures with the private sector and lenders for funding and to

undertake housing developments projects throughout our country. The Division is expected to be fully operational by the second quarter of 2007.

#### **Finance Review**

A Review was also commissioned and completed during 2005 with the objective to ensure that the Finance Division operates efficiently and effectively to support our core businesses. The Review revealed deficiencies in some key areas of operation, including staffing. The implementation of the findings was completed during the year.

#### **Human Resources, Industrial Relation and Training**

The Authority views its human resources as its biggest asset and our strategies and plans are outlined in the Employment and Industrial Relations Plan approved by the Board, line Ministry and Ministry of Public Enterprises. Throughout the year, considerable training was conducted to improve performance, create

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“ A \$2.28m operating profit was recorded for 2006 compared to \$2.49m last year, which is a remarkable achievement given the difficult operating environment and many social objectives the Authority strives to achieve.”



attitudinal change and to further develop our professional staff. This staff development included overseas training for management staff as well. There were no unresolved industrial disputes in 2006. Management continued to work closely with the staff and the union to resolve any matters of concern and to hold discussions on a regular basis.

### Performance Management System

Our new performance management system was implemented for the second time in 2006. Methodology for this new system was endorsed in 2004 by the Union as well as the Board and Management. For performance appraisals, the new system takes into consideration the corporate performance, individual staff performance and their behavior. The performance management system would be reviewed next year.

### Land Construction

The development of land for the Authority's many projects was disappointing throughout 2006. All of our projects completed, including Field 40 and Waila 3B. Both of these projects were delayed despite efforts taken by management. Waila 3B was physically completed in 2005 but the lot plans were approved early in 2006. First priority was given to squatters facing eviction and PRB tenants at Raiwai and Raiwaqa however many did not take up the offer by year end. Other projects in the design and scheme planning stages handled by our consultants were also significantly delayed. These delays included the Scheme Plans for Waila Housing City (4,000 lots), Savusavu (53 lots), Tavua (210 lots), Ba (83 lots) and Tacirua East (1,000 lots). There were many reasons for the delays despite considerable efforts

taken by Management to meet delivery deadlines.

The Authority also formulated its six-year Land Development Program in 2005, which will now be reviewed annually.

### Land Acquisition

The Authority can only develop more Sub divisions in the future to meet demand if it can acquire suitable land now.

In 2006, we finalized plans to obtain development leases from Lands Department for land in Wainibuku (60 acres), Vatuwaqa (10 acres), and Caubati (25 acres) and managed to acquire a 10 years development lease for 114 acres of land close to Natadola Hotel Development site. Acquisition for 40 acre site near Matavolivolvi, Nadi were also under discussion by year end. On this property, we plan to develop thousands of housing lots to house the thousands of hotel workers and others that are expected to work at the various hotel developments in this area.

This is a new initiative to support the tourism industry. Other sites that are being considered for similar development are along the Coral Coast and Sigatoka.

### Corporate Planning and Monitoring of Performance

The Authority's (2006-2008) Corporate and Work Plan were implemented during the year and reports tabled to the Board monthly. Management also meets monthly for half day to review progress and strategies to ensure we are on track and resolve issues and roadblocks.

### Public Relations and Marketing

During 2006, Management worked hard to maintain the Authority's good public image and improve Corporate Profile. We were happy to note that there were no adverse reports in the media. To help achieve this image, the Authority issued press releases and newspaper supplements from time to time and was happy with responses to the Authority's

| Year | Development                                                                                                           | Area (Ha)                         | Location                                   | No. of Lots                   | Total No. of Lots |
|------|-----------------------------------------------------------------------------------------------------------------------|-----------------------------------|--------------------------------------------|-------------------------------|-------------------|
| 2005 | Waila - Stage 3b<br>Balawa Stage 2                                                                                    | 15                                | Nausori<br>Lautoka                         | 466<br>30                     | 496               |
| 2006 | Namosau - Stage 2<br>Koronisalusalu - Stage 1<br>Naqere - Stage 2<br>Tacirua East - Phase 1<br>Tavakubu Infill        | 5.13<br>13.13<br>2.4<br>6.75<br>5 | Ba<br>Tavua<br>Savusavu<br>Suva<br>Lautoka | 83<br>210<br>53<br>150<br>10  | 506               |
| 2007 | Tacirua East - Phase 2<br>Waqadra - Stage 2<br>Tavakubu Balance - Stage 1                                             | 25<br>19.4<br>11                  | Suva<br>Nadi<br>Lautoka                    | 500<br>330<br>100             | 930               |
| 2008 | Tacirua East 2 - Phase 3<br>Nepani Flats<br>Waila City - Phase 1<br>Vatuwaqa - Viria Road<br>Matawaluwalu Residential | 20<br>16.19<br>30<br>5.28<br>10.2 | Suva<br>Nasinu<br>Nausori<br>Sigatoka      | 400<br>340<br>600<br>50<br>95 | 1485              |
| 2009 | Tacirua East 2 - Phase 4<br>Wainibuku - Stage 1<br>Waila City - Phase 2                                               | 15<br>26.3<br>47.5                | Suva<br>Nausori<br>Nausori                 | 150<br>225<br>650             | 1025              |
| 2010 | Tavakubu Balance - Stage 1<br>Waila City - Phase 3<br>Caubati - Stage 3                                               | 10<br>55<br>8                     | Lautoka<br>Nausori<br>Nasinu               | 100<br>1000<br>100            | 1200              |
|      | Total Lot Output.                                                                                                     |                                   |                                            |                               | 5642              |



activities and its services. The Authority's newsletter which called the 'VALE' is published quarterly every year and dwells on the projects, issues and other related activities of the Authority.

### Audit

In accordance with the Financial Management Act (17 of 2004) and with effect from 1st January 2005, the Authority's financial accounts were audited by the Auditor General. Internal Audits were carried out by G. Lal & Co on a quarterly basis. Issues raised by the Internal and External Auditors were acted upon by the management and overseen by the Board's Sub-Committee responsible for Finance, Audit & Risk Management.

### Risk Management

KPMG carried out a risk management study throughout the organization to identify, evaluate, treat, communicate and monitor risk affecting its business and in so doing, formulate a policy for the Authority. Draft report was received later in the year and to be discussed and implemented in 2007.

### Insurance Services

The Authority continued to provide its customers mortgage protection and property insurance covers under a group policy. This arrangement enabled a total of our 10,069 mortgage customers to enjoy a very competitive insurance premium for both the covers. Insurance cover was reviewed annually through our brokers, Marsh Ltd and premiums remain unchanged since 2004.

During the year, New India Assurance Co. Ltd responded to 8 fire claims and 4 other property related

**Mortgage Protection Insurance Claim Record**



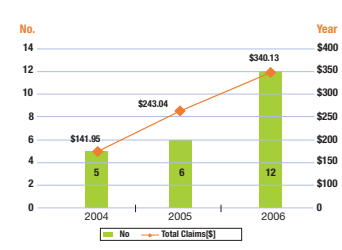
damage claims. These claims amounted to \$340,125. The mortgage protection insurance cover was placed with FijiCare Insurance Ltd and the claims arising due to loss by death and/or total permanent disability had a loss ratio of 90% for the year. Apart from the above claims, 13 motor vehicle claims amounting to \$33,000 for its customers, staff and the Authority were also attended to.

### The Year Ahead

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

We have been able to maintain low interest rate for 2006 and we have continually strived to reduce our operating cost and weighted average cost of fund but this is not sustainable in the medium and long term.

**Material Damage (Fire) Insurance Policy Claim**



In this regard, I must thank my management team and staff for their contribution in yet another good year and also to the Union, customers and stakeholders for their support.

Finally, I wish to express my gratitude to the Board Chairperson, Members of the Board and the Ministries of Housing, Finance and Public Enterprises for their continued support and direction during the year.

**Alipate Naiorosui**  
Chief Executive Officer

“ A record surplus of \$2.28m was achieved for the year against stretched budget of \$2.6m. The 2006 surplus represents an decrease of 11.6% over the last year's surplus of \$2.49m. ”





## Customer Relations Division

### Introduction

The primary focus of the Customer Relations Division for 2006 was to continue to improve our service delivery by providing efficient and effective services to our customers. The Division's charter was to ensure the provision of housing products that would be affordable to low income-earners and to use marketing tools to increase the Authority's market share.

### Residential Home Loan

The Authority maintained the Crystal Package throughout 2006, even though all other lending institutions have increased their lending rates. Table 1.0 shows the reduction in interest rates offered by the Authority over the past seven years.

### Fees and Charges

The Housing Authority continues to offer the lowest loan fees and charges in the market and was able to attract considerable business in home loan packages. The total fees and charges collected by the Division in 2006 amounted to \$283,248. This exceeded our projection by 20%.

### Land Sales and Squatter Resettlement

Lots at the Waila 3B and Balawa Subdivisions were sold mostly to squatters. Lots were also allocated for resettling squatters at the Field 40 subdivision in Lautoka. Twelve squatter settlements were earmarked for relocation at the Waila 3B subdivision and this includes Bainiose, Vunivaivai, Korova, Tamavuaiwai, Muanivatu, Matata, Nasinu Quarry, Laqere, River Road, Pritam Singh, Koka Place and Nanuku. One hundred residential lots are also reserved for relocating Public Rental Board Tenants who currently occupy the four-storey flats at Raiwaga and Raiwai.

Two squatter settlements, namely Bainiose (41 families) and Matata (9 families) have all relocated to Waila 3B and to other family members and the land they had occupied has now reverted to the original owners. The relocation of the whole of the Vunivai community had started and should be finalised in 2007.

### Loans Approved

The total loans approved for 2006 amounted to \$23,108,796. This is a reduction of 23% and 7% in loan value and number compared with 2005. This is mainly due to the increase in real estate values and the slow sales of the Waila 3B and Field 40 residential lots.

### Low Income focus

In total, 997 low-income clients were assisted in 2006 with funds amounting to \$7,423,022. This is equivalent to 48% in number and 32% in value of the total Loan and Sales approved during the year. Assistance to low-income earners are still a priority in our service as the allocation of lots in our newly developed subdivision has been directed primarily to low-income clients.

### Village Housing Loan

The rural housing assistance for village scheme continued this year and 83 housing schemes were assisted throughout the country. This product is aimed at upgrading the standard of living in our villages. It includes the construction of residential homes, community halls and churches in the villages and investment residential homes in

urban centres. The total outstanding debt is \$10,734,302. This year 27 schemes were assisted with a total loan of \$758,864.00.

### Educational Programmes

Our focus was mainly to educate families residing in squatter settlements and Public Rental Board clients living in four-storey flats to take up our offer to purchase and construct their homes on our fully serviced residential lots at Waila 3B in Suva, Field 40, Balawa and Natabua in Lautoka. This will give these clients secure land tenure (ownership) and upgrade their living standards.

### New Product

The Crystal Loan Package, which was lodged in September 2005 with the lowest loan interest rate in the market of 3.99% fixed for 18 months and 7.99% variable thereafter, was maintained throughout the year. This is despite the fact that all other lending institutions have increased their lending interest rates.

**Michael Lee**  
General Manager Customer  
Relations/Land Development

“The Crystal Loan Package, which was lodged in September 2005 with the lowest loan interest rate in the market of 3.99% fixed for 18 months and 7.99% variable thereafter, was maintained throughout the year.”



| Table 1.0<br>Year     | Fixed Rate | Variable Rate | Fixed Rate for Low Income<br>****      |
|-----------------------|------------|---------------|----------------------------------------|
| 2000                  | 9.5%*      | 11.5%         | 6.0% (5 years)                         |
| 2001                  | 5.99%**    | 8.35%         | 5.99% (5 years)                        |
| 2002                  | 5.99%**    | 8.35%         | 5.99% (5 years)                        |
| 2003                  | 4.45%**    | 7.99%         | 4.45% (2 years)<br>5.99% (3 years)     |
| 2004                  | 4.45%**    | 7.99%         | 4.45% (2 years)<br>5.99% (3 years)     |
| 2005 (from September) | 3.99%***   | 7.99%         | 3.99% (1.5 years)<br>5.99% (3.5 years) |
| 2006                  | 3.99%      | 7.99%         | 3.99% (1.5 years)<br>5.9% (3.5 years)  |

\* Fixed for 1 Year only

\* Fixed for 2 Years

\*\*\* Fixed for 1.5 Years

\*\*\*\* Low income earners also enjoy the fixed rate.

|                                       | 2006 |            | 2005  |            | 2004  |            |
|---------------------------------------|------|------------|-------|------------|-------|------------|
| Products                              | No   | Value(\$)  | No    | Value(\$)  | No    | Value(\$)  |
| Cash Loans                            | 712  | 18,058,275 | 979   | 24,898,880 | 564   | 13,758,809 |
| Village Loans                         | 27   | 758,864    | 56    | 2,393,101  | 27    | 1,138,248  |
| Personal, Quick<br>Repair & Car Loans | 1086 | 2,360,153  | 1,162 | 2,453,781  | 1,267 | 2,656,325  |
| Home &<br>Land Sales                  | 247  | 1,931,504  | 35    | 494,000    | 130   | 4,982,350  |
| Total                                 | 2072 | 23,108,796 | 2,232 | 30,239,762 | 1,988 | 22,535,732 |

| Subdivision | Lots Sold | Balance |
|-------------|-----------|---------|
| Waila 3B    | 203       | 258     |
| Field 40    | 153       | 219     |
| Balawa      | 3         | 26      |





## Housing Development Division

The development of land for the Authority's many projects was encouraging during 2006, compared with 2005. The developments completed included Field 40 (412 lots) and Waila 3B (466 lots). The Namosau Ba subdivision (84 lots) is currently in progress and expected to be completed by March 2007.

The three major projects still in the planning and design stages include Tacirua East Stage 2 – (Suva Rural Local Authority – (74 hectares), Nepani stage 2 (16.1 hectares), and Wainibuku (24.2 hectares) subdivisions. Consultancy services, engineering design and approval for Tacirua East was awarded to Erasito consultants while Nepani and Wainibuku were awarded to Sinclair Knight Mertz. From these three developments the expected lot yield is 1500 lots.

For the Tavua development (210 lots), the award of construction work had to be suspended owing to the closure of the Emperor Gold Mines, since the development was earmarked for mine workers. If the new mine owners resume operations, the Authority may then reconsider its position to finish the subdivision.

The Naqere subdivision in Savusavu (53 plots) construction tender had to be retendered since the price quoted by contractors was far above our estimate where the lot prices would be well above the eligibility levels of the target market. Retendering and the start of construction work is expected by April 2007.

Waila Housing City comprising 750 acres is expected to yield 4,000 – 5,000 lots depending on the lot mix that will be adopted. This development was significantly delayed during the scheme planning stages. The main reason for the delays was the inability of our consultant to

perform and deliver despite considerable efforts taken by management.

### Land Acquisition

To carry out residential developments the Housing Authority will need to have a steady supply of land by way of land acquisition. To date the Authority has acquired 114 acres at Natadola which is earmarked for the development of more than 1,000 housing lots mainly for hotel workers and others who are expected to be employed in this area.

This is a new initiative to support the tourism industry. Other sites being considered for similar development are located along the Coral Coast and at Sigatoka. The Authority is also liaising closely with the developers of Yaqara Studio City to develop a subdivision for the construction of houses for the anticipated influx of people who are expected to work at the Studio City in the future.

In 2007, we hope to finalise plans and obtain development leases from the Native Land Trust Board for land in Matavolivolvi and Votualevu comprising approximately 24 hectares. The Authority is also liaising with the Department of Lands to acquire some State land in Vatuwaqa (4 hectares) and Caubati (10 hectares).

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

### Housing Development

The Consultant Project Manager Housing Development joined the

Housing Authority in November 2006. The main focus of this is to reinforce the position of the Authority in terms of producing not only land but also land and house as a package. The high building cost of house construction is a major concern and part of the brief of the new role is to find new designs and materials that are of good quality affordable particularly to the low to middle income segment of the market.

The medium term intention is to strengthen the department including its land development and house construction functions through the engagement of positions, such as architects, design & contract engineers, projects engineers Surveyors and clerk of works in the land & housing development team.

The Housing Authority will strengthen its in-house team, since housing development is one of its key focus now. Owing to the rapid increase in urbanisation, the demand for housing has increased greatly, but there is less supply in the market. The high demand low supply situation has resulted in the high property prices realized in major urban centers like Suva, Nausori, Lami and Nadi. The authority is determined to deliver its quota of more than 2000 affordable, quality land lots/ housing units per year, once the necessary in-house infrastructure is ready.

**Manab Ghose**

*Consultant Project Manager  
Housing Development*



“ The developments completed included Field 40 (412 lots) and Waila 3B (466 lots). The Namosau Ba subdivision (84 lots) is currently in progress and expected to be completed by March 2007.”





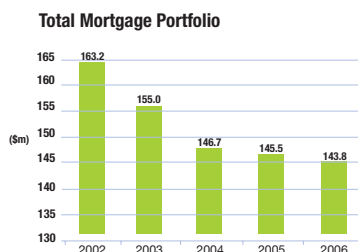
## Lending Division



The primary role of the Lending Division is to attain lending portfolio growth through the underwriting of quality loans. The Authority had 20,780 customers as at 31 December 2006 of which 10,069 were loan accounts valued at \$142.2m. The balance of 10,711 with the value of \$1.6m was attributed to ground rent accounts.

### Mortgage Portfolio

The total mortgage portfolio at the end of the year was \$143.8m, compared to \$145.5m in 2005. The bar graph below illustrates the trend for total mortgage portfolio over the past five years:

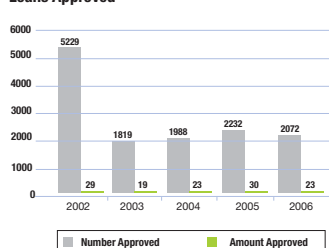


### Performing Loan Portfolio The Performing

Lending portfolio stood at \$122.9m compared with \$124.2m in 2005. A slight decrease is attributed to slow land sales in Field 40, Balawa and Natabua coupled with delayed sales in Waila 3B and related squatter resettlements. The Approvals Department is responsible for approving quality loans strongly based on the probability of default, security coverage and repayment capacity. The Approvals team ensures that, for all loans, there is a "second way out". Continuous improvement programs, coupled with ongoing training, coaching and guidance, helped identify problem areas and roadblocks. To reduce turn around times for loan approvals and improve customer satisfaction in 2006, the Division initiated process changes, restructured work areas and implemented other workable solutions to achieve efficiency.

Prior to a loan being processed, new and existing loan applications are screened by Data Bureau Limited. The Authority was also able to maintain high customer satisfaction levels by approving most loans within a 24-hour period. Loans approved in 2006 totalled \$23.1m compared with \$30.24m in 2005. The decline was due to the aforementioned slow land sales coupled with related squatter resettlements and to the suspension of investment loans.

### Loans Approved



### Non-Performing Loans

Non-performing loans reduced to \$20.9m in 2006, from \$21.3m in 2005. That represents a reduction to 14.5% from the previous 14.6%, although the target was 10%.

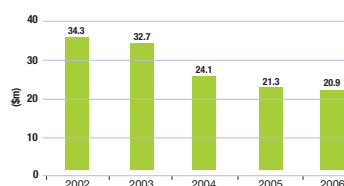
### Matavolivoli Rehabilitation Project

The Matavolivoli Subdivision in Nadi accounts for \$5.8m of these loans. Every house in Matavolivoli was inspected, costings were done and an agreement was reached to repair the houses and restructure the individual debts in 2006. So far, 49 houses have been upgraded and loans have been restructured. The poor debt servicing of loans was mainly due to job losses and matrimonial problems for the homeowners. In keeping with its aim of averting tenant evictions, the Authority continued to take innovative actions to meet its social objectives. Various Home Retention Schemes were also implemented. The bar graph below reflects a reducing trend:

### Home Ownership Plan

The Home Ownership Plan was introduced in 2005 to assist those

### Non Performing Loans



debtors who were unable to meet their financial commitments. The debtors were unable to repay their mortgage because of old age, retirement, loss of income, or sickness and there were those who had repaid their debts three or more times over their original borrowing. In 2006, 11 debtors were assisted with a total portfolio of \$0.15m.

### Poverty Alleviation Scheme

The Authority continued to assist low-income earners whose total household income did not exceed \$6,500 per annum through its interest subsidy scheme. Both individual homeowners and those in the Village Housing Scheme enjoyed an interest rate of 5.99% per annum on their mortgage loans instead of the variable interest rate of 7.99%. A total portfolio of \$2.3m benefited 298 families under this scheme in 2006. An additional 46 village housing scheme customers benefited from this subsidy for a total portfolio of \$3.3m.

### Bad Debts Write-offs

A total of \$1.4m of doubtful and insolvent debts were written off from the Authority's books during 2006.

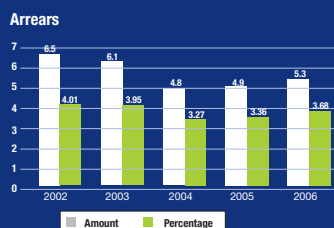
### Arrears

Mortgage arrears stood at \$5.3m at 31 December 2006 or 3.68% of the Authority's total loan portfolio although the target was \$4.3m or 3.0%. The bar graph below denotes the trends:

### Utilisation of Government Grant

The Authority was able to fulfill some of its social objectives by assisting low-income earners from the 2006 Government Grant allocation of





\$1.0m. Details of this assistance provided are outlined in the table below:

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

### Legal Services

A complete legal solution is provided to the Authority's customers. The Legal Department's daily operations include conveyances and settlements at the Registrar of Titles Office, Fiji National Provident Fund transfers

| Utilized For                                          | No Assisted | Amount Utilised | Amount Unutilised |
|-------------------------------------------------------|-------------|-----------------|-------------------|
| 1 Interest Subsidy - debtors earning below \$6,500 pa | 298         | 48,783          | 187,033           |
| 2 Interest Subsidy - Village Housing Scheme           | 46          | 126,153         | 8,847             |
| 3 Home Ownership - under Home Ownership Plan (HOP)    | 11          | 134,221         | 598,855           |

and documentation and consent to dealings and litigations.

The Legal Department was also able to generate additional income through the preparation of probates, wills, power of attorney, tenancy agreements and contract documents. Producing legal documents in-house gave the Authority a competitive edge and enabled legal fees to be kept to a minimum.

### FNPF Transfers

In 2006, there were 975 customers assisted through the transfer of their Fiji National Provident Fund monies. Although the target was \$6.0m, the Authority actually received \$7.5m.

### Litigation

Litigation was brought against 81 of the Authority's customers. The amount that would be recovered was first weighed against the administrative costs to the Authority before proceeding.

### Stakeholders Meetings

Monthly stakeholder meetings were held between the Authority and the Registrar of Titles, the Native Land Trust Board and the Fiji National Provident Fund. These meetings were aimed at improving the efficiency of loan approvals, the preparation of legal documents and the transfer of funds.

*Baij Maharaj*

**Baij Maharaj**  
General Manager Lending



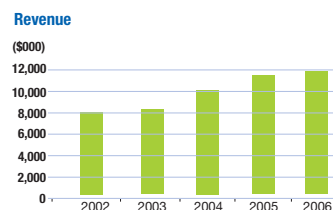
“The Authority continued to assist low-income earners whose total household income did not exceed \$6,500 per annum through its interest subsidy scheme.”



The primary role of Finance & Administration Division is to ensure prudent financial management and efficient administrative services are provided to support the business activities and operations of the Authority. This include to the preparation of budgets and forecasting, proper cash flow management, provide timely and accurate management and financial reports and to manage corporate information technology and human resources.

#### Revenue:

Revenue continued to increase over the same period last year. The increases were mainly due to the interest on short-term investments amounting to 214% and increase in sale of lots and houses by 216%. Most of the customers who enjoyed the initial two-year fixed rate of 4.45% had moved to the variable rate of 7.99%.



#### Expenditure:

Administration expenses were well contained in 2006, despite an increase in the total operating expenses of 1.5% over 2005. This marginal rise in expenditure was primarily due to the increase in rent for the new premises and higher fuel prices.

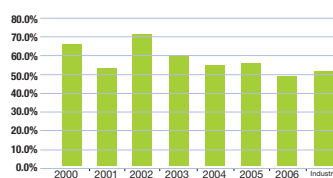
#### Payroll and other related expenses

Payroll increased by 6.2% after allowing for salary adjustments and merit payments at the end of the year. Project officers were engaged on a short-term basis for specialised activities related to the new IT project. This strategy will be continued in early 2007 to ensure that clean data is migrated into the new IT systems.

#### Administration Expenses

As part of the Authority's Strategic Plan, there has been an emphasis on savings in the area of administration expenses. In 2006, a saving of \$64,000 (or 2%) has been achieved over the 2005 fiscal year.

**Efficiency Ratio: Total Operating Expenses: Total Operating Income**



#### Finance Management

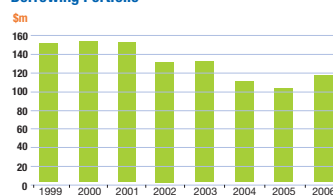
In order to strengthen the functions and effectiveness of the department, a new Finance Manager was appointed and started in December. Mr. Gurmukh Kripalani, a chartered accountant from India, brings to the department a wealth of experience in finance and treasury management.

In recognition of a weakness in some staff skills, 2007 has been earmarked for professional development, restructure and multi-skilling of the finance staff.

#### Borrowing Portfolio:

The long term borrowing portfolio for the Authority stood at \$118.8 million and also there was a short term bank overdraft of \$1.5m so the total borrowing portfolio is \$120.317m as at 31st December 2006.

**Borrowing Portfolio**



#### Weighted Average Cost of Capital.

Unlike other years, the cost of funds in 2006 continued on an upward trend and reached record heights in December, which combined with a continued shortage of funds. This resulted in the Authority utilising the balance of its 2005/2006 Government guarantee to reserve funds to meet commitments in 2007. These funds were also put into short-term investments.

As a flow-on effect, the Authority was unable to maintain the Weighted Average Cost of Capital (WACC) below 6.0% and at the end of December, the WACC was around 6.29%.

As part of the strategic goals of the Authority, the costs of funds are to be continually scrutinised in order to sustain the low and competitive lending rate of 7.99%.

#### Information Technology:

The IT Department has been engaged in providing support for the introduction of the new IT system. Many meetings and detailed documentation of requirements have been pursued with vigour by the Department.

Secondly, in line with the IT strategic goals of the Authority, the IT Department continues to maintain the existing AS400 Computerised System to ensure efficient services to customers, internally as well as externally.

Thirdly, the Authority's website, [www.housingfiji.com](http://www.housingfiji.com), launched in mid 2004, was continually updated by the Department.

The IT strategic goals for 2007 included the formulation of a Disaster Recovery Plan and also the completion of the New IT System.



### **Estates and Physical Resources**

Refurbishment of the Valelevu Office has been deferred to 2007 because of cost constraints dictated by the current economic hardships. This exercise is expected to begin in July and would bring the Authority's image in line with the new buildings of the Nasinu Township.

As part of the cost cutting measures, office services awarded in 2004 continued to be constantly reviewed on performance under the terms of the three-year contracts. The contracts will be renewed in 2007.

The Authority continues to be the managing agent of the Strata Units (Edenville, Cakau Estate, Rogi Place, Vesida), numbering 208 units in four estates. A major repair and maintenance for all, totalling \$400,000 has been earmarked for 2007, after which the formation of a corporate body to manage these estates would be finalised.

### **Human Resource Development**

2006 proved an exciting year as many of the decisions taken in 2005 were acted upon during the year. After-shocks of the 2003 Job Evaluation Exercise continued into 2006, the onset of the new Performance Management System began to take root in the year and there were some differences of opinion, which continue to be worked on.

The Housing Authority believes in systematic training of staff as a key factor in achieving goals. The Authority works to adapt its corporate culture in order to respond rapidly to the housing needs of the community and the market.

#### **Training**

The Authority is a Method "A" employer based on the Training Criteria adopted by the Training and Productivity Authority of Fiji (TPAF). Training programs adopted a competency based approach. To be

fully competent, one must have the knowledge, be able to apply it and have the required behavioural attitude. The courses are designed to address the competency gaps identified.

In 2006, a total of 54 in-house courses totalling 3,337 training hours (14,496 hours in 2005) were conducted and 471 persons (652 persons fewer than 2005) attended. The total bill for training decreased to \$109,000 in 2006 compared with \$241,000 in 2005. In 2006, selected and specialised training was pursued, which saw the reduction in the figures above.

In the professional development of staff, 13 officers pursued graduate programmes ranging from Diplomas to Masters degrees in the tertiary institutions such as Central Queensland University, Fiji Institute of Technology and University of the South Pacific.



“The primary role of Finance & Administration Division is to ensure prudent financial management and efficient administrative services are provided to support the business activities and operations of the Authority.”



In 2007, Human Resource Department will be concentrating on targeted training as well as improving productivity through more effective systems and processes. The Authority has registered its interest in participating in the Fiji Business Excellence Awards

### Staff Numbers

Staff numbers reduced during the year and stood at 130 permanent employees at the end of 2006 compared with 134 in 2005. There were a number of Project Officers employed during the year to complete certain assignments for the IT Project. As part of its social obligations, the Authority continued to employ potential graduates as trainees to help them complete their practical hours.

This policy will be maintained in 2007.

### Industrial Relations

Whilst regular monthly staff meetings continued during the year, the promotion of harmonious employee relations was taken to new heights with the introduction of management and staff quarterly get-togethers. This new forum served as a focus for major targets and projects and importantly, to recognise staff contributions to the organisation's performance. The union continued to be involved in the operations of the Authority through regular meetings. As a testimony to these good relations, a number of issues,

ranging from staff appeals to normal day-to-day concerns, were amicably resolved.

No log of claims was received for the year, owing to an existing agreement covering 2005 – 2007. In keeping with the existing agreement, staff salary adjustments were aligned to the movement of the Banking and Finance Sector.

Harmonious work relationships will continue to be encouraged in 2007.

### Sports & Social Activities:

The Authority believes in ensuring there is also fun in the workplace and that it plays an important role in improving productivity. It also recognises its role as a responsible employer in ensuring the workers are healthy.

Sports and social activities were very much part of the life of the Authority in 2006 and a Family Fun Day was hosted in July. Management and staff were divided into four teams each (taken after names of local birds), headed by the General Managers and the CEO. The Kikau team took six of the seven trophies contested during the Family Fun Day.

Other activities included inter-business house competitions and the Authority participated in the follow-

ing sports: basketball, volleyball, bowling and soccer. Internal get-fit programmes such as aerobics, walking, soccer, touch rugby and volleyball were also organised. The Authority also celebrated significant religious calendars by inviting outside speakers.

It also took part in the following religious and National events: Easter / Diwali / Prophet Mohammed's Birthday / Mother's Day / Women's Prayer Day / Ratu Sukuna Day / Fiji Day / Annual Methodist Conference Choir competition and Christmas.

In 2007, these activities are expected to be fully patronised and plans for assistance by way of community work at our housing estates would be undertaken.

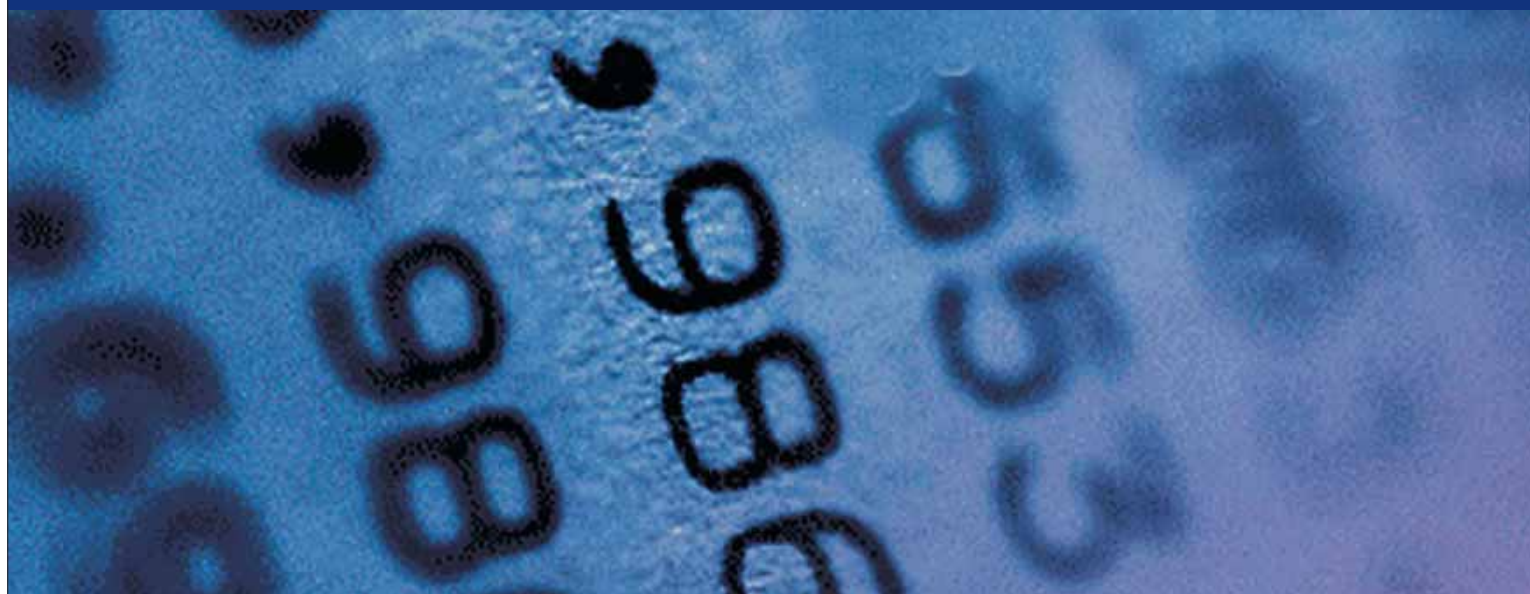
**Mamatuki Itautoka**  
General Manager  
Finance & Administration

“The primary role of Finance & Administration Division is to ensure prudent financial management and efficient administrative services are provided to support the business activities and operations of the Authority.”



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| 30 | Statement of Cash Flows           |
| 31 | Notes to the Financial Statements |





The directors present their report together with the financial statements of Housing Authority of Fiji ("the Authority") for the year ended 31 December 2006 and the auditors' report thereon.

## Directors

The directors of the Authority during the year were:

| Director                  | Appointed        | Served Until     |
|---------------------------|------------------|------------------|
| Mr. Sada Reddy (Chairman) | 01 December 2000 | 31 December 2006 |
| Mr. Olota Rokovunisei     | Pre-1999         | 31 December 2006 |
| Mr. Cama Tuloma           | 01 January 2004  | 22 May 2006      |
| Ms Emele Duituturaga      | 23 May 2006      | 31 December 2006 |
| Mr. Vishnu Deo            | 01 December 2002 | 31 December 2006 |
| Rev. Sereima Lomaloma     | 01 December 2002 | 31 December 2006 |
| Mrs. Elenoa Gonelevu      | 01 February 2005 | 31 December 2006 |

## State of Affairs

In the opinion of the directors, the accompanying balance sheet and statement of changes in equity give a true and fair view of the state of affairs of the Authority as at 31 December 2006 and the accompanying income statement and statement of cash flow gives a true and fair view of the results of the Board and its cash flow for the year then ended.

## Principal activities

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

## Operating results

The operating results for the Authority for the year ended 31 December 2006 was:

|                              | 2006<br>\$'000 | 2005<br>\$'000 |
|------------------------------|----------------|----------------|
| Net profit before income tax | 2,281          | 2,487          |
| Income tax expense           | -              | -              |
| Net profit for the year      | 2,281          | 2,487          |

## Dividends

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

## Reserves

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

## Events subsequent to balance date

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

Dated at Suva this 15th day of November 2007.

Signed in accordance with a resolution of the directors:

Interim Chairperson

Member





8th Floor, Ratu Sukuna House,  
MacArthur Street,  
P.O. Box 2214,  
Government Buildings,  
Suva, Fiji Islands.

REPUBLIC OF THE FIJI ISLANDS

OFFICE OF THE AUDITOR GENERAL

ACCOUNTABILITY IN THE PUBLIC SECTOR THROUGH QUALITY AUDIT SERVICES

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**Scope**

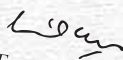
I have audited the financial statements of the Housing Authority in accordance with the provisions of caption 267 of the Housing Act (1985), the Public Enterprise Act (1996) and the Housing (Amendment) Decree (1989) in the manner so required and section 13 of the Audit Act. The Authority is responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of these financial statements in order to express an opinion on them.

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

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

**Audit opinion**

In my opinion, the accompanying financial statements, present fairly the financial position of the Authority as at 31 December 2006 and the results of its operations and its cash flows for the year ended on that date.

  
Eroni Vatuloka  
Auditor-General  
Suva, Republic of Fiji Islands

**Income**

Interest income

Interest expense

**Net interest income**

Other operating income

**Total operating income**

Staff costs

Bad and doubtful debts

Other operating expenses

**Net profit before income tax**

Income tax expense

**Net profit for the year**

| Note | 2006<br>\$000 | 2005<br>\$000 |
|------|---------------|---------------|
| 2    | 11,767        | 10,921        |
| 4    | (5,606)       | (5,667)       |
|      | 6,161         | 5,254         |
| 3    | 9,053         | 6,668         |
|      | 15,214        | 11,922        |
| 5    | (4,231)       | (3,949)       |
|      | (2,665)       | (1,464)       |
| 6    | (6,037)       | (4,022)       |
|      | 2,281         | 2,487         |
| 1(k) | -             | -             |
|      | 2,281         | 2,487         |

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 30 to 42.





## Balance Sheet

As at 31 December 2006

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### Assets

|                                  |  |
|----------------------------------|--|
| Cash                             |  |
| Investments                      |  |
| Loans                            |  |
| Stock                            |  |
| Land held for future development |  |
| Property, plant and equipment    |  |
| Other                            |  |

### Total Assets

### Liabilities

|                       |  |
|-----------------------|--|
| Borrowings            |  |
| Employee entitlements |  |
| Provisions            |  |
| Other                 |  |

### Total Liabilities

### Net Assets

### Capital and Reserves

|                    |  |
|--------------------|--|
| Capital            |  |
| Government grant   |  |
| Reserves           |  |
| Accumulated losses |  |

### Total Capital and Reserves

Commitments and contingent liabilities

| Note | 2006<br>\$000 | 2005<br>\$000 |
|------|---------------|---------------|
|      | 1,282         | 3,095         |
| 7    | 25,063        | 1,000         |
| 8    | 129,161       | 131,662       |
| 9    | 12,714        | 13,299        |
| 10   | 7,367         | 1,490         |
| 11   | 7,102         | 5,272         |
| 12   | 763           | 511           |
|      | 183,452       | 156,329       |
|      |               |               |
| 13   | 120,317       | 104,533       |
|      | 540           | 430           |
| 14   | 1,210         | 1,062         |
| 15   | 8,481         | 6,515         |
|      | 130,548       | 112,540       |
|      | 52,904        | 43,789        |
|      |               |               |
|      | 41,772        | 41,772        |
|      | 15,958        | 15,958        |
|      | 11,046        | 4,212         |
|      | (15,872)      | (18,153)      |
|      | 52,904        | 43,789        |

17,18

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 30 to 42.

Signed in accordance with a resolution of the Board:

Interim Chairperson

Member

## Statement of Changes in Equity

*Year ended 31 December 2006*

|                                   | 2006<br>\$000 | 2005<br>\$000 |
|-----------------------------------|---------------|---------------|
| <b>Capital</b>                    |               |               |
| Balance at start of year          | 41,772        | 41,772        |
| Movements during the year         | -             | -             |
| Balance at end of year            | 41,772        | 41,772        |
| <b>Government grant</b>           |               |               |
| Balance at start of year          | 15,958        | 15,958        |
| Movements during the year         | -             | -             |
| Balance at end of year            | 15,958        | 15,958        |
| <b>Reserves</b>                   |               |               |
| Asset revaluation reserve         |               |               |
| Balance at start of year          | 3,566         | 3,566         |
| Movements during the year         | 6,834         | -             |
| Balance at end of year            | 10,400        | 3,566         |
| Asset realisation reserve         |               |               |
| Balance at start of year          | 646           | 646           |
| Movements during the year         | -             | -             |
| Balance at end of year            | 646           | 646           |
| Total reserves                    | 11,046        | 4,212         |
| <b>Accumulated losses</b>         |               |               |
| Balance at start of year          | (18,153)      | (20,640)      |
| Net profit for the year           | 2,281         | 2,487         |
| Balance at end of year            | (15,872)      | (18,153)      |
| <b>Total Capital and Reserves</b> | <b>52,904</b> | <b>43,789</b> |

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 30 to 42.



## Statement of Cash Flows

For the year ended 31 December 2006

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### Operating activities

|                                           |         |         |
|-------------------------------------------|---------|---------|
| Interest received                         | 11,049  | 10,732  |
| Fees, charges and other income received   | 9,053   | 6,668   |
| Interest and other costs of finance paid  | (5,076) | (5,663) |
| Net customer loans issued                 | (678)   | (1,663) |
| Payments to suppliers for land and houses | (2,385) | (3,160) |
| Operating expenses                        | (5,510) | (5,029) |

### Cash flows from operating activities

### Investing activities

|                                           |         |       |
|-------------------------------------------|---------|-------|
| Proceeds from sale of plant and equipment | -       | 133   |
| Payments for plant and equipment          | (1,315) | (580) |

### Cash flows from investing activities

### Financing activities

|                                       |        |         |
|---------------------------------------|--------|---------|
| Net increase/(decrease) in borrowings | 14,284 | (5,590) |
| Government grant received             | 1,328  | 889     |

### Cash flows from financing activities

|                                      |        |         |
|--------------------------------------|--------|---------|
| Net increase/(decrease) in cash held | 20,750 | (3,263) |
|--------------------------------------|--------|---------|

|                                             |       |       |
|---------------------------------------------|-------|-------|
| Cash at the beginning of the financial year | 4,095 | 7,358 |
|---------------------------------------------|-------|-------|

### Cash at the end of the financial year

| Note | 2006<br>\$000 | 2005<br>\$000 |
|------|---------------|---------------|
|      | 11,049        | 10,732        |
|      | 9,053         | 6,668         |
|      | (5,076)       | (5,663)       |
|      | (678)         | (1,663)       |
|      | (2,385)       | (3,160)       |
|      | (5,510)       | (5,029)       |
|      | 6,453         | 1,885         |
|      | -             | 133           |
|      | (1,315)       | (580)         |
|      | (1,315)       | (447)         |
|      | 14,284        | (5,590)       |
|      | 1,328         | 889           |
|      | 15,612        | (4,701)       |
|      | 20,750        | (3,263)       |
|      | 4,095         | 7,358         |
| 19   | 24,845        | 4,095         |

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 30 to 42.

**1 Statement of significant accounting policies**

Housing Authority is a fully owned Government of Fiji entity domiciled in Fiji. The financial statements were authorised for issue by the directors on 15th day of November 2007.

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

**a. Basis of preparation**

The financial statements of the Authority have been drawn up in accordance with the provisions of the accounting standards and disclosure requirements of the Fiji Institute of Accountants. The financial statements are presented in Fiji dollars, rounded to the nearest thousand. 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.

**b. Income recognition***Interest income*

Interest income is brought to account on an accruals basis.

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

*Fee and charges*

Fee income is brought to account on an accrual basis.

*Income from sale of land and houses*

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

*Rental income*

Rental income is recognised in the income statement over the term of the lease and is brought to account on an accrual basis.

*Gain or loss on sale of fixed assets*

Gain or loss on sale of fixed assets is treated as operating income or expense.

**c. Expense recognition***Interest expense*

Interest expense is brought to account on an accruals basis.

*Bad and doubtful debts*

The annual charge against profits for bad and doubtful debts reflects new specific provisions, reversals of specific provisions no longer required and movements in the general provision.

**d. Cash**

Cash comprises cash at hand and cash at bank.

**e. Loans**

Loans represent mortgage loans, village scheme loans, quick repair loans, home loans and personal loans.

Quick repair loans, home loans and personal loans can only be obtained if the borrower has an existing mortgage loan. These loans are added to the existing mortgage loan balance.

Loans are carried at recoverable amount represented by the gross value of the outstanding balance adjusted for provisions for bad and doubtful debts and unearned income.

For mortgage loans, collateral consisting of the mortgaged properties, are obtained.



### *Non-performing loans*

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

### *Provisions for bad and doubtful debts*

#### **Specific provisions**

Where a loan has been identified as doubtful and the estimated repayment realisable from the borrower, including collateral, is expected to fall short of the principal and interest outstanding, a specific provision is raised. Interest revenue is not brought to account where the mortgage is considered non-performing.

#### *General provisions*

A general provision of 1% on accounts not specifically provided is maintained for losses that can be reasonably be expected to arise from the existing loan portfolio but which are not yet identifiable. In determining the level of the general provision, management refers to the overall state of the economy and other factors with the potential to impact on the recoverability of loans.

### **(f) Stock**

#### *Land and houses*

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

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

#### *Work-in-progress*

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

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

#### *Acquisition*

Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below.

#### *Disposal of revalued assets*

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amounts of the asset at the time of disposal and is included in the results in the year of disposal. Any related revaluation increment in the asset revaluation reserve at the time of disposal is transferred to the asset realisation reserve.

#### *Depreciation and amortisation*

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated / amortised using the straight-line method over their estimated useful lives.

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

|                                 |             |
|---------------------------------|-------------|
| Buildings                       | 1.5 – 3.5 % |
| Plant and equipment             | 20 – 33.3 % |
| Motor vehicles                  | 20 %        |
| Computer equipment and software | 20 %        |
| Furniture and fittings          | 10 %        |

**(h) Investments**

Investments include term deposits with the intent of being held to maturity. These securities are recorded at cost and interest income is brought to account on an accrual basis.

**(i) Borrowings**

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

**(j) Provision for employee entitlements**

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

**(k) Income tax**

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

**(l) Government grant**

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

*Poverty alleviation scheme*

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

*Interest subsidy*

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

*Deferred payment plan*

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

*Land development subsidy*

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

**(m) 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.

**(n) Impairment**

The carrying amounts of the Authority's assets are renewed at each balance date, to determine whether there is an indication of impairment. If such indication exists, the assets recoverable amounts are estimated at each balance date. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating amount exceeds its recoverable amount. All impairment losses are recognised in the income statement.





## Notes to the Financial Statements

For the year ended 31 December 2006

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**(o) Provision**

A provision is recognised in the balance sheet when the Authority has a legal or contractual obligation as a result of a past event and it is probable that an outflow of economic benefit will be reflected to settle the obligation.

**(p) Operating leases**

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

**(q) 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.

**2. Interest income**

Investment securities  
Loans and advances

| 2006<br>\$000 | 2005<br>\$000 |
|---------------|---------------|
| 856           | 272           |
| 10,911        | 10,649        |
| 11,767        | 10,921        |

**3. Other operating income**

Fees and charges  
Other income  
Rent  
Sale of land and houses

|       |       |
|-------|-------|
| 5,067 | 4,977 |
| 461   | 501   |
| 130   | 116   |
| 3,395 | 1,074 |
| 9,053 | 6,668 |

**4. Interest expense**

Long-term loans  
Bonds  
Bank overdraft

|       |       |
|-------|-------|
| 724   | 1,278 |
| 4,881 | 4,389 |
| 1     | -     |
| 5,606 | 5,667 |

**5. Staff costs**

Wages and salaries  
FNPF contributions  
Employee entitlements  
Other

|       |       |
|-------|-------|
| 3,662 | 3,413 |
| 278   | 255   |
| 185   | 240   |
| 106   | 41    |
| 4,231 | 3,949 |

The number of permanent employees at the end of the financial year was 128 (2005: 133).

**6. Other operating expenses**

|                                    |  |
|------------------------------------|--|
| Auditors' remuneration – audit fee |  |
| – other services                   |  |
| Cost of sales – land and houses    |  |
| Depreciation                       |  |
| Loss on sale of fixed assets       |  |
| Repairs and maintenance            |  |
| Stock write-downs                  |  |
| VAT expense                        |  |
| Other                              |  |

| 2006<br>\$000 | 2005<br>\$000 |
|---------------|---------------|
| 19            | 19            |
| 32            | 61            |
| 2,872         | 793           |
| 424           | 398           |
| -             | 109           |
| 90            | 121           |
| 50            | 50            |
| 100           | 103           |
| 2,450         | 2,368         |
| 6,037         | 4,022         |
| 25,063        | 1,000         |

**7. Investments****Current**

Term deposits

The interest rate on term deposits investment varies from 9.56 % - 14% per annum.

**8. Loans**

|                                            |  |
|--------------------------------------------|--|
| Mortgage loans                             |  |
| Village scheme loans                       |  |
| Add: Accounts with credit balances         |  |
| Less: Provision for bad and doubtful debts |  |

| 2006<br>\$000 | 2005<br>\$000 |
|---------------|---------------|
| 130,472       | 132,035       |
| 8,727         | 8,912         |
| 139,199       | 140,947       |
| 1,426         | 1,099         |
| 140,625       | 142,046       |
| (11,464)      | (10,384)      |
| 129,161       | 131,662       |
| 9,464         | 9,035         |
| 2,233         | 2,185         |
| 11,697        | 11,220        |
| (1,604)       | (1,756)       |
| 10,093        | 9,464         |

Provision for bad and doubtful debts is represented by:

**Specific provision**

|                                                        |  |
|--------------------------------------------------------|--|
| Balance at beginning of the year                       |  |
| Add: Current year charge                               |  |
| Less: Amounts written off as bad debts during the year |  |
| Balance at end of the year                             |  |



## Notes to the Financial Statements

For the year ended 31 December 2006

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### 8. Loans (continued)

#### General provision

|                                                        |       |       |
|--------------------------------------------------------|-------|-------|
| Balance at beginning of the year                       | 920   | 1,641 |
| Add: Current year charge                               | 432   | (721) |
| Other adjustments                                      | 19    | -     |
|                                                        | 1,371 | 920   |
| Less: Amounts written off as bad debts during the year | -     | -     |
| Balance at end of the year                             | 1,371 | 920   |

#### Total provision for bad and doubtful debts

Included in the above are receivables expected to mature as follows:

|                                                  |        |        |
|--------------------------------------------------|--------|--------|
| At call and in arrears                           | 5,740  | 5,453  |
| Not later than 3 months                          | 5,818  | 5,939  |
| Later than 3 months but not later than 12 months | 16,100 | 16,378 |
| Later than 1 year but not later than 5 years     | 58,724 | 60,087 |
| Later than 5 years                               | 57,970 | 58,262 |

Less: suspended interest

| 2006<br>\$000 | 2005<br>\$000 |
|---------------|---------------|
|               |               |
| 920           | 1,641         |
| 432           | (721)         |
| 19            | -             |
| 1,371         | 920           |
| -             | -             |
| 1,371         | 920           |
| 11,464        | 10,384        |
|               |               |
| 5,740         | 5,453         |
| 5,818         | 5,939         |
| 16,100        | 16,378        |
| 58,724        | 60,087        |
| 57,970        | 58,262        |
| 144,352       | 146,119       |
| (3,727)       | (4,073)       |
| 140,625       | 142,046       |

Mortgage loans include staff housing loans and advances totalling \$1,361,938 (2005: \$2,084,821). Village scheme loans are secured by a combination of assignments over native lease rental monies.

### 9. Stock

|                                               |       |       |
|-----------------------------------------------|-------|-------|
| Developed lots                                | 7,483 | 6,069 |
| Less: Provision for developed lots write-down | (154) | (189) |
|                                               | 7,329 | 5,880 |

|                                                  |       |       |
|--------------------------------------------------|-------|-------|
| Unsold properties                                | 888   | 843   |
| Less: Provision for unsold properties write-down | (227) | (226) |
|                                                  | 661   | 617   |

|                                                             |       |       |
|-------------------------------------------------------------|-------|-------|
| Development work-in-progress                                | 4,892 | 6,970 |
| Less: Pre-sold lots                                         | (21)  | (21)  |
|                                                             | 4,871 | 6,949 |
| Less: Provision for development work-in-progress write-down | (147) | (147) |
|                                                             | 4,724 | 6,802 |

Total stock

### 10. Land held for future development

|                  |       |     |
|------------------|-------|-----|
| Freehold land    |       |     |
| - at cost        | 0     | 48  |
| - at valuation** | 6,496 | 571 |

Leasehold land – at cost

#### Total land held for future development

| 2006<br>\$000 | 2005<br>\$000 |
|---------------|---------------|
| 7,483         | 6,069         |
| (154)         | (189)         |
| 7,329         | 5,880         |
| 888           | 843           |
| (227)         | (226)         |
| 661           | 617           |
| 4,892         | 6,970         |
| (21)          | (21)          |
| 4,871         | 6,949         |
| (147)         | (147)         |
| 4,724         | 6,802         |
| 12,714        | 13,299        |
|               |               |
| 0             | 48            |
| 6,496         | 571           |
| 6,496         | 619           |
| 871           | 871           |
| 7,367         | 1,490         |

\*\* The undeveloped land at Waila, Deuba - Korolevu, Waila Withrew, Votualevu, Nabuta and Toko Tavua were revalued as at 31 December 2006 by the Housing Authority's internal valuer.



## 10. Property, plant and equipment

|                                  | *Properties<br>\$'000 | Furniture<br>&<br>Fittings<br>\$'000 | Staff<br>houses &<br>shops<br>\$'000 | Motor<br>vehicles<br>\$'000 | Computer<br>equipment<br>\$'000 | Other<br>\$'000 | Work in<br>Progress<br>\$'000 | Total<br>\$'000 |
|----------------------------------|-----------------------|--------------------------------------|--------------------------------------|-----------------------------|---------------------------------|-----------------|-------------------------------|-----------------|
| <b>Cost</b>                      |                       |                                      |                                      |                             |                                 |                 |                               |                 |
| Balance at                       |                       |                                      |                                      |                             |                                 |                 |                               |                 |
| 1 January 2006                   | 4,523                 | 1,437                                | 241                                  | 581                         | 3,085                           | 68              | 214                           | 10,149          |
| Acquisitions                     | 101                   | 112                                  | -                                    | 114                         | 207                             | -               | 781                           | 1,315           |
| Asset Revaluation Reserve        | 939                   | -                                    | -                                    | -                           | -                               | -               | -                             | 939             |
| Disposals                        | -                     | -                                    | -                                    | -                           | -                               | -               | -                             | -               |
| Balance at 31 December 2006      | 5,563                 | 1,549                                | 241                                  | 695                         | 3,292                           | 68              | 995                           | 12,403          |
| <b>Accumulated depreciation</b>  |                       |                                      |                                      |                             |                                 |                 |                               |                 |
| Balance at                       |                       |                                      |                                      |                             |                                 |                 |                               |                 |
| 1 January 2006                   | 631                   | 1,226                                | 40                                   | 359                         | 2,564                           | 57              | -                             | 4,877           |
| Depreciation charge for the year | 82                    | 49                                   | 6                                    | 106                         | 181                             | -               | -                             | 424             |
| Disposals                        | -                     | -                                    | -                                    | -                           | -                               | -               | -                             | -               |
| Balance at 31 December 2006      | 713                   | 1,275                                | 46                                   | 465                         | 2,745                           | 57              | -                             | 5,301           |
| <b>Carrying amount</b>           |                       |                                      |                                      |                             |                                 |                 |                               |                 |
| At 1 January 2006                | 3,892                 | 211                                  | 201                                  | 222                         | 521                             | 11              | 214                           | 5,272           |
| At 31 December 2006              | 6552                  | 274                                  | 195                                  | 230                         | 547                             | 11              | 995                           | 7,102           |

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

## 12. Other

|                                |
|--------------------------------|
| Interest receivable            |
| Staff advances                 |
| Stationery stock               |
| Sundry debtors and prepayments |
| Total other assets             |

| 2006<br>\$000 | 2005<br>\$000 |
|---------------|---------------|
| 550           | 7             |
| 63            | 121           |
| 18            | 16            |
| 132           | 367           |
| 763           | 511           |



## Notes to the Financial Statements

For the year ended 31 December 2006

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### 13. Borrowings

#### Current

Bank overdraft  
Bonds  
Loans

#### Non-current

Bonds  
Loans

#### Total borrowings

| 2006<br>\$000 | 2005<br>\$000 |
|---------------|---------------|
| 1,500         | -             |
| 9,700         | 6,200         |
| 2,612         | 3,801         |
| 13,812        | 10,001        |
| 98,900        | 84,600        |
| 7,605         | 9,932         |
| 106,505       | 94,532        |
| 120,317       | 104,533       |

The interest rates and terms of borrowings are as follows:

|                | 2006<br>\$'000 | Interest<br>Rates | Maturity     |
|----------------|----------------|-------------------|--------------|
| Bonds          | 108,600        | 2.15% to 12.00%   | 2007 to 2021 |
| Loans          | 10,217         | 7.0% to 7.875%    | 2007 to 2014 |
| Bank overdraft | 1,500          |                   |              |
|                | 120,317        |                   |              |

Included in the above are borrowings expected to mature as follows:

|                                                  | 2006<br>\$000 | 2005<br>\$000 |
|--------------------------------------------------|---------------|---------------|
| At call                                          | 1,500         | -             |
| Not later than 3 months                          | 518           | 931           |
| Later than 3 months but not later than 12 months | 11,794        | 9,070         |
| Later than 1 year but not later than 5 years     | 71,211        | 67,764        |
| Later than 5 years                               | 35,294        | 26,768        |
|                                                  | 120,317       | 104,533       |

### 14. Provisions

Repairs and maintenance  
Insurance aggregate

|       |       |
|-------|-------|
| 670   | 494   |
| 540   | 568   |
| 1,210 | 1,062 |

### 15. Other

Interest payable  
Mortgage accounts with credit balances  
Deferred Government Grant  
Deferred Grant – University of the South Pacific  
Other creditors and accruals

1(i)

|       |       |
|-------|-------|
| 1,397 | 867   |
| 1,426 | 1,099 |
| 2,723 | 2,649 |
| 40    | -     |
| 2,895 | 1,900 |
| 8,481 | 6,515 |



## 16. Capital and reserves

### Reserves

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

## 17. Commitments

### (a) Operating lease commitments

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

|                                                    | 2006<br>\$000 | 2005<br>\$000 |
|----------------------------------------------------|---------------|---------------|
| Not later than one year                            | 138           | 78            |
| Later than one year but not later than two years   | 108           | 43            |
| Later than two years but not later than five years | 324           | 54            |
|                                                    | 570           | 175           |

The Authority has various lease commitments for leasehold land. The leases typically run for a period of between three and ten years. It is not certain whether the land leases will offer an option of renewal after maturity. The annual lease rentals recognised as an expense in the income statement amount to \$78,000 (2005: \$40,000).

### (b) Capital commitments

Approved by the Board

|                       | 2006<br>\$000 | 2005<br>\$000 |
|-----------------------|---------------|---------------|
| Approved by the Board | 1,194         | 1,772         |

The Authority has committed \$1,193,948 for upgrading its current software, AS 400, to Microsoft Navision and Indus Lendsphere package.

## 18. Contingent liabilities

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

### (a) Indemnity

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

|                  | 2006<br>\$000 | 2005<br>\$000 |
|------------------|---------------|---------------|
| Principal        | 7,141         | 8,240         |
| Accrued interest | 78            | 91            |
|                  | 7,219         | 8,331         |



**18. Contingent liabilities-continued****(b) Guarantees**

Fiji Electricity Authority bond

| <b>2006</b><br><b>\$000</b> | <b>2005</b><br><b>\$000</b> |
|-----------------------------|-----------------------------|
| 5                           | 5                           |

**19. Notes to the statement of cash flows****(a) Reconciliation of cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand, overdraft and 'at call' and deposits with other financial institutions. Cash as 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:

**(b) Reconciliation of cash**

Cash  
Bank overdraft  
Deposits redeemable at call

| <b>2006</b><br><b>\$000</b> | <b>2005</b><br><b>\$000</b> |
|-----------------------------|-----------------------------|
| 1,282                       | 3,095                       |
| (1,500)                     | -                           |
| 25,063                      | 1,000                       |
| 24,845                      | 4,095                       |

**(c) Cash flows presented on a net basis**

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

- i) Customer borrowings and repayments on loans, advances and other receivables; and
- ii) Loans, bonds and promissory note borrowings and repayments.

**20. 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 during the year were:

Mr. Sada Reddy (Chairman)  
Mr. Olota Rokovunisei  
Mr. Cama Tuiloma  
Mr. Vishnu Deo  
Rev. Sereima Lomaloma  
Mrs. Elenoa Gonelevu

**(b) Transactions with related parties**

Board expenses and allowances

Government grant

| <b>2006</b><br><b>\$000</b> | <b>2005</b><br><b>\$000</b> |
|-----------------------------|-----------------------------|
| 37                          | 35                          |
| 2,723                       | 2,649                       |



## 21. Maturities

|                                          | At call | 0 to 3 mths | 4 to 12 mths | 1 to 5 yrs | over 5 yrs | Provision for doubtful debts | Suspended interest | Total   |
|------------------------------------------|---------|-------------|--------------|------------|------------|------------------------------|--------------------|---------|
|                                          | \$'000  | \$'000      | \$'000       | \$'000     | \$'000     | \$'000                       | \$'000             | \$'000  |
| <b>2006</b>                              |         |             |              |            |            |                              |                    |         |
| <b>Financial assets</b>                  |         |             |              |            |            |                              |                    |         |
| Cash                                     | 1,282   | -           | -            | -          | -          | -                            | -                  | 1,282   |
| Investments                              | -       | 2,000       | 23,063       | -          | -          | -                            | -                  | 25,063  |
| Loans                                    | 5,740   | 5,818       | 16,100       | 58,724     | 57,970     | (11,464)                     | (3,727)            | 129,161 |
| Total financial assets                   | 7,022   | 7,818       | 39,163       | 58,724     | 57,970     | (11,464)                     | (3,727)            | 155,506 |
| <b>Financial liabilities</b>             |         |             |              |            |            |                              |                    |         |
| Mortgage loans with credit balances      | 1,426   | -           | -            | -          | -          | -                            | -                  | 1,426   |
| Borrowings                               | 1,500   | 518         | 11,794       | 71,211     | 35,294     | -                            | -                  | 120,317 |
| Accrued interest-                        | -       | 1,397       | -            | -          | -          | -                            | -                  | 1,397   |
| Accounts payable and accrued liabilities | -       | 2,895       | -            | -          | -          | -                            | -                  | 2,895   |
| Total financial liabilities              | 1,926   | 3,413       | 13,191       | 71,211     | 35,294     | -                            | -                  | 126,035 |
| <b>2005</b>                              |         |             |              |            |            |                              |                    |         |
| <b>Financial assets</b>                  |         |             |              |            |            |                              |                    |         |
| Cash                                     | 3,095   | -           | -            | -          | -          | -                            | -                  | 3,095   |
| Investments                              | -       | -           | 1,000        | -          | -          | -                            | -                  | 1,000   |
| Loans                                    | 5,453   | 5,939       | 16,378       | 60,087     | 58,262     | (10,384)                     | (4,073)            | 131,662 |
| Total financial assets                   | 8,548   | 5,939       | 17,378       | 60,087     | 58,262     | (10,384)                     | (4,073)            | 135,757 |
| <b>Financial liabilities</b>             |         |             |              |            |            |                              |                    |         |
| Mortgage loans with credit balances      | 1,099   | -           | -            | -          | -          | -                            | -                  | 1,099   |
| Borrowings                               | -       | 931         | 9,070        | 67,764     | 26,768     | -                            | -                  | 104,533 |
| Accrued interest                         | -       | -           | -            | 867        | -          | -                            | -                  | 867     |
| Accounts payable and accrued liabilities | -       | 1,900       | -            | -          | -          | -                            | -                  | 1,900   |
| Total financial liabilities              | 1,099   | 2,831       | 9,078        | 68,264     | 26,949     | -                            | -                  | 108,399 |

**22. Additional financial disclosures****(a) Asset quality****Non-accrual loans**

Non-accrual loans without specific provisions for impairment

Non-accrual loans with specific provisions for impairment

Less: Specific provisions

**Restructured loans**

Gross

Less: Specific provisions

**Total impaired loans****Past-due loans**

Gross

Less: Specific provisions

**Total net impaired and past-due loans**

| <b>2006</b><br><b>\$000</b> | <b>2005</b><br><b>\$000</b> |
|-----------------------------|-----------------------------|
|                             |                             |
| 7,260                       | 7,202                       |
| 15,627                      | 15,801                      |
| 22,887                      | 23,003                      |
| (5,904)                     | (5,079)                     |
| 16,983                      | 17,924                      |
|                             |                             |
| 12                          | -                           |
| -                           | -                           |
| 12                          | -                           |
| 16,995                      | 17,924                      |
|                             |                             |
| 13,407                      | 13,159                      |
| (4,189)                     | (4,385)                     |
| 9,218                       | 8,774                       |
| 26,213                      | 26,698                      |

The policies adopted by the Authority in respect of asset quality are as follows:

**(i) Non-performing loans**

Non-performing loans are those loans where arrears of principal and interest are greater than three months and where interest income has been suspended. This policy became effective on 1 April 1999.

**(ii) Non-accrual loans**

Non-accrual loans are those loans where interest income has been suspended and there is doubt over the full collectability of principal and interest in accordance with the terms of the loan agreements. Non-performing loans and doubtful loans are considered to be non-accrual loans.

**(iii) Past due loans**

Past-due loans represent those loans which have not operated within their key terms by the borrower for at least three months (typically in respect of repayment of principal and interest) and which are not non-accrual loans.

**(iv) Restructured loans**

Restructured loans are loans which are not non-accrual but where:

- (a) the original terms of the loan have been changed to grant to the borrower a concession that would not otherwise be available, due to the borrower's difficulty in complying with the original terms; and
- (b) the revised terms of the facility are not comparable with the terms of new facilities with comparable risks.

**(v) Real estate assets acquired through the enforcement of security**

Where auction sales and mortgagee sales of the borrowers' real estate security are unsuccessful, the Authority assumes ownership and forecloses the real estate in settlement of the outstanding debt. The real estate is valued at market value and brought to account as stock in the Authority's records.



## 22. Additional financial disclosures - continued

### (b) Credit risk

The maximum exposure to credit risk at balance date in relation to each class of financial asset is the carrying amount of these assets as indicated in the balance sheet.

|                                       | 2006<br>\$000 | 2005<br>\$000 |
|---------------------------------------|---------------|---------------|
| Maximum exposures to credit risk:     |               |               |
| Loans – mortgage                      | 131,898       | 133,134       |
| – village scheme                      | 8,727         | 8,912         |
| Accounts receivable and other debtors | 763           | 511           |
|                                       | 141,388       | 142,557       |

The Authority operates in the home loan mortgage sector with its primary target market being those individuals earning between \$3,500 to \$50,000 per annum. While the Authority's market poses a higher credit risk than that of typical financial institutions, the Authority attempts to minimise this risk through appropriate controls, obtaining collateral security and diversification by loan value. This diversification is reflected in the average loan balance of approximately \$14,097 (2005: \$13,640) per borrower (excluding Ground Rent customers) at balance date.

### (c) Interest rate risk

Interest rates charged to borrowers on loans for the first two years are fixed, however the Authority's exposure to interest rate risk is minimised through its discretion to vary lending rates to borrowers following the first 24 months of the loan.

### (d) Liquidity risk

The Authority does not fund its loan portfolio through savings or term deposits from the public, but borrows using short term and long term debt instruments such as promissory notes and bonds. Long term loans are also obtained. To minimise liquidity risk, the Authority continually assesses its funding requirements and where necessary borrows to meet these requirements.

## 23. Staff advances

Staff advances represent motor vehicle loans and advances. The motor vehicle loans are secured by bill of sale over the motor vehicles and incur interest at the rate of 9.5% per annum. Staff advances incur interest at the rate of 9.98% per annum.

## 24. Principal activities

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



Housing Authority

## Annual Report 2006



■ ■ Annual Report 2006



Caring is our commitment



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### our Vision

To be the dynamic leader in housing

### our Mission

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

### Corporate Values

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



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Ba (opposite Asco Motors)  
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