Housing Authority

Your complete housing solution

2008 Annual Report

Corporate Vision

To be the dynamic leader in housing

Mission Statement

The purpose of Housing Authority is to produce affordable and quality housing products and services through:

- Competitive loan packages to all its customers.
- Service excellence (customers and employees).
- Servicing the low and middle income groups.
- Being socially aware and responsible.

Corporate Values

- We will encounter all challenges to be the leader in housing.
- We will provide excellent services promptly, effectively and courteously.
- We will be innovative in meeting the needs of our customers.
- We will understand, appreciate and involve all staff.
- We will do business in a transparent, ethical and honest manner.

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Letter to the Minister

Housing Authority

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All correspondence to be addressed to the Chief Excutive Officer

22nd April, 2010

The Minister
Ministry of Local Government, Urban Development, Housing & Environment
P O Box 2131
Government Buildings,
Suva

Dear Mr. Minister,

Re: ANNUAL REPORT FOR 2008

In accordance with Section 21 of the Housing Act, Cap 267, I am pleased to present the Authority's Annual Report for 2008 which incorporates a detailed summary of its operations and activities including Financial Statements for the year ending 31st December 2008.

For the year 2008, the Housing Authority recorded a surplus of $1.559m against a surplus, of $583,000 in 2007.

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

Yours sincerely,

Col. Mosese Tikoitoga
BOARD CHAIRMAN

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Labasa
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Fax: (679) 670 7499

Corporate Governance

Introduction

Prior to March 2008, the Permanent Secretary for Housing, Ms Litia Mawi was appointed Interim Board Chairman to oversee the implementation of policy directives by the Government. The present Board was appointed on the 1st of March, 2008.

Board Composition

The Board comprises six directors, all of whom are appointed by the Minister for Housing. The Chief Executive by virtue of his position is an ex-officio member of the Board, but does not have any voting rights nor is regarded as a Board Director for the purpose of forming a quorum.

Board Function

The Board is responsible for the overall governance of the Housing Authority and for managing it under the Housing Act.

Board Meetings

During the year a total of ten Board Meetings and one Special Board meeting was convened. Attendance at these meetings averaged 91.5%.

Board Sub-Committee Meetings

To assist the Board to plan and support its activities and administration, 3 subcommittee were formed, namely, Land, Housing & Squatter Resettlement, Finance, Audit & Risk Management and Human Resources Subcommittees.

During the period under review, a total of 8 subcommittee meetings were held averaging 89% attendance.

Board of Director’s

Board of Director’s

Lt Col. Samuela Saumatua

Appointed to the Board in 1st March 2008, Mr. Saumatua, a decorated soldier, holds a Postgraduate Degree from Massey University in New Zealand. He also attended E’Cole de Etage and the French Senior Army College. Prior to being appointed as Chairman of the Board of Directors of Housing Authority, he has served in the Royal Fiji Military Forces for the last 30 years and now retired. At the time of printing this report, Lt Col Mosese Tikoitoga was appointed as Board Chairman effective from 3rd February 2010. Lt Col Pio Tikoduadua was also appointed as Board Chairman from 18th September 2009 to 2nd February 2010..

Ratu Josateki Nawalowalo

Appointed to the Board in 1st March 2008 Mr. Nawalowalo is also a Board Member for the Native Land Trust Board and a member of the People’s Charter Advisory Council. He has served in various Boards, namely, The Fijian Affair Board, Fiji Pine Ltd, National Fire Authority and also the Housing Authority. Prior to being appointed as a Director for the Housing Authority & Public Rental Board Mr. Nawalowalo was a member of the National Council for Building a Better Fiji and was also the Chairman for the Kadavu Provincial Council. He now works as a Businessman and Consultant.

Mr. Chandar Singh

Appointed to the Board in 1st March 2008 Mr. Singh is also Member & Official of various Religious, Social and Cultural Organizations. He was a former Senator of the Parliament of Fiji and also a former Councilor & Finance Committee Chairman for the Nasinu Town Council. He now works as a Businessman.

Ms. Lavinia Padarath

Appointed to the Board in 1st March 2008 Ms. Padarath a nurse by profession with considerable management experience is a former Cabinet Minister and Senator. Prior to those appointments she has served in various other government and non government organizations both in Fiji and abroad. She is well versed with Human Resources Management and Industrial Relations as she studied and obtained formal qualification in the field from the New School for Social Research in New York. She now works as consultant.

Fr Kevin Barr

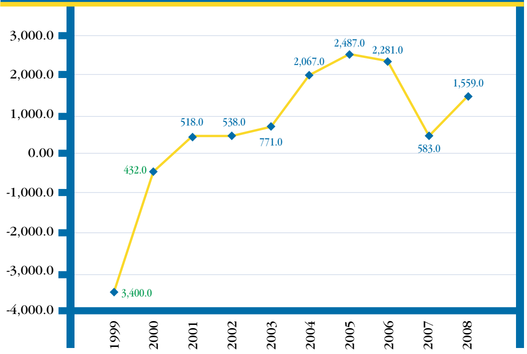
Appointed to the board in 1st March 2008 Fr Barr holds a Bachelors degree in Theology (Sacred Heart Monastery), Education, Anthropology and Sociology (University of Queensland) and Political Theology & Contextual Theology (University of Toronto). He worked for 15 years in Papua New Guinea and the last 29 years in Fiji in areas of education, research, social and pastoral work. He is the former Dean of Studies at the Pacific Theological College and founder of the Chevalier Hostel. He currently works as a Consultant for ECREA, an organization he helped found together with Rev. Paula Niukula.

Ms. Rosie Langi

Appointed to the Board on 8th May 2008 Ms. Langi has had over 30 years of industry and academic experience. Over the past years, Ms Langi has worked as an Accountant, Tax Auditor, Intelligence Analyst, Teacher and Lecturer in the fields of Accounting and Fraud Examination. She now continues to work as a Consultant on Forensic Accounting and Fraud Examination.

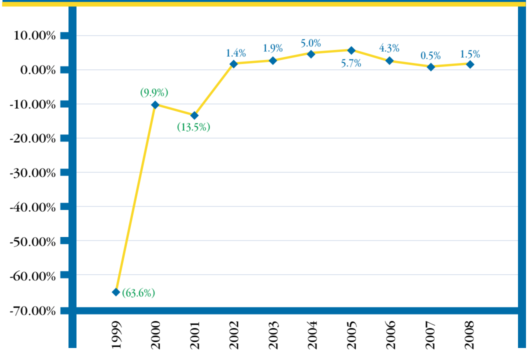
Financial Highlights

Profitability Trend (1999-2008)

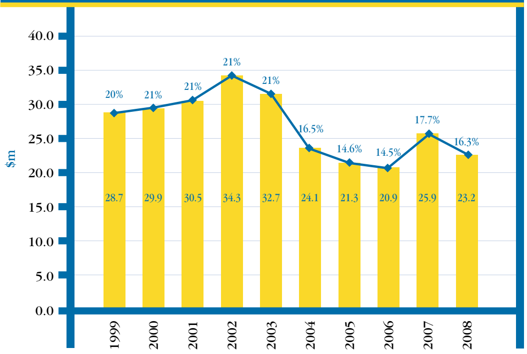


Profit/Loss

Return On Equity (1999-2008)

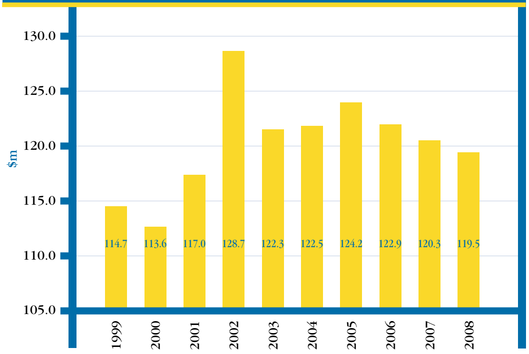


Non Performing Portfolio (1999-2008)



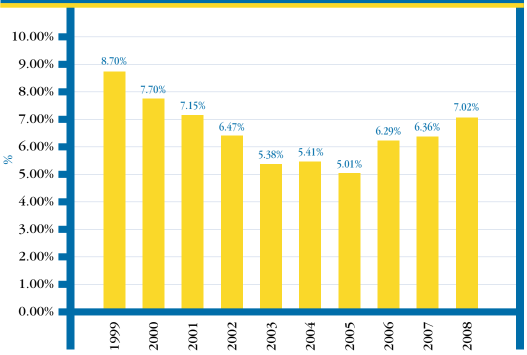
Non Performing Portfolio $m   Non Performing Portfolio %

Performing Portfolio (1999-2008)



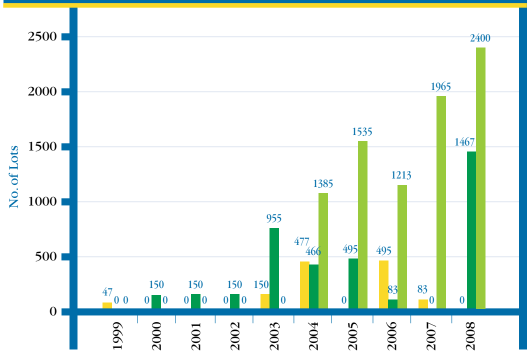
Performing Portfolio $m

Weighted Average Cost of Capital (1999-2008)



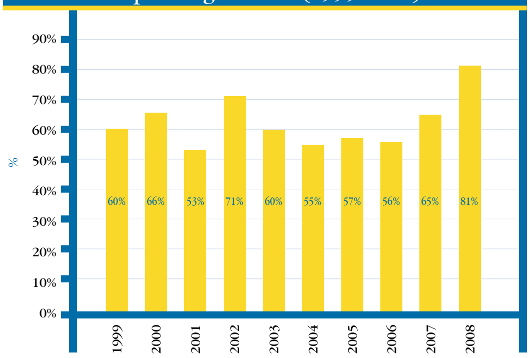
Weighted Average Cost

Lot Production (1999-2008)



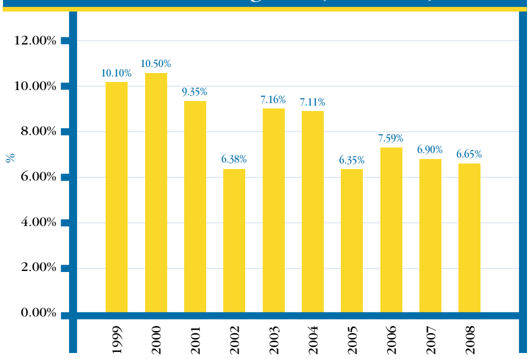
Lot Production Completed   Lot Production in Progress   Lot Production Scheme Plan

Total Operating Expenses to Total Operating Income (1999-2008)



Total Operating Expenses to Total Operating Income %

Effective Lending Rate (1999-2008)



Effective Lending Rate %

Organisational Structure

Ministry of Local Government, Urban Development, Housing & Environment

Minister for Public Service, Public Enterprises and Public Sector Reform

Board of Directors

Chief Executive Officer Alipate Naiorosui

Board Seretary Jagdish Prasad

General Manager Land & Housing Development Francis Autor

The Housing Land Development Division is responsible for the acquisition subdivision and the production of homes housing units

General Manager Finance & Administration Alok Mishra

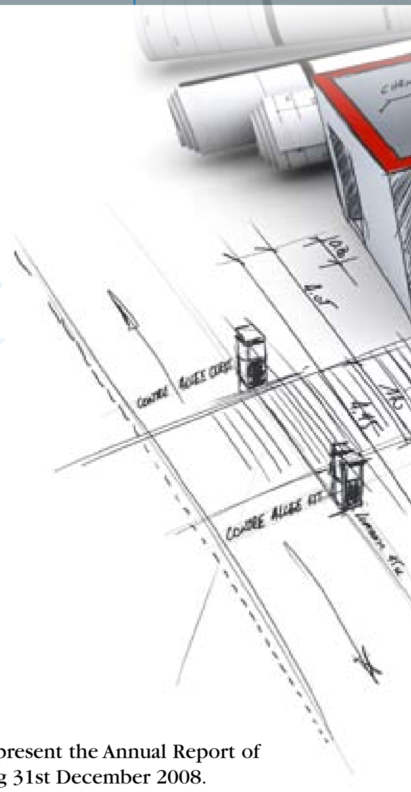
The Finance & Administration Division is primarily responsible fro ensuring prudent financial management including reporting data integrity and disseminating timely and quality information and providing efficient and direct administration services

General Manager Lending Eapi Nabou

The Lending Division is responsible for all lending functions which include the assessment approval management and recovery of all loans. It is also tasked with implementing of more effective and efficient policies and procedures so as to improve the overall management of the

General Manager Customer Relations Baij Maharaj

The Customer Relations Division's major responsibility is to create new business through its various activities such as land, house, sale, product development and valuation



Chairman's Report

Introduction

On behalf of the Board, I am pleased to present the Annual Report of the Authority for the financial year ending 31st December 2008.

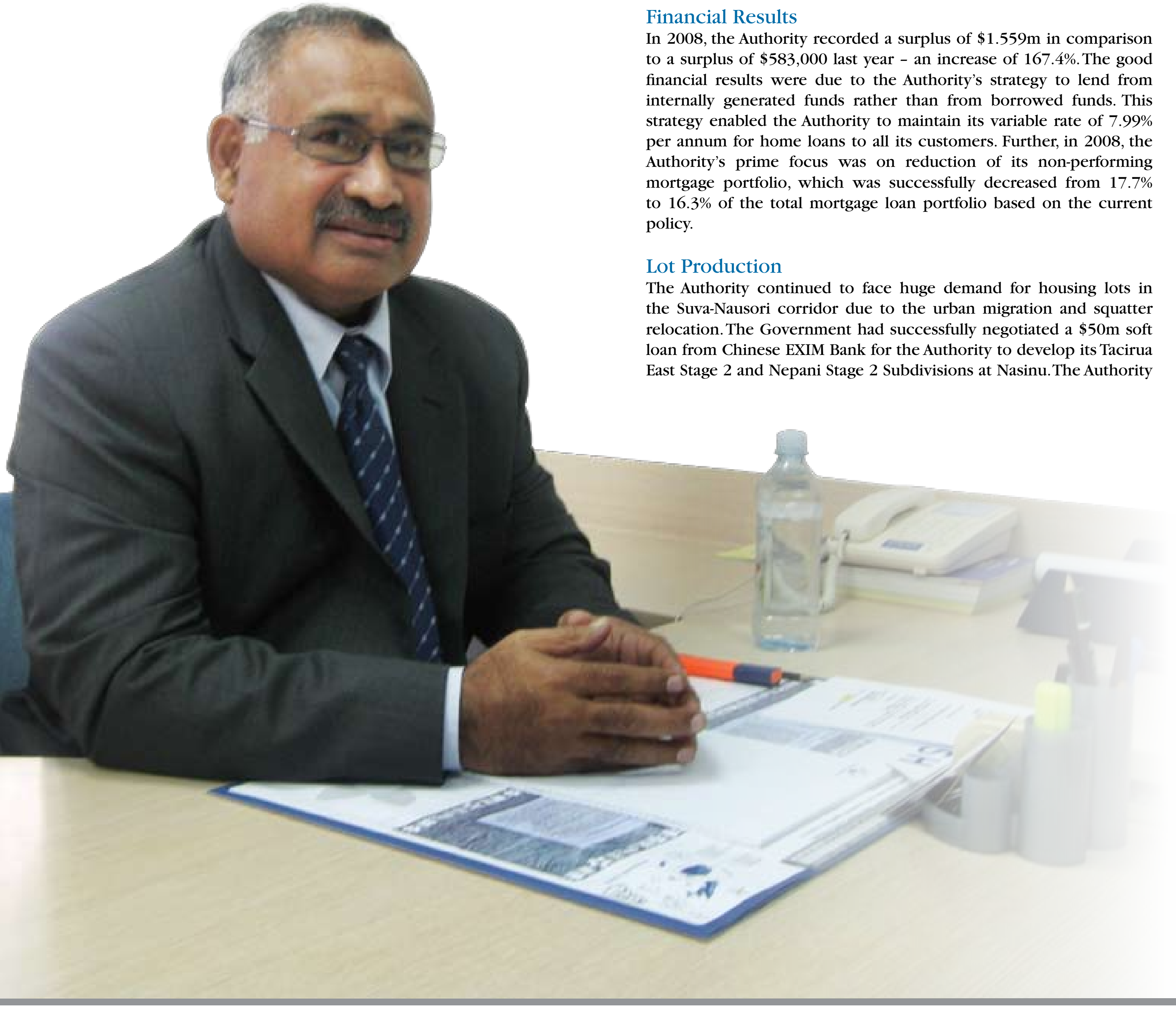
I am delighted to report that the financial performance of the Authority has significantly improved in 2008 in comparison to 2007.

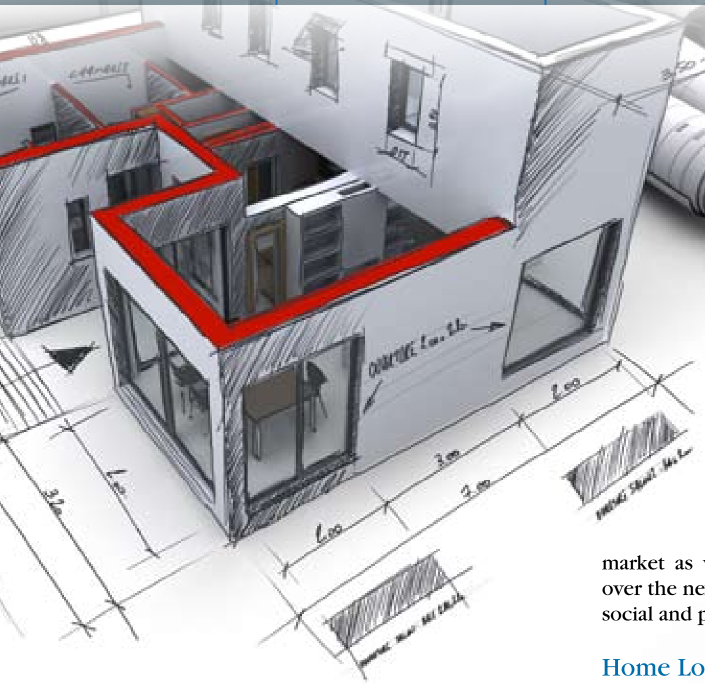
Financial Results

In 2008, the Authority recorded a surplus of $1.559m in comparison to a surplus of $583,000 last year – an increase of 167.4%. The good financial results were due to the Authority's strategy to lend from internally generated funds rather than from borrowed funds. This strategy enabled the Authority to maintain its variable rate of 7.99% per annum for home loans to all its customers. Further, in 2008, the Authority's prime focus was on reduction of its non-performing mortgage portfolio, which was successfully decreased from 17.7% to 16.3% of the total mortgage loan portfolio based on the current policy.

Lot Production

The Authority continued to face huge demand for housing lots in the Suva-Nausori corridor due to the urban migration and squatter relocation. The Government had successfully negotiated a $50m soft loan from Chinese EXIM Bank for the Authority to develop its Tacirua East Stage 2 and Nepani Stage 2 Subdivisions at Nasinu. The Authority





would produce a total 1050 lots and 350 housing units on completion of these two Subdivisions. The Authority intends to pre-sell the lots in these Subdivisions to reduce borrowing, thereby making the lots cheaper to our customers.

In the Western Division, the Authority had developed 448 lots at its Field 40, however, the sale of lots was slow. In April 2008, the Authority has completed development of its Namosau Subdivision in Ba and a total of 84 lots were produced. During 2008, a total of 35 lots were sold.

Low-Income Focus

The Authority continued to subsidize interest rate of 2% on housing loan for all low-income earning customers from un-utilized Government Grant from past years. Additionally, customers under the Authority's Village Housing Scheme, whose annual household income did not exceed $6,500, also had interest in their loan accounts subsidized by 2%. Land development subsidies were also provided to low-income earners to make lots more affordable to them.

The Authority remained focused to assist more low-income earners and to meet the Government's social housing objectives. In 2008, the Authority has assisted 1,233 customers of which 453 (37%) were low-income earners.

Further, under the Authority's Home Ownership Plan, financial assistance was provided through a Government Grant in the sum of $313,249 to 45 of our existing customers who were unable to repay their mortgage debt. Many of our customers were able to retain their home with the assistance of this Plan despite facing financing hardship. A sum of $573,726 was allocated, of which $14,508 was provided to 10 customers through Government Grant for their house rehabilitation at Matavolivoli Subdivision at Nadi.

In October of this year, the Government has also provided a loan guarantee for $150m to the Authority to raise loans from local market as well as from external sources over the next 5 years to undertake various social and public housing projects.

Home Loans

Despite the highly competitive home loan market and high borrowing cost, the Authority maintained its variable interest rate of 7.99% per annum for home loans. This was the lowest variable interest rate on home loans in the industry.

In 2008, the Authority approved a total loan of $15.5m to 1,203 customers and its total loan portfolio stood at $142.7m as at the end of this year.

Corporate Governance and Board Performance

The Board strictly adhered to good corporate governance as it forms a fundamental part of the Authority's values and success. The Authority already has in place a Board Charter that spells out the roles and responsibilities of the Board of Directors, including disclosure of conflict of interest of any Director with material personal interest in a matter being considered by the Board.

This year again, the Authority's financial statements were audited by Ernest & Young, Chartered Accountants on behalf of the Auditor-General of Fiji. The Authority's internal auditors were G. Lal & Co which provided quarterly reports which ensured the Authority's operations were in conformity with established policies and procedures.

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

Looking Forward

The Authority operates in a very competitive home loan market and is faced with very high borrowing rates due to scarcity of funds in the market. The Authority's medium-term goal is to obtain a license from the Reserve Bank of Fiji to accept savings deposit. This aim will require Housing Authority to become more financially independent, to enable it to operate without reliance on the Government for continued support and loan guarantees.

Even though the Authority has maintained its current lending rates to its customers, it is extremely difficult to maintain this rate under the prevailing conditions. A review of lending interest rates would be inevitable going forward if cheaper funding was unavailable.

There is a need to review the Housing Act as it is in conflict 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 its shareholders' funds. This would be difficult to achieve with the Authority's social obligations and high social cost.

The major challenge facing the Authority is to provide housing lots that most low-income earners and squatters can afford. The Authority has strengthened its Housing Development Division and going forward, the Authority would carry out some of its land development projects through joint ventures with other financial institutions acting as equity partners. However, the Authority still faces delays in connection to water/sewer infrastructure, delays in sub-divisional approvals by approving agencies and lack of competent consultants and civil contractors. Further, illegal sub-divisions carried out by landowners have also impeded the sale of lots in our newly-developed sub-divisions.

Conclusion

This has been a challenging year as the Authority has witnessed significant changes in the home loan market due to economic meltdown that adversely affected the property market. The fact that the Authority has been able to maintain the momentum in its business and again deliver a very good financial result is a tribute to an efficient and productive workforce. It is our employees who deliver our success and they deserve to be congratulated for their efforts.

On behalf of the Board, I wish to express my sincere gratitude to the Government for its continued and unwavering 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 successfully resolving our staff issues during the year.

Finally, I would like to thank all our customers for their continued support of the Authority.

Lt Col. Mosese Tikoitoga
Board Chairperson

CHIEF EXECUTIVE OFFICER'S REPORT

THE YEAR UNDER REVIEW

I am pleased to report that the Housing Authority continued to improve on its performance by reaching a profit for the eighth successive year.

Overall, the profit achieved during the year was $1.559m, which was an increase of 167% ($0.976m) over the 2007 result.

Financial Performance Highlights

- A profit of $1.559m was achieved for the year against a budget of $1.069m. The 2008 profit represents a increase of 167.4% over the last year's profit.
- Return of Equity achieved was 2.83% against target of 1.94%.
- Total operating income decreased by 27% from $14.84m in 2007 to $10.84m in 2008.
- Total operating expenses decreased by 34.8% (or $4.96m) largely due to a decrease in personnel expenses ($0.542m), a decrease in cost of sales for land and house ($2.43m) and also a decrease in other relative administration costs.
- Interest income decreased by 5.81% from $11.86m in 2007 to $11.17m in 2008.
- Interest costs decreased by 3.97% from $6.93m in 2007 to $6.65m in 2008.
- Total Performing Loans portfolio decreased slightly to $119.5m in 2008 compared to $120.3m in 2007.
- Total Non-Performing portfolio decreased by 10.42% from $25.9m in 2007 to $23.2m in 2008.
- Borrowing portfolio reduced by 15.33% from $106.56m in 2007 to $90.22m in 2008.

Non Financial Performance Highlights

- Total of 1,203 customers and families were provided new housing and other related financial assistance compared to 1,837 families in 2007. More information is provided in Customer Relations Divisional Report.
- A total of 377 low income families with income on or below $16,500 per annum were assisted. This represents 31.33% (target is 50%) out of the total of 1,203 customers assisted.
- A total of $130,000 in Village Housing Loans was approved to build new homes compared to a $610,000 in Village Loans for 2007.
- 45 families were assisted under the Home Ownership Plan scheme for them to retain their family homes with the sum of $10,000 from the Government grant compared to 38 families in the sum of $600,000 in 2007.

Housing Assistance Programme for Low Income Earners and Squatters

Under its mandate, Housing Authority is charged with its responsibility to provide housing accommodation to the people of Fiji with special focus for middle to low income earners. In this regard, the Authority has entered into a Memorandum of Understanding with the Government and has agreed that not less than 50% of all customers it assisted are middle to low-income earners. During the year, the Authority was confronted with many challenges such as the lack of affordable lots and homes for our target market. The Authority will remain committed and focused in the coming years to address this problem.

Information Technology System

The new IT system was finally approved and implemented during the year after Management Information Services team's wide consultation with the staff of the Authority and all the critical aspects of our business processes were covered in the document. Both senior officials from Navision and Indus India visited Fiji to assist in the installation of the new system. The system is expected to be fully implemented in 2009.

Housing Development

During the year, the Authority completed designs of Tacirua East & Nepani projects and finalized tender for the 50 acre Wainibuku project. A total of 1,615 lots would be produced in these subdivisions. Construction works are anticipated to commence in 2009.

In 2008, the Authority reviewed and formulated its 5 Year Development Plan, which will now be reviewed annually. The plan is based on prioritizing our housing development projects based on market demand and project viability. For the next 5 years, Housing Authority aims to develop 8166 lots, build 1875 housing units with a total investment of $ 187.2m.

Land Acquisition

The Authority continues to acquire suitable land in order for it to meet the increasing demand for housing both now and in the future. The Authority will commence discussions and negotiations for a Memorandum of Agreement (MOU) to streamline and expedite acquisitions with th Native Land Trust Board in the new year. The Authority is considering more acquisitions at Sigatoka, Nadi, Lautoka, Ba and Rakiraki in Viti Levu and Labasa in Vanua Levu.

HA's 5 Years Development Plan

YEAR	DEVELOPMENT	AREA [HA]	LOCATION	NO. OF LOTS	TOTAL NO. OF LOTS
2009	–	–	–	–	–
2010	Tacirua 2 Phase 1B	6.75	Suva	67	67
2011	Tacirua East 2 - Phase 1A	25.00	Suva	200	
	Tacirua East 2 - Phase 2	23.21	Suva	175	
	Tacirua East 2 - Phase 3A	20.00	Suva	170	
	Wainibuku	24.28	Nausori	24	
	Nepani Stage 2 Infrastructure	19.40	Nasinu	100	
	Waila City Stage 4	37.50	Nausori	50	
	Naqere	2.12	Savusavu	55	774
2012	Tacirua East 2 - Phase 1A	25.00	Suva	200	
	Tacirua East 2 - Phase 2	23.21	Suva	170	
	Tacirua East 2 - Phase 3A	20.00	Suva	35	
	Tacirua East 2 - Phase 3B	6.07	Suva	150	
	Nepani Stage 2 Infrastructure	19.40	Nasinu	235	
	Waila City Stage 4	37.50	Nausori	550	
	Waila City Stage 5	40.00	Nausori	200	
	Waila City Stage 6	36.00	Nausori	100	
	Caubati Stage 3	10.71	Nasinu	200	
	Koronisalusalu Residential	13.40	Tavua	250	
	Matavolivoli Stage 2	20.20	Nadi	400	
	Waqadra	40.50	Nadi	250	
	Natadola Stage 1	23.00	Sigatoka	250	2,990
2013	Tacirua East 2 - Phase 3B	6.07	Suva	100	
	Nepani Stage 2 Infrastructure	19.40	Nasinu	100	
	Waila City Stage 4	37.50	Nausori	425	
	Waila City Stage 5	40.00	Nausori	650	
	Waila City Stage 6	36.00	Nausori	650	
	Caubati Stage 3	10.71	Nasinu	100	
	Koronisalusalu Residential	13.40	Tavua	50	
	Matavolivoli Stage 2	20.20	Nadi	100	
	Waqadra	40.50	Nadi	450	
	Natadola Stage 1	23.00	Sigatoka	100	
	Tavakubu Heights	15.90	Lautoka	110	
	Rara Stage 2	7.50	Labasa	100	
	Delailabasa	10.00	Labasa	100	3,035
2014	Waila City Stage 4	37.50	Nausori	125	
	Waila City Stage 5	40.00	Nausori	350	
	Waila City Stage 6	36.00	Nausori	400	
	Tavakubu Heights	15.90	Lautoka	75	
	Rara Stage 2	7.50	Labasa	200	
	Delailabasa	10.00	Labasa	150	1,300
TOTAL LOT OUTPUT					8,166

In 2008, the Authority had finalized acquisition for 42 acres at Matavolivoli along Legalega Road for which preliminary investigations and planning is being finalized and the total premium paid out to the land owning unit was $285,600.

Human Resources, Industrial Relation and Training

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

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

Performance Management System

Our new performance management system was to be implemented for the third time in 2007 however, this did not eventuate and this was also the case for the year 2008. 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 adopted 3 pillars i.e. the corporate performance, individual staff performance and their behaviour. The performance management system would be reviewed next year and a new one adopted if necessary.

Corporate Planning and Monitoring of Performance

The Authority's (2008-2010) Corporate and Work Plan were implemented during the year and reports tabled to the Board monthly. Management also meets monthly for half day (or full day) to review progress and strategies to ensure we are on track and resolve issues and roadblocks. Management team are encouraged to freely discuss and express their views in order to address the issues and improve business performance.

Public Relations and Marketing

During 2008, Management worked hard to maintain the Authority's good public image and improve Corporate Profile. To help achieve this image, the Authority issued press releases and newspaper supplements from time to time and was happy with responses to the Authority's activities and its services. The Authority's newsletter which is called the 'VALE' is published half-yearly and dwells on the projects, issues and other related activities of the Authority.

Audit

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

Insurance Services

The Authority continued to provide its customers insurance covers for their mortgaged debts and their properties under a Group Scheme. This unique arrangement enabled a total of 12,006 customers to enjoy a very competitive insurance premium for both the covers.

Health Cover

With effect from 1st January 2008, the Mortgage Protection Insurance Policy was extended to cover overseas medical treatment for our customers to India for illnesses relating to cardiac and cancer cases only, provided that such cases were not treatable locally. Further, the Authority under the extension of the MPI cover, evacuated 4 customers to India for treatment of their cardiac conditions, all of them were successfully treated at a total cost of approximately $140,000.

Property Insurance

During the year, New India Assurance Co. Ltd paid 7 claims for fire damage and 3 claims for property damage under the Property Insurance Cover. These claims amounted to $358,096.

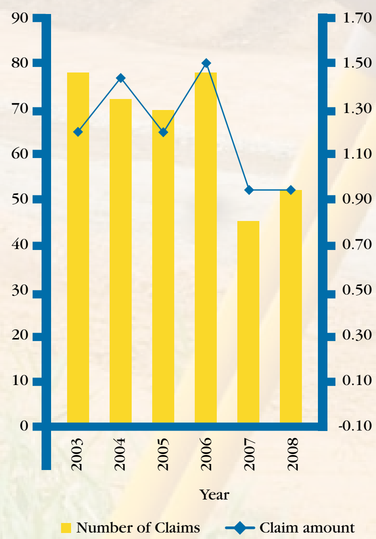
Apart from the above claims, 5 motor vehicle claims amounting to $4,728 for its customers, staff and the Authority were also attended to.

Finally we are pleased to highlight that the customer insurance premiums for the respective covers remained the same for the past 5 years. In addition the Authority continued to place the Mortgage Protection Insurance on direct basis with Dominion Insurance and this arrangement enabled us to have a quick turnaround time for the payment of the claims.

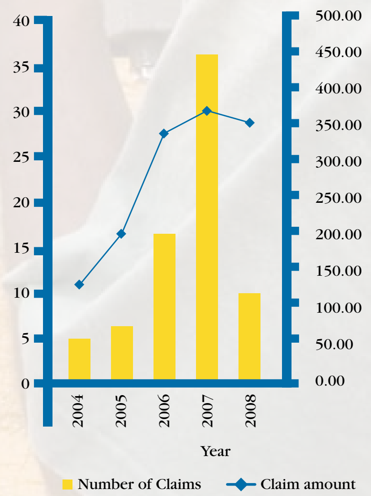
The Year Ahead

Looking ahead, the Authority would need to continue to be innovative and work smarter. It must resolve all its key strategic issues if it is to meet its public social housing obligations. These are the huge challenges that it needs to overcome.

Mortgage Protection Insurance Claims for the years 2003 to 2008



Fire and Property damage claim for the years 2004 to 2008



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

Finally, I wish to express my gratitude to the Interim Board Chairman, Mr Samu Saumatua, Board members and the Ministry of Housing, Finance and Public Enterprises for their continued support and guidance during the year.

Alipate Naiorosui
CHIEF EXECUTIVE OFFICER

Customer Relations Division

Primary Function

The primary function of the Customer Relations Division is to provide effective and efficient services to all its customers at all times. The Authority's social obligations and responsibilities continue by way of financial assistance to low-income earners and settlement of informal settlers. The major role is providing affordable shelter to its customers who are classified between low to middle income levels without losing focus on commercial lending to cross subsidise and help/assist the poor or unfortunate.

Residential Home Loan

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

TABLE 1

Year	Fixed Rate	Variable Rate*	Fixed Rate Term
2000	N/A	11.5%	N/A
2001	5.99%	8.35%	12 months
2002	5.99%	8.35%	12 months
2003	4.45%	7.99%	24 months
2004	4.45%	7.99%	24 months
2005 (from September)	3.99%/4.45%	7.99%	18/24 months respectively
2006	3.99%/4.45%	7.99%	18/24 months respectively
2007	N/A	7.99%	N/A
2008	N/A	7.99%	N/A

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

Fees and Charges

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

Loans Approved

Total value and number of loans approved in 2008 are shown in table 2 below. The trends are a direct reflection of the strategies adopted by the Authority over the last 2 years with a shift in focus to low income earners with less emphasis on higher end lending products.

TABLE 2

	2008		2006			
Products	No	Value ($)'000's	No	Value ($)'000's	No	Value ($)'000's
Cash Loans	409	12,026	464	13,347	712	18,058
Village Loans	4	125	23	608	27	759
Personal, Quick Repair and Car Loans	708	1,888	1090	2,590	1086	2,360
Home and Land Sales	82	1,465	260	2,525	247	1,932
Total	1,203	15,504	1837	19,070	2072	23,109

*Loans approved includes cash sales

Low Income focus

A total of 377 low-income clients were assisted in 2008 with a loan value amounting to $3.06m. Low income clients receive government subsidised interest of 2% i.e. annual rate of 5.99% (variable) as opposed to 7.99% (variable).

Land Sales

In April 2008, Housing Authority completed a new subdivision in Namosau, Ba with a total of 84 residential lots. By end of December 2008, 35 lots had been sold. Slow sale of lots has been experienced in the Western Division as well as the North. Nine (9) Lots remain on our stock in Rara Subdivision in Labasa. Continuous marketing presentations and campaigns have been carried out in order to sell out all developed lots.

Informal Settlers

The Authority continued to assist the Ministry of Housing in the relocation of informal settlers. The Authority introduced and established an "urban village" concept jointly with the Ministry of Housing in Sasawira in Nasinu outside Suva. Informal settlers would be temporarily relocated to Sasawira until fully developed lots are available in the central division.

Sasawira Urban Village is just a transit and it caters temporary or immediate housing needs experienced due to evictions. Permanent accommodation is the way forward. One hundred and fifteen (115) families are expected to benefit from this transitional accommodation.

Top priority is given to informal settlers and the Authority had allocated a total of 212 lots at its Waila subdivision for the resettlement of eligible tenants from Vunivaivai, Muanivatu, Baniose, Koka Place, Tamavuaiwai, Laqere, Nasinu Quarry, Pritam Singh Road, Matata, River Road, Kilikali, Nanuku and Wailea.

Human Resource Development

Staff development continued in 2008 and in-service training, mentoring and daily guidance provided. Staff enjoyed the opportunity to relief in various Managerial and other key Customer Relations and Lending positions and had a 'hands on' experience. This is in line with the strategic direction and succession planning concept.

Baij Maharaj
General Manager Customer Relations

Land & Housing Development Division

1. BACKGROUND INFORMATION

The Housing Authority remains dedicated to the commitment of providing a minimum of 500 lots annually for the general public. This will comprise a combination of mixed development delivering low, medium and high class residential lots with the necessary complement of commercial, industrial and civic lots that are deemed necessary to facilitate the building of complete functioning communities

The Authority has been unable to deliver lots and houses to meet the increasing demand for residential accommodation. This has prompted the Authority to review its operations and commitment towards land and housing development whereby reconfirming its status as the core function of the Housing Authority. This has resulted in the revamping of the department tasked to ensure the steady supply of land and houses to the ever increasing demand.

With the new focus the Authority has formulated its 5 Year Land & Housing Development Plan to act as a guide towards the realization of this important national objective of providing decent and affordable accommodation for all.

Due to the rapid increase of population in urban areas, the demand for housing has increased greatly that the Authority has been asked to increase its production to 1000 lots per year in order to cater for the acute shortage of supply in the market. The high demand and low supply situation, as well as the high development cost, these 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 1,000 affordable, quality land lots/ housing units per year, once the necessary in-house infrastructure/technical capability and funds are avalable.

Despite the low production in 2008, the Authority anticipates a marked improvement in the lots delivery output from 2010 whereby the first batch of lots in Wainibuku and Tacirua East Stage 2 subdivisions will be delivered. Lots delivery will be forthcoming from other phases of Tacirua and Nepani into 2011 at the end of which the total lot delivery for the three developments is expected to yield 1,500 lots.

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

In addition the two sites in Tacirua Stage 2 and Nepani will also accommodate strata units and is expected to yield an additional 600 housing units on top of the single lots.

Going forward, the Authority is also doing the preliminary investigation and planning for the Stages 4 and 5 of Waila Housing City which should produce a combined total of at least 1500 lots. Included in this development will be the provision of approximately 500 lots for strata and terrace housing. This and other planned developments in Nausori and Lami should cater for the production quota for the Suva-Nausori & Lami Corridor which appears to be the region indicating the highest demand for housing Fiji wide.

For the western division the Housing Authority has developments earmarked for major Towns including Sigatoka, Nadi and Tavua.

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

For Lautoka the Authority will consider developing the Tavakubu balance land noting that the Field 40 subdivision is now almost fully sold out. This should yield a total of 500 lots to meet the anticipated demand in Lautoka.

For the northern division, the Naqere subdivision in Savusavu (53 lots) construction tender had to be re-tendered since the price quoted by contractors was far above our estimate where the lot prices would be well above the eligibility levels of the target market. Re-tendering and the start of construction work is expected in March 2011 or earlier depending on the results of the market survey.

2. ACHIEVEMENTS

Land Acquisition

Despite the slow economic growth the HA remains committed to continue with its acquisition process to ensure there is land available to develop in order to produce the anticipated developments as planned in the 5 Year Land & Housing Development Plan.

The Authority has finalized acquisition for of 45 acres at Matavolivoli along Legalega Road for which preliminary investigations and planning is being undertaken.

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. Because of the high cost involved with the cost of acquisition and annual fees, charges and interest the Authority is programming itself to ensure acquisitions are done and developments take place immediately.

The HA is negotiating MOU with the NLTB which is a major landowner to have arrangements in place that can minimize excessive land costs.

Similarly the Fiji Sugar Corporation is the owner of some of the best and ideally located sites in Fiji's major urban centers like Sigatoka, Nadi, Lautoka, Ba and Rakiraki in the Viti Levu and Labasa in Vanua Levu. The two entities are working out some arrangement that will benefit both institutions in terms of land available and at the same time provide housing options to FSC workers and the public at large through the input of HA expertise in the residential development sector.

In addition to Matavolivoli stage 2, the Authority hopes to finalise plans and obtain development leases from the Native Land Trust Board for land in Votualevu comprising approximately 40.50 hectares (100 acres) in area. The Authority has acquired a 99 year lease from Department of Lands in Caubati for 25 acres (10 hectares).

Works achieved to date are as follows:

- 45 acres Native Land at Matavolivoli was purchased for $384,000.00
- 114 acres of native land at Natadola was purchased in 2006 at the cost of $712,500.00
- Native land at Savunawai/Votualevu containing approximately 100 acres is under negotiation and we expect to finalise sale by first quarter of 2009.
- Lands Department has offered the Authority a lease over a state tiri land in excess of 50 acres between the Nadawa foreshore where negotiations on the qoliqoli are underway with the native owners.

Planning

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

Achievements made to date are as follows:

- Approval of Scheme and Engineering Designs for Tacirua East Stage 2, Phases 1A, 1B and 2 and 3A has been achieved.
- Approval of scheme and engineering plans for Nepani Stage 2.
- Approval of scheme, and engineering plans for Wainibuku Subdivision.
- Approval of scheme and engineering plans for Koronisalusalu residential subdivision in Tavua.
- Approval of scheme and engineering plans for Naqere residential subdivision in Savusavu.
- Approval of Draft Concept Plan for Waila Town.
- Completion of Engineering & Architecture concept plan & estimates.
- Model house (free sample) agreement signed with the cost estimates.

Construction/Development of Subdivision

As a result of limited number of contractors, material sourcing, fuel, machinery, etc, construction of subdivisions is always expensive and difficult to complete on time.

Apart from this, workmanships are generally poor and needs urgent/proper attention.

- The Namosau Subdivision was completed in August 2007 which is currently under maintenance period and to date a total of 50 out of the 84 lots has been sold..
- Construction of Wainibuku is underway and is expected to be completed in August 2010 with the expected lot yield to be 264 lots.
- Tacirua East is earmarked for development using the Chinese loan funding. This loan of $50 million has been provisionally approved and awaiting finalization by the Chinese Government and Fiji Government on behalf of Housing Authority.

Re-establishment of In-house Development Team

Due to the urgent need to fully address problems relating to the production of quality and affordable lots and housing units, the Authority had taken urgent steps to revamp and strengthen the Land & Housing Development team by recruiting professional General Manager, engineers, surveyors, architects and draughtsmen in order to carry out more efficiently the subdivision development and lot production.

The Housing Authority had advertised, interviewed and hired some of the key positions, such as General Manager, Senior Engineer, Surveyors, Architect and Draughtsmen in October & December, 2008.

Squatter Relocation

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

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

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

Customer Complaints

A lot of our resources had been directed /utilized to customer complaints, arising from these four main areas:

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

3. CONSTRAINTS

a) Consultant's design estimates & Tenders received from contractors do not satisfy affordable costs.
b) Lack of priority given by government for housing regarding funding & JV's
c) Lack of Technical manpower
d) Delay in the timely approval of scheme, engineering and survey plans
e) HA are being asked by government to bear all cost of offsite infrastructures such as water mains, trunk sewers and electricity.

Francis S. Autor
General Manager
Land & Housing Development Division

Lending Division

LENDING DIVISION

The Lending Division is responsible for the assessment and approval of all loans, ensuring that all securities are in place before disbursement of funds, management of accounts including the arrears recovery process.

As at 31 December 2008, the Housing Authority had a clientele base of 19,428 customer accounts. The total Mortgage Portfolio at the end of the year was $142.78m compared to $146.32 in 2007. The reduction is attributed to the low loans approval and slow sales of lots in the Field 40 and Balawa Subdivisions in Lautoka and Namosau subdivision in Ba.

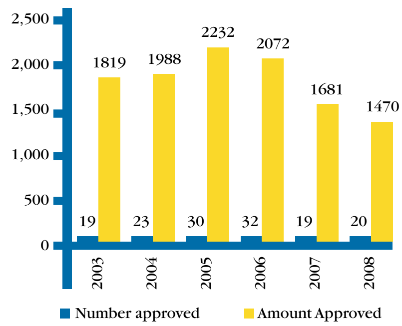
Performing Lending portfolio stood at $119.5m compared to $120.3m in 2007.

The Approvals department is responsible for approving quality loans strongly based on the probability of default, security coverage and repayment capacity.

The Approval's 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 with Customer Relation Officers as well to ensure quality loan assessment.

Loans approved in 2008 were $14.7m compared to $19.4m in 2007.

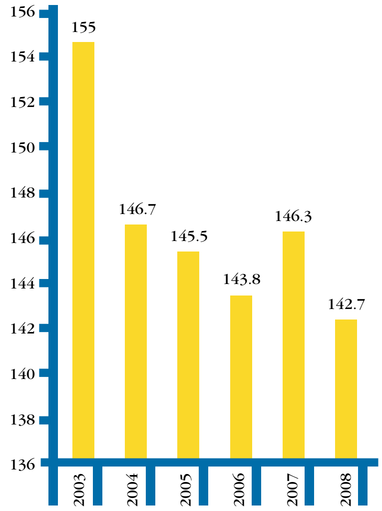
Bar graph below reflects Loans Approved in 2008:



Mortgage Portfolio

The total mortgage portfolio at the end of the year was $142.7m, compared to $146.3m in 2007. The bar graph below illustrates the trend for the total mortgage portfolio over the last six years:

Total Mortgage Portfolio



Non Performing Loans

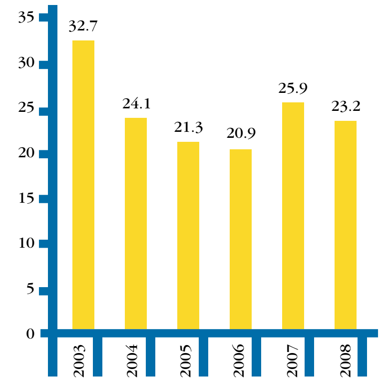
Non performing loans reduced to $23.2m in 2008 compared to $25.9m in 2007. That is a reduction in the non performing ratio to 16.29% from 17.74%. The target reduction ratio of 14% was not achieved.

$4.07m of the total non performing loans is related to Matavolivoli subdivision in Nadi. Every house in Matavolivoli was inspected, costing done and an agreement was reached with 67 tenants where the houses were repaired and debts restructured. The remaining members of the Matavolivoli Tenants Association sought legal redress on their pending court case and the matter is now in court.

Following the events of 2006, job losses and reduced work hours were experienced in the tourism sector, garment industry, small and medium enterprises and related matrimonial problems has contributed towards poor debt servicing.

The bar graph below illustrates the trend for the non performing loans over the last six years:

Non Performing Loans

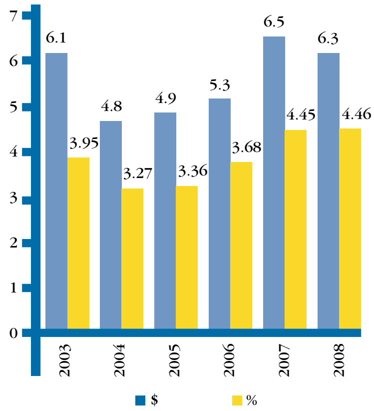


Write-Offs

A total of $867,669 of doubtful and insolvent debts were written off from the Authority's books during 2008.

Arrears

Mortgage arrears stood at $6.3m as at December 2008 or 4.46% of the Authority's total loan portfolio against a target of 3%. The bar graph below illustrates the trend over the last six years:



Poverty Alleviation Scheme:

The Authority continued to assist low income earners whose total household income did not exceed $6,500 per annum through interest subsidy. Both individual homeowners and those in the Village Housing Scheme enjoyed a fixed interest rate of 5.99% per annum on their mortgage loans instead of the variable interest rate of 7.99%. 151 families and 32 village housing projects benefited from this scheme in 2008 for a total portfolio of $3.4m.

Legal Services

The Team is essentially responsible for conveyancing, Fiji National Provident Fund withdrawals and registration matters. There were 933 documents registered during the year and 548 customers were assisted through the transfer of their Fiji National Provident Fund monies in 2008. Of its target of $6m the Authority actually received $5.5m for the year.

Village Scheme

Financing of home constructions in village and rural areas is one of the products the Housing Authority had been providing over the years to fulfil its obligation as laid down by Government. The main purpose of extending our services to the rural areas is the improvement of standard of living which contributes to their own security, happiness and as a wiser choice for better utilization of their lease income.

Contrary to normal mortgage financing, loans are provided to Landowners whose lands are being leased mostly for hotel industry and agricultural purposes. These landowners may form a Family, Tokatoka or Mataqali housing scheme through a Deed Of Trust between the Trustees representing Land Owning Unit scheme members on one hand and the Housing Authority on the other. On the strength of this document, an irrevocable Assignment is drawn up where the Landowners authorized the Native Land Trust Board transfer certain amount or their total lease income to the Housing Authority in meeting the expected repayment of their loan.

Total Loan Portfolio as at December 2008 is $11,563,751.

Stakeholders

Regular stakeholder meetings were held between the Authority and the Fiji National Provident Fund, Native Land Trust Board and the Titles Office which was aimed at improving and refining our work processes to ultimately enhance our service delivery to all our customers.

Human Resource Development

Staff development is an ongoing process and this is done through in-house as well as external training. The focus is to up skill all staff and improve productivity.

Eapi Nabou
General Manager, Lending

Finance & Administration Division

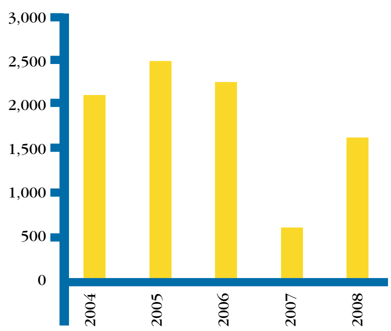
The Division's core function is to ensure prudent financial management and reporting and efficient administrative services provided to support the business activities and operations of the Authority. The division prepares financial forecasts and does budgetary allocation of resources, controls and monitoring, treasury management, provide timely and accurate management and financial and to manage corporate information technology. The division also provides administrative support to other divisions including office supplies and maintenance, security, fleet management etc. Additionally registry maintenance, file management is also undertaken by the division.

1. Revenue

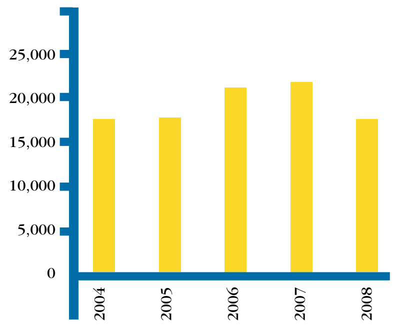
Revenues were down and there was a fall of 20% in gross revenues in 2008 from those recorded in 2007. There was a decline in interest income by 6%. This was due to decline in short term deposits in the bank and consequently the Interest income generated on Bank interest in 2008 was only $98,000 in comparison to $1.979m in 2007. There was an increase in Interest income from mortgage loan accounts mainly due to the interest income write back hence interest income on loans and advances was $11.07m for 2008 in comparison with $9.88m for 2007.

There was a decline in other operating income mostly in sale of lots and houses. In comparison with 2007 figures of $3.88m there was only $1.11m gross income from sale of lots and houses in 2008 whereas other incomes like fees and charges and rent mostly remained in the same range. Other income showed a decline from $938,000 recorded in 2007 to $214,000 in 2008.

Profit



Revenue



2. Expenditure

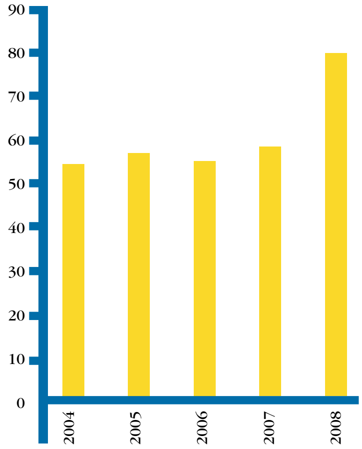
Interest expenditure for 2008 was 4% less than that in 2007. This was due to the bonds and long term loans were repaid as at maturity dates during the financial year. Thus the Interest expense during the year 2008 was less at $6.65m as compared to $6.93m in 2007.

Administration expenses were well contained in 2008. There was a decline in total administrative expenditure by 11% in the year 2008. This was due to management efforts to control the costs and remain within the budgets.

There was a slight decline in salary and personnel expenses as compared to 2007 due to adopting of IFRS and making a provision for long service leave and other benefits such as gratuity, annual leave on an annual basis rather than as and when due in the previous year. Salaries and personnel costs during the year were $4.58m in comparison to $5.12m in 2007.

Efficiency ratio (Operating Expenses/ Operating income) was 67% in 2008 in comparison to 69% in 2007. The contributing factor was less generation of operating income and with no proportionate decrease in operating expense.

Operating Expenses/
Operating Incone

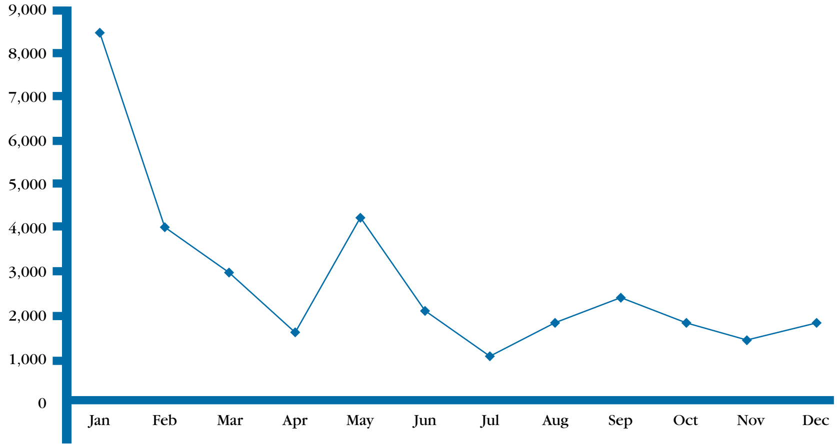


3. Finance Management

In the year 2008, lot of training was conducted for finance staff. For the month of December 2008 all the finance staff were trained to use new IT system Microsoft Navision software which was to be used as integrated software with Lendsphere (Lending software) to be implemented from Feb 2009.

The development and training of staff is an ongoing process and will continue. The liquidity was maintained at a comfortable level and all the obligations were met on due dates. The cash flow was monitored on a regular basis.

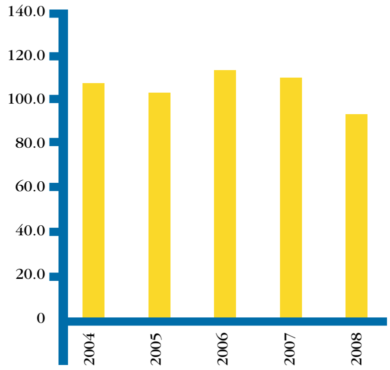
Cash Flow 2008



4. Borrowing Portfolio

The Borrowing Portfolio for the Authority as at December, 2008 stood at $90.2million as against $106.5million in 2007. One of the key strategies for 2009 is to work towards a reduction in the borrowing portfolio. The current trend of reduction in borrowing is expected to be reversed as the Authority needs to borrow to meet capital commitments and repayment of loans on maturity. The Authority has designed a five year development plan and more borrowings are anticipated in the coming years.

Borrowing Portfolio



5. Weighted Average Cost of Borrowings

During the year 2008, even though there was a significant decline in overall borrowing portfolio from $106.5million as at Dec 2007 to $90.2million. Due to maturity of low interest bonds during the year 2008, and consequently Housing Authority having only higher interest rate bonds there was significant increase in weighted average cost of borrowings during the year. It went up from 6.362% in the beginning of the year to 7.021% at the end of the year.

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

6. Information Technology

MIS is providing information technology tools in the form of systems and services, to all the departments and centres, to assist in providing better, more cost effective services and information to the customers of Housing Authority.

During the year, the Authority was in the process of putting integrated accounting software (Navision) and Lending software (Lendsphere). The other required infrastructures are being put in place as specified by the vendor. Staff training, data migration, UAT, testing and checking is being carried out. The software is targeted to be operational by next year which would enhance productivity, efficiency and report generation.

7. Administration

The Department is charged with the responsibility to provide administrative support in the coordination and implementation of office services to the Authority. It is an integral part of functional service aimed to support the organisation's strategic direction.

The main objective is focused on ensuring quality service delivery in mail management, telephone services, contract activities, transport management, stationery inventory, registry and general office services for hygiene, pest control, security, fire system and other administrative logistics.

Alok Mishra
General Manager Finance & Administration

FINANCIAL STATEMENTS

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Housing Authority
Directors Report
for the Year Ended 31 December 2008

DIRECTORS REPORT

The directors present their report together with the financial statements of Housing Authority of Fiji (" the Authority") for the year ended 31 December 2008 and the auditors' report thereon.

Directors

The directors of the Authority during the year were:

Directors	Appointed	Served Until
Mr. Samuela Alivereti Saumatua – Chairman	1-Mar-08	-
Ratu Josateki Nawalowalo	1-Mar-08	-
Ms. Lavinia Padarath	1-Mar-08	-
Mr. Chandar Singh	1-Mar-08	-
Father Kevin Barr	1-Mar-08	-
Ms. Rosarine Pasepa Langi	8-May-08	-

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 2008 and the accompanying income statement and statement of cash flows gives a true and fair view of the results of the Board and its cash flows for the year then ended.

Principal activities

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

Operating results

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

	2008 $'000	2007 $'000
Net profit before income tax	1,559	583
Income tax expense	-	-
Net profit for the year	1,559	583

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.

Housing Authority
Directors Report (continued)
for the Year Ended 31 December 2008

Events subsequent to balance date

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

Unusual transactions

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

Other circumstances

As at the date of this report:

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

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

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

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

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

Dated at Suva this 23rd day of February 2010.

Chairman

Member

Housing Authority
Statement by Director (continued)
for the Year Ended 31 December 2008

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

(i) the accompanying income statement of the Authority is drawn up so as to give a true and fair view of the results of the Authority for the year ended 31 December 2008;

(ii) the accompanying statement of changes in equity of the Authority is drawn up so as to give a true and fair view of the results of the Authority for the year ended 31 December 2008;

(iii) the accompanying balance sheet of the Authority is drawn up so as to give a true and fair view of the state of affairs of the Authority for the year ended 31 December 2008;

(iv) the accompanying statement of cash flows of the Authority is drawn up so as to give a true and fair view of the cash flows of the Authority for the year ended 31 December 2008;

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

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

Dated at Suva this 23rd day of February 2010.

Chairman

Member

Housing Authority
Independent Audit Report
for the Year Ended 31 December 2008

REPUBLIC OF THE FIJI ISLANDS
OFFICE OF THE AUDITOR GENERAL

ACCOUNTABILITY IN THE PUBLIC SERVICE SECTOR THROUGH QUALITY AUDIT SERVICES

Scope

I have audited the financial statements of the Housing Authority of Fiji for the year ended 31 December 2008 in accordance with the Housing Act (Cap 267) 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 International Standards on Auditing to provide reasonable assurance as to whether the financial statements are free of material misstatements. My audit 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 International Financial Reporting 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 2008 and the results of its operations and its cash flows for the year then ended.

Emphasis of Matter

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

- the Authority has not fully complied with the requirements of IAS 39 relating to collective impairment. Instead of providing only for specific provision for doubtful debts, the Authority has provided an additional 2% of the total debtors figure as general provision.
- there exists no credit risk grading system to enable the grouping of loans with similar credit characteristics. In addition, the Authority does not have a formalized and structured process of carrying out loan review on a regular basis.

....

Tevita Bolanavanua
ACTING AUDITOR GENERAL

12 March 2010

Housing Authority
Income Statement
for the Year Ended 31 December 2008

	Notes	2008 $'000	2007 $'000
Interest income	2	11,167	11,856
Interest expense	3	(6,652)	(6,927)
Net interest income		4,515	4,929
Other operating income	2	6,324	9,898
Net operating income		10,839	14,827
Personnel expenses	3	4,584	5,126
Depreciation of property, plant and equipment		503	592
Bad and doubtful debts		620	2,163
Cost of sales - land and houses		1,061	3,490
Other operating expenses	3	2,512	2,873
Total operating expense		9,280	14,244
Net profit before income tax		1,559	583
Income tax expense		-	-
Net profit for the year		1,559	583

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

Housing Authority
Statement of Changes in Equity
for the Year Ended 31 December 2008

	Notes	2008 $'000	2007 $'000
Accumulated losses			
Balance at the beginning of the year		(11,077)	(11,660)
Operating profit after tax		1,559	583
Balance at the end of the year		(9,518)	(11,077)
Reserves			
Balance at the beginning of the year		6,834	6,834
Movement during the year			
Balance at the end of the year		6,834	6,834
Government grant			
Balance at the beginning of the year		15,958	15,958
Movements during the year		-	-
Balance at the end of the year		15,958	15,958
Share capital			
Balance at the beginning of the year		41,772	41,772
Movements during the year		-	-
Balance at the end of the year		41,772	41,772
Total equity		55,046	53,487

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

Housing Authority
Balance Sheet
for the Year Ended 31 December 2008

	Notes	2008 $'000	2007 $'000
ASSETS			
Cash	4	1,755	7,212
Loans and advances	5	130,894	130,783
Financial investments - held to maturity	4	-	6,000
Property, plant and equipment	8	9,338	7,238
Inventories	6	10,457	11,013
Land held for future development	7	6,632	6,637
Other assets	9	67	138
TOTAL ASSETS		159,143	169,021
LIABILITIES			
Debt issued and borrowed funds	10	90,222	106,562
Other liabilities	11	12,217	7,593
Provisions	12	1,658	1,379
TOTAL LIABILITIES		104,097	115,534
EQUITY			
Capital	13	41,772	41,772
Government grant		15,958	15,958
Reserves	13	6,834	6,834
Accumulated losses		(9,518)	(11,077)
TOTAL EQUITY		55,046	53,487
TOTAL EQUITY AND LIABILITIES		159,143	169,021

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

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

Chairman

Member

Housing Authority
Statement of Cash Flows
for the Year Ended 31 December 2007

	Note	2008 Inflows/ (Outflows) $'000	2007 Inflows/ (Outflows) $'000
Operating activities			
Interest received		11,171	12,005
Fees, charges and other income received		6,324	9,898
Interest and other costs of finance paid		(6,709)	(7,129)
Net customer loans issued		3	(7,152)
Payments to suppliers for land and houses		(587)	(1,278)
Operating expenses		(3,380)	(4,544)
Cash flows from operating activities		6,822	1,800
Investing activities			
Payments for plant and equipment		(2,603)	(579)
Cash flows from investing activities		(2,603)	(579)
Financing activities			
Net increase/(decrease) in borrowings		(16,340)	(12,255)
Government grant received		664	(599)
Cash flows from financing activities		(15,676)	(12,854)
Net increase/(decrease) in cash held		(11,457)	(11,633)
Cash at the beginning of the financial year		13,212	24,845
Cash at the end of the financial year	4	1,755	13,212

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

Housing Authority
Notes to the Financial Statements
for the Year Ended 31 December 2008

1 Corporate Information

The financial statements of Housing Authority of Fiji ("the Authority") for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on 23rd February, 2010. Housing Authority of Fiji is a statutory government body domiciled in the Republic of the Fiji Islands.

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

1.1 Basis of preparation of the Financial Statements

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

1.2 Statement of compliance

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

1.3 Significant accounting judgments, estimates and assumptions

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

Judgments

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

Operating Lease Commitments

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

Estimations and assumptions

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

Impairment losses on loans and advances

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

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

1.4 Summary of significant accounting policies

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

a) Foreign currencies

The financial statements are presented in Fiji dollars, which is the Authority's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to 'Other operating income' or 'Other operating expenses' in the income statement.

1.4 Summary of significant accounting policies - continued

a) Foreign currencies - continued

Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

b) Financial instruments- initial recognition and subsequent measurement

i) *Date of recognition*

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

ii) *Initial recognition of financial instruments*

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

iii) *Held to maturity financial investments*

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

iv) *Loans and advances*

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

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

Non performing loans

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

(v) *Debt issued and other borrowed funds*

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

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

c) Impairment of financial assets

The Authority assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairmenrt as a result of one or more events that has occurred after the inital recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset

1.4 Summary of significant accounting policies - continued

c) Impairment of financial assets - continued

or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrrowers are experiencing significant financial difficulties with default or delinquency in interest or in principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

i) *Loans and advances to customers*

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

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

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

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

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

ii) *Held to maturity financial investments*

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

d) Leased assets

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

Authority as a lessee

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

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

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

1.4 Summary of significant accounting policies - continued

Authority as a lessor

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

e) Recognition of income and expenses

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

i) *Interest and income and expense*

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

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.
When a loan is categorised as non performing, interest on the loan ceases to be brought to account unless received or unless the loan becomes performing.

ii) *Fee income and charges*

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

iii) *Income from sale of land and houses*

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

iv) *Rental income*

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

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

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

vi) *Bad and doubtful debts*

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

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

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

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

1.4 Summary of significant accounting policies - continued

g) Property, plant and equipment - continued

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

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

h) Intangible assets

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

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

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

i) Impairment of non financial assets

The Authority assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Authority makes an estimate of the asset's recoverable amount. The carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value. In determining fair value less costs to sell, an appropriate value model is used.
For assets an assignment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Authority makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

j) Provisions

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

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

k) Inventories

Land and houses

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

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

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

1.4 Summary of significant accounting policies - continued

l) Income tax

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

m) Government grants

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

(i) *Poverty alleviation scheme*

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

(ii) *Interest subsidy*

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

(iii) *Deferred payment plan*

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

(iv) *Land development subsidy*

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

n) Creditors

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

o) Comparatives

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

p) Segment information

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

(b) Geographical segment
The Authority operates predominantly in Fiji and is therefore one geographical area for reporting purposes.

Housing Authority
Notes to the Financial Statements (continued)
for the Year Ended 31 December 2008

	2008 $'000	2007 $'000
2. REVENUE		
2.1 Interest income		
Investment securities	98	1,979
Loans and advances	11,069	9,877
	11,167	11,856
2.2 Other operating income		
Fees and charges	4,858	4,943
Sale of land and houses	1,106	3,877
Rent	146	140
Other income	214	938
	6,324	9,898
3. EXPENSES		
3.1 Interest Expense		
Long term loans	479	318
Bonds	6,173	6,580
Bank overdraft	-	29
	6,652	6,927
3.2 Personnel expenses		
Wages and salaries	3,975	4,515
FNPF contribution	287	274
Employee entitlements	258	159
Other	64	178
	4,584	5,126
3.3 Other operating expenses		
Auditors remuneration - audit fee	19	19
- other services	36	57
Repairs and maintenance	125	111
Stock write-down	(106)	88
VAT expense	85	65
Other	2,353	2,533
	2,512	2,873
4. CASH AND CASH EQUIVALENTS		
Cash	1,755	7,212
Deposit on call-held on maturity	-	6,000
	1,755	13,212
5. LOANS AND ADVANCES		
Mortgage loans	137,262	133,844
Village scheme loans	4,180	7,601
	141,442	141,445
Add:Accounts with credit balance	1,769	1,621
Gross loans	143,211	143,066
Less:Allowance for impairment losses	12,317)	(12,283)
	130,894	130,783

Mortgage loans include staff housing loans and advances totaling $1,413,438 (2007: $1,485,642). Village scheme loans are secured by a combination of assignments over native lease rental monies.

Housing Authority
Notes to the Financial Statements (continued)
for the Year Ended 31 December 2008

5. LOANS AND ADVANCES - continued

Impairment allowances for loans by class is as follows:	Mortgage $'000	Village scheme $'000	Total $'000
At 1 January 2008	8,020	4,263	12,283
Charge for the year	800	0	800
Recoveries	102	-	102
Amounts written off	(868)	-	(868)
As at 31 December 2008	8,054	4,263	12,317
Individual impairment	5,523	4,235	9,758
Collective impairment	2,531	28	2,559
	8,054	4,263	12,317
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	16,793	4,263	21,056

	Mortgage $'000	Village scheme $'000	Total $'000
At 1 January 2007	9,358	2,106	11,464
Charge for the year	6	2,157	2,163
Recoveries	320	-	320
Amounts written off	(1,664)	-	(1,664)
As at 31 December 2007	8,020	4,263	12,283
Individual impairment	5,591	4,235	9,826
Collective impairment	2,429	28	2,457
	8,020	4,263	12,283
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	17,213	5,111	22,324

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

	Individual impairment $'000	Collective Impairment $'000	Total 2008 $'000
At 1 January 2008	9,826	2,457	12,283
Charge for the year	800	102	902
Recoveries	-	-	-
Amounts written off	(868)	-	(868)
Interest accrued on impaired loans	-	-	-
At 31 December 2008	9,758	2,559	12,317

	Individual impairment $'000	Collective Impairment $'000	Total 2008 $'000
At 1 January 2007	10,093	1,371	11,464
Charge for the year	1,077	1,086	2,163
Recoveries	320	-	320
Amounts written off	(1,664)	-	(1,664)
Interest accrued on impaired loans	-	-	-
At 31 December 2007	9,826	2,457	12,283

	2008 $'000	2007 $'000
6. INVENTORY		
Developed lots	4,096	3,974
Less: Provision for developed lots write-down	(85)	(217)
	4,011	3,757
Unsold properties	609	744
Less: Provision for unsold properties write-down	(277)	(252)
	332	492
Development work-in-progress	6,282	6,932
Less: Pre-sold lots	(21)	(21)
Less: Provision for development work-in-progress write-down	(147)	(147)
	6,114	6,764
TOTAL INVENTORY	10,457	11,013
7. LAND HELD FOR FUTURE DEVELOPMENT		
Freehold land		
- at deemed cost	6,497	6,497
Leasehold land – at cost	362	362
Less: Provision for amortisation of leasehold land	(227)	(222)
Total land held for future development	6,632	6,637
8. PROPERTY, PLANT AND EQUIPMENT		
Properties		
Cost:		
At 1 January	5,471	5,563
Additions	2,128	64
Asset revaluation reserve	-	(88)
Inter Asset transfer	-	(68)
Disposals	-	-
At 31 December	7,599	5,471
Depreciation and impairment:		
At 1 January	821	713
Depreciation charge for the year	116	77
Prior period depreciation charged	3	31
Disposals	-	-
At 31 December	940	821
Net written down value - properties	6,659	4,650
Furniture and Fittings		
Cost:		
At 1 January	1,524	1,549
Additions	614	58
Inter Asset transfer	-	(83)
Disposals	(332)	-
At 31 December	1,806	1,524
Depreciation and impairment:		
At 1 January	1,344	1,275
Depreciation charge for the year	94	54
Prior period depreciation charged	4	15
Disposals	(332)	-
At 31 December	1,110	1,344

8. PROPERTY, PLANT AND EQUIPMENT - continued

	2008 $'000	2007 $'000
Net written down value - Furniture and fittings	696	180
Staff houses and shops		
Cost:		
At 1 January	291	241
Additions	-	-
Asset revaluation reserve	-	88
Inter Asset transfer	-	(38)
Disposals	-	-
At 31 December	291	291
Depreciation and impairment:		
At 1 January	67	46
Depreciation charge for the year	5	19
Prior period depreciation charged	-	2
Disposals	-	-
At 31 December	72	67
Net written down value - staff houses and shops	219	219
Motor vehicles		
Cost:		
At 1 January	647	695
Additions	-	210
Inter Asset Transfer	-	64
Disposals	(47)	(322)
At 31 December	600	647
Depreciation and impairment:		
At 1 January	275	465
Depreciation charge for the year	101	71
Disposals	(47)	(322)
Inter Asset transfer	-	61
At 31 December	329	275
Net written down value - motor vehicles	271	372
Computer equipment		
Cost:		
At 1 January	3,419	3,292
Additions	45	127
Disposals	(842)	-
At 31 December	2,622	3,419
Depreciation and impairment:		
At 1 January	3,068	2,745
Depreciation charge for the year	183	222
Prior period depreciation charged	1	101
Disposals	(842)	-
At 31 December	2,410	3,068
Net written down value - computer equipment	212	351
Others		
Cost:		
At 1 January	120	68
Additions	-	-
Inter Asset transfer	-	52
Disposals	(50)	-
At 31 December	70	120

8. PROPERTY, PLANT AND EQUIPMENT - continued

	2008 $'000	2007 $'000
Depreciation and impairment:		
At 1 January	65	57
Depreciation charge for the year	1	-
Disposals	(50)	-
Inter Asset transfer	-	8
At 31 December	16	65
Net written down value - others	54	55
Work in progress		
Cost:		
At 1 January	1,406	995
Additions	3,716	256
Inter Asset transfer	-	86
Capitalised during the year	(3,895)	-
Disposals	-	-
At 31 December	1,227	1,337
Depreciation and impairment:		
t 1 January		
Depreciation charge for the year	-	-
Inter Asset transfer	-	(69)
Disposals	-	-
At 31 December	-	(69)
Net written down value - work in progress	1,227	1,406
Total		
Cost:		
At 1 January	12,878	12,403
Additions	6,503	715
Capitalised during the year	(3,895)	-
Inter Asset transfer	-	13
Disposals	(1,271)	(322)
At 31 December	14,215	12,809
Depreciation and impairment:		
At 1 January	5,571	5,301
Depreciation charge for the year	500	443
Prior period depreciation charged	8	149
Inter Asset transfer previous year	69	-
Disposals	(1,271)	(322)
At 31 December	4,877	5,571
Net written down value - total	9,338	7,238

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.

Housing Authority
Notes to the Financial Statements (continued)
for the Year Ended 31 December 2008

			2008 $'000	2007 $'000
9. OTHER ASSETS				
Interest receivable			-	4
Staff advances			-	62
Stationery stock			19	20
Sundry debtors and prepayments			48	52
			67	138
10. DEBT ISSUED AND BORROWED FUNDS				
	Maturity	Effective interest rate %		
Current				
Bonds	Note 14	2.65% to 5.57%	11,500	18,302
Loans	Note 14	7.10%	1,663	2,051
			13,163	20,353
Non current				
Bonds	4.10% to 12%		73,098	80,598
Loans	7.00 to 7.095%		3,961	5,611
			77,059	86,209
Total debt issued and borrowed funds			90,222	106,562
	Maturity			
Bonds	2008 to 2021			
Loans	2008 to 2013			
11. OTHER LIABILITIES				
Interest payable			1,138	1,195
Insurance aggregate			673	737
Mortgage accounts with credit balances			1,769	1,621
Deferred Government grant			1,471	1,001
Deferred grant - University of the South Pacific			-	(7)
Other creditors and accruals			7,166	3,046
			12,217	7,593

Terms and conditions of the above financial liabilities:
- Trade payables are non-interest bearing and are normally settled on 60-day terms.
- Other payables are non-interest bearing and have an average term of six months.
- Interest payable is normally settled monthly throughout the financial year.

12. PROVISIONS

2008
The movement in provision during the year is as follows:

	$'000 Repairs and maintenance	$'000 Employee Entitlement	$'000 Total
At 1 January	680	699	1,379
Arising during the year	239	192	431
Utilised	(119)	(33)	(152)
Unused amounts reversed	-	-	-
As 31 December	800	858	1,658
Represented by:			
Current	800	858	1,658
Non current	-	-	-
	800	858	1,658

12. PROVISIONS - continued

2007

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

13. CAPITAL AND RESERVES

2007

	$'000	$'000
Capital	41,772	41,772
Reserves		
Asset Revaluation Reserve	6,834	6,834
Balance at the beginning of the year	-	-
Effect of change in accounting policy	-	-
Movement during the year	6,834	6,834
Balance at the end of the year		
Total reserves	6,834	6,834

14 MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITES

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

31 December 2008

	At call $'000	Less than 3 months $'000	4 to 12 months $'000	1 to 5 years $'000	over 5 years $'000	Provision for doubtful debts $'000	Suspended interest $'000	Total $'000
Financial assets								
Cash	1,755	-	-	-	-	-	-	1,755
Loans and advances	11,590	5,148	13,878	51,480	65,119	(12,317)	(4,004)	130,894
Financial investments - held to maturity		-	-	-	-	-	-	-
Total	13,345	5,148	13,878	51,480	65,119	(12,317)	(4,004)	132,649
Financial liabilites								
Mortgage loans with credit balances	1,769	-	-	-	-	-	-	1,769
Borrowings	-	116	13,047	53,059	24,000	-	-	90,222
Accrued interest	-	1,138	-	-	-	-	-	1,138
Accounts payable and accrued liabilities	-	7,839	-	-	-	-	-	7,839
Total	1,769	9,093	13,047	53,059	24,000	-	-	100,968

14 MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITES - continued

31 December 2007

	At call	Less than 3 months	4 to 12 months	1 to 5 years	over 5 years	Provision for doubtful debts	Suspended interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets								
Cash	7,212	-	-	-	-	-	-	7,212
Loans and advances	7,361	5,911	16,444	59,247	58,048	(12,283)	(3,945)	130,783
Financial investments - held to maturity	-	6,000	-	-	-	-	-	6,000
Total	14,573	11,911	16,444	59,247	58,048	(12,283)	(3,945)	143,995
Financial liabilites								
Mortgage loans with credit balances	1,621	-	-	-	-	-	-	1,621
Borrowings	-	177	20,176	57,960	28,249	-	-	106,562
Accrued interest	-	1,195	-	-	-	-	-	1,195
Accounts payable and accrued liabilities	-	3,783	-	-	-	-	-	3,783
Total	1,621	5,155	20,176	57,960	28,249	-	-	113,161

15. CONTINGENT LIABILITIES AND COMMITMENTS

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

The total outstanding commitments and contingent liabilities are as follows:

	2008 $'000	2007 $'000
Contingent liabilities		
Indemnity	4,746	6,027
Guarantees	5	5
	4,751	6,032
Commitments		
Operating lease commitments	595	595
Capital commitment	2,423	2,721
	3,018	3,316
Total	7,769	9,348

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:

15. CONTINGENT LIABILITIES AND COMMITMENTS - continued

Principal	4,697	5,962
Accrued interest	49	65
	4,746	6,027

b) *Guarantee*

Fiji Electricity Authority bond	5	5

a) *Operating lease commitments*

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

	2008 $'000	2007 $'000
Not later than one year	148	148
Later than one year but not later than two years	228	228
Later than two years but not later than five years	219	219
	595	595

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 $ 143,500 (2007: $135,500).

b) *Capital commitments*

Approved by Board	2,423	2,721

The Authority has committed $1,170,000 for upgrading its current software, AS 400, to Microsoft Navision and Indus Lendsphere package.

16. RELATED PARTY DISCLOSURES

(a) Identity of related parties
The Board has a related party relationship with its directors. The directors of the Board in office during the year were:

Mr. Samuela Alivereti Saumatua	Chairman
Ratu Josateki Nawalowalo	Members
Ms. Lavinia Padarath	Members
Mr. Chandar Singh	Members
Father Kevin Barr	Members
Ms. Rosarine Pasepa Langi	Members

(b) Transactions with Related parties

Transactions with related parties during the year ended 31 December 2008 with approximate transaction value are summaried as follows:

	2008 $'000	2007 $'000
Board expenses and allowances	29	2
Government grant	1471	995

(c) Compensation of key management personnel

Short term employee benefits	322	450
Post employment pension and medical benefits	-	-
Termination benefits	-	-
Other long-term benefits	-	-
	322	450

Key management personnel include the Chief Exective and the three General Managers of the Authority (2007: 4 General Managers).

17. EVENTS AFTER THE BALANCE DATE

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

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

18.1 Introduction

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

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

Risk management structure

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

Board of Directors

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

Internal audit

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

Risk Management and reporting systems

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

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

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

Excessive risk concentration

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

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

18.2 Credit Risk

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

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

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

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

18.2 Credit Risk - continued

	Notes	Gross maximum exposure 2008 $'000	Gross maximum exposure 2007 $'000
Held to maturity investment	4	-	6,000
Loans and advances	5	130,894	130,783
Other assets	9	67	138
Total		130,961	136,921
Contingent liabilities	15	4,751	6,032
Commitments	15	3,018	3,316
Total		7,769	9,348
Total credit exposure		138,730	146,269

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

19. PRINCIPAL ACTIVITIES

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

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DETAILS OF THE AUTHORITY
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Housing Authority

Your complete housing solution