

## Annual Report 2013

## Helping Fijians Own Affordable Homes





### Corporate Vision Helping Fijians Own Affordable Homes

### **Mission Statement**

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

- Competitive loan packages to all it's 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 and stakeholders
- We will understand, appreciate and involve all staff
- We will do business in a transparent, ethical and honest manner







Affordable & Quality Housing

Housing Authority

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## Letter to the Minister



3rd October, 2014

The Honorable Minister Ministry of Local Government, Housing & Environment P O Box 2131 Government Buildings, <u>Suva</u>

Dear Minister,

#### **Re: ANNUAL REPORT FOR 2013**

In accordance with Section 21 of the Housing Act, Cap 267, I am pleased to present the Authority's Annual Report for 2013 which incorporates a detailed summary of its operations and activities including Financial Statements for the year ending 31st December 2013.

For the year 2013, the Housing Authority recorded a surplus of \$0.423m in comparison to a surplus of \$0.523m in 2012.

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

Yours Sincerely,

Jan I M

Mr Narendra Prasad Board Chairman

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## Organisational Structure



of lots/ housing units.

reporting, data integrity and disseminating timely and quality information and providing efficient and direct administration services.

management and recovery of all loans. It is also tasked with implementing of more effective and effecient policies and procedures so as to improve the overall management of the Authority's loan portfolio in line with other commercial banking practices.

#### **Customer Relations** Fantasha Lockington

Division's major responsibility is to create new business through its various activities such as land, house sales, product development and valuation.

# Land Development

## Board of Directors



#### Chairperson

#### Brigadier General Mosese Tikoitoga

Appointed to the Board on 5th February 2010, Brig. Gen. Mosese Tikoitoga holds a Master's Degree in Defense Studies from the University of Canberra and a Master of Philosophy in Defense from the Madras University in India along with other military credentials and over 29 years of Military experience. He is currently the Commander of the Republic of Fiji Military Forces.



Board Director Adrian Sofield

Appointed to the Board on 6th September 2010, Mr Sofield is an architect by profession with over 33 years' experience in the field. Originally from Perth in western Australia, Mr Sofield has been a Fiji citizen since 1976. He is the current Chairman of the Fiji Trade & Investment Board, Investment Fiji, Airports Fiji Limited and Rewa Dairy. He is also the managing director for Adrian Sofield & Associates Ltd. His term ended on 6th September 2013.



Board Director Umraji Musa

Appointed to the Board on 6th September 2010, Umarji Musa holds a Bachelor of Arts Degree in Economics and other professional credentials. He joined the Fiji Development Bank in 1974 and retired in 2010 after 36 years' of service. He now works as an independent Business and Finance Consultant.



Board Director Petero Daurewa

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



Board Director Maraia Ubitau

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



Board Director Father Kevin Barr

Appointed to the Board on 1st March 2008, Fr. Barr holds a Bachelor's Degree in Theology (Sacred Heart Monastery),Education, Anthropology and Sociology (University of Queen-sland) and Political theology & Contextual Theology (University of Toronoto). 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 the Peoples Community Network. His term ended on 10th January 2013.

## Management Team

### **Chief Executive Officer**

#### Alipate Naiorosui

A Chartered Accountant by profession, Mr Naiorosui first joined the Authority in 1994 as Manager Finance and later promoted to General Manager Finance & Administration. He was appointed Chief Executive Officer in 2003 and has held that position ever since. During that same year he won the Young Accountants of the Year Award, organised by the Fiji Institute of Accountants. Mr Naiorosui holds a Bachelor of Arts degree, majoring in Accounting and Economics and Master's of Business Administration from the University of the South Pacific.





General Manager Customer Relations Fantasha Lockington

Mrs Lockington joined the Authority in November of 2010 with over 20 years' experience in customer service management, product development & marketing in the tourism industry. She holds a Master's Degree in Business Administration from the University of the South Pacific and other academic credentials. Prior to joining the Authority Mrs Lockington was the Director Sales & Marketing for Blue Lagoon Cruises and Manager Product Development & Marketing Services for Air Pacific.



General Manager Land & Housing Development Isikeli Navuda

Mr Navuda joined the Authority in 1993 as a Senior Valuer and has also held other management positions for the Lending and the Land Development Division over the years. He holds a Post Graduate Diploma in Planning (3rd World) from the Queensland University and a Bachelor's Degree in Land Management from the University of the South Pacific.



General Manager Lending Jagdish Prasad

Mr Prasad was appointed General Manager Lending in 2011 and was previously Manager Corporate Governance and Board Secretary. He joined the Authority in 1973 as a Legal Clerk and is one of the longest serving staff spanning a total of 38 years. A tireless and dedicated worker Mr Prasad has worked his way up through the ranks of the Authority, and has held various senior positions including Manager Legal Services.



General Manager Finance & Administration Sailosi Sogo

Mr Soqo joined the Authority in November of 2010 with over 20 years of financial and management experience. Mr Soqo holds a Master's in Business Administration and Bachelor's Degree in Economics and Accounting from the University of the South Pacific. Prior to joining the Authority Mr Soqo was the Finance Manager and Company Secretary for Air Terminal Services Ltd Fiji.

## Chairperson's Report



In 2013, \$1,233,918 was utilised to write off 73 families' home loan accounts of which \$601,008 was drawn from Government Grant and the remainder from Housing Authority provisions.

> Chairperson Brig. Gen. Mosese Tikoitoga

The year in review has been focused on planning and re-strategizing to deliver on Governments vision of providing affordable, decent and quality homes for all Fijians.

As such, the Authority has focused its efforts on building a platform that will see the delivery of most of its planned developments and the launching of more home loan packages that are specifically tailored for our low to middle income families.

Government played a crucial role by providing the foundations of this platform with the launch of the first ever National Housing Policy. The objective of this policy was to ensure that all Fijians have access to affordable, decent and quality housing. This unwavering commitment bore fruit with the inclusion of the Right to Housing included in Fiji's new Constitution.

For the year 2013, despite the year's challenges, Housing Authority recorded a profit of \$423,000 compared to \$523,000 for last year (decrease of 19 percent).

The Net Operating Income increased from \$11.165m in 2012 to \$14.215m in 2013, an increase of 27.31% while total operating expenses increased from \$10.642m to \$13.792m by 29.60 percent.

The profit achieved was a result of the collective effort of the Board, Management and staff of Housing

Authority despite sluggish economic conditions, delays in lot delivery and stiff competition from other financial institutions. This continues to affect Housing Authority with a total of \$2.5m (46 cases) in home loans refinanced to other Banking Institutions.

#### Bill of Rights; Section 35 – 2013 Fiji Constitution

As part of its continued commitment towards housing the people of Fiji, the government has made "housing" a constitutional right under Section 35 of the Bill of Rights in the 2013 Constitution, which states:

"Right to Housing and Sanitation 35. - (1) The State must take reasonable measures within its available resources to achieve the progressive realization of the right of every person to accessible and adequate housing and sanitation."

This will strengthen the National Housing Policy that was launched 2011 which was aimed at consolidating the collective vision and focus of the Government, private, public and other stakeholders to address the growing need for adequate housing particularly for our low to middle income families.

According to the 2008 Household Income & Expenditure Survey there was a 22 percent increase in urban population and with over 51 percent of our population now living and working in the urban centers. Housing Authority is now faced with a huge challenge of delivering on its planned developments to meet the high demand in the market particularly in the major urban centers of the Suva to Nausori corridor and in Lautoka and Nadi.

#### Corporate Planning - "The Road to 2020"

In November of 2013, the Authority held one of its Corporate Planning workshops to map out the strategic direction that it would take to ensure that we deliver lots that are affordable and offer more attractive home loan packages for our low to middle income earners.

One of the major strategic changes for the Authority was to realign its focus on more land development and house construction programs in order to meet the growing demand for housing. As such, a change in the overall vision of the Authority was inevitable; from being *"the dynamic leader in housing"* to;

#### "Helping Fijians Own Affordable Homes"

This holistic vision entails 6 key strategic directions:

- Provide affordable and equitable land supply;
- Provide innovative housing solutions to build communities;
- Provide total financial solution for low income earners below \$50,000;
- Action to collaborate, communicate and educate;
- Action to increase capacity & structure to deliver new direction within 12 months; and
- Action to ensure financial stability.

These key strategic directions will set a strong platform for the Authority to ensure that we deliver affordable, quality and decent homes for the Fijian people by the year 2020.

#### Land Development Projects

Our Tacirua East Stage 2 project is an exciting one; as it is the first mixed development subdivision that

the Authority has engaged in that will eventually cater for low, middle and high income earners alike. Funded by the Exim Bank of China and launched on 13th September 2010, the subdivision is the largest one undertaken to-date.

With an expected lot yield of 1,114 of fully serviced lots, the Authority released its first batch of 81 high end residential lots in May of 2012 with over 500 more lots expected for delivery by the third quarter of 2014. Large developments of this kind have its fair share of challenges and the Land Development team have been working closely with the contractors and key stakeholders to ensure that development runs smoothly with less delay and within budget allocations.

The Wainibuku Subdivision is another land development project that is currently underway. Initially delayed by the suspension of the first contractor, the project was recommenced with a new contractor and is expected to yield 261 fully serviced lots in 2014.

The Authority continues to acquire more land for development and in 2013; land owning units were approached to acquire some suitable land for development in Lauwai, Veiseisei, Lomolomo in the West and Nadali in the Central Division. These acquisitions ensure that adequate land provisions have been planned for to sustain our land bank for future developments.

#### Social Housing Policy

A total of 309 families nationwide were assisted under the Social Housing Policy that was introduced in 2011. The Social Housing Policy is a relatively new yet socially responsive housing programme that is actively changing the socio economic outlook for many retired homeowners who have yet to complete paying off their homes due to socio-economic and medical challenges.

The Social Housing Policy was made possible through the assistance of the Government through annual grants of \$1m. Customers are assessed through a strict qualification criterion to ensure that only those that have paid their loan principals a specific number of times, are retired, proven medically unfit to work and face genuine financial difficulties are assisted.

In 2013, \$1,629,106 was utilized to write off 73 families' home loan accounts of which \$886,916 was drawn from Government Grant and the remainder from Housing Authority provisions.

Government reaffirmed its commitment towards the Social Housing Policy when the Prime Minister confirmed the reinstatement of \$1m grant in his 2014 Budget Address.

The graph below illustrates the total assistance given to customers through the Social Housing Policy from 2011 to 2013.



#### Reserve Bank of Fiji \$25m Loan Facility

Pursuant to the reinstatement of Section 43 of the Reserve Bank of Fiji Act and the exploring of cheaper sources of funding for our new projects and more affordable on-lending to our target market, the Authority was granted a \$25m loan facility by the Reserve Bank of Fiji at an interest rate of 1% for five years.

The loan facility has strict conditions but it suited our purpose of providing affordable home loan packages

for our customers. The Authority consequently launched the Gold Home Loan Package and later the Toso Mai Home Loan Packages to cater for customers in our low to middle income categories. Details of the Toso Mai Package is provided in the Customer Relations Division report.

The Authority continues to seek cheaper sources of funding such as this to allow us to provide more affordable home loan packages at competitive interest rates for our customers including continuation of the Chinese Soft Loan funding.

#### Corporate Governance

The Board is responsible for the overall governance of the Housing Authority and for managing it under the Housing Act. As such, the relationship between the Board and the Management was of a partnership that was vital to the delivery of its objectives and Authority's long term success. While the Chief Executive Officer is responsible to the Board for the day to day operations of the Authority, the Board gives direction and exercises firm judgments in setting the Authority's objectives and overseeing their full implementation.

Some of the major responsibilities of the Board of Directors are:

- The Corporate Governance of the Authority, including the establishment of Sub-Committees
- Oversight of business and the affairs of the Authority by:
  - Establishing with Management the strategies and financial objectives;
  - Approving major corporate initiatives
  - Establishing appropriate system of risk management; and
  - Monitoring the performance of the management.
  - Communicating with shareholders, results of, and developments in the operations of the Authority;

- Appointments of the Chief Executive Officer; and
- Approval of the Authority's major Human Resources policies and overseeing the development strategies for senior and high performance executives

During the year a total of 15 Board Meetings were convened, of which 5 were Special Board meetings. Attendance at these meetings averaged 82.68 percent.

To assist the Board to plan and support its activities and administration, 3 sub-committees were

formed, namely; the Land, Housing & Squatter Resettlement Sub-Committee; the Finance, Audit & Risk Management Sub-Committee; and the Human Resource Sub-Committee.

The use of Sub-Committees allowed issues requiring detailed consideration to be dealt with by members of the Board with specialist knowledge and experience, thereby enhancing the efficiency and the effectiveness of the Board. However, the Board was retained ultimately responsible for the functions of the Sub-Committees and determined it's responsibility from time to time.

Each of these Sub-Committees has an appointed Chairman with meetings held prior to the scheduled monthly Board meetings. Minutes of these Sub-Committee meetings are tabled at Board meetings and all it's resolutions require full Board approval.

The table below shows the total number of various Sub-Committee meetings held during the period under review:

Sub-Committee	Number of meetings	Average attendance %
Human Resources	8	94%
Land, Housing & Squatter Resettlement	11	91%
Finance, Audit & Risk Management	11	91%

#### **Procurement Services**

The Authority has put in place a Tender Policy to establish a broad framework of guidelines to ensure that the purchasing and contracting functions promote administrative flexibility and efficiency, while at the same time maintaining prudent internal controls and compliance with applicable statues and regulations.

In 2013, the Authority had advertised 29 Expression of Interests (EOI) for either procurement or sale of goods and services. These EOIs were opened by Board Directors and usually referred to Evaluation Committees for detailed evaluations and recommendations. Once recommendations are received, the Chief Executive Officer either approves or makes his endorsements to the Board for final approval.

#### Nation Building

The 2013 Annual Report details the work that we perform in addressing the Constitutional Right to affordable, and adequate housing nationwide. It also provides a snapshot of the challenges alongside our focus in addressing the current and future housing needs.

More importantly it reflects our commitment to transforming Fijian families lives by developing sustainable and tangible strategies so that every Fijian will enjoy the right to own a home.

Moving forward, the Housing Authority will use this solid platform to continue to assist deserving Fijians a chance to own a home.

On behalf of the Board of Directors, I am pleased to present the Annual Report for the Housing Authority of Fiji for the financial year ending December, 2013.

Brig. Gen. Mosese Tikoitoga Chairperson

## Financial Highlights







## Chief Executive Officer's Report



2013 has been a very exciting year for Housing Authority with the Wainibuku land development projects launched in January 2013. The Authority also put in place plans for the next seven years, re-strategizing and building on a platform that will deliver more affordable homes for Fijians in the future. With this platform the Authority also launched a new home loan package called the "Toso Mai Package" that catered specifically for low to medium income earners to own their own homes.

Our Corporate performance has been slow and inconsistent due to the lack of lots available for sale. Our land development projects have been hindered by, among other things, unfavourable weather conditions thus delaying the delivery of lots as per budgeted projections. Of the first batch of lots released from our Tacirua East Stage 2 project, the Authority was able to secure and finance 20 percent of these lots. As such, the Authority has been focusing on its existing lending portfolio, current stock available and new loan packages while we await delivery of lots from other phases of our Land Development projects.

I am happy to report that despite the many challenges faced, Housing Authority has consistently made a modest profit over the years and in 2013, a net profit of \$0.423m was achieved.

#### Financial Performance Highlights

- A profit of \$0.423m was achieved for the year against a budget of \$1.041m. Compared to the 2012 financial year the 2013 profit represents a decrease of 19.1% over last year's profit.
- Return on Equity achieved was 0.79% against target of 1.93%.
- Total operating income increased by 27.32% from \$11.165m in 2012 to \$14.215m in 2013.
- Total operating expenses increased by 29.60% (or \$3.150m) from \$10.642m in 2012 to \$13.792m in 2013.
- Interest income decreased by 6.55% from \$10.363m in 2012 to \$9.684m in 2013.
- Interest expenses decreased by 6.39% from \$5.778m in 2012 to \$5.409m in 2013.
- Total Performing Loans portfolio decreased by 4.83% from \$78.27m in 2012 to \$74.49m in 2013.
- Total Non-Performing portfolio decreased by 29.15% from \$34.17m in 2012 to \$24.21m in 2013.
- Borrowing portfolio increased by 7.29% from \$105.685m in 2012 to \$113.385m in 2013.

#### Non-Financial Performance Highlights

- 443 customers and families were provided new housing assistance in 2013 compared to 365 customers in 2012. More information is detailed in the Customer Relations Division report.
- 108 low income families with income on or below \$16,500 per annum qualified for home loans representing 24.40 percent (target is 50 percent) out of the 443 customers and families.
- 73 families had their home loan accounts written off under the Social Housing Policy this year compared to 146 families in 2012. These families were scrutinized through a strict criterion to identify customers with genuine financial hardships and were assisted with funds from the Government Grant. The Housing Authority shall continue to assist these customers as part of its corporate social responsibility. This assistance was later confirmed in its 2014 Budget address, as the Prime Minister reinstated the \$1m grant to Housing Authority specific to this purpose.
- The Authority completed the development of phase 3A from our Tacirua East stage 2 project which will deliver 167 fully serviced residential lots. Unlike our phase 1B high end lots, these lots have been tailored to meet the demand from our middle to low income earners.
- The Wainibuku project also continues with lots anticipated to be delivered by mid-2014. The first phase of this development will deliver 100 fully serviced residential lots tailored to suit our low to middle income earners.
- The Authority launched its Toso Mai Home Loan Package late in the year following the granting of a loan facility from the Reserve Bank of Fiji for \$25m at 1% interest rate. More details regarding the Toso Mai Package will be provided in the Customer Relations Division report.
- The Authority presented Mr Iliesa Delana with a two bedroom fully furnished home and the

same which was officially handed over to him by the Prime Minister Hon. Commodore Voreqe Bainimarama. Mr Delana won Fiji's first and only gold medal at the Para-Olympic Games in 2012 in the High Jump event.

• The Authority launched its new and revamped HA and PRB website that will allow more customer access to up-to date information regarding our products and services.

## Housing Assistance Programme for Low Income Earners and Informal Settlements

Housing Authority is charged with the responsibility of providing housing to the people of Fiji with special focus towards middle to low income earners. In this regard, the Authority entered into a Memorandum of Understanding with the Government and has agreed that no less than 50 percent of all customers it assists the middle to low income earners.

During the year the Authority assisted some 37 families with their relocation from the Namara Settlement at Khalsa Road. The informal settlement is within the Phase 2A section of the Tacirua East Stage 2 land development project.

The Authority allocated a total of \$500,000 for this relocation project where customers were assessed and were either given \$10,000, \$8,000 or \$5,000. Assistance was based on the assessment of the relocation team headed by the Manager Land Properties & Services.

During the year, Housing Authority was confronted with many challenges such as the lack of affordable lots and homes for our target market however we remain committed and focused in the coming years to address this problem.

#### Human Resources & Training

In 2013, the Authority had 257 people employed under its establishment. This figure comprised of

management, permanent staff, temporarily engaged project staff, casuals and trainees.

During the year there were four resignations, two retirements and an untimely death of a long serving Lending Division staff. The Authority also had 17 new recruits to the various divisions, but most were to the Land & Housing Development Division to build capacity within.

Training conducted throughout the year was based on the 2013 Training Plan and also on the results from the Training Needs Analysis of staff that was conducted earlier in 2012 to identify specific training requirements. The Authority also sponsored 31 employees for various professional development programs available in our local universities, which represents a 48 percent increase in training sponsorship numbers from 2012.

Whilst staff training was also based on the availability of relevant programs, emphasis was placed on specialised training for our technical staff and their development skills. During the year a technical staff was awarded a Fijian Affairs Board Scholarship for studies overseas for three years. Our employees are our most important assets and we fully support the professional development of our staff.

In terms of work-life-balance, the Human Resources Department with the assistance of the Sports & Social Committee co-ordinated various social and recreational activities on a monthly basis to foster a healthy and/or vibrant work force.

#### Insurance Services

We continued to provide our customers insurance covers for mortgaged debts and properties under a carefully negotiated Group Scheme. This arrangement enabled a total of 8,202 customers to enjoy a very competitive insurance premium for both the covers. Under the House Insurance Cover, a total of 2,984 Housing Authority customers are covered under this insurance policy with New India Assurance Co. Ltd. During the year, a total of five claims worth \$97,382 were paid under this insurance cover with a 25% loss ratio.



Under the Mortgage Protection Insurance scheme a total of 5,218 debtors are covered under this policy. The Mortgage Protection Insurance cover was placed with Fiji Care Insurance Ltd and claims arising due to death and/or total permanent disability of our customers amounting to \$1,010,278 (44 claims) were lodged with a loss ratio of 57 percent.



#### Legal Services

The Legal Counsel section provides expert legal advice, guidance and support to all Housing Authority branches located in Lautoka, Nadi, Suva, Nasinu and Labasa. It ensures that the Authority's operations are legally in compliance with the Consumer Credit Act, Land Transfer Act, Property Law Act, Housing Act, Public Enterprises Act and Reserve Bank Act amongst other compliance regulations.

The primary responsibility of the Department includes litigation for recovery and evictions. During the year the Department received and processed a total of 92 cases: from the central (55), western (35) and northern (2) division for legal issues.

Additionally, the Legal Counsel also provides a diverse range of other legal services, which span across different facets of our organisation and its regulatory requirements.

#### Public Relations & Communications

Housing Authority continued to proactively engage with the media in order to provide a positive corporate profile and image.

A total of 33 press releases were issued throughout the year to provide updates on the progress of housing subdivisions, provide public notifications on the Social Housing Policy, which provides financial relief to retired homeowners and noted information on ground rent discounts among other issues.

Dissemination of information efforts included 12 radio talk back shows in English, Hindi and i-Taukei to generate discussion on its housing projects as well as to address frequently asked questions on our customer relations procedures, mortgagee sales and the home loan processes.

#### Internal Audit

The Internal Audit section was re-established in 2010 to independently monitor risk, compliance and ensure that efficiency and effectiveness of operations is achieved within the parameters outlined in the Housing Authority Internal Audit Charter.

As part of this function, the Department conducted four mandatory quarterly reviews and reports were submitted to the Board Audit Sub-Committee and later on to the Board for approval before being implemented by Management. Once implemented, changes were monitored during the audit period.

To ensure that all loans met the policy guidelines and criterion for approval, 443 loan applications valued at \$9,737,253 were independently assessed during the year (compared to 379 loan applications valued for \$10,341,397 in 2012), for compliance before the loan was disbursed.

73 loan accounts which were considered for write off under the Social Housing Policy were also independently assessed by the team to ensure that the accounts complied with the strict criteria for financial assistance under the policy guidelines. More details regarding the Social Housing Policy Assistance will be provided in the Lending Division report.

The Audit section also carries out independent investigations relating to various operational matters resulting from customer complaints. Four investigations with findings were presented to the Board Audit Sub-Committee for discussion and final decisions.

The Audit section has a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. This approach adds value to achieving the Authority's overall goals.

#### Looking Forward

As we look toward 2014 and beyond, we will continue to strive to ensure that Fijians have access to decent, affordable and quality housing for their families. With Housing now a Constitutional right under Section 35 of the Bill of Rights, of the 2013 Fiji Constitution, the Authority has set a new platform and strategic direction that will guide us towards achieving our vision of providing affordable homes for all Fijians.

The new year will undoubtedly bear witness to exciting developments in the housing sector as we continue to address the growing need for affordable lots more holistically as well as provide more affordable financing options for middle to low income families.

I wish to take this opportunity to thank the Executive Management team and all our Managers, Team Leaders and staff for their individual contributions. I also acknowledge the workers union, our valued customers and key stakeholders for their unwavering support throughout the year.

Finally, I would like to acknowledge and thank the Board Chairperson, Board Directors and members of the Ministries of Housing, Finance and Public Enterprises for their direction and cooperation during the year and look forward to their continued support in the future.

Chief Executive Officer Alipate Naiorosui



### Customer Relations



Demand surveys totalled 18,948 by year end showing a consistent rise in customers registering their interest to purchase a home or vacant lot.

> General Manager Customer Relations Fantasha Lockington

C ustomer satisfaction in the main areas of customer contact was a key element of the Customer Relations Division focus for 2013. There was a renewed emphasis on providing updated product information and branding awareness through improved advertising features and information dissemination. The Division also increased efforts to get customer feedback on all Housing Authority's products and services that allowed improved service delivery in areas of concern and ensure customer enquiries were always efficiently dealt with. Operationally, the Division's other highlights for 2013 was disposing of old stock inventory and assisting low income customers through improved home loan packages.

#### Marketing

The Division's responsibilities include the creation of new business, maintaining corporate branding as well as the provision of various products like land and house sales, marketing initiatives, research, valuation, works assessment and general product development.

To lift the Authority's corporate profile and ensure a positive image was maintained, marketing initiatives included steady, scheduled advertising through radio and newspapers, radio talkback shows to discuss product information and high profile roadshow participation for first hand customer contact. These efforts were effectively managed to remain within a limited marketing budget and where possible using advertising opportunities that were maximised through more affordable mediums like social media and customer contact forums like roadshows.

The Marketing section continued to collate customer demand information to ensure that target market

data was captured for analysis and use in housing and land development plans in the Authority's sub-divisions. Demand surveys totalled 18,948 by year end showing a consistent rise in customers registering their interest to purchase a home or vacant lot. The highest demand continued to be for the Central Division with 41% of demand being just for Tacirua East, followed by 20% for Waila City and 13% for Nepani. Customer demand traditionally spikes when sub-division project information starts to be released thereby increasing interest.

Survey analysis is used to determine preferred house designs and costs including the number of prefered bedrooms, land size and affordability and eligibility ratios amongst other relevant data. The Authority has collated this information since 2004.

Operationally, the Division's other highlights for 2013 was disposing of old stock inventory and assisting low income customers through improved home loan packages.

Market Demand Survey 2013					
Division	Number	Percentage	Surveyed		
Central	16,816	89%	2004 - 2013		
Western	1,681	9%	2011 - 2013		
North	451	2%	2012 - 2013		
Total	18,948	100%	2004 - 2013		

Table 1 : Market Demand Survey since 2004



Surveys are conducted around Fiji to confirm actual demand in areas of proposed HA sub-divisions. However, customer interest generally peaks when the sub-division actually commences and publicity on the project status is released.

#### Specialised Low & Medium Income Loan Packages

The Gold Home Loan Package was launched in February specifically targeting low income customers earning \$16,500. With the rising costs of land development and house construction, this market segment needed assistance to boost their loan eligibility and affordability to be able to own their first homes. The annual interest rate offered was 3.5 percent for the first 12 months, 4.45 percent for the next two years, 5.75 percent for the fourth and fifth years and 7.5 percent variable interest thereafter.

The slow uptake of the Gold Package – funded by a \$25m low interest loan facility from the Reserve Bank of Fiji (RBF) forced management to relook at increasing customer access to these interest rates. With the approval of RBF, the product was amended to allow access to a wider range of customers and for a variety of product offerings.

The new "Toso Mai" Home Loan package was launched soon after as a call to action for low to medium income earners to own their own first homes through a specifically designed package for customers earning \$25,000 and below. As well the benefits were spread to assist existing Housing Authority customers earning \$10,000 and below to have their variable interest rate of 7.50 percent reduced to 5 percent.

The Toso Mai package had an introductory rate of 3.95 percent for the first 12 months and 4.95 percent for the next 48 months before the variable interest rate of 7.50 percent commenced. At the launching of these home loan packages, they were the best interest rates available for house and land purchase and still remains the only package available in the market offering a 5-year fixed interest rate.



The specifically designed low income home loan packages.



A two bedroom house that cost \$43,000 to build which was fully financed by Housing Authority

RBF Funded Home Loan (Feb 2013 to Dec 2013)						
Loan Details	Central		Western		Grand Total	
Loan Details	No	Value	No	Value	No	Value
Gold Home Loan						
Cash Loan Expenditure - GOLD	11	350,886	3	78,902	14	429,788
Gold Home Loan - House Purchase	41	1,617,653	26	522,642	67	2,140,295
Gold Home Loan - Land Purchase	3	76,549			3	76,549
Gold Home Loan - Matavolivoli			1	23,500	1	23,500
PMSP - Gold Home Loan	6	168,532	7	201,879	13	370,411
Stock Sale - Gold Home Loan (Balawa)			1	5,878	1	5,878
Stock Sale - Gold Home Loan (Elevuka)			1	5,730	1	5,730
Stock Sale - Gold Home Loan (F40)			1	14,200	1	14,200
Stock Sale - Gold Home Loan (Nabua)	1	15,605			1	15,605
Stock Sale - Gold Home Loan (Tacirua 1B)	3	185,799			3	185,799
Stock Sale - Gold Home Loan (Vitogo Dr)			1	9,411	1	9,411
Stock Sale - Gold Home Loan (Waila 1B)	1	7,539			1	7,539
GOLD HOME LOAN TOTAL	66	2,422,563	41	862,142	107	3,284,705
TOSO MAI HOME LOAN						
Cash Loan Expenditure - TM Dua	3	71,200			3	71,200
TOSO MAI DUA - House Purchase	11	274,621	3	29,834	14	304,455
TOSO MAI HOME LOAN TOTAL	14	345,821	3	29,834	17	375,655
TOSO MAI 3 to Existing low income *	56	1,098,599	39	592,161	95	1,690,761
Grand Total	136	3,866,983	83	1,484,137	219	5,351,121

Table 2: Low and middle income home loans through the RBF funded loan facility

\* Provided to HA existing customers earning \$10,000 and below in performing categories only.

#### Loans Approved

Total loans  $\vartheta$  sales for 2013 was a value of \$11,104,874 of which 9% was land sales, 56% was for house purchase and 24% was for a house construction and renovation, with the balance making up cash sales.



#### Stock Sales

81 high-end lots were launched for sale in May 2012 and aggressive sales strategies pushed sales to customers not generally in HA's target segment. These 81 lots were the first to be released of over 1,000 expected mixed development lots at Tacirua East Stage 2 with the expected delivery of the next two phases delayed till 2014. High end lot sales are expected to cross subsidize the cost of lower priced lots.

By December 2013, 39 lots had been sold with a further 30 lots still in the sale process through cash sales or bank loans. These 600sqm-1500sqm lots are located on elevated sites with prime views and many customers purchased the land lots with the intention of constructing houses immediately. The high costs of the lots coupled with the high-end construction plans resulted in the bulk of the purchases being financed through the commercial banks with 20 percent of the total sales financed by the Authority.

The table below shows the number of lots sold in Phase 1B in Tacirua East in 2013 with sale value and the profit margins realised on settlement.

SO	No.	Sale Price VEP	Sale Price VIP	Profit from Sale
SO6444	18	1,148,880	1,321,213	149,514
SO6445W	12	907,073	1,043,135	117,711
SO6446	8	615,130	707,399	77,558
SO6447	1	76,521	88,000	9,981
Total	39	2,747,607	3,159,747	354,764

Table 3: Phase 1B, Tacirua East Stage 2, Sales Summary

#### Old Stock Sales

Stock inventory closed at 141 by December 2013 and included the balance of 40 Tacirua Phase 1B lots (from 81). Sales from HA owned stock amounted to \$969,313 or 9% of total sales revenue.

Highlights in the disposal of old stock included the final clearance of 11 lots at Field 40 (Lautoka) that were in dispute with sitting tenants. These tenants finally agreed on negotiated purchase prices for the properties they had been sitting on for almost 18 years and most have completed sales transactions to legally own these properties. As well, nine vacant lots in Labasa that had been in stock for 18 years were also able to be sold.

Stock Inventory	Phase 1B	Central	West	North	Total
	Central	Other			
Available	9	9	9	2	
In Sale Process	30	32	12	6	
Sold	40	12	24	2	
Unsaleable	2	16	17		
Total Stock		69	62	10	141

Table 4: Stock Inventory Dec 2013

While the process of stock disposal is often slowed due to the required pre-sale clearance of legal issues such as encroachments, illegal occupancy and land ownership disputes, the Division continued to push stock sales once the processes were eventually cleared as demand for land is very high and availability is still low.

Stock	No.	Development Cost	Sold
Residential Lot	111	3,573,415	82
Non-residential	14	219,452	1
Total Land Stock	125	3,792,867	83
	Foreclosed Prop	erty Land & House	
Residential Lot (House)	13	408,928	12
Residential Lot (Land)	2	33,000	1
Total	15	441,928	13
	Re- Entere	ed Property	
Residential Lot (House)	10	249,247	1
Residential Lot (Land)	1	35,000	3
Re - Entered Property	11	284,247	4
Total Stock	151	4,519,042	100

Table 5: Overall stock available and accumalative update until Dec 2013

#### Customer Complaints

Customer complaints continue to reduce with the consistent approach to handling these in a timely and organised manner. Complaints are formally responded to within 24 hours and the target to resolve the complaint within five business days continues. Front line staff with competent customer service abilities are encouraged to sort complaints at their level and offer structured solutions immediately wherever possible. In comparison to 2012, there was a 44% reduction in customer complaints received during the year by the Division.

Fantasha Lockington General Manager Customer Relations

## Land & Housing Development



Despite the many challenges faced in terms of contractual issues and unfavourable weather conditions, the Division is gearing up towards the completion and delivery of lots particularly in Tacirua and the eventual conclusion of its Wainibuku Sub-division development.

> General Manager Land & Housing Development Isikeli Navuda

N ow that Housing Authority has re-aligned its core function to land development, the Land and Housing Development Division looks forward to delivering fully serviced lots and houses for sale in a more concerted effort to better meet the housing demands of our fellow Fijians.

2013 was a very challenging year for land development as many projects were finally nearing completion thus increasing the anticipation for lot deliveries in 2014. Despite the many challenges faced in terms of contractual issues and unfavourable weather conditions, the Division is gearing up towards the completion and delivery of lots particularly in Tacirua and the eventual conclusion of its Wainibuku Sub-division development.

There was a reenforcement of key personnel to develop the Division into more efficient, technically skilled sections that would strengthen core competencies. The shortage of technical personnel such as engineers, surveyors and technicians to carry out tasks required such as planning, designing and managing projects for multiple sites continued to challenge the Division in meeting its goals. The securing of one engineer and two graduate engineers has provided much relief and allowed the Division to move forward. Skilled technical staff remains a key focus for the Division to be able to fully realise its potential and strengthen its ability to effectively manage and deliver all projects within the set timelines.

The corporate direction set by the Authority in the Corporate Planning Workshop in November 2013 was a highlight for the Division as it enabled the re-assessment of the Divisions overall position in the organisation's goals with emphasis placed on land and housing development becoming its core function. Key resolutions from the Workshop included the re-enforcement of the Division's requirements to develop minimum of 500 lots per annum and the return to the 'Design & Build' concept in land developments where affordable houses are built for sale.

The "Design and Build" type developments have come about after a lapse of about fifteen years, with the focus now on ensuring that customers have access to fully serviced lots as well as the option to buy a completed house.

## 2013 Highlights

Challenges on land acquisition issues included leasing terms on native land, which affected the finalisation of purchase for lands identified in Kadavu, Nabouwalu, Taveuni and Korovou. The Division looks forward to confirming these acquisition's in the near future.

In line with the Memorandum of Understanding signed with the Nasinu Town Council, the Authority is continuing with the initiative for the improvement of Nasinu. Additional projects are being considered including the provision of vehicular driveways to residents whose only access to their homes are through narrow deteriorating footpaths.

Nearing completion and set for release in 2014 is the delivery of 167 lots from its Tacirua East Stage 2 Subdivision Phase 3A, as well as Phase 1A and 2 which are expected to eventually provide 823 residential, 25 commercial, 12 general industrial and 6 civic lots in 2014.

The Master Agreement for the development of Waila City was signed with our contractor Top Symphony of Malaysia in May 2012. Despite the delay of the commencement of the project the Authority determined that it was imperative that the project have a comprehensive Performance Specification document drawn up for public utilities, infrastructure and building construction guidelines and costing requirements. This will ensure product quality and affordability matches demand and that regulatory requirements are met throughout the actual development of Waila City.

The construction of the Wainibuku Sub-division project is in progress, although it has been been plagued by adverse weather conditions. This created huge challenges in dealing with the unique soil structure on the site.

#### Land & Property Services

The Land & Property Services section within the Land Development Division is tasked with the responsibility of handling all land acquisitions and the maintenance of the Authority's housing estates and its offices and branches.

To ensure the Authority's land bank for development is regularly replenished, the Land Acquisition team worked with land owners, the I-Taukei Land Trust Board (TLTB) and key stakeholders in trying to secure suitable land for future housing developments. Extensive market research and feasibility studies are also carried out to determine the viability of the projects before subdivision proposals are eventually implemented.

Apart from land leases currently being negotiated in Nabouwalu in Bua, Vunisea in Kadavu, Somosomo in Taveuni and in Vuma in Ovalau; the Authority has commenced discussions on other land opportunities at Kalabu as well as the Methodist Church Freehold land in Davuilevu.

Locality	Size (Acres)	Land Owners	Current Status			
Veikoba, Kalabu	130 acres	Mataqali Naulukaroa	Under negotiation			
Davuilevu, Nausori	100 acres	Methodist Church	Under negotiation			
Nabouwalu Village, Bua	35 acres	Mataqali Navuani	Consent has been received and verified with I-taukei Land Commission with an offer to lease granted.			
Nabouwalu Village, Bua	15 acres	Yavusa Daviko	Negotiations are still ongoing with the land owners and TLTB.			
Namuana Village, Vunisea	15 acres	Mataqali Namuana	The Authority is awaiting the issuance of the development lease from TLTB.			
Somosomo Village, Taveuni	300 acres	Mataqali Valelevu	Consultations have yet to be completed with consent from various members of the Mataqali yet to be received.			
Vuma Village, Ovalau	30 acres	Mataqali Koroisutu	The Authority is awaiting confirmation of critical infrastructure like water and sewer treatment with stakeholders.			

#### Estate Maintenance

The Land & Property Services section is also responsible for the maintenance and upkeep of all the Authority's strata lease estates. Currently, the Authority has four strata estates, namely; Edenville (Toorak), Vesida, Cakau (Kinoya) and Rogi (Nadera). These medium-rise apartments are issued with special lease conditions that oblige home owners to be responsible for the estate environment in collaboration with the Authority. As part of its corporate social responsibility the Authority charges an annual maintenance fee of \$165 per flat despite the total maintenance works costing substantially more and rising annually. The four estates that the Authority maintains cater for a total of 133 low income families.

#### Technical Services & Project Management Contracts

The Project Management Team is responsible for all of the Authority's land development projects. It monitors contractors and ensures that resources are used efficiently and effectively so that deadlines are met and lots are delivered on time.

The Technical Services section oversees all technical issues within the land development projects. It also specifically tends to all the survey work required for the newly constructed sub-divisions including surveying needs required by our customers during the purchasing of any Housing Authority land sales transactions.

Its responsibilities include peg redefinitions, site setting, controls, topographic and cadastral surveys in any of the various current and proposed development locations around the country. Notable projects that are currently under construction are; Tacirua East Stage 2 (Phases 3A, 2 and 1A), and Wainibuku. There are also short term plans to develop land in Koroisalusalu in Tavua, Matavolivoli Stage 2 in Nadi, Natadola in Nadroga, Waqadra in Nadi and Naqere in Savusavu.

#### Tacirua East Stage 2

The Tacirua East Stage 2 project has an expected yield of 1,114 lots to cater for all segments of income earners i.e. low, middle and high. This includes commercial and general industrial lots earmarked for businesses and entrepreneurs. It is expected to encourage economic growth that would in turn generate employment opportunities for residents within the area. The development is being undertaken by China Railway First Group (CRFG) made possible through a successful government-togovernment negotiation resulting in the approval of a soft loan at an intrest rate of 2 percent per annum. The development encompasses a total area of 184 acres of native land from the Matagali Nawavatu of Kalabu village in Naitasiri. The completion of Phase 1B has availed 81 lots out of the 61 acres of overall development lease.



Google map of an overlaid scheme of Tacirua East Subdivison

#### Wainibuku

Construction of the Wainibuku project is on-going and progress has been hindered by exceptionally adverse weather conditions. The Sub-division is expected to deliver 261 predominantly Residential C and D lots from the 46 acres State land by 2014.



Google map of an overlaid scheme of Wainibuku

#### Nepani stage 2

The project site covers an area of over 40 acres of low lying Crown land that has been raised by an average of 2 meters from the original ground level. Approximately 270,000 cubic meters of fill material was transported from Tacirua East Stage 2 to Nepani to mitigate against flooding and sea-level rise. Now that it has consolidated after the initial engineeredfilling process, scheme and engineering designs are being reviewed to allow for tender and construction. The anticipated lot yield is 185 single lots to be complemented with 15 medium-rise buildings that will provide an additional 120 strata units in 2015

#### Waila City

To undertake this colossal development the Authority considered it prudent that it engaged the services of renowned and competent consultants to guide it towards the construction phase of the project. As such MWH Global was appointed, following a successful tender process to prepare the Performance Specifications for Waila City. The finalisation of this will allow the Authority to advise the nominated contractor Top Symphony of specific product requirements that will allow the project to move forward.

This will be one of the biggest land development projects that the Authority will undertake over the next decade. The development has 7 phases in total and at its completion will deliver approximately 5,000 housing units. It will have a city center and will be complemented with commercial, civic, religious, sporting and recreational sites within over 700 acres of freehold land development.

#### Challenges

The Division encountered challenges during the year that delayed progress and delivery. The following briefly highlights some of these:

- Adverse weather conditions experienced throughout 2013 greatly affected the progress of works and delivery of lots.
- The lack of experienced and qualified technical people within the Division also delayed projects resulting in many of our engineers being engaged in two or more projects at a time.
- Variations to sub-division designs have also contributed to delays in approval and construction processes which in turn have significantly affected project delivery.

• Progress in development sites became hindered due to a lack of commitment from stakeholders. This further delays the delivery of fully serviced lots to customers.

#### **Future Plans**

The outcome of the Corprate Planning Workshop held in November 2013 has reemphasized that the construction of "Design and Build" housing is to be of key importance and focus for Housing Authority. As such, with the required funding being made available, the Land and Housing Development Division will be better equipped to develop new subdivisions faster to meet the high demand for housing. The Authority looks forward to exciting times in its determination and commitment to provide Fijians with the basic need for affordable housing.

Isikeli Navuda General Manager Land & Housing Development

## Lending



The total loans approved in 2013 were \$9.74m compared to \$10.34m in 2012. A total of 415 customers were assisted during 2013 and most customers obtained loans to purchase ready-built houses.

> General Manager Lending Jagdish Prasad

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

#### Gross Mortgage Portfolio

As at 31 December 2013, the Authority had a customer base of 22,727 customer accounts. The total mortgage portfolio at the end of the year was \$98.7m compared to \$110.16m in 2012. The reduction was a result of the decline in new loan applications and slow development of lots in our new subdivisions such as Tacirua East, Wainibuku and Nepani. Performing mortgage portfolio stood at \$72.02m compared to \$75.99m in 2012. The decrease in performing portfolio relates to slow land sales from stock and decline in new mortgage loans.

#### New Loans Approved

The Approvals Department is responsible for approving quality loans based on the probability of default, security coverage and repayment capacity and commitment by our customers. 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. Scheduled monthly meetings with the Customer Relations Division continue as we try to minimise the number of deferred and declined cases and to ensure quality loan assessment.

The total loans approved in 2013 was \$9.74m compared to \$10.34m in 2012. A total of 415 customers were assisted in the year and most customers obtained loans to purchase ready-built houses.

The bar graph below reflects the loans approved in 2013 and illustrates the trend of loans approved by the Authority over the last ten years:



#### Mortgage Portfolio

The total mortgage portfolio at the end of the year was \$98.7m, compared to \$110.16m in 2012. The mortgage portfolio was adversely affected by low sales that the Authority has been experiencing throughout the year coupled with high mortgage collections.

The bar graph below illustrates the trend for the total mortgage portfolio, the performing portfolio and non-performing portfolio over the last ten years:



#### Non-Performing Loans

In 2009 the Authority adopted the Reserve Bank of Fiji's risk grade system of classifying its impaired assets and this had a significant impact on our loan portfolio. As at end of 2013, the non-performing loans were \$24.21m compared to \$34.17m for the same period in 2012. This is equivalent to a decrease in NPL by \$9.96m or 29.15%.

#### Arrears

Mortgage arrears stood at \$13.02m or 13.19% of the total Mortgage Portfolio as at December 2013 compared to \$13.60m for the same period in 2012 or 12.34% of the Authority's total loan portfolio.



#### Recovery of Loan Arrears

The Authority continued to pursue debtors who defaulted in their loan repayments. A team of Collectors were formed and a set of accounts were tasked to them to manage performing accounts from falling into arrears as well as recover those arrears from defaulting customers. The Authority provides every opportunity for defaulting customers to resume payment and retain their homes. The Authority continued with its strategy to meet with all defaulting customers before advertising their properties for mortgagee sale as a last resort.

#### Social Housing Policy

In 2013, the Government approved the Social Housing Policy to utilise government grant funds to assist customers who have paid more than one and half times the loan amount and are retired; unemployed; medically unfit and facing financial difficulties to repay the debt.

Under this scheme, the Authority assisted 73 customers in 2013 by writing off their debts totalling \$1.63m, i.e. \$0.886m from Government grant funds and \$0.742m from the Authority. In addition, the Authority wrote off accounts for four village schemes



totalling \$0.371m under this scheme, i.e. \$0.148m from Government grant funds and \$0.223m from the Authority.

#### **Conveyancing Services**

2

The Conveyancing Team is responsible for the transfer of formalised paperwork such as Fiji National Provident Fund housing transfers; and the registration and safe-keeping of legal documents held by the Authority for security of loans granted to the customers. New loans disbursed in 2013 were \$7.88m for 347 customers.

A total of 410 customers were assisted through the transfer of their Fiji National Provident Fund monies during the year and the total sum of \$6.30m housing transfer funds were received by the Authority.

#### Village Housing Scheme

Financing of home constructions in village and rural areas is one of the products the Authority has been providing over the years. Under this scheme, the Authority fulfil's its obligation as laid down by the Government i.e. to contribute towards the improvement of the standard of living in the rural Fijian villages and their security, happiness and as a wiser choice for them, to better utilise their lease income.

Total Village Loan Portfolio as at 31 December 2013 was \$7.87m compared to \$9.01m for the same period in 2012. The Performing and Non Performing portfolios up to December 2013 were recorded at \$4,145,653.65 and \$3,723,402.48 respectively. Village scheme recorded arrears of \$1,880,342.28.

#### Ground Rent Portfolio

The total Ground Rent portfolio as at 31 December 2013 was \$2.47m compared to \$2.28m in 2012. The Authority offered discounts to its customers and collected \$167,365 during the discount period of two months.

#### Stakeholders

Regular stakeholder meetings were held between the Authority, FNPF, TLTB and the Titles Office. It was to refine our work processes and to reduce the turnaround times to ultimately improve our service delivery to our customers.

Jagdish Prasad General Manager Lending

## Finance & Administration



he Finance and Administration Division includes the following three (3) departments, namely, Finance, Information Communications and Technology (ICT) and Administration.

#### Finance Department

The Finance Department has a total of 16 staff, inclusive of a manager, 3 accountants and 12 staff who deal with payments, monthly and annual financial reports, budgeting, financial analysis, investments, local funding by issue of bonds (bonds are guaranteed by government), overseas funding and returns on VAT, Taxes, FNPF, payroll interfaces and stock.

#### Housing Authority's Performance

The Authority's profitability for the year ended 2013 was lower than the 2012 period but comparable with the profit for the last five years as follows:-



Profitability (2009 - 2013)



	2009	2010	2011	2012	2013	
(\$000')	Actual	Actual	Actual	Actual	Actual	Budget
Profit	\$548	\$954	\$389	\$523	\$423	\$1,041
Revenue	\$14,826	\$17,664	\$15,596	\$16,222	\$16,269	\$18,280
Expenses	\$14,278	\$16,710	\$15,207	\$15,699	\$15,846	\$17,239

Table 1: Housing Authority's profitability for the year ended 2013

The actual profit for 2013 was 59 percent less than the budget for the main reason that the actual lots sold for the 2013 financial year was 39 (or 11 percent of the budgeted lots) compared to budget lots of 354 for the Tacirua Projects. The delay in the completion of the project lots at Tacirua was mainly due to wet weather, which forced contractors to stop work as the ground conditions would not allow the machines to work effectively.

#### Revenue

Total interest income decreased for the year ended 31 December 2013 was \$9.684m actual compared to budget of \$10.204m with \$520k unfavorable variance. This was due to:-

- Delay in the completion of the lots at Tacirua projects.
- Reductions in interest rates as a result of reduction in loans portfolio from \$112m in January to \$98.7m in December 2013.
- The new loan packages to attract customers; the Bula Gold and Toso Mai 1, 2 & 3 product packages with interest rates reduction.

#### Expenses

Although total revenue was almost the same as that of 2012, total expenses also increased by 9.36%.

The efficiency ratio is almost the same at 97 percent from 2013 compared to 2012 (96%).

The organisation is undergoing a restructure and a new Land and Housing Development Division should emerge to ensure that it becomes the main income source and core business of Housing Authority.

This will mean operating expenses may increase for new personnel to be recruited in line with the new vision of the organisation - "Helping Fijians Own Affordable Homes".

## **E.2** Efficiency Ratio %



#### Cash Flow

Surplus cash during the year was invested in various financial institutions. Total interest income derived from the investment was \$456k.



## Information Communications Technology (ICT) Department

The ICT Department is managed by Manager Information Communications Technology, Mr Onisimo Pasikali with six (6) staff. Mr Pasikali is a University of the South Pacific graduate with more than 10 years of work experience. He had worked with University of the South Pacific, Telecom (Fiji) Ltd. Air Terminal Services Ltd, Training Productivity Authority of Fiji and Fiji School of Medicine before joining Housing Authority.

2013, also saw the untimely departure of both Analyst Programmers for greener pastures; major upgrade to the Oracle Data Base (DB); the migration of the Lendsphere system to new servers; and the implementation of new financial General Ledger (GL) system for HA.

Some of the major achievements:

- The new unified Voice over Internet Protocol (VoIP) communication telephone system was successfully implemented and signed off in February 2013. Based on the Avaya IP Office IP500 solution from Datec (Fiji) Ltd, the new VoIP system replaced the legacy TFL analogue Private Automatic Branch Exchange with modern features and improved functionalities which significantly reduced cost of telephone communication to HA and improved efficiency. The old Private Automatic Branch Exchange was decommissioned and a new Telephone Usage Policy was implemented to maximize productivity.
- 2013 also saw the launching of an overhauled and redesigned corporate website by the Prime Minister during the handover of Mr Iliesa Delana's house. The new website is aimed at providing the public and customers with a one-stop-shop source of housing information.
- Housing Authority outsourced two key technical services to solution providers to mitigate and complement lack of in-house resource, save cost, and to improve quality of service. Support for back-end server infrastructure was outsourced to VT Solutions in a managed services Service Level Agreement while Datec secured a maintenance contract for the support of the new VoIP telephone system.

- 2013 also saw the launching of Multi-Fixed Interest Rate Gold products and Toso Mai 1, 2 & 3 with the funding from Reserve Bank of Fiji.
- The Board approved the project proposal to upgrade HA financial GL System. Eclipse Computing was appointed through a tender process to upgrade the existing Microsoft Navision with the new Microsoft Dynamic NAV 2013. The GoLive is scheduled for August 2014.
- Significant enhancements were carried out in the Lendsphere system which resulted in drastic reduction in the End Of Day (EOD) and End Of Month (EOM) processing time.
- A new IT and Computing Service Decree [Decree No. 17 of 2013] was gazetted by the Government. The Decree is about the centralisation of procurement and software development for government to be overseen by government IT Steering Committee.
- Clariti (South Pacific) Ltd breached the tender contract and failed to deliver as per the tender requirement. HA pursued legal redress.
- Housing Authority engaged RSystem of India for an onsite Lendsphere Migration project. The project involved the installation of a brand new server hardware, installation and upgrade of the Linux Operating System, Oracle DB, WebLogic firmware and the re-installation and migration of the old Lendsphere to the new environment.

#### Administration Department

The Administration Department has a total of 15 staff inclusive of one senior officer who deals with the day to day administrative needs of the Authority. The Department consists of two sections namely Registry and Administration which has over the period continued to provide support services to the Authority.
Core activities include vehicle management, postal services and telecommunications, office contract management, registry and office services for hygiene, pest control, elevator, fire system and security.

The Department is based at its Head Office in Valelevu. Registry has a manpower of three (3) permanent staff while Administration has ten (10) permanent staff and one (1) Project Officer. A change of recruitment policy saw the transition of new and unestablished positions offered new employment contract services.

Routine operations continued throughout the year and notable accomplishments include:

- Overall reduction of mobiles as part of cost cutting strategies;
- Strengthening of manpower with establishment of two new positions –

1) Registry Officer/Driver;

2) Front Desk Messenger/Driver;

- Transition of unestablished employees to contract workers.
- Tender of taxi services for all HA centres.
- Review of administrative polices and procedures;
- Commencement of new registry management system in consultation with ICT Department;
- Transition of new smartphones for executive management.
- The Department has a positive outlook and will continue to offer valuable services both internally and externally.

The new Registry system was commissioned in November 2013 and a pilot project carried out. Now the entire Registry system upgrades to be completed at the end of July 2014 and are undergoing live testing at the moment. It should be running live by September 2014.

#### Future

Going forward, the Division will continue to provide essential support services for the Authority to ensure that we achieve our targets and reach greater heights in the provision of affordable housing for all Fijians.

Sailosi Soqo General Manager Finance & Administration

# Highlights



HA management host BSP Executives while on site visit to Tacirua East Stage 2.



A view from Tacirua East Sage 2 Phase 1B



Housing Authority officials at the launching of Tacirua East Phase 1B



PM Voreqe Bainimarama at the handover ceremony of Fiji's Olympian, Illiesa Delana's (seated right) home



Sample house at the Housing Expo



Chairperson of the Board and Ministry of Housing Representatives meet with Top Symphony officials

# Financial Statements

# HOUSING AUTHORITY OF FIJI FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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The directors present their report together with the financial statements of Housing Authority of Fiji ("the Authority") for the year ended 31 December 2013 and the auditors' report thereon.

### Directors

The directors of the Authority during the year were:

Directors	Appointed	Served Until
Mosese Tikoitoga - Chairman	5-Feb-10	16-Jan-14
Adrian Sofield	6-Sep-10	9-Sep-13
Umarji Musa	6-Sep-10	Current
Petero Daurewa	2-Jun-11	Current
Maraia Ubitau	2-Jun-11	Current
Father Kevin Barr	2-Jun-11	10-Jan-13
Narendra Prasad	16-Jan-14	Current

## State of affairs

In the opinion of the directors, the accompanying statement of financial position give a true and fair view of the state of affairs of the Authority as at 31 December 2013 and the accompanying statement of comprehensive income, statement of changes in equity and statement of cash flows gives a true and fair view of the results of the Authority 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:

	2013	2012
	\$'000	\$'000
Net profit before income tax	423	523
Income tax expense		
Net profit for the year	423	523

HOUSING AUTHORITY OF FIJI DIRECTORS REPORT [cont'd] FOR THE YEAR ENDED 31 DECEMBER 2013

#### Dividends

The directors recommend that no dividends be declared or paid during the year (2012: \$nil).

#### Reserves

There were no movements in reserves during the year apart from those required under the International Financial Reporting Standards.

#### 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

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.

Signed for and on behalf of the Board and in accordance with a resolution of the directors.

Dated at Suva this 8th day of October 2014.

Chairman

Member

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

- the accompanying statement of comprehensive income 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 2013;
- the accompanying statement of changes in equity of the Authority is drawn up so as to give a true and fair view of the changes in equity of the Authority for the year ended 31 December 2013;
- (iii) the accompanying statement of financial position of the Authority is drawn up so as to give a true and fair view of the state of affairs of the Authority as at 31 December 2013;
- (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 2013;
- (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.

Signed for and on behalf of the Board and in accordance with a resolution of the directors.

Dated at Suva this 8th day of October 2014.

Chairman

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Member

# HOUSING AUTHORITY OF FIJI INDEPENDENT AUDITORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

**REPUBLIC OF THE FIJI ISLANDS** 



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



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**Excellence in Public Sector Auditing** 

# Housing Authority of Fiji Financial Statements for the Year Ended 31 December 2013

### Independent Audit Report

I have audited the accompanying Financial Statements of Housing Authority of Fiji ("the Authority"), which comprises of the statement of financial position as at 31st December 2013, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year and a summary of significant accounting policies and other explanatory information as set out on pages 46 to 76.

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

The directors and management are responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting Standards and the requirements of Caption 267 of the Housing Act and the Housing (Amendment) Decree (1989). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances.

### Auditor's Responsibility

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

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

HOUSING AUTHORITY OF FIJI INDEPENDENT AUDITORS REPORT [cont'd] FOR THE YEAR ENDED 31 DECEMBER 2013

#### Audit Opinion

In my opinion:

- (a) proper books of account have been kept by the Housing Authority of Fiji, so far as it appears from my examination of those books, and
- (b) the accompanying financial statements which have been prepared in accordance with International Financial Reporting Standards:
- (i) are in agreement with the books of account;
- (ii) to the best of my information and according to the explanations given to me:
  - a.) give a true and fair view of the state of affairs of the Housing Authority of Fiji as at
     31 December 2013 and of its financial performance, changes in equity and its cash flows for
     the year ended on that date; and
  - b.) give the information required by the Caption 267 of the Housing Act and the Housing (Amendment) Decree 1989 in the manner so required.

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

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Tevita Bolanavanua AUDITOR GENERAL

27 October 2014 Suva, Fiji



# HOUSING AUTHORITY OF FIJI STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 \$'000	2012 \$'000 Restated *
Interest income	2.1	9,684	10,363
Interest expense	3.1	(5,409)	(5,778)
Net interest income		4,275	4,585
Other operating income	2.2	9,940	6,580
Net operating income		14,215	11,165
Amortisation of intangible assets		486	391
Bad and doubtful debts		260	967
Cost of sales - land and houses		3,355	721
Depreciation of propery, plant and equipment		686	590
Other expenses	3.3	3,909	3,270
Personnel expenses	3.2	5,096	4,703
Total operating expense		13,792	10,642
Net profit before income tax		423	523
Income tax expense			
Net profit after tax		423	523
Other comprehensive income			_
Total comprehensive income for the year, net of tax	< compared with the second sec	423	523

\* Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made, refer to Note 23.

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

# HOUSING AUTHORITY OF FIJI STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

Accumulated losses	2013 \$'000	2012 \$'000 Restated *
	(6.076)	(7,400)
Balance at the beginning of the year	(6,976)	(7,499)
Profit for the year	423	523
Balance at the end of the year	(6,553)	(6,976)
Asset revaluation reserve		
Balance at the beginning of the year	2,249	2,249
Movement during the year	-	-
Balance at the end of the year	2,249	2,249
Government grant		
Balance at the beginning of the year	15,958	15,958
Movement during the year	-	_
Balance at the end of the year	15,958	15,958
Capital		
Balance at the beginning of the year	41,772	41,772
Movement during the year	-	-
Balance at the end of the year	41,772	41,772
Total equity	53,426	53,003

\* Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made, refer to Note 23.

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

# HOUSING AUTHORITY OF FIJI STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

ASSETS	Notes	2013 \$'000	2012 \$'000 Restated *
Cash and cash equivalents	4	2,810	3,010
Held-to-maturity investments	5	31,000	22,000
Loans and advances	6	89,381	98,510
Inventories	7	41,320	32,277
Other assets	12	4,009	4,504
Land held for future development	8	2,269	2,498
Intangible assets	10	764	496
Investment property	11	1,041	540
Property, plant and equipment	9	9,042	9,163
TOTAL ASSETS		181,636	172,998
LIABILITIES			
Trade and other payables	14	14,460	13,867
Employee benefit liability	16	298	390
Provisions	15	67	53
Debt issued and borrowed funds	13	113,385	105,685
TOTAL LIABILITIES		128,210	119,995
EQUITY			
Capital	17	41,772	41,772
Accumulated losses		(6,553)	(6,976)
Government grant		15,958	15,958
Asset revaluation reserve	17	2,249	2,249
TOTAL EQUITY		53,426	53,003
TOTAL EQUITY AND LIABILITIES		181,636	172,998

\* Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made, refer to Note 23.

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

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

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Chairman

Member

# HOUSING AUTHORITY OF FIJI STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 Inflows/ (Outflows) \$'000	2012 Inflows/ (Outflows) \$'000
Operating activities			
Interest received		9,943	6,535
Fees, charges and other income received		3,932	7,026
Proceeds from sale of land and houses		3,901	828
Interest and other finance costs paid		(5,398)	(5,920)
Net customer loans repayments received		10,415	12,699
Payments to suppliers for land and houses		(3,954)	(873)
Net utilisation of government grant		(1,082)	(1,096)
Other operating expenses paid		(7,958)	(2,736)
Cash flows from operating activities		9,799	16,463
Investing activities			
Proceeds from sale of plant and equipment		72	46
Payments for property plant and equipment		(1,066)	(620)
Payments for intangibles assets		(754)	(45)
Payment of short term investments		(9,000)	(16,500)
Cash flows (used in) investing activities		(10,748)	(17,119)
Financing activities			
Net proceeds / (repayment) of borrowings		748	(9,480)
Cash flows from / (used in) financing activities		748	(9,480)
Net decrease in cash held		(201)	(10,136)
Cash at the beginning of the financial year		3,010	13,146
Cash at the end of the financial year	4	2,809	3,010

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

## 1 Corporate Information

The financial statements of Housing Authority of Fiji ("the Authority") for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on Friday 3rd October 2014. Housing Authority of Fiji is a statutory government body established under the Housing Authority Act and domiciled in the Republic of Fiji.

#### 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.

### 1.1 Basis of preparation of the Financial Statements

The financial statements have been prepared on a historical cost basis except for investment properties, land and buildings included under property, plant and equipment which are recorded at fair value. The financial statements are presented in Fijian dollars and all values are rounded to the nearest thousand 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) as issued by the International Accounting Standards Board.

#### 1.3 Significant accounting judgments, estimates and assumptions

The preparation of the Authority's financial statements requires management to make judgments, 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 judgments, 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 into 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 risks and rewards of ownership of rented properties 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 date, that have a significant risk of causing a material adjustment to the carrying amount of assets and

liabilities within the next financial year are discussed below:

#### Impairment 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 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, economic and social factors 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 statements 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 balance date. All differences are taken to 'Other operating income' or 'Other operating expenses' in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at fair value in a foreign currency are translated using the exchange rates as at the dates of 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.

After initial measurement, loans and advances are subsequently measured 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 acquisition 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 statement of comprehensive income. The loss arising from impairment are recognised in the statement of comprehensive income 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.

#### c) Impairment of financial assets

The Authority assesses at each balance 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 impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers 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 statement of comprehensive income. 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 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 assets 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.

#### 1.4 Summary of significant accounting policies [cont'd]

#### 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 assets 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 statement of comprehensive income.

#### d) Leased assets

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

#### Authority as a lessee

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

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

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

#### Authority as a lessor

Lease where the Authority does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. The Authority leases 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.

#### 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 income and expense

For all financial instruments 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.

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.

#### 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 statement of comprehensive income.

#### 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 profit 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 less than a month. 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 or valuation less accumulated depreciation and accumulated impairment losses. Such costs include 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 recognised 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	20%
Furniture and fittings	10%

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

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

#### h) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise. Fair values are evaluated every three years by an accredited internal valuer, applying a valuation model recommended by the International Valuation Standards Committee.

#### i) Intangible assets

Intangible assets include 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 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 statement of comprehensive income 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 of intangible assets to their residual values over their estimated useful lives as follows:

Computer Software 20%

#### j) 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 assets recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assets recoverable amount is the higher of an assets or cash-generating units 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 impaired assets an assessment 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 the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets 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.

#### k) 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.

#### l) Employee benefit liability

The employee benefit liability 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 payments estimated to be payable to employees at balance date on the basis of statutory and contractual requirements.

#### m) 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 the net realisable value is determined to be less than carrying 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 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.

#### n) Income tax

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

#### o) Government grants

The Government provides an annual grant to the Authority to assist qualifying customers in meeting their mortgage repayments. This grant is in the form of a one off rebate to a customer's loan balance. Any grant that is not utilised at year end is shown as a liability until such time it is applied.

There are certain criteria for customers to comply with to be eligible for financial assistance under the plan.

#### p) Creditors

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

#### q) Comparatives

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

#### r) Segment information

#### (a) Industry segment

The Authority operates predominantly in the 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.

#### 1.5 Standard issued but not yet effective

A number of standards and interpretations have been issued by the IASB, but are not yet effective, up to the date of issuance of the Authority's financial statements. The Authority intends to adopt these standards, if applicable, when they become effective.

#### 1.5 Standard issued but not yet effective [cont'd]

- Amendment to IAS 32 Offsetting Financial Assets and Financial Liabilities;
- Amendments to IFRS 7 and IFRS 9 mandatory effective date and transition disclosures; and
- IFRIC Interpretation 21 Levies.

The Authority is currently assessing the impact that these standards will have on its financial position and performance, but based on preliminary analyses, no material impact is expected.

		2013	2012
2.	INCOME	\$'000	\$'000
	2.1 Interest income		
	Investment securities	456	190
	Loans and advances	9,228	10,173
		9,684	10,363
	2.2 Other operating income		
	Fees and charges	4,732	4,227
	Rent	80	101
	Other income	726	1,424
	Sale of land and houses	3,901	828
	Change in fair value of investment property	501	-
		9,940	6,580
7			
3.	EXPENSES 3.1 Interest expense	\$'000	\$'000
	Bonds	5,339	5,667
	Long term loans	70	111
	Long term toans	/0	
		5,409	5,778
	3.2 Personnel expenses		
	Salaries and wages	4,207	3,943
	Employee entitlements	254	209
	FNPF contribution	454	394
	Other	181	157
		5,096	4,703

3 Expenses [cont'd]	2013	2012
3.3 Other expenses	\$'000	\$'000
Auditor's remuneration - audit fees	20	20
Accounting services	5	16
Amortisation - leasehold land	229	96
Repairs and maintenance	77	102
Stock write-down	455	196
VAT expense	-	128
Other expenses	3,123	2,712
	3,909	3,270
	2013	2012
4. CASH AND CASH EQUIVALENTS	\$'000	\$'000
Cash on hand	2	2
Cash at bank	2,808	3,008
	2,810	3,010
5. HELD-TO-MATURITY INVESTMENTS	\$'000	\$'000
Term deposits	31,000	22,000

Term deposits are placed with financial institutions in Fiji at terms of 8 months to 24 months. The interest rate of these deposits range from 1.50% to 3.60%.

6.	LOANS AND ADVANCES	\$'000	\$'000
	Mortgage loans	89,715	101,714
	Village scheme loans	7,869	9,006
		97,584	110,720
	Less: Interest and fees suspended	(5,395)	(6,942)
	Add: Accounts with credit balance	610	696
	Gross loans	92,799	104,474
	Less: Allowance for impairment losses	(3,418)	(5,964)
		89,381	98,510

#### 6. LOANS AND ADVANCES [cont'd]

Impairment allowances for loans by class is as follows:

	Mortgage	Village Scheme	Total
	\$'000	\$'000	\$'000
At 1 January 2013	3,308	2,656	5,964
Charge / utilisation for the year	(29)	(935)	(964)
Amounts written off	(1,295)	(287)	(1,582)
At 31 December 2013	1,984	1,434	3,418
Individual impairment	1,381	1,434	2,815
Collective impairment	603	-	603
	1,984	1,434	3,418
Gross amount of loans, individually determined to be impaired, before deducting any individual or collective			
assessed impairment allowance.	17,473	3,723	21,196

The Authority holds securities for these impaired loans. The difference between the assessed security values and the loan balance of identified impaired accounts have been included in the allowance for impairment.

		2013	2012
	Mortgage	Village Scheme	Total
	\$'000	\$'000	\$'000
At 1 January 2012	8,312	2,276	10,588
Charge / utilisation for the year	(3,730)	627	(3,103)
Amounts written off	(1,274)	(247)	(1,521)
At 31 December 2012	3,308	2,656	5,964
Individual impairment	721	2,585	3,306
Collective impairment	2,587	71	2,658
	3,308	2,656	5,964
Gross amount of loans, individually determined to be impaired, before			
deducting any individual or collective assessed impairment allowance.	28,730	7,439	36,169

#### 6. LOANS AND ADVANCES [cont'd]

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

2013	Individual	Collective	Total
	Impairment \$'000	Impairment \$'000	\$'000
	\$ 000	\$ 000	\$ 000
At 1 January 2013	3,308	2,658	5,966
Charge / utilisation for the year	1,090	(2,055)	(965)
Amounts written off	(1,583)	-	(1,583)
At 31 December 2013	2,815	603	3,418
2012	Individual	Collective	Total
	Impairment	Impairment	
	\$'000	\$'000	\$'000
At 1 January 2012	11,940	(1,352)	10,588
Charge / utilisation for the year	(7,113)	4,010	(3,103)
Amounts written off	(1,519)	-	(1,519)
At 31 December 2012	3,308	2,658	5,966
		2013	2012
INVENTORIES		\$'000	\$'000
Developed lots		4,077	1,804
Less: Provision for developed lots write-dov	wn	(470)	(165)
		3,607	1,639
Unsold properties		442	821
Less: Provision for unsold properties write-	down	(278)	(272)
		164	549
Development work-in-progress		37,549	30,089

41,320

32,277

7.

8.	LAND HELD FOR FUTURE DEVELOPMENT	2013 \$'000	2012 \$'000
0.		\$ 000	\$ 000
	Freehold land		
	- at deemed cost	202	653
	- movement during the year	-	(451)
	Leasehold land – at cost	2,622	2,622
	Less: Provision for amortisation of leasehold land	(555)	(326)
	Total land held for future development	2,269	2,498
9.	PROPERTY, PLANT AND EQUIPMENT	\$'000	\$'000
	Properties		
	Cost / valuation:		
	At 1 January	7,381	7,366
	Additions	-	15
	Disposals	-	
	At 31 December	7,381	7,381
	Depreciation and impairment:		
	At 1 January	104	5
	Depreciation charge for the year	159	99
	At 31 December	263	104
	Net written down value - properties	7,118	7,277
	Furniture and fittings		
	Cost:		
	At 1 January	2,227	1,988
	Additions	55	239
	At 31 December	2,282	2,227
	Depreciation and impairment:		
	At 1 January	1,623	1,442
	Depreciation charge for the year	186	181
	At 31 December	1,809	1,623
	Net written down value - Furniture and fittings	473	604

Staff houses and shops		
Cost / valuation:		
At 1 January	406	406
Additions	-	-
Disposals		_
At 31 December	406	406
Depreciation and impairment:		
At 1 January	32	21
Depreciation charge for the year	11	11
At 31 December	43	32
Net written down value - staff houses and shops	363	374
Motor vehicles		
Cost:		
At 1 January	961	748
Additions	241	284
Disposals	(110)	(71)
At 31 December	1,092	961
Depreciation and impairment:		
At 1 January	536	410
Depreciation charge for the year	144	136
Disposals	(110)	(10)
At 31 December	570	536
Net written down value - motor vehicles	522	425
Computer equipment	2013	2012
Cost:	\$'000	\$'000
At 1 January	2,395	2,237
Additions	42	158
Disposals	(9)	-
At 31 December	2,428	2,395

9.

PROPERTY, PLANT AND EQUIPMENT [cont'd]		
Depreciation and impairment:		
At 1 January	1,960	1,792
Depreciation charge for the year	185	168
At 31 December	2,145	1,960
Net written down value - computer equipment	283	435
Others		
Cost:		
At 1 January	70	70
Additions	_	-
Disposals	_	-
At 31 December	70	70
Depreciation and impairment:		
At 1 January	22	20
Depreciation charge for the year	1	2
At 31 December	23	22
Net written down value - others	47	48
Work in progress Cost:		
At 1 January	-	15
Additions	236	
Capitalised during the year	-	(15)
At 31 December	236	-
Net written down value - work in progress	236	-
Net written down value - total	9,042	9,163
Total		
Cost:		
At 1 January	13,440	12,830
Additions	574	696
Capitalised during the year	-	(15)
Disposals	(119)	(71)
At 31 December	13,895	13,440

<ol> <li>PROPERTY, PLANT AND EQUIPMENT [cont'd]</li> <li>Depreciation and impairment:</li> </ol>	2013 \$'000	2012 \$'000
At 1 January	4,277	3,690
Depreciation charge for the year	686	597
Disposals	(110)	(10)
At 31 December	4,853	4,277
Net written down value - total	9,042	9,163

In the financial year ended 2011, the Authority revalued its land and building included as property, plant and equipment. The Authority's own valuation officers who are accredited registered valuers under the Institute of Valuation and State Management of Fiji, assessed the fair value of its properties. The valuation was adopted by the Authority's Board of Directors at 31 December 2011.

The valuation was determined by reference to market-based evidence. Valuations performed by the valuers were based on active market prices, adjusted for any difference in the nature, location or condition for the specific property.

10.	INTANGIBLE ASSETS	2013 \$'000	2012 \$'000
	Cost:		
	At 1 January	1,899	1,854
	Additions	754	45
	Disposals	-	
	At 31 December	2,653	1,899
	Depreciation and impairment:		
	At 1 January	1,403	1,012
	Amortisation charge for the year	486	391
	At 31 December	1,889	1,403
	Net written down value - Intangible assets	764	496
11.	INVESTMENT PROPERTY	\$'000	\$'000
	Opening balance	540	540
	Net gain on fair value adjustment	501	-
	At 31 December	1,041	540

#### 11. INVESTMENT PROPERTY [cont'd]

Rental income derived from investment properties	59	59
Direct operating expenses (including repairs and maintenance)	(1)	(1)
Finance costs	-	
Net profit arising from investment properties	58	58

The Authority has no restrictions on the realisability of its investment property and contractual obligations to either purchase, construct or develop investment property or for repairs, maintenance and enhancements. Investment properties are stated at fair value, which has been determined based on valuations performed by Housing Authority's registered internal senior valuer as at 11th November 2013. The fair value of the investment properties have been determined on transactions observable in the market places and a valuation model in accordance with that recommended by the International Valuation Standard Committee. During the year, the Nasinu Court House was reclassified from properties under property plant and equipment to investment property. If owner-occupied property becomes an investment property, the Authority accounts for such property in accordance with the policy stated under investment property up to the date of change in use.

12.	OTHER ASSETS	2013	2012
		\$'000	\$'000
	Advance - Exim Bank of China	3,000	4,102
	Advance - FNPF settlement	186	28
	Sundry debtors and prepayments	529	251
	Stationery stock	32	28
	Interest receivable	260	31
	Stamp duty/Deposit advance	2	-
	Staff advances	-	64
		4,009	4,504

In 2010, the Government of Fiji entered into a financing agreement with the EXIM Bank of China for the Fiji Low Cost Housing project. The project is contracted to China Railway First Group (Fiji) Ltd for FJD 49,959,679. The Authority, as the eventual owner of the project on behalf of Government entered into an on-lending agreement with the Government. As at 31st December 2013, the total disbursement from the EXIM Bank to the contractor accumulated to FJD 33,584,758 inclusive of FJD 9,991,936 advance for mobilisation which is equal to 20% of the total contract price. The value of work completed as at 31st December 2013 is FJD 30,584,758 from which the advanced sum of FJD 6,991,936 was deducted.

13.	13. DEBT ISSUED AND BORROWED FUNDS		2013	2012
			\$'000	\$'000
		Effective interest rate %		
	Current			
	Bonds	2.40% to 12%	10,500	14,198
	Loans	1.00% to 2.00%	-	550
			10,500	14,748
	Non current			
	Bonds	2.40% to 12%	69,300	65,800
	Loans	1.00% to 2.00%	33,585	25,137
			102,885	90,937
	Total debt issued and bo	rrowed funds	113,385	105,685
		Maturity		
		0017 0005		

	Maturity
Bonds	2013 to 2025
Loans	2015 to 2031

Repayment of principal is guaranteed by the Government of Fiji. The funds raised by the Housing Authority will be used to acquire new land and to carry out its land development projects for fully serviced lots and to provide cash loans to its customer for new house constructions and purchase of new houses.

14.	TRADE AND OTHER PAYABABLE	2013	2012
		\$'000	\$'000
		\$'000	\$'000
	Interest payable	1,696	1,685
	Insurance payable	490	654
	Government grant received in advance	7,910	8,992
	Trade payables and accruals	4,364	2,536
		14,460	13,867

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.
- Government Grant received is recognised as a liability until the authority utilises the amounts in accordance with Government policy and the conditions attached to the grant.

15.	PROVISIONS	2013 \$'000	2012 \$'000
	The movement in provision during the year is as follows:		
	At 1 January Arising during the year Utilised	53 64 (50)	749 (594) (102)
	As 31 December	67	53
	Represented by: Current	67	53
16.	EMPLOYEE BENEFIT LIABILITY	\$'000	\$'000
	The movement in employee benefit liability during the year is as follows:		
	At 1 January	390	375
	Arising during the year	342	618
	Utilised	(434)	(603)
	As 31 December	298	390
	Represented by:		
	Current	298	390
17.	CAPITAL AND RESERVES	\$'000	\$'000
	Capital	41,772	41,772
	Asset Revaluation Reserve At 1 January	2,249	2,249
	Movement during the year	-	-
	At 31 December	2,249	2,249
	Balance at the beginning of the year	-	-
	Effect of change in accounting policy	-	-
	Movement during the year	2,249	2,249
	Balance at the end of the year		
	Total reserves	2,249	2,249

The Nasinu Court House was previously revalued in 2011. A revaluation gain was recognised in the accounts in 2011. During the year, the revaluation reserve for the Nasinu Court House was reversed as the asset was reclassified to investment property in 2013.

#### 18. 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 statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Authority.

The total commitments and contingent liabilities at balance date are as follows:

	\$'000	\$'000
Contingent liabilities		
Guarantees	5	5
	5	5
Commitments		
Operating lease commitments	a] 1,000	1,029
Capital commitments	47,359	71,485
	48,359	72,514
Total	48,364	72,519

#### 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:

#### Guarantee

Fiji Electricity Authority bond	5	5

#### Commitments

a) Operating lease commitments

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

101101103.	2013	2012
	\$'000	\$'000
Not later than one year	322	314
Later than one year but not later than two years	294	288
Later than two years but not later than five years	384	427
	1,000	1,029

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 capital lease rentals recognised as an expense in the statement of comprehensive income amount to \$86,293 (2012: \$87,051).

#### 19. 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:

	Appointed	Served Until
Mosese Tikoitoga - Chairman	5-Feb-10	16-Jan-14
Adrian Sofield	6-Sep-10	9-Sep-13
Umarji Musa	6-Sep-10	Current
Petero Daurewa	2-Jun-11	Current
Maraia Ubitau	2-Jun-11	Current
Father Kevin Barr	2-Jun-11	10-Jan-13
Narendra Prasad	16-Jan-14	Current

#### (b) Transactions with related parties

Transactions with related parties during the year ended 31 December 2013 with approximate transaction value are summarised as follows:

		\$'000	\$'000
	Board expenses and allowances	64	76
(C)	Compensation of key management personnel		
	Short term employee benefits	542	434

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

#### 20. 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.

#### 21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### 21.1 Introduction

Risk is inherent in the Authority's activities but it is managed through a process of ongoing identification,

#### 21.1 Introduction [cont'd]

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.

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. The Directors have set up sub committees to be responsible for managing and monitoring specific risks such as audit, finance, human resource and credit.

#### 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 on an ongoing basis by it's own Internal Audit Unit, 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 the 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 the level of risk that the Authority is willing to accept, with additional emphasis on selected industries.

Information compiled from all the business units 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.

#### 21.2 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 willing 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 statement of financial position, The maximum exposure is shown gross, before the effect of mitigation.

	Gross Maximum	Gross Maximum
	Exposure 2013	Exposure 2012
	\$'000	\$'000
Loans and advances (Note 6)	89,381	98,510
Other assets (Note 12)	4,009	4,504
Total	93,390	103,014
Contingent liabilities (Note 17)	5	5
Commitments (Note 17)	48,359	72,514
Total	48,364	72,519
Total credit exposure	141,754	175,533

#### 21.3 Interest rate risk

Interest rates on financial assets and liabilities are fixed over the terms of the relevant contracts, thereby minimising the risk of mis-matches in interest rates. At the reporting date, the interest rate profile of the Authority's interest bearing financial instruments carrying amounts were:

	2013	2012
Fixed rate instruments	\$'000	\$'000
Financial assets	123,191	123,520
Financial liabilities	127,845	119,552

#### 21.3 Interest Rate Risk [cont'd]

The following sensitivity analysis is based on the interest risk exposures, if any, in existence at balance date:

	Increase /(decrease)	Effect on profit
	in interest rate	before tax \$'000
2013	+10 bp	110
	- 10 bp	(110)

#### 21.4 Capital Management

The primary objective of the Authority's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its operations and maximise shareholder value.

The Authority manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Authority may adjust the dividend payment to shareholders, return capital to shareholders or raise capital.

The Authority monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Authority includes within net debt, trade and other payables less cash and cash equivalents. Capital includes equity attributable to equity holders less the net unrealised gains reserve.

	2013	2012
	\$'000	\$'000
Interest bearing loans and borrowings	113,385	105,685
Trade and other payables	14,460	13,867
Less: cash and short term deposits	(2,810)	(3,010)
Less: held to maturity investments	(31,000)	(22,000)
Net debt	94,035	94,542
Equity	53,426	53,003
Total capital	53,426	53,003
Capital and net debt	147,461	147,545
Gearing ratio	64%	64%

#### 22. MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITES

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

	At call	Less than 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	Provision for doubtful debts	Suspended interest & fees	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets								
Cash	2,810	-	-	-	-	-	-	2,810
Loans and advances	12,410	10,139	16,402	39,077	20,166	(3,418)	(5,395)	89,381
Financial investments	-	6,000	23,000	2,000	-	-	-	31,000
- held to maturity								
Total	15,220	16,139	39,402	41,077	20,166	(3,418)	(5,395)	123,191
Financial liabilities								
Borrowings	-	-	10,500	56,004	46,881	-	-	113,385
Accrued interest	-	1,696	-	-	-	-	-	1,696
Accounts payable &	-	12,764	-	-	-	-	-	12,764
accrued liabilities								
Total	-	14,460	10,500	56,004	46,881	-	-	127,845

#### 31 December 2012

	At call	Less than 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	Provision for doubtful debts	Suspended interest & fees	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets								
Cash	3,010	-	-	-	-	-	-	3,010
Loans and advances	14,848	11,333	17,598	42,013	25,624	(5,964)	(6,942)	98,510
Financial investments	-	8,000	14,000	-	-	-	-	22,000
- held to maturity								
Total	17,858	19,333	31,598	42,013	25,624	(5,964)	(6,942)	123,520
Financial liabilites								
Borrowings	-	1,277	20,230	45,404	38,774	-	-	105,685
Accrued interest	-	1,685	-	-	-	-	-	1,685
Accounts payable &	-	12,182	-	-	-	-	-	12,182
accrued liabilities								
Total	-	15,144	20,230	45,404	38,774	-	-	119,552

#### 23. RESTATEMENT OF 2012 FINANCIAL STATEMENT

The statement of comprehensive income for the year 2012 was restated to include the change in fair value of investment property which was previously included in Asset Revaluation Reserve. The investment property was also been separately classified from property, plant and equipment in the following comparative figures in the statements of financial position and the statements of comprehensive income:

	Reported 2012	Adjustments	Adjusted 2012
	\$'000	\$'000	\$'000
Statement of financial position			
Investment property	-	540	540
Property, plant and equipment	9,621	(458)	9,163
Asset revaluation reserve	2,377	(128)	2,249
Accumulated losses	(7,186)	210	(6,976)
Statement of comprehensive income			
Depreciation of propery, plant and equipment	672	(82)	590
Profit for the year	441	82	523

#### 24. DETAILS OF THE AUTHORITY

Registered office:

#### Housing Authority Building, Saqa Street, Valelevu, Nasinu

P.O. Box 1263, Suva Telephone: (679) 339 2977 Facsimile: (679) 334 0092 Email: info@housing.com.fj www.housingfiji.com

#### Branches:

#### Lautoka

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

#### Labasa

F N P F Building, Rosawa Street, Labasa P.O. Box 78, Labasa Telephone: (679) 881 1977 Facsimile: (679) 881 3919

#### Suva

Level 1, Ratu Sukuna House, Macarthur Street, Suva Telephone: (679) 339 2977 Facsimile: (679) 331 5135

#### Nadi

Shop 1, Grand Melanesian Complex, Namaka, Nadi Telephone: (679) 666 0299 Facsimile: (679) 670 7499

#### Number of employees at the end of the year:

Management	18
Staff	134
Project/Unestablished staff/Trainees	59

# NOTES

# NOTES





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