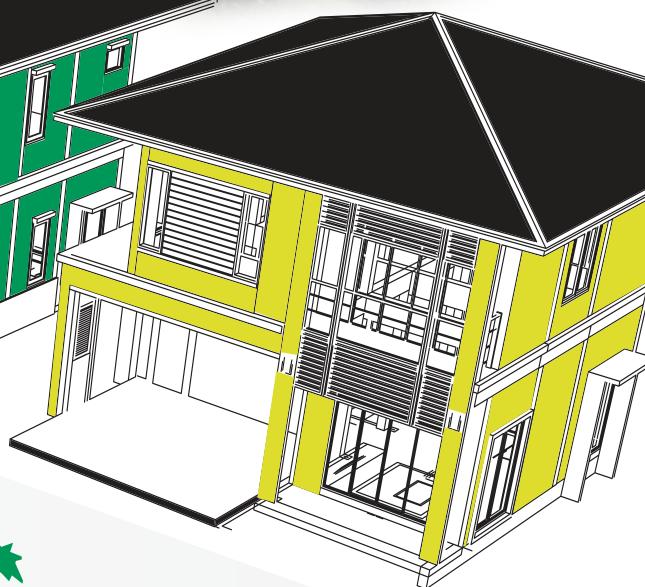
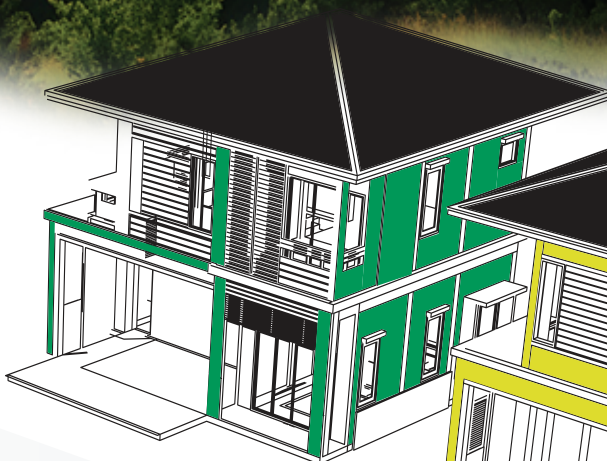
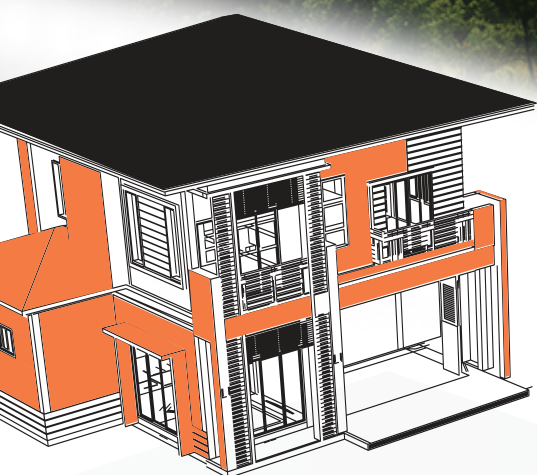




Housing Authority

2018

ANNUAL REPORT

"Building a Nation through building homes"

Parliament Paper (PP) Number 59/24



CORPORATE VISION

"Helping Fijians Own Affordable Homes"



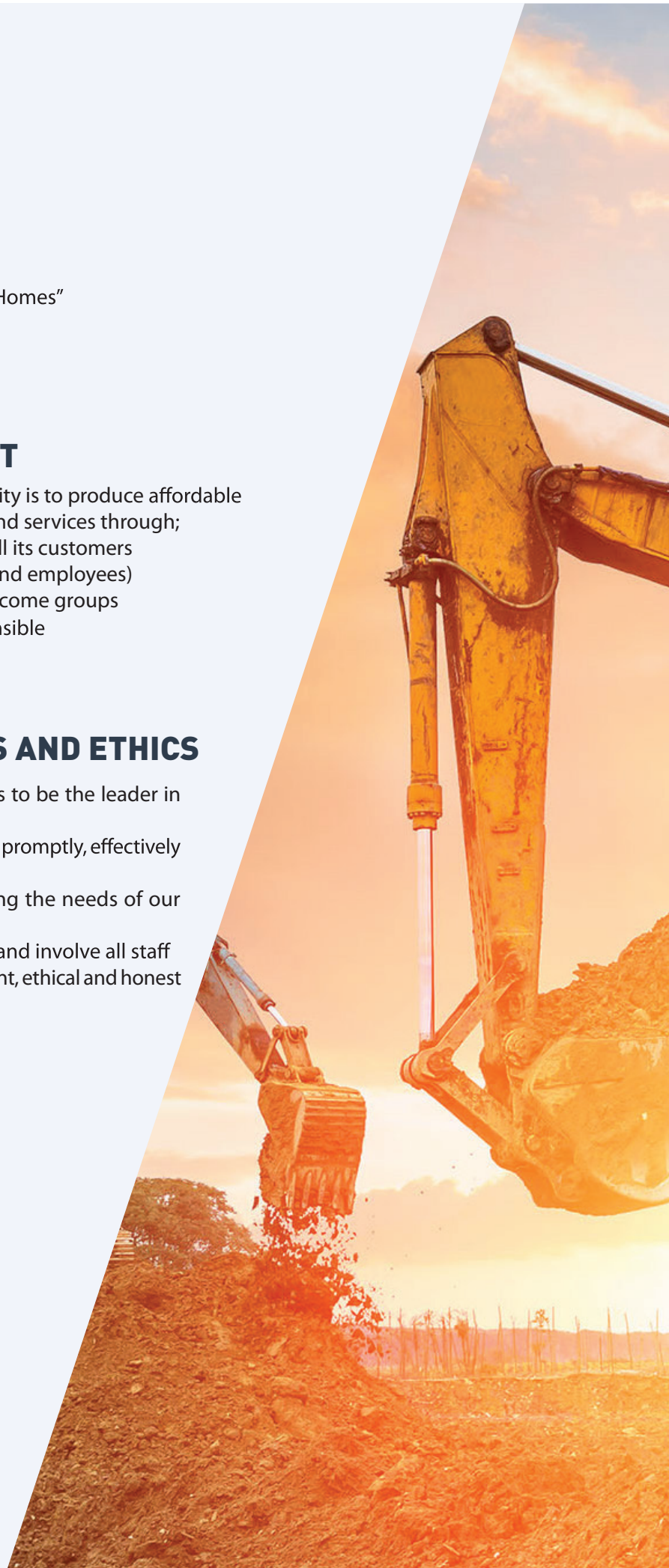
MISSION STATEMENT

- The purpose of Housing Authority is to produce affordable and quality housing products and services through;
- Competitive loan packages to all its customers
- Service excellence (customers and employees)
- Servicing the low and middle income groups
- Being socially aware and responsible



CORPORATE VALUES AND ETHICS

- 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





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Housing Authority

Housing Authority

HEAD OFFICE: HOUSING AUTHORITY BUILDING, SAQA STREET
VALELEVU, NASINU. P.O. Box 6472, NASINU
TEL: (679) 339 2977
E-mail: info@housing.com.fj Website: www.housing.com.fj

All correspondences to be addressed to the Chief Executive Officer

1st August 2019

The Honorable Minister
Ministry of Local Government, Housing & Environment, Infrastructure & Transport
P O Box 2131
Government Buildings
SUVA

Dear Sir

Re : Annual Report 2018

In accordance with section 21 of the Housing Act, Cap 267, I am pleased to present the Authority's Annual Report for 2018 which incorporates a detailed summary of its operations and activities including the Financial Statements for the year ended 31st December 2018.

For 2018, a net profit of \$1.85 million was realised against a projected profit of \$3.3 million, a 61 percent attainment. The Authority's profit was achieved mainly through increased net interest income due to a reduction in interest expenses and an increase in other operating income compared to 2017.

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

Yours faithfully

Umarji Musa
ACTING BOARD CHAIRMAN

INTRODUCTION

The Housing Authority (HA) was established by an Act of Parliament in 1955. The HA became an operating entity in 1958 with the development of rental flats and progressed into the development of lots and the designing and building of homes.

In 1996, HA was declared a Commercial Statutory Authority and is now required to provide returns to the Fijian Government. In 1997, the Authority shifted its focus from designing and building of home to the production of affordable land lots and provision of housing. The Authority has in recent years expanded its services to include mortgage financing for middle to high income earners in consultation with the Ministry of Housing.

Article 35 of the 2013 Constitution of the Republic of Fiji states as follows:

- i. "The State must take reasonable measures within its available resources and allow the progressive realisation of the right of every person to accessible and adequate housing and sanitation.
- ii. In applying any right under this section, if the State claims that it does not have the resources to implement the right, it is the responsibility of the State to show that the resources are not available."

HA also complies with the following Acts:

1. Town and Country Planning Act
2. Property Law Act
3. Land Transfer Act
4. Succession Probate and Administration Act
5. Public Enterprise Act
6. Employment Relations Act
7. Fencing Act
8. Drainage Act
9. Subdivision of Land Act
10. Land Development Act
11. State Lands Act
12. Itaukei Land Trust Board Act
13. Fiji Revenue Customs Act
14. Fiji National Provident Fund Act
15. Housing Act
16. Consumer Credit Act
17. Stamp Duties Act
18. Surveyor Act
19. Reserve Bank of Fiji Act

Appointments to the Board are made by the Minister for Housing as stipulated in the HA Act 1955 section 3(2). The HA board comprises of not more than six members, all of whom shall be appointed by the Minister including the Chairperson. A board member maybe appointed for a period not exceeding three years and is eligible for reappointment. The Ministry of Public Enterprises has an official sitting in the board meetings as an observer. In the absence of the Chairperson from any meeting, the member present shall appoint a deputy chairperson who shall, for the purpose of that meeting, have all powers of the chairperson.

The Board Members holding office as at 31st December 2018 were Mr Umarji Musa (Acting Board Chairman appointed in 2015), Mr Nesbitt Hazelman (Authority Member appointed in 2015) and Mr Roveen Permal (Authority Member appointed in 2015).

BOARD FUNCTIONS

The Board charter outlines the roles and responsibilities of the Board Members, including disclosure of conflict of interest of any Member with material personal interest in a matter being considered by the Board.

Some of the major responsibilities of the Board Members include:

- The Corporate Governance of the Authority including the establishment of the Board Subcommittees.
- Oversight of the business and the affairs of the Authority by establishing the strategies and financial objectives with Management.
- Approving major corporate initiatives.
- Establishing appropriate system of risk management.
- Monitoring the performance of Management.
- Communicating with stakeholders the results and developments in the operations of the Authority.
- Appointment of the Chief Executive Officer.
- Approval of the Authority's major policies and overseeing the development strategies for senior and high performance executives.

In the year 2018, the Board strictly adhered to good corporate governance as it forms a fundamental part of the Authority's values and success.

BOARD MEETINGS

During the year, eight Board meetings were convened. Attendance at these meetings was 100 percent. There were three members of the Board which also constituted the quorum for the meeting.

DATE OF BOARD MEETING	UMARJI MUSA	NESBITT HAZELMAN	ROVEEN PERMAL
27 th February	1	1	1
15 th May	1	1	1
16 th June	1	1	1
16 th August	1	1	1
19 th September	1	1	1
28 th November	1	1	1
4 th December	1	1	1
10 th December	1	1	1
TOTAL	8	8	8

The Authority continued to provide corporate performance reports to the Fijian Government through the Ministry of Housing and the Ministry of Public Enterprises.

MANAGEMENT

In April 2018, the Board appointed a three member Management Committee to carry out the functions of the Chief Executive Officer (CEO), following the resignation of the former CEO, Mr Punit Sethi on 9th March 2018. The Management Committee consists of General Manager Land & Housing Development Mr Isikeli Navuda, General Manager Finance & Administration Mr Poasa Verevakabau and Manager Technical Services Mr Iliesa Rakaseta. They carried out the responsibilities and collectively made decisions when exercising the functions of the CEO until a new CEO was appointed.

DELEGATION OF AUTHORITY

Any activity or expenditure at HA is authorised in accordance with the approved delegations, policies and procedures. The Board meets regularly and CEO and respective General Managers update on the financial situation along with its core activities. All staff are required to sign a Declaration of Compliance annually which includes any conflict of interest. The form will be renewed annually to ensure that good corporate governance is practiced at HA.

CONFLICT OF INTEREST

HA has put in place policies and procedures to guide and protect Board Members and the HA Team with regard to conflicts of interests – actual and perceived. The conflict of interest register is maintained for Board Members depending on the conflict declared and/or the nature of subject matter discussed, Board Members may be required to be excused from the meeting.

POLICIES

The following policies were approved and adopted in 2018:

- Revised Sale of High-End Lots Policy.
- Land Acquisition Policy.
- Stock Provision & Stock Disposal Policy.
- Media Policy.

ASSURANCE

The internal audit for the Lending Division was performed in accordance with the 2016-2018 Internal Audit Plan that was approved by the Board Audit Subcommittee. The overall objective of the internal audit was to consider the effectiveness of key controls as identified with Management and compliance with current policies and procedures relating to the process, effective management of risks associated to the process and to identify any improvement opportunities. The internal audit was to assess the procedures and controls within the above processes that address the objectives of:

- Loan assessment and approval process
- Loan risk rating process
- Credit reviews
- Portfolio monitoring
- Loan recoverability

The recommendations of the reports by the internal audit function which is outsourced to KPMG are being addressed by Management. The external auditors of the Authority is appointed by the Office of the Auditor-General.

MARKET SEGMENT OVERVIEW

High demand for housing will continue with increase in growth of urbanisation in the Fiji economy which is evident with the housing settlement populating the outskirts of Nausori and Suva urban areas while squatters occupy reserve/vacant parcels of land and other vakavanua arrangement within the Nausori and Suva corridor.

Approximately 90 percent of the increased population (55,266) is in the Western and Central Division while the Suva and Nausori Urban and Peri Urban area alone has an increase in population of approximately 32,300.

The quest to address the housing broken market remains a significant challenge in terms of planning, delivery and community development. The housing demand is sustained through private rented housing sector with escalating monthly rental.

STRATEGIC AND CORPORATE PLAN

HA Strategic and Corporate Plan was prepared in collaboration with the Ministry of Housing. This Plan outlines the deliverables and outcomes of HA for the five-year period. The annual corporate plan is derived from this Strategic Plan from 2018-2022.

Both plans are monitored by the Board and the Management annually. The General Managers are responsible for assuring quality outcomes as well as ensuring that scheduled outcomes are achieved. Any planned outcomes or targets not met are reprioritised with proper justifications to the Board.

The budget of HA is formulated through zero based budgeting to determine the resources for 2018. The work plans need to match the resources requested and properly justified. The annual work plan and budget for 2018 was presented and approved by the Board on 12th October 2017.

The financial and non-financial targets presented in balance score card format, aligned towards the strategic direction of the organisation to address the housing market breaking barriers that affect "supply & affordability". The main focus is to ensure that lot prices and loan package are "affordable" and "easily accessible" to the low and middle income residents who are struggling to get on the housing ladder.



UMARJI MUSA

ACTING BOARD CHAIRPERSON

Appointed to the Board in September 2010 and reappointed Acting Chairman on 24th December 2015. Mr Musa holds a Bachelor of Arts Degree in Economics from the University of the South Pacific and has other professional credentials. He joined the Fiji Development Bank in 1974 and retired in 2010 after 36 years of service as General Manager of Operations. Mr Musa is an independent Business and Finance Consultant and holds directorship on a number of statutory bodies and listed companies.



NESBITT HAZELMAN

MEMBER

Appointed to the Board on 24th December 2015, Mr Hazelman holds a Post Graduate Certificate in Human Resource Management from the Australian Training & Quality College, a Bachelor of Arts with double majors in Management and Sociology and a Diploma in Industrial Relations and Personnel Management from the University of the South Pacific. He has over 31 years of experience in Human Resources, Industrial Relations and Executive Management. He is the current Chief Executive Officer of the Fiji Commerce and Employers Federation.



ROVEEN PERMAL

MEMBER

Appointed to the Board on 24th December 2015, Mr Permal holds a Bachelor's Degree in Civil Engineering from the University of New South Wales in Australia. Currently, Mr Permal is a senior civil engineer at HLK Jacob Limited with extensive background in structural engineering, construction and project management. He is a professional member of the Institution of engineers in Fiji and Australia.



Minister for Local Government, Housing and Environment, Mr. Parvin Bala (3rd from left) with the invited guests at the Ground breaking ceremony for the Koronisalusal subdivision in Tavua.



The Housing Authority is tasked with the enormous responsibility of ensuring that every Fijian has access to decent and affordable homes. It has over the years been the social arm of the Government in providing land and house to Fijians. The Housing Authority continued to focus on its core mission to develop fully serviced lots and houses with competitive loan packages to all its customers. I am pleased to present the Annual Report for the period ended 31st December 2018.

Financial Performance

The financial performance for the year has been sound with a net profit of \$1.85 million. This profit was realised against a projected profit of \$3.027 million equating to 61 percent attainment.

Development and sale of lots is often unpredictable which is largely dependent on parcels of land available and release of lots for sale. Project works completed included 401 lots in Matavolivoli and 181 lots in Nepani.

The total mortgage portfolio at the end of 2018 was \$89.62 million, compared to \$91.28 million in 2017. The mortgage portfolio decreased due to a decrease in new loans written and refinancing of loans to commercial banks.

Furthermore, an increase in the net interest income of 10.22 percent was recorded due to a reduction in interest expense after early redemption on bonds. The increase in other operating income by 70.26 percent was due to an increase in fees & charges and transfer of savings from exchange gains realised on Exim bank loan.

Housing Assistance Grant

The number of customers assisted through Government's (HAG) Housing Assistance Grant initiative continued to increase. It has been an attractive incentive in encouraging first time homeowners to purchase land and build. 112 customers received HAG from Government totaling \$1.03 million to either construct or buy their first home.

Social Housing Policy

The Government approved Social Housing Policy introduced in 2011 was reviewed to include customers who have paid more than one times the loan amount, are retired, unemployed and are facing financial difficulties to repay their debts.

Under this scheme, Government grant assisted eight customers to the value of approximately \$69,860, which was in addition to HA assistance through the Social Housing Policy amounting to \$81,131 bringing the total utilisation of funds to \$150,991.

Land Development Projects

The Authority has been doing its utmost best to be consistent with its five-year development plan. This is to accommodate the ever increasing demand of customers registered on the HA Customer Database.

As ongoing projects continue, the Authority will ensure capital projects are followed through. Ongoing projects include Davuilevu phase 1 with 343 lots, Tavakubu phase 1 & 2 with 137 and 180 lots respectively, lastly Tavua with 119 lots, all forecasted to be completed in 2019.

Strategic Plan

The Authority operates in a very competitive home loan market with other financial institutions offering home loan packages at affordable rates. However, much emphasis is placed on the Authority to develop and deliver fully serviced lots, houses and units to meet the increasing demand for housing.

A major challenge facing the Authority is to provide housing that low income families can afford. The Authority has strengthened its capacity in this regard and going forward, the Authority intends to pursue sale of land and construction of homes as one package to make the housing affordable for the customers. This initiative aims to save customers' time and effort in constructing their homes after they have purchased lots.

The plan proposes strategies to achieve the short term goal of producing housing units and to engage in housing construction programme. Support opportunities to obtain and sustain affordable homeownership, refine development incentives and expand funding sources and partnerships. The strategies target different segments of the population, ensuring that people of all incomes and life should have access to affordable housing. Each strategy contains a specific action plan that identifies the kind of action needed for implementation. The action plans contain ongoing, short term, medium term and long term items so that progress can be made in all phases of the plan. A plan focused on delivering positive outcomes for the citizens of Fiji.

Corporate Governance

The Board will continue to set the platform with the shared vision in the way forward. The organisation has a culture that believes in hard work focused on the Authority's framework consisting of policies, procedures and tasks, moral and values. A framework helps define the role of the Board and Management, delineates duties and helps prevent duplication of efforts and to overlooking

of critical issues. It can also assist with the execution of the Board's core processes by providing structure to policies and tools. These core principles define the business conduct standards and therefore it is important that all staff adhere to this. The Board has always been an integral part of the Authority's vision and mission together with its operations in tabling new ideas and ensuring that all are equipped with sharp mindset, skills and leadership qualities. Quality is important in every business and in order to function and operate efficiently, business must understand that resources and teamwork leads to success.

The Executive Management will continue to improve the working environment of the organisation and also improve the growth of staff. The Management is committed in ensuring that trainings is conducted so that staff grow while in the organisation.

Improving and monitoring diversity beyond gender and below Board level will be a key area of focus for the Board and the executive team going forward. Gender balance has always been an integral part of the Authority's social fabric and continues to be a key priority for the future. The strong emphasis on promoting gender equality has been one of the strengths of our nation's remarkable development success story, hence, more women are taking up managerial positions in the workforce. Today, we all enjoy the fruits of our country's efforts to enhance gender balance in various spheres of life. As the Authority makes steady progress towards meeting the demand of housing in Fiji, one of its goals is ensuring gender balance is achieved therefore developing procedures and adopt concrete action plans to entrench gender balance practices in the workplace. Corporate governance is therefore a broad umbrella concept, extending to all relationships between the Enterprise, its stakeholders, its suppliers, its customers and its employees.

Strategic Direction

The financial and non-financial targets are presented in balanced score card format, aligned towards the strategic direction of the organisation to address the housing market breaking barriers that effect "supply & affordability". The main focus is to ensure that lot prices and loan package are "affordable" and "easily accessible" to the low and middle income residents who are struggling to get on the housing ladder.

- 1) Provide affordable and equitable land supply and "design & build" houses including strata units. Deliver and offer 1,000 fully serviced lots per annum from its projects.
 - 70 percent of the lots subsidised for the low and middle income residents.
 - Complete sale and settlement of 500 lots per annum.
 - 100 percent design and build houses are affordable to the low and middle income residents.
- 2) Provide innovative housing solutions to build integrated communities in the different urban centres around the country.
- 3) Provide total financial solution for families with household income of below \$50,000 per annum.

- 4) Action to collaborate, communicate and educate.
- 5) Learning and growth/internal business process.
- 6) Lead with stewardship approach - action to ensure financial stability.

Acknowledgement

On behalf of the Board, I wish to express my sincere gratitude to the Government for its continued and unwavering support during the year. I also thank the Board Members for their contribution and commitment throughout 2018.

I also thank the FBFSEU for their understanding and contribution in 2018 and through their collective bargaining negotiations.

On the same note, I would like to thank our valued customers for their continuous support and contributions towards the Authority.

Lastly I acknowledge the hardworking staff for their dedication and commitment towards the vision and mission of the Authority.



UMARJI MUSA
ACTING BOARD CHAIRPERSON



Staff all excited after the bonus announcement in February 2018.

AT A GLANCE AS AT 2018



LOTS COMPLETED LOTS SOLD 231

401: Matavolivoli
181: Nepani

179: Matavolivoli
51: Tacirua
1: Wainibuku



LOT DEVELOPMENT ONGOING

343: Davuilevu Phase 1
137: Tavakubu Phase 1
180: Tavakubu Phase 2
119: Tavua



GROUND BREAKING

Koronisalusalu, Tavua Project



TOTAL MORTGAGE PORTFOLIO

\$89.62 million



TOTAL LOANS APPROVED

\$16.61 million



NEW LOANS APPROVED

438 customers



CUSTOMER BASE

22,805



NON PERFORMING LOANS

\$7.56 million



MORTGAGE ARREARS

\$4.37 million



PREMISES

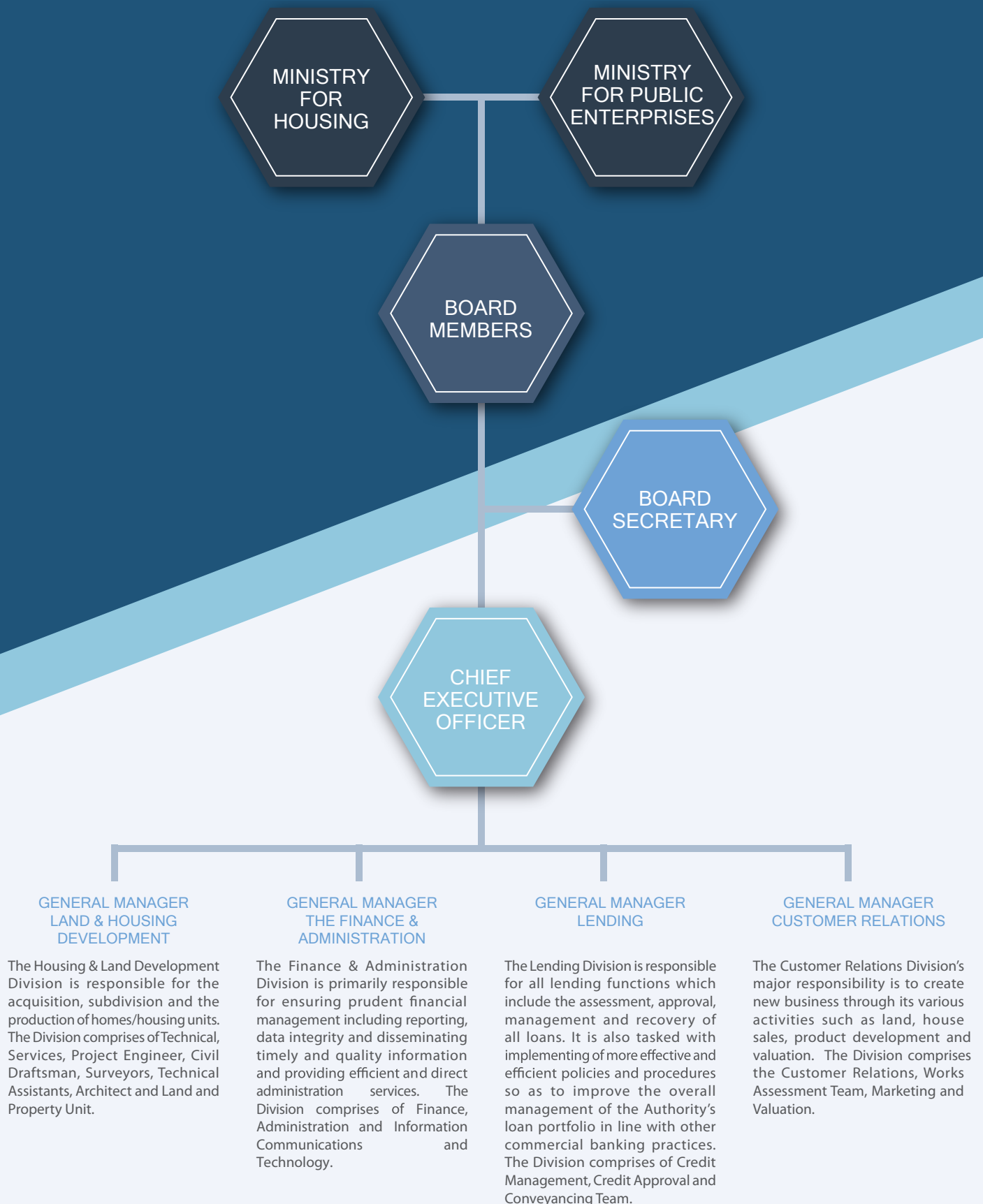
Headquarters : Valelevu
Branches : Labasa
 : Lautoka



EMPLOYEES

Total : 186

ORGANISATION STRUCTURE



MANAGEMENT COMMITTEE REPORT



ISIKELI NAVUDA
GENERAL MANAGER HOUSING &
DEVELOPMENT



POASA VEREVAKABAU
GENERAL MANAGER FINANCE &
ADMINISTRATION



ILIESA RAKASETA
MANAGER TECHNICAL SERVICES

The year 2018 was a period of significant change bringing both challenges and opportunities. With the appointment of a Management Committee comprising of two General Managers and one Senior Manager, to carry out the functions of the office of the Chief Executive Officer. In addition, despite improved delivery in recent years, it is also clear there are several areas of the Authority that needs to be strengthened. That is why, it has set out long term priorities, on which everyone in the organisation is focused: Innovation, Performance and Trust. These priorities will allow us to respond more effectively to our operating environment.

Financial Performance Highlights

	2018	2017
Operating Surplus (\$m)	1.85	1.70
Return on Equity (ROE) (%)	3.29	3.10
Total Operating Expenses (\$m)	12.01	11.02
Interest Income (\$m)	6.40	7.40
Interest Expenses (\$m)	3.33	4.48
Total Performing Loans (\$m)	82.06	83.32

- An operating surplus of \$1.85 million against a budget of \$3.02 million was achieved for the year.
- Return on Equity achieved was 3.29 percent against target of 4.80 percent.
- Interest income decreased by \$1 million from \$7.40 million in 2017 to \$6.40 million in 2018.
- Interest expenses reduced by \$1.15 million from \$4.48 million in 2017 to \$3.33 million in 2018.

Sustainable Development Goals

Housing Authority aligns itself to Goal 11 of the Sustainable Development Goals (SDGs) with the global aim "Sustainable Cities and Communities – Make cities and human settlements inclusive, safe, resilient and sustainable." By 2030, Fiji along with other countries must ensure that all citizens have access to adequate, safe and affordable housing and basic services.

By choosing to act sustainably, the Authority is committed to build communities where citizens live a decent quality of life and creating shared prosperity and social stability is paramount. The development and construction of our housing projects provide this opportunity to alleviate shortage of adequate housing and rapid urbanisation challenges.

General Insurance Services

In 2018, the Authority continued to provide its customers insurance covers for their mortgage debts and/or properties under respective available Group Schemes. This arrangement once again enabled more than 2,000 customers to enjoy comprehensive insurance coverage and affordable premium rates.

There were three major insurance covers provided for our customers and/or their properties. These covers were placed through Brokers, Marsh Pte Ltd and the breakdown of covers are as follows:

1. Mortgage Protection & Debtors Medical Insurance;
2. House (Fire) Insurance; and
3. Contractors All Risks/Construction Insurance cover during construction.

The Mortgage Protection Insurance Policy covered exposures arising after death and/or total permanent disablement of our customers. This cover was placed with FijiCare Insurance Ltd and 34 customers benefitted under this policy by having their mortgage debt paid-off with a total sum of approximately

\$860,000. This sum was inclusive of an additional benefit of \$2,500 that was paid as funeral expenses for death claims which benefitted 25 families.

Under Debtors Medical Insurance Policy, which covers our insured customers for treatment of cardiac and cancer conditions, five customers were treated at a cost of approximately \$25,000.

Two of our customers whose properties were damaged by fire and water seepage had their properties reinstated at a cost of approximately \$121,000 under the House (Fire) Insurance Policy provided through New India Assurance Co. Ltd. In addition, New India Assurance Co. Ltd also settled a claim of \$1,046 under Contractors All Risks Policy.

We are fully committed to look for new initiatives for better insurance policies in terms of its coverage and premium rates to make home ownership affordable and beneficial to our valued customers.

Staff

Human Resource (HR) management during the year was challenging across the employment sector. The Authority adopted strategies to minimise negative impacts on its workforce ensuring job security.

DIVISION - DECEMBER 2018	# OF STAFF (FULL TIME)	CONTRACT STAFF	PROJECT OFFICERS	PERMANENT WAGE EARNERS	TEMPORARY STAFF	TOTAL
Management		9		-		9
Engineer		3		-		3
CEO	5	2	4	-	-	11
CR	20	20	10	-	1	51
LHDD	5	21	2	4	12	44
FINANCE & ADMIN	9	15	2	3	2	31
LENDING	23	11	3	-	-	37
TOTAL	62	81	21	7	15	186

During the year the Authority recruited a total number of 13 employees and these ranged from Engineers, Finance professionals, Customer Service representatives and Managers. Simultaneously it was also faced with the inevitable that it would also lose quality staff to other employers, retirement and untimely sickness and even deaths totaling 17 employees. Proactive measures were taken to ensure that work is not affected due to staff turnover.

Job Evaluation Exercise

In 2018, the Authority started to collect data necessary to conduct a Job Evaluation Exercise and engaged the services of an independent consultant, PricewaterhouseCoopers. The exercise needed the participation and contribution of all parties involved so as to ensure that an agreement was reached that would be beneficial to both the employees and the Authority.

Occupational Health & Safety (OHS)

Addressing day to day OHS issues is always a concern that the Authority tries to ensure to keep at a minimal level and staff are always reminded to take heed of safety measures when one is conducting official Housing Authority business.

Training

Continued systematic training conducted was based on the 2018 Training Plan and also on the results of the Training Needs Analysis that was incorporated in the 2017 performance appraisal forms completed by individual staff. The Authority facilitated a total of 31 workshops which was attended by 134 staff. Out of the 31 training sessions, 10 workshops were conducted inhouse and the balance were carried out by external trainers. 14 of the training sessions were specifically for Management. These ranged from strategic workshops to awareness training, to more specialised training that targeted key personnel such as engineers, surveyors, strategists, accountants and human resource specialists including the legal counsel. As part of its succession planning initiative, the Authority will continue to assist its staff with further capacity building opportunities.

Legal Services

The Legal Counsel Department provides in-house legal advice, guidance and support to all Housing Authority Operations. It ensures that the Authority's operations are legally in compliance with the Housing Act, Consumer Credit Act, Land Transfer Act, Property Law Act, Land Sales Act, Town and Country Planning Act, Employment Relations Act, Stamp Duties Act, Succession, Probate and Administration Act, Subdivision of Land Act, Surveyors Act, Public Enterprises Act and Reserve Bank of Fiji Act amongst other legal and compliance regulations. Other responsibilities of the Department include overseeing litigation (cases for and cases against Authority). The Legal Counsel also holds the position of Secretary of the Housing Authority under the Housing Act.

Public Relations

Housing Authority continued to proactively engage with the media in order to provide a positive corporate profile. Communication activities included media releases, radio talk back shows in English, Hindi and iTaukei to generate discussion on its housing projects as well as to address frequently asked questions of our customer relations procedures and the home loan processes, including enhancing awareness of HA's policies and procedures.

Looking Forward

As we look toward to 2019 and beyond, we will continue to strive to ensure that Fijians have access to decent, affordable and quality housing for their families as provided for under section 35 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.

GENERAL MANAGER LAND & HOUSING DEVELOPMENT'S REPORT



ISIKELI NAVUDA
GENERAL MANAGER HOUSING
& DEVELOPMENT

2018 was a critical year for the Land & Housing Development Division having set the platform for shaping current and future development projects for the organisation.

The Land & Housing Development (LHD) Division is responsible for meeting one of the main objectives of Housing Authority which is to develop and provide serviced lots and houses for the people of Fiji with special focus on the low income segment of the population. To achieve this, the different departments have specific allocated roles to play in order to realise this core function. These are programmed and coordinated with each other internally as well as with external stakeholders to ensure production and delivery is consistent to meet customer demand.

Projects

The Project Management Team is tasked with the construction and supervision of projects after due diligence and detailed review. For 2018, the Authority carried out the following projects.

Project Site	Commencement Date	Practical Completion Date
Nepani	June 2016	15 August 2018
Tavakubu	November 2017	28 June 2023
Davuilevu	December 2017	31 December 2021
Tavua	February 2018	28 July 2021

Continuous Consultation

There was continuous close consultation with stakeholders to allow for a smooth transition from construction to handing over of infrastructure. The Authority is working with stakeholders on the implementation of changes and improvements for new subdivisions at Veikoba and Nabaramai.

Land & Property Services

The Land & Property Services Department (LPS) is responsible for the acquisition of viable undeveloped land parcels for a housing development and the overall management and maintenance of the Authority's properties and estates.

In fulfilling the Authority's corporate objective of acquiring sufficient land to meet development commitments annually, the LPS team advertised an Expression of interest (EOI) for potential land owners who want to offer land to the Authority. Responses by way of personal representations and written offers were assessed by the team in consultation with in-house engineers to confirm the suitability of the development for housing purposes.

Land offers varied depending on the land sizes and location. The Team had to evaluate major considerations that determine if more detailed assessment is warranted including proximity to major urban centers, availability of key infrastructure like road, water, sewerage, electricity and telecommunications.

Engineering & Technical Services

During 2018, the Engineering and Technical Team implements the following:

- New changes including the redesign of Davuilevu and Koronisalusalu scheme from 220 square meters minimum area to 400 square meters
- New scheme for Veikoba was done by the LHD Technical Team – 540 lots
- Approval of Tavakubu and Davuilevu peripheral survey and Scheme;
- Topographical survey for Tavakubu and Davuilevu.



Work in progress at Davuilevu site.

Ongoing Projects

Koronisalusalu, Tavua Project

The ground breaking and commencement of the project was launched on 24th November 2017 with completion due in June 2021. It has a forecasted lot yield of about 119 lots.

Tavakubu, Lautoka Project

HA had adopted the new Design and Build Contract for Tavakubu whereby the Contractor designs and constructs all Civil Works onsite with the engagement of its own consultants. This is complimented by a dedicated two person team who are onsite to monitor and ensure proper coordination with stakeholders of the site.

Redesign of Lot Sizes

Due to changes in product specification requirements, HA had to undertake major changes in scheme and engineering design to facilitate the change from the minimum size of lots from 220m² to 400m² in lot size for Davuilevu and Tavakubu Subdivision. This resulted in bigger lots for our customers while at the same time lot yield from the two subdivisions were reduced.

Training

Most training programmes provided are Housing Authority tailored for specific focused training to up skill staff. The Technical Training is designed to attract geometrician's, surveyors, engineers and supporting professionals to come together and meet, to be introduced to new technology, network with professionals working in similar environments and to hear from research professional pushing the frontiers of global positioning. This is the latest ground breaking survey technology which HA can look forward to, in addition the learning experience for Mr Mosese Vatubuli was exposed to latest technology in surveying specifically through leadership training. As a result the learnings and outcomes achieved that employees were able to educate other staff and share the information.

Developments

To extend the option of providing Housing Alternatives, HA explored the possibility of reputable companies that could build houses on completed developments. In exploring this option, it was important that houses built were decent, affordable and complies with the required building codes. To show case this product this 2 x 2 bedrooms and 2 x 3 bedrooms homes were constructed on four lots at Tacirua and Matavolivoli subdivision to act as model homes for customers interested in these designs by Rhodes and Metframe.

Commissioning

Ground breaking for Koronisalusalu, Tavua was undertaken in February 2018 when civil infrastructure works commenced onsite for Phase 1. This development is in anticipation of housing demand indicated from the general public including Emperor Gold Mine and Fiji Water Ltd.

Working with Community

HA's commitments include the maintenance of strata estates and cleaning and upkeep of compounds. In total, there are five Estates managed by the Maintenance Team, comprising 21 buildings and 210 Strata Units at Edenville in Suva, Cakau, Vesida, Rogi, Saqali in Nasinu.

Strategy and Way Forward

The Land Development team is focused on the management and supervision of the development sites that have commenced. Good Project Management is key to ensure that projects are completed on time and within approved budget. This is critical for the production of lots tailor made for the low income segment of the market. In anticipation for the future, a lot of focus is placed on the acquisition of new raw land and several parcels have been identified for securing of long term development leases. These land parcels form part of the five year Development Plan of the Authority for the immediate future.



ISIKELI NAVUDA

GENERAL MANAGER LAND & HOUSING DEVELOPMENT



Garlanding of the chief guests at the Groundbreaking ceremony in Koronisalusalu subdivision.

GENERAL MANAGER FINANCE & ADMINISTRATION'S REPORT



POASA VEREVAKABAU
GENERAL MANAGER FINANCE
& ADMINISTRATION

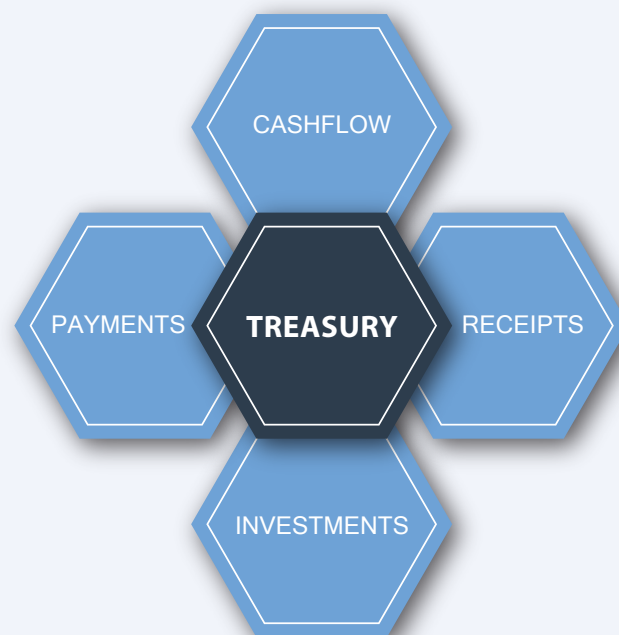
The mission of the Housing Authority remains clear and critical — to deliver high-quality, innovative housing solutions that enhance the quality of life and foster strong, sustainable communities. Achieving this requires not only the right funding and cost structures but also robust financial and administrative systems that enable the organization to stay focused on its core objectives.

In 2018, the Finance and Administration Division played a pivotal role in supporting the Authority's operations by ensuring the efficient delivery of financial and administrative services. Our work underpins the Authority's ability to meet its strategic goals by maintaining compliance with corporate, legal, statutory, taxation, and other regulatory requirements. We operate as a cohesive team, committed to providing accurate, timely, and impartial information and services that are consistent and aligned with the Authority's overarching mission. Our focus on excellence and accountability continues to strengthen the organization's operational foundation and contribute meaningfully to its long-term success.

The Finance & Administration Division has three departments: Finance, Administration and ICT. The Division employs a total of 31 staff with four based at Lautoka (4), ICT (4), Administration (10), Finance (11) and Project Officers (2).

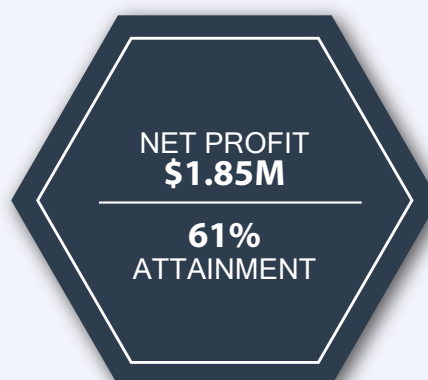
Finance Department

The Finance Team is responsible for financial planning, budgeting, procurement, financial reporting, accounting and taxation. The primary roles and responsibilities of the two sections within the Finance Department are highlighted below.



Housing Authority's Performance

The financial performance of HA in 2018 remained sound, operating within its Budget appropriation. For 2018, net profit of \$1.85 million was realised against a projected profit of \$3.03 million, a 61 percent attainment. The Authority's profit was achieved mainly through increased net interest income due to a reduction in interest expenses and an increase in other operating income compared to 2017.



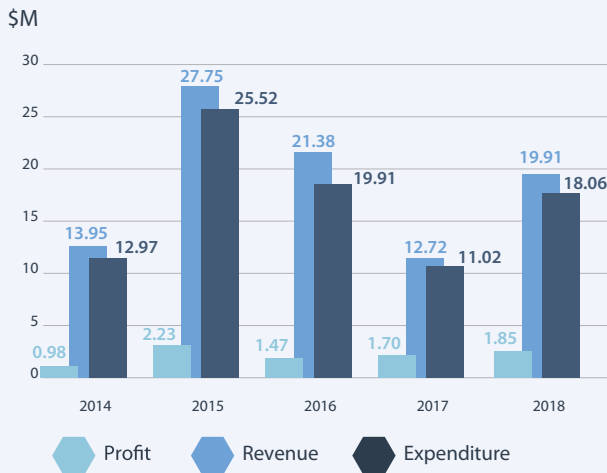
Revenue

There was an increase of 56 percent in gross revenue to \$19.9 million for 2018 compared to 2017 mainly due to an increase in sales revenue from sale of lots.

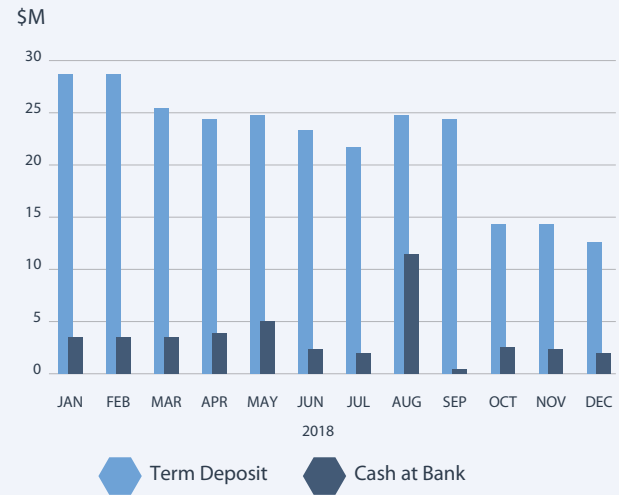
Furthermore, an increase in the net interest income of 10 percent to \$3.2 million was recorded due to a reduction in interest expense after early redemption on bonds.

An increase in other operating income to \$16.7 million was noted in 2018 by 70 percent for fees & charges, transfer of savings from Matavolivolvi and unrealised gains on credit exposure on Exim Bank loan amount.

Profit, Revenue & Expenditure



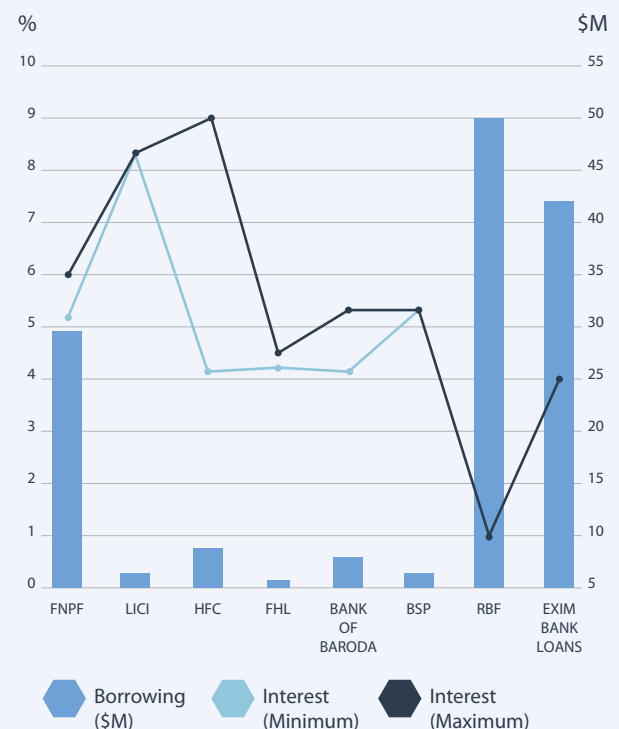
Cash Management



Borrowing Portfolio

The borrowing portfolio for the Authority stood at \$101.77 million in 2018 compared to \$100.96 million in 2017, a marginal increase of 1 percent. About \$29.33 million was borrowed in 2018 of which \$14.33 million was obtained under the RBF Housing Facility Loan to assist low income earners and \$15 million was borrowed locally by issue of bonds. Borrowing portfolio has been well managed and as a result, our borrowing portfolio is maintained at a minimum while Interest Expense reduced compared to the past years.

Borrowing Portfolio



Expenditure

The efficiency ratio (Operating Expenses/Operating Income) was 91 percent in comparison to 87 percent in 2017. The contributing factor was increases in: provision for doubtful debts increased by 99 percent to align with International Financial Reporting Standard (IFRS 9) and cost of sales for land increased by 215 percent due to an increase in sales compared to 2017.

Our Priority

At the beginning of the 2018 financial year, we set out to explore opportunities to improve efficiencies in construction—particularly across all our development projects—with a clear focus on delivering affordable homes, our priority.

We have committed to working more efficiently so that our developments remain financially viable, cost-effective, and of high quality. This approach not only breaks barriers in the housing sector but also reinforces our dedication to ensuring affordable homes for all Fijians.

Our progress has been supported by the adoption of innovative construction methods, materials, and processes. Through collaboration with our stakeholders, the Authority continues to champion smarter, faster, and more cost-efficient ways to build.

By prioritising these strategies, we are directly contributing to increasing Fiji's overall housing stock and making it more affordable—because affordable homes remain our top priority.

It also provides an opportunity for us to partner with the construction industry to find the best ways of achieving delivery at scale.

In addition to increasing our capability to monitor our investment activity, we have been enhancing the information management of construction cost to improve our overall cost savings and cost performance.

Good management of the lifetime costs of our assets is a key driver to being financially sustainable and we have been continually improving over the years.

Team Building

The Division maintains work life balance for staff wellbeing through team bonding activities. Division meetings and celebration of staff birthdays are held throughout the year with ongoing activities that later culminated with a weekend get-away at the Naviti Resort towards the end of the year. The annual event was a good mix of fun activities, group dinner and entertainment organised by the Division's Committee. The team bonding trip included staff from other Divisions and family members. We recognise the importance of work life balance and team building which leads to productivity, reduces stress and creates stronger relationships. The Division is grateful to the support and participation of staff and family during team building activities.



Staff and Family at Naviti Resort.



Work life balance is important for any organisation especially at HA.



Team bonding fun night at Naviti Resort.

POASA VEREVAKABAU

GENERAL MANAGER FINANCE & ADMINISTRATION



MACIU KATAMOTU
ACTING GENERAL MANAGER
LENDING

The total mortgage portfolio at the end of the year was \$89.62 million compared to \$91.28 million in 2017. The performing portfolio reduced due to settlement and refinancing of loans to commercial banks.

The Lending Division is responsible for the assessment and approval of all loans granted by the Authority, as well as ensuring that all due diligence processes and security documentation are completed, before disbursement of loan funds. It is also responsible for the management of all loan and ground rent accounts including the recovery process for accounts in arrears. The performance of the Division is largely dependent on the residential lots or fully serviced units made available for sale during the year, in addition to the existing portfolios.

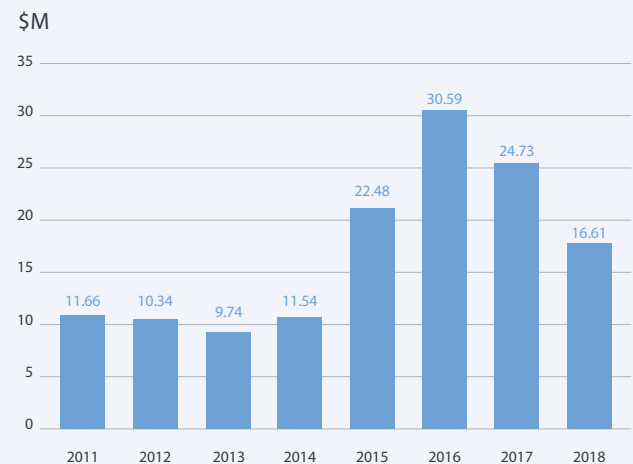
New Loans Approved

The Approvals Department is responsible for carrying out due diligence on loan submissions and approve quality loans to ensure lower probability of default. Security coverage, repayment capacity, equity and commitment by customers being the primary focus in the loan assessments.

Continuous process improvement, coupled with ongoing training, coaching and guidance helped identify problem areas and setbacks. Regular meetings with the Customer Relations Division continue to minimise the number of deferred and declined cases to ensure quality loan assessments.

A total of 438 customers were assisted during the year for home packages inclusive of loans to purchase land from our new Tacirua East and house constructions. This is inclusive of customers who were also granted loans to buy ready-built houses, purchase of vacant land and construction of houses.

Total Loans Approved



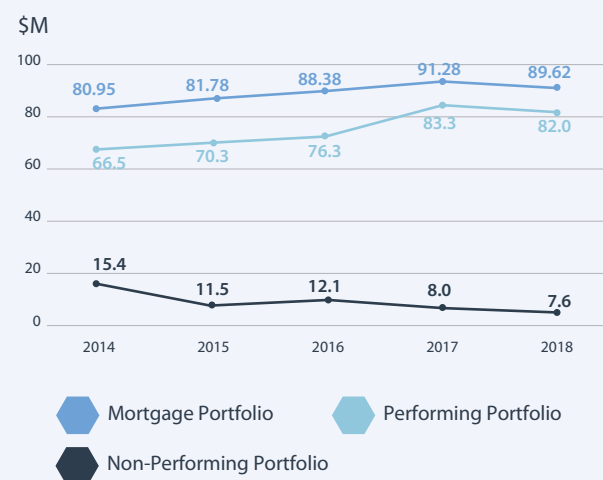
The Reserve Bank Facility

In October 2017, the Authority launched the new Reserve Bank of Fiji housing facility that enabled customers to benefit from low interest rates. Under the facility customers enjoy fixed interest rate of 3.95 percent for five years whose combined income is less than \$30,000. Customers whose combined income is between \$30,000-\$50,000 enjoy an interest rate of 3.95 percent (first year) and 4.20 percent for the next 48 months. A total of 249 customers were assisted with a total loan value of \$10.2 million as at 31st December 2018 for the purchase of lots and construction of houses. The Authority anticipates more customers to utilise the scheme in the next financial year.

Gross Mortgage Portfolio

The total mortgage portfolio at the end of the year was \$89.62 million (2,877 active loan accounts), compared to \$91.28 million (3,112 active loan accounts) in 2017. The decrease in mortgage portfolio is due to settlement and refinance of loans to commercial banks.

Mortgage, Performing and Non-Performing Portfolio



GENERAL MANAGER LENDING'S REPORT

Non-Performing Loans

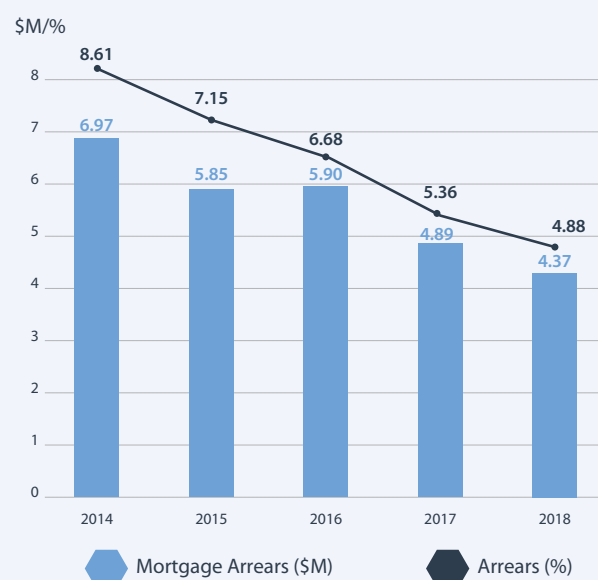
In 2009, the Authority had adopted the Reserve Bank of Fiji's risk grade system of classifying its impaired assets. (IFRS 9 was adopted in 2018 to classify and measure financial assets).

As at 31st December 2018, the non-performing portfolio was \$7.56 million compared to \$7.96 million as at end of December 2017. The performing loan portfolio stood at \$82million of the total portfolio compared to \$83.3million in 2017.

Arrears

Mortgage arrears stood at \$4.37 million or 4.88 percent of the total Mortgage Portfolio as at 31st December 2018 compared to \$4.88 million in 2017 which was 5.36 percent of the total loan portfolio.

Mortgage Arrears



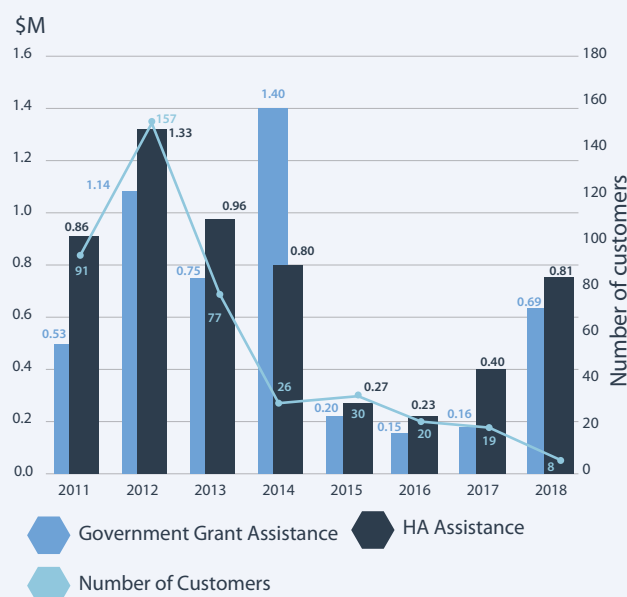
Recovery of Loan Arrears

The Authority continued to pursue debtors who defaulted on their loan repayments. A team of collectors with a set of accounts allocated to them manage performing accounts and also recover arrears from accounts which have defaulted. The Authority provides every opportunity for defaulting customers to resume payment and retain their homes. The Authority continued with its strategy on 'home retention drive' by encouraging defaulting customers and their families to make suitable repayment arrangements to pay their debts and retain their family homes.

Social Housing Policy

The Government approved Social Housing Policy introduced in 2011 was later reviewed to include customers who have paid more than one times the loan amount, on the condition that they are: retired, unemployed and/or are facing financial difficulties to repay their debts.

Social Housing Policy



Conveyancing Services

The Conveyancing team is responsible for conveyancing functions, FNPF housing transfers and registration and safe-keeping of legal documents held by the Authority for security of loans granted to customers. New loans disbursed in 2018 was \$14.3 million for 457 customers compared to \$21.5 million for 535 customers in 2017.

A total of 409 customers were assisted through the transfer of their FNPF monies during 2018 with total sum of \$5.10 million housing transfer funds received by the Authority compared with \$3.26 million with 346 customers in 2017.

Village Housing Scheme

Financing of home construction in village and rural areas is one of the products the Authority has been providing over the years to extend its services. This was a Government initiative to improve the standard of living in the rural Fijian villages. It will also contribute to their security, resilient to cyclone, happy communities and a better choice for better utilisation of their lease income. Total Village Loan Portfolio stood at \$2.59 million as at 31st December 2018 compared to \$2.90 million as at end of 2017. The Performing and Non-Performing portfolios as at 31st December 2018 stood at \$2.61 million and \$0.45 million respectively. Village scheme recorded arrears of \$391,274. The total number of portfolio, reports 26 Village Housing Schemes.

Ground Rent Portfolio

The Ground Rent portfolio as at 31st December 2018 was \$2.34 million compared to \$2.20 million at the end of 2017. A team of Collectors are assigned to review each account and take arrears recovery actions to collect these dues.

Stakeholders

The commitment to public collaboration and stakeholder engagement is inherent in our strategic ambitions, most notably in our ambitions to thrive through the transition and sustain a strong societal leadership to operate.

Understanding the views and interests of our key stakeholders is important to the management that have taken steps to consider stakeholders' views in discussions and decision-making, so that every query is acknowledged and received.

Significant levels of engagement are undertaken by the broader business ahead of many of the Authority's projects or activities. This engagement is governed by approved policies, control frameworks, regulation, legislation and may differ by region.

The Division will continue its collaboration with Government stakeholders and meetings with FNPF, other landlords including iTaukei Land Trust Board, Methodist Church of Fiji and Lands Department and contribute effectively in making housing affordable to the lower income bracket. It will continue to refine work processes and reduce turnaround times to ultimately improve its service delivery to all our valued customers.

MACIU KATAMOTU
GENERAL MANAGER LENDING



Valuation Team



Matavolivoli completed home 2018



Lending Team

GENERAL MANAGER CUSTOMER RELATION'S REPORT



LEONARD KWANSING
GENERAL MANAGER CUSTOMER
RELATIONS

In 2018 a total of 112 families were assisted by Government through the Housing Assistance Grant totaling \$1,035,000.

Primary Function

The principal function of the Customer Relations Division is to cultivate a culture of providing customer satisfaction and delight through the prompt delivery of the Authority's services. These services include the provision of affordable home loan package, land & house sales, loan assessment & processing, Housing Assistance Grant (HAG) processing, valuation services, construction management services, marketing & corporate branding. The dream of owning a home will become a reality for 90 families whose construction loan totaling about \$7.62 million was approved in 2018. The competitive home loan provided by the Authority coupled with the Housing Assistance Grant from Government proved as a great stimulus to encourage land only customers to construct their houses.

Residential Home Loan

In the Authority's efforts to make housing more affordable, it has continued to provide competitive home loan packages to its customers. The Authority's variable home loan rate has continued on its downward trend since 2000. The reduction of variable interest rate is in line with the Authority's strategy to ensure the provision of affordable housing products to its target market of low to middle income earners. The Authority as a major landlord in the country, is taking a deliberate, customer focused approach, placing the customer and the customer's needs at the centre of what we do.

The table presents the different loan products from 2014

YEAR	PRODUCT	FIXED RATES	VARIABLE RATE
2014	Toso Mai Dua (TM1) Income Below \$25k per annum	3.95% (1 yr) 4.95% (4 yrs)	7.50%
	Toso Mai Rua (TM2) Income Below \$50k > \$25k per annum	3.95% (1 yr)	7.50%
2015	Toso Mai Dua (TM1) Income Below \$25k per annum	3.95% (1 yr) 4.95% (4 yrs)	7.50%
	Toso Mai Rua (TM2) Income Below \$50k > \$25k per annum	3.95% (1 yr)	7.50%
2016	Toso Mai Dua (TM1) Income Below \$25k per annum	3.95% (1 yr) 4.95% (4 yrs)	7.50%
	Toso Mai Rua (TM2) Income Below \$50k > \$25k per annum	3.95 (1 Yr)	7.50%
2017	Toso Mai Dua (TM1) Income Below \$25k per annum	3.95% (1 yr) 4.95% (4 yrs)	7.50%
	Toso Mai Rua (TM2) Income Below \$50k > \$25k per annum	3.95% (1yr)	7.50%
	Toso Mai Va (TM4)	4.75% (1 yr)	7.50%
	Desired Home Loan Package	3.95% (1 yr) 4.20% (4 yrs)	6.99%
2018	Desired Home Loan Package	3.95% (1 yr) 4.20% (4 yrs)	6.99%

Marketing

In support of the Authority's ongoing commitment to its vision of "Helping Fijians Own Affordable Homes", the Marketing Department continued to promote the products and services offered by the Authority through direct marketing presentation, participation in road shows, radio talk-back shows, display booths in festivals, advertising in newspapers, HA webpage, social media and press releases.

The Department also manages logistics pertaining to the allocation and sale of residential stock properties, and maintaining database records pertaining to the demand for housing and customer preferences. It also contributes to the Authority's website updates and addressing social media enquiries including customer complaints.

Works Assessment Team

We focus on delivering well-designed homes in places where they are needed, and aim to meet not only our current tenants' needs but the needs of future tenants. The work we already have well underway is making better use of our land to build more housing, including affordable homes, and will gain even greater intensity and impetus in Fiji under our attractive packages. The team ensures the compliance of contractors to the approved plans submitted by customers, and supervises the release of loan funds as payment for contractors upon completion of each phase of works. Delivering more home building, acquiring and redeveloping homes is a major part of the team's support function, we look to move people from transitional housing into more sustainable housing to give them the security and foundation they need to improve their well-being in a safe environment.

Housing Assistance Grant

The number of customers assisted through Government's HAG initiative continue to increase. It has been an attractive incentive in encouraging first time homeowners to purchase land and build. 112 customers received HAG from Government totaling \$1.035 million to either construct or buy their first home.

2014 HAG
APPROVED \$655,000
71 CUSTOMERS ASSISTED

2015 HAG
APPROVED \$785,000
97 CUSTOMERS ASSISTED

2016 HAG
APPROVED \$1,325,000
137 CUSTOMERS ASSISTED

2017 HAG
APPROVED \$1,780,000
196 CUSTOMERS ASSISTED

2018 HAG
APPROVED \$1,035,000
112 CUSTOMERS ASSISTED

The work we do supports individuals and families with housing needs to improve their well-being. Our products and services are recognised by our customers as it has made them safe and secure in their own homes.

Building Communities

Building communities is one of the Authority's great achievement. Since the Authority's establishment in 1955, it has continued on its path to "House the Nation" through the development and sale of fully serviced residential lots. The Authority's vision of "Helping Fijians Own Affordable Homes" is what drives the Authority to be a major player in building communities and at the same time alleviate the housing needs, security and social status of families who have purchased properties from the Authority. In 2018, a total of 231 residential lots were sold. 179 lots were sold at Matavolivoli, 51 lots at Tacirua and one lot in Wainibuku.

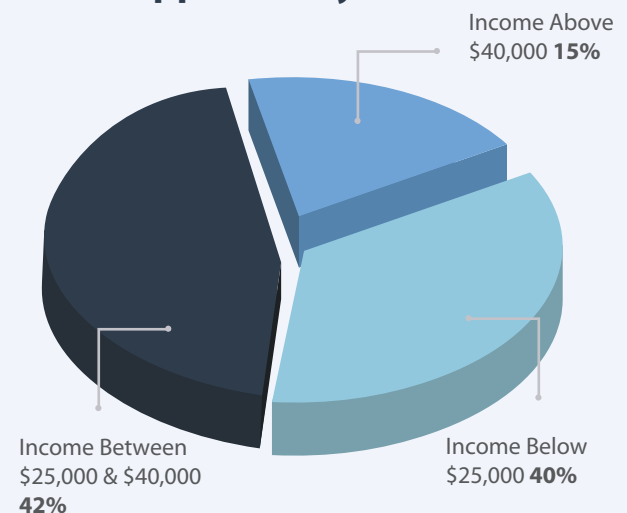
Loans Approved

Loan Type	Number	\$
New House Constructions	90	7,616,041
Stock Sale	231	4,817,071
Walkin Finance	117	3,849,743
Total	438	17,962,552

Of the 438 loans approved in 2018, 175 (40%) were approved to customers with annual income below \$25,000, 184 (42%) to customers with annual income between \$25,000 & \$40,000, 66 (15%) customers with annual income above \$40,000 and about 13 (3%) customers were approved by Minister above \$50,000.

Income Range (\$)	Loans Approved to Customers	%
Below 25,000	175	40
Between 25,000-40,000	184	42
Between 40,000-50,000	66	15
Above 50,000	13	3
	438	100

Loans Approved by Income



Valuation

In 2018, the Authority continued to provide valuation services to its customers primarily for loan and mortgage security purpose. This value adding service provides convenience to the Authority's customers by avoiding the hassle and time constraints of engaging private valuation companies. The other services provided by the Valuation team includes sales analysis, land acquisition and subdivisional valuation. There were about 596 valuations carried out for the year.

GENERAL MANAGER CUSTOMER RELATION'S REPORT

Valuation Purpose	Request
Purchase	94
Construction	172
FNPF Report	105
Purchase & Repairs	27
Completed Construction	27
Valuation Report	41
Ground Rent	130
Total	596

Construction of Residential Homes

The construction of new residential homes in various housing subdivisions is a major contribution to building communities. All residential lots sold by the Authority are sold as a land & house package. This sale package requires the buyers to purchase the land and construct a residential dwelling within six months from purchase. The Authority has a dedicated Work Assessment team whose primary role is to facilitate the construction process by assisting customers in estimating building construction costs and progressive disbursement of construction funds.



LEONARD KWANSING
GENERAL MANAGER CUSTOMER RELATIONS



HA ensures that we continue to provide quality services for our customers.



Members of the Executive Management team at one of their visits to the Tavakubu Subdivision site.



Customer Services staff team bonding at Drevula Heights in 2018.



Matavolivoli completed home 2018.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



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HOUSING AUTHORITY OF FIJI

MEMBERS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

Members' Report

In accordance with a resolution of the Board Members, the directors herewith submit the statement of financial position of the Housing Authority of Fiji ("the Authority") as at 31 December 2018, the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended on that date and report as follows:

Members'

The directors of the Authority during the year were:

Members'	Appointed	Reappointment	Reappointment	Serve Until
Mr Umarji Musa - Acting Chairperson	24 February 2015	23 December 2018		3 May 2019
Mr Nesbitt Hazelman	24 February 2015	23 December 2018		3 May 2020
Mr Nesbitt Hazelman - Chairperson			4 May 2019	3 May 2020
Mr Roveen Permal	24 February 2015	23 December 2018	4 May 2019	6 September 2020
Mr Craig Strong	24 February 2015	23 December 2018	4 May 2019	3 May 2020
Mr Mohit Kumar Raj	4 May 2019	4 May 2020		3 May 2023
Ms Anabel Ali	4 May 2019	4 May 2020		3 May 2023
Ms Lorraine Seeto - Chairperson	3 June 2020			2 June 2023
Ms Senikavika Jiuta	3 June 2020			2 June 2023

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 2018 and the accompanying statement of comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results of the Authority, its changes in equity 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:

	2018 (\$'000)	2017 (\$'000)
Net profit before income tax	1,850	1,701
Income tax expense	-	-
Net profit for the year	1,850	1,701

Dividends

The directors recommend that no amounts be paid by way of dividends for the year ended 31 December 2018 (2017: \$Nil).

Reserves

The directors recommend that no transfer be made to or from reserves except for movements required under International Financial Reporting Standards.

Basis of Accounting - Going Concern

Notwithstanding recent novel coronavirus (COVID-19) global outbreak and significant economic uncertainties resulting there from, the financial statements of the Authority have been prepared on a going concern basis. We consider the application of the going concern principle to be appropriate in the preparation of these financial statements as we believe that the Authority has adequate funds to meet its liabilities as and when they fall due over the next twelve months. Accordingly, directors believe that the classification and carrying amounts of the assets and liabilities as stated in the financial statements to be appropriate.

HOUSING AUTHORITY OF FIJI DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

Events subsequent to balance date

The novel coronavirus (COVID-19) global outbreak developed subsequent to year end presents a significant challenge for Fiji and many countries including main trading partners of Fiji. The impact of COVID-19 outbreak on public life and the economy in Fiji and globally is expected to affect the overall operations of the Authority including its liquidity and cash flows for the 2020 financial year. The Authority do foresee certain level of impact on the planned business growth, revenue and profitability depending on how long the situation continues. The Authority continues to monitor and assess its business operations progressively, and will undertake actions as appropriate.

In connection with the COVID-19 global outbreak, the Authority has implemented precautionary measures, protocols and arrangements to minimise the disruptions to its day to day operations and continue with its business as usual.

Furthermore, effective from April 2020, the Authority has provided customer relief package with respect to COVID-19 such as loan repayment holiday for three months and extension of loan term for a period of up to six months, interest only repayment for three months and extending the term of their loans and reducing the amount of each payment with no restructuring fees charged for a period of up to six months.

At this stage, the financial statements do not reflect uncertain financial implications, if any, arising in future from this situation.

Apart from the above, no matters or circumstances have arisen since the end of the financial year which would require adjustments to, or disclosure in the financial statements.

Bad debts and allowance for impairment loss

Prior to the completion of the Authority's financial statements, the directors took reasonable steps to ascertain that action had been taken in relation to writing off of bad debts and the making of allowance for impairment loss. In the opinion of directors, adequate allowance has been made for impairment loss. As at the date of this report, the directors are not aware of any circumstances, which would render the amount written off for bad debts, or the allowance for impairment loss in the Authority, inadequate to any substantial extent.

Current and non-current assets

Prior to the completion of the financial statements of the Authority, the directors took reasonable steps to ascertain whether any current and non-current assets were unlikely to realise in the ordinary course of operations their values as shown in the accounting records of the Authority. Where necessary, these assets have been written down or adequate allowance has been made to bring the values of such assets to an amount that they might be expected to realise.

As at the date of this report, the directors are not aware of any circumstances, which would render the values attributed to current and non-current assets in the Authority's financial statements misleading.

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.

Risk

Cash inflow from mortgage repayment to cover administration cost and capital recovery is the backbone of the organisation. Management have provided assistance to 300 customers reducing monthly collection by \$167,000.00. The balance of the 2,200 customers have continued with repayment as schedule supporting cash inflow. However the prolong pandemic and its impact depends on the economic activity and opening of borders to support economic activity.

The sales of lots is the second business driver posting 25% mark up while 10% is allocated to cover sales administration cost. The past trend indicates sale of 400 lots per annum. The current development nearing completion is currently reserved for International Finance Corporation (IFC) to review financing model that is affordable. The review and feasibility studies is expected to delay sale of lots further affecting sales target, income streams, cashflow conversion cycle constraining borrowing capacity and timely delivery of future land development capital projects.

Government assistance directed to customers through the home assistance grant (HAG) while the business operation covers its expenditures through income generated from its business drivers and operation is sustained without operation grant from Government.

The borrowing capacity to fund future projects is achievable with Government commitment with government guarantee in place plus high liquidity recorded by Reserve Bank of Fiji (RBF).

HOUSING AUTHORITY OF FIJI DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

Outlook

The Board have revised its strategy to review its cost structure and organisation structure including the merger between Housing Authority & Public Rental Board (PBR) creating a lean structure that is resilient supporting government's mandate and focusing on business continuity during this critical juncture.

The work in progress (WIP) reports inventory worth \$84.34 million as at December 2020 projecting sale of lots or housing package in the next two to three years fulfilling its obligations to creditors and continue with new development.

The Board have also approved new capital projects commencing from 2021 while discussion are underway to acquire more parcel of land to cope up with the public demand.

Mortgage Financing and affordability remains a challenge underpin by the continued support from RBF with the RBF housing facility at 1% interest per annum. The total funding approved under this facility is \$100 million accessible by all the banking and credit institution while the Authority have drawn \$57 million and \$22 million approved to 264 applicants which will be drawn progressively in 2021.

The demand of residential lots and repeated enquires from the public provides positive outlook as going concern to respond to the demand. While the Authority sales price is always far below the real estate price points, the Board is positive to work within its projection to recover the development cost and proceed with new developments on the drawing board.

While reviewing trajectory and demand in the market we conclude that concluding 'whilst uncertain, we do not believe, however, that the impact of the COVID-19 virus would have a material adverse effect on our financial condition and liquidity'

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 financial 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 period 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 Board of Directors.

Dated at Suva this 12 day of May 2021.



Chairperson



Member

HOUSING AUTHORITY OF FIJI

STATEMENT BY DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2018

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:

- (i) 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 2018;
- (ii) the accompanying statement of changes in equity of the Authority is drawn up so as to give a true and fair view of the changes in equity of the Authority for the year ended 31 December 2018;
- (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 2018;
- (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 2018;
- (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.

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 Board of Directors.

Dated at Suva this 12 day of May 2021.



Chairperson



Member

OFFICE OF THE AUDITOR GENERAL

Promoting Public Sector Accountability and Sustainability through our Audits



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HOUSING AUTHORITY OF FIJI INDEPENDENT AUDITORS REPORT

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of Housing Authority of Fiji (the Authority), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting standards (IFRS).

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISA). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Authority in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Fiji and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Attention is drawn to Note 24 of the financial report which notes the novel coronavirus (COVID-19) global pandemic subsequent to 31 December 2018 and how this has been considered by the directors in the preparation of the financial report. As set out in Note 24, no adjustments have been made to financial statements as at 31 December 2018 for the impacts of COVID-19. My opinion is not modified in respect of this matter.

Other Matters

- The Authority is governed by a board governed appointed by the Minister under the Housing Act 1955. The Authority does not have formal arrangements to be supervised by the Reserve Bank of Fiji.
- The Chairperson of the Board of Housing Authority of Fiji on 15 July 2020 through a Terms of Reference requested the Auditor-General to conduct a Special Purpose Audit (Special Investigation) on lots allotment and awarding of tender for the various subdivisions since 01 January 2010 to July 2020. The investigation was carried out under the provisions of section 6 (1) (d) of the Audit Act 1969. The outcome of the investigation has been reported to Chairperson of the Board on 30 September 2020.
- The impact on the financial statements from the findings of the investigations based on the terms of reference have not been determined by the Authority nor provide a disclosure on the impact for the year then ended. As a result, I was unable to determine whether any adjustments might have been necessary in respect of the Authority's financials statements that make up the statements of financial position, movement in funds and cash flows.
- The Internal Audit report for the Authority highlighted business management and governance issues for Land & House Development Division has not been fully resolved by the Authority.

Responsibilities of the Management and Directors for the Financial Statements

The Management and Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, CAP 267 of the Housing Act 1955 and the Housing (Amendment) Decree, 1989, and for such internal control as the management and directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the management and directors are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management and directors either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so. The management and directors are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

HOUSING AUTHORITY OF FIJI

INDEPENDENT AUDITORS REPORT

Report on the Audit of the Financial Statements

Auditor's Responsibilities for the Audit of the Financial Statements *continued*

As part of an audit in accordance with ISA, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's and directors' use of the going concern basis of accounting arid, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the management and directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Housing Act 1955 and the Housing (Amendment) Decree, in my opinion;

- a) proper books of account have been kept by the Authority, sufficient to enable financial statement to be prepared, so far as it appears from my examination of those books,
- b) to the best of my information and according to the explanations given to me, give the information required by the Companies Act 2015, in the manner so required



Ajay Nand Suva, Fiji
Auditor-General



Nasinu, Fiji
06 August 2021

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 (\$'000)	2017 (\$'000)
Interest income	7.1	6,399	7,396
Interest expense	8.1	(3,184)	(4,479)
Net interest income		3,215	2,917
Other operating income	7.2	16,697	9,807
Net operating income		19,912	12,724
Amortisation of intangible assets		112	260
Impairment loss on loans and advances		488	245
Cost of sales - land and houses		9,374	2,978
Depreciation of property, plant and equipment		633	510
Other expenses	8.3	2,706	2,298
Personnel expenses	8.2	4,749	4,732
Total operating expense		18,062	11,023
Net profit before income tax		1,850	1,701
Income tax expense	5 (n)	-	-
Net profit after tax		1,850	1,701
Other comprehensive income			
Revaluation surplus on land and buildings		-	2,954
Total comprehensive income for the year, net of tax		1,850	4,655

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 2018

	2018 (\$'000)	2017 (\$'000)
Accumulated losses		
Balance at the beginning of the year	(7,981)	(9,682)
Impact of adjustment on initial application of IFRS 9	(649)	-
Adjusted balance as at 1 January	(8,630)	(9,682)
Profit for the year	1,850	1,701
Balance at the end of the year	(6,780)	(7,981)
Asset revaluation reserve		
Balance at the beginning of the year	5,203	2,249
Movement during the year	-	2,954
Balance at the end of the year	5,203	5,203
Government contribution		
Balance at the beginning of the year	15,958	15,958
Balance at the end of the year	15,958	15,958
Capital		
Balance at the beginning of the year	41,772	41,772
Balance at the end of the year	41,772	41,772
Total equity	56,153	54,952

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

HOUSING AUTHORITY OF FIJI

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 (\$'000)	2017 (\$'000)
Current Assets			
Cash and cash equivalents	9	2,560	1,823
Held-to-maturity investments	10	17,500	28,400
Loans and advances	11 (a)	10,383	11,373
Inventories	12	59,604	38,404
Other assets	16	4,559	4,986
Total Current Assets		94,606	84,986
Non-Current Assets			
Loans and advances	11 (b)	78,027	78,660
Land held for future development	13	3,247	3,262
Intangible assets	15	216	161
Property, plant and equipment	14	10,213	10,446
Total Non-Current Assets		91,703	92,529
Total Assets		186,309	177,515
Current Liabilities			
Trade and other payables	18	27,817	21,044
Employee benefit liability	20	542	532
Provisions	19	25	25
Debt issued and borrowed funds	17 (a)	7,199	27,845
Total Current Liabilities		35,583	51,463
Non-Current Liabilities			
Debt issued and borrowed funds	17 (b)	94,573	73,117
Total Non-Current Liabilities		94,573	73,112
TOTAL LIABILITIES		130,156	124,580
EQUITY			
Capital	21	41,772	41,772
Accumulated losses		(6,780)	(7,981)
Government grant		15,958	15,958
Asset revaluation reserve	21	5,203	5,203
TOTAL EQUITY		56,153	54,952
TOTAL EQUITY AND LIABILITIES		186,309	177,515

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

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



Chairperson



Director

HOUSING AUTHORITY OF FIJI

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 Inflows/ (Outflows) (\$'000)	2017 Inflows/ (Out- flows) (\$'000)
Operating activities			
Interest received		5,810	7,608
Fees, charges and other income received		4,939	3,575
Proceeds from sale of land and houses		11,075	5,078
Interest and other finance costs paid		(3,683)	(5,253)
Net customer loans issued and repayments received		877	(3,147)
Payments to suppliers for land and houses		(28,300)	(9,843)
Net receipt of government grants		3,821	3,942
Other operating expenses paid		(5,276)	(6,896)
Cash flows from / (used in) operating activities		(10,737)	(4,936)
Investing activities			
Payments for property plant and equipment and intangible assets		(883)	(410)
Payments for property plant and equipment		73	-
Proceed from short term investments		28,400	13,550
Cash flows from investing activities		27,590	13,140
Financing activities			
Net repayment of borrowings		1,384	(8,704)
Cash flows used in financing activities		1,384	(8,704)
Net increase/(decrease) in cash held		18,237	(500)
Cash at the beginning of the financial year		1,823	2,323
Cash at the end of the financial year	9	20,060	1,823

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

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. CORPORATE INFORMATION

The financial statements of Housing Authority of Fiji ("the Authority") for the year ended 31st December 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 12th May 2021. Housing Authority of Fiji is a statutory authority established under the Housing Authority Act and domiciled in the Republic of Fiji.

1.1 Reporting entity

The Housing Authority is a statutory body established under Housing Act (Cap 267) in 1955 with the principal objective to provide housing accommodation to workers in Suva, Lautoka and other prescribed areas. In 1996, the Authority was declared as Commercial Statutory Authority (CSA) under the Public Enterprise Act strengthening accountability and transparency. The corporate vision of the Authority remains the focal business activity during the course of the financial year in "helping Fijians own affordable homes" through:

- Provision of fully serviced lots at affordable price points
- Provision of mortgage financing to purchases lots and home loan construction – concessional interest rates for the first five years.

The Authority's mission is to provide adequate and affordable lots and housing to families with household income of \$50,000.00 and below per annum and are first home buyers. The 5-Year and 20-Year National Development Plan articulates that, the Authority jointly with the Public Rental Board will ensure more land is developed for residential lots and more affordable and accessible housing is provided. (Page 4 - Provision of Affordable Housing).

There was no significant change in the nature of activities of the Authority during the year.

2. FINANCIAL STATEMENTS

a) Basis of preparation of the financial statements

Historical Cost

The financial statements have been prepared on a historical cost basis except for 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 dollars except when otherwise indicated.

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

b) Statement of compliance

The financial statements of Housing Authority of Fiji complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In application of the Authority's accounting policies, which are described in Note 5, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. The critical judgements and assumptions made in applying the accounting policies of the Authority have been disclosed under following notes to the financial statements:

Note 5 (a) - Impairment of financial instruments

Note 5 (e) - Depreciation of property, plant and equipment

Note 5 (m) - Provision for developed lots and unsold properties

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

The following standards, amendments and interpretations to existing standards became applicable for the first time during the accounting period beginning 1 January 2018:

i) International Financial Reporting Standard (IFRS 9) Financial Instruments

IFRS 9 'Financial instrument' introduces a new impairment credit loss model based on expected credit losses (ECL), resulting in the recognition of a loss allowance before the credit loss is incurred. The standard became mandatorily effective for the annual period beginning on or after 1 January 2018. IFRS 9 replaces that risk grading system in compliance with the Reserve Bank of Fiji (RBF) Banking Supervision Policy Statement No: 3 Revised 2009 adopted by the Authority since 2010. The Lend Sphere Lending software was commissioned in 2010 incorporating the risk grading model with the different rule for the five basket label as A to E.

While applying IFRS 9, the Authority is required to consider current conditions and supportable forward- looking information while estimating ECL. The adoption of IFRS 9 with the new credit loss model provided favourable result due to the more conservative risk grading provisioning approach while all loans by the Authority to customers for purchase of lots and house construction are all secured by collateral in compliance with the Lending policy. The Authority adopted and integrated the RBF risk grading model effective from 2010 after commissioning the Lending software system in 2010 while IAS 39 was still under review by the IASB.

Impairment

The impairment requirement apply to financial assets that are carried at amortised cost. IFRS 9 introduces as revised credit loss impairment model which requires the Authority to recognise expected credit losses (ECL) based on forward looking information, replacing the risk grading provisioning model.

Measurements under the provision guideline is structured around the risk grading system classifying the equality of the asset in the five categories while loan with principle and interest is due and unpaid for 3 months (90 days) or more classified as non performing.

RBF - impairment losses on financial assets measured at amortised cost were recognised as general reserve for the credit losses against losses not certain to arise on the performing portfolio but practiced ceased after general reserves was not permitted under the accounting standards. However the risk grading model and measurement criteria remains conservative compared to IFRS 9.

Impairment charges are based on an expected loss model which measures the difference between the current carrying amount and the present value of expected future cash flows taking into account past experience, current conditions and multiple probability-weighted macroeconomics scenarios for reasonably supportable future economic conditions

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
- The determination of the business model within which a financial asset is held

The following table summarizes the impact of transition to IFRS 9 on retained earnings at 1 January 2018

Retained earnings	(\$ '000)
Closing balance under IAS 39 (31 December 2017)	3,458
Expected credit losses under IFRS 9	649
Opening balance under IFRS 9 (1 January 2018)	4,107

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 *continued***Classification of financial assets and financial liabilities on the date of initial application of IFRS 9**

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Authority's financial assets and financial liabilities as at 1 January 2018:

	Notes	Original Classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 (\$'000)	New carrying amount under IFRS 9 (\$'000)
Financial Assets					
Cash and cash equivalents	9	Loans and receivables	Amortised cost	1,823	1,823
Loans and advances	11	Loans and receivables	Amortised cost	90,033	89,384
Other investments	10	Held to maturity	Amortised cost	28,400	28,400
Other assets, excluding payments	16	Loans and receivables	Amortised cost	524	524
Total Financial Assets				120,780	120,131
Financial Liabilities					
Trade and other payables	18	Other Financial liabilities	Other financial liabilities	21,044	21,044
Debt issued and borrowed funds	17	Loans and receivables	Other financial liabilities	100,962	100,962
Total Financial Liabilities				122,006	122,006

The Authority's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 5(a). The application of these policies resulted in the reclassifications set out in the table above and explained below:

- Loans and advances that were classified as loans and receivables under IAS 39 are now classified at amortised cost.
- Debt securities that were previously classified as held-to-maturity are now classified at amortised cost. The Authority intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Impairment

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018:

	IAS 39 carrying amount at 31 December 2017 (\$'000)	Re-Classification (\$'000)	Re-measurement (\$'000)	IFRS 9 carrying amount at 1 January 2018 (\$'000)
Financial Assets				
Amortised Cost				
Cash and cash equivalents	1,823	-	-	-
Brought forward: Loans and receivables	-	-	-	-
Carried forward: Amortised cost	-	-	-	1,823
Loans and advances	90,033	-	-	-
Brought forward: Loans and receivables	-	-	(649)	-
Carried forward: Amortised cost	-	-	-	89,384
Other investments	28,400	-	-	-
Brought forward: Held to maturity	-	-	-	-
Carried forward: Amortised cost	-	-	-	28,400

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 *continued***Impairment** *continued*

The following table reconciles the closing impairment allowance for financial assets in accordance with IAS 39 as at 31 December 2017 to the opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2018.

	IAS 39 carrying amount at 31 December 2017 (\$'000)	Re- Classification (\$'000)	Re- measurement (\$'000)	IFRS 9 carrying amount at 1 January 2018 (\$'000)
Other assets, excluding prepayments	524	-	-	-
Brought forward: Loans and receivables	-	-	-	-
Carried forward: Amortised cost	-	-	-	524
The following table reconciles the closing impairment allowance for financial assets in accordance with IAS 39 as at 31 December 2017 to the opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2018.				
Loans and advances under IAS 39 / financial assets at amortised cost under IFRS 9	3,458	-	649	4,107

ii) IFRS 15 Revenue from Contract with Customers.

IFRS 15 is effective from 1 January 2018 while the Authority's current recognition policy fully reflect the recognition requirements stated in IFRS 15 in recognising revenue when performance obligation is satisfied. The standard requires identification of distinct performance obligations within a contract, and allocation of the transaction price of the contract to those performance obligations. Revenue is then recognised as each performance obligation is satisfied. The standard also provides guidance on whether an entity is acting as a principal or an agent which impacts the presentation of revenue on a gross or net basis. Adopting IFRS 15 have no impact on the revenue recognition structure compared to prior years

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a) Financial Instruments****Financial Asset and Financial Liabilities 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. Loans and receivables are recognised on settlement date, when cash is advanced to the borrowers. Financial assets in the scope of IFRS 9 are classified as either subsequently measured at amortised cost, fair value through other comprehensive income and expense (FVOCI) or fair value through profit and loss (FVPL). The classification depends on the business model for managing the financial assets and its contractual cash flow characteristics. Financial assets are reclassified if the business model for managing those financial assets has changed. Financial liabilities are recognised when an obligation arises.

Classification and Measurement

IFRS 9 introduces criteria for classification and measurement model. The classification and measurement of financial assets categories by the Authority under IFRS 9 remains the same compared to the risk grading model. Under IFRS 9 the classification of financial assets by the Authority is aligned with the definition and criteria of both the business model within which the asset is held and the contractual cash flow characteristics of the asset. The Authority's mortgage portfolio will continue to be measured on amortised cost under IFRS 9 resulting in no impact on the financial statement in respect to classification. There will be no change in the accounting for any financial liabilities.

Financial assets: Reclassifications - Policy applicable from 1 January 2018

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Authority changes its business model for managing financial assets

Financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018*Financial assets at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of comprehensive income. Any gain or loss on recognition is recognised in the statement of comprehensive income.

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

a) Financial Instruments *continued*

Financial assets – Policy applicable before 1 January 2018

The Authority's financial assets comprise of loans and advances and held-to-maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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 is obtained.

After initial measurement, loans and advances are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment loss. 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.

Held-to-Maturity 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.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the asset have ceased when mortgage is discharged through sale or full settlement. Financial liabilities are derecognised when the obligation is discharged through settlement when the loan term matures.

Modifications of financial assets

If the terms of a financial asset are modified, the Authority evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

Policy applicable from 1 January 2018

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in Derecognition of the financial asset. In this case, the Authority recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of comprehensive income. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Authority currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

a) Financial Instruments *continued*

The Authority have not restated the comparatives during the adoption of IFRS 9. The accounting policy applied in 2018 reflects similar classification structure but mechanisms to measure impairment of the assets includes indicators than is more forward looking in correlation to economic trend.

Loans represent mortgage loans advanced to eligible families earning below \$50,000 per annum to facilitate home loans for purchase of residential lots and construction loan to build houses. The product also includes mortgage financing to facilitate purchase of property that is available for sale in the market. Quick repair loans, can only be obtained if the borrower has an existing mortgage loan. These loans are added to the existing mortgage loan balance. For mortgage loans, collateral consisting of the mortgaged properties are obtained.

Loans are financial assets initially recognised at fair value plus directly attributable transaction costs and fees. Loans are subsequently measured at amortised cost using the effective interest rate method where they have contractual cash flows which represent solely payments of principle & interest (SPPI) on the principal balance outstanding and they are held within the business model whose objective is achieved through holding the loans to collect these cash flows. They are presented net of any provisions for ECL.

Loan Product	2018 (\$'000)	2017 (\$'000)
Total Loans	91,963	93,491
Provisions for ECL on loans	(3,553)	(3,458)
Total Net loans	88,410	90,033

i) Measurement

The Authority calculates the provisions for expected credit losses (ECL) based on a three stage approach. ECL are a probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant timeframe. They are determined by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions.

The models use three main components to determine the ECL (as well as the time value of money) including:

- Probability of default (PD): the probability that a counterparty will default;
- Loss given default (LGD): the loss that is expected to arise in the event of a default; and
- Exposure at default (EAD): the estimated outstanding amount of credit exposure at the time of the default.

ii) Model Stages

The three stages are as follows:

Stage 1: 12 months ECL - performing

For financial assets where there has been no significant increase in credit risk since origination a provision for 12 months ECL is recognised.

Stage 2: Lifetime ECL – performing

For financial assets where there has been a significant increase in credit risk since origination but where the asset is still performing a provision for lifetime ECL is recognised. The indicators of a significant increase in credit risk are described on the following page.

Stage 3: Lifetime ECL – non-performing

For financial assets that are non-performing allowance for lifetime ECL is recognised. The Authority periodically reviews these loans along set of Indicators including breach of contract such as a default on interest or principal payments, a borrower experiencing significant financial difficulties or observable economic conditions that correlate to defaults on a group of loans.

Financial assets in stage 3 are those that are in default. A default occurs when the Authority considers that the customer is unlikely to repay its credit obligations on time facing financial difficulties which may significantly increase risk. However the Authority may proceed to recover debt through recourse and the proceed through sale is expected to pay off the debt. This recovery process or recourse complies with the Credit Consumer Act.

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

a) Financial Instruments *continued*

iii) Collective and individual assessment

Financial assets that are in stages 1 and 2 are assessed on a collective basis as are financial assets in these stages are below specified thresholds. Financial assets that are collectively assessed are grouped in pools with similar credit risk characteristics including the customer risk grade.

Those financial assets in stage 3 within the specified thresholds are assessed on an individual basis.

iv) Movement between stages

Assets may move in both directions through the stages of the impairment model. Assets previously in stage 2 may move back to stage 1 if it is no longer considered significant increase in credit risk. Similarly, assets in stage 3 may move back to stage 1 or stage 2 if they are no longer assessed to be non-performing.

Exposure	Days Past Due (DPD)	Gross Carrying Amount \$	Loss Amount \$	Carrying \$
Stage 1	0-29	75,110,494	461,462	74,649,032
Stage 2	30-90	8,764,078	171,715	8,592,363
Stage 3	>91	5,151,381	338,961	4,841,420
Specific		2,937,498	2,581,078	356,420
Total		91,963,451	3,553,216	88,410,235

v) Impairment Losses on Loans & Advances

Policy applicable from 1 January 2018

Forward looking macroeconomic information

The measurement of ECL for each stage and the assessment of significant increase in credit risk consider information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. The estimation of forward looking information is a critical accounting judgement.

Estimation of expected credit losses

The measurement of expected credit losses requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Elements of the ECL models that are considered accounting judgements and estimates include:

- the internal credit grading model that is applied to the financial assets based on historical information which assigns probabilities of default to the group of asset.
- the criteria for assessing if there has been a significant increase in credit risk, hence allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment.

The Authority is required to regularly review the ECL model in the context of actual loss experience and adjust when necessary according to its policy.

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

a) Financial Instruments *continued*

v) Policy applicable from 1 January 2018 *continued*

Estimation of expected credit losses *continued*

Key judgements include when a significant increase in credit risk has occurred and estimation of forward looking macroeconomic information. Other factors which can impact the provision include the borrower's financial situation, the realisable value of collateral, the reliability of customer information and the likely cost and duration of recovering the loan. The macroeconomic scenarios are weighted based on the Authority's best estimate of the relative likelihood of each scenario. The weighting applied to each of the three macroeconomic scenarios takes into account historical frequency, current trends, and forward looking conditions. Where appropriate, adjustments will be made to modelled outcomes to reflect reasonable and supportable information not already incorporated in the models. Judgements can change with time as new information becomes available which could result in changes to the loss allowance for expected credit losses.

Significant increase in credit risk

Determining when a financial asset has experienced a significant increase in credit risk since origination is a critical accounting judgement which is primarily based on changes on external factors and internal customer risk grades since origination of the facility. A change in an internal customer risk grade is based on both quantitative and qualitative factors. The Authority does not rebut the presumption that loans that are 30 days past due have experienced a significant increase in risk but this is used as a backstop rather than the primary indicator.

Policy applicable before 1 January 2018

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.

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 occurs, 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 estimated impairment loss increases or decreases because of an event occurring after the impairment is recognised, the impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If in future, write-off is later recovered, the recovery is credited to the allowance for impairment losses.

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

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

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

a) Financial Instruments *continued*

v) Policy applicable from 1 January 2018 *continued*

Estimation of expected credit losses *continued*

Policy applicable before 1 January 2018 *continued*

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.

b) 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 fulfilment 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 on the statement of comprehensive income.

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 and loss statement 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.

c) 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 which is in compliant with IFRS 15 refer to Note 4(i).

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.

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

d) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three (3) months. For the purposes of the Statement of Cash Flows cash and cash equivalents consist of cash and cash equivalents as defined above.

e) 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 asset's residual values, useful lives and depreciation rates are reviewed, and adjusted if appropriate, at each financial year end.

f) Revaluation of property, plant and equipment

The Authority revalues the buildings and staff houses recorded under property, plant and equipment at least every five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. Revaluations are performed by independent professionally qualified and registered valuers.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value. This is because any difference between fair value and depreciated historical cost is unlikely to be material.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

For other assets, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

g) Land held for future development

Land held for future development represents freehold and leasehold land lots located at various locations and are maintained for future developments. These are subsequently transferred to work in progress as development work commences on these properties where the land held for future development are recorded at cost. The corporate target and strategic direction for the Authority is to produce 500 lots per annum.

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

h) 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 are as follows:

Computer Software	20%
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i) Impairment of non-financial assets

The Authority assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Authority makes an estimate of the asset's recoverable amount. 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 asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value. In determining fair value less costs to sell, an appropriate value model is used.

For 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 asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

j) Provisions

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

k) 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.

l) Debt issued and borrowed funds

Debt issued and borrowed funds relates to loan from EXIM Bank of China for various projects and bonds with various financial institutions and banks. Details of these are provided in note 17.

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 standard.

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

m) Inventories *continued*

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 Grant Liability

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 scheme.

p) Trade and other payables

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

q) Government Grant

This relates to contributions received from the Government in prior years to assist in the operations of the Authority.

r) Comparatives

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

s) 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.

6. New standards, interpretations and amendments not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Authority's accounting periods beginning on or after 1 January 2018 or later periods, but the Authority has not early adopted them.

IFRS 16

Adoption of IFRS 16 will result in the Authority recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Authority does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The directors have decided it will apply the modified retrospective adoption method in IFRS 16, and, therefore, will only recognise leases on balance sheet as at 1 January 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date.

Instead of recognising an operating expense for its operating lease payments, the Authority will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) by the amount of its current operating lease cost.

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

7. INCOME

7.1 Interest Income

Investment Securities
Loans and Advances

2018
(\$'000)

2017
(\$'000)

962
5,437
6,399

1,521
5,875
7,396

7.2 Other operating income

Fees and charges
Rent
Other income
Sale of land and houses

4,215
28
1,379
11,075
16,697

3,935
29
765
5,078
9,807

8. EXPENSES

8.1 Interest Expense

Bonds
Long term Loans

2018
(\$'000)

2017
(\$'000)

2,615
569
3,184

3,420
1,059
4,479

8.2 Personnel Expense

Salaries and wages
Employee entitlements
FNPF contribution
Other

3,418
529
496
306
4,749

3,724
219
488
301
4,732

Total Number of staff at period end

186 **211**

8.3 Other Expense

Auditor's remuneration - audit fees
Amortisation - leasehold land
Repairs and maintenance
Stock write-down
Other expenses

32
17
78
112
2,467
2,706

20
16
69
44
2,149
2,298

9. CASH AND CASH EQUIVALENTS

Cash on hand
Cash at bank
Cash at bank

2018
(\$'000)

2017
(\$'000)

1
2,559
17,500
20,060

1
1,822
-
1,823

(a) Short term deposits with Bred Bank and Bank of South Pacific Limited amounting to \$17.5m are held for a term of three months. Accordingly, these deposits have been considered as cash and cash equivalents for the purpose of the statement of cash flows.

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

10. HELD TO MATURITY INVESTMENTS

Term deposits

Term deposits are placed with financial institutions in Fiji at terms of 3 months to 6 months. The interest rate of these deposits range from 3.00% to 3.50% per annum.

2018 (\$'000)	2017 (\$'000)
17,500	28,400

11. LOANS AND ADVANCES

a) Current Asset

Mortgage Loans

Village Scheme Loan

2018 (\$'000)	2017 (\$'000)
11,332	12,516
610	542
11,942	13,058

Less: Interest and fees suspended

Less: Allowance for impairment losses

1,559	1,685
1,559	1,685
10,383	11,373

b) Non-Current Asset

Mortgage Loans

Village Scheme Loan

78,092	78,001
1,929	2,432
80,021	80,433

Less: Interest and fees suspended

Less: Allowance for impairment losses

1,994	1,773
1,994	1,773
78,027	78,660

Total Loans and Advances

88,410	90,033
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Impairment allowances for loans by class (including movement for interest & fees suspended) is as follows:

	Mortgage/Village Scheme (\$'000)	Interest & Fees Suspended (\$'000)	Total (\$'000)
Balance at 1 January 2018 as per IAS 39	717	2,741	3,458
Adjustment on initial application of IFRS 9	649	-	649
Balance at 1 January 2018 as per IFRS 9	1,366	2,741	4,107
Net re-measurement of loss allowance	488	-	488
Amounts written off	(701)	(341)	(1,042)
At 31 December 2018	1,153	2,400	3,553
Individual Impairment	1,153	2,400	3,553
Collective Impairment	-	-	-
	1,153	2,400	3,553
Gross amount of loans (excluding ground rent amounting to \$2,342, individually determined to be impaired, before deducting any individual or collective assessed impairment allowance).	86,845	2,776	89,621

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

11. LOANS AND ADVANCES *continued*

Impairment allowances for loans by class (excluding movement for interest & suspended fees) is as follows continued:

	Mortgage/Village Scheme (\$'000)	Interest & Fees Suspended (\$'000)	Total (\$'000)
At 1 January 2017	688	8	696
Charge/(utilisation) for the year	270	101	371
Amounts written off	(350)	-	(350)
At 31 December 2017	608	109	717
Individual Impairment	608	109	717
Collective Impairment	-	-	-
	608	109	717
Gross amount of loans, individually determined to be impaired, before deducting any individual or collective assessed impairment allowance.	7,919	435	8,353

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

2018

	Individual Impairment (\$'000)	Collective Impairment (\$'000)	Total (\$'000)
Balance at 1 January 2018 as per IAS 39	3,458	-	3,458
Adjustment on initial application of IFRS 9	649	-	649
Balance at 1 January 2018 as per IFRS 9	4,107	-	4,107
Net re-measurement of loss allowance	488	-	488
Amounts written off	(1,042)	-	(1,042)
At 31 December 2018	3,553	-	3,553

2017

	Individual Impairment (\$'000)	Collective Impairment (\$'000)	Total (\$'000)
At 1 January 2017	696	-	696
Charge / (utilisation) for the year	371	-	371
Amounts written off	(350)	-	(350)
At 31 December 2017	717	-	717

12. INVENTORIES

	2018 (\$'000)	2017 (\$'000)
Developed lots	12,574	7,782
Less: Provision for developed lots write-down	(280)	(202)
	12,294	7,580
Unsold Properties	319	392
Less: Provision for unsold properties write-down	(170)	(178)
	149	214
Development work-in-progress	47,161	30,610
Total Inventories	59,604	38,404

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

13. LAND HELD FOR FUTURE DEVELOPMENT

Freehold land

- at deemed cost

Leasehold land – at cost

Less: provision for amortisation of leasehold land

Total land held for future development

2018 (\$'000)	2017 (\$'000)
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202	202
-----	-----

3,830	4,336
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(785)	(770)
-------	-------

3,247	3,262
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14. PROPERTY, PLANT AND EQUIPMENT

Property

Valuation:

At 1 January

Additions

Disposals

Adjustment on revaluation

Revaluation

At 31 December

9,345	7,462
-------	-------

4	47
---	----

(16)	(5)
------	-----

-	(959)
---	-------

-	2,800
---	-------

9,333	9,345
-------	-------

Depreciation and impairment:

At 1 January

Depreciation charge for the year

Disposals

Reversal of depreciation on revaluation

At 31 December

89	814
----	-----

323	239
-----	-----

(16)	(5)
------	-----

-	(959)
---	-------

396	89
-----	----

Net written down value - properties

8,937	9,256
-------	-------

Furniture and fittings

Cost:

At 1 January

Additions

Disposals

At 31 December

2,381	2,278
-------	-------

107	165
-----	-----

(282)	(62)
-------	------

2,206	2,381
-------	-------

Depreciation and impairment:

At 1 January

Depreciation charge for the year

Disposals

At 31 December

2,157	2,117
-------	-------

170	102
-----	-----

(282)	(62)
-------	------

2,045	2,157
--------------	--------------

Net written down value - furniture and fittings

161	224
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HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

14. PROPERTY, PLANT AND EQUIPMENT *continued*

Staff houses

Valuation:

At 1 January	496	406
Adjustment on revaluation`	-	(64)
Revaluation	-	154
At 31 December	496	496

Depreciation and impairment:

At 1 January	23	76
Depreciation charge for the year	11	11
Reversal of depreciation on revaluation	-	(64)
At 31 December	34	23

Net written down value - staff houses and shops

462 473

Motor Vehicles

Cost:

At 1 January	994	1,094
Additions	328	215
Disposals	(109)	(315)
At 31 December	1,213	994

Depreciation and impairment:

At 1 January	681	896
Depreciation charge for the year	311	100
Disposals	(57)	(315)
At 31 December	935	681

Net written down value - motor vehicles

278 313

Computer Equipment

Cost:

At 1 January	1,331	1,326
Additions	270	60
Disposals	-	(55)
At 31 December	1,601	1,331

Depreciation and impairment:

At 1 January	1,242	1,240
Depreciation charge for the year	75	57
Disposals	-	(55)
At 31 December	1,317	1,242

Net written down value - motor vehicles

284 89

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

14. PROPERTY, PLANT AND EQUIPMENT *continued*

Others

Cost:

At 1 January	70	70
At 31 December	70	70

Depreciation and impairment:

At 1 January	27	26
Depreciation charge for the year	7	1
At 31 December	34	27

Net written down value - Others

36 43

Work in progress

Cost

At 1 January	48	48
Additions	7	-
At 31 December	55	48
Net written down value - work in progress	55	48

Net written down value - total

10,213 10,446

Total

Cost/Valuation:

At 1 January	14,665	12,686
Additions	716	487
Disposals/adjustments	(407)	(1,460)
Revaluation	-	2,954
At 31 December	14,974	14,665

Depreciation and impairment:

At 1 January	4,219	5,169
Depreciation charge for the year	897	510
Disposals	(355)	(437)
Reversal of depreciation on revaluation	-	(1,023)
At 31 December	4,761	4,222

Net written down value - total

10,213 10,446

(a) Depreciation charge for the year amounting to \$264,000 (2017: \$Nil) has been capitalised to development work in progress.

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

15. INTANGIBLE ASSETS

Cost

At 1 January	3,049	3,034
Additions	167	15
At 31 December	3,216	3,049

Depreciation and impairment:

At 1 January	2,888	2,628
Amortisation charge for the year	112	260
At 31 December	3,000	2,888

Net written down value - Intangible assets

216 161

16. OTHER ASSETS

Advance - FNPf settlement	2	37
Sundry debtors and prepayments	3,373	4,462
Stationery stock	23	23
Interest receivable	50	365
Stamp duty/deposit	-	3
VAT receivable	1,111	96
	4,559	4,986

17. DEBT ISSUED AND BORROWED FUNDS

Effective Interest Rate%

(a) Current

Bonds	1 - 12%	5,200	25,000
Loans	2.00%	1,999	2,845
		7,199	27,845

(b) Non-Current

Bonds	1 - 12%	62,835	38,700
Loans	2.00%	31,738	34,417
		94,573	73,117

Total debt issued and borrowed funds

101,772 100,962

Maturity

Bonds	2018 to 2025
Loans	2018 to 2031

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

17. DEBT ISSUED AND BORROWED FUNDS *continued*

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

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 was contracted to China Railway First Group (Fiji) Limited for Yuan 200,000,000. The Authority, as the eventual owner of the project on behalf of Government entered into an on-lending agreement with the Government. As at 31 December 2018, the balance from the EXIM Bank to the contractor accumulated to FJ\$33,736,432 inclusive of FJ\$9,991,936 advance for mobilisation is equal to 20% of the total contract payment.

The foreign currency loan obtained by the Authority through Ministry of Economy from Exim Bank of China is converted to the closing exchange rate as at 31 December 2018.

18. TRADE AND OTHER PAYABLES

	2018 (\$'000)	2017 (\$'000)
Interest payable	597	1,096
Insurance payable	585	528
Government grant received in advance	18,583	14,761
Customer Accounts with Credit Balance	808	757
Trade payables and accruals	7,244	3,902
	27,817	21,044

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; and
- 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.

19. PROVISIONS

The movement in provision during the year is as follows:

	2018 (\$'000)	2017 (\$'000)
At 1 January	25	25
As 31 December	25	25
Represented by:		
Current	25	25

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

20. EMPLOYEE BENEFIT LIABILITY

The movement in employee benefit liability during the year is as follows:

	2018 (\$'000)	2017 (\$'000)
At 1 January	532	511
Arising during the year	269	237
Utilised	(259)	(216)
At 31 December	542	532

Represented by:

Current	542	532
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21. CAPITAL AND RESERVES

Capital

Asset Revaluation Reserve

	2018 (\$'000)	2017 (\$'000)
At 1 January	5,203	2,249
Movement during the year	-	2,954
At 31 December	5,203	5,203

22. 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:

Contingent liabilities

	2018 (\$'000)	2017 (\$'000)
Guarantees	5	5
	5	5

Commitments

Operating lease commitments	282	687
Capital commitments	82,337	88,675
	82,619	89,362
Total	82,624	89,367

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:

FOR THE YEAR ENDED 31 DECEMBER 2018

continued

Guarantees

2018 (\$'000)	2017 (\$'000)
5	5
5	5
282	687
82,337	88,675
82,619	89,362
82,624	89,367

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 crystallise and consequently no provisions are included in the financial statements in respect of these matters:

Fiji Electricity Authority bond

5 5

a) Operating lease commitments

Not later than one year	259	366
Later than two years but not later than five years	22	71
Later than five years	1	1
	<u>282</u>	<u>687</u>

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 paid during the year amount to \$80,202 (2017: \$109,105).

b) The Authority is also subject to various additional unquantified claims and legal actions, which arose in the ordinary course of business. On the basis of legal opinion obtained and in the opinion of the directors, no significant liability is expected to eventuate.

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	Serve Until
Mr. Umarji Musa - Acting Chairman	24 December 2015	3 May 2019
Mr. Nesbitt Hazelman - Chairman	24 December 2015	3 May 2020
Mr. Roveen Permal	24 December 2015	6 September 2020

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

23. RELATED PARTY DISCLOSURES *continued*

b) Transactions with related parties

Transactions with related parties during the year ended 31st December 2018 with approximate transaction value are summarised as follows:

	2018 (\$'000)	2017 (\$'000)
Board expenses and allowances	42	51

c) Compensation of key management personnel

Short term employee benefits	347	321
------------------------------	-----	-----

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

Executive Management		Appointed	Serve Until
Mr Punit Sethi	Chief Executive Officer	16 June 2017	9 March 2018
Mr Poasa Verevakabau	General Manager Finance & Administrations/ Management Committee	20 March 2018	13 September 2019
Mr Isikeli Navuda	General Manager Land & Housing/ Management Committee	20 March 2018	13 September 2019
Mr Iliesa Rakaseta	Manager Technical Services/Management Committee	20 March 2018	13 September 2019
Mr Lenoard Kwansing	General Manager Customer Relations	18 October 2017	17 October 2020
Mr Ramesh Chand	General Manager Lending	3 July 2017	29 August 2018
Mr Maciu Katamotu	Acting General Manager Lending	30 October 2018	4 May 2020

24. EVENTS SUBSEQUENT TO BALANCE DATE

IMPLICATION OF COVID 19 ON THE ORGANISATION

INTRODUCTION: Impact of COVID-19 might be significant, uncertainty exists but no material uncertainty

The novel coronavirus (COVID-19) since December 2019 was spreading around the globe rapidly. The virus has taken its toll on not just human life, but businesses and financial markets too.

On 11th March 2020, the World Health Organisation declared a global health emergency and the spread of COVID-19 as a global pandemic. Consequences of the outbreak have also contributed to significant volatility in global stock markets since late February 2020.

The outbreak have mainly impacted the following sectors; aviation, hospitality. The aviation industry is facing massive disruption with travel restrictions effecting the supply chain. The hospitality sector has been impacted with low occupancy in business and holiday destinations having to close down entirely. Other affected sectors are the retail industry which is dependent on countries worst hit by COVID-19 affecting production and supply of materials.

The subsequent spread of the virus and the escalation of it becoming a global pandemic did not occur until subsequent to December 31, 2019, as such, the subsequent event is considered as a type II (non-adjusting) event.

The impact of the Coronavirus affected the Fijian economy with slowing signs from early 2020 resulting in economic downturn. Government responded by introducing stimulus package to contain the impact and support the economy while the central banks reduced interest rate and injected liquidity to boost credit creation and support economy activity.

Given the considerable uncertainties, the extent of the overall impact will depend on how soon the borders will reopen for trading to commence supporting the supply chain including the tourism industry.

Material uncertainty is not anticipated about the entity's ability to continue as a going concern, although is expected that the impact of COVID-19 might be significant, uncertainty exists but no material uncertainty.

For the 31st December 2018 year-end, the impact of COVID-19 is considered a non-adjusting event while going concern remains positive with capital development projects in progress.

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

24. EVENTS SUBSEQUENT TO BALANCE DATE *continued*

IMPLICATION OF COVID 19 ON THE ORGANISATION *continued*

Going concern and impact of COVID-19

The Board and management have assessed its ability as a going concern, considering the affected industries and Governments initiative to minimise impacts with the available information before issuing the financial statements.

The COVID-19 pandemic have largely affected the tourism and the aviation's industry from early 2020. The Authority is expected to experience uncertainty but is confident that it will continue as going concern assuming that the Authority will be able to continue to deliver its product and discharge liabilities in the ordinary course of the business for the foreseeable future. In maintaining its operation the following factors have been considered:

- Government commitment to continue government guarantee of \$150 Million expiring in 2024
- Borrowing:
 - Received competitive rates on bonds issued in December 2020 amounting to \$20 million.
 - The borrowing interest rates remains competitive with 2.66%, 2.82% and 3.36% which was accepted by the Authority.
- RBF Housing facility of \$100 million provided by RBF leverage borrowing rates with interest of 1% per annum. The Housing facility funding remains open to all the financial institution while 264 Housing Authority loan application was approved by RBF worth \$20 million which will be progressively drawn in 2021.
- Residential lot production in progress to deliver 1,414 lots at:
 - Davuilevu - 577 lots
 - Nepani - 181 lots
 - Tavua - 119 lots
 - Tavakubu - 129 lots
 - Covata - 108 lots
- Lots projected to be available from late 2021 to 2022. The four projects are 80% to 90% complete while Covata land development commenced in December 2020.
- The international Finance Corporation (IFC) through the Ministry of Economy is analysing financial model before constructing affordable homes targeting the low to middle income earners with affordable land and housing package. The scheme is expected to roll out in late 2021 & 2022.
- Awarded scheming & design for Veikoba subdivision at Nasinu to - WesEng consulting Pte Limited. The lot yield projected to be around 468 lots. Lots anticipated to be delivered by 2023.
- There are future plans to acquire raw land in Korovou and Verata-Nausori for future development given the demand received from the public.
- The Authority's exposure where the potential credit risk is more severe including tourism and aviation industry is approximately 14% with portfolio of \$13 million. The Authority have provided assistance to 340 customers and the deferred repayment plan extended for three months till March 2021.
- The Authority will therefore prepare financials statement on a going concern.

Subsequent event

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases while measures taken by Government to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and staff utilise their leave) and ensuring capital projects contracts are not disrupted maintaining delivery expectation and avoid the risk of inconsistency in completing the projects.

At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the same while demand for developed lots and housing continue to increase with limited supply in the market.

As we operate in providing mortgage financing for construction with affordable products we have noted increased demand for our products and expect this to continue. We will continue to follow the various government policies and advice, simultaneously we will do our utmost to continue our operations in the best and safest way possible.

The financial statement is presented on going concern therefore, material uncertainty is not anticipated about the entity's ability to continue as a going concern, although it is expected that the impact of COVID-19 might be significant, uncertainty exists but no material uncertainty.

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

24. EVENTS SUBSEQUENT TO BALANCE DATE *continued*

IMPLICATION OF COVID 19 ON THE ORGANISATION *continued*

Risks and uncertainties

In addition to the already known effects, the macroeconomic uncertainty causes disruption to economic activity and the scale and duration of this pandemic remain uncertain. In light of the unpredicted prolong impact the following measures was taken in 2020.

- The Board & management have reviewed its variable and fixed cost reducing the non-essential services.
- Review and upgrade of the MPAISA payment apps allowing customers to have access to wider range of mortgage repayment modes, reducing customer contact.
- Staff requested to utilise their leave and long service leave reducing liability at 38% by December 2020.
- Supply Chain: Anticipated delay in supply of materials for capital projects, however we have noted that the Engineers are working closely with the contractors to ensure completion of the development to achieve the projected revised timelines.
- Financing and Liquidity:
 - Funding Capital projects: as at December 2020 total funds invested as term deposit is around \$20 million to support new capital land development projects. The inventory or lots worth \$84.34 million reported as work-in-progress will be disposed through sale in early 2022 to 2023 generating stream of business drivers creating cash inflow and income streams.
 - Mortgage financing: The RBF housing facility is currently supporting the mortgage financing portfolio with \$57 million while 264 loan application worth \$22million was approved by RBF which will be disbursed progressively in 2021.
- Allowance for expected credit losses
 - The COVID-19 pandemic have affected customers employed in the tourism industry, aviation industry and retail industry. Collectively management have assessed debtors and disaggregated into multiple segments, given the different industries were affected differently by the pandemic. As a result the Authority granted moratorium on non-payment of debt to around 364 customers. The total portfolio is around \$13 million with deferred repayment of \$167,000.00 per month.
 - The negative trend in the economic indicators is expected to increase impairment for provision for these loans while we have noted an increase from November 2020 due to downward trend of the gross domestic product indicator.
 - More broadly, reductions in forecasts in economic growth increase the probability of default across the loan portfolio and loss given default rates increase while value of the Authority's security over the loan are conservative compared to the market value.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

25.1 INTRODUCTION

Risk is inherent in the Authority's activities but it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. Risk management is a fundamental element of the Authority's business practice on all levels and encompasses different types of risks. Risk management is an integral part of the business planning and controlling process. Material risks are monitored and regularly discussed with Management Board and the Audit Committee. The risk management process is critical to the Authority's business continuity while focusing on delivering its product and services at affordable cost. Business division leaders are accountable for managing risk exposure affecting their division.

Risk can be interpreted as the combination of the probability of an event and the impact of its consequences. Business activities resulting in a negative impact represent risks that can prevent value creation or erode existing value. In order to deliver value while maintaining competitive edge, the Authority understands the types of risks it faces and addresses them appropriately. 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 business environment, technology and industry. Business risks are identified through the Authority's strategic planning process and monitored throughout the year.

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, LHD and credit risk.

The Authority's strategic plan is focused on addressing housing needs for low income to middle income residents. Therefore, the executive management sets overarching strategic objectives as well as financial targets based on demands and Government mandate. These objectives are cascaded to the respective divisions to ensure alignment of the business operation to achieve its corporate goal.

The executive management is accountable for meeting the overall objectives of the Authority, while being consistent with its overall mission. They are also responsible for implementing the approved strategies to mitigate risks. Risk management is considered fundamental to the Authority's ability to deliver its core services.

As part of the strategic planning process and day-to-day management of the business, the divisional leaders identify internal and external events that may affect the achievement of the Authority's objectives. Divisional leaders concurrently identify and assess these risks through their expertise, formal assessments and analysis of business intelligence and trends.

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

25.1 INTRODUCTION *continued*

Risk management structure continued

Risks affecting the Authority to achieve its corporate objectives are identified at various points in the business cycle. Management encourages a risk culture, encouraging employees to be open, candid and fact-based in discussing risk issues, and making all relevant facts and information available so that the Authority can consider all possible options in making decisions. The points in the business cycle are during strategic and business planning process and monthly business review meetings. However, throughout the year, the executive management assess the Authority's performance which incorporates the risk management functions to identify internal and external events that might affect achievement of the Authority's objectives. In addition, the various meetings incorporate risk management scanning of the external environment for risk indicators through analysis of applicable business intelligence, including trends in the housing/lending market, legislative changes, consumer models, as well as relationships with external factors. Finally, risk management functions review the output from internal monitoring and assurance activities to identify gaps and emerging risk areas.

Governance ensures that identified risks and associated response strategies are communicated to the respective divisional head and subsequently escalated to the Executive Committee member or directly to the Audit Committee. The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Governance and oversight

The Board of Directors provides oversight of the various anticipated risks faced by the Authority to executive management. The Directors have set-up sub-committees to be responsible for managing and monitoring specific risk areas such as audit, finance, human resource, project management and lending portfolio. In addition, the Board of Directors receives regular reports from executive management and the independent internal auditor. The external audit report is also presented to the Board of Directors.

The Board of Directors is responsible for the overall risk management approach and review of the risk incorporated in the Authority's corporate plan. The Board is dedicated and fully committed to its role in ensuring quality, compliance and effective risk management. Management will implement the approved policies accordingly.

Internal audit

Internal audit is a corporate function and independent of any other function or unit of the Authority. The internal audit function provides assurance to the board and executive management on the quality and effectiveness of internal control processes and systems of management of all risks and governance.

Risk management processes throughout the Authority are audited by sections within divisions and reports are submitted quarterly to the Board audit subcommittee. To effectively manage risk with independence, the internal audit function is currently undertaken by KPMG with effective from October 2016.

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, does 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 analyse, control and identify early risks. This information is presented and explained to the Board of Directors and the head of each business section. The process ensures management deal effectively with future events that create uncertainty, events that pose a significant risk or opportunity, and to respond in a prompt, efficient and effective manner to support the growth drivers of creating value through innovation and executing with excellence and leading with purpose.

Information and communication channels are in place to make business leaders, as well as individuals, aware of risks that fall into their area of responsibility and the expected behavior to mitigate negative outcomes.

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 policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

HOUSING AUTHORITY OF FIJI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

25.2 CREDIT RISK

The Authority incurs risk with regards to loans, advances and other receivables due from customers. Credit risk is the likelihood of future financial loss resulting from the failure of clients or counter parties to meet contractual obligations to the Authority as they fall due. The measurement of Expected Credit Loss (ECL) under IFRS 9 uses the information and approaches that the Authority uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9.

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 and 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 Authority also has in place processes that identify, assess and control credit risk in relation to the loan portfolio, to assist in determining the appropriateness of provisions for loan impairment. These processes also enable assessments to be made of other classes of assets that may carry an element of credit risk.

Loans and advances

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and default correlations between counterparties. The Authority measures credit risk using Probability of Default (PD), Exposure of Default (EAD) and Loss Given Default (LGD).

Credit risk grading

The Authority assesses credit risk grading on a collective basis given the risk exposures in its loan portfolio are homogeneous. In determining the credit risk grading for its loan portfolio, the Authority made reference to its risk grading system, which reflects its assessment of the probability of default of individual counterparties. The probability of default attaching to the credit risk applied by the Authority corresponds to the historical rate of write off experienced by the Authority.

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.

	Net Maximum Exposure 2018 (\$'000)	Net Maximum Exposure 2017 (\$'000)
Loans and advances (Note 6)	88,410	90,033
Total credit exposure	88,410	90,033

Information on how the Expected Credit Loss (ECL) is measured and how the three stages are determined is included in Note 5 (a).

25.3 INTEREST RATE RISK

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

25.3 INTEREST RATE RISK *continued*

	2018 (\$'000)	2017 (\$'000)
Fixed Rate Instruments		
Financial assets	108,470	119,499
Financial liabilities	129,589	119,057

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

	Increase/ (decrease) in interest rate	Effect on profit before tax \$'000
2018	+10 bp	101
	-10 bp	(101)
2017	+10 bp	102
	-10 bp	(102)

25.4 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.

	2018 (\$'000)	2017 (\$'000) (Restated)
Interest bearing loans and borrowings	101,1772	100,962
Less: cash and short term deposits	(2,560)	(1,823)
Net debt	99,212	99,139
Equity	56,153	54,952
Total capital	56,153	54,952
Capital and net debt	155,365	154,091
Gearing ratio	64%	64%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

22. MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

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

31 December 2018	At Call	Less than 3 months	4 to 12 months	1 to 5 years	over 5 years	Provision for doubtful debts	Suspended interest and fees	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets								
Cash	2,560	-	-	-	-	-	-	2,560
Loans and advances	4,126	2,110	5,715	25,740	54,271	(1,153)	(2,399)	88,410
Financial investments - held to maturity	-	17,500	-	-	-	-	-	17,500
Total	6,686	19,610	5,715	25,740	54,271	(1,153)	(2,399)	108,470
Financial liabilities								
Borrowings	-	999	6,199	70,149	24,425	-	-	101,772
Accrued interest	-	299	299	-	-	-	-	597
Accounts payable and accrued liabilities	-	27,220	-	-	-	-	-	27,220
Total	-	25,518	6,498	70,149	24,425	-	-	129,589
31 December 2017	At Call	Less than 3 months	4 to 12 months	1 to 5 years	over 5 years	Provision for doubtful debts	Suspended interest and fees	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets								
Cash	1,823	-	-	-	-	-	-	1,823
Loans and advances	4,515	2,608	5,934	26,102	54,331	(717)	(2,741)	90,088
Financial investments - held to maturity	-	16,900	11,500	-	-	-	-	28,400
Total	5,581	19,508	17,434	26,102	54,331	(717)	(2,741)	120,266
Financial liabilities								
Borrowings	-	-	28,984	15,588	53,390	-	-	100,962
Accrued interest	-	-	1,096	-	-	-	-	1,096
Accounts payable and accrued liabilities	-	19,948	-	-	-	-	-	19,948
Total	-	19,191	27,888	18,588	53,390	-	-	122,006



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