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DIRECTORS' REPORT

In accordance with a resolution of the Board of Directors, the Directors herewith submit the statement of financial position of the Housing Authority of Fiji ("the Authority") as at 31 July 2021, the related statement of Profit or Loss and other Comprehensive Income, statement of changes in equity and statement of cash flows for the year then ended on that date and report as follows:

Directors
The Directors of the Authority at the date of this report are:

Directors	Appointed	Serve Until
Ms. Sereana Qoro - Chairperson	28-Apr-23	27-Apr-26
Ms. Maraia Ubitau	28-Apr-23	27-Apr-26
Ms. Prem Lata Narayan	28-Apr-23	27-Apr-26
Ms. Florence Takinana	28-Apr-23	27-Apr-26
Mr Isikeli Navuda	28-Apr-23	27-Apr-26
Mr. Viliame Vodonaivalu - Chairperson	26-Oct-21	25-Apr-23
Mr.Saud Minam	26-Oct-21	27-Apr-23
Ms. Susan Naidu	26-Oct-21	27-Apr-23
Ms. Florence Takinana	26-Oct-21	27-Apr-26
Mr. Anil Prasad	26-Oct-21	27-Apr-23
Ms. Renee Duguivalu	26-Oct-21	10-Aug-22
Ms. Lorraine Seeto - Chairperson	3-Jun-20	25-Oct-21
Ms. Senikavika Jiuta	3-Jun-20	25-Oct-21
Mr. Mohit Kumar Raj	4-May-19	25-Oct-21
Ms. Anabel Ali	4-May-19	25-Oct-21

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 July 2021 and the accompanying statement of Profit or Loss and other 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 period ended 31 July was:

	2021 $'000	2020 $'000
Net (loss)/profit before income tax	(2,170)	1,904
Income tax expense	-	-
Net (loss)/profit for the year	(2,170)	1,904

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

Dividends
The Directors recommend that no amounts be paid by way of dividends for the period ended 31 July 2021 (2020: $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
On 11 March 2020, the WHO declared COVID-19 to be a global pandemic. During this period, governments and various private sector organisations took significant measures to contain the virus. In response to the to the global pandemic breakout the Government of Fiji remains on the highest level of alert closely monitoring the situation. Notwithstanding the global outbreak and significant economic uncertainties, 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. Furthermore, Directors believe that the classification and carrying amounts of the assets and liabilities as stated in the financial statements to be appropriate.

Basis of Accounting - Going Concern continued

In early August 2020 the COVID-19 pandemic continues to surge across the globe affecting major trading partners and economic contraction in the second quarter is expected to be the steepest attributing to lockdowns and other virus containment measures. The localized lock down continues to impact those depended on the tourism industry concurrently consumption and investment activities remains weak however recovery path is anticipated with opening of international borders from late 2021. The global economy is anticipated to recover while Ministry of Health requested all Fijians to get vaccinated. Getting fully vaccinated, with two doses of the vaccine, will decrease the risk of getting infected with the virus.

The Information Technology infrastructure upgrade continued and enable electronic payment and update loan re payment from customers during the localize lockdown. The management of the loan portfolio and business operation were coordinated within the various teams while request from customers remains a priority with remote support. The Authority continued to provide relief package to customer affected by COVID-19 with 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 loan term and reducing the amount of each payment with no restructuring fees charged for a period of up to six months. The negative trend in the economic indicators is expected to increase provision for impairment on these loans due to downward trend of the gross domestic product indicator. Comparison analysis provision for impairment and non-performing loans is outlined in Note 22.

Subsequent events

No event has arisen in the interval between the end of the financial year and the date of this report, item, transaction of a material and unusual nature likely, in the opinion of the Directors of the Authority, to affect significantly the operations of the Authority, the results of those operations, or the state of affairs of the Authority, in subsequent financial years.

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 bad debts and the provision 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.

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 11 day of 2023.

....
Chairperson

....
Member

HOUSING AUTHORITY OF FIJI
STATEMENT BY DIRECTORS
FOR THE YEAR ENDED 31 JULY 2021

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 profit or loss and other comprehensive income of the Authority is drawn up so as to give a true and fair view of the results of the Authority for year ended 31 July 2021;

(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 July 2021;

(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 July 2021;

(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 July 2021;

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

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

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

Dated at Suva this day of 2023.

....
Chairperson

....
Member

DRAFT INDEPENDENT AUDITOR'S REPORT

Housing Authority of Fiji

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 July 2021, 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 July 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to my audit of the financial statements in Fiji and I have fulfilled 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.

Other information

The Directors and Management are responsible for the other information. The other information comprises the Annual report but does not include the financial statements and the auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based upon the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report the fact. I have nothing to report in this regard.

Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The Directors and Management are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, CAP 267 of the Housing Act of 1955 and for such internal control as the Management and Directors determine is necessary to enable

Responsibilities of the Management and Those Charged with Governance for the Financial Statements (Cont'd)

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.

Those charged with governance 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 ISAs 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.

As part of an audit in accordance with ISA, I exercise professional judgement and maintain professional scepticism 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 Directors' and Management's use of the going concern basis of accounting and, 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

I communicate with those charged with governance 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.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

In my opinion, the financial statements have been prepared in accordance with the requirements of the Housing Act 1955 in all material respects, and:

a) I have been given all information, explanations and assistance necessary for the conduct of the audit; and

b) the Authority has kept financial records sufficient to enable the financial statements to be prepared and audited.

Sairusi Dukuno
ACTING AUDITOR-GENERAL

Suva, Fiji
xx November 2023

HOUSING AUTHORITY OF FIJI
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2021

	Notes	2021 $'000	2020 $'000
Interest income	6.1	5,980	7,854
Interest expense	7.1	(4,526)	(1,582)
Net interest income		1,454	6,272
Other operating income	6.2	5,153	12,556
Net operating income		**6,607**	**18,828**
Amortisation of intangible assets		15	16
Impairment loss on loans and advances		1,080	3,019
Cost of sales - land and houses		850	4,370
Depreciation of property, plant and equipment		623	749
Other expenses	7.3	2,266	3,237
Personnel expenses	7.2	3,943	5,533
Total operating expense		**8,777**	**16,924**
Net (loss)/profit before income tax		(2,170)	1,904
Income tax expense	5 (m)	-	-
Net (loss)/profit after tax		**(2,170)**	**1,904**

The accompanying notes form an integral part of this Statement of Profit or Loss and Other Comprehensive Income.

HOUSING AUTHORITY OF FIJI
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2021

	2021 $'000	2020 $'000
Accumulated losses		
Balance at the beginning of the year	(4,067)	(5,971)
(Loss)/profit for the year	(2,170)	1,904
Balance at the end of the period	(6,237)	(4,067)
Asset revaluation reserve		
Balance at the beginning of the year	5,203	5,203
Balance at the end of the period	5,203	5,203
Government contribution		
Balance at the beginning of the year	15,958	15,958
Balance at the end of the period	15,958	15,958
Capital		
Balance at the beginning of the year	41,772	41,772
Balance at the end of the period	41,772	41,772
Total equity	**56,696**	**58,866**

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

HOUSING AUTHORITY OF FIJI
STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2021

	Notes	2021 $'000	2020 $'000
Current Assets			
Cash and cash equivalents	8(a)	5,416	3,941
Held-to-maturity investments	9	20,095	10,052
Loans and advances	10(a)	12,005	11,597
Inventories	11	91,132	83,985
Other assets	15	3,603	4,878
Total Current Assets		**132,251**	**114,453**
Non-Current Assets			
Loans and advances	10 (b)	73,466	77,334
Land held for future development	12	5,337	5,484
Intangible assets	14	62	11
Property, plant and equipment	13 (a)	9,211	9,492
Right of Use Assets	21	28	43
Total Non-Current Assets		**88,104**	**92,364**
TOTAL ASSETS		**220,355**	**206,818**
Current Liabilities			
Trade and other payables	17	30,303	28,397
Employee benefit liability	19	375	492
Provisions	18	10	-
Debt issued and borrowed funds	16 (a)	22,499	10,499
Lease liability	21	17	12
Total Current Liabilities		**53,204**	**39,400**
Non-Current Liabilities			
Debt issued and borrowed funds	16 (b)	110,440	108,520
Lease liability	21	15	32
Total Non-Current Liabilities		**110,455**	**108,552**
TOTAL LIABILITIES		**163,659**	**147,952**
EQUITY			
Capital	20	41,772	41,772
Accumulated losses		(6,237)	(4,067)
Government grant		15,958	15,958
Asset revaluation reserve	20	5,203	5,203
TOTAL EQUITY		**56,696**	**58,866**
TOTAL EQUITY AND LIABILITIES		**220,355**	**206,818**

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 Board of Directors.

....
Chairperson

....
Member

HOUSING AUTHORITY OF FIJI
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2021

	Note	2021 Inflows/ (Outflows) $'000	2020 Inflows/ (Outflows) $'000
Operating activities			
Interest received		5,969	6,109
Fees, charges and other income received		3,838	5,845
Proceeds from sale of land and houses		1,299	5,881
Interest and other finance costs paid		(2,008)	(1,641)
Net customer loans issued and repayments received		2,553	(3,269)
Payments to contractors for Land Development		(7,890)	(20,781)
Net receipt of government grants		452	-
Other operating expenses paid		(4,305)	(6,650)
Cash flows used in operating activities		(91)	(14,506)
Investing activities			
Payments for property plant and equipment and intangible assets		(408)	10
Proceeds from sale of plant and equipment		15	29
Proceed from short term investments, net		(10,094)	-
Cash flows (used in)/from investing activities		(10,487)	39
Financing activities			
Net repayment of borrowings		12,000	18,277
Cash flows provided by financing activities		12,000	18,277
Net increasein cash held		1,422	3,810
Cash at the beginning of the financial year		13,993	10,183
Cash at the end of the financial year	8	**15,416**	**13,993**

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

1 Corporate Information

The financial statements of Housing Authority of Fiji ("the Authority") for 1 August 2020 to 31 July 2021 were authorised for issue in accordance with a resolution of the Board of Directors on ________________ 2023. 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. 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 $50k and below per annum and are first home buyers. The 5-Year & 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. (Refer to National Development Plan - 2017 -Page 4)

There was no significant change in the nature of the 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 dollar 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 Profit or Loss and other 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 recognized 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 (l) - Provision for developed lots and unsold properties

4 Changes in accounting policies and disclosures

(a) New and amended standards and interpretations

The Authority applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Authority has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standard and amendment	Impact on the Authority
Amendments to IFRS 3: Definition of a Business	No material impact
Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform	No material impact
Amendments to IAS 1 and IAS 8 Definition of Material	No material impact
Conceptual Framework for Financial Reporting issued on 29 March 2018	No material impact

4 Changes in accounting policies and disclosures *continued*

(a) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Authority's financial statements are disclosed below. The Authority intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. These amendments are not expected to have a material impact on the Authority.

New standards and amendments	Effective Date
Amendments to IAS 1 – Classification of Liabilities as Current or Noncurrent (including Amendment to IAS 1 – Classification of Liabilities as Current or Non-current – Deferral of Effective Date issued in July 2020)	1 January 2023
Amendments to IAS 37 – Onerous Contracts: — Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
AIP (2018-2020 cycle): IFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	1 January 2022
Amendments to IFRS 3 – Reference to the Conceptual Framework	1 January 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate 1 January 2021 Benchmark Reform – Phase 2	1 January 2021

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 and secured through mortgage financing. 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.

Financial assets: Reclassifications

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.

Classification and measurement

IFRS 9 introduces criteria for classification and measurement model. The classification and measurement of financial assets categories 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: Subsequent measurement and gains and losses

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 Profit or Loss and other Comprehensive Income. Any gain or loss on derecognition is recognised in the statement of Profit or Loss and other Comprehensive Income.

Loans and Advances

Loans represent mortgage loans, village scheme loans, quick repair loans, home loans and personal loans. 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 home loans & home construciton, collateral consisting of the mortgaged properties are obtained. After initial measurement, loans and advances are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment 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 Profit or Loss and other Comprehensive Income in bad and doubtful debts expense. Loans are classified as non-performing if arrears relating to these loans are greater than three months. Non-performing loans report specfic provision 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.

5 Summary of significant accounting policies *continued*

(a) Financial instruments *continued*

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 assets are derecognised when the obligation is discharged through settlement of debt 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.

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 Profit or Loss and other 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.

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.

Loans represent mortgage loans advanced to eligible families earning below $50k per annum to facilitate home loans for purchase of residential lots and construction loan to build approved dwelling. The product also includes mortgage financing to faciliate purchase of property thats 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	2020 / 2021 $'000	2019 / 2020 $'000
Total Loans	90,962	93,322
Provisions for ECL on loans	(5,491)	(4,391)
Total Net loans	85,471	88,931

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 with the expectation to pay off the debt. This recovery process or recourse complies with the Credit Consumer Act.

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 since 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 above 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	Less Allowance	Carrying Amount
Stage 1	0-29	6,153,129	480,920	5,672,209
Stage 2	30-90	2,019,276	165,095	1,854,181
Stage 3	> 91	73,572,329	887,571	72,684,758
Specific		9,217,619	3,957,271	5,260,348
Total		90,962,353	$ 5,490,857	$ 85,471,496

v) Impairment Losses on Loans & Advances

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.

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.

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 reorganization 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.

5 Summary of significant accounting policies ***continued***

(a) Financial instruments ***continued***

v) Impairment Losses on Loans & Advances *continued*

Loans and advances to customers

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

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

iv) COVID-19 impact

The economic activity slowed in the first half of 2021 while signs of recovery was visible from June with citizens adapted to COVID19 variants. Despite the recovery signs, some employees remained employed on reduced hours.

The Authority continued assisting its customers with the relief packages who require assistance because of the impact of COVID-19. The relief packages allowed for repayment holidays for up to 6 months. During this period, the deferred interest will be capitalized and the deferred principal along with the capitalized interest, will be repaid over the remaining term of the loan. These packages have been designed to provide short-term cash flow support while the most significant COVID-19 restrictions are in place. In April 2021, the Fiji National Providet Fund approved COVID-19 Home Loan Assistance scheme which was a relief for members who were affected by the pandemic and had existing home loan. The scheme approved members fund to be utilized for mortgage repayment for up to 12 months.

Further extensions were granted through the Government COVID-19 program. The extension will require further review of the up-to-date financial information on each borrower to confirm that there is a reasonable capacity to repay the loan.

As the situation has evolved since March 2020, the customers qualifying for the relief packages are classified under different categories of risk. Each of these categories are assigned a staging level based on whether Significant increase in Credit Risk is deemed to have occurred because of the increased likelihood of a risk of default. Total customer assisted as at 31st July is around 407 with total loan value of $18.22 million or 21% of the total loan portfolio.

b) Leased assets

The Authority assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Authority as a lessee

The Authority applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Authority recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Authority recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities, recognise initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Leasehold land and buildings 1 to 99 years

If ownership of the leased asset transfers to the Authority at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

5 Summary of significant accounting policies *continued*

b) Leased assets continued

ii) Lease liabilities

At the commencement date of the lease, the Authority recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Authority and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Authority uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Note 21.

iii) Short-term leases and leases of low-value assets

The Authority applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

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.

(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.

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 which states that revenue is recognised when performance obligation are 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.

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 profit or loss and other 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.

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 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 recognized in profit or loss as incurred.

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

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

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-specialized 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 recognized as an expense in the net result, the increment is recognized immediately as revenue in the net result. Revaluation decrements are recognized 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 situated at various locations and are maintained for future developments. These are subsequently transferred to work in progress as development work commences on these properties. The land held for future development are recorded at cost.

The corporate target and strategic direction for the Authority is to produce 500 to1,000 lots per annum.

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 as follows:

Computer software	20% - 50%

5 Summary of significant accounting policies ***continued***

h) Intangible assets (continued)

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.

i) 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.

j) 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.

k) 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 16.

l) 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.

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.

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.

m) Income tax

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

n) 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 Government Grant plan.

o) 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.

p) Government Grant

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

q) 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.

5 Summary of significant accounting policies *continued*

r) Segment information

(a) Industry segment

The Authority operates predominantly in the housing industry to provide affordable housing through development of land and housing units for sale and mortgage financing of these properties.

(b) Geographical segment

The Authority operates predominantly in Fiji and is therefore one geographical area for reporting purposes.

s) Current versus non-current classification

The Authority presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- It is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after thereporting period.

The Authority classifies all other liabilities as non-current.

		2021	2020
6	**INCOME**		
	6.1 Interest income	**$'000**	**$'000**
	Investment securities	469	545
	Loans and advances	5,511	5,261
	Interest suspended realised	-	2,048
		5,980	7,854
	6.2 Other operating income		
	Fees and charges	3,706	4,149
	Fees and charges suspended realised	-	796
	Rent	33	49
	Other income	115	1,607
	Sale of land and houses	1,299	5,955
		5,153	12,556
7	**EXPENSES**		
	7.1 Interest expense		
	Bonds	2,126	1,090
	Long term loans	2,396	491
	Interest (lease liability)	3	1
		4,526	1,582
	7.2 Personnel expenses		
	Salaries and wages	3,220	3,877
	Employee entitlements	164	719
	FNPF contribution	217	416
	Other	342	521
		3,943	5,533

	2021	2020
Total Number of Staff at period end	122	148

		2021	2020
	7.3 Other expenses	**$'000**	**$'000**
	Auditor's remuneration - audit fees	38	30
	Amortisation - leasehold land	40	540
	Repairs and maintenance	69	163
	Stock write-down	-	26
	Other expenses	2,119	2,478
		2,266	3,237
8	**CASH AND CASH EQUIVALENTS**		
	Cash on hand	1	1
	Cash at bank	5,415	3,940
a)	Total Cash	5,416	3,941
	Short-term deposits	10,000	10,052
b)	Total Cash and Cash Equivalent	15,416	13,993
9	**HELD-TO-MATURITY INVESTMENTS**		
	Short Term deposits	20,095	10,052

Term deposits are placed with financial institutions in Fiji for 3 months to 1 year term. The interest rate of these deposits range from 2.00% - 2.25%.

		2021 $'000	2020 $'000
10	**LOANS AND ADVANCES**		
(a)	**Current Asset**		
	Mortgage loans	12,894	12,327
	Village scheme loans	796	703
		13,690	**13,030**
	Less: Allowance for impairment loss	(1,685)	(1,433)
		12,005	**11,597**
(b)	**Non-Current Asset**		
	Mortgage loans	75,576	78,654
	Village scheme loans	1,696	1,638
		77,272	**80,292**
	Less: Allowance for impairment loss	(3,806)	(2,958)
		(3,806)	**(2,958)**
		73,466	**77,334**
	Total Loans and Advances	**85,471**	**88,931**
(c)	**Provision for impairment**		
	At 1 August	4,391	3,825
	Charge for the year	1,100	591
	Amounts written off	-	(25)
	At 31 July	**5,491**	**4,391**
	Individual impairment	3,957	3,166
	Collective impairment	1,534	1,225
		5,491	**4,391**
	Impairment allowance - Navision customer	63	64
	Total Impairment allowance	**5,554**	**4,455**
	Gross amount of loans, individually determined to be impaired, before deducting any individual or collective assessed impairment allowance.	90,962	93,322

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

		2021 $'000	2020 $'000
11	**INVENTORIES**		
	Developed lots	4,040	4,693
	Less: provision for developed lots write-down	(349)	(366)
		3,691	4,327
	Unsold properties	243	405
	Less: provision for unsold properties write-down	(133)	(160)
		110	245
	Development work-in-progress	87,331	79,413
	Total inventories	**91,132**	**83,985**

(a) Borrowing cost capitalised for the year 2021 at a rate of 3.90%, amounting to $286,552 (2020:$1,516,231 (4.04%)) has been capitalised to development work in progress.

		2021 $'000	2020 $'000
12	**LAND HELD FOR FUTURE DEVELOPMENT**		
	Freehold land		
	- at deemed cost	202	202
	Leasehold land – at cost	6,532	6,638
	Less: provision for amortisation of leasehold land	(1,397)	(1,356)
	Total land held for future development	**5,337**	**5,484**
13	**PROPERTY, PLANT AND EQUIPMENT**		
(a)	**Property**		
	Valuation:		
	At 1 August	9,330	9,335
	Disposals	-	(5)
	At 31 July	9,330	9,330
	Depreciation and impairment:		
	At 1 August	982	595
	Depreciation charge for the year	350	392
	Disposals	-	(5)
	At 31 July	1,331	982
	Net written down value - properties	**7,998**	**8,348**

13 PROPERTY, PLANT AND EQUIPMENT continued

	2021 $'000	2020 $'000
Furniture and fittings		
Cost:		
At 1 August	1,693	1,756
Additions	10	19
Disposals	(13)	(82)
At 31 July	1,690	1,693
Depreciation and impairment:		
At 1 August	1,628	1,642
Depreciation charge for the year	34	68
Disposals	(13)	(82)
At 31 July	1,649	1,628
Net written down value - furniture and fittings	**41**	**65**
Staff houses		
Valuation:		
At 1 August	496	496
Depreciation and impairment:		
At 1 August	52	40
Depreciation charge for the year	12	12
At 31 July	64	52
Net written down value - staff houses	**432**	**444**
Motor vehicles		
Cost:		
At 1 August	1,191	1,223
Additions	-	68
Disposals	(54)	(100)
At 31 July	1,137	1,191
Depreciation and impairment:		
At 1 August	967	989
Depreciation charge for the year	88	78
Disposals	(54)	(100)
At 31 July	1,001	967
Net written down value - motor vehicles	**136**	**224**
Computer equipment		
Cost:		
At 1 August	1,305	1,386
Additions	159	23
Disposals	(61)	(104)
At 31 July	1,403	1,305
Depreciation and impairment:		
At 1 August	1,114	1,128
Depreciation charge for the year	74	90
Disposals	(61)	(104)
At 31 July	1,127	1,114
Net written down value - computer equipment	**276**	**191**
Others		
Cost:		
At 1 August	379	379
At 31 July	379	379
Depreciation and impairment:		
At 1 August	159	77
Depreciation charge for the year	70	82
At 31 July	229	159
Net written down value - others	**151**	**220**

13 PROPERTY, PLANT AND EQUIPMENT *continued*

	2021 $'000	2020 $'000
Work in progress		
Cost:		
At 1 August		-
Additions	179	-
At 31 July	179	-
Transfers	-	-
Disposals	-	-
At 31 December	-	-
Net written down value - work in progress	179	-
Total		
Cost / valuation:		
At 1 August	14,393	14,575
Additions	348	110
Disposals/adjustments	(128)	(292)
At 31 July	14,612	14,393
Depreciation and impairment:		
At 1 August	4,901	4,471
Depreciation charge for the year	628	722
Disposals	(128)	(292)
At 31 July	5,401	4,901
Net written down value - total	**9,211**	**9,492**

(b) RIGHT OF USE ASSETS

	2021 $'000	2020 $'000
At 1 August	62	17
Additions	-	45
At 31 July	62	62
Depreciation and impairment:		
At 1 August	19	7
Depreciation	15	12
At 31 July	34	19
Net written down value - Right to Use Asset	**28**	**43**

14 INTANGIBLE ASSETS

	2021 $'000	2020 $'000
Cost:		
At 1 August	3,070	3,216
Additions	66	-
Disposals	(14)	(146)
At 31 July	3,122	3,070
Depreciation and impairment:		
At 1 August	3,059	3,043
Amortisation charge for the year	15	16
Disposals	(14)	-
At 31 July	3,060	3,059
Net written down value - Intangible assets	**62**	**11**

Depreciation charge for year 2021 amounting to $6,047 (2020:$20,574) has been capitalised to development work in progress.

15 OTHER ASSETS

	2021 $'000	2020 $'000
Advance - FNPF settlement	62	2
Sundry debtors and prepayments	2,568	2,515
Stationery stock	16	17
Interest receivable	63	52
VAT receivable	894	2,287
Staff advances	-	4
	3,603	**4,878**

16 DEBT ISSUED AND BORROWED FUNDS

		Effective interest rate %	2021 $'000	2020 $'000
(a)	Current			
	Bonds	4% to 9%	20,500	8,000
	Loans	2.00%	1,999	2,499
			22,499	10,499
(b)	Non current			
	Bonds	1% to 6%	81,663	82,163
	Loans	2.00%	28,777	26,357
			110,440	108,520
	Total debt issued and borrowed funds		**132,939**	**119,019**

	Maturity
Bonds	2021 to 2025
Loans	2021 to 2031

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 or purchase of lots/ housing unit on sale in the market.

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 July 2021, the balance from the EXIM Bank to the contractor accumulated to FJD 30,775,834 inclusive of FJD 9,991,936 advance for mobilization is equal to 20% of the total contract payment.

The foreign currency loan obtained by the Authority through Ministry of Finance from EXIM Bank of China is converted to the closing exchange rate as at 31 July 2021.

17 TRADE AND OTHER PAYABLES

	2021 $'000	2020 $'000
Interest payable	1,342	745
Insurance payable	412	615
Government grant received in advance	15,983	15,531
Customer Accounts with Credit Balance	736	563
Trade payables and accruals	11,830	10,944
	30,303	**28,397**

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 recorded monthly throughout the financial year; and
- Government Grant received is recognized as a liability until the Authority utilises the amounts in accordance with Government policy and the conditions attached to the grant scheme.

18 PROVISIONS

The movement in provision during the year is as follows:

	2021 $'000	2020 $'000
At 1 August	10	-
At 31 July	10	-
Represented by:		
Current	10	-

19 EMPLOYEE BENEFIT LIABILITY

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

	2021 $'000	2020 $'000
At 1 August	492	549
Arising during the year	223	520
Utilised	(340)	(577)
At 31 July	375	492
Represented by:		
Current	375	492

20 CAPITAL AND RESERVES

	2021 $'000	2020 $'000
Capital	41,772	41,772
Asset Revaluation Reserve		
At 1 August	5,203	5,203
At 31 July	5,203	5,203

21. LEASES

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	$'000
As at 1 January 2020	10
Additions	46
Depreciation expense	(13)
As at 31 July 2020	43
Depreciation expense	(15)
As at 31 July 2021	28

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	$'000
As at 1 Aug 2020	44
Accretion of interest	3
Payments	(15)
Termination	-
As at 31 July 2021	32
Current	17
Non-current	15
	32

	2021 $'000	2020 $'000
The following are the amounts recognised in profit or loss:		
Depreciation expense of right-of-use assets	15	13
Interest expense on lease liabilities	3	1
Total amount recognised in profit or loss	18	14

The Authority had total cash outflows for leases of $13k in 2021 (2019/2020: $13k).

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:

	2021 $'000	2020 $'000
Contingent liabilities		
Guarantees	5	5
	5	5
Commitments		
Operating lease commitments	-	300
Capital commitments	57,393	68,328
	57,393	68,628
Total	**57,398**	**68,633**

22 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Contingent liabilities

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

Guarantee		
Energy Fiji Limited bond	5	5

Commitments

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

Not later than one year	-	300
Later than one year but not later than five years	-	-
Later than five years	-	-
	-	300

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 capital lease rentals paid during the year amount to $971,690 (2020: $746,058).

Litigation Claims

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.

23 RELATED PARTY DISCLOSURES

(a) Identity of related parties

The Board has a related party relationship with its Directors. The Directors of the Board in office during the year were:

	Appointed	Serve Until
Ms. Lorraine Seeto - Chairperson	3-Jun-20	25-Oct-21
Mr. Roveen Permal	4-May-19	6-Sep-20
Mr. Mohit Kumar Raj	4-May-19	25-Oct-21
Ms. Anabel Ali	4-May-19	25-Oct-21
Ms. Senikavika Jiuta	3-Jun-20	25-Oct-21

(b) Transactions with related parties

Transactions with related parties during the year ended 31 July 2021 with approximate transaction value are summarised as follows:

	2021 $'000	2020 $'000
Board expenses and allowances	30	52

(c) **Compensation of key management personnel**

	2021	2020
Short term employee benefits	526	479
Post employment pension and medical benefits	-	-
Termination benefits	-	-
Other long-term benefits	-	-
	526	479

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

Executive Management

		Appointed	Serve Until
Robert Sen	Chief Executive Officer	16-Sep-19	22-Oct-21
Poasa Verevakabau	General Manager Finance & Administration	25-Jan-21	24-Jan-24
Leonard Kwansing	General Manager Customer Relations	18-Oct-17	26-Feb-21
Isikeli Navuda	General Manager Land & Housing Development	1-Oct-16	26-Feb-21
Raveena Kumar	General Manager Lending	4-May-20	3-May-23
Iliesa Rakaseta	Acting General Manager Land & Housing Development	1-Mar-21	31-Dec-21

24 EVENTS AFTER THE BALANCE DATE

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

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.

Going concern and impact of Covid-19

The Board and management have assessed the Authoritys ability as a going concern, considering the affected industries and Governments initiative to minimise impacts in 2019/20 & 2020/21 while 2021/22 reflects improve economic conditions with mobility restriction eased.

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 with signs of normalcy and 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:

o Government commitment to continue government guarantee of $150 Million expiring in 2024.
o RBF Housing facility of $100 million accesssible by Banking Institution at the rate of 0.25% reduced from 1% per annum in 2021. The facility provides financial leverage concurrently assisting 350 families with aggregate sum of $56 million. Furthermore 318 applications were submmited in 2020/21 with aggregate loan of $27million which will be drawn in 2022. The funds also support capital development projects reducing fundning cost element, ensuring lots are affordable.
o Residential lot production in progress to deliver 1,417 lots at:

•Davuilevu -	577 lots
•Nepani -	181 lots
•Tavua -	116 lots
•Covata -	108 lots
Tavakubu –	Phase 1 & 3 (322 lots)
Tavakubu –	Phase 2 (113 lots)

• Lots projected to be available from late 2024 to 2026.
• Covata Land development capital projects - civil works commenced from December 2020. The project progress was affected by the Covid-19 restriction and is anticipated to be completed by late 2023.
• The progress balance of the four projects are around 90% to 95% complete.
• 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 2024/25

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

25.1 Introduction (continued)

Going concern and impact of Covid-19 - continued

The following measures were taken in 2020/21 anticipating prolong disruption including the macroeconomic uncertainty from the results of economic activity and the scale of the pandemic;

o The Board & management have reviewed its variable and fix cost reducing the non-essential services □Closure of Suva branch Office from June 2020.
□Out sourced services, while service cycle reduced by some vendors.
□Reschedule training program
□19 Staff retired/resigned from employment not replaced
□Payroll reduced by $575,218.00 per annum
□Project Officers reduce from 21 to 5 personnel

o Reduce in vehicle fleet by two four wheel drive vehicles

o 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 capital development to achieve the projected revised timelines.

o Davuilevu Land development project, projected budget allocation of $46.89 million VIP reports 73% drawdown,

o Tavakaubu Land development project projected budget allocation of $24.71 million VIP reporting 100% drawdown

o Financing and liquidity

□Funding Capital projects: while restriction is in place the cash outflow reflects slow outflow trend for capital projects with WIP amounting to $87.33 million and progressive sale is anticipated from 2024 to 2026. The stock includes the new developed subdivision assign to IFC

□Mortgage financing: The RBF housing facility is currently supporting the mortgage financing portfolio with $57 million while 264 loan application worth $27million was approved by RBF which will be disbursed progressively in 2021/22.

Exim Loan Repayment -repayment holiday was granted by Government under the Debt Service Suspension Initiative (DSSI) program from three repayments, however the exchange loss recorded $0.86 million FY 2020/21 while FY 2021/22 reported exchange gain of $0.41 million (unaudited).

o Allowance for expected credit losses (ECL)

The provision for impairment on loans increase by 25% in FY 2020/21 compared to FY 2019/20 or by $1million. The non-performing loan portfolio increase by 84% in FY 2020/21 compared to FY 2019/20 or by $8.24 million. The Covid- 19 restrction eased from late 2021 and economic activity improve apparently loan performance improve with reduction in the provision for impairment on loans by 4.8% in FY 2021/22 (unaudited) compared to FY 2020/21 or by $0.026 million. The non-performing loan reduced by 46% in 2021/22 (unaudited) compared to FY 2020/21 or by $8.23 million.

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 and collateral over the loan are conservative compared to the market value.

25.2 Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks. The Land & Housing Directors have set-up sub-committees to be responsible for managing and monitoring specific risks such as audit, finance, human resource, LHD and credit provision

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. 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.

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 risk in the business cycle are disuccsed 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.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

25.2 Risk management structure *continued*

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.

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 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 review 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 analyze, 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.

25.3 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.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

25.3 Credit Risk continued

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 cashflows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occuring, 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 expected credit losses, the Authority integrated the staging strucutre and risk grading system, which reflects its assessment of the probability of default of individual counterparties. The change will result in earlier recognition of credit lossess and the amount of credit losses will be updated at each reporting date

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 2021 $'000	Net Maximum Exposure 2020 $'000
Loans and advances (Note 10)	85,471	88,931
Other assets		
Total credit exposure	**85,471**	**88,931**

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

25.4 Interest rate risk

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

	2021 $'000	2020 $'000
Fixed rate instruments		
Financial assets	110,982	112,976
Financial liabilities	163,242	148,159

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
2021	+10 bp	126
	- 10 bp	(126)
2020	+10 bp	110
	- 10 bp	(110)

25.5 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.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

25.5 Capital Management continued

	2021 $'000	2020 $'000
Interest bearing loans and borrowings	132,939	119,019
Less: cash	(5,416)	(3,941)
Net debt	127,523	115,078
Equity	56,696	58,866
Total capital	56,696	58,865
Capital and net debt	184,220	173,944
Gearing ratio	69%	66%

MANAGEMENT REPRESENTATION LETTER

The following is a format of the management representation letter, which is required to be retyped on the Housing Authority of Fiji's letterhead and submitted to the Office of the Auditor-General.

Date: **[Insert Date]**

Auditor-General
Office of the Auditor-General
P.O. Box 2214
Government Buildings
SUVA

Dear Sir,

This management representation letter is provided in connection with your audit of the financial statements of Housing Authority of Fiji for the period ended 31 July 2020 and 31 July 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of (or 'present fairly', in all material aspects) the financial position of the Authority as at 31 July 2020 and 2021, and of its financial performance and its cash flows for the years then ended in accordance with the International Financial Reporting Standards and Public Enterprise Act.

We confirm to the best of our knowledge and belief, the following representations:

General

1. We acknowledge our responsibility for the preparation and fair presentation of the financial statements in accordance with the Public Enterprise Act and the International Financial Reporting Standards.
2. We acknowledge our responsibility to ensure that significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. We acknowledge our responsibility to ensure that related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the International Financial Reporting Standards.
4. We acknowledge our responsibility to ensure that all events subsequent to the date of the financial statements and for which International Financial Reporting Standards require adjustment or disclosures have been adjusted or disclosed.
5. We acknowledge our responsibility to ensure that the financial statements are free of material misstatements, including omissions.
6. We have no plans or intentions that may materially alter the carrying values or classification of assets and liabilities reflected in the financial report.
7. There are no formal or informal set-off arrangements with any of our cash balances, investment accounts and line of credit or similar arrangements.
8. All assets and insurable risks of the Authority are adequately reasonably covered by insurance.

9. We have disclosed to you and in the financial statements all financial guarantees that we have given to third parties and we have accounted for these guarantees in accordance with the requirements of IAS 39 *"Financial Instruments Recognition and Measurement"*.

10. There were no agreements under which any of the liabilities of the Authority had been subordinated to any other of its receivables.

11. No circumstances has arisen, not otherwise dealt with in the report or financial statements which would make adherence to the existing method of valuation of assets or liabilities of the Authority misleading or in appropriate.

Internal Controls

12. We acknowledge that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud and error. We have established and maintained an adequate internal control structure to facilitate the preparation of reliable financial statements, and adequate financial records have been maintained. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

Going Concern

13. The financial statements of the Authority have been prepared on a going concern basis. We consider the application of 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.

Assets

14. The Authority has satisfactory title to all assets and there are no liens or encumbrances or pledge or collateral on such assets that have not been disclosed.

Property, Plant and Equipment

15. The capital expenditure incurred during the year has been properly capitalized to property, plant and equipment and have been fairly and reasonably allocated to the class of assets including gifted assets.

16. Costs incurred for capital work in progress have been assessed by the management and directors during the year for its viability and successful implementation.

17. There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles, other than those disclosed in the financial statements.

18. Depreciation is calculated using the straight line method to allocate the cost of the asset over their estimated useful life.

19. Allowances for depreciation have been adjusted for property, plant and equipment that have been abandoned or are otherwise unusable.

Receivables

20. Other Assets as at balance date, respectively aggregating to $4,878,000 in 2020 and $3,603,000 in 2021 represented valid claims.

Impairment of Assets

21. We have considered the requirements on International Financial Reporting Standard (IFRS 9) which introduces a new impairment credit loss model based in expected credit losses (ECL), resulting in the recognition of a loss allowance before the credit loss is incurred. IFRS 9 replaces that risk grading system in compliance with the RBF Banking Supervision Policy. We have communicated to you all indicators of impairment and where these exist, we have conducted appropriate impairment testing on the relevant asset, and impairment adjustment has been made wherever required.

Liabilities

22. All known liabilities of the Authority at balance date were recorded in the books of account as at that date.

23. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.

24. No other claims in connection with litigation have been or expected to be received except those disclosed in the financial statements.

Income Tax

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

Borrowings

26. There were no defaults of principal, interest, or redemption provisions with respect to any issue of securities, borrowings or credit arrangements or any breach of covenant of a related deed or agreement.

Fair Value Assessment

27. Where assets and liabilities are recorded at fair value, the value attributed to these assets and liabilities is, in the opinion of the directors, the fair value. We are responsible for the reasonableness of any significant assumptions underlying the valuation and we confirm that the assumptions used appropriately reflect our intent and ability to carry out specific courses of action.

Disclosures in Financial Statement

28. The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

    (a) related party transactions and related amounts receivable and payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees (written or verbal);
    (b) losses arising from the fulfilment of, or an inability to fulfil, any sale or purchase commitments;
    (c) all liabilities or contingent liabilities or assets including those arising under derivative financial instruments; and
    (d) unasserted claims or assessments that our lawyers has advised us are probable of assertion.

Uncorrected Financial Report Misstatements

29. We believe the effect of uncorrected financial report misstatements, including disclosure deficiencies aggregated by you during the audit which have been communicated to the management are immaterial, individually and in aggregate, quantitatively and qualitatively, to the financial statements taken as a whole.

Events Subsequent to Balance Date

30. There have been no events subsequent to year end through to the date of this letter that would require adjustment to or disclosure in, the financial statements.

Related Party

31. The information we provided to you regarding the identification of related party relationships, and balances and transactions are complete.

32. All related party transactions have been conducted on commercial terms and conditions.

Computer Systems and IT Network

33. We are not aware of any significant deficiencies or errors or omissions arising from IT systems or processes which had or could have material impact on the results of financial position of the Authority.

Fraud or Suspected Fraud

34. There have been no fraud or suspected fraud affecting the Authority involving management or employees who have a significant role in the accounting and internal control systems or others where the fraud could have a material effect on the financial statements.
35. There have been no allegations of fraud, or suspected fraud, affecting materially the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

Compliance with Laws and Regulations

36. We are not aware of any breaches or possible breaches of any relevant legislation, contracts or agreements and accounting standards.

37. In respect of the operations during the year, Parliament and other Government directives have been complied with.

38. There have been no instances of non-compliance with laws and regulations involving management or employees who have a significant role in internal control.

39. There have been no communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.

40. There are no violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as a basis for recording as an expense.

Financial Records, Data and Information

41. We have made available to you:

(a) All financial records and related data, other information, explanations and assistance necessary for the conduct of the audit;
(b) Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
(c) Additional information that you have requested from us for the purpose of the audit;
(d) Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence; and
(e) Minutes of all meetings of shareholders, directors and committees of directors. Where minutes have not been prepared for recent meeting, a summary of decisions taken at those meetings has been made available to you.

Contractual Agreements

42. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

FNPF and Tax Deductions

43. The calculations of the Value Added Tax (VAT) and Income Tax, where applicable, have been in accordance with the VAT Decree and Income Tax Act.

44. Deductions as required by the Fiji National Provident Fund have been made and paid to the relevant authorities.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We understand that your audit was conducted in accordance with International Standards on Auditing and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statements of the Authority taken as a whole, and that your test of the financial records and other auditing procedures were limited to those which you considered necessary for that purpose.

Yours sincerely

GMFA / Chief

Chief Executive Officer
Ritesh Singh
Date: ____________

General Manager Finance
Poasa Verevakabua