



Housing Authority



*Own Your Dream Home Now!*

## ANNUAL REPORT 2015

Parliamentary Paper Number  
36/2018



## Corporate Vision.

Helping Fijians Own Affordable Homes.

## Mission Statement.

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

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

## Corporate Values.

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

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# Housing Authority

HEAD OFFICE: HOUSING AUTHORITY BUILDING, SAQA STREET  
VALELEVU, NASINU. P.O. BOX 1263, SUVA  
TEL: (679) 339 2977, FAX: (679) 334 0092  
E-mail: [info@housing.com.fj](mailto:info@housing.com.fj), Website: [www.housing.com.fj](http://www.housing.com.fj)

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

7<sup>th</sup> August, 2017

The Minister  
Ministry of Local Government, Housing & Environment  
PO BOX 2131  
Government Buildings,  
**SUVA**

Dear Honorable Minister,

**RE: ANNUAL REPORT FOR 2015**

In accordance with Section 21 of the Housing Act, Cap 267, I am pleased to present the Authority's Annual Report for 2015 which incorporates a detailed summary of its operations and activities including Financial statements for the year ending 31<sup>st</sup> December 2015.

For the year 2015, the Housing Authority recorded a surplus of \$2.234m in comparison to a surplus of \$0.981m in 2014.

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

Yours Sincerely,

Mr. Umarji Musa  
**Acting BOARD CHAIRMAN**

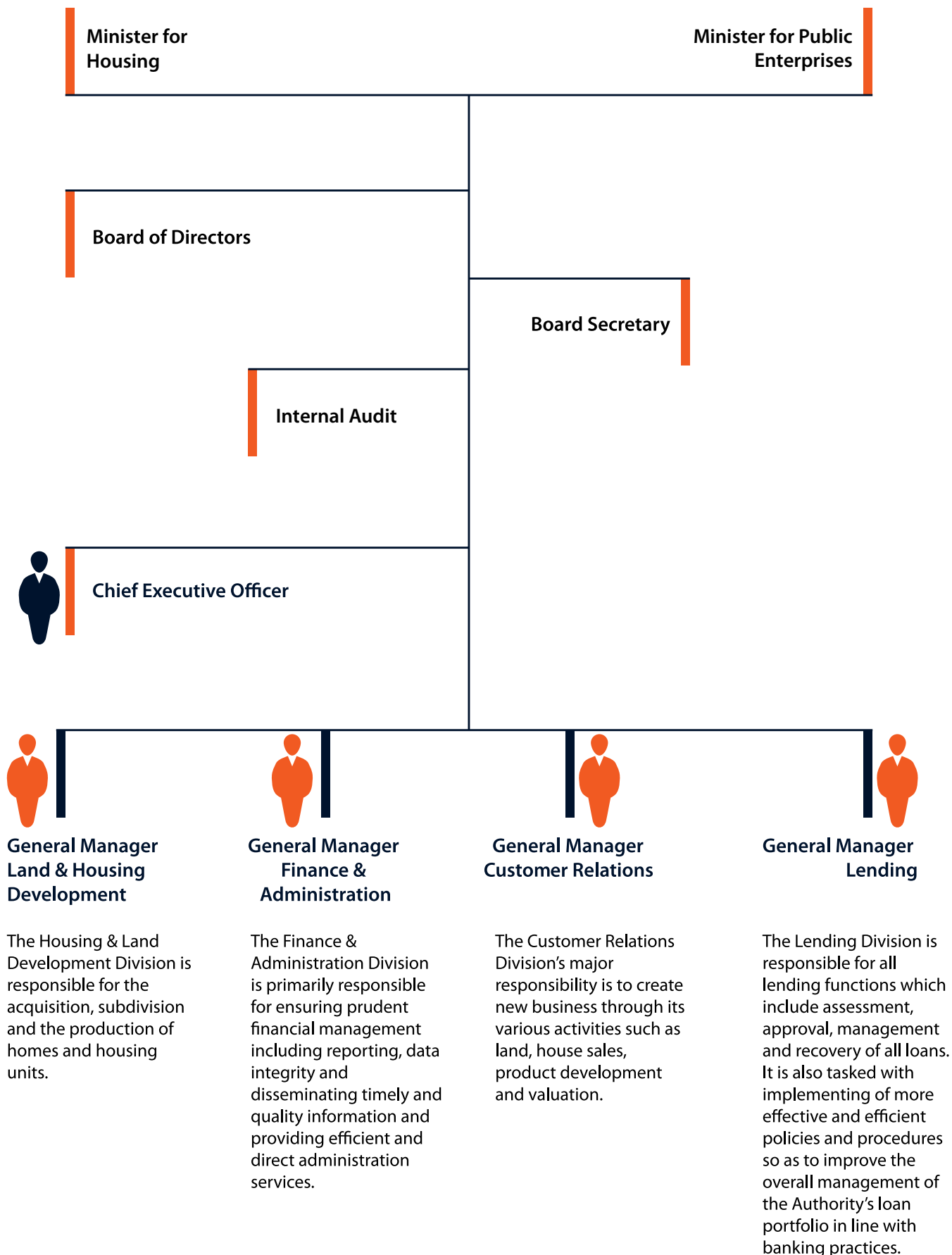
HEAD OFFICE  
VALELEVU HOUSE.  
P.O. BOX 1263, Suva, Fiji.  
TEL: (679) 339 2977  
FAX: (679) 334 0092  
EMAIL: [info@housing.com.fj](mailto:info@housing.com.fj)

LAUTOKA  
HOUSING AUTHORITY BUILDING.  
14 TAVEWA AVENUE, LAUTOKA.  
P.O. BOX 262, LAUTOKA  
TEL: (679) 666 0299  
FAX: (679) 666 5602

LABASA  
FNPF BUILDING.  
ROSAWA ST, LABASA.  
P.O. BOX 78, LABASA  
TEL: (679) 881 1977  
FAX: (679) 881 3919

SUVA  
RATU SUKUNA HOUSE.  
MACARTHUR STREET SUVA.  
P.O. BOX 78, LABASA  
TEL: (679) 330 9718  
FAX: (679) 331 5135

# ORGANISATIONAL STRUCTURE





*Minister for Local Government, Housing and Environment, Hon. Parveen Bala officiates at the Ground Breaking ceremony at Matavolivoli Stage 2, Nadi.*

# BOARD OF DIRECTORS

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Umarji Musa  
**ACTING BOARD CHAIRMAN**

Appointed to the Board in September 2010, re-appointed Acting Chairman on 24th December 2015. Mr Musa holds a Bachelor of Arts Degree in Economics and other professional credentials. He joined the Fiji Development Bank in 1974 and retired in 2010 after 36 years of service. Mr Musa is an independent Business and Finance Consultant and holds Directorship on a number of Statutory Bodies and listed Companies.



Roveen Pernal  
**BOARD DIRECTOR**

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



Craig Strong  
**BOARD DIRECTOR**

Appointed to the Board on 24th December 2015, Mr. Strong holds a Bachelor's Degree in Business Studies from Massey University in New Zealand with other professional credentials and is the General Manager for Pacific Agencies Fiji Ltd. With an extensive commercial and shipping background Mr. Strong is a member of various business councils between Fiji and a few regional countries and is a board member in various organizations in Fiji.



Nesbitt Hazelman  
**BOARD DIRECTOR**

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





Umraji Musa  
**Acting Chairman**

## CHAIRMAN'S REPORT

*"I am happy to report that despite many challenges faced in 2015, Housing Authority registered a profit of \$2,234,000 compared to \$981,000 in 2014. As per its mandate in providing affordable housing, the Authority delivered 609 lots in 2015 compared to 166 lots in 2014"*

I am pleased to present the annual report for the year ended 31st December 2015

The Housing Authority continued to show strong performance carried forward from the previous year due to the availability of lots for sale from its subdivisions in particular Tacirua East Stage 2 and Wainubuku.

### Financial Results

The Authority strategically continued with its pragmatic approach focusing on its core function in providing affordable housing to middle and low income earners in line with Governments National Housing Policy 2011.

For the year under review, the housing projects launched in prior years were completing enabling lot sales to reach its peak of 429 lots valued at \$20.3m compared to 47 lots valued at \$4.2m in 2014. This plus stringent control on costs resulted in the Authority achieving a record Net profit of \$2.23m compared to \$0.98m in 2014. This is in spite of net interest income decline by \$1.38m due to lower margin on new loans that are sanctioned with more affordable rates to its customers effective from February 2013.

### Land Development Projects

The Authority under its five (5) year Development Plan aims to develop and deliver one thousand (1000) lots per annum to cater for the growing demand from its customer base. In order to ensure sustainable delivery of one thousand (1000) lots per annum, it targets to acquire two hundred (200) acres of suitable land every year for its land bank in sub urban corridors that are in demand. To facilitate the huge demand, negotiations are underway for 131 acres at Davuilevu and 119 acres at Veikoba in Nasinu apart from 1,471 acres recorded in the balance sheet as land bank; Waila, Koronisalusalu, Tavakubu and Waqadra which are earmarked to commence preliminary development phases in 2016. The projects will boost supply of affordable land which contributes to social and economic growth by:

- Developing affordable fully serviced lots with affordable housing construction package (loan facility) and

- Providing all Fijians with opportunities to prosper through home ownership.

### Mortgage Portfolio

The Authority is comforted that 96 customers whom it assisted and nurtured over the years were able to grow equity in their properties through loan repayments and property value appreciation, were able to move to Commercial Banks in pursuit of personal and investment loans which the Authority could not accommodate apart from lower interest rates.

The Authority is currently challenged with high cost of funds (4.70% p.a. avg.) largely due to high cost (10.97% p.a. avg.) long term Bonds raised in 2006. This does not mature until 2018 onwards. However, the low cost facility from Reserve Bank of Fiji (RBF) approved in January 2013 & September 2014 provided an opportunity for the Authority to access \$25million to support mortgage financing to the low and middle income earners with affordable long term interest and repayment plan, 730 New Loans totaling \$22.89m were granted in 2015 compared to \$12.08m in 2014.

The momentum initiated in 2011 to reduce non-performing Loans through Quality Portfolio Management and improved underwriting standards continued through to 2015 resulting in nonperforming Loans as a percentage of total loan portfolio reducing from 38.7% (\$50m) to 14% (\$11.5m).

### Housing Assistance Grant

A further \$10m has been set aside by Government and is made available to all financial institutions through the Housing Assistance Grant (HAG) to assist first time home buyers. The Authority's 97 first home owners were able to access this fund to a value of \$0.76 million while \$0.80 million was received in 2014 for 87 first home owners.

### Social Housing Policy

The Housing Authority assisted a further thirty (30) customers to retain their homes under its Social Housing Policy utilising \$0.201m in Government Grant and \$0.272m of its own funds. Since the introduction

of the scheme in 2011, 358 customers have been assisted to the value of \$5.73 million while \$2.79million was through Government Grant and \$2.94million of its own funds. The social housing policy and criteria is periodically reviewed by the Authority and Ministry of Local Government, Housing and Environment to ensure that deserving customer benefit from the assistance.

#### **Other Initiatives on Affordable Housing**

The profits earned from the sale of high end lots estimated at \$1.88 million in 2015 have been utilized to subsidize the cost of 229 low end lots providing opportunity to the low and middle income families to have easy access to fully serviced lots at affordable price. The price range of the low end lots at Tacirua Stage 2, Phase 1A range from \$19,500 to \$38,300.00 for the 165 sold and settled in 2015 while balance of 181 will be settled in 2016.

The Authority provides in-house support at no cost to its customers that include technical assistance with standard house plans and costing construction estimates while house construction supervision attracts minimum fee of 0.75% of the construction loan.

In view of the rising costs of construction and to reduce the burden of construction to customers, the Authority took initiatives through Expression of Interest to attract suitable builders to offer design and build 2 to

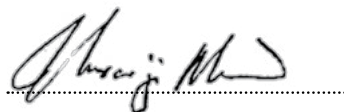
3 bedroom houses at below \$1000 per square meter at standards and quality acceptable to the Authority. The initiative would be pursued in 2016 along with strata title initiatives.

#### **Key Personnel Changes**

Mr Joshua Wycliffe joined the organisation in March 2015 as Chief Executive Officer replacing Mr Alipate Naioresui who resigned in June 2014.

#### **Acknowledgement**

On behalf of the Board, I take this opportunity to thank the Government of Fiji, supporting agencies, our customers, dedicated Housing Authority staff and Executives for their support during the year. I also wish to thank my fellow Board Members for their advice and invaluable contributions to make 2015 a successful year.



Mr Umarji Musa  
*Acting Chairperson*

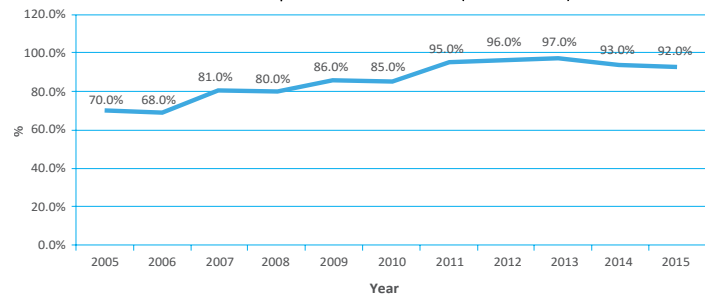


# FINANCIAL HIGHLIGHTS

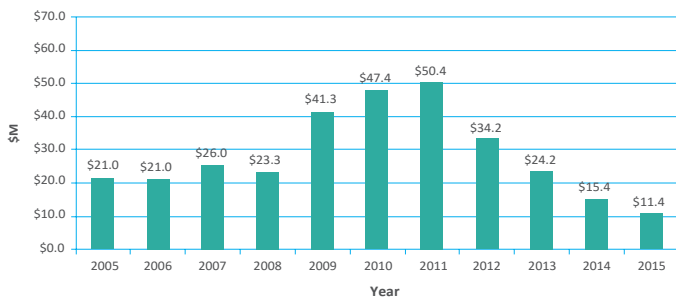
Borrowing Portfolio (2005-2015)



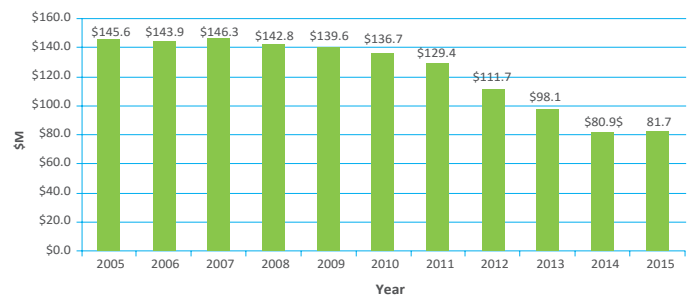
Total Expenses Income Ratio (2005 - 2015)



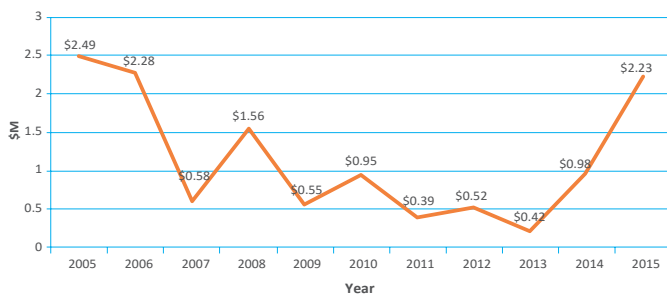
Total Non-Performing Mortgage Portfolio (2005-2015)



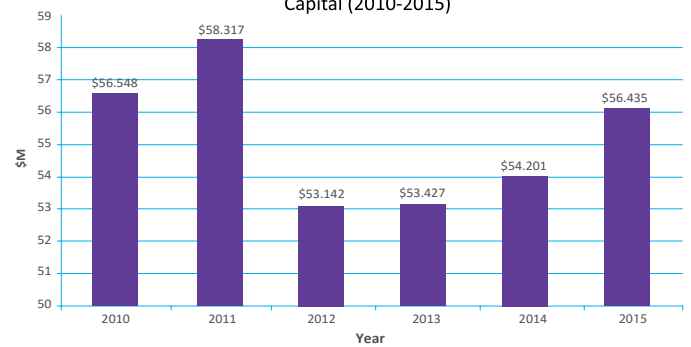
Total Mortgage Portfolio (2005-2015)



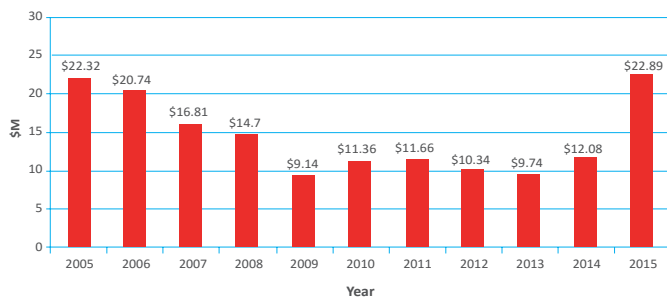
Profitability Trend (2005 - 2015)



Capital (2010-2015)



Total Loan Approved (2005 - 2015)





Joshua Wycliffe  
**Chief Executive Officer**

## CHIEF EXECUTIVE OFFICER'S REPORT

*"The delivery of 609 lots from Wainibuku and Tacirua Stage development in 2015 escalated sales activity resulting in total sales of around \$20.3 million while construction loan of \$7.54 million was sanctioned for 139 customers contributing towards economic activity with the quest to consistently provide affordable housing products/services for those who would otherwise struggle to rent or buy a home"*

The year 2015 has been exciting for the Authority as it continued to assist customers own a home of their own, build their dream homes and/or retain their properties through a loan rehabilitation scheme. While Government's vision for its people remains firm, the Authority aims to contribute their part in the fulfilment of this vision by providing more affordable opportunities for home ownership for the people of Fiji with a special focus on our middle to low income earners.

A review of the year saw a slow and steady growth in terms of performance as it continued from the previous year with a boom in lot sales and house construction from the Tacirua and Wainibuku Subdivisions. At the same time the Authority also continued to acquire more land, conducted relevant feasibility studies to ascertain the sustainability of projects around the country and looked for cheaper sources of funding to assist us with our developments.

The Authority was faced with many challenges of all shapes and sizes; however this has not deterred the team from their focus in delivering fully serviced lots and provide mortgage financing to its mandated customers. Despite the various challenges faced, I am happy to report that the Authority recorded a profit of \$2,234,000 for the financial year ending 31st December 2015.

### Financial Performance Highlights

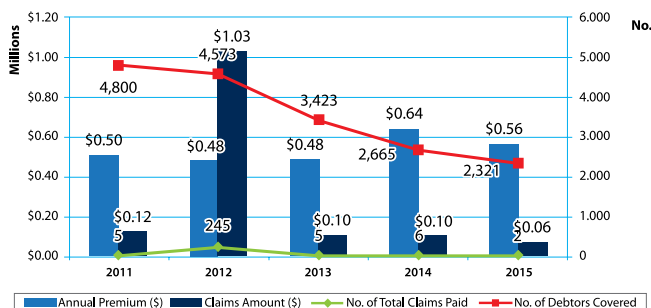
- A profit of \$2.234m was achieved for the year against a budget of \$2.103m. Compared to the 2014 financial year the 2015 profit represents an increase of 128%.
- Return on Equity achieved was 3.96% against target of 3.75%.
- Net Total operating income increased by 99% from \$13.95m in 2014 to \$27.75m in 2015.
- Net Total operating expenses increased by 97% from \$12.97m in 2014 to \$25.52m in 2015.
- Net Interest income decreased by 32% from \$4.379m in 2014 to \$2.996m in 2015.
- Interest expenses decreased by 6% from \$4.956m in 2014 to \$4.644m in 2015.
- Total Loans portfolio increased by 0.99% from \$80.95m in 2014 to \$81.75m in 2015.
- Total Performing portfolio increased by 7.25% from \$65.54m in 2014 to \$70.29m in 2015.

- Total Non-Performing portfolio decreased by 25.44% from \$15.41m in 2014 to \$11.49m in 2015.
- Borrowing portfolio remains the same at \$112.185m in 2014 and 2015.

### Insurance

The Authority continued to provide its customers insurance covers for their mortgaged debts and their properties under a carefully negotiated Group Scheme. This arrangement enabled a total of 6,600 customers to enjoy a very competitive insurance premium for both the covers.

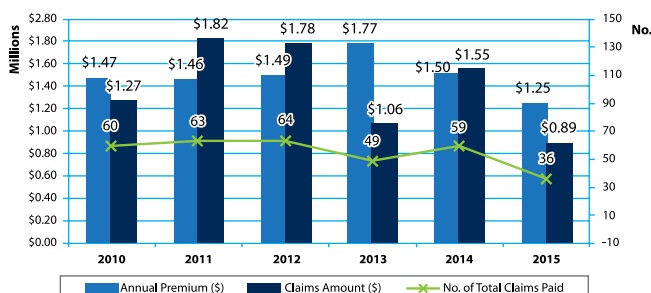
**HOUSE INSURANCE POLICY FOR MORTGAGED PROPERTIES PERFORMANCE (2011-2015)**



During the year under review, New India Assurance Co. Ltd approved two property damaged claims worth \$64,800 under the House Insurance Cover.

The Group Mortgage Protection & Debtors Medical

**GROUP MORTGAGE PROTECTION & DEBTORS MEDICAL INSURANCE POLICY PERFORMANCE (2010 - 2015)**



Insurance cover was placed with FijiCare Insurance Ltd and claims arising due to death and/or total permanent disability of our customers amounting to \$721,314 was approved and settled.

Furthermore, under the Group Debtors Medical Insurance Cover which responds for evacuation to India for treatment of cardiac and cancer conditions only, the Authority was able to evacuate 5 customers at the cost of \$166,758. All these 5 customers were successfully treated for their cardiac conditions and later returned to their daily normal lives.

### **Human Resources & Training**

In 2015 Housing Authority had a total of 203 personnel employed under its establishment. This number is inclusive of management, staff, temporarily engaged as project staff, casuals and trainees.

Staff turnover during the year included 19 new recruitments, 12 promotions, 11 transfers, 9 resignations, 5 retirements, 1 termination and 1 untimely death of a senior staff.

The Authority continued to assist its staff in terms of training and professional development and 2015 was no different. A total of 198 staff was trained during the year from a total roll of 203 personnel. There were 50 training programs organised by the Human Resources & Training department, of which 33 were done in-house, 11 externally and 6 were done on the job.

Apart from these trainings 11 staff had sponsored tuitions to complete or continue their studies at local Universities while 3 had scholarships to study overseas.

The work/life balance program continued for our staff on Wednesdays throughout the year encouraging staff to take healthy exercise program to balance their work life. While productivity and efficiency was crucial the Authority ensures that its workforce is also healthy and energetic.

### **Legal Counsel**

The Legal Counsel section provides expert legal advice, guidance and support to all Housing Authority branches located in Lautoka, Suva, Valelevu and Labasa. They ensure that the Authority's operations are legally in compliance with the Consumer Credit Act, Land Transfer Act, Property Law Act, Housing Act, Public Enterprises Act and Reserve Bank Act amongst other legal and compliance regulations. The primary responsibility of the department includes litigation for recovery.

Additionally, the Legal Counsel also provides a diverse range of other legal opinions which span over the

different operational areas of the organisation and its regulatory requirements.

### **Public Relations & Communications**

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

Press releases and public notifications were issued throughout the year to provide updates on the progress of housing subdivisions underway, ground rent discounts and other relative issues.

As more land development projects became available for sale to customers, so was the interest received via our social media sites i.e. Facebook and Twitter. The Authority continued to interact with customers through these channels to address issues of home ownership options, complaints, referrals and general enquiries. Feedback from these sites while overwhelming were generally positive.

### **Looking Ahead**

As we look toward to the future, we will continue to strive to ensure that ordinary Fijians have access to decent, affordable and quality housing for their families.

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

Finally I would like to acknowledge and thank the Board of Directors and Government through the Ministry of Housing and the Ministry of Public Enterprises for their direction and cooperation during this year and look forward to their continued support in the future.



Joshua Wycliffe  
**Chief Executive Officer**



Isikeli Navuda  
**General Manager Land & Housing Development**

## LAND & HOUSING DEVELOPMENT REPORT

*"Although 2015 had its fair share of challenges, the team was resolute and worked tirelessly to deliver our products for our customers."*

**T**he Land & Housing Development Division is tasked with the acquisition of land, design of subdivisions and construction & monitoring of land development projects. The outcome would see the delivery of fully serviced lots or units for our customers with particular focus on our middle to low income earners.

The undertaking is massive and lengthy and needs the collective effort of a lot of skilled technical people in house and the support of our key development stakeholders externally including Government in order to deliver our products within budget and on a timely manner to meet the growing demand for housing.

Although 2015 had its fair share of challenges, the team was resolute and worked tirelessly to deliver our products for our customers. This report will highlight updates on our land development projects, future projects and the challenges faced along the way.

### Highlights

The land development team called for tenders for the construction of the Nepani Stage II subdivision and the Board has awarded the contract to B W Holdings Ltd.

- A Panel of Technical Consultants was also assembled and approved following and invitation through our tender processes. A number of companies were selected to be part of 11 specialized areas of technical expertise and their services would be called upon by the Authority as and when required.
- The team also carried out relevant geo technical and environmental impact assessment testings at the proposed Koronisalusalu subdivision in Tavua.
- The Lautoka office will undergo a major facelift and the architectural team have been working on viable options for the same.
- Design and build is another initiative which the division will seriously consider for future development in the not too distant future.

### Land & Property Services

The Land & Property Services Department is responsible for the overall maintenance of the Authority's properties Fiji wide, land acquisition and estate management.

As part of its commitment to fulfilling one of the Authority's corporate objectives, the department has an annual target of 200 acres for land acquisition. This is to ensure that the Authority has a constant supply of suitable raw land available for its current and future developments. The team also monitors all our head leases and ensures that lease rentals are paid on time. In 2015, although there were a lot of liaisons with land owners, progress and collective affirmative responses from mataqali members were slow and as such the team was not able to acquire the required volume of 200 acres.

Currently the Authority has four strata estates, namely, Edenville, Vesida, Cakau and Rogi and the department continues to manage these estates. These are medium rise 3-4 storey apartments with special lease conditions that dictate homeowners to be responsible for the inner surroundings of their respective flats while the Authority is responsible and maintains the exterior and other common areas with an annual maintenance fee of \$165 per flat per year.

During the year the department had undergone a few reviews of its process and necessary changes were made to its policies and standard operating procedures to assist streamline their work and improve turnaround time. A few department policies were reviewed and approved by the board in 2015.

### Engineering & Technical Services

The Technical Services department is responsible for all technical and/or engineering issues relating to all our land development projects, from planning, design, construction and surveying.

The Matavolivoli land development project was officially launched on the 27th March 2015 by the newly appointed Minister for Local Government and Housing, The Honourable Parveen Kumar Bala. At its completion, the new subdivision will have at least 400 new residential lots



for our customers in Nadi that will also be complemented with strata units.

The Nepani Stage II subdivision is a similar project that had its preliminary designs, financial modelling and necessary geotechnical and compaction testings done in 2014 through to 2015.

The Division had hoped to begin works later in the year, however needed to confirm the results of these necessary tests before infrastructure and other land development works commences on the site. The contract for these works was awarded to BW Holdings Ltd after potential bidders were carefully scrutinized through our tender process.

The Tacirua East Stage II and Wainibuku projects are in its final stages and the Division has been working with relevant stakeholders to get most of the lots completed and made available to our customers. The Wainibuku project was completed in 2015 and customers have already begun construction of homes for their families.

Project Management remains to be an area in which the division will critically explore and maximize opportunities that would be made available in terms of training and during the year a number of our staff from the land development team attended a four months Project Management Course where one of them was also granted accreditation with the Project Management Institute.

### **Looking Ahead**

Looking ahead the team would invest more on its people in terms of the right training and resources to carry out their respective duties. It would also be recruiting the

right people with the right qualification and skill set necessary to successfully carry on with the noble work of housing the people of Fiji with great emphasis on our middle to low income earners. Proper standard operating procedures and monitoring tools are crucial to the Division and they will continue to improve processes so as to effectively deliver their service in a timely manner.

The team anticipates more exciting times in terms of land development in the coming years. Our customers will have more options available to them in terms of home ownership and the team will continually innovate and also develop new technologies that will ensure that our products remain affordable.

We would like to thank our stakeholders for their tremendous support throughout the year and look forward to their continued assistance in the future.



Isikeli Navuda  
**General Manager Land  
& Housing Development**



*"Our focus is on innovation and delivering value-for-money in the land development design, civil works, house construction and financing of homes to enable all Fijians to have a place to call home."*



Poasa Verevakabau  
**Acting General Manager**  
**Finance & Administration**

## FINANCE & ADMINISTRATION REPORT

*"Finance will continue to strive with steward leadership approach, promoting innovation, mitigating business risks, enhance transparency and identify business opportunities to facilitate provision of affordable housing products through low cost funding."*

In strengthening the Authority's Business Operations, Finance will continue to strive with steward leadership approach, promoting innovation, mitigating business risks, enhance transparency and identify business opportunities to facilitate provision of affordable housing products through low cost funding with easy access through affordable mortgage financing supporting Governments mission in providing quality and decent housing to the low and middle income earners

The Finance Division including Information Communication Technology (ICT) and Business Administration support services plays essential role in ensuring;

- Alignment with Governments mission, realistic view of its core competencies and sustainable competitive advantages focusing on growth and results.
- Foster innovation to increase value, enhance quality and boost productivity.
- The office administrative team add value by improving current practices with continuous improvement process while fostering support with efficiency and revised cost effective measures.

### Financial Performance

The financial result recorded exceptional performance in 2015 reporting an operating surplus of \$2.234m against the budget of \$2.103m. The strong performance resulted from the increase in residential land stock sold during the year reflecting collaborating effort between the Land development team, Sales team and Lending team. The positive economic growth supported the internal growth to achieve its corporate goals. While mortgage financing remains competitive, the business is concentrating on its core business in accelerating land parcel development adopting the mixed strategy model. The model with the strategic plan allows the Authority to respond to the affordable housing challenge that supports the Affordable Housing Strategy. Our focus is on innovation and delivering value-for-money in the land development design, civil works, house construction and financing of homes to enable all Fijians to have a place to call home.

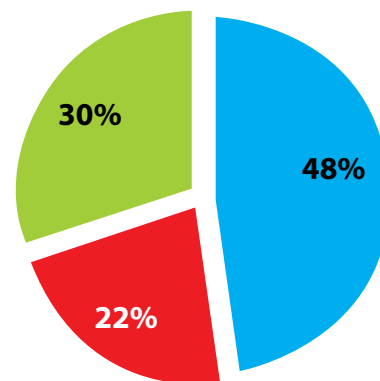
Operating expense decreased by \$1.402m or (9.74%) from \$14.396m in 2014 to \$12.994m in 2015. The overall expenditure savings against budget for the year is around 29% demonstrating more responsible management of the business resources and activities.

### Business Challenges

The Authority continues to rely on borrowings to support and generate income activities/capital projects which are geared towards providing affordable housing products.

**GRAPH 1**

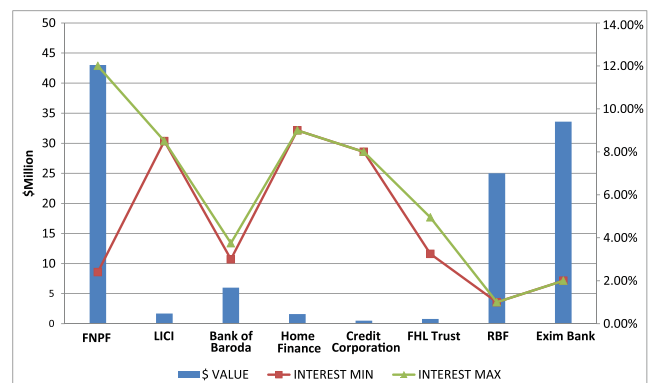
**Borrowing Portfolio by Category**



■ BONDS ■ RBF ■ MOE / EXIM BANK - China

**GRAPH 2**

**Borrowing Portfolio: Interest Rate & Value**



The aggregate borrowing portfolio is around \$112million which comprises of categories reflected in Graph one while Graph two amplifies interest rate range and total value for each investor.

The investors and agencies plays important role through such synergies in fulfilling Governments mandate, assisting the low and middle income residents.

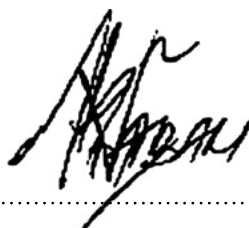
The Government value such partnership by providing Government guarantee as a guarantee on the borrowings. However response from investors depends on liquidity and confidence in the economy hence affecting interest rates. The interest rates on Bonds issued from 2012 was below 5% correlating with positive economic growth, liquidity and favourable climate for investment. In addition the Reserve Bank of Fiji (RBF) housing facility received in Jan 2013 and September 2014 provided leverage to extend low fixed interest rates to the low and middle income residents. The facility of \$10million & \$15million matures in 2018 and 2019 respectively.

Despite the current low cost borrowing interest rates the inherent past high cost of borrowings remains a barrier in fully supporting affordability and easy access to housing product for the low and middle income residents. Regardless of the barriers the Authority periodically perform stress test on it's on lent rates against borrowings rates to remain dynamic player in providing affordable

loan package while mitigating risk to remain sustainable in its long term business strategy in housing the people of Fiji.

The Board and Management while prudently managing the inherent business risk is optimistic to reduce the variable interest rates in the near future supporting the affordable housing strategy and significantly reduce development cost for major projects.

We strive to be successful by serving the low to middle income residents through effective stewardship of its financial resources and developing customer service business model based on best practice.



Poasa Verevakabau

**Acting General Manager Finance & Administration**





## CUSTOMER RELATIONS REPORT

*"Overall for the year, the Customer Relations Division achieved 89% growth in terms of loans and sales compared to the previous year."*

**Fantasha Lockington**  
**General Manager Customer Relations**

The Customer Relations Division is responsible for several key areas relating to the Authority's branding, advertising, sales opportunities, loans assessments and processing, whilst also providing assistance, technical evaluation and inspections for construction loans through the drafting of house plans, costing estimates and property valuation services.

Additionally, the Division collates critical customer data which allows analysis for housing demand, is instrumental in ensuring the key front line areas provide efficient and customer friendly service and ensures that customer satisfaction levels are at optimum levels with feedback monitored through customer satisfaction surveys and the addressing of customer complaints in a timely manner.

### Loans & Sales

Land sales for 166 Tacirua Phase 3A lots that had commenced in June 2014 and 103 Wainibuku phase 1 lots that had commenced in August 2014 continued in 2015 with the bulk of land sales taking place during the year. Notably, land sales for the most affordable residential lots (Phase 1A in Tacirua) commenced in August 2015 with the registration of the leases finally allowing sales to go ahead. This resulted in 409 new stock sales valued at \$11.2m that contributed 49% of the total loans and sales for the year. The total loans & sales achieved for the year was 730 valued at \$22.9m, a growth of 89% from the previous year.

As a result of the bulk of the residential lots becoming available this year, new stock sales increased by 33% and

included the completion of sales for all of the Wainibuku Phase 1 lots that had been commenced earlier. Construction loans increased by 13% for Tacirua Phase 3A and Wainibuku with customers being encouraged to take advantage of Governments' first home ownership incentive with the Housing Assistance Grant (HAG). This grant allowed customers building their first homes to access \$10,000 or \$5,000 if they were purchasing a ready-built house.

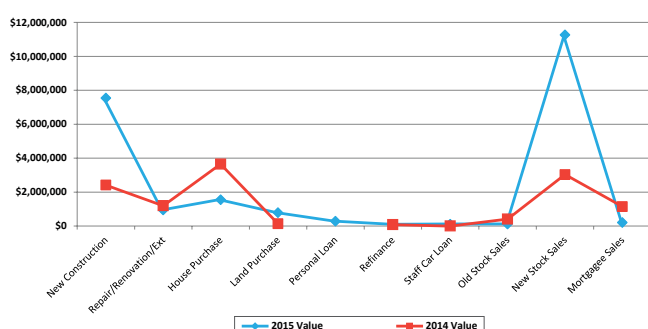
PRODUCT TYPE	LOANS BY PRODUCT 2014 & 2015			
	2015		2014	
	VALUE	NO.	VALUE	NO.
NEW CONSTRUCTION	\$7,544,317	139	\$2,412,474	58
REPAIR/RENOVATION/EXT	\$942,486	62	\$1,200,729	117
HOUSE PURCHASE	\$1,549,869	39	\$3,648,791	94
LAND PURCHASE	\$786,459	33	\$140,001	5
PERSONAL LOAN	\$278,827	13		
REFINANCE	\$92,938	3	\$88,660	2
STAFF CAR LOAN	\$109,402	7	\$2,000	1
OLD STOCK SALES	\$114,990	20	\$412,980	19
NEW STOCK SALES	\$11,261,057	409	\$3,031,113	80
MORTGAGE SALES	\$207,678	5	\$1,143,204	41
GRAND TOTAL	\$22,888,023	730	\$12,079,952	417

- New stock (land sales) valued at \$11.2m made up 49% of total sales.
- House purchases reduced with sharply increasing real estate costs becoming unaffordable to Housing Authority target market customers.
- Reducing old stock sales are in line with reducing inventory stock being disposed of.
- Construction loans continued increasing in direct correlation to land sales being settled and house plan approvals coming on line faster.

### Housing Assistance Grant (HAG)

This Government initiative aimed at encouraging those earning \$50,000 and below to own their first homes commenced in 2014 and have been a critical incentive in encouraging customers purchasing land to build immediately. The Authority's in-house support that includes technical assistance with house plans, costing estimates and ensuring the national building standards are adhered to with the added assistance of ensuring the relevant certifications are obtained enabled many more Fijians to take advantage of this grant. The Authority expects the utilisation of the HAG to increase with improved processing of the applications.

**LOANS & SALES BY PRODUCT (2014-2015)**

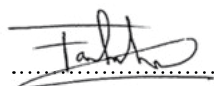


By 2015 the demand for more affordable land and housing options had increased in direct correlation to Real Estate prices increasing sharply in Fiji. This was more evident in the Central Division especially along the Suva – Nausori corridor. The data has now been better collated through the design and implementation of software that allows clear details, tracking and a vastly improved transparent evaluation and selection to match waiting customers with their land and house packages within their affordability and eligibility.

### Looking Ahead

Overall for the year, the Customer Relations Division achieved 89% growth in terms of loans and sales compared to the previous year. The early release of ready to sell land lots (with confirmed leases) allows the division to focus on quick disposal of the land to readily available customers in need of affordable housing. The eventual focus of the division to ensure that customers who had bought land were assisted to build their homes also allowed a steady buildup of construction loans in the loans portfolio.

We also would like to acknowledge the contribution of all our stakeholders for their continued support throughout the year that has allowed us to effectively and efficiently serve our customers. There were various challenges faced and through more dialogue with stakeholders and effective communication with our customers, a lot of these issues were resolved.

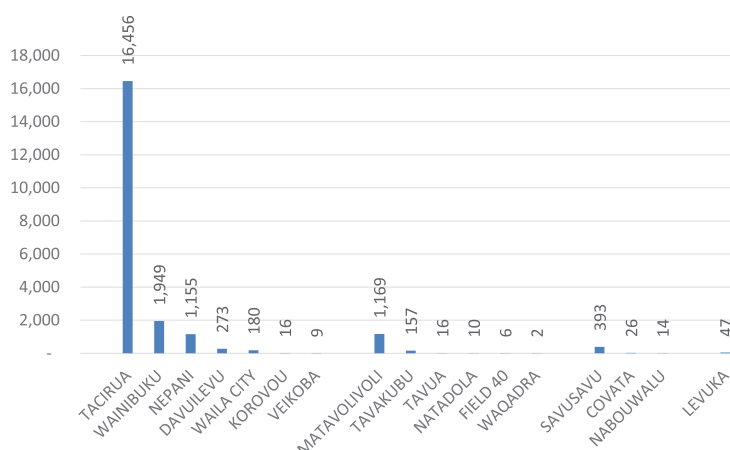


Fantasha Lockington  
**General Manager Customer Relations**

HOUSING ASSISTANCE GRANTS 2015		
	VALUE	NO.
HOME PURCHASE (\$5,000)	195,000	39
HOME CONSTRUCTION (\$10,000)	560,000	56
<b>TOTAL APPROVED</b>	<b>755,000</b>	<b>95</b>

HOUSING ASSISTANCE GRANTS 2014		
	VALUE	NO.
HOME PURCHASE (\$5,000)	70,000	14
HOME CONSTRUCTION (\$10,000)	730,000	73
<b>TOTAL APPROVED</b>	<b>800,000</b>	<b>87</b>

**DEMAND SURVEY RESULT**  
Based on expression of interest





*“The Authority is mandated to improve the standard of living in the rural Fijian villages. It will also contribute to their security, happiness and as a wiser choice for better utilization of their lease income.”*



**Maciu Katamotu**  
**Acting General Manager Lending**

## LENDING REPORT

*"As at 31 December 2015, the Authority had a customer base of 3,308 customer accounts. The total mortgage portfolio at the end of the year was \$81.78m compared to \$80.95m in 2014."*

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

### Gross Mortgage Portfolio

As at 31 December 2015, the Authority had a customer base of 3,308 customer accounts. The total mortgage portfolio at the end of the year was \$81.78m compared to \$80.95m in 2014. The increase in portfolio resulted from new loan applications and sale of land stock from our new Tacirua East and Wainibuku subdivisions.

Performing mortgage portfolio is around \$70.29m compared to \$65.54m in 2014. The increase in performing portfolio relates to new lending through land sales from our land stock and converting non-performing accounts to performing category.

### New Loans Approved

The Approvals Department is responsible for approving quality loans based on the lower probability of default, security coverage, repayment capacity and commitment by all our customers. Continuous improvement programs, coupled with ongoing training, coaching and

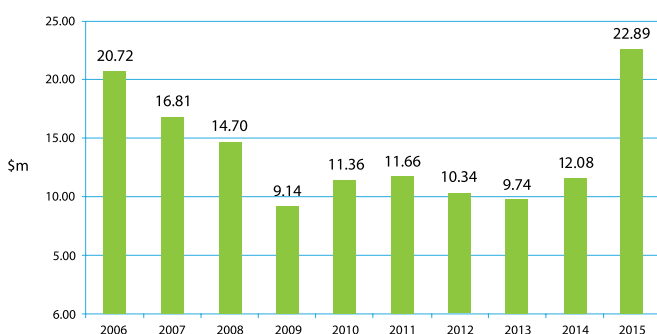
guidance helped identify problem areas and roadblocks. Scheduled monthly meetings with the Customer Relations Division continue as we try to minimize the number of deferred and declined cases and to ensure quality loan assessments.

The total loans approved in 2015 were \$22.89m compared to \$12.08m in 2014. A total of 703 customers were assisted during 2015 and most customers obtained loans to purchase land stock from our new Tacirua East and Wainibuku subdivisions and some customers obtained loans to buy ready-built houses.

### Mortgage Portfolio

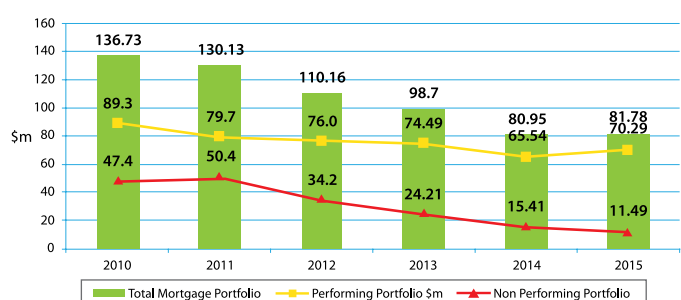
The total mortgage portfolio at the end of the year was \$81.78m, compared to \$80.95m in 2014. The mortgage portfolio increased through sale of land stock and loans to purchase properties. The bar graph below illustrates the trend for the total mortgage portfolio, the performing portfolio and non-performing portfolio over the last six years:

**TOTAL LOAN APPROVED (2006-2015)**



The bar graph shown above reflects the loans approved in 2015 and illustrates the trend of loans approved by the Authority over the last ten years:

**TOTAL MORTGAGE PORTFOLIO (2010-2015)**



### Non-Performing Loans

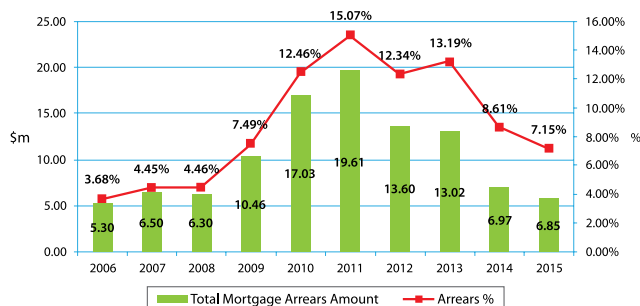
In 2009 the Authority had adopted the Reserve Bank of Fiji's risk grade system of classifying its impaired assets and this had a significant impact on our loan portfolio. As at end of 2015, the non-performing loans were \$11.49m compared to \$15.41m as at end of December 2014. This is equivalent to a decrease in NPL by \$3.92m or 25.44%.



## Credit Management

Mortgage arrears stood at \$5.85m or 7.15% of the total Mortgage Portfolio as at December 2015 compared to \$6.97m for the same period in 2014 which was 8.61% of the Authority's total loan portfolio.

**TOTAL MORTGAGE ARREARS (2006-2015)**



The bar graph shown above illustrates the trend over the last ten years:

### Recovery of Loan Arrears

The Authority continued to pursue debtors who defaulted in their loan repayments. A team of Collectors were formed and allocated loan portfolio to manage performing accounts from falling into arrears and also to recover the arrears from the accounts which had already defaulted in loan repayments. The Authority provides every opportunity for defaulting customers to resume payment and retain their homes. The Authority continued with its strategy on 'home retention drive' by encouraging all defaulting customers and their families to make suitable repayment arrangements to pay their debts and retain their family homes.

### Social Housing Policy

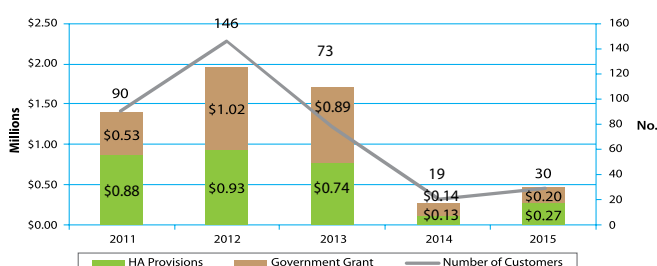
In 2011, the Government approved Social Housing Policy to utilise Government Grant funds to assist customers who have paid more than one and half times the loan amount and are retired, unemployed, proven to be medically unfit to work and are facing financial difficulties to repay their debts.

The Authority assisted 30 customers in 2015 by writing off their debts totaling \$0.474m, of which \$0.201m was utilized from Government Grant funds and \$0.272m from the Authority provisions.

The diagram below illustrates the total assistance provided through the Social Housing Policy from 2011 to 2015.

### Conveyancing Services

**SOCIAL HOUSING POLICY (2011-2015)**



The Conveyancing Team is responsible for conveyancing functions, Fiji National Provident Fund housing transfers and registration and safe-keeping of legal documents held by the Authority for security of loans granted to customers. New loans disbursed in 2015 were \$18.82m for 610 customers.

A total of 671 customers were assisted through the transfer of their Fiji National Provident Fund monies during the year and the total sum of \$9.21m housing transfer funds were received by the Authority.

### Ground Rent Portfolio

The Ground Rent portfolio as at 31 December 2015 stood at 18,130 accounts accounting for annual rental of \$0.8m. Rental arrears accumulated over the years total \$2.17m compared to \$2.37m in 2014. A team of Collectors are assigned to take vigorous arrears recovery actions to collect these dues.

### Stakeholders

The Division will continue to hold regular stakeholder meetings with the Fiji National Provident Fund, other landlords like iTaukei Land Trust Board, Methodist Church of Fiji and Lands Department, Fiji Revenue and Customs Authority and the Titles Office. The above is mainly aimed at refining our work processes and reducing the turnaround times to ultimately improve our service delivery to all our customers.

Maciu Katamotu  
Acting General Manager Lending

The background of the slide is a complex, abstract design in various shades of blue. It features a grid of thin white lines, some of which are thicker and more prominent. Overlaid on this grid are several binary code sequences (0s and 1s) in different orientations. There are also circular patterns, including a small white circle with a blue outline on the left side, and a larger, faint circular pattern on the right. The overall effect is a high-tech, digital aesthetic.


## FINANCIAL STATEMENTS



# HOUSING AUTHORITY OF FIJI FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

## Contents

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Statement of changes in equity	29
Statement of financial position	30
Statement Of Cash Flows	31
Notes to the financial statements	32-53



## 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 December 2015, the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and report as follows:

### Directors

The directors of the Authority during the year were:

<b>Directors</b>	<b>Appointed</b>	<b>Served Until</b>
Narendra Prasad - Chairman	16-Jan-14	31-Jan-15
Umarji Musa	06-Sep-10	07-Sep-15
Ashok Balgovind	19-Sep-14	19-Sep-15

### State of affairs

In the opinion of the directors, the accompanying statement of financial position give a true and fair view of the state of affairs of the Authority as at 31 December 2015 and the accompanying statement of comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results of the Authority and its cash flows for the year then ended.

### Principal activities

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

### Operating results

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

		<b>2015 \$'000</b>	<b>2014 \$'000</b>
Net profit before income tax		2,234	981
Income tax expense	<i>Note 1.4(n)</i>	-	-
Net profit for the year		<b>2,234</b>	<b>981</b>



## **Dividends**

The directors recommend that no dividends be declared or paid during the year (2014: \$Nil).

## **Reserves**

There were no movements in reserves during the year.

## **Events subsequent to balance date**

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

## **Bad and doubtful debts**

Prior to the completion of the Authority's financial statements, the directors took reasonable steps to ascertain that action had been taken to ensure that the net receivable balance as reported is considered to be collectible and adequate provision for doubtful debts has been included. In the opinion of directors, adequate provision has been made for doubtful debts.

As at the date of this report, the directors are not aware of any circumstances, which would require a material adjustment to the net receivable balance as at balance date.

## **Non-current assets**

Prior to the completion of the financial statements of the Authority, the directors took reasonable steps to ascertain whether any noncurrent assets were unlikely to be realised in the ordinary course of business as compared to their value as shown in the accounting records of the Authority.

As at the date of the report, the directors are not aware of any circumstances, which would render the values attributed to noncurrent assets in the Authority's financial statements to be materially misstated.

## **Unusual transactions**

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

## Other circumstances

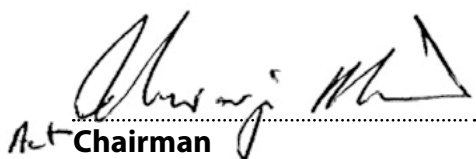
As at the date of this report:

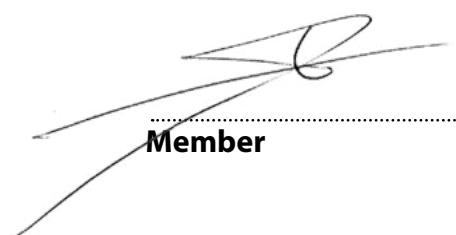
- a. *no charge on the assets of the Authority has been given since the end of the year to secure the liabilities of any other person;*
- b. *no contingent liabilities have arisen since the end of the year for which the Authority could become liable; and*
- c. *no contingent liabilities or other liabilities of the Authority has become or is likely to become enforceable within the year of twelve months after the end of the year which, in the opinion of the directors, will or may substantially affect the ability of the Authority to meet its obligations as and when they fall due.*

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

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

Dated at Suva this 19 day of December 2016.

  
Acting Chairman

  
Member

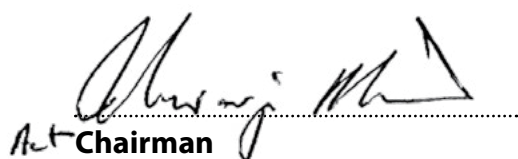


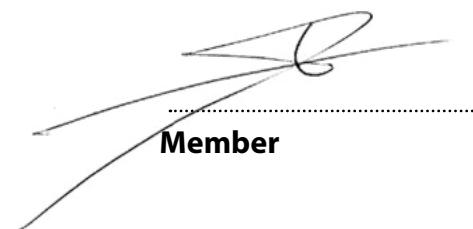
In accordance with a resolution of the Board of Directors of the Housing Authority of Fiji, we state that in the opinion of the directors:

- i. the accompanying statement of comprehensive income of the Authority is drawn up so as to give a true and fair view of the results of the Authority for the year ended 31 December 2015;
- ii. the accompanying statement of changes in equity of the Authority is drawn up so as to give a true and fair view of the changes in equity of the Authority for the year ended 31 December 2015;
- iii. the accompanying statement of financial position of the Authority is drawn up so as to give a true and fair view of the state of affairs of the Authority as at 31 December 2015;
- iv. the accompanying statement of cash flows of the Authority is drawn up so as to give a true and fair view of the cash flows of the Authority for the year ended 31 December 2015;
- v. at the date of this statement there are reasonable grounds to believe the Authority will be able to pay its debts as and when they fall due; and
- vi. all related party transactions have been adequately recorded in the books of the Authority.

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

Dated at Suva this 19 day of December 2016.

  
Act Chairman

  
Member



8th Floor Ratu Sukuna  
House  
MacArthur Street  
Government Buildings.  
Suva, Fiji Islands.

REPUBLIC OF FIJI  
OFFICE OF THE AUDITOR GENERAL  
Excellence in Public Sector Accounting

Telephone: (679) 330 9032  
Fax: (679) 330 3812  
Email: [info@auditorgeneral.gov.fj](mailto:info@auditorgeneral.gov.fj)  
Website: <http://www.oag.gov.fj>



## INDEPENDENT AUDITOR'S REPORT

### *To the members of Housing Authority of Fiji,*

I have audited the accompanying financial statements of Housing Authority of Fiji ("the Authority"), which comprises of the statement of financial position as at 31 December 2015, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year ended and a summary of significant accounting policies and other explanatory information as set out in notes 1 to 24.

### ***Directors' and Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

I believe that the audit evidence that I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



## Audit Opinion

In my opinion:

- a. proper books of account have been kept by the Housing Authority of Fiji, so far as it appears from my examination of those books; and
- b. the accompanying financial statements which have been prepared in accordance with International Financial Reporting Standards:
  - (i) are in agreement with the books of account;
  - (ii) to the best of my information and according to the explanations given to me:
    - a. give a true and fair view of the state of affairs of the Housing Authority of Fiji as at 31 December 2015 and of the results, changes in equity and cash flows of the Authority for the year ended on that date; and
    - b. give the information required by the Caption 267 of the Housing Act and the Housing (Amendment) Decree (1989) in the manner so required.



**Atunaisa Nadakuitavuki**  
**For Auditor General**

**30 December 2016**  
**Suva, Fiji**



HOUSING AUTHORITY OF FIJI  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2015

		2015 \$'000	2014 \$'000
Interest income	2.1	7,640	9,335
Interest expense	3.1	(4,644)	(4,956)
Net interest income		2,996	4,379
<b>Other operating income</b>	2.2	24,755	9,575
Net operating income		<b>27,751</b>	<b>13,954</b>
Amortisation of intangible assets		244	235
Bad and doubtful debts		40	362
Cost of sales - land and houses		17,169	3,552
Depreciation of property, plant and equipment		607	648
Other expenses	3.3	2,628	3,104
Personnel expenses	3.2	4,829	5,072
<b>Total operating expense</b>		<b>25,517</b>	<b>12,973</b>
Net profit before income tax		2,234	981
Income tax expense	1.4(n)	-	-
<b>Net profit after tax</b>		<b>2,234</b>	<b>981</b>
<b>Other comprehensive income</b>		-	-
Total comprehensive income for the year, net of tax		<b>2,234</b>	<b>981</b>

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



HOUSING AUTHORITY OF FIJI  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 \$'000	2014 \$'000
<b>Accumulated losses</b>		
Balance at the beginning of the year	(5,778)	(6,759)
Profit for the year	2,234	981
Balance at the end of the year	<b>(3,544)</b>	<b>(5,778)</b>
<b>Asset revaluation reserve</b>		
Balance at the beginning of the year	2,249	2,249
Movement during the year	-	-
Balance at the end of the year	<b>2,249</b>	<b>2,249</b>
<b>Government grant</b>		
Balance at the beginning of the year	15,958	15,958
Movement during the year	-	-
Balance at the end of the year	<b>15,958</b>	<b>15,958</b>
<b>Capital</b>		
Balance at the beginning of the year	41,772	41,772
Movement during the year	-	-
Balance at the end of the year	<b>41,772</b>	<b>41,772</b>
<b>Total equity</b>	<b>56,435</b>	<b>54,201</b>

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

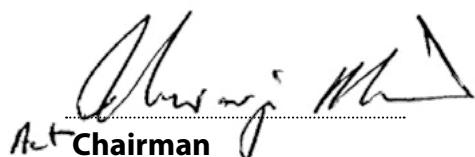
**HOUSING AUTHORITY OF FIJI  
STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 31 DECEMBER 2015**

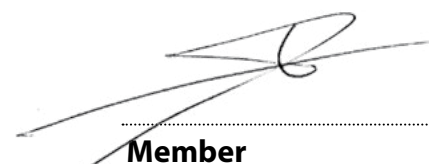
	Notes	2015 \$'000	2014 \$'000
<b>ASSETS</b>			*restated
Cash and cash equivalents	4	3,170	7,304
Held-to-maturity investments	5	49,450	35,150
Loans and advances	6	79,745	78,174
Inventories	7	36,008	46,124
Other assets	12	4,673	5,592
Land held for future development	8	2,022	2,040
Intangible assets	11	664	869
Investment property	10	994	994
Property, plant and equipment	9	7,909	8,411
		<b>184,634</b>	<b>184,658</b>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Trade and other payables	14	15,290	17,870
Employee benefit liability	16	546	403
Provisions	15	179	-
Debt issued and borrowed funds	13	112,184	112,184
		<b>128,199</b>	<b>130,457</b>
<b>TOTAL LIABILITIES</b>			
<b>EQUITY</b>			
Capital	17	41,772	41,772
Accumulated losses		(3,544)	(5,778)
Government grant		15,958	15,958
Asset revaluation reserve	17	2,249	2,249
		<b>56,435</b>	<b>54,201</b>
<b>TOTAL EQUITY</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>184,634</b>	<b>184,658</b>

\* Certain amount shown here do not correspond to the 2014 financial statements and reflect adjustments made, refer to note 23.

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

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

  
Chairman

  
Member

HOUSING AUTHORITY OF FIJI  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2015

Notes	2015 Inflows/ (Outflows) \$'000	2014 Inflows/ (Outflows) \$'000
<b>Operating activities</b>		
Interest received	4,640	9,594
Fees, charges and other income received	5,588	2,059
Proceeds from sale of land and houses	20,281	4,249
Interest and other finance costs paid	(4,973)	(4,664)
Net customer loans repayments received	(172)	12,389
Payments to suppliers for land and houses	(7,050)	(8,416)
Net receipt/(utilisation) of government grants	(388)	102
Other operating expenses paid	(9,355)	(4,961)
<b>Cash flows from operating activities</b>	<b>8,569</b>	<b>10,352</b>
<b>Investing activities</b>		
Proceeds from sale of plant and equipment		26
Payments for property plant and equipment and investment properties	1,375	(193)
Payments for intangibles assets	222	(340)
Payment of short term investments	(14,300)	(4,150)
<b>Cash flows used in investing activities</b>	<b>(12,703)</b>	<b>(4,657)</b>
<b>Financing activities</b>		
Net (repayment)/proceeds of borrowings	-	(1,201)
<b>Cash flows (used in)/ from financing activities</b>	<b>-</b>	<b>(1,201)</b>
Net increase/(decrease) in cash held	(4,133)	4,494
Cash at the beginning of the financial year	7,304	2,810
<b>Cash at the end of the financial year</b>	<b>3,171</b>	<b>7,304</b>

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

## 1 Corporate Information

The financial statements of Housing Authority of Fiji ("the Authority") for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on **19th December, 2016**. Housing Authority of Fiji is a statutory authority established under the Housing Authority Act and domiciled in the Republic of Fiji.

### **Principal activities**

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

#### **1.1 Basis of preparation of the financial statements**

The financial statements have been prepared on a historical cost basis except for investment properties, land and buildings included under property, plant and equipment which are recorded at fair value. The financial statements are presented in Fijian dollars and all values are rounded to the nearest thousand dollar except when otherwise indicated.

#### **1.2 Statement of compliance**

The financial statements of Housing Authority of Fiji have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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

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

### **Judgments**

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

#### ***Operating Lease Commitments***

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

#### **Estimations and assumptions**

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



### 1.3 Significant accounting judgments, estimates and assumptions (cont'd)

#### Estimations and assumptions (cont'd)

##### Impairment losses on loans and advances

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

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

### 1.4 Summary of significant accounting policies

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

#### a) Foreign currencies

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

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

#### b) Financial instruments - initial recognition and subsequent measurement

##### i) Date of recognition

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

##### ii) Initial recognition of financial instruments

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

#### 1.4 Summary of significant accounting policies (cont'd)

##### iii) *Held to maturity financial investments*

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

##### iv) *Loans and advances*

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

After initial measurement, loans and advances are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in 'Interest and similar income' in the statement of comprehensive income. The loss arising from impairment are recognised in the statement of comprehensive income in Bad and Doubtful Debts expense.

##### **Non performing loans**

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

##### (v) *Debt issued and other borrowed funds*

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

#### **c) Impairment of financial assets**

The Authority assesses at each balance date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers are experiencing significant financial difficulties with default or delinquency in interest or in principal payments, the probability that they will enter bankruptcy or other financial 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.

##### i) **Loans and advances to customers**

Loans and advances to customers are carried at amortised cost, the Authority first assesses individually whether objective evidence of impairment exist individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Authority determines no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with



**i) Loans and advances to customers (cont'd)**

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.

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

**ii) Held to maturity financial investments**

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

**d) Leased assets**

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

***Authority as a lessee***

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

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

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

#### ***Authority as a lessor***

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

#### **e) Recognition of income and expenses**

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

##### **i) Interest income and expense**

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

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

##### **ii) Fee income and charges**

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

##### **iii) Income from sale of land and houses**

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

##### **iv) Rental income**

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

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

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

##### **vi) Bad and doubtful debts**

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



**f) Cash and cash equivalents**

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

**g) Property, plant and equipment**

Property, plant and equipment is stated at cost or valuation less accumulated depreciation and accumulated impairment losses. Such costs include the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria is met. All other repair and maintenance costs are 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%
Furniture and fittings	10%

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

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

**h) Investment properties**

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

**i) Intangible assets**

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

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

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

Computer software	20%
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**j) Impairment of non financial assets**

The Authority assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Authority makes an estimate of the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value. In determining fair value less costs to sell, an appropriate value model is used.

For impaired assets an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Authority makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

**k) Provisions**

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

**l) Employee benefit liability**

The employee benefit liability relates to amounts expected to be paid to employees for annual leave, sick leave and long service leave. Current employee remuneration rates are used to calculate these payments estimated to be payable to employees at balance date on the basis of statutory and contractual requirements.

**m) Inventories**

**Land and houses**

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

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

**Work in progress**

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



**n) Income tax**

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

**o) Government grants**

The Government provides an annual grant to the Authority to assist qualifying customers in meeting their mortgage repayments. This grant is in the form of a one off rebate to a customer's loan balance. Any grant that is not utilised at year end is shown as a liability until such time it is applied. There are certain criteria for customers to comply with to be eligible for financial assistance under the plan.

**p) Creditors**

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

**q) Comparatives**

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

**r) Segment information**

**(a) Industry segment**

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

**(b) Geographical segment**

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

**1.5 Standard issued but not yet effective and**

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

Reference	Title	Application date	Impact
Amendment to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016	The impact of the standard is yet to be assessed
IFRS 9	Financial Instruments	1 January 2018	The impact of the standard is yet to be assessed
IFRS 15	Revenue from contracts with customers	1 January 2017	The impact of the standard is yet to be assessed

HOUSING AUTHORITY OF FIJI  
NOTES TO THE FINANCIAL STATEMENTS(cont'd)  
FOR THE YEAR ENDED 31 DECEMBER 2015

<b>2. INCOME</b>		<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>2.1 Interest income</b>			
Investment securities		1,428	838
Loans and advances		6,212	8,497
		<u>7,640</u>	<u>9,335</u>
<b>2.2 Other operating income</b>			
Fees and charges		4,084	4,185
Rent		86	86
Other income		304	1,055
Sale of land and houses		20,281	4,249
Change in fair value of investment property		-	
		<u>24,755</u>	<u>9,575</u>
<b>3. EXPENSES</b>			
<b>3.1 Interest expense</b>		<b>\$'000</b>	<b>\$'000</b>
Bonds		4,148	5,202
Long term loans		496	(246)
		<u>4,644</u>	<u>4,956</u>
<b>3.2 Personnel expenses</b>			
Salaries and wages		3,683	4,162
Employee entitlements		490	274
FNPF contribution		556	446
Other		100	190
		<u>4,829</u>	<u>5,072</u>
<b>3.3 Other expenses</b>			
Auditor's remuneration - audit fees		20	20
Accounting services		10	10
Amortisation - leasehold land		17	229
Repairs and maintenance		55	63
Stock write-down			60
Other expenses		2,526	2,722
		<u>2,628</u>	<u>3,104</u>
<b>4. CASH AND CASH EQUIVALENTS</b>		<b>\$'000</b>	<b>\$'000</b>
Cash on hand		2	2
Cash at bank		3,168	7,302
		<u>3,170</u>	<u>7,304</u>

**5. HELD-TO-MATURITY INVESTMENTS**

**Term deposits**

2015 \$'000	2014 \$'000
49,450	35,150

Term deposits are placed with financial institutions in Fiji at terms of 12 months to 24 months. The interest rate of these deposits range from 2.1% to 3.30%.

**6. LOANS AND ADVANCES**

Mortgage loans  
Village scheme loans

Less: Interest and fees suspended  
Add: Accounts with credit balance  
Gross loans

Less: Allowance for impairment losses

\$'000	\$'000
80,636	79,081
4,031	3,329
84,667	82,410
2,394	(3,306)
(708)	652
81,565	79,756
1,821	(1,582)
79,745	78,174

Impairment allowances for loans by class is as follows:

	Mortgage \$'000	Village Scheme \$'000	Total \$'000
At 1 January 2015	1,304	278	1,582
Charge / (utilisation) for the year	476	35	511
Amounts written off	(272)		(272)
At 31 December 2015	<b>1,508</b>	<b>313</b>	<b>1,821</b>
Individual impairment	1,504	313	1,817
Collective impairment	4		4
	<b>1,508</b>	<b>313</b>	<b>1,821</b>
Gross amount of loans, individually determined to be impaired, before deducting any individual or collective assessed impairment allowance.	11,397	577	11,973

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.

HOUSING AUTHORITY OF FIJI  
NOTES TO THE FINANCIAL STATEMENTS(cont'd)  
FOR THE YEAR ENDED 31 DECEMBER 2015

**6. LOANS AND ADVANCES TO CUSTOMERS cont'd**

	<b>Mortgage \$'000</b>	<b>Village Scheme \$'000</b>	<b>Total \$'000</b>
At 1 January 2014	1,984	1,434	3,418
Charge / (utilisation) for the year	471	(487)	(16)
Amounts written off	(1,151)	(669)	(1,820)
At 31 December 2014	<b>1,304</b>	<b>278</b>	<b>1,582</b>
Individual impairment	1,288	107	1,395
Collective impairment	16	171	187
	<b>1,304</b>	<b>278</b>	<b>1,582</b>
Gross amount of loans, individually determined to be impaired, before deducting any individual or collective assessed impairment allowance.	<b>14,794</b>	<b>4,422</b>	<b>19,216</b>

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

**2015**

	<b>Individual Impairment \$'000</b>	<b>Collective Impairment \$'000</b>	<b>Total \$'000</b>
At 1 January 2015	1,395	187	1,582
Charge / (utilisation) for the year	150	(183)	(33)
Amounts written off	272	-	272
At 31 December 2015	<b>1,817</b>	<b>4</b>	<b>1,821</b>

**2014**

	<b>Individual Impairment \$'000</b>	<b>Collective Impairment \$'000</b>	<b>Total \$'000</b>
At 1 January 2014	2,815	603	3,418
Charge / (utilisation) for the year	400	(416)	(16)
Amounts written off	(1,820)	-	(1,820)
At 31 December 2014	<b>1,395</b>	<b>187</b>	<b>1,582</b>

**7. INVENTORIES**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Developed lots	14,002	10,538
Less: Provision for developed lots write-down	(336)	(397)
	<b>13,666</b>	<b>10,141</b>
Unsold properties	406	387
Less: Provision for unsold properties write-down	(159)	(231)
	<b>247</b>	<b>156</b>
Development work-in-progress	22,095	35,827
<b>Total inventories</b>	<b>36,008</b>	<b>46,124</b>

HOUSING AUTHORITY OF FIJI  
NOTES TO THE FINANCIAL STATEMENTS(cont'd)  
FOR THE YEAR ENDED 31 DECEMBER 2015

**8. LAND HELD FOR FUTURE DEVELOPMENT**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Freehold land		
- at deemed cost	202	202
- movement during the year	-	-
Leasehold land – at cost	2,622	2,622
Less: Provision for amortisation of leasehold land	(802)	(784)
<b>Total land held for future development</b>	<b>2,022</b>	<b>2,040</b>

**9. PROPERTY, PLANT AND EQUIPMENT**

	<b>\$'000</b>	<b>\$'000</b>
<b>Office</b>		
<b>Cost / valuation:</b>		
At 1 January	7,613	7,593
Additions		20
Disposals	(10)	-
Reversal of depreciation on revaluation		-
Transfer to investment property		-
Reversal of portion of revaluation transferred to investment property		-
Disposals/Adjustment	(139)	-
At 31 December	7,464	7,613
<b>Depreciation and impairment:</b>		
At 1 January	634	475
Depreciation charge for the year	175	159
Prior period depreciation charged	-	-
Disposals	(5)	-
Adjustment	(162)	-
At 31 December	642	634
<b>Net written down value - properties</b>	<b>6,822</b>	<b>6,979</b>
<b>Furniture and fittings</b>		
<b>Cost:</b>		
At 1 January	2,355	2,282
Additions	18	73
Disposals	(24)	-
At 31 December	2,349	2,355
<b>Depreciation and impairment:</b>		
At 1 January	1,950	1,809
Depreciation charge for the year	118	141
Prior period depreciation charged	-	-
Disposals	33	-
At 31 December	2,101	1,950
<b>Net written down value - Furniture and fittings</b>	<b>248</b>	<b>405</b>
<b>Staff houses and shops</b>		
<b>Cost / valuation:</b>		
At 1 January	406	406
Additions	-	-
Disposals	-	-
At 31 December	406	406

HOUSING AUTHORITY OF FIJI  
NOTES TO THE FINANCIAL STATEMENTS(cont'd)  
FOR THE YEAR ENDED 31 DECEMBER 2015

9. PROPERTY, PLANT AND EQUIPMENT cont'd

Staff houses and shops continued

**Depreciation and impairment:**

At 1 January  
Depreciation charge for the year  
At 31 December

2015 \$'000	2014 \$'000
54	43
11	11
65	54

**Net written down value - staff houses and shops**

<b>341</b>	<b>352</b>
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**Motor vehicles**

**Cost:**

At 1 January  
Additions  
Disposals  
At 31 December

1,016	1,092
-	-
-	(76)
1,016	1,016

**Depreciation and impairment:**

At 1 January  
Depreciation charge for the year  
Disposals  
At 31 December

671	570
152	160
(2)	(59)
821	671

**Net written down value - motor vehicles**

<b>195</b>	<b>345</b>
------------	------------

**Computer equipment**

**Cost:**

At 1 January  
Additions  
Disposals  
At 31 December

2,599	2,428
8	171
(2)	-
2,606	2,599

**Depreciation and impairment:**

At 1 January  
Depreciation charge for the year  
Adjustment  
At 31 December

2,321	2,145
150	176
(76)	-
2,396	2,321

**Net written down value - computer equipment**

<b>210</b>	<b>278</b>
------------	------------

**Others**

**Cost:**

At 1 January  
Additions  
Disposals  
At 31 December

70	70
-	-
-	-
70	70

**Depreciation and impairment:**

At 1 January  
Depreciation charge for the year  
At 31 December

24	23
1	1
25	24

**Net written down value - others**

<b>45</b>	<b>46</b>
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HOUSING AUTHORITY OF FIJI  
NOTES TO THE FINANCIAL STATEMENTS(cont'd)  
FOR THE YEAR ENDED 31 DECEMBER 2015

**9. PROPERTY, PLANT AND EQUIPMENT cont'd**

**Work in progress**

**Cost:**

At 1 January  
Additions  
Capitalised during the year  
At 31 December

2015 \$'000	2014 \$'000
6	236
44	6
50	(236)
	6

**Net written down value - work in progress**

<b>50</b>	<b>6</b>
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**Net written down value - total**

<b>7,911</b>	<b>8,411</b>
--------------	--------------

**Total**

**Cost:**

At 1 January  
Additions  
Capitalised during the year  
Disposals  
At 31 December

14,065	14,107
26	270
44	(236)
(174)	(76)
13,961	14,065

**Depreciation and impairment:**

At 1 January  
Depreciation charge for the year  
Disposals  
At 31 December

5,654	5,065
607	648
(209)	(59)
6,052	5,654

**Net written down value - total**

<b>7,909</b>	<b>8,411</b>
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**10. INVESTMENT PROPERTY**

At 1 January  
Additions  
Net gain on fair value adjustment

\$'000	\$'000
994	835
	159
994	994

At 31 December

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

59	59
(5)	(5)
-	-
54	54

The Authority has no restrictions on the realisability of its investment property and contractual obligations to either purchase, construct or develop investment property or for repairs, maintenance and enhancements. Investment properties are stated at fair value. The last valuations was performed on 11 November 2013. The fair value of the investment properties was determined on transactions observable in the market places and a valuation model in accordance with that recommended by the International Valuation Standard Committee. Since rental income remained constant throughout the year, the directors relied on the valuation in 2013 and cost of renovations and improvements made during the year to determine the fair value of investment properties for the current year.

HOUSING AUTHORITY OF FIJI  
NOTES TO THE FINANCIAL STATEMENTS(cont'd)  
FOR THE YEAR ENDED 31 DECEMBER 2015

**11. INTANGIBLE ASSETS**

	2015 \$'000	2014 \$'000
<b>Cost:</b>		
At 1 January	2,993	2,653
Additions	87	340
Disposals/adjustment	(48)	-
At 31 December	3,032	2,993
<b>Depreciation and impairment:</b>		
At 1 January	2,124	1,889
Amortisation charge for the year	244	235
At 31 December	2,368	2,124
<b>Net written down value - Intangible assets</b>	<b>664</b>	<b>869</b>

**12. OTHER ASSETS**

	\$'000	\$'000
Advance - EXIM Bank of China	-	3,000
Advance - FNPf settlement	278	317
Sundry debtors and prepayments	3,738	1,681
Stationery stock	42	36
Interest receivable	589	552
Stamp duty/deposit	5	5
Staff advances	21	1
	<b>4,673</b>	<b>5,592</b>

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) Ltd for FJD 49,959,679. The Authority, as the eventual owner of the project on behalf of Government entered into a non-lending agreement with the Government. As at 31st December 2014, the total disbursement from the EXIM Bank included an advance of FJD 3,000,000 for Mobilization which was equal to 20% of the total part of the contract price. The advance payment of 20% was not utilized since that part of the project did not evaluate as a joint inspection between the Authority, Ministry of Finance and the contractor revealed that the quality of model houses built by the contractor was substandard. Subsequently, the parties involved mutually reached to an agreement to terminate the contract. This was formalized through a Deed of Settlement which was signed on 24th October 2014.

**13. DEBT ISSUED AND BORROWED FUNDS**

		\$'000	\$'000
	Effective interest rate %		
<b>Current</b>			
Bonds	2.40% to 12%	-	-
Loans	1.00% to 2.00%	1,263	-
		1,263	
<b>Non current</b>			
Bonds	2.40% to 12%	78,600	78,600
Loans	1.00% to 2.00%	32,321	33,584
		110,921	112,184
<b>Total debt issued and borrowed funds</b>		<b>112,184</b>	<b>112,184</b>
	Maturity		
Bonds	2016 to 2025		
Loans	2016 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 projects for fully serviced lots and to provide cash loans to its customer for new house constructions and purchase of new houses.



**14. TRADE AND OTHER PAYABLES**

	2015 \$'000	2014 \$'000
Interest payable	1,731	1,988
Insurance payable	499	582
Government grant received in advance	7,627	8,013
Trade payables and accruals	5,433	7,287
	<u>15,290</u>	<u>17,870</u>

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms;
- Other payables are non-interest bearing and have an average term of six months;
- Interest payable is normally settled monthly throughout the financial year; and
- Government Grant received is recognised as a liability until the authority utilises the amounts in accordance with Government policy and the conditions attached to the grant.

**15. PROVISIONS**

The movement in provision during the year is as follows:

	\$'000	\$'000
At 1 January	-	67
Arising during the year	179	
Utilised	-	(67)
As 31 December	<u>179</u>	<u>-</u>
Represented by:		
Current	<u>179</u>	<u>-</u>

**16. EMPLOYEE BENEFIT LIABILITY**

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

	\$'000	\$'000
At 1 January	403	298
Arising during the year	369	379
Utilised	(226)	(274)
As 31 December	<u>546</u>	<u>403</u>
Represented by:		
Current	<u>546</u>	<u>403</u>

**17. CAPITAL AND RESERVES**

	\$'000	\$'000
Capital	<u>41,772</u>	<u>41,772</u>
Asset Revaluation Reserve		
At 1 January	2,249	2,249
Movement during the year	-	-
At 31 December	<u>2,249</u>	<u>2,249</u>

## 18. CONTINGENT LIABILITIES AND COMMITMENTS

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

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

	2015 \$'000	2014 \$'000
<b>Contingent liabilities</b>		
Guarantees	5	5
	5	5
<b>Commitments</b>		
Operating lease commitments [a]	566	642
Capital commitments	95,597	60,377
	96,163	61,019
<b>Total</b>	<b>96,168</b>	<b>61,024</b>
<b>Contingent liabilities</b>		

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:

<i>Guarantee</i>		
Fiji Electricity Authority bond	5	5

### Commitments

#### a) Operating lease commitments

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

Not later than one year	369	221
Later than one year but not later than two years	100	159
Later than two years but not later than five years	96	246
Later than five years	0	16
	566	642

The Authority has various lease commitments for leasehold land. The leases typically run for a period of between three and ten years. It is not certain whether the land leases will offer an option of renewal after maturity. The annual capital lease rentals recognised as an expense in the statement of comprehensive income amount to \$68,925 (2014: \$68,925).

## 19. RELATED PARTY DISCLOSURES

### (a) Identity of related parties

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

	Appointed	Served Until
Umarji Musa	06-Sep-10	07-Sep-15
Ashok Balgovind	19-Sep-14	19-Sep-15
Narendra Prasad - Chairman	16-Jan-14	31-Jan-15



## 19. RELATED PARTY DISCLOSURES continued

### (b) Transactions with related parties

Transactions with related parties during the year ended 31 December 2014 with approximate transaction value are summarised as follows:

	2015 \$'000	2014 \$'000
Board expenses and allowances	15	44
(c) Compensation of key management personnel		
Short term employee benefits	546	403

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

## 20. EVENTS AFTER THE BALANCE DATE

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

## 21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 21.1 Introduction

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

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

#### *Risk management structure*

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

#### *Board of Directors*

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

#### *Internal audit*

Risk management processes throughout the Authority are audited on an ongoing basis by its own Internal Audit Unit, that examines the adequacy of the procedures and the Authority's compliance with the procedures. Internal audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

## 21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

### 21.1 Introduction continued

#### *Risk Management and reporting systems*

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

Monitoring and controlling risks is primarily based on limits established by the Authority. These limits reflect the business strategy and market environment of the Authority as well as the level of risk that the Authority is willing to accept, with additional emphasis on selected industries.

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

#### *Excessive risk concentration*

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

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

### 21.2 Credit Risk

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

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

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

	Gross Maximum Exposure 2015 \$'000	Gross Maximum Exposure 2014 \$'000
Loans and advances (Note 6)	79,745	78,174
Other assets (Note 12)	4,673	5,592
<b>Total</b>	<b>84,418</b>	<b>83,766</b>
Contingent liabilities (Note 18)	5	5
Commitments (Note 18)	96,163	61,019
<b>Total</b>	<b>96,168</b>	<b>61,024</b>
<b>Total credit exposure</b>	<b>180,585</b>	<b>144,790</b>

### 21.3 Interest rate risk

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

<i>Fixed rate instruments</i>	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Financial assets	132,365	120,628
Financial liabilities	127,474	130,054

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

	<b>Increase /(decrease) in interest rate</b>	<b>Effect on profit before tax \$'000</b>
<b>2015</b>	+10 bp -10 bp	112 (112)
<b>2014</b>	+10 bp -10 bp	110 (110)

### 21.4 Capital Management

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

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

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

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Interest bearing loans and borrowings	112,184	112,184
Trade and other payables	15,290	17,870
Less: cash and short term deposits	(3,170)	(7,304)
Less: held to maturity investments	(49,450)	(35,150)
Net debt	74,854	87,600
Equity	56,435	54,201
Total capital	56,435	54,201
Capital and net debt	131,289	141,801
Gearing ratio	57%	62%

HOUSING AUTHORITY OF FIJI  
NOTES TO THE FINANCIAL STATEMENTS(cont'd)  
FOR THE YEAR ENDED 31 DECEMBER 2015

## 22. MATURITY ANALYSIS OR FINANCIAL ASSETS AND LIABILITIES

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

	31st December 2015	At call	Less than 3 months	4 to 12 months	1 to 5 years	over 5 years	Provision for doubtful debts	Suspended interest and fees	Total
<b>Financial assets</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash	3,170	-	-	-	-	-	-	-	3,170
Loans and advances	10,672	2,103	5,520	24,897	40,768	(1,821)	(2,394)	-	79,745
Financial investments - held to maturity	-	19,000	30,450	-	-	-	-	-	49,450
<b>Total</b>	<b>13,842</b>	<b>21,103</b>	<b>35,970</b>	<b>24,897</b>	<b>40,768</b>	<b>(1,821)</b>	<b>(2,394)</b>	<b>-</b>	<b>132,365</b>
<b>Financial liabilities</b>									
Borrowings	-	-	5,463	55,246	51,475	-	-	-	112,184
Accrued interest	-	1,731	-	-	-	-	-	-	1,731
Accounts payable and accrued liabilities	-	13,559	-	-	-	-	-	-	13,559
<b>Total</b>	<b>-</b>	<b>15,290</b>	<b>5,463</b>	<b>55,246</b>	<b>51,475</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>127,474</b>
<b>31st December 2014</b>	<b>At call</b>	<b>Less than 3 months</b>	<b>4 to 12 months</b>	<b>1 to 5 years</b>	<b>over 5 years</b>	<b>Provision for doubtful debts</b>	<b>Suspended interest and fees</b>	<b>Total</b>	
<b>Financial assets</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash	7,304	-	-	-	-	-	-	-	7,304
Loans and advances	11,851	2,482	5,763	26,549	36,417	(1,582)	(3,306)	-	78,174
Financial investments - held to maturity	-	16,050	19,100	-	-	-	-	-	35,150
<b>Total</b>	<b>19,155</b>	<b>18,532</b>	<b>24,863</b>	<b>26,549</b>	<b>36,417</b>	<b>(1,582)</b>	<b>(3,306)</b>	<b>-</b>	<b>120,628</b>
<b>Financial liabilities</b>									
Borrowings	-	-	1,612	58,492	52,080	-	-	-	112,184
Accrued interest	-	1,988	-	-	-	-	-	-	1,988
Accounts payable and accrued liabilities	-	15,882	-	-	-	-	-	-	15,882
<b>Total</b>	<b>-</b>	<b>17,870</b>	<b>1,612</b>	<b>58,492</b>	<b>52,080</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130,054</b>

## 23. RESTATEMENT OF 2014 FINANCIAL STATEMENTS

The 2014 comparatives included in the financial statements were restated due to measurement of fair value of investment properties. The Authority performed a valuation of investment properties in 2013. The value of office property recorded in the books of the Authority did not reflect the correct value due to adjustments of Investment Property. The correction of prior period discrepancies have resulted in increases/(decreases) in the following accounts in the Statements of Financial Position:

	Reported 2014 \$'000	Adjustments 2014 \$'000	Restated 2014 \$'000
Statement of of financial position			
Office	7,401	212	7,613
Depreciation and impairment:	634	(212)	422

## 24. DETAILS OF THE AUTHORITY

### Registered office:

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

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

### Branches:

#### Lautoka

**Housing Authority Building, 14 Tavewa Avenue, Lautoka**

P.O. Box 262, Lautoka  
Telephone: (679) 666 0299  
Facsimile: (679) 666 5602

#### Labasa

**F N PF Building, Rosawa Street, Labasa**

P.O. Box 78, Labasa  
Telephone: (679) 881 1977  
Facsimile: (679) 881 3919

#### Suva

**Level 1, Ratu Sukuna House, Macarthur Street, Suva**

Telephone: (679) 339 2977  
Facsimile: (679) 331 5135

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

Management	18
Staff	134
Project/Unestablished staff/Trainees	60



[illegible]





#### **HEAD OFFICE**

Valelevu House  
Saqa Street, Valelevu, Nasinu.  
Tel: [679] 339 2977  
Fax: [679] 334 0092

#### **SUVA**

Lvl 1 Rt Sukuna House  
Macarthur Street, [off Victoria Parade],  
Suva.  
Tel: [679] 339 2977  
Fax: [679] 331 5135

#### **LAUTOKA**

Housing Authority Building,  
14 Tavewa Avenue, Lautoka.  
PO Box 262, Lautoka.  
Tel: [679] 670 7999  
Fax: [679] 670 7499

#### **LABASA**

FNPF Building,  
Rosawa Street, Labasa.  
PO Box 78, Labasa.  
Tel: [679] 881 1977  
Fax: [679] 881 3919

**Email:** [info@housing.com.fj](mailto:info@housing.com.fj)

**Website:** [www.housing.com.fj](http://www.housing.com.fj)