

ANNUAL REPORT 2016



Housing Authority
Your complete housing solution



WAINIBUKU STRATA
176 UNITS

HOUSING AUTHORITY



Providing Housing Opportunities

PP Number : 37/2018

VISION

To be the dynamic leader in housing

MISSION

The purpose of Housing Authority is to be the premier producer of affordable and quality housing products and services through:

- **Development of fully serviced lots and houses with**
- **Competitive loan packages to all its customers**
- **Service excellence for all customers and stakeholders**
- **Being socially aware and responsible**

CORPORATE VALUES AND ETHICS

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

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LETTER TO THE MINISTER

1st December, 2017

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

Dear Sir,

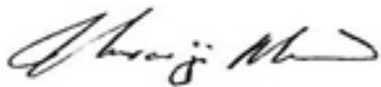
Re : Annual Report 2016

In accordance with Section 21 of the Housing Act, Cap 267, I am pleased to present the Authority's Annual Report for 2016 which incorporates a detailed summary of its operations and activities including the Financial Statements for the year ending 31st December, 2016.

For the year 2016, the Housing Authority recorded a surplus of \$1.473m in comparison to a surplus of \$2.234m in 2015.

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

Yours sincerely



[Umarji Musa]
ACTING BOARD CHAIRMAN

CORPORATE GOVERNANCE

Introduction

The Board was appointed on 25th December, 2015 to be responsible for the overall governance of the Housing Authority.

Mr Umarji Musa was appointed as Acting Chairman in February, 2016 with three other Board directors namely Mr Nesbitt Hazelman, Mr Roveen Permal and Mr Craig Strong.

Board Functions

The Authority already has a Board Charter in place that outlines the roles and responsibilities of the Board of Directors, including disclosure of conflict of interest of any Director with material personal interest in a matter being considered by the Board.

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

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

In the year 2016, the Board strictly adhered to good corporate governance as it forms a fundamental part of the Authority's values and success.

Board Meetings

During the year, a total of thirteen [13] Board Meetings were convened attendance at these meetings averaged 90%.

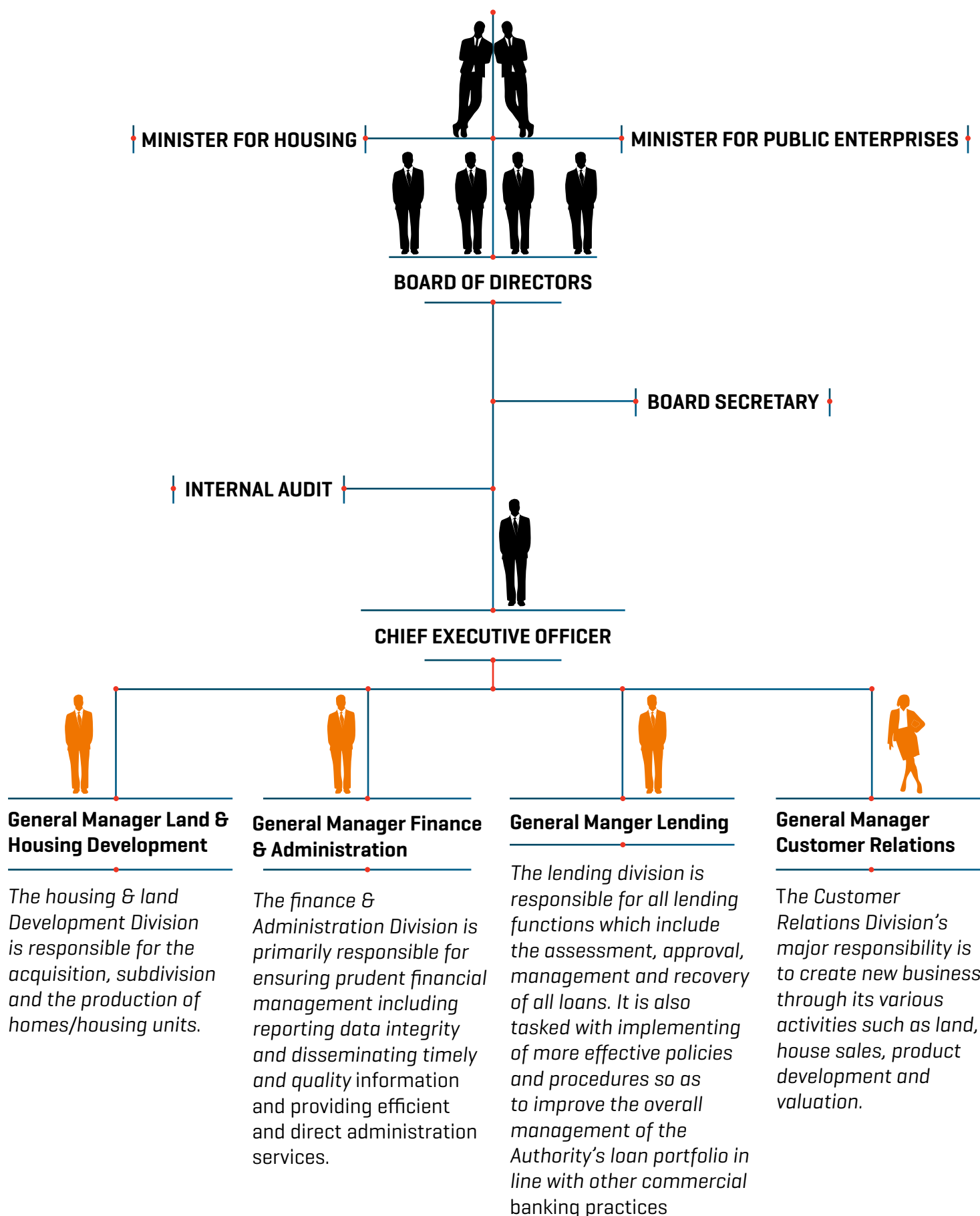
The Authority continued to provide its corporate performance reports to the Government through the Ministry of Housing and the Ministry of Public Enterprises.

Board of Directors

Meetings Attended

Mr. Umarji Musa	13/13
Mr. Nesbit Hazelman	10/13
Mr. Craig Strong	6/13
Mr. Roveen Permal	13/13

ORGANISATION STRUCTURE



BOARD OF DIRECTORS



Umarji Musa
Acting Board Chairman

Appointed to the Board in September 2010, re-appointed 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



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 Limited. 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.



Roveen Permal
Board Director

Appointed to the Board on 24th December 2015, Mr Permal holds a Bachelor's Degree in Civil Engineering from the University of New South Wales in Australia. Currently Mr Permal is a senior civil engineer at HLK Jacob Limited with 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

NEPANI SUBDIVISION GROUND BREAKING CEREMONY



Honourable Minister for Local Government, Housing and Environment, Infrastructure and Transport – Mr Parveen K Bala at the Ground Breaking Ceremony at Nepani



Permanent Secretary for Ministry of Local Government and Housing – Mr Joshua Wycliffe

CHAIRMAN'S REPORT



“On behalf of the Board, I am pleased to present the Annual Report of the Authority for the financial year ending 31st December 2016”.

Mr Umarji Musa
Acting Board Chairman

Financial Results

Financial results for the year posted a surplus of \$1.473m against the budget of \$1.400m while 2015 recorded a surplus of \$2.234m. The financial performance drivers are sales revenue from sale of lots and interest income from mortgage loan portfolio.

Generally, development and sale of lots is somewhat erratic depending on parcels of land available and release of lots for sale.

A total of 428 lots were sold in 2015 compared to 381 lots in 2016 and a total of 537 lots projected for 2017.

The mortgage loan portfolio increased from \$81.78m in 2015 to \$88.38 in 2016 which resulted from progress disbursements for construction loans approved to those customers who purchased lots in 2015 and 2014.

There was a reduction in the interest income accrued from \$7.640m in 2015 to \$7.259m in 2016 resulting from new loans approved under the concessional fixed interest rate facilitated under the RBF Housing scheme. The lower interest rate provides opportunity to customers to build their dream homes while the packages break barriers affecting affordability.

Housing Assistance Grant (HAG)

Applications for the HAG assistance increased by 100 applications in 2016 in comparison to 2015. This is Government's initiative to encourage families to build their first home after securing their piece of land. This HAG assistance is provided to customers with annual household income below \$50,000.00 and who are first time home owners.

Social Housing Policy

Twenty [20] customers were assisted under this scheme during the year. This scheme is directed to assist qualifying customers who are in financial distress and find difficulty in maintaining their repayments over the years.

Total customer debt forgiven in 2016 is \$0.390m.

This assistance is reviewed periodically by the Authority and the Ministry of Housing to ensure that deserving customers have access to this benefit.

Land Development Projects

The Authority has been doing its utmost best to be consistent with its 5 year development plan i.e to develop and deliver one thousand lots per annum. This is to accommodate the ever increasing demand of customers registered on the HA Customer Database.

During the year the Land and Housing Development division managed to acquire a further 271 acres of land to ensure that there is constant supply of land for its development.

Strategic Plan

The Authority operates in a very competitive home loan market with other financial institutions offering home loan packages at affordable rates, however, moving forward much of the emphasis would be placed on the Land and Housing subdivision to develop and deliver fully serviced lots, houses and units to meet the increasing demand for housing.

The major challenge facing the Authority is to provide housing that low-income families can afford. The Authority has strengthened its Housing Development Division and going forward, the Authority intends to pursue Design and Build initiative. This initiative aims to save customers' time and effort in constructing their homes after they have purchased lots. Three model houses of two [2] bedrooms and one three [3] bedroom were built during the year and are currently on display to interested customers at affordable prices.

The Authority has also allocated space in its Wainibuku and Nepani Subdivisions for construction of approximately 720 affordable mixed, one two and three bedroom strata units. Land has also been earmarked for strata units at the Matavolivoli Subdivision for the Fiji National Provident Fund (FNPF) to develop.

Five hundred and seventeen [517] lots are projected to be released for sale in 2017 from its Matavolivoli and the remaining Tacirua 1A lots.

For projects on the drawing board for Tavakubu, Davuilevu, Nepani, Tavua, a further 1220 lots is projected apart from 1328 strata units and 39 duplex units to meet the demand for affordable houses.

Housing Authority will continue to explore initiatives and collaboration with Fiji National Provident Fund (FNPF) and development agencies to make housing more affordable to its customers.



Roadworks at the Matavolivoli Subdivision.



Members of the Board and executive management tour the Matavolivoli Subdivision.

Acknowledgement

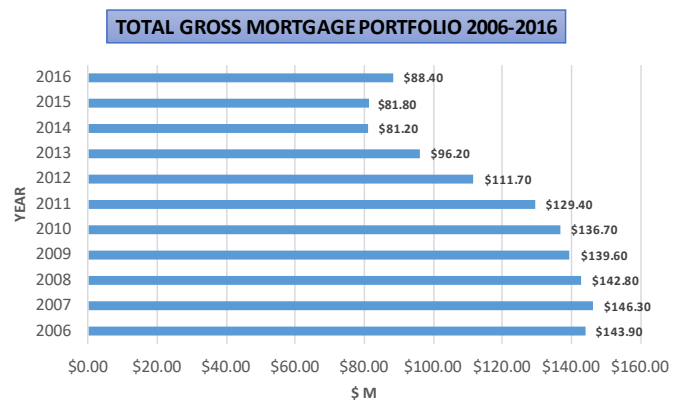
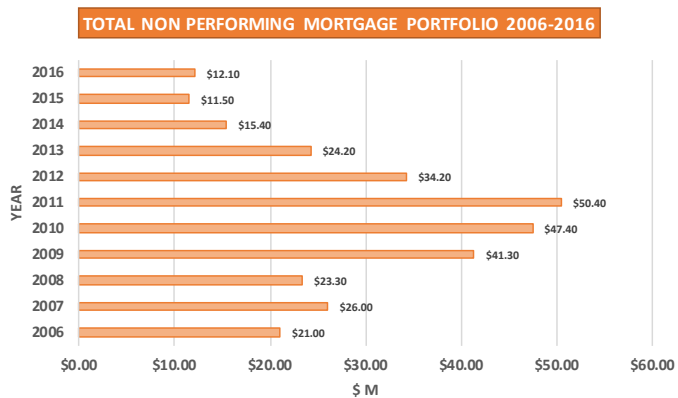
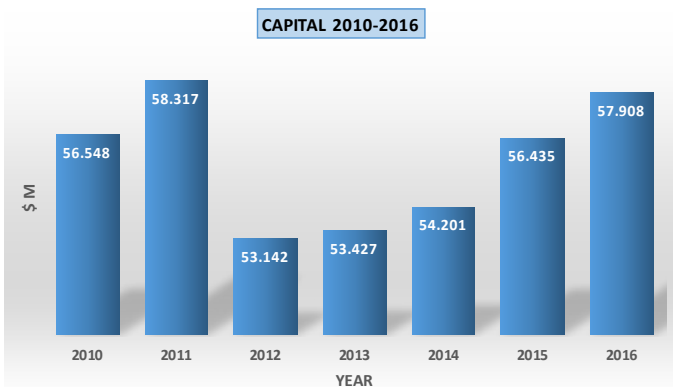
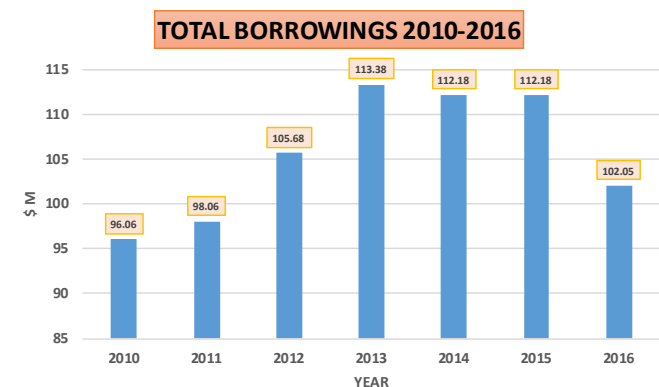
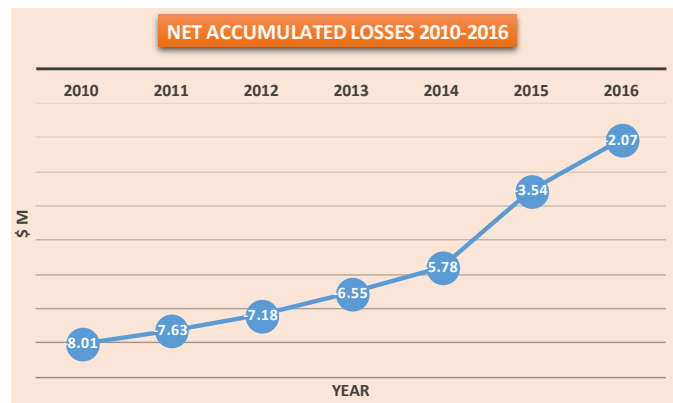
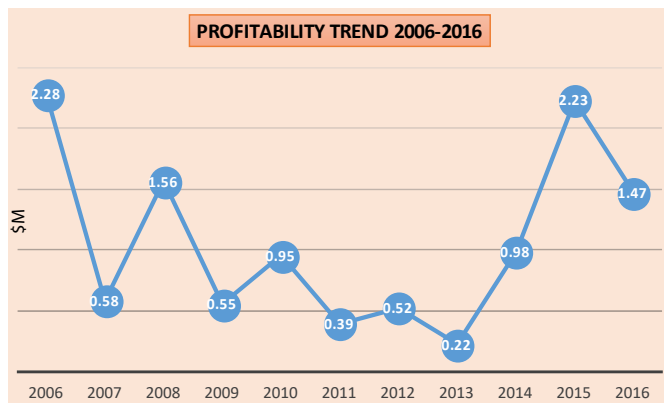
On behalf of the Board, I wish to express my sincere gratitude to the Government for its continued and unwavering support during the year. I must also thank the Board Members for their contributions and commitment throughout the year. I would also like to thank the Management and Staff for their support and finally, I thank all our customers for their continued support of the Authority.

**[Umarji Musa]
ACTING BOARD CHAIRMAN**



Some newly built houses at the Tacirua 3A Subdivision.

FINANCIAL HIGHLIGHTS 2016





“Despite the many challenges faced by the Authority, we will continue to strive to ensure that all Fijians have access to decent, affordable and quality housing for their families and future generations”.

Isikeli Navuda
Acting Chief Executive Officer

The year 2016 has been an exciting yet challenging year for the Authority. The Authority continues to assist customers to acquire lots and own their own homes.

Over the past years, there has been an increasing number of customers that have expressed interest through the Demand Survey to acquire lots and build their homes in the various housing subdivisions to be developed by the Authority. Therefore, the Authority has been directing most of its resources to acquire and develop raw land to meet this high demand.

The Government has also been forthcoming with their various assistances from constructing homes through the HAG assistance to maintaining homes through the Social Housing Policy by those customers who are facing hardships in meeting repayments.

Despite the many challenges faced by the Authority, I am happy to report that a profit of \$1.473m was recorded for the financial year ending 31st December, 2016.

Financial Performance Highlights

- A profit of \$1.473m was achieved for the year against a budget of \$1.400m.
- Return on Equity achieved was 2.54% against target of 2.43%.
- Total operating expenses decreased by 21.98% [or \$5.608m] from \$25.517m in 2015 to \$19.909m in 2016.
- Interest income decreased by 4.99% from \$7.640m in 2015 to \$7.259m in 2016.
- Interest expenses reduced by 1.77% from \$4.644m in 2015 to \$4.562m in 2016.
- Total Performing Loans portfolio increased by 8.52% from \$70.30m in 2015 to \$76.29m in 2016.
- Borrowing portfolio decreased by 9.03% from \$112.184m in 2015 to \$102.055m in 2016.

- The internal auditors [KPMG] was appointed in October, 2016 provided quarterly reports that ensured the Authority's operations were in conformity with established policies and procedures.

Non-Financial Performance Highlights

In 2016, 771 loans were provided for new housing assistance compared to 700 in 2015. More information is detailed in the Customer Relations division report. The Authority assisted 20 families and had their home loan debt forgiven under the social housing policy this year compared to 30 families in 2015. These families were scrutinized through a strict criterion to ensure genuine customers with financial hardships were assisted with funds from the Government Grant.

Human Resources & Training

In 2016, the Authority had a total number of 209 staffs. This number comprised of its management team, team leaders, staffs and those on temporary engagements as project officers.

During the year the Authority recruited 19 staff, promoted 14, transferred 6 and 16 of our colleagues resigned to join other organizations. Simultaneously staff were also appointed to act in certain positions which supported the Authority's initiative on succession planning.

The Occupation Health & Safety [OHS] Committee was also appointed through an election process in all centers and their responsibility was to ensure that the Authority was compliant with the requirements of OHS under the law.

Training was conducted after consideration of data collected from individual staff Training Needs Analysis that was completed in 2015. Apart from this, special training was granted to staff based on management recommendation and business needs of the organization. In total for 2016, the Authority trained 81% of its staff in the various areas of professional expertise.

In order to ensure that its work force was healthy and vibrant, the Authority through its Human Resources Department continued to support the work-life balance program and encouraged maximum staff participation.

Insurance Services

The Authority continued to provide its customers insurance package covers for their properties and mortgaged debts respectively under available Group Schemes. This arrangement enabled a total of customers to enjoy a very competitive insurance premium for both these covers.

During the year under review, New India Assurance Co. Ltd approved 83 property damaged claims worth \$448,293 under the Group House Insurance Cover over mortgaged properties due to major losses sustained in Fiji through the effects of Tropical Cyclone Winston and fire claims.

The Group Mortgage Protection & Debtors Medical Insurance cover was placed with Fiji Care Insurance Ltd. The claims arising due to death and total permanent disablement of our borrowers insured amounted to \$1,050,019. This sum was settled accordingly for losses incurred in year 2016.

Furthermore, Debtors Medical Insurance Policy covers our insured borrowers for treatment of cardiac and cancer conditions in India only if certified by the respective treating specialist that such treatment is not available in Fiji. We successfully responded to evacuation claims of two borrowers and incurred a cost of \$48,152 which was paid for by the Insurance Company. The total loss ratio for both these covers were 90.7%.

Legal Services

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

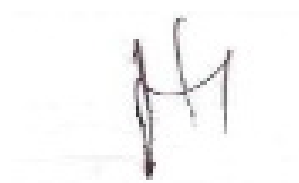
Looking Forward

As we look toward 2017 and beyond, we will continue to strive to ensure that Fijians have access to decent, affordable and quality housing for their families as provided for under section 35 of the 2013 Fiji Constitution. The Authority has set a new platform and strategic direction that will guide us towards achieving our vision of providing affordable homes for all Fijians.

Acknowledgement

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

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



Isikeli Navuda
Acting Chief Executive Officer



Corporate Governance & Insurance Executive Mrs Bikashni Kumar handing over Insurance claim proceeds to Mr Kamal Kumar Raj of Vunimoli, Labasa.



Chairman Mr Pauliasi Vuruya is examined by one of the Ministry of Health officials as part of the Health and Wellness Programme organized by the HR Department during the year.



HA Management and staff after a Corporate Workshop organized by the Corporate Department.



The Housing Authority contingent led by Acting Chief Executive Officer, Mr Isikeli Navuda distributing ration packs which included food items, feminine care items and school stationery for children in Rakiraki, Ra. There were also contributions of clothes donated by Housing Authority Staff.

“A total of 271 acres of land was acquired in 2016 to be developed by the Authority. This is to ensure that there is always sufficient land in stock for its current and future developments.”

Iliesa Rakaseta
Acting General Manager
Land & Housing Development



The 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 middle to low income earners.

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 they are paid on time.

During the year, the department was able to acquire a total of 271 acres to develop against the target of 200 acres per annum.

Table below shows the list of land acquired in 2016

Area	Acres
Davuilevu	122
Covata	15
Veikoba	119
Tulalevu [Nadroga]	15

In managing our estate properties, the department had been continuously attending to complaints and grievances expressed by our estate customers whether it be on boundary or drainage and so on. At the same time, the Authority is responsible and maintains the exterior and other common areas of the strata units. The Authority plans to develop more of these strata estates in its future developments and necessary space allocations will be made to accommodate these strata estates.

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.

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.

Some major projects undertaken by the Authority during the year are outlined below.

Matavolivoli

Development works at this housing estate located due east of Nadi Airport in Nadi continued throughout the year to which the Authority looks forward to delivering 400 lots upon its completion. There will be residential, commercial and light industrial lots delivered in this project that may in a small way address the shortage in available real estate around the Nadi Airport region. There is also provision for a site for strata homes which will be built to meet the needs of families who would like to move in to completed units without the hassle of managing applications, approvals and builders on site.

Koronisalusalu, Tavua

The Koronisalusalu project located on the western fringes of the Tavua Township went through its initial planning phases this year. The external consultancies component of geotechnical investigation and the environmental impact assessment was tendered out and awarded to ENTEC and WESENG consulting companies respectively. Around 119 lots is anticipated to be delivered from this project upon completion.

Tavakubu, Lautoka

The Tavakubu subdivision is anticipated to accommodate the high demand for land from customers in the western division. HA's last development was back in 2008 when the Field 40 lots were delivered for sale. A total of 533 lots is expected from this Tavakubu project to cater for the high demand in the western division.

Nepani Stage II

The ground breaking ceremony for Nepani was held earlier in January after which infrastructure and other land development works commenced on the site. The contract for these works was awarded to BW Holdings Ltd after potential bidders were carefully scrutinized through the tender process which was assessed and approved by the Board.

Housing Authority anticipates delivering around 176 lots inclusive of commercial and civic lots upon its completion. Approximately 12,000sq meters have been earmarked for the construction of strata leased flats to produce 576 units.

Apart from the projects listed above, the Technical team continued with their assistance to the Customer Relations team in surveying of lots and showing customers their allocated lots particularly in the sale of the Wainibuku Subdivision. Sale of 141 Wainibuku Phase II lots that were delivered in December, 2015 commenced in the beginning of the year January, 2016.

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

Design and build is another initiative which the division will seriously consider for future development to facilitate home ownership noting the difficulty customers face in building their own homes after purchase of land.

Continuous collaboration work with other Government agencies including Water Authority of Fiji, Fiji Electricity Authority, iTaukei Lands Trust Board and Lands Department to ensure that the lots delivered were fully serviced and timely.

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



Iliesa Rakaseta
Acting General Manager Land & Housing Development



The completed Tacirua 1A Subdivision



One of the houses under construction, financed by HA at the Tacirua Subdivision.

“Despite the challenges faced on rising development cost, the Government provides infrastructure subsidy mitigating one of the barriers affecting affordability.”

Poasa Verevakabau
Acting General Manager
Finance & Administration



The Finance Division which comprises of the Finance, Information Communications Technology (ICT) and Administration team as a whole ensures that our function supports the development and performance of the organization, adding value and maintaining relevance, integrity and transparency. The team is anticipated to fulfil their traditional responsibilities while increasing support of strategic and operational decision making.

The organization’s corporate objective is aligned towards the Government’s vision and mission to develop more land for residential housing that is affordable and accessible to low-to- middle income families. Despite the challenges faced on rising development cost the Government provides infrastructure subsidy mitigating one of the barriers affecting affordability.

The team’s strategic direction includes stewardship approach to improve business process with technology upgrade; creating efficiency supporting decision making in breaking barriers affecting affordability.

Housing Authority’s Performance

The financial result recorded a satisfactory performance in 2016 reporting an operating surplus of \$1.473m against the budget of \$1.400m. The profit for 2016 reduced by 34% compared to 2015. However, budgeted profit was achieved resulted from sales of residential land stock sold during the year reflecting collaborating effort between the Land Development team, Sales team and Lending team.

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.

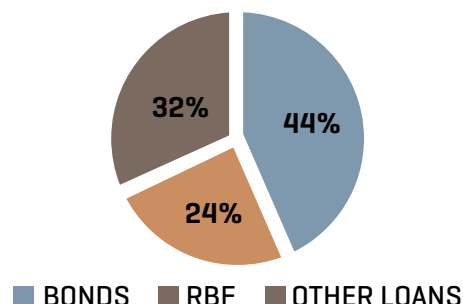
Business Challenges

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

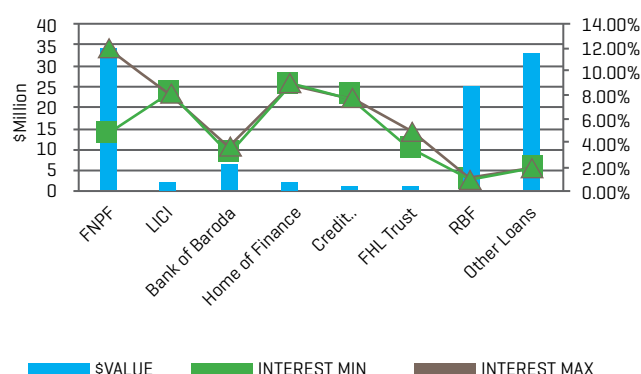
The aggregate borrowing portfolio is around \$102million which comprises of categories reflected in Graph one while Graph two amplifies interest rate range and total value for each investor

Graph 1

Borrowing Portfolio by Category 2016



Graph 2



The investors and agencies play an 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.

Despite the current low cost borrowing interest rates the inherent past long term high cost of Bonds 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 carries out 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. The high cost Bonds would be repaid in the next 2-3years as they qualify for redemption.

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

Teambuilding exercises are part of the organization's culture which is organized by the respective Division during the year. This is meant to be fun and engaging however the exercise identifies core competencies from time to time which include integrity influencing, problem solving and goal setting. These traits are identified and developed on a one to one basis to help build a strong team.

Going Forward

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



Poasa Verevakabau
Acting General Manager Finance & Administration



The Finance and Administration team at South Sea Cruise during their team bonding exercise.



Housing Authority staff that attended an OHS Workshop. organised by the Human Resource Department.

“A total of \$0.390m debt was forgiven in 2016 under the Social Housing Policy. This is inclusive of \$0.150m from the Government grant funds and \$0.239m from the Authority.



Maciu Katamotu
Acting General Manager Lending

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 accounts in arrears and management of all ground rent accounts including recovery process for collection of ground rent arrears.

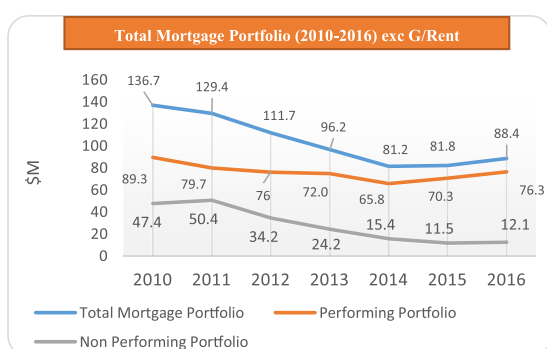
Mortgage Portfolio

The total mortgage portfolio at the end of the year was \$88.38m compared to \$81.78m in 2015. The increase in portfolio resulted from new loans from the sale of land stock from our new Tacirua East and Wainibuku subdivisions.

Performing mortgage portfolio stood at \$76.29m compared to \$70.30m in 2015. The increase in performing portfolio resulted from new land sales and construction loans from stock.

The following graph 1 illustrates the trend for the total mortgage portfolio, the performing portfolio and non-performing portfolio over the last six years:

Graph 1



New Loans Approved

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

The total loans approved in 2016 were \$32.22m compared to \$22.89m in 2015. A total of 771 loans were approved in 2016 compared to 700 in 2015.

Other customers obtained loans to buy ready-built houses, purchase vacant land from other customers, refinancing of debts from other Lenders.

The graph 2 shown below reflects the loans approved in 2016 and illustrates the trend of loans approved by the Authority over the last six years.

Graph 2



In 2009 the Authority had upgraded its risk grade system of classifying its impaired assets and this had a significant impact on our loan portfolio. As at end of 2016, the non-performing loans is \$12.1m compared to \$11.5m as at December 2015.

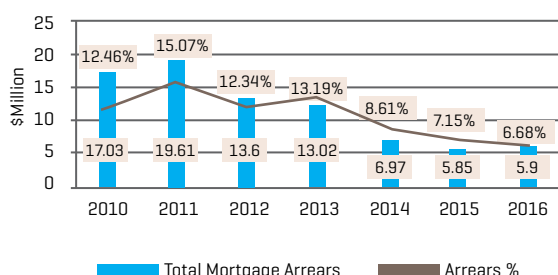
Arrears

Total Mortgage arrears stood at \$5.90m or 6.68% of the total Mortgage Portfolio as at December 2016 compared to \$5.85m for the same period in 2015 which was 7.15% of the Authority's total loan portfolio.

The bar graph 3 below illustrates the trend over the last six years.

Graph 3

Total Mortgage Arrears (2010 - 2016)



Recovery of Loan Arrears

The Authority continued to pursue debtors who defaulted in their loan repayments. A team of Collectors were formed and a set of accounts were allocated to each of them 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

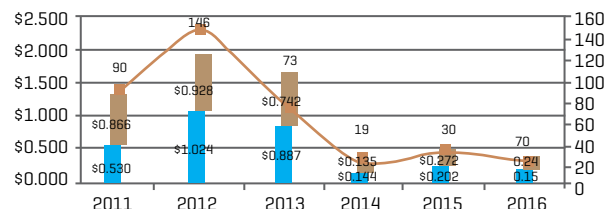
In 2011, the Government approved Social Housing Policy to utilize Government Grant funds to assist customers who have paid more than one and half times the loan amount and are unemployed and facing financial difficulties to repay their debts.

Under this scheme, the Authority assisted 20 customers in 2016 by forgiving their debts totaling \$0.390m, \$0.150m from Government Grant funds and \$0.239m from the Authority's fund.

The diagram above illustrates the total assistance provided through the Social Housing Policy from 2011 to 2016.

Graph 4

Social Housing Policy (2011 - 2016)



Conveyancing Services

The Conveyancing Team is responsible for the preparation of legal documents by the Authority for the security of loans granted to customers. New loans disbursed in 2016 were \$32.22m. In addition, the team also facilitates the transfers of FNP funds as deposits when purchasing either house or land with Housing Authority.



Lending Division staff at the 2016 Corporate Workshop

A total of 420 customers were assisted through the transfer of their Fiji National Provident Fund monies during the year and the total sum of \$5.91m housing transfer funds were received by the Authority.

Village Housing Scheme

Financing of home constructions in village and rural areas is one of the products the Authority had been providing over the years to fulfil its obligation as laid down by Government that is to contribute in the improvement of the standard of living in the rural Fijian villages. It will also contribute to their security, happy communities and as a better choice for better utilization of their lease income.

Total Village Loan Portfolio as at 31 December 2016 was \$3.4m compared to \$4.03m as at end of 2015. The Performing and Non Performing portfolios up to

December 2016 were recorded at \$2.97m and \$0.45m respectively. Village scheme recorded arrears of \$363,969.59

Stakeholders

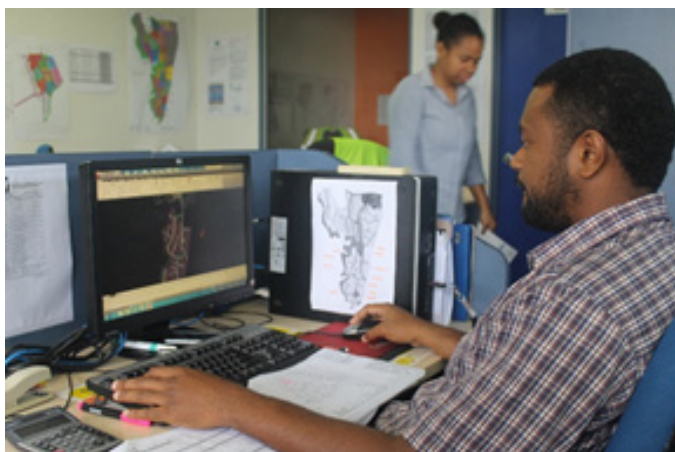
The Division continues to hold regular stakeholder meetings with the Fiji National Provident Fund, landlords including iTaukei Land Trust Board, Methodist Church of Fiji and Lands Department, Fiji Revenue Customs Services and the Titles Office which is mainly aimed at refining our work processes and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



Maciu Katamotu
Acting General Manager Lending



Manager Credit Management Mr Ajay Singh addressing the staff during Diwali celebrations.



Works Assessment Executive Eseroma Kalou assisting in the drawing of house plans for customers who have purchased housing lots with HA.



Alipate Vakaruru attending to a customer.



“In 2016 emphasis continued to be placed on improving customer relationship and customer satisfaction through the turnaround time of the Authority’s products and services.”

Fantasha Lockington
General Manager Customer Relations

The Customer Relations division is responsible for land and house sales, creation of new business, corporate branding, marketing initiatives, product information dissemination, valuation, works assessment and general product creation and customer service.

In 2016 emphasis continued to be placed on improving customer relationship and customer satisfaction through the turnaround time of the Authority’s products and services. This allowed improved service delivery in areas of concern and ensure customer enquiries were always dealt with efficiently.

Operationally, the divisions highlight for 2016 was the record loans approved totaling \$32.2m, an increase of about 41% when compared to the previous year.

Marketing

The Marketing Department is directly tasked with the responsibility of sales, advertising and branding. The Department also manages all logistics pertaining to the allocation of residential stock properties and maintaining of database records pertaining to the demand for housing. The marketing team also contributes to Website updates as well as addressing social media enquiries and including customer complaints.

In addition to direct marketing presentations, the other marketing initiatives undertaken in 2016 included participation in radio talk back shows, participation in road shows, participation in and having information and display booths in festivals, advertising in newspapers, advertising in HA webpage and social media.

Advertising undertaken to drive sales & House Construction



Demand for Residential Lots

Demand for residential land lots continued to rise in 2016. A total of 1,585 prospective customers filled and lodged demand survey forms expressing their interest to purchase lots in the subdivisions.

Lot Sales

In addition to the sale of the balance of lots from Tacirua Phase 1A, a total of 184 new lots were made available for sale in the Central division. Sale of 141 new lots from the Wainibuku subdivision commenced in January 2016 whilst another 43 new lots at the Tacirua phase 2 subdivision commenced in November 2016.

The main criteria for lot allocation was first time home buyer, household income below \$50,000 and ability to buy and build at the same time.



Wainibuku Phase 2

Property Re-Valuation

A nationwide property revaluation exercise was undertaken in 2016 to determine the value of properties currently mortgaged to the Authority. The appraisal is done every three (3) years to ascertain and ensure that securities held against the credit facility advanced to individual customers are sufficient and adequately covered through insurance. The appraisal is also done as part of the Authority's duty of care to keep customers properties fully covered under the Group House Insurance Policy, to enable the customer to claim for the full benefit in an event of a loss or damage to the property as allowed under the house insurance policy.

The property revaluation exercise revealed that within the 3 year period from 2013 to 2016, property values increased by 40% to 80% in the Central division, 35% to 70% in the Western division and by 20% to 45% the Northern division.

2016 Cyclone Winston - Adverse Weather Conditions

During the last cyclone, TC-Winston the newly constructed houses in the Western division were not affected. The older houses were affected but suffered minor damages to the roof, ceilings, leakages, shutters, broken louver blades, fascia, eaves, guttering etc. It was also noted that damages was mainly on illegal extensions.

Housing Assistant Grant (HAG)

Government's initiative to encourage families with annual household income below \$50,000 and buying or constructing their first homes commenced in 2014. This Government's initiative has been a critical incentive in encouraging customers to purchase land and build immediately. To assist customers access the HAG, the Authority through the Works Assessment team provides technical assistance with house plans, costing estimates and ensuring that the national building standards are adhered to and relevant certifications obtained upon completion of house construction.

The utilization of the HAG as seen in the following table had increased significantly in 2016. A total of 197 customer received HAG from Government totaling \$1,885,000 to either construct or buy their first home.

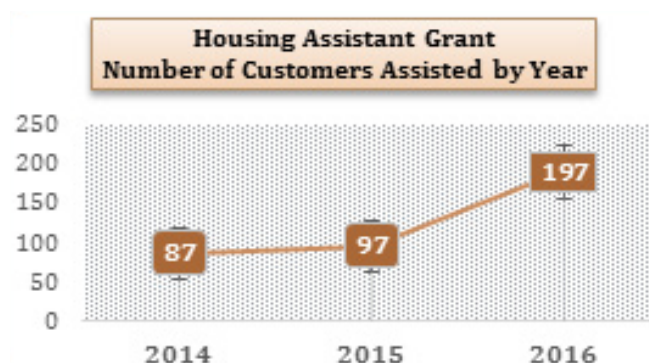
HOUSING ASSISTANCE GRANTS 2016

Area	VALUE	NO.
HOME PURCHASE [\$5,000.00]	65,000	13
Home Construction [\$10,000.00]	1,820,000	184
TOTAL APPROVED	1,885,000	197

HOUSING ASSISTANCE GRANTS 2015

Area	VALUE	NO.
HOME PURCHASE [\$5,000.00]	205,000	40
Home Construction [\$10,000.00]	570,000	57
TOTAL APPROVED	775,000	97

The graph below is an illustration of the number of customers assisted on this Housing Assistance Grant that has been increasing ever since its inception in 2014.



Loans Approved

The total value of loans approved in 2016 increased by about 41% when compared to the 2015 results. As seen in the table below, a total of 771 loans were approved with a value of \$32,222,003 of which \$17.84m [55.4%] made up for new construction, \$8.49m [26.4%] for new stock sales, \$3.37m [10.5%] for house and land purchase and the balance of \$2.50m [7.7%] for home repairs/extension, refinance personal loan and old stock sales.

The most significant result achieved in 2016 was the number and value of loans approved for new construction. An increase of 136% was recorded when compared to the 2015 results. This increase was achieved through the change in stock sale strategy where buyers were required to have the eligibility to buy and build at the same time and also the revamped targeting of customers who had purchased lots from the Authority but have yet to construct their houses.

The \$10,000 Housing Assistant Grant was a major incentive for customer to obtain a construction loan to build their houses.

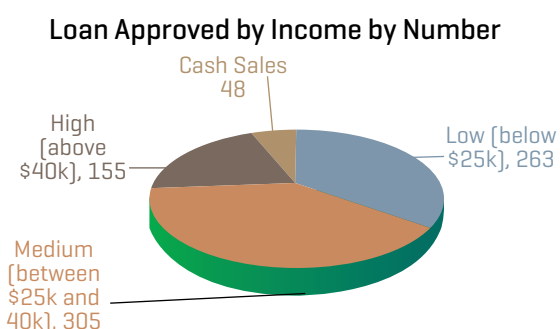
LOANS BY PRODUCT 2015 & 2016

PRODUCT TYPE	2015		2016	
	NO.	AMOUNT	NO.	AMOUNT
New Construction	139	7,544,317	270	17,841,450
New Stock Sales	390	11,261,057	246	8,497,662
House Purchase	39	1,549,869	49	1,954,710
Personal Loan	13	278,827	101	1,433,710
Land Purchase	33	786,459	45	1,419,229
Repair/Renovation/Ext	62	942,486	54	852,061
Refinance	3	92,938	2	182,702
Old Stock Sales	9	114,990	3	33,511
Staff Car Loan	7	109,402	1	6,967
Mortgagee Sale	5	207,678		
TOTAL	700	22,888,022	771	32,222,003

Low & Medium Income focus

Of the total \$32.2m loan approved in 2016, a total of 568 or 74% were approved for medium to low income customers totaling \$21.01m. This ensures that the Authority concentrates serving the target core market.

Details are provided in the following graph.



Staff Training & Development

Staff development continued with in-house service training, on the job training and job rotation within branches. This was strategically done to train and upskill staff in areas such as lot selection criteria and allocation logistics, house plan setting and loan processing, facilitation of FNPF transfers and on general customer service.

Conclusion

Overall for the year, the Customer Relations division achieved 41% growth in terms of loans compared to the previous year and 136% increase in construction loans. The good working relationship with the relevant external stakeholders coupled with the great teamwork between the Customer Relations and Lending teams ensured the quick settlement of housing loans. This in turn led to the increase in the record number of customers who

were able to commence with the construction of their houses in 2016.

We would like to acknowledge the invaluable contribution of all our stakeholders both external and internal for their continued support throughout the year. Their support allowed us to effectively and efficiently serve our customers and achieve the results recorded in 2016.

Fantasha Lockington
General Manager Customer Relations



Customer Relations Executive, Epeli Batidreu receiving an award for achieving the highest loans approved from Acting Chief Executive Officer Mr. Isikeli Navuda.



Customer Relations team building exercise at Pacific Harbour



FINANCIAL STATEMENTS



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Housing Authority of Fiji Directors Report For The Year Ended 31 December 2016

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 2016, 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:

Directors	Appointed	Serve Until
Mr. Umarji Musa - Acting Chairman	24-Dec-15	23-Dec-18
Mr. Nesbitt Hazelman	24-Dec-15	23-Dec-18
Mr. Craig Strong	24-Dec-15	23-Dec-18
Mr. Roveen Permal	24-Dec-15	23-Dec-18

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 2016 and the accompanying statement of comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results of the Authority, its changes in equity and its cash flows for the year then ended.

Principal activities

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

Operating results

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

	2016 \$'000	2015 \$'000
Net profit before income tax	1,473	2,234
Income tax expense	-	-
Net profit for the year	<u>1,473</u>	<u>2,234</u>

Dividends

The directors recommend that no dividends be declared or paid during the year (2015: \$Nil).

Reserves

There were no movements in reserves during the year.

Significant events

In February 2016, severe tropical cyclone Winston made a landfall in Fiji from which the mortgage properties sustained damages in the western and northern side of the country. The Authority established plans and schedules to assess claims and assist customers accordingly. At the time of the report, the Authority was still in the process of completing the planned repairs.

Housing Authority of Fiji Directors Report For The Year Ended 31 December 2016

Subsequent events

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

Bad 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 non-current 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 non-current 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

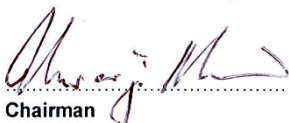
As at the date of this report:

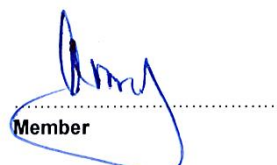
- a) no charge on the assets of the Authority has been given since the end of the year to secure the liabilities of any other person;
- b) no contingent liabilities have arisen since the end of the year for which the Authority could become liable; and
- c) no contingent liabilities or other liabilities 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 01 day of August 2017.


Chairman


Member



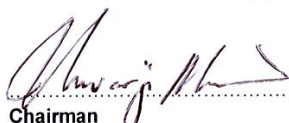
Housing Authority of Fiji Directors Report For The Year Ended 31 December 2016

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:

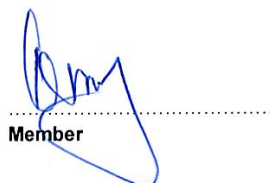
- (i) the accompanying statement of comprehensive income of the Authority is drawn up so as to give a true and fair view of the results of the Authority for the year ended 31 December 2016;
- (ii) the accompanying statement of changes in equity of the Authority is drawn up so as to give a true and fair view of the changes in equity of the Authority for the year ended 31 December 2016;
- (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 2016;
- (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 2016;
- (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 01 day of August 2017.



Chairman



Member

Housing Authority of Fiji Independent Auditor's Report For The Year Ended 31 December 2016

OFFICE OF THE AUDITOR GENERAL

Excellence in Public Sector Auditing



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INDEPENDENT AUDITOR'S REPORT

HOUSING AUTHORITY OF FIJI

Opinion

I have audited the financial statements of Housing Authority of Fiji ("the Authority"), which comprise the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Responsibilities of the Management and Directors for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, CAP 267 of the Housing Act and the Housing (Amendment) Decree, 1989 and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management intend to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Housing Authority of Fiji Independent Auditor's Report For The Year Ended 31 December 2016


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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the CAP 267 of the Housing Act and the Housing (Amendment) Decree, 1989 in my opinion:

- a) proper books of account have been kept by the Authority, so far as it appears from my examination of those books,
- b) the accompanying financial statements:
 - a. are in agreement with the books of account; and
 - b. to the best of my information and according to the explanations given to me, give the information required by the CAP 267 of the Housing Act and the Housing (Amendment) Decree, 1989 in the manner so required.


Ajay Nand
AUDITOR GENERAL



Suva, Fiji
02 August, 2017

Housing Authority of Fiji

Statement of Comprehensive Income

For The Year Ended 31 December 2016

	Notes	2016 \$'000	2015 \$'000
Interest income	2.1	7,259	7,640
Interest expense	3.1	(4,562)	(4,644)
Net interest income		2,697	2,996
Other operating income	2.2	18,685	24,755
Net operating income		21,382	27,751
Amortisation of intangible assets		259	245
Bad and doubtful debts		790	40
Cost of sales - land and houses		11,263	17,168
Depreciation of property, plant and equipment		520	607
Other expenses	3.3	2,457	2,628
Personnel expenses	3.2	4,620	4,829
Total operating expense		19,909	25,517
Net profit before income tax		1,473	2,234
Income tax expense	1.4 (p)	-	-
Net profit after tax		1,473	2,234
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		1,473	2,234

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 2016

	2016 \$'000	2015 \$'000
Accumulated losses		
Balance at the beginning of the year	(3,544)	(5,778)
Profit for the year	1,473	2,234
Balance at the end of the year	(2,071)	(3,544)
Asset revaluation reserve		
Balance at the beginning of the year	2,249	2,249
Movement during the year	-	-
Balance at the end of the year	2,249	2,249
Government contribution		
Balance at the beginning of the year	15,958	15,958
Movement during the year	-	-
Balance at the end of the year	15,958	15,958
Capital		
Balance at the beginning of the year	41,772	41,772
Movement during the year	-	-
Balance at the end of the year	41,772	41,772
Total equity	57,908	56,435

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

Housing Authority of Fiji

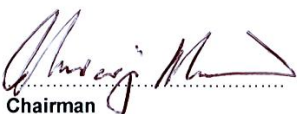
Statement of Financial Position

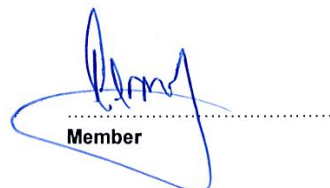
For The Year Ended 31 December 2016

	Notes	2016 \$'000	2015 \$'000
Current Assets			
Cash and cash equivalents	4	2,323	3,170
Held-to-maturity investments	5	41,950	49,450
Loans and advances	6 (a)	10,255	10,372
Inventories	7	31,019	36,008
Other assets	12	4,286	4,673
Total Current Assets		89,833	103,673
Non-Current Assets			
Loans and advances	6 (b)	75,918	69,373
Land held for future development	8	3,755	2,022
Intangible assets	11	406	663
Investment property	10	-	994
Property, plant and equipment	9	7,515	7,909
Total Non-Current Assets		87,594	80,961
TOTAL ASSETS		177,427	184,634
Current Liabilities			
Trade and other payables	14	16,928	15,290
Employee benefit liability	16	511	546
Provisions	15	25	179
Debt issued and borrowed funds	13 (a)	8,045	1,263
Total Current Liabilities		25,509	17,278
Non-Current Liabilities			
Debt issued and borrowed funds	13 (b)	94,010	110,921
Total Non-Current Liabilities		94,010	110,921
TOTAL LIABILITIES		119,519	128,199
EQUITY			
Capital	17	41,772	41,772
Accumulated losses		(2,071)	(3,544)
Government grant		15,958	15,958
Asset revaluation reserve	17	2,249	2,249
TOTAL EQUITY		57,908	56,435
TOTAL EQUITY AND LIABILITIES		177,427	184,634

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 2016

		2016	2016
		Inflows/ (Outflows)	Inflows/ (Outflows)
	Note	\$'000	\$'000
Operating activities			
Interest received		7,025	4,640
Fees, charges and other income received		5,992	5,586
Proceeds from sale of land and houses		13,829	20,281
Interest and other finance costs paid		(4,558)	(4,973)
Net customer loans issued and repayments received		(7,394)	(172)
Payments to suppliers for land and houses		(6,186)	(7,050)
Net receipt/(utilisation) of government grants		3,192	(388)
Other operating expenses paid		(10,244)	(9,355)
Cash flows from operating activities		1,656	8,569
Investing activities			
Payments for property plant and equipment and investment properties		132	1,375
Payments for intangibles assets		-	222
Investment in/(withdrawal of) short term investments		7,500	(14,300)
Cash flows from/(used in) investing activities		7,632	(12,703)
Financing activities			
Net (repayment)/proceeds of borrowings		(10,135)	-
Cash flows (used in)/ from financing activities		(10,135)	-
Net decrease in cash held		(847)	(4,134)
Cash at the beginning of the financial year		3,170	7,304
Cash at the end of the financial year	4	2,323	3,170

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

Housing Authority of Fiji

Notes to the Financial Statements

For The Year Ended 31 December 2016

1 Corporate Information

The financial statements of Housing Authority of Fiji ("the Authority") for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 01 August 2017. 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:

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.



Housing Authority of Fiji

Notes to the Financial Statements *continued*

For The Year Ended 31 December 2016

1.3 Significant accounting judgments, estimates and assumptions *continued*

Estimations and assumptions *continued*

Impairment losses on loans and advances continued

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

1.4 Summary of significant accounting policies

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

a) Foreign currencies

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

Non monetary items that are measured in terms of historical cost in a foreign currency are translated 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 through profit and loss, any directly attributable incremental cost of acquisition or issue.

iii) Held to maturity financial investments

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

iv) Loans and advances

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

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



Housing Authority of Fiji

Notes to the Financial Statements *continued*

For The Year Ended 31 December 2016

1.4 Summary of significant accounting policies *continued*

b) Financial instruments- initial recognition and subsequent measurement *continued*

iv) *Loans and advances - continued*

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 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.



Housing Authority of Fiji

Notes to the Financial Statements *continued*

For The Year Ended 31 December 2016

1.4 Summary of significant accounting policies *continued*

c) Impairment of financial assets *continued*

i) *Loans and advances to customers - continued*

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 fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Authority as a lessee

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

Housing Authority of Fiji

Notes to the Financial Statements *continued*

For The Year Ended 31 December 2016

1.4 Summary of significant accounting policies *continued*

e) Recognition of income and expenses *continued*

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 three months. 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%



Housing Authority of Fiji

Notes to the Financial Statements *continued*

For The Year Ended 31 December 2016

1.4 Summary of significant accounting policies *continued*

g) Property, plant and equipment *continued*

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

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

Revaluation of property, plant and equipment

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

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

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

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

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

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

h) Land held for future development

Land held for future development represents freehold and leasehold land lots situated at various locations and are maintained for future developments. These are subsequently transferred to work in progress as development work commences on these properties. The land held for future development are recorded at cost.

The corporate target and strategic direction for the Authority is to produce 1,000 lots per annum therefore four different land parcels purchased during year in the following areas: Davuilevu - Nasinu, Covata - Labasa, Tulalevu - Sigatoka and Veikoba - Nasinu.

Housing Authority of Fiji

Notes to the Financial Statements *continued*

For The Year Ended 31 December 2016

1.4 Summary of significant accounting policies *continued*

i) 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.

j) 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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k) 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.



Housing Authority of Fiji

Notes to the Financial Statements *continued*

For The Year Ended 31 December 2016

1.4 Summary of significant accounting policies *continued*

l) 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.

m) 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.

n) Debt issued and borrowed funds

Debt issued and borrowed funds relates to loan from EXIM Bank of China for various projects and bonds with various financial institutions and banks. Details of these are provided in note 13.

o) 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.

p) Income tax

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

q) Government grant liability

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

r) Trade and other payables

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

s) Government contribution

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

t) Comparatives

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

u) 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.

Housing Authority of Fiji

Notes to the Financial Statements *continued*

For The Year Ended 31 December 2016

1.4 Summary of significant accounting policies *continued*

u) Segment information *continued*

(b) Geographical segment

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

1.5 Standard issued but not yet effective

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

Reference	Summary	Application date of standard and the Authority
IFRS 9 Financial Instruments	New requirements on recognition of expected credit losses	1 January 2018
IFRS 15 Revenue from Contracts with Customers	Requires revenue to be recognised on satisfaction of the performance obligations specified under contracts	1 January 2019
IFRS 16 Leases	Requires operating leases to be recognised on balance sheet	1 January 2018

2. INCOME

2.1 Interest income

	2016 \$'000	2015 \$'000
Investment securities	1,809	1,428
Loans and advances	5,450	6,212
	<u>7,259</u>	<u>7,640</u>

2.2 Other operating income

Fees and charges	4,483	4,084
Rent	63	86
Other income	310	304
Sale of land and houses	13,829	20,281
	<u>18,685</u>	<u>24,755</u>

3. EXPENSES

3.1 Interest expense

	2016 \$'000	2015 \$'000
Bonds	3,566	4,148
Long term loans	996	496
	<u>4,562</u>	<u>4,644</u>

3.2 Personnel expenses

Salaries and wages	3,688	3,683
Employee entitlements	345	490
FNPF contribution	504	556
Other	83	100
	<u>4,620</u>	<u>4,829</u>

3.3 Other expenses

Auditor's remuneration - audit fees	20	20
Accounting services	10	10
Amortisation - leasehold land	16	17
Repairs and maintenance	72	55
Other expenses	2,339	2,526
	<u>2,457</u>	<u>2,628</u>

Housing Authority of Fiji

Notes to the Financial Statements *continued*

For The Year Ended 31 December 2016

	2016 \$'000	2015 \$'000
4. CASH AND CASH EQUIVALENTS		
Cash on hand	1	2
Cash at bank	2,322	3,168
	<u>2,323</u>	<u>3,170</u>
5. HELD-TO-MATURITY INVESTMENTS	\$'000	\$'000
Term deposits	<u>41,950</u>	<u>49,450</u>
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	\$'000	\$'000
(a) Current Asset		
Mortgage loans	12,252	12,357
Village scheme loans	242	167
	<u>12,494</u>	<u>12,524</u>
Less: Interest and fees suspended	1,363	1,124
Less: Allowance for impairment losses	172	320
Add: Accounts with credit balance	(704)	(708)
	<u>2,239</u>	<u>2,152</u>
	<u>10,255</u>	<u>10,372</u>
(b) Non-Current Asset		
Mortgage loans	74,792	68,280
Village scheme loans	3,278	3,864
	<u>78,070</u>	<u>72,144</u>
Less: Interest and fees suspended	1,628	1,270
Less: Allowance for impairment losses	524	1,501
	<u>2,152</u>	<u>2,771</u>
	<u>75,918</u>	<u>69,373</u>
Total Loans and Advances	<u>86,173</u>	<u>79,745</u>

Impairment allowances for loans by class is as follows:

	Mortgage \$'000	Village Scheme \$'000	Total \$'000
At 1 January 2016	1,508	313	1,821
Charge / (utilisation) for the year	103	(305)	(202)
Amounts written off	(923)	-	(923)
At 31 December 2016	<u>688</u>	<u>8</u>	<u>696</u>
Individual impairment	688	8	696
Collective impairment	-	-	-
	<u>688</u>	<u>8</u>	<u>696</u>
Gross amount of loans, individually determined to be impaired, before deducting any individual or collective assessed impairment allowance.	<u>11,630</u>	<u>649</u>	<u>12,279</u>

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 *continued*

For The Year Ended 31 December 2016

6. LOANS AND ADVANCES TO CUSTOMERS *continued*

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

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

2016

	Individual Impairment \$'000	Collective Impairment \$'000	Total \$'000
At 1 January 2016	1,817	4	1,821
Utilisation) for the year	(198)	(4)	(202)
Amounts written off	(923)	-	(923)
At 31 December 2016	<u>696</u>	<u>-</u>	<u>696</u>

2015

	Individual Impairment \$'000	Collective Impairment \$'000	Total \$'000
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	<u>1,817</u>	<u>4</u>	<u>1,821</u>

7. INVENTORIES

	2016 \$'000	2015 \$'000
Developed lots	5,297	14,002
Less: provision for developed lots write-down	(254)	(336)
	<u>5,043</u>	<u>13,666</u>
Unsold properties	367	406
Less: provision for unsold properties write-down	(154)	(159)
	<u>213</u>	<u>247</u>
Development work-in-progress	25,763	22,095
Total inventories	<u>31,019</u>	<u>36,008</u>

Housing Authority of Fiji

Notes to the Financial Statements *continued*

For The Year Ended 31 December 2016

8. LAND HELD FOR FUTURE DEVELOPMENT	2016	2015
	\$'000	\$'000
Freehold land		
- at deemed cost	202	202
Leasehold land – at cost	4,336	2,622
Less: provision for amortisation of leasehold land	(783)	(802)
Total land held for future development	3,755	2,022
9. PROPERTY, PLANT AND EQUIPMENT	\$'000	\$'000
<u>Property</u>		
Valuation:		
At 1 January	7,464	7,613
Disposals	(2)	(10)
Adjustments	-	(139)
At 31 December	7,462	7,464
Depreciation and impairment:		
At 1 January	642	634
Depreciation charge for the year	173	175
Disposals	(1)	(5)
Adjustments	-	(162)
At 31 December	814	642
Net written down value - properties	6,648	6,822
<u>Furniture and fittings</u>		
Cost:		
At 1 January	2,349	2,355
Additions	23	18
Disposals	(94)	(24)
At 31 December	2,278	2,349
Depreciation and impairment:		
At 1 January	2,101	1,950
Depreciation charge for the year	110	118
Disposals	(94)	33
At 31 December	2,117	2,101
Net written down value - furniture and fittings	161	248
<u>Staff houses and shops</u>		
Valuation:		
At 1 January	406	406
At 31 December	406	406

Housing Authority of Fiji

Notes to the Financial Statements *continued*

For The Year Ended 31 December 2016

9. PROPERTY, PLANT AND EQUIPMENT *continued*

Staff houses and shops *continued*

Depreciation and impairment:

	2016 \$'000	2015 \$'000
At 1 January	65	54
Depreciation charge for the year	11	11
At 31 December	76	65

Net written down value - staff houses and shops

	330	341
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Motor vehicles

Cost:

At 1 January	1,016	1,016
Additions	106	-
Disposals	(28)	-
At 31 December	1,094	1,016

Depreciation and impairment:

At 1 January	821	671
Depreciation charge for the year	103	152
Disposals	(28)	(2)
At 31 December	896	821

Net written down value - motor vehicles

	198	195
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Computer equipment

Cost:

At 1 January	2,606	2,600
Additions	1	8
Disposals	(1,281)	(2)
At 31 December	1,326	2,606

Depreciation and impairment:

At 1 January	2,396	2,321
Depreciation charge for the year	122	150
Disposals	(1,278)	(76)
At 31 December	1,240	2,396

Net written down value - computer equipment

	86	210
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Others

Cost:

At 1 January	70	70
At 31 December	70	70

Depreciation and impairment:

At 1 January	25	24
Depreciation charge for the year	1	1
At 31 December	26	25

Net written down value - others

	44	45
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Housing Authority of Fiji

Notes to the Financial Statements *continued*

For The Year Ended 31 December 2016

9. PROPERTY, PLANT AND EQUIPMENT <i>continued</i>	2016	2015
	\$'000	\$'000
<u>Work in progress</u>		
Cost:		
At 1 January	48	6
Capitalised during the year	-	42
At 31 December	<u>48</u>	<u>48</u>
Net written down value - work in progress	<u>48</u>	<u>48</u>
Net written down value - total	<u>7,515</u>	<u>7,909</u>
<u>Total</u>		
Cost/valuation:		
At 1 January	13,961	14,065
Additions	130	26
Capitalised during the year	-	42
Disposals/adjustments	(1,405)	(172)
At 31 December	<u>12,686</u>	<u>13,961</u>
Depreciation and impairment:		
At 1 January	6,052	5,657
Depreciation charge for the year	520	607
Disposals	(1,401)	(212)
At 31 December	<u>5,171</u>	<u>6,052</u>
Net written down value - total	<u>7,515</u>	<u>7,909</u>
10. INVESTMENT PROPERTY	\$'000	\$'000
At 1 January	994	994
Additions	-	-
Disposals	(994)	-
At 31 December	<u>-</u>	<u>994</u>
Rental income derived from investment properties	63	59
Direct operating expenses (including repairs and maintenance)	(5)	(5)
Finance costs	-	-
Net profit arising from investment properties	<u>58</u>	<u>54</u>

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 valuation 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. The investment properties were sold during the year.

Housing Authority of Fiji

Notes to the Financial Statements *continued*

For The Year Ended 31 December 2016

11. INTANGIBLE ASSETS	2016	2015
Cost:	\$'000	\$'000
At 1 January	3,032	2,993
Additions	2	87
Disposals	-	(48)
At 31 December	3,034	3,032
Depreciation and impairment:		
At 1 January	2,369	2,124
Amortisation charge for the year	259	245
At 31 December	2,628	2,369
Net written down value - Intangible assets	406	663
12. OTHER ASSETS	\$'000	\$'000
Advance - FPNF settlement	20	278
Sundry debtors and prepayments	3,480	3,738
Stationery stock	28	42
Interest receivable	753	589
Stamp duty/deposit	4	5
Staff advances	1	21
	4,286	4,673

In 2010, the Government of Fiji entered into a financing agreement with the EXIM Bank of China for the Fiji Low Cost Housing project. The project was contracted to China Railway First Group (Fiji) Limited for FJD 34,959,679. The Authority, as the eventual owner of the project on behalf of Government entered into an on-lending agreement with the Government. As at 31 December 2016, the total disbursement from the EXIM Bank to the contractor accumulated to FJD 32,655,276 (2015: FJD 33,584,758) inclusive of FJD 9,991,936 advance for mobilisation which is equal to 20% of the total contract price.

13. DEBT ISSUED AND BORROWED FUNDS		\$'000	\$'000
	Effective interest rate %		
(a) Current			
Bonds	2.40% to 12%	5,200	-
Loans	1.00% to 2.00%	2,845	1,263
		8,045	1,263
(b) Non current			
Bonds	2.40% to 12%	64,200	78,600
Loans	1.00% to 2.00%	29,810	32,321
		94,010	110,921
Total debt issued and borrowed funds		102,055	112,184
	Maturity		
Bonds	2017 to 2025		
Loans	2017 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.

Housing Authority of Fiji

Notes to the Financial Statements *continued*

For The Year Ended 31 December 2016

14. TRADE AND OTHER PAYABLES

	2016 \$'000	2015 \$'000
Interest payable	1,734	1,731
Insurance payable	370	499
Government grant received in advance	10,819	7,627
Trade payables and accruals	4,005	5,433
	<u>16,928</u>	<u>15,290</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

	\$'000	\$'000
The movement in provision during the year is as follows:		
At 1 January	179	-
Arising during the year	-	179
Utilised	(154)	-
As 31 December	<u>25</u>	<u>179</u>
Represented by:		
Current	<u>25</u>	<u>179</u>

16. EMPLOYEE BENEFIT LIABILITY

	\$'000	\$'000
The movement in employee benefit liability during the year is as follows:		
At 1 January	546	403
Arising during the year	191	369
Utilised	(226)	(226)
As 31 December	<u>511</u>	<u>546</u>
Represented by:		
Current	<u>511</u>	<u>546</u>

17. CAPITAL AND RESERVES

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

Housing Authority of Fiji

Notes to the Financial Statements *continued*

For The Year Ended 31 December 2016

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:

	2016 \$'000	2015 \$'000
Contingent liabilities		
Guarantees	5	5
	<u>5</u>	<u>5</u>
Commitments		
Operating lease commitments [a]	952	566
Capital commitments	92,656	95,597
	<u>93,608</u>	<u>96,163</u>
Total	<u>93,613</u>	<u>96,168</u>

Contingent liabilities

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

<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	337	369
Later than one year but not later than two years	322	100
Later than two years but not later than five years	292	96
Later than five years	1	-
	<u>952</u>	<u>565</u>

The Authority has various lease commitments for leasehold land. The leases typically run for a period of between three and ten years. It is not certain whether the land leases will offer an option of renewal after maturity. The annual capital lease rentals paid during the year amount to \$86,025 (2015: \$86,025).

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	Serve Until
Mr. Umarji Musa - Acting Chairman	24-Dec-15	23-Dec-18
Mr. Nesbitt Hazelman	24-Dec-15	23-Dec-18
Mr. Craig Strong	24-Dec-15	23-Dec-18
Mr. Roveen Permal	24-Dec-15	23-Dec-18

Housing Authority of Fiji

Notes to the Financial Statements *continued*

For The Year Ended 31 December 2016

19. RELATED PARTY DISCLOSURES *continued*

(b) Transactions with related parties

Transactions with related parties during the year ended 31 December 2016 with approximate transaction value are summarised as follows:

	2016 \$'000	2015 \$'000
Board expenses and allowances	51	15
(c) <u>Compensation of key management personnel</u>		
Short term employee benefits	511	546

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. Risk management is a fundamental element of the Authority's business practice on all levels and encompasses different types of risks. Risk management is an integral part of the business planning and controlling process. Material risks are monitored and regularly discussed with Management Board and the Audit Committee. The risk management process is critical to the Authority's business continuity while focusing on delivering its product and services at affordable cost. Business division leaders are accountable for managing risk exposure affecting their division.

Risk can be interpreted as the combination of the probability of an event and the impact of its consequences. Business activities resulting in a negative impact represent risks that can prevent value creation or erode existing value. In order to deliver value while maintaining competitive edge, the Authority understands the types of risks it faces and addresses them appropriately. The Authority is exposed to credit risk, liquidity risk and market risks.

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

Risk management structure

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

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



Housing Authority of Fiji

Notes to the Financial Statements *continued*

For The Year Ended 31 December 2016

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

21.1 Introduction *continued*

Risk management structure continued

The executive management is accountable for meeting the overall objectives of the Authority, while being consistent with its overall mission. Risk management is considered fundamental to the Authority's ability to deliver core services.

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

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

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

Governance and oversight

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

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

Internal audit

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

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

Housing Authority of Fiji

Notes to the Financial Statements *continued*

For The Year Ended 31 December 2016

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

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

Excessive risk concentration

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

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

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

The 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	Gross Maximum Exposure
	2016 \$'000	2015 \$'000
Loans and advances (Note 6)	86,173	79,745
Other assets (Note 12)	4,286	4,673
Total credit exposure	90,459	84,418

Housing Authority of Fiji

Notes to the Financial Statements *continued*

For The Year Ended 31 December 2016

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

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:

	2016 \$'000	2015 \$'000
<u>Fixed rate instruments</u>		
Financial assets	130,446	132,365
Financial liabilities	<u>118,528</u>	<u>130,054</u>

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

	Increase /(decrease) in interest rate	Effect on profit before tax \$'000
2016	+10 bp	107
	- 10 bp	(107)
2015	+10 bp	112
	- 10 bp	(112)

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.

	2016 \$'000	2015 \$'000
Interest bearing loans and borrowings	102,055	112,184
Trade and other payables	16,928	17,870
Less: cash and short term deposits	(2,323)	(7,304)
Less: held to maturity investments	<u>(41,950)</u>	<u>(35,150)</u>
Net debt	74,710	87,600
Equity	57,908	56,435
Total capital	<u>57,908</u>	<u>56,435</u>
Capital and net debt	132,618	144,035
Gearing ratio	<u>56%</u>	<u>61%</u>

Housing Authority of Fiji

Notes to the Financial Statements *continued*

For The Year Ended 31 December 2016

22. MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

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

31 December 2016

	At call	Less than 3 months	4 to 12 months	1 to 5 years	over 5 years	Provision for doubtful debts	Suspended interest and fees	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets								
Cash	2,323	-	-	-	-	-	-	2,323
Loans and advances	4,118	1,981	5,691	25,984	52,086	(696)	(2,991)	86,173
Financial investments - held to maturity	-	15,000	26,950	-	-	-	-	41,950
Total	6,441	16,981	32,641	25,984	52,086	(696)	(2,991)	130,446
Financial liabilities								
Borrowings	-	-	8,044	68,914	25,097	-	-	102,055
Accrued interest	-	1,055	224	-	-	-	-	1,279
Accounts payable and accrued liabilities	-	15,194	-	-	-	-	-	15,194
Total	-	16,249	8,268	68,914	25,097	-	-	118,528

31 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
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets								
Cash	3,170	-	-	-	-	-	-	3,170
Loans and advances	4,191	2,072	5,552	25,100	47,044	(1,820)	(2,394)	79,745
Financial investments - held to maturity	-	19,000	30,450	-	-	-	-	49,450
Total	7,361	21,072	36,002	25,100	47,044	(1,820)	(2,394)	132,365
Financial liabilities								
Borrowings	-	-	1,612	58,492	52,080	-	-	112,184
Accrued interest	-	1,988	-	-	-	-	-	1,988
Accounts payable and accrued liabilities	-	15,882	-	-	-	-	-	15,882
Total	-	17,870	1,612	58,492	52,080	-	-	130,054



Housing Authority of Fiji

Notes to the Financial Statements *continued*

For The Year Ended 31 December 2016

23 DETAILS OF THE AUTHORITY

Registered office:

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Telephone: (679) 339 2977

Facsimile: (679) 331 5135

Number of employees at the end of the year:

Management	16
Staff	131
Project/Unestablished staff/Trainees	62



Housing Authority

ANNUAL REPORT

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