



# 2017 ANNUAL REPORT

*"Building a Nation through building homes"*

Parliamentary Paper No. 80/2019

Decent, Quality  
& Affordable  
Housing for all  
Fijians



## **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
- 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

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1<sup>st</sup> August 2018

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

Dear Sir,

**Re : Annual Report 2017**

In accordance with Section 21 of the Housing Act, Cap 267, I am pleased to present the Authority's Annual Report for 2017 which incorporates a detailed summary of its operations and activities including the Financial Statements for the year ending 31<sup>st</sup> December, 2017.

For the year 2017, the Housing Authority recorded a surplus of \$1.701m in comparison to a surplus of \$1.473m in 2016.

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 24<sup>th</sup> December 2015 and is responsible for the overall governance of the Housing Authority.

Mr Umarji Musa continues to chair the Board with three Board directors, Mr Nesbitt Hazelman, Mr Roveen Permal and Mr Craig Strong.

Mr Craig Strong tendered his resignation on 29<sup>th</sup> September 2017 while Mr Permal and Mr Hazelman continued the duties of Board directors until the end of the year.

## Board Functions

The Board Charter outlines the roles and responsibilities of the Board of Directors including disclosure of conflict of interest of any Director.

Major responsibilities of the Board of Directors include:

- 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

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

## Board Meetings

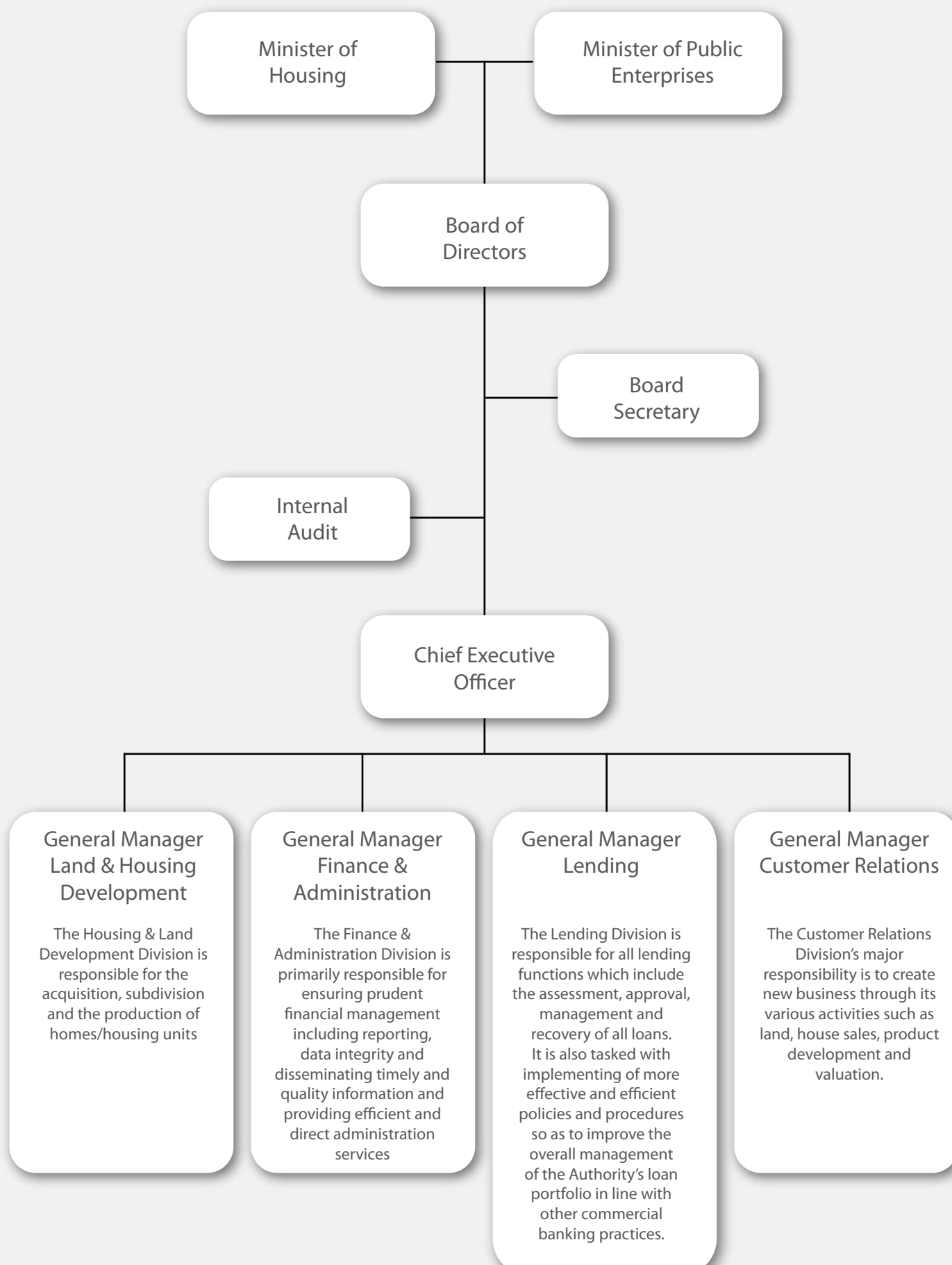
During the year, eleven (11) Board Meetings were convened. Attendance at these meetings averaged 90%.

	NO. ATTENDED
<b>MR UMARJI MUSA</b>	11
<b>MR NESBITT HAZELMAN</b>	11
<b>MR ROVEEN PERMAL</b>	9
<b>MR CRAIG STRONG</b>	4

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



# ORGANIZATION STRUCTURE



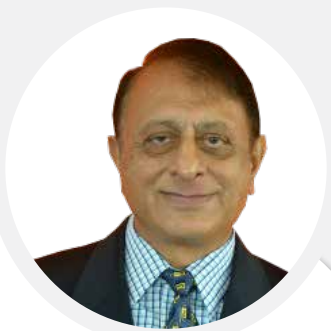
## BOARD DIRECTORS



### 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.



### UMARJI MUSA

*ACTING BOARD CHAIRMAN*

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



### ROVEEN 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 runs his own Consultancy firm 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.



Guests and staff members at the Davuilevu ground breaking ceremony.

# CHAIRMAN'S REPORT



**UMARJI MUSA**  
ACTING BOARD CHAIRMAN

Housing Authority is tasked with the enormous responsibility of ensuring that every Fijian has access to decent and affordable homes. It has been the social arm of Government in providing land and house to the Fijian citizens over the years.

The Authority continued to focus on its core mission and that is, to develop fully serviced lots and houses with competitive loan packages to all its customers.

I am pleased to present the 2017 Annual Report ending 31st December 2017.

## Financial Results

The year 2017 has been another progressive year for the Authority recording a surplus of \$1.701m in comparison to \$1.473m recorded in 2016.

The financial performance drivers are revenue from sale of lots and interest income from mortgage loan portfolio.

Development and sale of lots is often unpredictable which is largely dependent on parcels of land available and release of lots for sale.

A total of 107 lots in 2017 compared to 381 lots were sold in 2016. Another 511 lots is projected for 2018.

The mortgage loan portfolio increased to \$91.28m in 2017 compared to \$88.38m in 2016, which resulted from progress disbursements for construction loans approved to customers who purchased lots in 2017 and 2016.

In addition, the RBF facility launched in October was an attraction to customers to take advantage of the lower interest rates provided over the initial five years of their loan.

There was an increase in the interest income accrued by 1.89% from \$7.259m in 2016 to \$7.396m in 2017. This is mainly due to increase in performing loans and subsequently, reduction in non-performing loans.

## Social Housing Policy

19 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 2017 is \$0.565m.

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 five-year development plan to develop and deliver 1000 lots per annum. This is to accommodate the ever increasing demand of customers registered on the HA Customer Database.

There were 135 lots delivered during the year from the 120 lots at Tacirua 1A subdivision and 15 lots from Tacirua 3A.

No new land was acquired in 2017 however, two groundbreaking ceremonies were held during the year for Davuilevu and Tavakubu subdivisions. Both projects expected to yield 577 and 429 residential lots respectively.

## Strategic Plan

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

Major challenges facing the Authority is to provide housing that low-income families can afford. The Authority has strengthened its Land & 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.

The Authority has also allocated space in its Wainibuku and Nepani subdivisions for construction of approximately 784 mixed strata units with one, two and three bedroom. Land is available and earmarked for strata units at Matavolivolivoli subdivision for the Fiji National Provident Fund (FNPF) to develop.

Total of 135 lots were released for sale in December from the remaining Tacirua 1A and 3A lots. An additional 402 residential lots from Matavolivolivoli subdivision is expected to be released in 2018.

The projects on the drawing board are Tavakubu, Davuilevu, Nepani, Veikoba and Tavua. A further 1220 lots is projected apart from 1328 strata units and 39 duplex units to meet the demand.

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

## 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 thank the Board Members for their contributions and commitment throughout the year. I would also like to thank the Management and staff for their assistance and finally, I thank all our customers for their continued support of the Authority..

**UMARJI MUSA**  
ACTING BOARD CHAIRMAN

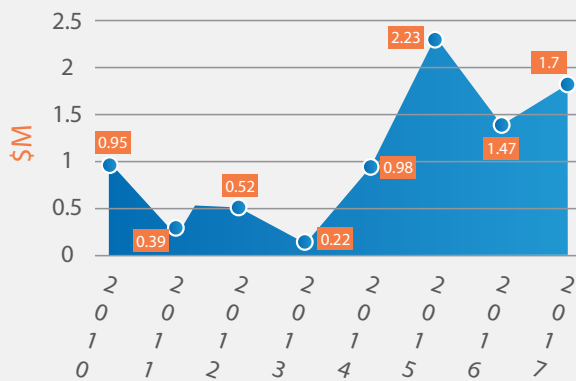


MOU signing between Housing Authority's Acting Board Chairman Mr Umarji Musa and Fairdeal Earthmoving Contractors Ltd to develop the Tavakubu Subdivision in Lautoka.

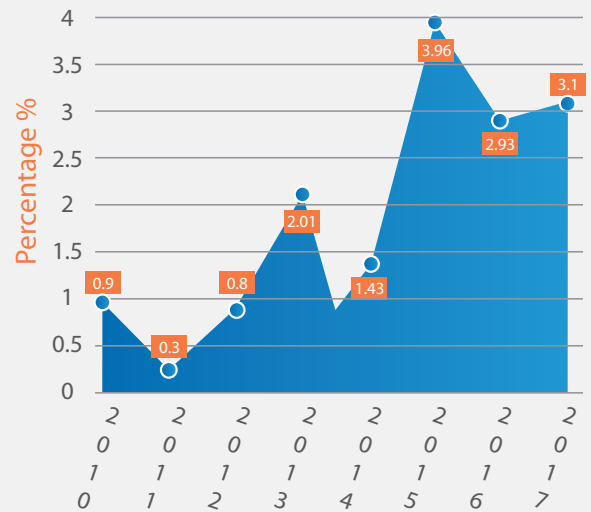


# FINANCIAL HIGHLIGHTS

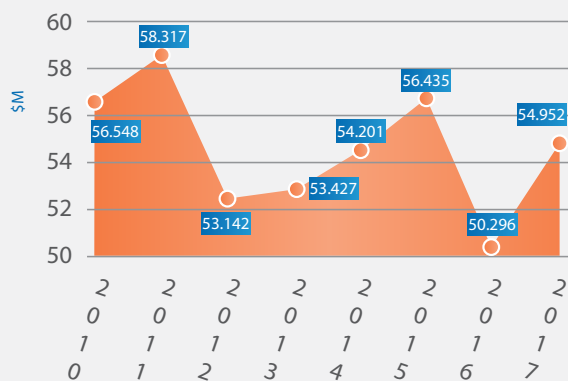
PROFITABILITY TREND 2010 - 2017



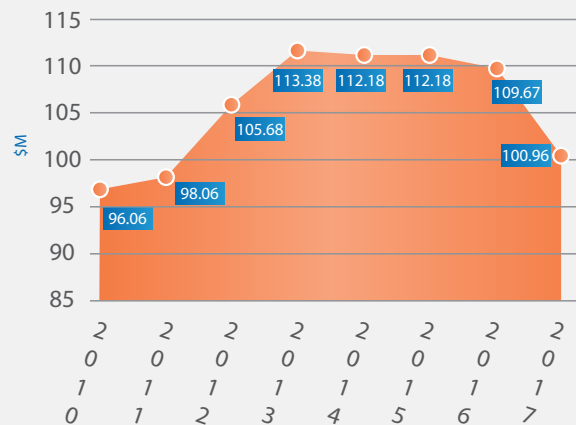
RETURN ON EQUITY 2010 - 2017



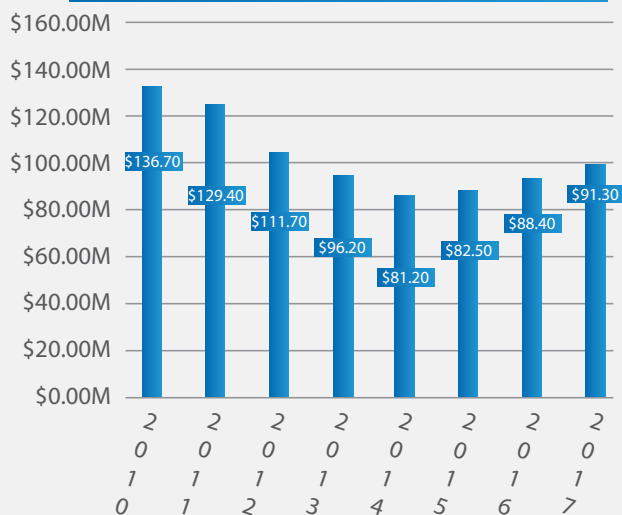
CAPITAL 2010 - 2017



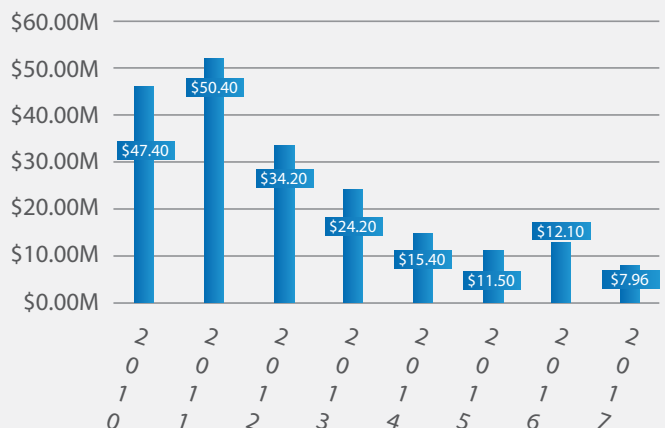
BORROWING PORTFOLIO 2010 - 2017



TOTAL MORTGAGE PORTFOLIO 2010 - 2017



TOTAL NON PERFORMING MORTGAGE PORTFOLIO 2010-2017



# CHIEF EXECUTIVE OFFICER'S REPORT

The year 2017 has been challenging however, the Authority continue to assist customers acquire lots and own a home.

Over the past years, an increasing number of customers have expressed interest through the Property Demand Survey to acquire lots and build homes in the various housing subdivisions developed by the Authority. 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 various supports through the HAG assistance to assist first home buyers.

Despite the many challenges faced, a profit of \$1.701m was recorded for the financial year ending 31 st December 2017.

## Financial Performance Highlights

	2017	2016
<b>Profit</b>	\$1.701m	\$1.473m
<b>Return On Equity (ROE)</b>	3.10%	2.93%
<b>Total Operating Expenses</b>	\$11.02m	\$19.91m
<b>Interest Income</b>	\$7.40m	\$7.26m
<b>Interest Expenses</b>	\$4.48m	\$4.56m
<b>Total Performing Loans</b>	\$83.32m	\$76.29m
<b>Borrowing Portfolio</b>	\$100.96m	\$109.67m

- A profit of \$1.701m against a budget of \$2.040m was achieved for the year.
- Return on Equity achieved was 3.10% against target of 3.40%.
- Total operating expenses decreased by \$8.89m from \$19.91m in 2016 to \$11.02m in 2017 due to reduction in sales.
- Interest income increased by \$0.14m from \$7.40m in 2017 to \$7.26m in 2016.
- Interest expenses reduced by \$0.08m from \$4.48m in 2017 to \$4.56m in 2016.
- Total Performing Loans portfolio increased by \$6.95m from \$83.24m in 2017 to \$76.29m in 2016.
- Borrowing portfolio decreased by \$8.71m from \$109.67m in 2016 to \$100.96m in 2017.

## Sustainable Development Goals

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

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

Composition of Management & Staff:

Category	Total	Male	Female	%
<b>1. Executive</b>	5	5	0	
<b>2. Management</b>	10	9	1	10%
<b>3. Team Leaders</b>	18	10	8	44%
<b>4. Staff</b>	115	76	39	34%
<b>5. Engineers</b>	6	5	1	17%
<b>Total</b>	154	105	49	32%

Gender balance has always been an integral part of the Authorities social fabric and continues to be a key priority for the future. The strong emphasis on promoting gender equality has been one of the strands of our nation's remarkable development success story, hence, more women are taking up managerial positions in the workforce.

Today, we all enjoy the fruits of our country's efforts to enhance gender balance in various spheres of life. As the authority makes steady progress towards meeting the demand of housing in Fiji, one of its goals is ensuring gender balance is achieved therefore developing procedures and adopt concrete action plans to entrench gender balance practices in the workplace.

The Occupation Health & Safety (OHS) Committee was very active in ensuring that the Authority was compliant with the requirements of OHS under the HASAWA 1996.

Training conducted throughout the year is based on the 2017 Training Plan and Training Needs Analysis that was incorporated in the 2016 performance appraisal for staff.

The Authority facilitated 61 workshops attended by 176 staff. Out of 61 training programs, 40 workshops were conducted in-house and 13 was carried out externally. 8 training programs specifically targeted management on development programs. These range from strategic workshops, awareness trainings to more specialized trainings that targeted key personnel such as engineers, surveyors, strategists, accountants and human resource specialists.

The Authority continued its sponsorship for professional development and the outcome of this initiative reviewed once staff complete their programs.

Discussions were also underway between the Authority and Fiji National University for the possibility of an Engineering cadet program that allow students who have graduated or nearing graduation, undertake 3 to 6 months attachment with the Authority.

As part of its succession planning initiative, the Authority continue to assist staff in terms of professional development and specialized training.

# CHIEF EXECUTIVE OFFICER'S REPORT

## Non-Financial Performance Highlights

Total of 578 customers were approved home loans compared to 750 customers in 2016. The Authority continued to focus on the middle to low income earners as its core target market.

This year, the Authority assisted 19 families and had their home loan debt forgiven under the Social Housing policy compared to 20 families in 2016. The applicants are scrutinized through a strict criterion to ensure genuine customers with financial hardships are assisted with funds from the Government Grant.

## Human Resources & Training

In 2017, the Authority had a total number of 211 staff consisting of management team, team leaders, tenure/contract staff and temporary staff. Staff movements for the year included:

- Recruitment of 24 new employees;
- 12 promotions and;
- 7 resignations who either join other organizations or pursue greener pastures.

Other movements include internal transfers within Divisions and acting appointments.

## Insurance Services

HA continue to provide its customers insurance covers for their mortgaged properties under the Group Scheme. This arrangement enable 4,000 customers to enjoy competitive premiums with extended benefits and no premium increase.

There are three major insurance covers provided for our customers and their properties as follows:

1. Mortgage Protection & Debtors Medical Insurance (extension)
2. House (Fire) Insurance
3. Contract Works (cover for residential dwelling under construction)

New India Assurance Co. Ltd approved three property-damaged claims worth \$45,763 under the Group House (Fire) Insurance Cover. The claims resulted from fire and water seepage.

The Mortgage Protection & Debtors Medical Insurance cover was placed with FijiCare Insurance Ltd. The claims arising due to death and total permanent disablement of our customers insured amounted to \$880,766 and was accordingly settled by this insurer.

HA successfully negotiated the inclusion of \$2,500 funeral benefit under MPI death claims for beneficiaries. This does not incur any additional cost to our customers. During the year, the Authority was able to assist 23 families and facilitate funeral expenses. Debtors Medical Insurance Policy covers our insured customers for treatment of cardiac (heart) and

cancer conditions in India, only if certified by their respective treating specialist, that such treatment is not available in Fiji. Further negotiation extended to cover cardiac treatment at the MIOT Pacific Hospital in Suva; and business class air ticket for the bypass patient. The Authority evacuated one customer for treatment of cardiac condition at the cost of \$30,264.

## Legal Services

The Legal Counsel Department provides in-house legal advice, guidance and support to all Divisions. It ensures that the Authority's operations are legally compliance with the Consumer Credit Act, Land Transfer Act, Housing Act, Public Enterprises Act and Reserve Bank Act including other legal and compliance regulations.

Other responsibilities of the department include overseeing litigation (cases for and cases against the Authority), recovery and eviction cases for litigation. Additionally, the Legal Counsel holds the position of Secretary of the Housing Authority Board under the Housing Act.

## Public Relations & Communications

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

Communication efforts include radio talkback shows in English, Hindi and iTaukei language whereby our staff participate with the public to generate discussion on housing projects and address frequently asked questions on our products and services.

## Looking Forward

As we look toward 2018 and beyond, we will continue to strive to ensure that Fijians have access to decent, affordable and quality housing for their families as provided 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.



*Mr Josua Bera receiving offer letter from the Honorable Minister, Mr Praveen Bala, for the sale of lots at Tacirua 1A subdivision.*

# GENERAL MANAGER LAND & HOUSING DEVELOPMENT REPORT



2017 was a critical year for the Land and Housing Development Division having set the platform for shaping current and future development project for the organization.

## ISIKELI NAVUDA

GENERAL MANAGER LAND & HOUSING DEVELOPMENT

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

## Projects

2017 was a critical year for the Division having set the platform for shaping current and future development projects for the organization. Notably this includes commissioning of the second project for the Western Division namely, Tavakubu and commencement of the largest residential developments in the Central and Eastern Division namely the Davuilevu project.

In addition, Nepani in the Central Division is the only ongoing project scheduled for completion by mid-2018.

The new subdivisions feature improved and efficient infrastructures that includes kerb and channel, footpaths, driveways and streetlights. These sub-divisions are expected to produce more than 1000 lots.

## Land & Property Services

The Land & Property Services Department is responsible for the overall maintenance of the Authority's properties, 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 current and future developments. The team also monitors the Authorities head leases and ensure timely payment of lease rental to the respective land owners.

In managing our estate properties, the department attend to complaints and grievances expressed by our tenants. The Authority maintains the exterior and other common areas of the strata units. There are plans to develop more strata estates in the future and necessary space allocations made to accommodate these strata estates in our new developments. The department had undergone reviews of its processes, policies and standard operating procedures to assist streamline work and improve efficiency.

*The groundbreaking ceremony for the new Davuilevu Subdivision in December 2017*



*Tavakubu groundbreaking ceremony in November 2017*



## Engineering & Technical Services

The Technical Services Department consist of engineers, surveyors and support technicians. The unit welcomed 2 additional staff by the way of survey assistants to complement the survey capabilities within the team.

The Department was given the approval to upgrade one of its major hardware through the procurement of satellite positioning technology associated ancillaries. The team found the investment extremely useful in reducing the operational costs of deployment and data capture by 30 percent.

As a trial on the "design and build" arrangement, our Tavakubu Stage 2 development was offered to a private contractor with our in-house supervision. The development was commissioned and project is expected to be completed towards the end of 2019.



# GENERAL MANAGER LAND & HOUSING DEVELOPMENT REPORT

Our in-house engineers and support technicians were able to complete the design of two projects towards the end of 2017 to enable the construction contracts to be awarded towards the end of the last quarter. Koronisalusalu in Tavua and Davuilevu Stage 2 around the Nakasi prescient was also commissioned with construction beginning immediately.

After a significant number of years, HA was able to enjoy the privilege of having one of its survey technicians, Mosese Vatubuli, registered with the Fiji Surveyors Registration Board in December 2017. Our comparatively small survey team with the guidance of Mr Paserio Samisoni secured the approval of 17 survey plans yielding over 500 residential lots on development sites around the country. These sites include Matavolivoli, Nepani and Tacirua East Phase 1A (balance).

## 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 that the Division will seriously consider for future development to facilitate home ownership taking into consideration the difficulty customers face in building their own homes after purchasing the land.

Collaboration with other Government agencies including Water Authority of Fiji, Fiji Electricity Authority, iTaukei Lands Trust Board and Lands Department will continue to ensure that fully serviced lots are delivered in a timely manner.

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.



**ISIKELI NAVUDA**

*GENERAL MANAGER LAND & HOUSING DEVELOPMENT*

# GENERAL MANAGER FINANCE & ADMINISTRATION REPORT



The mission is critical with the right funding cost structure to produce high quality and innovative housing solutions, enhancing quality of life and building communities.

## POASA VEREVAKABAU

GENERAL MANAGER FINANCE & ADMINISTRATION

The Division comprise of; the Finance Team, Information communication Technology (ICT) Team and Office Administration Team. The teams combined effort is to support the business and drive performance through transformation program aligned with the overall strategy and expectation from key stakeholders. The team collectively is focus to improve efficiency and driving the business decision to the next level to achieve corporate objectives in producing affordable fully serviced residential lots and home loan package.

The organization's corporate mission is align towards the Government's, 5 Year & 20 Year National Development Plan, Page 4, "The Housing Authority and Public Rental Board will ensure that more land is developed for residential lots and more affordable and accessible housing is provided." The Authority is responding to the affordable housing challenge through our Strategic Plan 2017 – 2020 supporting Governments National Development Plan.

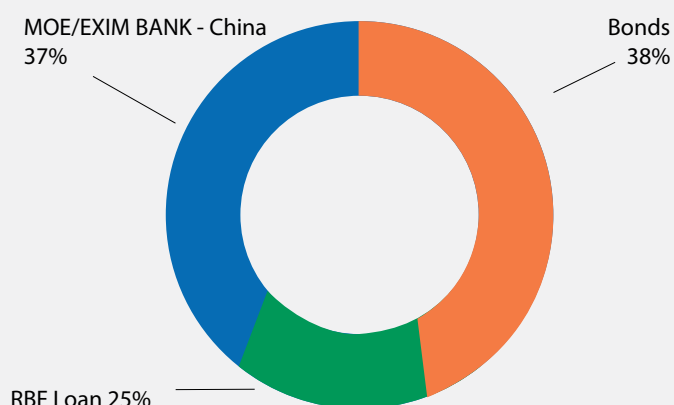
The organisation strategy is focus on producing more lots and achieve appropriate margins through efficiency and low costs concurrently respond to range of factors, which are economic, social, technological, legal and environmental while managing business risk. The internal auditors and reviewing stakeholders scrutinise risk areas ensuring timely delivery of lots coping with the demand and maintain sustainable operation to support affordable price points of lots.

The financial result reflects the marginal profitable trend in last the ten years achieved through setting strategic direction along our corporate mission and values focusing in providing excellent customer service promptly, effectively and courteously. Moreover, the business administration cost is supported through income generated from the business activities, which are mainly from interest income, sale of lots and fees/charges. The manufacturing of lots and mortgage financing or capital projects demands working capital that is funded through borrowings therefore access to capital markets will always be a greater priority. The Board and management will ensure the best financing mix with longer-term financing at the lowest cost leveraging borrowing cost to achieve out competitive edge.

## Borrowing Portfolio

Borrowing Portfolio for the Authority stood at \$100.96 million in 2017 compared to \$109.67 million in 2016. Decrease of 9% is due to principal payment for loans and bonds.

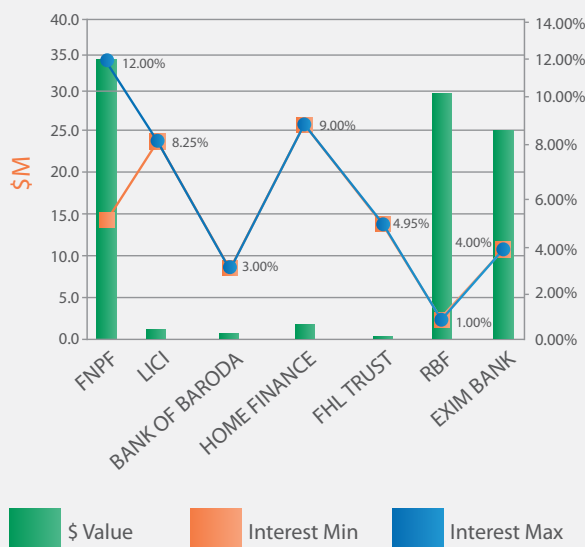
The aggregate borrowing portfolio supporting the current capital projects and mortgage financing reports balance of \$100.96 million comprising of the categories illustrated in figure 1:



The total borrowing through Bond market amounts to \$38.70 million out of which \$24 million attracts average interest rate of 11.03% planned to be redeem in 2018. The average borrowing cost as at December 2017 is registered at \$4.62% while forecast for 2018 is expected to slide below 4%.

Despite the inherent high interest rates, the investors and agencies play an important role in fulfilling Governments mandate, assisting the low and middle-income residents. However the current borrowing rates from 2014 is below 5%. leveraging business operation cost. The participation by the investors is critical to support Government mandate in providing affordable housing to the low and middle-income families or those earning \$50,000.00 and below. Graph 2 presents the investors with the borrowing cost.

# GENERAL MANAGER FINANCE & ADMINISTRATION REPORT



The Housing Authority has maintained a sustainable business model operating without administrative Government support in terms of administration grant despite the challenges faced in delivering affordable housing solutions.

The Government through Ministry of Housing & Local Government provides the following assistance:

- housing assistance grant for first home owners
- Social rehabilitation funding for customers facing genuine financial distress.

The Authority debt structure is closely monitored to produce sustainable expenditure level with ambition to reduce home loan Lending rates to our target customers. The borrowings from 2006 to 2018 with high interest rates continues to challenge our mission to deliver competitive edge in providing affordable housing solutions.

Regardless of the barriers, the Authority periodically carries out stress test on it's lending rates against borrowings rates to remain a dynamic player in providing affordable loan packages 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 and look forward in providing affordable housing solutions. The variable interest rate reduced from 7.99% to 6.99% effective from October 2017.

The RBF also introduced the Housing facility loan for first home buyers earnin below \$50k. The Desired Home Loan package introduced in late 2017 with as follows rates:

- 3.95% Year one
- 4.20% Year two to five
- 6.99% variable from year 6.

The Board and Management will continue to pursue its mission in reaching out to the community and ensure that all citizens earning less than \$50k have easy access to affordable housing product including financing.

We strive to be successful by serving the low to middle-income residents through effective strategic planning of its financial resources and continuously review business model based on best practice in delivering effective customers services.

## Team Bonding

The Division maintain work-life balance for staff wellbeing through team bonding activities. Division meetings and celebration of staff birthdays held throughout the year with an ongoing climax that later culminated with a weekend get-away at the Shangri-La Resort towards the end of the year. The annual event was a good mix of fun activities, group dinner and entertainment organised by the Committee. The team bonding trip included staff from other Divisions and family memebers.

For its second successful year, the Division continues to provide upbeat and powerful team experiences with the opportunity to socialize and showcase true team spirit.

## Going Forward

The next fiscal year will likely be challenging due to the anticipated completion of development projects and commencement of new development projects, however, the Division looks forward to provide support in achieving corporate vision & mission.

The changing business climate presents the opportunity to enhance progress. In line with this, the Division focus to automate processes is in progress including, process simplification and review of the legacy system.

**POASA VEREVAKABAU**

GENERAL MANAGER FINANCE & ADMINISTRATION



Finance Division team building exercise that was held at the Fijian Resort in 2017

# GENERAL MANAGER LENDING REPORT



The total mortgage portfolio at the end of the year was \$91.28m, compared to \$88.38m in 2016. The mortgage portfolio increased through sale of land stock, construction of houses and loans to purchase properties.

**RAMESH CHAND**  
GENERAL MANAGER LENDING

The Lending Division is responsible for the assessment and approval of all loans granted by the Authority, ensures that all due diligence process and security documentation are completed before disbursement of loan funds.

It is also responsible for the management of all loan and ground rent accounts including recovery process for accounts in arrears.

The performance of the Division is largely dependent on the residential lots or fully serviced units made available for sale during the year. There were only 135 residential lots from Tacirua phase 1A and 3A (part of) that were available for sale at the end of the year.

## Gross Mortgage Portfolio

The Authority has a customer base of 22,805 customers, comprising of 3,112 active loan accounts and 19,693 ground rent accounts as at 31 st December 2017.

Total mortgage portfolio at the end of the year stood at \$91.28m compared to \$88.38m in 2016. The increase in portfolio attributed to new loans from the sale of land from stock, the completion of new Tacirua East subdivision, walk-in customers and commencement of house constructions in the Tacirua and Wainibuku subdivisions.

Performing mortgage portfolio increased to \$83.32m compared to \$76.29m in 2016. The increase in performing portfolio resulted from new land sales, construction loans from stock and migration of non-performing accounts to performing loans.

## New Loans Approved

The Approvals Department is responsible for carrying out due diligence on loan submissions and approve quality loans to ensure lower probability of default.

Security coverage, repayment capacity, equity and commitment by customers being the primary focus in loan assessments.

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

Total of 578 customers were assisted during the year for home packages inclusive of loans to purchase land from our new Tacirua East and house constructions. This is inclusive of

customers who were also granted loans to buy ready-built houses, purchase of vacant land and construction of houses from other financial institutions.

The bar graph shown below reflects the loans approved in 2017 and illustrates the trend of loans approved by the Authority over the last seven years. The decline in 2017 attributed to the late delivery of Tacirua subdivision.



## RBF Facility

In October 2017, the Authority launched the loan product facility that enabled customers to benefit from low interest rates. Under the facility, customers enjoy fixed interest rate for 5 years.

90 customers were assisted for the purchase of lots and construction of houses. Total loan value was \$7.5m as at 31<sup>st</sup> December 2017. The anticipation is to attract maximum customers under the scheme in the next financial year.

## Mortgage Portfolio

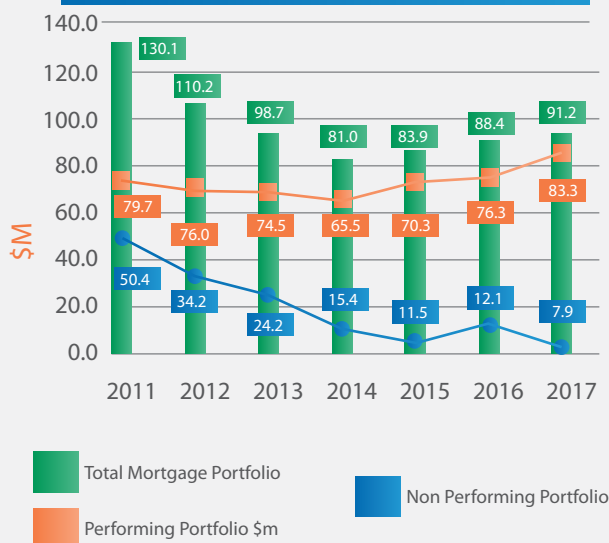
Total mortgage portfolio at the end of the year is \$91.28m compared to \$88.38m in 2016. The Mortgage portfolio increased through sale of land stock, construction of houses and loans to purchase properties.

The bar graph shown on the next page illustrates the trend for the total mortgage portfolio, performing portfolio and non-performing portfolio over the last six years:



# GENERAL MANAGER LENDING REPORT

## Mortgage Portfolio 2011 -2017



## Non-Performing Loans

In 2009, the Authority adopted the Reserve Bank of Fiji's risk grade model of classifying its impaired assets.

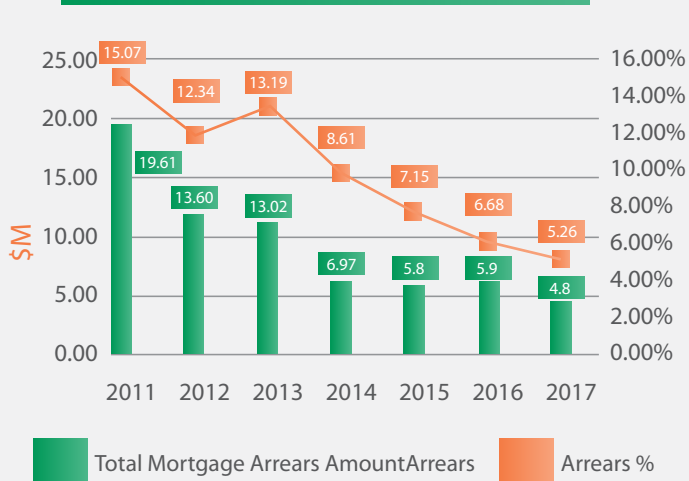
As at 31 st December 2017, the non-performing portfolio was \$7.96m compared to \$12.09m in 2016. Total loan portfolio stood at 91.28% compared to 86.32% in 2016.

## Arrears

Mortgage arrears stood at \$4.8m or 5.26% of the total mortgage portfolio as at December 2017 compared to \$5.9m for the same period in 2016 which is 6.68% of the Authority's total loan portfolio.

The bar graph shown below illustrates the trend over the last six years:

## Total Mortgage Arrears 2011 -2017



## Recovery of Loan Arrears

The Authority provides every opportunity and continue to pursue debtors who default their loan repayments with the support of our collection team. The Credit Management team manage performing accounts and recovered arrears from customers.

The Division continued with its strategy on home retention drive' by encouraging defaulting customers and their families to make suitable repayment arrangements to pay their debts and retain their family homes.

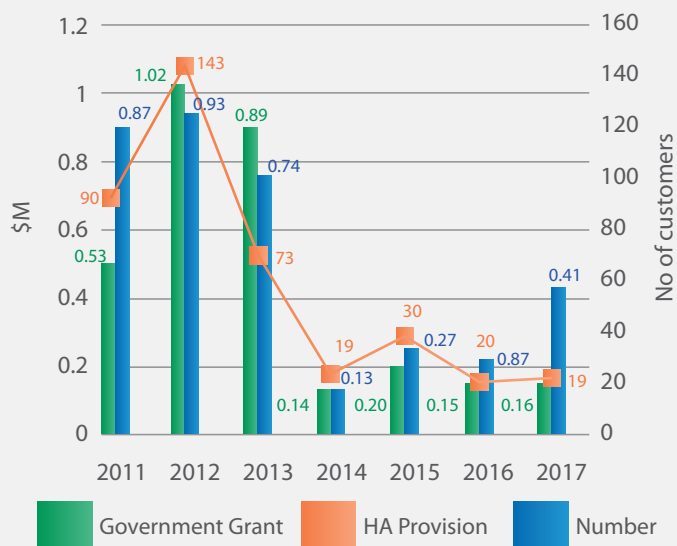
## Social Housing Policy

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

Under this scheme, the Authority assisted 19 customers in 2017 by writing off their debts totaling \$0.565m, of which, \$0.160m was provided from Government Grant funds and \$0.405m from the Authority.

The graph below illustrates the total assistance provided through the Social Housing Policy from 2011 to 2017.

## Social Housing Policy 2011 -2017



## Conveyancing Services

The Conveyancing team is responsible for conveyancing functions, Fiji National Provident Fund housing transfers and registration and safe-keeping of legal documents held by the Authority for security of loans granted to customers.

New loans disbursed in 2017 were \$21.5m for 535 customers. 346 customers were assisted through the transfer of their Fiji National Provident Fund monies totaling \$3.26m.

# GENERAL MANAGER LENDING REPORT

## 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 fulfill its obligation for rural housing. This was a Government initiative to improve the standard of living in the rural Fijian villages. It contributes to their security, happy communities and an ideal choice for better utilization of their lease income.

Total Village Loan Portfolio stood at \$2.9m as at 31<sup>st</sup> December 2017 compared to \$3.4m in 2016. The Performing and Non Performing portfolios stood at \$2.61m and \$0.284m respectively. Village scheme recorded arrears of \$124,674 for the year.

## Ground Rent Portfolio

The Ground Rent portfolio as at 31<sup>st</sup> December 2017 was \$2.20m compared to \$2.17m in 2016. Our collection teams are assigned to review each account and take arrears recovery actions to collect these dues.

## Stakeholders

The Division will continue collaboration with government stakeholders and meetings with the Fiji National Provident Fund including iTaukei Land Trust Board, Methodist Church of Fiji and Lands Department and contribute favorably in making housing affordable to the lower income bracket.

It will also continue to refine work processes and reduce turnaround times to ultimately improve service delivery to all our valued customers.

**RAMESH CHAND**  
GENERAL MANAGER LENDING



*Mr Ajay Singh (former Manager Credit Recovery) receiving a token of appreciation from the Executive Management team after serving the Authority for over 35 years.*

# GENERAL MANAGER CUSTOMER RELATIONS REPORT



In 2017, a total of 4,262 expression of interest was received from prospective customers expressing their interest to purchase lots in upcoming housing subdivisions

## LEONARD KWANSING

GENERAL MANAGER CUSTOMER RELATIONS

Maintaining customer satisfaction and improving customer relationship continue to be the primary focus for the Customer Relations Division in 2017.

The existence of customer relation centers in Lautoka, Labasa, Suva with its head office in Valelevu, Nasinu ensures the spread of the Authority's services across the country and allows for greater accessibility to our products and services.

The core functions of the Division include land & house sales, marketing & corporate branding, loan assessment and processing, valuation services, construction management services, research and development and; creation of new products and business. The Division ensure these activities are delivered in a timely manner for its customers.

## Marketing

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

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

## Building Communities & Construction of Residential Homes

The Authority is proud to be a major player in building communities through the development and sale of fully serviced residential lots within housing subdivisions around the country.

A further 135 new lots from Tacirua Phase 1A & 3A were made available for sale in November 2017. Residential lots are sold by the Authority as 'land & house package' where the buyers are required to purchase land and construct a residential dwelling at the same time.

To facilitate the construction process, the Authority has a dedicated Work Assessment team whose primary role is to assist customers in estimating building construction costs and disbursement of construction funds.



## Housing Assistant Grant (HAG)

The number of customers assisted through Government's Housing Assistant Grant (HAG) initiative continue to increase. It has been an attractive incentive in encouraging first time homeowners to purchase land and build. 196 customers received HAG from Government totaling \$1,780,000 to either construct or buy their first home.

Year	No of Customers Assister	HAG Approved
2014	71	655,000
2015	97	785,000
2016	137	1,325,000
2017	196	1,780,000

# GENERAL MANAGER CUSTOMER RELATIONS REPORT



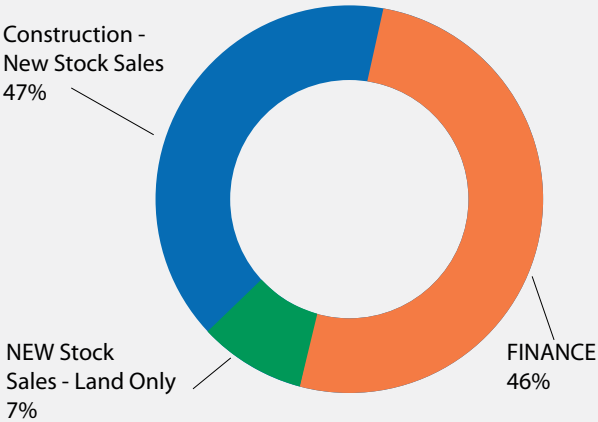
## Residential Home Loans

Despite the challenges in income ceiling, statutory limitations and competitive home loan rates offered by other Lenders, the Authority managed to approve 578 loans with a total net loan of \$24,737,285 in 2017.

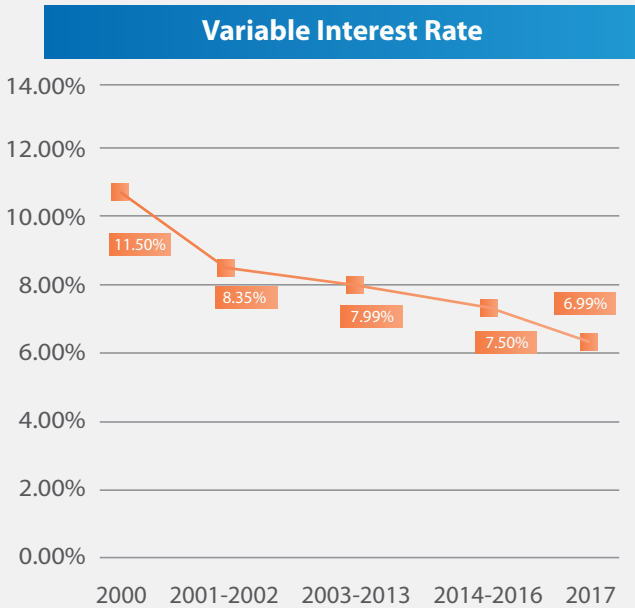
Loan approved to customers for construction was \$11,576,087 (47% of the total loan approved), finance loans at \$11,522,213 (46%) and new stock sales of \$1,638,985 (7%).

In 2017, 4,262 applications were received from prospective customers expressing their interest to purchase lots in upcoming housing subdivisions. The highest interest was in Central division approximately 75%; Western division 22% and Northern division 3%. The substantial increase for demand in housing saw the escalation in applications received over the years to 14,839 as at 31 st December 2017.

## Types of Loan Approved 2017



The Authority's variable home loan rate continued its downward trend in 2017 with a reduction from 7.50% to 6.99%. This is keeping in line with the Authority's efforts to make housing more affordable and accessible to its target market.



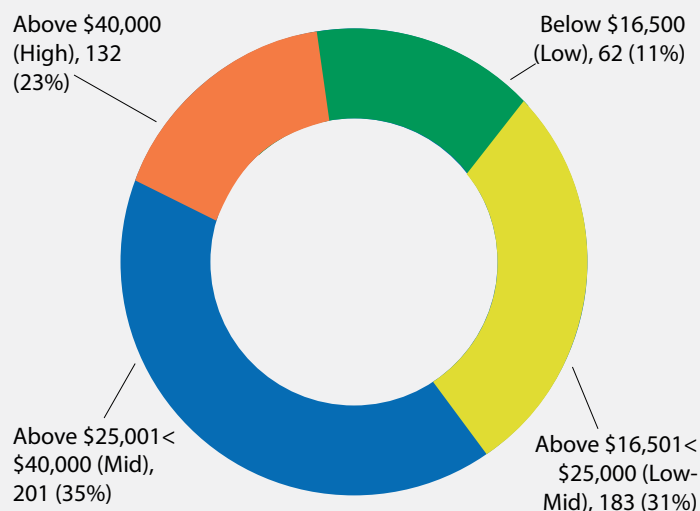
## Low & Medium Income focus

Of the total 578 customers' loan approved in 2017, 245 (42%) were approved to customers with annual income below \$25,000; 201 (35%) to customers with annual income between \$25,000- \$40,000 and 132 (23%) to customers with annual income above \$40,000.



# GENERAL MANAGER CUSTOMER RELATIONS REPORT

## 2017 Loan by Income - Number



## Valuation

As part of its "one stop shop" concept, the Authority also provides valuation services to its customers. This provides added convenience and avoid the difficulties and time constraints of engaging private valuation companies. The Authority's valuation is recognized by the Fiji National Provident Fund.

## Staff Training & Development

The upskilling and development of staff continued with in-house service training, mentoring, on-the-job training and job rotation. This is part of the Authority's succession planning strategies. In addition, staff were given the opportunity and 'hands on' experience to relieve in various managerial and other key Customer Relations positions.

## Conclusion

We would like to acknowledge with much appreciation the invaluable support and contribution of all our stakeholders both external and internal for their assistance throughout the year. Their support allowed us to effectively and efficiently serve our customers and achieve the results recorded in 2017.

**LEONARD KWANSING**  
GENERAL MANAGER CUSTOMER RELATIONS

# FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2017



Housing Authority

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# HOUSING AUTHORITY OF FIJI DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

## 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 2017, the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended on that date and report as follows:

## Directors

The directors of the Authority during the year were:

Directors	Appointed	Serve Until
Mr. Umarji Musa - Acting Chairman	24 December 2015	23 December 2018
Mr. Nesbitt Hazelman	24 December 2015	23 December 2018
Mr. Craig Strong	24 December 2015	29 September 2017
Mr. Roveen Permal	24 December 2015	23 December 2018

## 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 2017 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:

	2017 \$'000	2016 \$'000
Net Profit before Income Tax	1,701	1,473
Income Tax Expense	-	-
Net Profit for the year	1,701	1,473

## Dividends

The directors recommend that no dividends be declared or paid during the year (2017: \$Nil).

## Reserves

An independent valuation was carried out by registered valuer, Professional Valuations Limited, in July 2018 for Authority's properties. The valuation has been adopted by the Directors which resulted in an increase in the Asset Revaluation Reserve by \$2.954 million.

## 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.

# HOUSING AUTHORITY OF FIJI **DIRECTORS' REPORT** *continued*

FOR THE YEAR ENDED 31 DECEMBER 2017

## Current and non-current assets

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

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

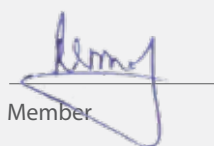
As at the date of this report:

- 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 period of twelve months after the end of the year which, in the opinion of the directors, will or may substantially affect the ability of the Authority to meet its obligations as and when they fall due.

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

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

Dated at Suva this 9th day of August 2018

  
Chairman  
Member



# HOUSING AUTHORITY OF FIJI

## STATEMENT BY DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2017

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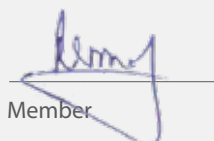
In accordance with a resolution of the Board of Directors of the Housing Authority of Fiji, we state that in the opinion of the directors:

- (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 2017;
- (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 2017;
- (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 2017;
- (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 2017;
- (v) at the date of this statement there are reasonable grounds to believe the Authority will be able to pay its debts as and when they fall due; and
- (vi) all related party transactions have been adequately recorded in the books of the Authority.

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

Dated at Suva this 9th day of August 2018

  
Chairman

  
Member

# HOUSING AUTHORITY OF FIJI INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

## OFFICE OF THE AUDITOR GENERAL

Excellence in Public Sector Auditing



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Website: <http://www.oag.gov.fj>



### 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 2017, 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 2017, 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 Accountants' 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, 1955 and for the such internal control as a 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.

### The 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 statement.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 represents 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.


## INDEPENDENT AUDITOR'S REPORT (continue)

FOR THE YEAR ENDED 31 DECEMBER 2017

### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the CAP 267 of the Housing Act 1955, in my opinion:

- a) proper books of account have been kept by the Authority, so far as it appears from the 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 in the manner so required.

  
Ajay Nand  
Auditor-General



Suva, Fiji 21 August, 2019

**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 \$'000	2016 \$'000
Interest income	2.1	7,396	7,259
Interest expense	3.1	(4,479)	(4,562)
Net interest income		2,917	2,697
Other operating income	2.2	9,807	18,685
<b>Net operating income</b>		<b>12,724</b>	<b>21,382</b>
Amortisation of intangible assets		260	259
Bad and doubtful debts		245	790
Cost of sales - land and houses		2,978	11,263
Depreciation of property, plant and equipment		511	520
Other expenses	3.3	2,297	2,201
Personnel expenses	3.2	4,732	4,876
<b>Total operating expense</b>		<b>11,023</b>	<b>19,909</b>
Net profit before income tax		1,701	1,473
Income tax expense	1.4 (p)	-	-
<b>Net profit after tax</b>		<b>1,701</b>	<b>1,473</b>
<b>Other comprehensive income</b>			
Revaluation surplus on land and buildings		2,954	-
<b>Total comprehensive income for the year, net of tax</b>		<b>4,655</b>	<b>1,473</b>

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



**STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 \$'000	2016 \$'000
<b>Accumulated losses</b>		
Balance at the beginning of the year	(9,683)	(3,544)
"Adjustment relating to restatement of foreign currency loan as at closing exchange rate (Note 13)"	-	(7,612)
<b>Balance at the beginning of the year - restated</b>	(9,683)	(11,156)
Profit for the year	1,701	1,473
Balance at the end of the year	(7,982)	(9,683)
<b>Asset Revaluation Reserve</b>		
Balance at the beginning of the year	2,249	2,249
Movement during the year	2,954	-
Balance at the end of the year	5,203	2,249
<b>Government contribution</b>		
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
<b>Capital</b>		
Balance at the beginning of the year	41,772	41,772
Movement during the year	-	-
Balance at the end of the year	41,772	41,772
<b>Total equity</b>	<b>54,952</b>	<b>50,296</b>

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

# HOUSING AUTHORITY OF FIJI

## STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 \$'000	2016 \$'000 (Restated)
<b>Current Assets</b>			
Cash and cash equivalents	4	1,823	2,323
Held-to-maturity investments	5	28,400	41,950
Loans and advances	6 (a)	11,373	10,959
Inventories	7	38,404	31,019
Other assets	12	4,986	4,286
<b>Total Current Assets</b>		<b>84,986</b>	<b>90,537</b>
<b>Non-Current Assets</b>			
Loans and advances	6 (b)	78,660	75,918
Land held for future development	8	3,262	3,755
Intangible assets	11	161	406
Property, plant and equipment	9	10,446	7,515
<b>Total Non-Current Assets</b>		<b>92,529</b>	<b>87,594</b>
<b>Total Assets</b>		<b>177,515</b>	<b>178,131</b>
<b>Current Liabilities</b>			
Trade and other payables	14	21,044	17,632
Employee benefit liability	16	532	511
Provisions	15	25	25
Debt issued and borrowed funds	13 (a)	27,845	8,045
<b>Total Current Liabilities</b>		<b>49,446</b>	<b>26,213</b>
<b>Non-Current Liabilities</b>			
Debt issued and borrowed funds	13 (b)	73,117	101,622
<b>Total Non-Current Liabilities</b>		<b>73,117</b>	<b>101,622</b>
<b>TOTAL LIABILITIES</b>		<b>122,563</b>	<b>127,835</b>
<b>EQUITY</b>			
Capital	17	41,772	41,772
Accumulated losses		(7,982)	(9,683)
Government grant		15,958	15,958
Asset revaluation reserve	17	5,203	2,249
<b>TOTAL EQUITY</b>		<b>54,952</b>	<b>50,296</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>177,515</b>	<b>178,131</b>

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 2017

	Notes	2017 Inflows/ (Outflows) \$'000	2016 Inflows/ (Outflows) \$'000
<b>Operating activities</b>			
Interest received		7,608	7,025
Fees, charges and other income received		3,575	5,992
Proceeds from sale of land and houses		5,078	13,829
Interest and other finance costs paid		(5,253)	(4,558)
Net customer loans issued and repayments received		(3,147)	(7,394)
Payments to suppliers for land and houses		(9,843)	(6,186)
Net receipt of government grants		3,942	3,192
Other operating expenses paid		(6,896)	(10,244)
<b>Cash flows from / (used in) operating activities</b>		<b>(4,936)</b>	<b>1,656</b>
<b>Investing activities</b>			
Payments for property plant and equipment		(410)	132
Proceed from short term investments		13,550	7,500
<b>Cash flows from investing activities</b>		<b>13,140</b>	<b>7,632</b>
<b>Financing activities</b>			
Net repayment of borrowings		(8,704)	(10,135)
<b>Cash flows used in financing activities</b>		<b>(8,704)</b>	<b>(10,135)</b>
<b>Net decrease in cash held</b>		<b>(500)</b>	<b>(847)</b>
Cash at the beginning of the financial year		2,323	3,170
<b>Cash at the end of the financial year</b>	4	<b>1,823</b>	<b>2,323</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017

**1. CORPORATE INFORMATION**

The financial statements of Housing Authority of Fiji ("the Authority") for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 19<sup>th</sup> September 2018. Housing Authority of Fiji is a statutory body established under the Housing 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 Statement**

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

**Restatement**

The foreign currency loan obtained by the Authority through Ministry of Economy from Exim Bank of China had not been converted at the closing exchange rate historically. In current year, the Authority has converted the foreign currency loan at the closing exchange rate historically and restated the foreign currency loan balance as at 31 December 2016. As a result, retained earnings as at 31 December 2016 has decreased by \$7.6million and borrowing has increased by \$7.6million.

**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 assumption**

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

**Judgments**

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

*Operating Lease Commitments*

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

**Estimations and assumptions**

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

*Impairment losses on loans and advances*

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

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



# HOUSING AUTHORITY OF FIJI

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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*

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.

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

##### *Non performing loans*

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

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

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

# HOUSING AUTHORITY OF FIJI

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 1.4 Summary of significant accounting policies *continued*

#### 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.

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.

**d) Leased assets continued***Authority as a lessee*

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

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

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

*Authority as a lessor*

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

**e) Recognition of income and expenses**

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

**i) Interest income and expense**

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

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

**ii) Fee income and charges**

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

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

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

**iv) Rental Income**

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

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

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

**vi) Bad and doubtful debts**

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

**f) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity less than 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.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017

**1.4 Summary of significant accounting policies *continued*****g) Property, plant and equipment *continued***

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

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

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

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

***Revaluation of property, plant and equipment***

The Authority revalues the buildings, 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 parcel purchased during year in the following areas: Davuilevu - Nasinu, Covata - Labasa, Tulalevu - Sigatoka and Veikoba - Nasinu.

**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.



**1.4 Summary of significant accounting policies *continued*****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 group 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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017

**1.4 Summary of significant accounting policies *continued*****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 grant**

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**

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.

**a) Industry segment**

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

**b) Geographical segment**

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

**1.5 Amendments to standards and annual improvements effective from 1 January 2017**

A number of amendments to standards and annual improvements are effective for the first time for periods beginning on (or after) 1 January 2017. None of the amendments have a material effect on the Authority's annual financial statements.

Amendments which are relevant to the entity are summarised below:

***IAS 7: Amendment – Disclosure Initiative***

These amendments are effective from 1 January 2017 and aim to improve information about an entity's debt, including movements in that debt. Disclosures are required to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

**1.6 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 2018
IFRS 16 Leases	Requires operating leases to be recognised on balance sheet.	1 January 2019
IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration	Address how to determine the date of transaction for the purpose of determining the spot exchange rate.	1 January 2018

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017

**2. INCOME****2.1 Interest Income**

	2017 \$'000	2016 \$'000
Investment Securities	1,521	1,809
Loans and Advances	5,875	5,450
	<u>7,396</u>	<u>7,259</u>

**2.2 Other operating income**

Fees and charges	3,935	4,483
Rent	29	63
Other income	765	310
Sale of land and houses	5,078	13,829
	<u>9,807</u>	<u>18,685</u>

**3. EXPENSES****3.1 Interest Expense**

	2017 \$'000	2016 \$'000
Bonds	3,420	3,566
Long Term Loans	1,059	996
	<u>4,479</u>	<u>4,562</u>

**3.2 Personnel Expense**

Salaries and wages	3,724	3,688
Employee entitlements	219	345
FNPF contribution	488	504
Other	301	339
	<u>4,732</u>	<u>4,876</u>

**3.3 Other Expense**

Auditor's remuneration - audit fees	20	20
Accounting services	10	10
Amortisation - leasehold land	16	16
Repairs and maintenance	69	72
Stock write-down	44	-
Other expenses	2,138	2,083
	<u>2,297</u>	<u>2,201</u>

**4. CASH AND CASH EQUIVALENTS**

	2017 \$'000	2016 \$'000
Cash on hand	1	1
Cash at bank	1,822	2,322
	<u>1,823</u>	<u>2,323</u>

# HOUSING AUTHORITY OF FIJI

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 5. HELD - TO - MATURITY INVESTMENTS

Term deposits

Term deposits are placed with financial institutions in Fiji at terms of 6 months to 12 months. The interest rate of these deposits range from 3.60% to 4.60%.

2017 \$'000	2016 \$'000
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28,400	41,950
--------	--------

### 6. LOANS AND ADVANCES

#### a) Current Asset

Mortgage Loans

Village Scheme Loan

2017 \$'000	2016 \$'000
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12,516	12,252
--------	--------

542	242
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13,058	12,494
--------	--------

Less: Interest and fees suspended

1,350	1,363
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Less: Allowance for impairment losses

335	172
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1,685	1,535
-------	-------

11,373	10,959
--------	--------

#### b) Non-Current Asset

Mortgage Loans

Village Scheme Loan

78,001	74,792
--------	--------

2,432	3,278
-------	-------

80,433	78,070
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Less: Interest and fees suspended

1,391	1,628
-------	-------

Less: Allowance for impairment losses

382	524
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1,773	2,152
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78,660	75,918
--------	--------

Total Loans and Advances

90,033	86,877
--------	--------

Impairment allowances for loans by class is as follows:

At 1 January 2017

Charge/(utilisation) for the year

Amounts written off

At 31 December 2017

Mortgage \$'000	Village \$'000	Total \$'000
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688	8	696
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270	101	371
-----	-----	-----

(350)	-	(350)
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608	109	717
-----	-----	-----

Individual Impairment

Collective Impairment

608	109	717
-----	-----	-----

-	-	-
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608	109	717
-----	-----	-----

Gross amount of loans, individually determined to be impaired, before deducting any individual or collective assessed impairment allowance.

7,919	435	8,353
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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.



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017

**6. LOANS AND ADVANCES TO CUSTOMERS** *continued*

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

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

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

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

**7. INVENTORIES**

	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Developed lots	7,782	5,297
Less: provision for developed lots write-down	(202)	(254)
	7,580	5,043
Unsold properties	392	367
Less: provision for unsold properties write-down	(178)	(154)
	214	213
Development work-in-progress	30,610	25,763
Total inventories	38,404	31,019

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017

**8. LAND HELD FOR FUTURE DEVELOPMENT****Freehold land**

	<b>2017 \$'000</b>	<b>2016 \$'000</b>
- at deemed cost	202	202
Leasehold land – at cost	3,830	4,336
Less: provision for amortisation of leasehold land	(770)	(783)
<b>Total land held for future development</b>	<b>3,262</b>	<b>3,755</b>

**9. PROPERTY, PLANT AND EQUIPMENT****Property****Valuation:**

At 1 January	7,462	7,464
Additions	47	-
Disposals	(5)	(2)
Ajustment on revaluation	(959)	-
Revaluation	2,800	-
At 31 December	9,345	7,462

**Depreciation and impairment:**

At 1 January	814	642
Depreciation charge for the year	239	173
Disposals	(5)	(1)
Reversal of depreciation on revaluation	(959)	-
At 31 December	89	814

**Net written down value - properties**

9,256	6,648
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**Furniture and fittings****Cost:**

At 1 January	2,278	2,349
Additions	165	23
Disposals	(62)	(94)
At 31 December	2,381	2,278

**Depreciation and impairment:**

At 1 January	2,117	2,101
Depreciation charge for the year	102	110
Disposals	(62)	(94)
<b>At 31 December</b>	<b>2,157</b>	<b>2,117</b>

**Net written down value - furniture and fittings**

224	161
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# HOUSING AUTHORITY OF FIJI

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 9. PROPERTY, PLANT AND EQUIPMENT *continued*

#### Staff houses and shops

##### Valuation:

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

##### Depreciation and impairment:

At 1 January	76	65
Depreciation charge for the year	11	11
Reversal of depreciation on revaluation	(64)	
At 31 December	23	76

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

**473 330**

#### Motor Vehicles

##### Cost:

At 1 January	1,094	1,016
Additions	215	106
Disposals	(315)	(28)
At 31 December	994	1,094

##### Depreciation and impairment:

At 1 January	896	821
Depreciation charge for the year	100	103
Disposals	(315)	(28)
At 31 December	681	896

#### Net written down value - motor vehicles

**313 198**

#### Computer Equipment

##### Cost:

At 1 January	1,326	2,606
Additions	60	1
Disposals	(55)	(1,281)
At 31 December	1,331	1,326

##### Depreciation and impairment:

At 1 January	1,240	2,396
Depreciation charge for the year	57	122
Disposals	(55)	(1,278)
At 31 December	1,242	1,240

#### Net written down value - motor vehicles

**89 86**

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017

**9. PROPERTY, PLANT AND EQUIPMENT** *continued***Others****Cost:**

At 1 January	70	70
At 31 December	70	70

**Depreciation and impairment:**

At 1 January	26	25
Depreciation charge for the year	1	1
At 31 December	27	26

**Net written down value - Others**

<b>43</b>	<b>44</b>
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**Work in progress****Cost**

At 1 January	48	48
At 31 December	48	48

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

48	48
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**Net written down value - total**

<b>10,446</b>	<b>7,515</b>
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**Total****Cost/Valuation:**

At 1 January	12,686	13,961
Additions	487	130
Disposals/adjustments	(1,460)	(1,405)
Revaluation	2,954	-
At 31 December	14,667	12,686

**Depreciation and impairment:**

At 1 January	5,171	6,052
Depreciation charge for the year	511	520
Disposals	(437)	(1,401)
Reversal of depreciation on revaluation	(1,023)	-
At 31 December	4,222	5,171

**Net written down value - total**

<b>10,446</b>	<b>7,515</b>
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# HOUSING AUTHORITY OF FIJI

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

In July 2018, an independent valuation was carried out by registered valuer, Professional Valuations Limited. Based on a confirmation received from the valuer that had the valuation was performed in December 2017, the values would have been similar to the values determined in July 2018 valuation, Authority has taken up the entries in the books as at 31 December 2017 based on July 2018 valuation performed. Revaluations are performed by external independent valuer to assess the carrying value of the properties. The Directors work closely with the external valuer to establish the appropriate valuation techniques and inputs to the valuation model. The valuation methodology adopted by the valuer was Summation Method and Sale Comparison Methods.

The excess market value over the book value of \$2,954,000 has been recorded as revaluation surplus to land and buildings in the financial statements for the year ended 31 December 2017 based on management and directors assessment of fair values and taking into consideration the recent valuations by the independent registered valuer.

Furthermore, revaluation surplus amounting to \$2,954,000 has been recorded in other comprehensive income for the year.

### 10. INVESTMENT PROPERTY

#### Depreciation and impairment:

	2017 \$'000	2016 \$'000
At 1 January	-	994
Disposals	-	(994)
At 31 December	-	-
Rental income derived from investment properties	-	63
Direct operating expenses (including repairs and maintenance)	-	(5)
Finance costs	-	-
Net profit arising from investment properties	-	58

The Authority has no restrictions on the realisability of its investment property and contractual obligations to either purchase, construct or develop investment property or for repairs, maintenance and enhancements. The investment property was sold in year 2016.

### 11. INTANGIBLE ASSETS

#### Cost

At 1 January	3,034	3,032
Additions	15	2
At 31 December	3,049	3,034

#### Depreciation and impairment:

At 1 January	2,628	2,369
Amortisation charge for the year	260	259
At 31 December	2,888	2,628

#### Net written down value - Intangible assets

2017	2016
\$'000	\$'000
161	406



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017

**12. OTHER ASSETS**

	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Advance - FNPf settlement	37	20
Sundry debtors and prepayments	4,462	3,480
Stationery stock	23	28
Interest receivable	365	753
Stamp duty/deposit	3	4
VAT receivable	96	-
Staff advances	-	1
	<b>4,986</b>	<b>4,286</b>

**13. DEBT ISSUED AND BORROWED FUNDS**

	Effective Interest Rate%	<b>2017 \$'000</b>	<b>2016 \$'000 (Restated)</b>
<b>(a) Current</b>			
Bonds	1% to 12%	25,000	5,200
Loans	2.00%	2,845	2,845
		<b>27,845</b>	<b>8,045</b>
<b>(b) Non-Current</b>			
Bonds	1% to 12%	38,700	64,200
Loans	2.00%	34,417	37,422
		<b>73,117</b>	<b>101,622</b>
<b>Total debt issued and borrowed funds</b>		<b>100,962</b>	<b>109,667</b>

	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.

In 2010, the Government of Fiji entered into a financing agreement with the EXIM Bank of China for the Fiji Low Cost Housing project. The project was contracted to China Railway First Group (Fiji) Limited for Yuan 200,000,000. The Authority, as the eventual owner of the project on behalf of Government entered into an on-lending agreement with the Government. As at 31 December 2017, the balance from the EXIM Bank to the contractor accumulated to FJD 37,262,729 inclusive of FJD 9,991,936 advance for mobilisation which is equal to 20% of the total contract price.

The foreign currency loan obtained by the Authority through Ministry of Economy from Exim Bank of China had not been converted at the closing exchange rate as required by IFRS. In current year, the Authority has converted the foreign currency loan at the closing exchange rate retro respectively and restated the foreign currency loan balance as at 1 December 2016. As a result, retained earnings as at 1 January 2016 has decreased by \$7.6million and borrowing has increased by \$7.6million.

# HOUSING AUTHORITY OF FIJI

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

The following reflect the above corrections.

	Balance as at 31 December 2016 as previously reported	Effect of conversion of foreign currency loan	Restated balance as at 31 December 2016
Borrowings	32,655	7,612	40,267
Retained Earnings	(2,071)	(7,612)	(9,683)

### 14. TRADE AND OTHER PAYABLES

	2017 \$'000	2016 \$'000
Interest payable	1,096	1,734
Insurance payable	528	370
Government grant received in advance	14,761	10,819
Customer Accounts with Credit Balance	757	704
Trade payables and accruals	3,902	4,005
	<b>21,044</b>	<b>17,632</b>

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

	2017 \$'000	2016 \$'000
The movement in provision during the year is as follows:		
At 1 January	25	179
Utilised	-	(154)
As 31 December	25	25
Represented by:		
Current	25	25

### 16. EMPLOYEE BENEFIT LIABILITY

	2017 \$'000	2016 \$'000
The movement in employee benefit liability during the year is as follows:		
At 1 January	511	546
Arising during the year	237	191
Utilised	(216)	(226)
At 31 December	532	511
Represented by:		
Current	532	511

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017

**17. CAPITAL AND RESERVES****Capital**

Asset Revaluation Reserve

At 1 January

Movement during the year

At 31 December

**2017  
\$'000****2016  
\$'000****41,772****41,772**

2,249

2,249

2,954

-

5,203

2,249

**18. CONTINGENT LIABILITIES AND COMMITMENTS****2017  
\$'000****2016  
\$'000  
(Restated)**

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

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

**Contingent liabilities**

Guarantees

5

5

5

5

**Commitments**

Operating lease commitments

687

952

Capital commitments

88,675

92,656

**89,362****93,608****Total**

89,367

93,613

**Contingent liabilities**

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

**Guarantee**

Fiji Electricity Authority bond

5

5

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

Not later than one year

366

337

Later than one year but not later than two years

249

322

Later than two years but not later than five years

71

292

Later than five years

1

1

687

952

# HOUSING AUTHORITY OF FIJI

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 18. CONTINGENT LIABILITIES AND COMMITMENTS *continued*

#### Commitments *continued*

##### a) Operating lease commitments *continued*

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 \$109,155 (2016: \$86,025).

b) Capital commitments for 2017 comprise of purchase of microsoft license, motor vehicles, computer and accessories, acquisition of land in Veikoba, Saweni foreshore and development of land in Davuilevu Nausori, Covata Labasa, Koroinisalsalu Tavua, Tavakubu Lautoka and Natadola Sigatoka and construction of strata units in Wainibuku.

#### Litigation Claims

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

### 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	29-Sep-17
Mr. Roveen Permal	24-Dec-15	23-Dec-18

#### b) Transactions with related parties

Transactions with related parties during the year ended 31 December 2017 with approximate transaction value are summarised as follows:

	2017 \$'000	2016 \$'000
<b>Board expenses and allowances</b>	51	51
<b>c) Compensation of key management personnel</b>		
Short term employee benefits	321	202

Key management personnel include the Chief Executive Officer and the four General Managers (2017: Three 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.

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.



# HOUSING AUTHORITY OF FIJI

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 21.1 Introduction *continued*

#### *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.

#### *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.

	Net Maximum Exposure 2017 \$'000	Net Maximum Exposure 2016 \$'000
Loans and advances (Note 6)	90,033	86,173
<b>Total credit exposure</b>	<b>90,033</b>	<b>86,173</b>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017

**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:

	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Fixed Rate Instruments		
Financial assets	119,499	130,530
Financial liabilities	119,057	126,595

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

	<b>Increase/ (decrease) in interest rate</b>	<b>Effect on profit before tax \$'000</b>
2017	+10 bp	105
	-10 bp	(105)
2016	+10 bp	107
	-10 bp	(107)

**21.4 Capital Management**

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

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

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

	<b>2017 \$'000</b>	<b>2016 \$'000 (Restated)</b>
Interest bearing loans and borrowings	100,962	109,667
Less: cash and short term deposits	(1,823)	(2,323)
Net debt	99,139	107,344
Equity	54,952	50,296
Total capital	54,952	50,296
Capital and net debt	154,091	157,640
Gearing ratio	64%	68%

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

**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.

<b>31 December 2017</b>	<b>At Call</b>	<b>Less than 3 months</b>	<b>4 to 12 months</b>	<b>1 to 5 years</b>	<b>over 5 years</b>	<b>Provision for doubtful debts</b>	<b>Suspended interest and fees</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets</b>								
Cash	1,823	-	-	-	-	-	-	1,823
Loans and advances	3,758	2,608	5,934	26,102	54,331	(717)	(2,741)	89,276
Financial investments - held to maturity	-	16,900	11,500	-	-	-	-	28,400
<b>Total</b>	<b>5,581</b>	<b>19,508</b>	<b>17,434</b>	<b>26,102</b>	<b>54,331</b>	<b>(717)</b>	<b>(2,741)</b>	<b>119,499</b>
<b>Financial liabilities</b>								
Borrowings	-	-	28,984	15,588	53,390	-	-	100,962
Accrued interest	-	-	(1,096)	-	-	-	-	(1,096)
Accounts payable and accrued liabilities	-	19,191	-	-	-	-	-	19,191
<b>Total</b>	<b>-</b>	<b>19,191</b>	<b>27,888</b>	<b>18,588</b>	<b>53,390</b>	<b>-</b>	<b>-</b>	<b>119,057</b>
<b>31 December 2016</b>	<b>At Call</b>	<b>Less than 3 months</b>	<b>4 to 12 months</b>	<b>1 to 5 years</b>	<b>over 5 years</b>	<b>Provision for doubtful debts</b>	<b>Suspended interest and fees</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>								
Cash	2,323	-	-	-	-	-	-	2,323
Loans and advances	4,118	1,981	5,691	25,984	52,086	(612)	(2,991)	86,257
Financial investments - held to maturity	-	15,000	26,950	-	-	-	-	41,950
<b>Total</b>	<b>6,441</b>	<b>16,981</b>	<b>32,641</b>	<b>25,984</b>	<b>52,086</b>	<b>(612)</b>	<b>(2,991)</b>	<b>130,530</b>
<b>Financial liabilities</b>								
Borrowings	-	-	8,044	68,914	32,709	-	-	109,667
Accrued interest	-	1,055	679	-	-	-	-	1,734
Accounts payable and accrued liabilities	-	15,194	-	-	-	-	-	15,194
<b>Total</b>	<b>-</b>	<b>16,249</b>	<b>8,723</b>	<b>68,914</b>	<b>32,709</b>	<b>-</b>	<b>-</b>	<b>126,595</b>





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#### REGISTERED OFFICE

Housing Authority Building,  
Saqa Street, Valelevu, Nasinu.  
P.O. Box 1263, Suva  
Telephone: (679) 339 2977  
Facsimile: (679) 334 0092  
Email: [info@housing.com.fj](mailto:info@housing.com.fj)  
[www.housingfiji.com](http://www.housingfiji.com)

#### LAUTOKA

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

#### LABASA

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

#### SUVA

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

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#### NUMBER OF EMPLOYEES AT THE END OF THE YEAR:

Management 16 | Staff 127 | Project/Unestablished Staff/Trainees 68