



'Strong Foundation for Future Housing Generations'



Housing Authority

Annual Report 2009

Our Vision

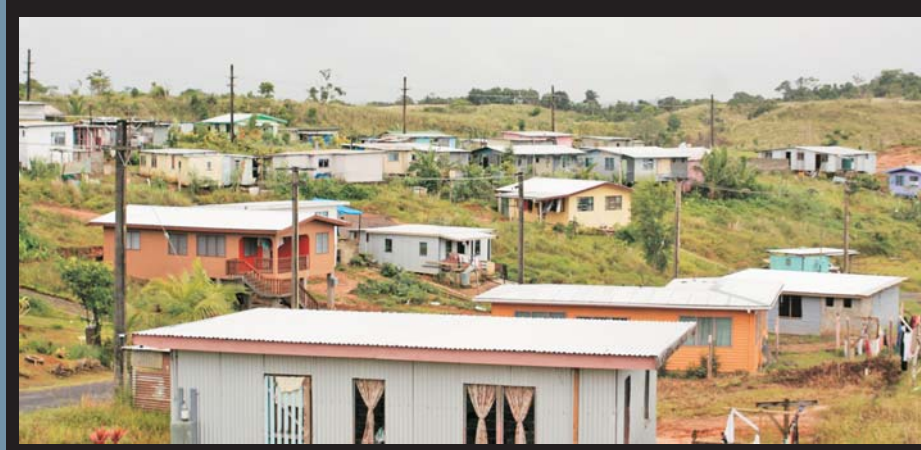
To be the
dynamic
leader in
housing

Our Mission

The purpose of Housing Authority is to develop and produce affordable lots and mortgage financing with attractive loan packages on a competitive basis to all customers with special focus on low-income earners.

Our Values

- Dynamic
- Excellence in service
- Innovativeness
- Understand, Appreciate and Involve staff
- Ethic and Moral Values



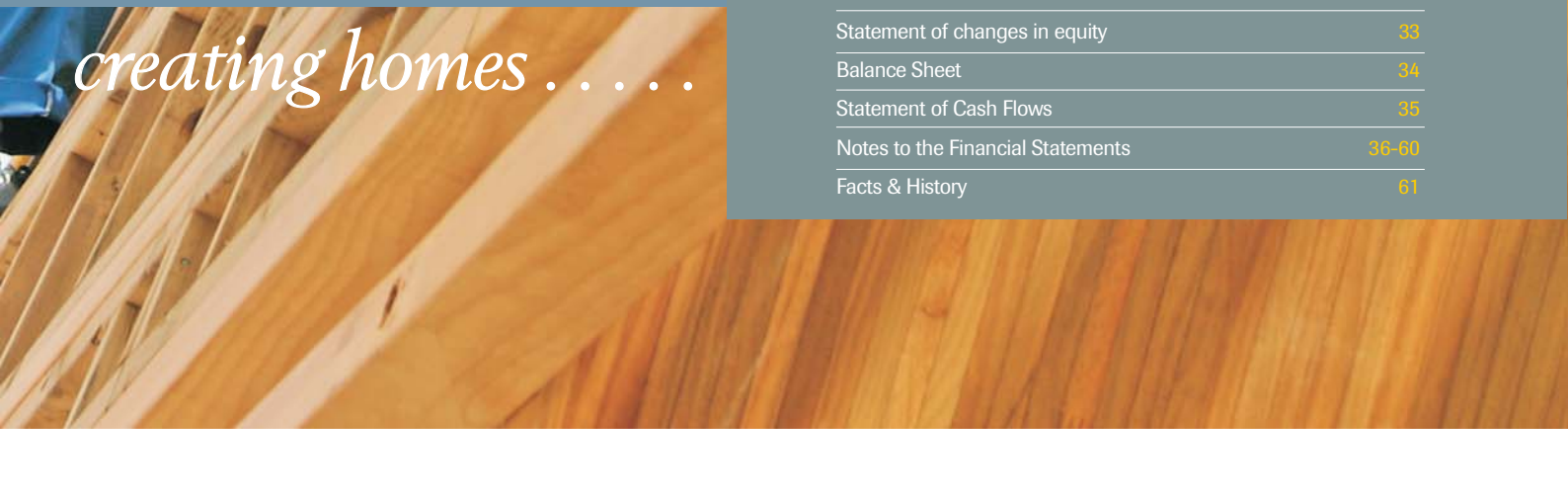
Transforming squatters,



Contents



Letter to the Minister	02
Financial Highlights	03
Corporate Governance	04
Organisation Structure	05
Board of Directors	06
Executive Management Team	07
Chairman's Report	08
Chief Executive Officer's Division	10
Customer Relations Division	15
Land & Housing Development Division	18
Lending Division	23
Finance & Administration Division	25
Financial Statements Contents	27
Directors' Report	28
Statement by Directors	30
Independent Audit Report	31
Income Statement	32
Statement of changes in equity	33
Balance Sheet	34
Statement of Cash Flows	35
Notes to the Financial Statements	36-60
Facts & History	61



creating homes



Housing Authority

HEAD OFFICE: Housing Authority BUILDING, SAQA STREET,
VALELEVU, NASINU
P.O. BOX 1263, SUVA
TEL: (679) 339 2977, FAX: (679) 334 0082
EMAIL: info@housing.com.fj WEBSITE: www.housingfiji.com

All correspondence to be addressed to the Chief Executive Officer

1st November 2010

The Minister
Ministry of Local Government,
Urban Development, Housing & Environment
P O Box 2131
Government Buildings,
Suva

Dear Mr. Minister,

Re: ANNUAL REPORT FOR 2009

In accordance with Section 21 of the Housing Act, Cap 267, I am pleased to present the Authority's Annual Report for 2009 which incorporates a detailed summary of its operations and activities including Financial Statements for the year ending 31st December 2009.

For the year 2009, the Housing Authority recorded a surplus of \$0.548m in comparison to a surplus of \$1.559m in 2008.

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

Yours sincerely,


Col. Moses Tikoitoga
BOARD CHAIRMAN

Lautoka
Housing Authority Building
14 Tavewa Avenue, Lautoka.
PO Box 267, Lautoka.
Telephone: (679) 666 0299
Fax: (679) 666 5602

Labasa
FNPF Building
Rossava Street, Labasa.
PO Box 78, Labasa.
Telephone: (679) 881 1977
Fax: (679) 881 3919

Suva
Level 1, Sukuna House.
Telephone: (679) 330 9570
Fax: (679) 331 5135

Nadi
Queens Rd.
Shop 1 Grand Melanesian
Hotel Namaka.
Telephone: (679) 6707 999
Fax: (679) 670 7499



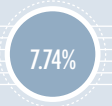
Financial Highlights



Profit



Return On Equity



Weighted Average Cost



Operation Expenses To Income Ratio



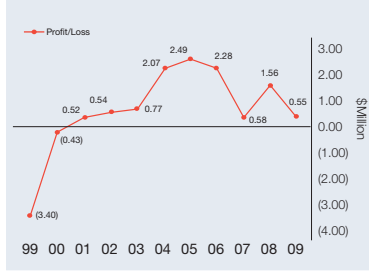
Effective Lending Rate



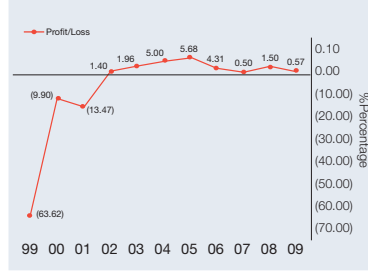
Number Of Loans To Low Income Earners

Financial Highlights

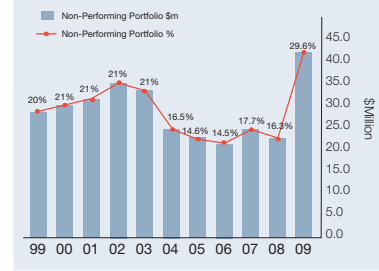
Profitability Trend (1999-2009)



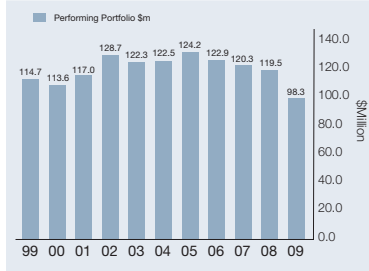
Return On Equity (1999-2009)



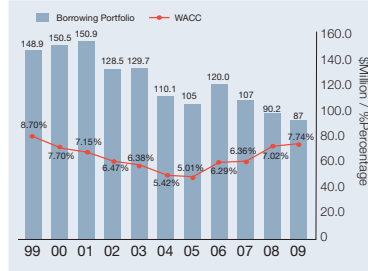
Non-Performing Portfolio (1999-2009)



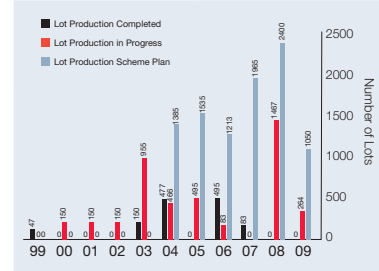
Performing Portfolio (1999-2009)



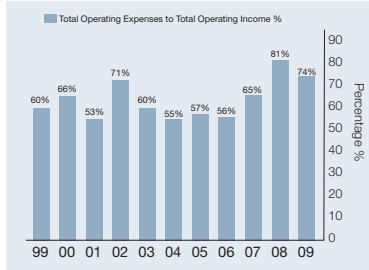
Borrowing Portfolio/Weighted Average Cost (1999-2009)



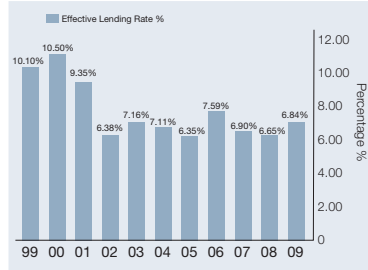
Lot Production (1999-2009)



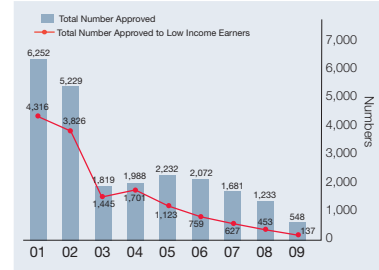
Operating Expenses to Operating Income Ratio (1999-2009)



Effective Lending Rate (1999-2009)



Total Number of Loans Approved (2001-2009)



Introduction

The Board chaired by Col. Samuela Saumatua appointed in March 2008 continued to oversee the implementation of policies in terms of the Peoples' Charter for Change, Peace & Progress to provide affordable housing to low income earners and squatters.

Board Composition

The Board comprised of six other directors namely, Rt. Josateki Nawalowo, Fr. Kevin Barr, Ms. Lavinia Padarath, Mr. Chandar Singh and Ms. Rosie Langi, all of whom were appointed by the Minister for Housing. The Chief Executive by virtue of his position is an ex-officio member of the Board, but does not have any voting rights nor is regarded as a Board Director for the purpose of forming a quorum.

Board Function

The Board was responsible for the overall governance of the Housing Authority and for managing it under the Housing Act. As such, the relationship between the Board and the Management was of a partnership that was vital to the delivery of its objectives and Authority's long term success. While the Chief Executive Officer is responsible to the Board for the day to day operations of the Authority, the Board gives direction and exercises firm judgments in setting the Authority's objectives and overseeing their full implementation.

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

- The Corporate Governance of the Authority, including the establishment of Sub-Committees
- Oversight of business and the affairs of the Authority by:
- Establishing with Management the strategies and financial objectives;
- Approving major corporate initiatives
- Establishing appropriate system of risk management; and
- Monitoring the performance of the management.
- Communicating with shareholders, results of, and developments in the operations of the Authority;
- Appointments of the Chief Executive Officer; and
- Approval of the Authority's major Human Resources policies and overseeing the development strategies for senior and high performances executives

Board Meetings

During the year a total of 14 Board Meetings were convened, of which 2 were Special Board meetings. Attendance at these meetings averaged at 90%.

Board Sub-Committee Meetings

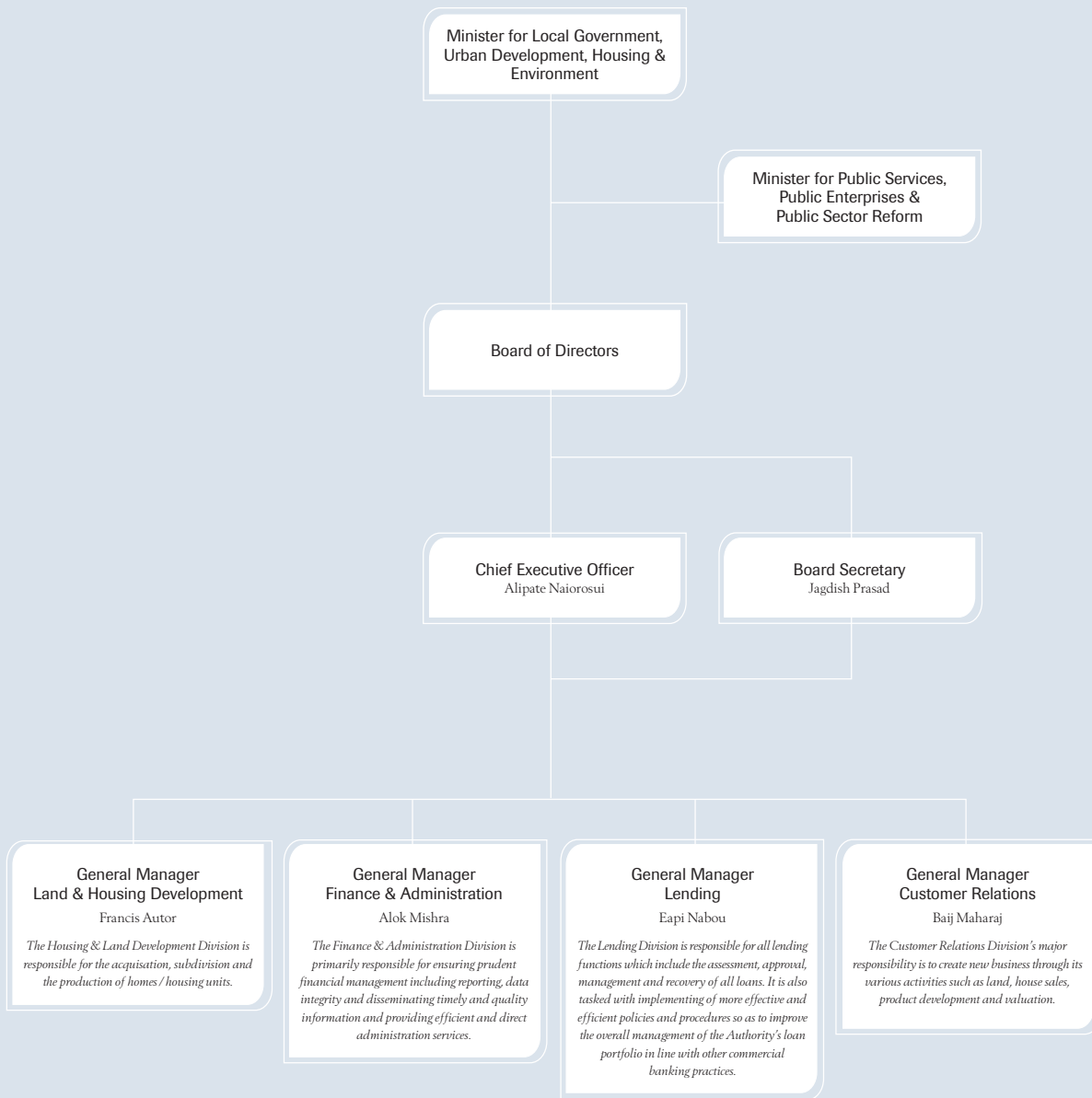
To assist the Board to plan and support its activities and administration, 3 sub-

committee were formed, namely, Land, Housing & Squatter Resettlement Sub-Committee, Finance, Audit & Risk Management Sub-Committee and Human Resources Subcommittee. The Board had allocated its responsibilities between the Board and the three Sub-Committees so that the Board efficiently utilized its time on those issues requiring full participation. The use of Committees allowed issues requiring detailed consideration to be dealt with by members of the Board with specialist knowledge and experience, thereby enhancing the efficiency and the effectiveness of the Board. However, the Board retained ultimate responsibility for the functions of the committees and determined their responsibility from time to time.

Each of these Sub-Committees has an appointed Chairman and had their meetings prior to the scheduled monthly Board meeting. Minutes of these sub-committee meetings are tabled at Board meetings and all resolutions of these committees require Board approval.

The table below shows the total number of different Sub-Committee meetings held during the period under review.

SUB-COMMITTEE	NUMBER OF MEETINGS	AVERAGE ATTENDANCE %
Human Resources Sub-Committee	8	83%
Land, Housing & Squatter Resettlement	9	85%
Finance, Audit & Risk Management	10	86%





Col. Samuela Saumatua
Chairman

Appointed to the Board in 1st May 2008, Col. Saumatua, a decorated soldier, holds a Postgraduate Degree from Massey University in New Zealand. He also attended E'Cole de Etage and the French Senior Army College. Prior to being appointed as Chairman of the Board of Directors of Housing Authority, he has served in the Royal Fiji Military Forces for almost 30 years. Col. Saumatua held the position of Board Chairman until August 19th 2009. In September 2009 Col. Pio Tikoduadua was appointed Board Chairman and served for the remainder of year. When this report went to print, Col. Mosese Tikoitoga was the Chairman of the Housing Authority Board of Directors.



Ratu Josateki Nawalowalo
Director

Appointed to the Board in 1st March 2008 Mr. Nawalowalo is also a Board Member for the Native Land Trust Board and a member of the People's Charter Advisory Council. He has served in various Boards, namely, The Fijian Affair Board, Fiji Pine Ltd, National Fire Authority and also the Housing Authority. Prior to being appointed as a Director for the Housing Authority & Public Rental Board Mr. Nawalowalo was a member of the National Council for Building a Better Fiji and was also the Chairman for the Kadavu Provincial Council. He now works as a Businessman and Consultant.



Fr. Kevin Barr
Director

Appointed to the board in 1st March 2008 Fr Barr holds a Bachelors degree in Theology (Sacred Heart Monastery), Education, Anthropology and Sociology (University of Queensland) and Political Theology & Contextual Theology (University of Toronto). He worked for 15 years in Papua New Guinea and the last 29 years in Fiji in areas of education, research, social and pastoral work. He is the former Dean of Studies at the Pacific Theological College and founder of the Chevalier Hostel. He currently works as a Consultant for Peoples Community Network.



Lavinia Padarath
Director

Appointed to the Board in 1st March 2008 Ms. Padarath a nurse by profession with considerable management experience is a former Cabinet Minister and Senator. Prior to those appointments she has served in various other government and non government organizations both in Fiji and abroad. She is well versed with Human Resources Management and Industrial Relations as she studied and obtained formal qualification in the field from the New School for Social Research in New York. She now works as consultant.



Rosie Langi
Director

Appointed to the Board on 8th May 2008 Ms. Langi has had over 30 years of industry and academic experience. Over the past years, Ms Langi has worked as an Accountant, Tax Auditor, Intelligence Analyst, Teacher and Lecturer in the fields of Accounting and Fraud Examination. She now continues to work as a Consultant on Forensic Accounting and Fraud Examination.



Chandar Singh
Director

Appointed to the Board in 1st March 2008 Mr. Singh is also Member & Official of various Religious, Social and Cultural Organizations. He was a former Senator of the Parliament of Fiji and also a former Councilor & Finance Committee Chairman for the Nasinu Town Council. He now works as a Businessman.



Alipate Naiorosui

Chief Executive Officer

a Chartered Accountant by profession first joined the Authority in 1994 as Manager Finance and Administration. He was appointed Chief Executive Officer in 2003 and has held that position ever since. During that same year he won the Young Accountants of the Year Award which was organized by the Fiji Institute of Accountants. Apart from being a Chartered Accountant, Mr. Naiorosui also holds a Bachelor of Arts degree, majoring in Accounting and Economics and MBA from the University of the South Pacific.



Jagdish Prasad

Board Secretary
Manager Corporate Governance

joined the Authority in 1973 as a Legal Clerk and is one of the longest serving staff. He has worked his way up through the ranks of the Authority, and held various senior positions including Manager Legal Services before being appointed to his present position.



Francis Autor

General Manager
Land and Housing Development

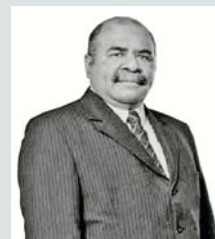
is originally from the Philippines. Mr. Autor has over 25 years of professional experience in various Engineering and Management works in the Philippines, Thailand, Korea, France and the Fiji Islands. Prior to joining the Authority he worked with the Ministry of Agriculture, Fiji as Senior Engineer /Divisional Engineer in HQ & Central Division and also as Project Manager/Consultant in the Department of Energy. He had worked in many offices in the Philippines as Director, Manager etc. and Consultant for various Multi -Million Dollar projects funded by USAID, Asian Development Bank and the World Bank. He is a registered/licensed Professional Civil Engineer, with Degrees in B.S. Civil Engineering, MS Engineering and Master of Business & Public Administration and also with various Post Graduate Studies in Engineering and Management



Alok Mishra

General Manager
Finance & Administration

has over 30 years of professional experience in the field of Finance and has authored two books of the same. He holds Master Degree in Commerce and a Masters Degree in Management Accounting. Over the past years he has worked as a Manager, Senior Manager and Consultant.



Eapi Nabou

General Manager
Lending

joined the Authority in 1991 as a Valuer. Between 1994 and 2006 he held various Managerial positions in the West including Manager Sales, and Manager West. From 2000 to 2006 he was transferred to Suva and was appointed Manager Lending and Manager Customer Relations, Central respectively, prior to his present appointment. Mr. Nabou holds a BA in Land Management from USP and a Post-Graduate Diploma and MBA from Queensland University.



Baij Maharaj

General Manager
Customer Relations

responsible also for Squatter Management? Prior to joining Housing Authority Mr. Maharaj was Manager with ANZ Bank spanning some 30 years. He holds a Master of Management from the University of Sunshine Coast, Brisbane Australia.



Colonel Moses Tikoitoga | Chairman

Dear friends,

The past year has brought with it many challenges and it has been noticeably felt by those that the Housing Authority aims to serve - Fijian citizens who would be classified as low and middle income earners.

Throughout these difficult times and into the future, the Housing Authority of Fiji plays an integral role as the social pulse of Governments' commitment to adequate, affordable and quality housing.

Through our various programs, we continually maintain our existing Strata housing, provide land development subsidies to low income earners making property ownership a reality, promote the development of adequate housing in rural Fiji through our Village Housing Scheme that provided interest subsidies to village and income earners who earn below the margin of \$6,500 and ensuring that we catered to Fiji's "un-bankable" or high risk which made up 137 customers or 25% of all those assisted this year. Under the Housing Authority's Home Ownership Plan,

The report will underline the key achievements that the Housing Authority has met in its commitment to create and sustain adequate, affordable and quality housing solutions for all Fijians. It will also provide a keen insight to the various challenges that we continue to face and aim to overcome.

financial assistance was also provided through a Government grant to the sum of \$313,249 to 45 of our existing customers who were unable to repay their mortgage debt.

The report will underline the key achievements that the Housing Authority has met in its commitment to create and sustain adequate, affordable and quality housing solutions for all Fijians. It will also provide a keen insight to the various challenges that we continue to face and aim to overcome.

Financial Results

The economic downturn affects the Housing Authority much the same way it affected other businesses. As forecasted by the Reserve Bank of Fiji, recovery from the economic downturn would be very slow. As such, the Authority recorded a profit of \$0.548m for the year 2009 which compared to the previous year represented a decrease in profits by 64.8%.

Lot Production

The Housing Authority has continued to note a huge demand for housing especially in the Suva - Nausori corridor

due to urban migration and squatter resettlement and as such land development continues to be at the helm of the Authority's core function. One of the major land development projects that was the highlight of 2009 is the development of the Wainibuku residential subdivision. The construction of the project will cost about \$6.7m with a total yield of 264 lots.

In other developments the Government had successfully brokered a \$50m soft loan from the Chinese EXIM Bank to be able to develop Tacirua East Stage 2 and Nepani Stage 2 subdivisions in Nasinu. The project is expected to commence mid next year and would take 44 months to complete, land infrastructure and housing developments that will provide 1050 singular developed lots and an estimated 900 housing units comprising of singular, 2 bedroom and 3 bedroom properties. These subdivisions will be the first of its kind to cater for not only low, middle and high income earners but also for commercial, religious and civic lots, all ranging from 200 to 600 square meters.

Also in the pipeline is Waila Housing City in Nausori which the Housing



Authority envisions will eventually become the third city for Fiji. Covering approximately 700 acres this site is expected to provide over 5000 homes for Fijian families in the future that will ease the burden on infrastructure in Suva and will see the establishment of its own industrial, commercial and education centers. As we develop this area, Housing Authority is committed to ensuring that we create a sustainable environment that is conducive to living, working and recreation. This site is situated just 14 kilometers north of Suva city.

Low-Income Focus

The Housing Authority continued to subsidize the interest rate of 2% on

housing loans for all low-income earning customers from un-utilized Government Grants from past years. Additionally customers under the Housing Authority's Village Housing Scheme, whose annual household income did not exceed \$6,500, also had interest on their loan accounts subsidized by 2%. Land development subsidies were also made available to improve the socio-economic status of all Fijians in particular those who are on the margins.

In light of the sluggish performance of the Fijian economy, the Housing Authority has continued to overcome challenges unique to the sector while meeting the housing needs of Fijian citizens. In 2009, the Housing

Authority had assisted 548 customers of which 25% were classified as low income earners

To the Future

Looking forward, the Housing Authority aims to stand true to its corporate values of overcoming challenges related to land and housing development, provide excellent customer service and continue to redefine and maintain innovative in meeting Fiji's housing needs. On behalf of the Board of Directors, I am pleased to present the Annual Report of the Housing Authority Of Fiji for the financial year ending 31st December, 2009.

Mosese Tikoitoga
Colonel Mosese Tikoitoga
Chairman





Alipate Naiorosui | Chief Executive Officer

The Year Under Review

According to the Reserve Bank of Fiji, global economic conditions was slowly improving by the end of December 2009 which was due to strong performances in Asia coupled with dawdling resurgence from advanced and developing nations. On the domestic front, prospects for recovery remain hopeful and I am pleased to report that the Housing Authority recorded a profit for the ninth successive year.

The 2009 financial year for Housing Authority was very challenging, especially with implementation of its new IT System that went live on the 3rd of February. The implementation affected our profitability, as much effort and time was spent on retraining of staff for the use of the new system.

The Authority, despite the various challenges of the new system, was able to record a profit of \$0.548m, which was a decrease of about \$1.01m or (64.80%).

Financial Performance Highlights

- A profit of \$0.548m was achieved for the year against a budget of \$0.8m. The 2009 profit represents a decrease of 64.80% over the last year's profit.

Under its mandate, Housing Authority is charged with its responsibility to provide housing accommodation to the people of Fiji with special focus for middle to low income earners. In this regard, the Authority has entered into a Memorandum of Understanding with the Government and has agreed that not less than 50% of all customers it assisted are middle to low-income earners.

- Return on Equity achieved was 0.57% against target of 2.01%.
- Total operating income decreased by 18.05% from \$10.84m in 2008 to \$9.22m in 2009.
- Total operating expenses decreased by 7.48% (or \$0.646m) largely due to a decrease in other operating expenses (\$0.687m), a decrease in cost of sales for land and house (\$0.321m).
- Interest income decreased by 9.16% from \$11.17m in 2008 to \$10.87m in 2009.
- Interest costs decreased by 4.23% from \$6.65m in 2008 to \$6.38m in 2009.
- Total Performing Loans portfolio decreased by 21.62% from \$119.5m in 2008 compared to \$98.3 in 2009.
- Total Non-Performing portfolio decreased by 43.84% from \$23.2m in 2008 to \$41.3m in 2009.
- Borrowing portfolio reduced by 3.5% from \$90.2m in 2008 to \$87m in 2009.

Non Financial Performance Highlights

- Total of 548 customers and families were provided new housing and other related financial assistance compared to 1,203 families in 2008. More information is provided in Customer Relations Divisional Report.
- A total of 137 low income families with income on or below \$16,500 per annum were assisted. This represents 25.0% (target is 50%) out of the total of 548 customers assisted.
- A total of 5874 Village Scheme customers were assisted under the Interest Subsidy-Village Scheme under the grant scheme where a total of \$32,807 was utilized.

Housing Assistance Programme for Low Income Earners and Squatters

Under its mandate, Housing Authority is charged with its responsibility to provide housing accommodation to the people of Fiji with special focus for middle to low income earners. In this regard, the Authority has entered into a Memorandum of Understanding with the Government and has agreed that not less than 50% of all customers it assisted



are middle to low-income earners. During the year, the Authority was confronted with many challenges such as the lack of affordable lots and homes for our target market. The Authority will remain committed and focused in the coming years to address this problem.

Information Technology System

The new IT system was finally approved and implemented during the year after Management Information Services team's wide consultation with the staff of the Authority and all the critical aspects of our business processes were covered in the document. Both senior officials from Navision and Indus India visited Fiji to assist in the installation of the new system. The system is to be fully implemented in 2009.

Housing Development

During the year, the Authority commenced the development of its Wainibuku Residential Subdivision. The project is expected to be completed in the second quarter of next year with a total yield of 264 lots.

In 2009, the Authority reviewed and formulated its 5 Year Development Plan, which will now be reviewed annually. The plan is based on prioritizing our housing development projects based on market demand and project viability. For the next 5 years, Housing Authority aims to develop 6904 lots, build 2450 housing units with a total investment of \$ 187.2m.

Land Acquisition

The Authority continues to acquire suitable land in order for it to meet the

increasing demand for housing both now and in the future. The Authority will commence discussions and negotiations for a Memorandum of Agreement (MOU) to streamline and expedite acquisitions with the Native Land Trust Board in the new year. The Authority is considering more acquisitions at Sigatoka, Nadi, Lautoka, Ba and Rakiraki in Viti Levu and Labasa in Vanua Levu.

Human Resources, Industrial Relation and Training

Human Resources Management during the year was challenging given the economic situation which saw job losses, pay cuts and reduced hours of work across the spectrum of the employment sector. The Authority adopted strategies to minimize negative effects on its workforce ensuring job security.

Building on from last year, systematic training continued, these programs were aimed at lifting the mental of the staff to meet the challenges ahead and the changing dynamics of the housing market.

The Authority is in the process of implementing the new Human Resource Management System. This system will encompass every aspect of Managing Human Resources from payroll to performance & structure management, role design, recruitment & progression (succession planning) to occupational health and safety.

Performance Management System

Our new performance management system was to be implemented annually. Methodology for this new system was endorsed in 2004 by the Union as well

as the Board and Management. For performance appraisals, the new system adopted 3 pillars i.e. the corporate performance, individual staff performance and their behaviour. The performance management system would be reviewed next year and a new one adopted if necessary.

Corporate Planning and Monitoring of Performance

The Authority's (2009-2011) Corporate and Work Plan were implemented during the year and reports tabled to the Board monthly. Management also meets monthly for half day (or full day) to review progress and strategies to ensure we are on track and resolve issues and roadblocks. Management team are encouraged to freely discuss and express their views in order to address the issues and improve business performance.

Public Relations and Marketing

During 2009, Management worked hard to maintain the Authority's good public image and improve Corporate Profile. To help achieve this image, the Authority issued press releases and newspaper supplements from time to time and was happy with responses to the Authority's activities and its services. The Authority's newsletter which is called the 'VALE' is published half-yearly and dwells on the projects, issues and other related activities of the Authority.

The re-establishment of the Marketing department later in the year was to help position Housing Authority in the market. Apart from maintaining a good public image, the marketing department was to develop a marketing plan to guide the Authority for the years to come. The



plan would then be reviewed annually based on the overall achievement of the Authority.

Audit

In 2009 the Authority re-established its Internal Audit department to conduct services that was usually conducted by G.Lal & Company. Issues raised by the Internal and External Auditors were acted upon by the Management.

Insurance Services

The Authority continued to provide its customers insurance covers for their mortgaged debts and their properties under a Group Scheme. This arrangement enabled a total of 10,864 customers to enjoy a very competitive insurance premium for both the covers.

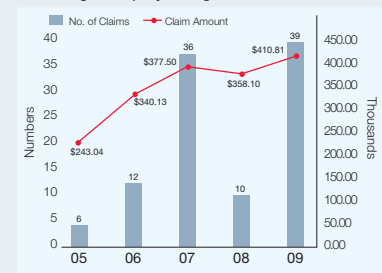
Health Cover

With effect from 1st January 2008, the Mortgage Protection Insurance Policy was extended to cover overseas medical treatment for our customers to India for illnesses relating to cardiac and cancer cases only, provided that such cases were not treatable locally.

Property Insurance

During the year under review, New India Assurance Co. Ltd paid 2 claims for fire damage and 37 claims for property damage through flood in early January 2009 and Cyclone Mick in December 2009 under the House Insurance Cover. These claims amounted to \$410,832.76 with loss ratio of 110%.

Fire Damage & Property Damage Insurance Claims (2005-2009)

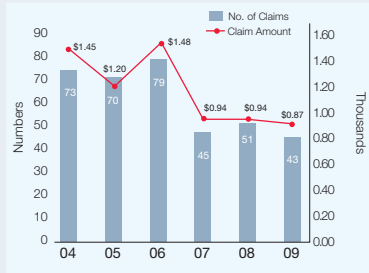


Mortgage Protection Insurance

The mortgage protection insurance cover that was placed with Dominion Insurance Ltd and they paid claims arising due to death and/or total permanent disability of our customers amounting to \$914,397.23 with a loss ratio of 60%.



Mortgage Protection Insurance Claims (2004-2009)



The Authority under the extension of the MPI cover, evacuated 4 customers to India for treatment of their cardiac & cancer conditions, all of them were successfully treated.

Apart from the above claims, 9 motor vehicle claims amounting to \$20,577.44 for its customers, staff and the Authority were also attended to.

Further, insurance covers were reviewed annually and premiums for the respective policies remained unchanged since 2004. The Authority continued to place the Mortgage Protection & Health Insurance policies on direct basis with Dominion Insurance and this arrangement enabled us to have a quick turnaround time for the payment of the claims and substantial savings in insurance brokerage fees.

The Year Ahead

Looking to the future, the Authority would need to continue to be innovative and working more smarter. It must resolve all its key strategic issues if it is to meet its public social housing obligations. These are the huge

challenges that it needs to overcome.

I also take this opportunity to thank my management team and staff for their contribution during the year and also to the Union, customers and stakeholders for their support.

Finally, I wish to express my gratitude to the Board Chairman, Mr Pio Tikoduadua, Board members and the Ministry of Housing, Finance and Public Enterprises for their continued support and guidance during the year.

Alipate Naiorosui
CHIEF EXECUTIVE OFFICER

... 5 Year Development Plan is based on prioritizing our housing development projects based on market demand and project viability. For the next 5 years, Housing Authority aims to develop 8166 lots, build 1875 housing units with a total investment of \$ 187.2m.



Success Story



In the Central Division, the Housing Authority relocated twelve squatter settlements into Waila 38 which provided over two hundred families with decent and affordable housing. These families came from major squatter settlements like the ones that were located at the Pony club, Vunivaivai, Raiwaqa, Raiwai and Kilikali.

For the Western Division, 25 families classified as squatter settlers in Navutu, Lautoka were relocated to Field 40 sub-division. This is part of the Housing Authority's ongoing "Squatter Resettlement Program" in which we continuously engage with other government stakeholders like the Lands Department, Native Land Trust Board (NLTB) and landowners to ensure that we actively provide those that currently live in squatter settlements with access to developed sites with piped water supply, proper sanitation facilities and other utility services like electricity, telephone, etc.

In Balawa Estate at Lautoka, the Housing Authority conducted a Pilot Squatter Upgrade Project in 2004 to build roads and development the squatter settlement by subdividing the lots and providing the settlement with proper sanitation and utility services hence ensuring that these squatter families didn't have to relocate but continue to stay at Balawa with improved infrastructure facilities. This pilot project helped 30 families remain at Balawa Estate without having to demolish their home and relocate to a developed subdivision.

Another example of Housing Authority's efforts in tackling squatter resettlement is having relocated 17 families from Anamanu Settlement in Martintar at Nadi in 2000 and currently 5 families who are squatters in Matavolivolvi Nadi are being given until the end of the week to temporarily relocate to Bila Settlement at the Authority's land at Waqadra, Nadi.

These are a few highlights of our contribution toward ensuring that we actively support Government's objective of ensuring that all Fiji citizens have access to safe, affordable and decent living conditions.



Bajj Maharaj | General Manager - Customer Relations

Primary Function

The primary function of the Customer Relations Division is to provide effective and efficient services to all its customers at all times. Financial assistance to low-income earners and settlement of informal settlers is amongst the Authority's key social obligation and responsibility. Customer Relations also contribute to the proposed National Housing Policy. The major role is to provide affordable shelter to its customers who are classified between low to middle income levels without losing focus on up market lending to cross subsidise and help/assist the poor or unfortunate.

Residential Home Loan

The Authority has retained its variable interest rate of 7.99% despite increased borrowing costs and a significant increase in market mortgage lending rates. Retention of variable interest rate is in line with the Authority's charter to ensure that provision of housing products would be affordable to low-income-earners.

Financial assistance to low-income earners and settlement of informal settlers is amongst the Authority's key social obligation and responsibility. Customer Relations also contribute to the proposed National Housing Policy. The major role is providing affordable shelter to its customers who are classified between low to middle income levels without losing focus on commercial lending to cross subsidise and help/assist the poor or unfortunate.

Table 1: shows the reduction/retention of interest rates offered by the Authority over the past nine years.

Table: 1 (2000-2009)

Year	Fixed Rate	Variable Rate*	Fixed Rate Term
2000	N/A	11.5%	N/A
2001	5.99%	8.35%	12 months
2002	5.99%	8.35%	12 months
2003	4.45%	7.99%	24 months
2004	4.45%	7.99%	24 months
2005 (from September)	3.99%/4.45%	7.99%	18/24 months respectively
2006	3.99%/4.45%	7.99%	18/24 months respectively
2007	N/A	7.99%	N/A
2008	N/A	7.99%	N/A
2009	N/A	7.99%	N/A

* Low Income Earners (below \$6,500) paid only 5.99%

Home Loan Product

Flexi Home Loan Product has been introduced to enable existing home buyers purchase and secure a second home for his/her immediate and/or extended family members. This product also encourages 'growing wealth'.

Fees and Charges

Despite increased administration and operational costs the Authority did not increase its fees and charges which remain well below market rates. Fees and charges are structured on a "user

pay" concept with due consideration to low-income earners. The structure however also acts as an incentive for new clients and a disincentive for defaulting debtors. The Authority had last reviewed its fee and charges in March 2005.

Loans Approved

Total value and number of loans approved in 2009 are shown in table 2 below. The trends are a direct reflection of the strategies adopted by the Authority over the last three (3) years with a shift in focus to low income earners with less emphasis on higher end lending products. Loan assessment/approval turnaround time was recorded at 3.546 days against the corporate target of 5 days.

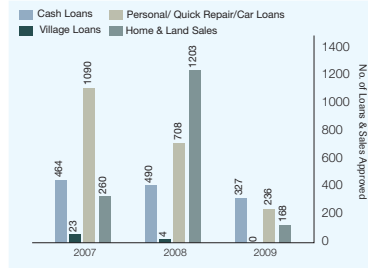
Table: 2 (2000-2009)

Products	2009		2008		2007	
	No	Value (\$'000's)	No	Value (\$'000's)	No	Value (\$'000's)
Cash Loans	327	8,516	409	12,026	464	13,347
Village Loans	0	0	4	125	23	608
Personal, Quick Repair and Car Loan	236	1,179	708	1,888	1,090	2,590
Home and Land Sales	168	1,854	82	1,465	260	2,525
Total	731	11,549	1,203	15,504	1,837	19,070

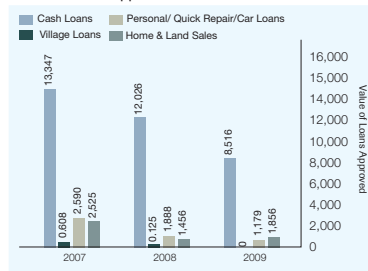
*Loans approved includes cash sales



No. of Loans & Sales Approved (2007-2009)



Value of Loans Approved (2007-2009)



Low Income focus

A total of 137 low-income clients were assisted in 2009 with a loan value amounting to \$1.44m. Low income clients receive government subsidised interest of 2% i.e. annual rate of 5.99% (variable) as opposed to 7.99% (variable). Delays in delivery of developed lots are expected to improve with Tacirua development in process.

Land Sales

Housing Authority completed a new subdivision in Namosau, Ba with a total of 84 residential lots in April 2008. By end of December 2009, 45 lots had been sold. Slow sale of lots has been experienced in the Western Division as

well as the North. Twenty three (23) Lots remained on our stock in Rara Subdivision and further two (2) in Covata Subdivision in Labasa. Continuous marketing presentations and campaigns have been carried out in order to sell out all developed lots.

Informal Settlers

The Authority continued to assist the Ministry of Housing in the relocation of informal settlers. The Authority introduced and established an "urban village" concept jointly with the Ministry of Housing in Sasawira in Nasinu outside Suva. The principle behind the 'urban village' concept is that the informal settlers would be temporarily relocated to Sasawira (urban village) from their current location until fully developed lots are available for them to purchase and resettle.

Sasawira (urban village) is just a transit accommodation and it caters for temporary or immediate housing needs experienced due to unforeseen evictions. Permanent accommodation is the way forward. One hundred and fifteen (115) families are expected to benefit from this transitional accommodation.

The Authority's top priority is to settle informal settlers and the Authority had allocated a total of 212 lots at its Waila subdivision for the resettlement of eligible tenants from Vunivaivai, Muanivatu, Baniose, Koka Place, Tamavuaivai, Laqere, Nasinu Quarry,

Pritam Singh Road, Matata, River Road, Kilikali, Nanuku and Wailea.

Customer Complaints

Customer Complaints policy and procedures were formalized, staff were trained and it was implemented. The Authority will formally respond to any complaint within 24 hours and the target is to resolve the complaint within 5 business days. A marked improvement is evident in this area.

Customer Relations Centre

Suva and Nadi Offices have been relocated and refurbished to match HA standards in order to provide a standard office layout, fit out and outlook. These offices have been revamped and staffs have been reshuffled in order to meet the desired output and sales targets.

Human Resource Development

Staff development continued in 2009 and in-service training, mentoring and daily guidance provided. Staff enjoyed the opportunity to relief in various Managerial, Team Leader and other key Customer Relations positions and had a 'hands on' experience. This is in line with the strategic direction and succession planning concept.

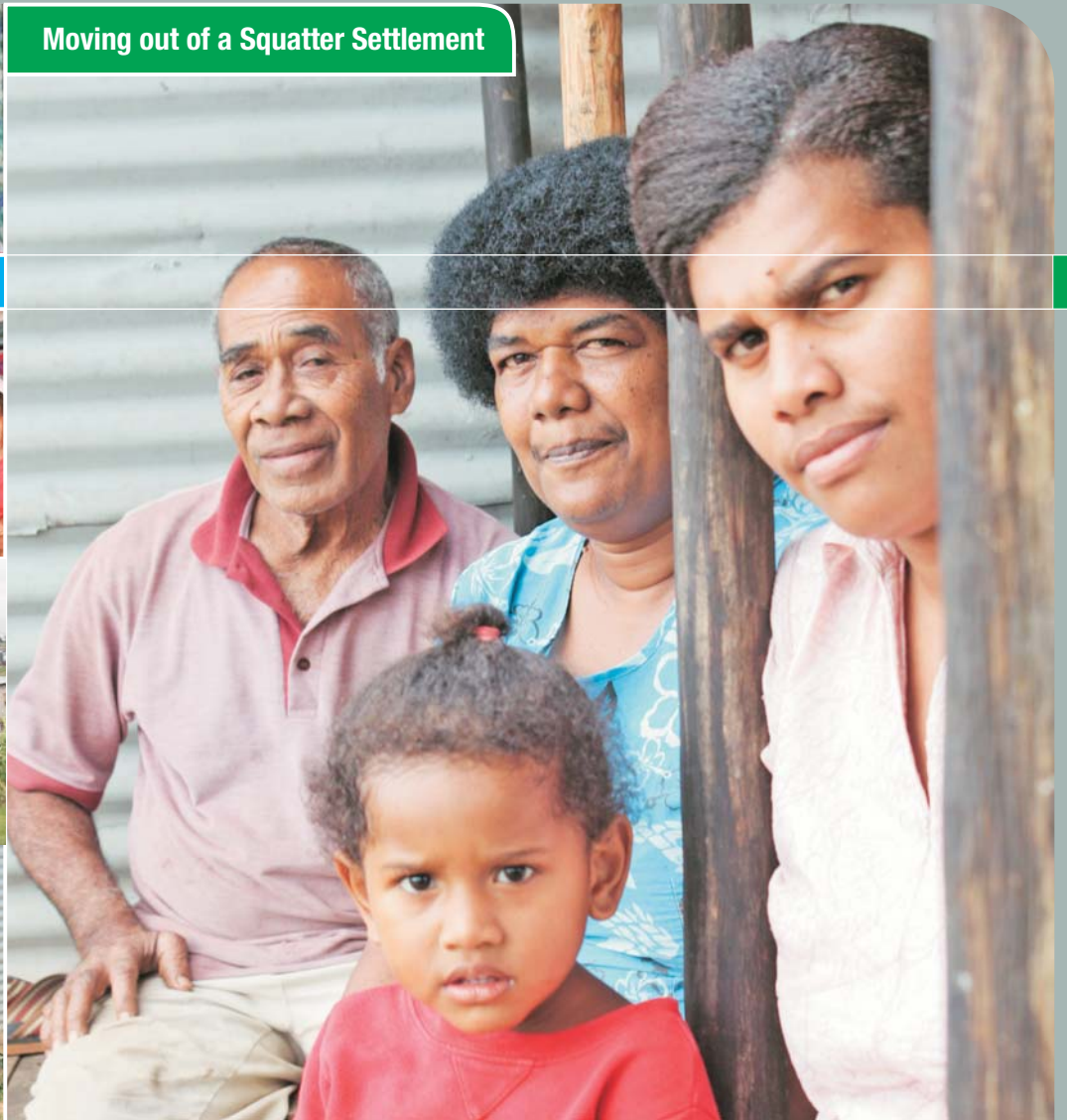
Baij Maharaj

General Manager Customer Relations

Moving out of a Squatter Settlement

Success Story

17



Mr. Aisake Cama and his family are grateful for the opportunity given by Housing Authority to start anew at the Waila subdivision. A humble yet hardworking man who hails from Matuku in Lau reveals his appreciation for his new home in which he now shares with his extended family.

The family lived in Kilikali Squatter Settlement since 1994 and had successfully been relocated to Waila 3B Subdivision. Commenting on the circumstances that led to the movement, Mr Cama stated “we were given weekly notices from a man in Naitasiri to vacate the area between the 1999 and 2000. Commotions on this issue went on and this had a detrimental impact on my family and also the families around this area”.

Despite the numerous challenges and high cost of living, the family never gave up on their dream of one day owning their own home. This dream materialized through a Government grant of \$3000 to help the Cama family along with others relocate to the Housing Authority Waila 3B subdivision. This money was used to help the family reconstruct their home in the new subdivision. Apart from this, Housing Authority actively engaged with Government for the provision of residential lots in Waila 3B.

Furthermore, Mr Cama states “We are very happy in our new home and thankful to Housing Authority for making this possible. This is truly a blessing for me and my family and I now have a place I can definitely call home”. On the same note, the Cama family is now planning to make extensions to their home with the possibility of converting their single story house into a double story home to cater for their growing family.

As opposed to the life in Kilikali squatter settlement, the Cama family now have a place they can call home with access to proper water, sanitation and other utilities. The Waila 3B subdivision also boasts paved roads and accessible to main town centers via public transportation.



Francis S. Autor | General Manager, Land & Housing Development Division

Background Information

The Housing Authority remains dedicated to the commitment of providing a minimum of 500 lots annually for the general public. This will comprise a combination of mixed development delivering low, medium and high class residential lots with the necessary complement of commercial, industrial and civic lots that are deemed necessary to facilitate the building of complete functioning communities

Due to major constraints such as suitable raw land for development, cheap finance, scarcity of qualified personnel, the Authority has been unable to deliver lots and houses to meet the increasing demand for residential accommodation. This has prompted the Authority to review its operations and commitment towards land and housing development whereby reconfirming its status as the core function of the Housing Authority. This has resulted in the revamping of the department tasked to ensure the steady supply of land and houses to the ever increasing demand.

With the new focus the Authority has formulated its 5 Year Land & Housing Development Plan to act as a guide towards the realization of this important

Due to the rapid increase of population in urban areas, the demand for housing has increased greatly that the Authority has been asked to increase its production to 1000 lots per year in order to cater for the acute shortage of lot house supply in the market.

national objective of providing quality and affordable accommodation for all.

Due to the rapid increase of population in urban areas, the demand for housing has increased greatly that the Authority has been asked to increase its production to 1000 lots per year in order to cater for the acute shortage of lot house supply in the market. The high demand and low supply situation, as well as the high development cost, contributed a lot in the high property prices realized in major urban centers like Suva, Nausori, Lami and Nadi. The authority is determined to deliver its quota of more than 1,000 affordable, quality land lots/housing units per year, once the necessary in-house infrastructure /technical capability and funds are available.

Production Of Lots & Housing Units

Despite the zero production of lots in 2009, the Authority was able to concentrate its services in the selling of lots in stock and the construction supervision of Wainibuku Residential Subdivision where 264 residential lots are expected to be available for sale in 2011.

Central Division

The completion of Wainibuku Subdivision has been greatly affected by disputes between the Contractor and the Authority and lot delivery will not be expected until June 2011.

As for Tacirua East Stage 2 subdivisions, the civil works contract has been signed in June 2010 and will be completed in June 2013 when 1000 lots will be made available progressively from 2011 to 2013.

The balance area of Waila Housing City comprising 700 acres of freehold land is expected to yield 5,000 - 6,000 lots depending on the lot mix that will be adopted.

Management has commenced with calling of expression of interest in order to assess the type of appropriate development which is required to be carried out.

To this end, work is now proceeding on the development of Stages 4 and 5 which will yield approximately 2000 lots.

Western Division

For the western division the Housing Authority has already earmarked



developments in Matavolivoli Stage 2, Tavua Residential subdivision, Waqadra and Natadola and the lots are expected to be delivered within 2011 to 2016.

Tavua Residential

For the Tavua residential subdivision, (220 lots), the engineering design has been completed in 2008. However, as a result of the closure of Emperor Mines in 2007 and the reduction in production of Fiji Waters, the Authority had to shelve the project in order to reassess the market demand and is finalizing plans before proceeding further.

Matavolivoli Stage 2

The above site contains 43 acres (17.402 ha) and was acquired from NLTB in 2008. Site investigation works commenced in September 2009 and was completed in June 2010. The development and consultancy services for engineering design is also in progress and construction work is scheduled to commence in the first quarter of 2011 where 400 lots will be achieved.

Northern Division

Naqere Subdivision

All planning works for Naqere subdivision (55 lots) has been completed in 2008. However, as a result of the high development cost which has created a mismatch in the lot cost and demand, the Authority has decided to review the development plan in line with a market study which is currently being undertaken.

On completion of the market study, development plan will be prepared in order to suit the market demand.

Housing Units

The construction of housing units has been revived by the Authority in order

to enable the production of quality and affordable housing units to most people in Fiji.

In addition to the construction of individual houses by lot owners, the Authority has earmarked the construction of 950 housing units in Tacirua Stage 2 and Nepani Stage 2 subdivisions.

The distribution of housing units are shown below and may be further revised according to needs.

#	Subdivision	Tacirua East 2	Nepani Stage 2	Total
1	Single storey, 2 bedrooms.	200	50	250
2	Single storey, 3 bedrooms.	100	50	150
3	Terrace house, 2 bedrooms	100	0	100
4	Terrace house, 3 bedrooms	50	0	50
5	High rise, 2 bedrooms.	100	200	300
6	High rise, 3 bedrooms.	50	50	100
TOTAL		600	350	950

Going forward, the Authority is also carrying out preliminary investigation and planning for the development of Stages 4 and 5 of Waila Housing City which should produce a combined total of at least 2,100 lots.

Included in the above total will be the provision of approximately 750 housing units of various types as detailed in the above table.

Apart from the above, expressions of interest is being invited from reputable and willing developers/investors for the development of the rest of the Waila City area and this will include approximately 3,000 residential lots and housing units, commercial centre, industrial estates, civic centres and open space reserves to serve and provide much needed work, education, health and recreation activities.

Achievements.

Land Acquisition

The Land & Property Services department is responsible for the

maintenance and upkeep of all its properties and land bank. As such the role of LPS is to ensure all 5 offices are in a condition that meets the basic requirements of safety and comfort to ensure that the work environment is "employee friendly." This is the only way to ensure that we get the best out of our staff and workers and guarantee maximum output. It is for this reason that we have embarked on a mission to improve and upgrade our offices in all centers around Fiji. This has seen the upgrading of our offices in Valelevu, Nadi, Suva and most recently Labasa. Plans are in place to upgrade our office in Lautoka in the near future to ensure consistency in our standards and maintain HA's corporate image throughout Fiji.

Maintenance of our estates forms an integral part of our functions. We look after our strata estates and ensure they are maintained constantly. This involves looking after the actual structures and grounds of its strata estates and areas that are outside of town and city boundaries.

A critical part of duties is to ensure that HA has a ready supply of land available to place its developments on. As such land acquisition is very important. Acquisitions are planned so as to develop the same immediately after acquiring to avoid high related costs in premium and interest cost of borrowing, noting the high cost paid for land in Fiji whether it be native, crown or freehold land. Once developments kick off in Suva and Nadi, further acquisitions will be undertaken. Landlords are demanding high rentals and other related costs now thus the necessity to relook at practices to minimize holding and administrative costs for HA.

Administration of these land parcels is ongoing to ensure rates and ground



rentals are paid to avoid unnecessary interest being charged on HA. Post development it is necessary to get all dedications and vestments sorted out and given to appropriate authorities. This is a continuous process and is a necessity as new developments are completed.

Squatter management is a part of our operations. Most land owned by HA is occupied by squatters ranging from as little as one or two to as many as 200. Policing and controlling them to either reduce or maintain the numbers. As developments are prioritized, programs are set in place for their removal and relocation depending on the circumstances. Different situations warrant differing actions and they do take up valuable resources and time of HA personnel.

Technical Services

The activities as carried out by the Technical Department are set out below.

Planning

Subdivision planning is a very important function of land and housing development. There are many problems associated with plan approval and this normally takes 6 months to 15 months to finalise.

The following works were achieved in 2009.

- Approval of Scheme and Engineering Designs for Tacirua East Stage 2, Phases 1A, 1B, 2, 3A and 3B has been achieved.
- Approval of scheme and engineering plans for Nepani Stage 2.

- Approval of scheme, and engineering plans for Wainibuku Subdivision.
- Approval of scheme and engineering plans for Naqere residential subdivision in Savusavu.
- Development of scheme plan for Waila Stage 4 subdivision.
- Completion of concept plan for Matavolivoli Stage 2 Subdivision.

Construction of Subdivision

The following subdivisions were completed or are progressing in 2009.

- Wainibuku subdivision construction works commenced in February 2009 and was scheduled to have been completed in May 2010, but is being delayed as a result of disputes.
- The Namosau Subdivision was completed in August 2007 which is currently under maintenance period and to date a total of 50 out of the 84 lots has been sold. As a result of the Council's insistence, construction of additional works was carried out in 2009, and the subdivision is now handed over to Ba Town Council to maintain.
- Tacirua East is earmarked for development using the Chinese loan funding. This loan of \$50 million has been approved and construction works will proceed in September 2010 and be completed in June 2013. Total cost of this contract is approximately \$35 million.

Establishment of In-house Development Team

Due to the urgent need to fully address problems relating to the production of quality and affordable lots and housing units, the Authority had taken urgent steps to revamp and strengthen the Land & Housing Development team by recruiting professional engineers, surveyors, architects and draughtsman in order to carry out the planning and contract management works more efficiently.

The Housing Authority has recruited the services of a general manager and an engineer and will finalise engagement of the rest of the required staff in 2010.

Squatter Relocation

As a result of government's commitment to provide quality and affordable houses to the people of Fiji, Housing Authority has been assisting the government in providing lots and houses for people living in squatter areas or those who face eviction from developments.

Some of the areas where Housing Authority has relocated squatter to are as follows:

- Field 40 subdivision, Lautoka.
- Waila Stage 3B, Nausori.
- Sasawira subdivision, Nausori.

As part of its commitment, the above work is fully funded by the Ministry of Housing and is expected to be an ongoing activity over the next decade.



Customer Complaints

A lot of our resources had been directed /utilized to customer complaints, arising from these four main areas:

- Land slide to properties.
- Storm water complaints.
- Building encroachments.
- Problems relating to communal septic tanks overflow sewers, etc.

Constraints

The following constraints play a major role in the achievement of targets.

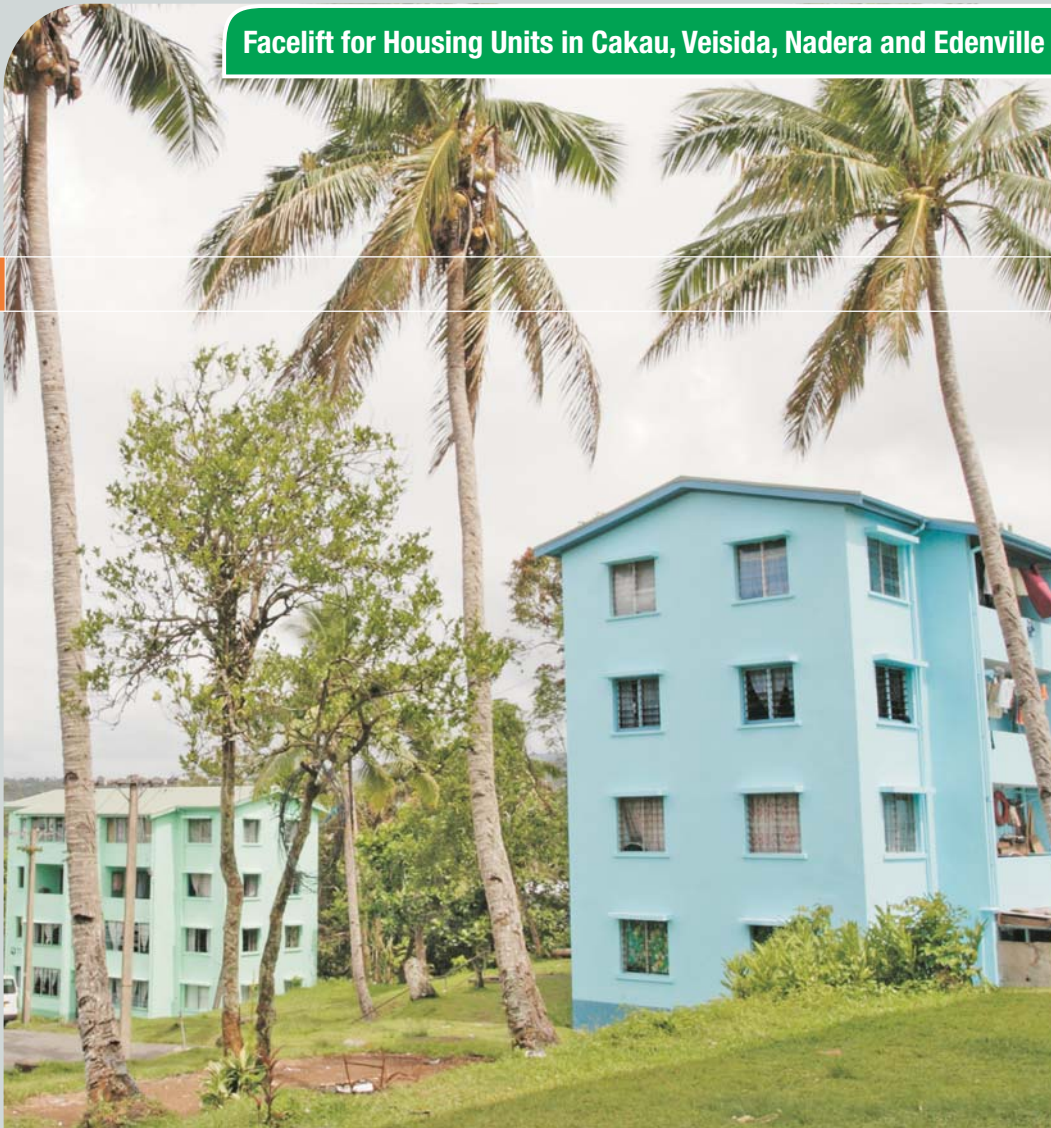
- 1) High cost of Consultant's design estimates & Tenders received from contractors do not satisfy affordable costs.
- 2) High cost of funding in the local market which makes the cost of development unaffordable.
- 3) Lack of priority given by government for housing regarding funding & JV's

- 4) Lack of Technical manpower
- 5) Delay in the timely approval of scheme, engineering and survey plans
- 6) HA are being asked by government to bear all cost of offsite infrastructures such as water mains, trunk sewers and electricity.


Francis S. Autor
 General Manager
 Land & Housing Development



Facelift for Housing Units in Cakau, Veisida, Nadera and Edenville



Success Story



When you pass along the Kings highway between Suva and Nausori, you may notice the seemingly new strata flats at Cakau in Kinoya. The warm colors and landscaped grounds are all part of the ongoing work by Housing Authority to ensure that low cost housing is safe, affordable and more so provides dignity for those families that call this place their home.

Since the 1970's, the Housing Authority has provided low-cost housing units in the greater Suva area. This includes 24 flats un Nadera, 92 flats in Edenville, 48 flats in Veisida and 44 flats in Cakau which over 200 low income families call home. This year all of these Housing Authority properties are undergoing major renovations and facelifts. The Vesida units have been completed and focus is currently on Cakau settlement to be followed by Nadera and Edenville units.

Under the current lease agreements, unit occupiers are responsible for the interior maintenance of the units whilst all exterior maintenance is the responsibility of Housing Authority as managing agents. We take this responsibility very seriously and these renovations demonstrate our increased focus on decent and affordable housing in Fiji. We focus on not just building houses but look at building and empowering our communities. Admittedly in the past, our promise to maintain these housing units has been thwart with many challenges however we have spent over \$300,000 to remedy this along with multiple other commitments to upgrade these and other housing units.

The Housing Authority has an ambitious and strategic corporate plan for 2010 working into 2012 that places strong emphasis on the current renovations of the strata housing units and construction of further units to be determined according to need.



Eapi Nabou | General Manager - Lending

The Approvals department is responsible for approving quality loans strongly based on the probability of defaults, security coverage and repayment capacity and commitment by all our clients.

The Lending Division is responsible for the assessment and approval of all loans, ensuring that all securities are in place before disbursement of funds, management of accounts including the arrears recovery process.

As at 31 December 2009, the Housing Authority had a clientele base of 19,417 customer accounts. The total Mortgage Portfolio at the end of the year was \$139.59m compared to \$142.78m in 2008. The reduction is attributed to the low loans approved due to the current economic conditions and slow sales of lots of our existing Stock especially the Namosau subdivision in Ba.

Performing Lending portfolio stood at \$98.258m compared to \$119.5m in 2008. The decrease in Performing portfolio relates directly to the sudden increase in Non Performing portfolio after the adoption of the Reserve Bank of Fiji's Risk Grade Policy where all mortgage accounts were graded in Risk Grades A, B, C, D and E. The Grades are determined by the arrears status of each account based on Days Past Due (DPD).

The Approvals department is responsible for approving quality loans strongly

based on the probability of default, security coverage and repayment capacity and commitment by all our clients.

The Approval's team ensures that, for all loans, there is a "second way out". Continuous improvement programs, coupled with ongoing training, coaching and guidance helped identify problem areas and roadblocks with Customer Relation Officers as well to ensure quality loan assessment.

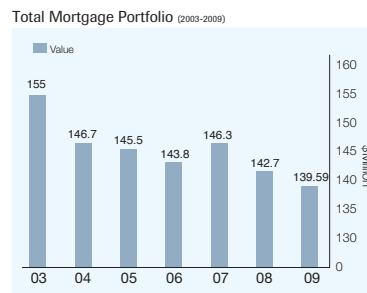
Loans approved in 2009 were \$9.14m compared to \$14.7m in 2008. The decline was attributed mainly to the economic downturn encountered by the country over the past 3 years.

Bar graph below reflects Loans Approved in 2009 and illustrates the trend of loans approved over the last seven years:



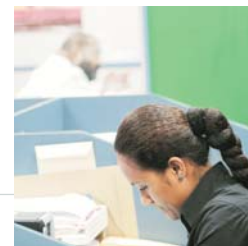
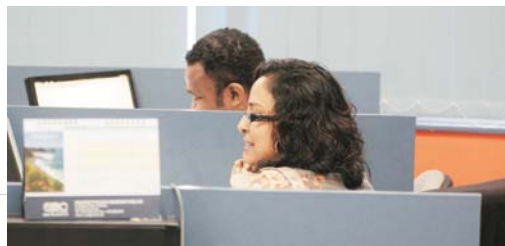
Mortgage Portfolio

The total mortgage portfolio at the end of the year was \$139.59m, compared to \$142.78m in 2008. The bar graph below illustrates the trend for the total mortgage portfolio over the last seven years:

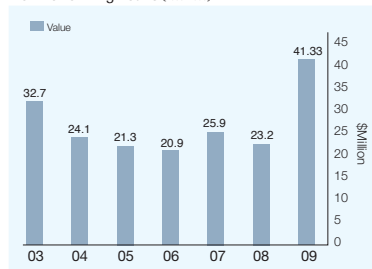


Non Performing Loans

The Housing Authority in 2009 adopted the Reserve Bank of Fiji Risk Grade System of Classifying its impaired assets and this had a great impact on our Loan Portfolio. The Non performing loans increased from \$23.2m in 2008 to \$41.33m by December 2009 thus also negatively affecting our performing portfolio as well. This is equivalent to an increase in NPL of about 78%.



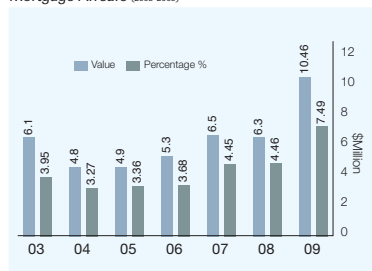
Non Performing Loans (2003-2009)



Arrears

Mortgage arrears stood at \$10.46 or 7.49% of the total Mortgage Portfolio as at December 2009 compared to \$6.3m as at the same period in 2008 or 4.46% of the Authority's total loan portfolio against a target of 3%. The bar graph below illustrates the trend over the last seven years:

Mortgage Arrears (2003-2009)



Poverty Alleviation Scheme

The Authority continued to assist low income earners whose total household income did not exceed \$6,500 per annum through interest subsidy. Both individual homeowners and those in the Village Housing Scheme enjoyed an

fixed interest rate of 5.99% per annum on their mortgage loans instead of the variable interest rate of 7.99%. 170 families and 42 village housing projects benefited from this scheme in 2009 for a total portfolio of \$4.6m. This interest subsidy assistance scheme has been funded through Government Grant.

Legal Services

The Team is essentially responsible for conveyancing, Fiji National Provident Fund withdrawals and registration matters. There were 491 documents registered during the year and 569 customers were assisted through the transfer of their Fiji National Provident Fund monies in 2009. Of its target of \$6m the Authority actually received \$6.46m for the year.

Village Scheme

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

Contrary to normal mortgage financing, loans are provided to Landowners whose lands are being leased mostly for hotel industry and agricultural purposes. These landowners may form a Family,

Tokatoka or Mataqali housing scheme through a Deed of Trust between the Trustees representing Land Owning Unit scheme members on one hand and the Housing Authority on the other. On the strength of this document, an irrevocable Assignment is drawn up where the Landowners authorize the Native Land Trust Board transfer certain amount or their total lease income to the Housing Authority in meeting the expected repayment of their loan.

Total Village Loan Portfolio as at December 2009 is \$11,332,710 compared to 2008 which was at \$11,563,751. The Performing and Non Performing portfolios up to December 2009 were recorded at \$7,463,396 and \$4,100,355 respectively. Village scheme recorded arrears was of \$1,201,574.

Stakeholders

Regular stakeholder meetings were held between the Authority and the Fiji National Provident Fund, Native Land Trust Board and the Titles Office which was aimed at improving and refining our work processes to ultimately enhance our service delivery to all our customers.

Human Resource Development

Staff development is an ongoing process and this is done through in-house as well as external training. The focus is to up skill all staff and improve productivity.


Eapi Nabdu
 General Manager Lending



Alok Mishra | General Manager - Finance & Administration

Financial assistance to low-income earners and settlement of informal settlers is amongst the Authority's key social obligation and responsibility. Customer Relations also contribute to the proposed National Housing Policy. The major role is providing affordable shelter to its customers who are classified between low to middle income levels without losing focus on commercial lending to cross subsidise and help assist the poor or unfortunate.

The year witnessed the aftermath of recessionary effect globally and at domestic level as well. Financial hardships were faced largely by the people affecting the financial performance of the Authority. Considering the financial hardships faced by customers "Crisis Management Plan" was put in place to reduce the impact and maintain sustainability.

With the core support function division strived to provide strategic support to all the divisions. Prudent financial management and reporting and efficient administrative and logistic support services were provided to support the business activities and operations. The budgetary allocation was strictly monitored and reviewed mid-year due to certain Projects withheld or progressed with slow pace.

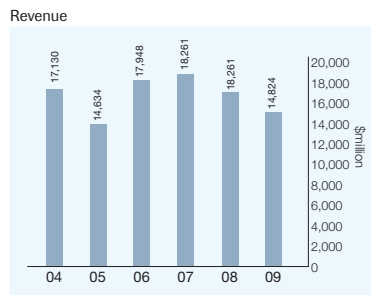
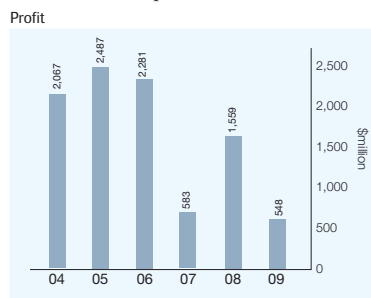
Revenue

As compared to the previous years, revenue were down and registered a fall of 11% in gross revenue. The decline in interest income by 3% was largely due to the fall in the total loan portfolio and rise in NPL.

The interest income on deposit was \$0.113m due to prudent fund management and putting the money in short

term deposits. There was a decline in other operating income mostly on account of less sale of lots and houses and low growth in lending portfolio.

Other income showed a decline from \$6.32m recorded in 2008 to \$4.69m in 2009 due to the sluggish market and decline in loan portfolio.



Expenditure

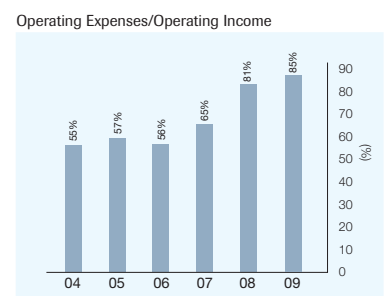
Interest expenditure was \$6.38m as compared to \$6.65m in 2008. The fall

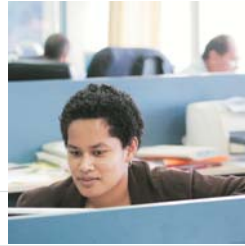
was largely due to less borrowing during the year, the Authority met all its financial obligations including principal and interest on timely manner.

The operating expenditure declined from \$9.28m in 2008 to \$8.63m in 2009. Strict monitoring was in place to reduce operating expenditure. Likewise, Administration expenses were well contained in 2009. There was a decline in total administrative costs from \$2.51m in 2008 to \$1.83m in 2009.

Salary and personal expenses increased from \$4.6m in 2008 to \$4.7m in 2009.

Efficiency ratio (operating expenses /operating income) was 86% in 2009 as compared to 81% in 2008. The contributing factor was the decline in operating income though operating expenses was contained.



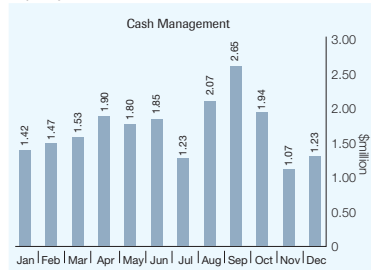


Finance Management

The year 2009 saw a turbulent year on the financial perspective. The business was low, NPL increased, new development did not take place. Despite the hardship, stringent measures were put in place and prudent financial management was enforced.

The liquidity was maintained and all financial obligations including payment to creditors, payment of bonds and interest payment on loan and bonds, principal, amount of loan, administrative and operational expenses were made on time. Comfortable liquidity was maintained throughout the year to meet any contingency.

Liquidity

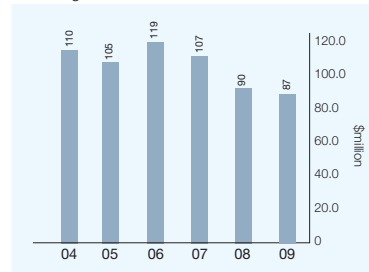


Borrowing Portfolio

The total borrowing portfolio of the Authority was \$87 million in 2009 as compared to \$90.2 in 2008. The total portfolio was reduced by \$0.7 million.

The strategy adopted was to reduce the borrowing portfolio and consequently reduce the Weighted Average Cost of Borrowing (WACB). The Weighted Average Cost of Borrowing (WACB) was 7.74% in 2009 as compared to 7.02% in 2008.

Borrowing Portfolio



Information Technology

The division provides IT support to all the other divisions and units spread over the country. Due to technical problems encountered, efforts were made to re-implement some software and remove the problem of interface between various software.

Division is committed to provide information technology tools in the form of systems and services, all divisions and centres. The endeavour is to provide efficient, prompt and cost-effective services to the centre of the Authority.

The new look website was launched and the focus was to make it more informative and customer friendly.

Human Resource package was introduced for more efficiency in payroll, staff appraisal and to have records online etc.

Administration

The department is providing administrative support and co-ordinates and implement office services to the Authority including contract management. It is a strategic support function for all departments and centre of the Authority.

The department strives for ensuring and providing efficient and quality service delivery in the areas of mail management, telecommunications, transport management, contract activities, stationery, and registry besides general office services for hygiene, pest control, security, fire system and other administrative logistics. The department is committed to provide efficient services and logistic support.

Alok Mishra
Alok Mishra
 General Manager
 Finance & Administration



CONTENTS

Directors' Report	28
Statement by Directors	30
Independent Audit Report	31
Income Statement	32
Statement of changes in equity	33
Balance Sheet	34
Statement of Cash Flows	35
Notes to the Financial Statements	36-60

The directors present their report together with the financial statements of Housing Authority of Fiji ("the Authority") for the year ended 31 December 2009 and the auditors' report thereon.

The directors of the Authority during the year were:

Directors	Appointed	Served Until
Col. Samuela Alivereti Saumatua – Chairman	1-Mar-08	17-Sep-09
Lt. Col Pio Tikoduadua - Chairman	18-Sep-09	-
Ratu Josateki Nawalowalo	1-Mar-08	-
Ms. Lavinia Padarath	1-Mar-08	-
Mr. Chandar Singh	1-Mar-08	-
Father Kevin Barr	1-Mar-08	-
Ms. Rosarine Pasepa Langi	8-May-08	-

State of affairs

In the opinion of the directors, the accompanying balance sheet and statement of changes in equity give a true and fair view of the state of affairs of the Authority as at 31 December 2009 and the accompanying income statement and statement of cash flows gives a true and fair view of the results of the Board 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:

	2009 \$'000	2008 \$'000
Net profit before income tax	548	1,559
Income tax expense	-	-
Net profit for the year	548	1,559

Dividends

The directors recommend that no dividends be declared or paid during the year.

Reserves

The directors recommend that no amounts be transferred to or from reserves.

Events subsequent to balance date

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

Unusual transactions

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

Other circumstances

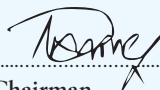
As at the date of this report:

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

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

For and on behalf of the board and in accordance with a resolution of the directors.

Dated at Suva this 12th day of January 2010.



.....
Chairman


.....
Member

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

- (i) the accompanying income statement 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 2009;
- (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 results of the Authority for the year ended 31 December 2009;
- (iii) the accompanying balance sheet of the Authority is drawn up so as to give a true and fair view of the state of affairs of the Authority for the year ended 31 December 2009;
- (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 2009;
- (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.

Dated at Suva this 12th day of January 2010.


.....
Chairman


.....
Member



8th Floor, Ratu Sukuna House,
MacArthur Street,
P.O. Box 2214,
Government Buildings,
Suva, Fiji Islands.

REPUBLIC OF THE FIJI ISLANDS
OFFICE OF THE AUDITOR GENERAL

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



ACCOUNTABILITY IN THE PUBLIC SECTOR THROUGH QUALITY AUDIT SERVICES

**INDEPENDENT AUDIT REPORT
HOUSING AUTHORITY OF FIJI
ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2009**

Scope

I have audited the Financial Statements of Housing Authority of Fiji for the year ended 31 December 2009 as set out on pages 6 to 31 in accordance with the provisions of Caption 267 of the Housing Act and the Housing (Amendment) Decree (1989) in the manner so required and Section 13 of the Audit Act. The Authority's directors are responsible for the preparation and presentation of the Financial Statements and the information contained therein.

I have conducted an independent audit of these Financial Statements in order to express an opinion on them to the members of the Authority.

My audit has been conducted in accordance with the International Standards on Auditing to provide reasonable assurance as to whether the Financial Statements are free of material misstatement. Our procedures included examination on a test basis of evidence supporting the amounts and other disclosures in the Financial Statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether in all material respects, the Financial Statements are presented fairly in accordance with International Financial Reporting Standards and statutory requirements so as to present a view which is consistent with our understanding of the Authority's financial position, the results of its operation and its cash flows for the year then ended.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion:

- (a) proper books of account have been kept by the Authority, so far as it appears from my examination of those books, and
- (b) the accompanying financial statements which have been prepared in accordance with International Financial Reporting Standards:
 - (i) are in agreement with the books of account;
 - (ii) to the best of my information and according to the explanations given to me:
 - a) give a true and fair view of the state of affairs of the Authority as at 31 December 2009 and of the results, movement in its reserves and cash flows of the Authority for the year ended on that date; and
 - b) give the information required by the Housing Authority Act in the manner do required.

I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purposes of my audit.

Tevita Bolanavanua
AUDITOR GENERAL
7 February 2011



	Notes	2009 \$'000	2008 \$'000
Interest income	2	10,871	11,167
Interest expense	3	(6,382)	(6,652)
Net interest income		4,489	4,515
Other operating income	2	4,693	6,324
Net operating income		9,182	10,839
Personnel expenses	3	4,670	4,584
Depreciation of property, plant and equipment		790	503
Bad and doubtful debts		609	620
Cost of sales - land and houses		740	1,061
Other operating expenses	3	1,825	2,512
Total operating expense		8,634	9,280
Net profit before income tax		548	1,559
Income tax expense		-	-
Net profit for the year		548	1,559

The accompanying notes form an integral part of the Income Statement.

Notes	2009 \$'000	2008 \$'000
Accumulated losses		
Balance at the beginning of the year	(9,518)	(11,077)
Operating profit after tax	548	1,559
Balance at the end of the year	(8,970)	(9,518)
Reserves		
Balance at the beginning of the year	6,834	6,834
Movement during the year	-	-
Balance at the end of the year	6,834	6,834
Government grant		
Balance at the beginning of the year	15,958	15,958
Movements during the year	-	-
Balance at the end of the year	15,958	15,958
Share capital		
Balance at the beginning of the year	41,772	41,772
Movements during the year	-	-
Balance at the end of the year	41,772	41,772
Total equity	55,594	55,046

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

	Notes	2009 \$'000	2008 \$'000
ASSETS			
Cash	4	2,412	1,755
Loans and advances	5	121,058	130,894
Property, plant and equipment	8	9,732	9,338
Inventories	6	12,222	10,457
Land held for future development	7	6,627	6,632
Other assets	9	474	67
TOTAL ASSETS		152,525	159,143
LIABILITIES			
Debt issued and borrowed funds	10	86,988	90,222
Other liabilities	11	8,490	12,217
Provisions	12	1,453	1,658
TOTAL LIABILITIES		96,931	104,097
EQUITY			
Capital	13	41,772	41,772
Government grant		15,958	15,958
Reserves	13	6,834	6,834
Accumulated losses		(8,970)	(9,518)
TOTAL EQUITY		55,594	55,046
TOTAL EQUITY AND LIABILITIES		152,525	159,143

The accompanying notes form an integral part of the Balance Sheet

For and on behalf of the board and in accordance with a resolution of the directors.


Chairman


Member

Notes	2009 Inflows/ (Outflows) \$'000	2008 Inflows/ (Outflows) \$'000
Operating activities		
Interest received	10,863	11,171
Fees, charges and other income received	4,693	6,324
Interest and other costs of finance paid	(6,192)	(6,709)
Net customer loans issued	6,155	3
Payments to suppliers for land and houses	(2,449)	(587)
Operating expenses	(8,128)	(3,380)
Cash flows from operating activities	4,942	6,822
Investing activities		
Payments for plant and equipment	(1,184)	(2,603)
Cash flows from investing activities	(1,184)	(2,603)
Financing activities		
Net increase/(decrease) in borrowings	(3,234)	(16,340)
Government grant received	133	664
Cash flows from financing activities	(3,101)	(15,676)
Net increase/(decrease) in cash held	657	(11,457)
Cash at the beginning of the financial year	1,755	13,212
Cash at the end of the financial year	4 2,412	1,755

The accompanying notes form an integral part of the Statement of cash flows.

1. Corporate Information

The financial statements of Housing Authority of Fiji ("the Authority") for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 12th January 2010. Housing Authority of Fiji is a statutory government body domiciled in the Republic of the Fiji Islands.

The principal activities of the Authority are described in Note 19.

1.1 Basis of preparation of the Financial Statements

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Fijian dollars and all values are rounded to the nearest dollar except when otherwise indicated.

1.2 Statement of compliance

The financial statements of Housing Authority of Fiji have been prepared in accordance with International Financial Reporting Standards (IFRS).

1.3 Significant accounting judgments, estimates and assumptions

The preparation of the Authority's financial statements requires management to make judgements, 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 judgment, 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 in 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 tasks and rewards of ownership of the property 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 sheet date, that have a significant task of causing a material adjustments 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 the income statement. 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.

1.3 Significant accounting judgments, estimates and assumptions - *continued*

Impairment losses on loans and advances - *continued*

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

1.4 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statement 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 the balance sheet date. All differences are taken to 'Other operating income' or 'Other operating expenses' in the income statement.

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.

1.4 Summary of significant accounting policies - *continued*

iv) Loans and advances - *continued*

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

Loans and advances to customers are financial assets with fixed or determinable payments and fixed maturities that are not quoted on an active market. They are not entered into with the intention of immediate or short term resale and are not classified as 'Financial assets held for trading', designated as 'Financial investment - available for sale' or 'Financial assets designated at fair value through profit and loss'. 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 income statement. The loss arising from impairment are recognised in the income statement 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.

After initial measurement, debt issued and other borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

c) Impairment of financial assets

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

1.4 Summary of significant accounting policies - *continued*

c) Impairment of financial assets - *continued*

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 income statement. 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 income statement.

1.4 Summary of significant accounting policies - *continued*

d) Leased assets

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

Authority as a lessee

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

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

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

Authority as a lessor

Lease where the Authority does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. The Authority lease 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. Contingent rent are recognised as revenue in the period in which they are earned.

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 and 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. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

1.4 Summary of significant accounting policies - *continued*

e) Recognition of income and expenses - *continued*

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.

When a loan is categorised as non performing, interest on the loan ceases to be brought to account unless received or unless the loan becomes performing.

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 income statement.

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 profits 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 of three months or less. 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 less accumulated depreciation and accumulated impairment losses. Such costs includes 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.

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 and software	20%
Furniture and fittings	10%

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

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

h) Intangible assets

Intangible assets includes 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 either 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 income statement 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:

i) Impairment of non financial assets

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

1.4 Summary of significant accounting policies - *continued*

i) Impairment of non financial assets - *continued*

For assets an assignment 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 recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

j) Provisions

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

Employee entitlements

The provision for employee entitlement 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 provisions.

k) 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 carrying values are determined to be less than net realisable 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 indirect 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.

l) Income tax

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

1.4 Summary of significant accounting policies - *continued*

m) Government grants

The Government provides an annual grant to the Authority to assist qualifying customers in meeting their repayments and to subsidise the cost of developed lots. This grant is in the form of a one off rebate to customer's loan balance or an annual interest subsidy. Any grants that are not utilised at year end are shown as a liability until such time as they are applied. The Government grant takes the following forms:

(i) Poverty alleviation scheme

Funds received from Government are applied to the loan balance of qualifying customers usually at the inception of the loan. The grant to customers is a one off rebate. There are certain criteria set for customers to comply with to be eligible for financial assistance under the scheme. Financial assistance provided to a customer is up to a maximum amount of \$5,000.

(ii) Interest subsidy

Interest subsidy is provided to customers who earn below \$6,500 per annum and to village scheme customers on an accrual basis. The difference between the prevailing interest rate and subsidised rate provided to customers are brought to account in the income statement.

(iii) Deferred payment plan

Funds received from Government are applied to the loan balance of qualifying customers once the loan has been restructured to provide existing non-performing loans with an initial reduction in repayments commensurate with their ability to meet the repayments. There are certain criteria for customers to comply with to be eligible for financial assistance under the plan. Financial assistance provided to a customer is up to a maximum amount of \$5,000.

(iv) Land development subsidy

Government subsidises the cost of developed lots to make it more affordable for qualifying customers. The subsidy is applied against the prevailing selling price. There are certain criteria set for customers to comply with in order to be eligible for assistance under this scheme.

n) Creditors

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

o) Comparatives

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

1.4 Summary of significant accounting policies - *continued*

p) Segment information

(a) Industry segment

The Authority operates predominantly in 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.

		2009 \$'000	2008 \$'000
2.	REVENUE		
	2.1 Interest income		
	Investment securities	113	98
	Loans and advances	10,758	11,069
		10,871	11,167
	2.2 Other operating income		
	Fees and charges	3,553	4,858
	Sale of land and houses	822	1,106
	Rent	198	146
	Other income	120	214
		4,693	6,324
3.	EXPENSES		
	3.1 Interest Expense		
	Long term loans	238	479
	Bonds	6,144	6,173
	Bank overdraft	-	-
		6,382	6,652
	3.2 Personnel expenses		
	Wages and salaries	4,156	3,975
	FNPF contribution	282	287
	Employee entitlements	168	258
	Other	64	64
		4,670	4,584

	2009 \$'000	2008 \$'000
3. EXPENSES - continued		
3.3 Other operating expenses		
Auditors remuneration - audit fee	19	19
- other services	9	36
Repairs and maintenance	55	125
Stock write-down	(245)	(106)
VAT expense	85	85
Other	1,902	2,353
	1,825	2,512
4. CASH AND CASH EQUIVALENTS		
Cash	2,412	1,755
Deposits on call- held to maturity	-	-
	2,412	1,755
5. LOANS AND ADVANCES TO CUSTOMERS		
Mortgage loans	123,334	130,651
Village scheme loans	10,184	10,791
	133,518	141,442
Add: Accounts with credit balance	433	1,769
Gross loans	133,951	143,211
Less: Allowance for impairment losses	(12,893)	(12,317)
	121,058	130,894

Mortgage loans include staff housing loans and advances totaling \$1,761,471 (2008: \$1,413,438). Village scheme loans are secured by a combination of assignments over native lease rental monies.

Impairment allowances for loans by class is as follows:

At 1 January 2009
 Charge for the year
 Recoveries
 Amounts written off
 As at 31 December 2009

Individual impairment
 Collective impairment

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

	Mortgage	Village scheme \$'000	Total \$'000
	8,054	4,263	12,317
	573	3	576
	-	-	-
	-	-	-
	8,627	4,266	12,893
	5,926	4,187	10,113
	2,701	79	2,780
	8,627	4,266	12,893
	38,082	5,192	43,274

5. LOANS AND ADVANCES TO CUSTOMERS - *continued*

At 1 January 2008
 Charge for the year
 Recoveries
 Amounts written off

As at 31 December 2008
 Individual impairment
 Collective impairment

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

Mortgage	Village scheme \$'000	Total \$'000
8,020	4,263	12,283
800	-	800
102	-	102
(868)	-	(868)
8,054	4,263	12,317
5,523	4,235	9,758
2,531	28	2,559
8,054	4,263	12,317
15,948	5,108	21,056

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

At 1 January 2009
 Charge for the year
 Recoveries
 Amounts written off
 Interest accrued on impaired loans

At 31 December 2009

Individual Impairment \$'000	Collective Impairment \$'000	Total 2009 \$'000
9,758	2,559	12,317
354	222	576
-	-	-
-	-	-
-	-	-
10,112	2,781	12,893

At 1 January 2008
 Charge for the year
 Recoveries
 Amounts written off
 Interest accrued on impaired loans

At 31 December 2008

Individual Impairment \$'000	Collective Impairment \$'000	Total 2008 \$'000
9,826	2,457	12,283
800	102	902
-	-	-
(868)	-	(868)
-	-	-
9,758	2,559	12,317

	2009 \$'000	2008 \$'000
6. INVENTORY		
Developed lots	3,372	4,096
Less: Provision for developed lots write-down	(102)	(85)
	3,270	4,011
Unsold properties	609	609
Less: Provision for unsold properties write-down	(15)	(277)
	594	332
Development work-in-progress	8,526	6,282
Less: Pre-sold lots	(21)	(21)
Less: Provision for development work-in-progress write-down	(147)	(147)
	8,358	6,114
TOTAL INVENTORY	12,222	10,457
7. LAND HELD FOR FUTURE DEVELOPMENT		
Freehold land - at deemed cost	6,496	6,497
Leasehold land – at cost	362	362
Less: Provision for amortisation of leasehold land	(231)	(227)
Total land held for future development	6,627	6,632
8. PROPERTY, PLANT AND EQUIPMENT		
<i>Properties</i>		
Cost:		
At 1 January	7,599	5,471
Additions	213	2,128
Asset revaluation reserve	-	-
Inter Asset transfer	-	-
Disposals	-	-
At 31 December	7,812	7,599
Depreciation and impairment:		
At 1 January	940	821
Depreciation charge for the year	135	116
Prior period depreciation charged	-	3
Disposals	-	-
At 31 December	1,075	940
Net written down value - properties	6,737	6,659

8. PROPERTY, PLANT AND EQUIPMENTS - *continued**Furniture and Fittings***Cost:**

At 1 January

Additions

Inter Asset transfer

Disposals

At 31 December**Depreciation and impairment:**

At 1 January

Depreciation charge for the year

Prior period depreciation charged

Disposals

At 31 December**Net written down value - Furniture and fittings***Staff houses and shops***Cost:**

At 1 January

Additions

Asset revaluation reserve

Inter Asset transfer

Disposals

At 31 December**Depreciation and impairment:**

At 1 January

Depreciation charge for the year

Prior period depreciation charged

Disposals

At 31 December**Net written down value - staff houses and shops***Motor vehicles***Cost:**

At 1 January

Additions

Inter Asset Transfer

Disposals

At 31 December

	2009 \$'000	2008 \$'000
<i>Furniture and Fittings</i>		
Cost:		
At 1 January	1,806	1,524
Additions	211	614
Inter Asset transfer	-	-
Disposals	(87)	(332)
At 31 December	1,930	1,806
Depreciation and impairment:		
At 1 January	1,110	1,344
Depreciation charge for the year	146	94
Prior period depreciation charged	-	4
Disposals	(87)	(332)
At 31 December	1,169	1,110
Net written down value - Furniture and fittings	761	696
<i>Staff houses and shops</i>		
Cost:		
At 1 January	291	291
Additions	-	-
Asset revaluation reserve	-	-
Inter Asset transfer	-	-
Disposals	-	-
At 31 December	291	291
Depreciation and impairment:		
At 1 January	72	67
Depreciation charge for the year	5	5
Prior period depreciation charged	-	-
Disposals	-	-
At 31 December	77	72
Net written down value - staff houses and shops	214	219
<i>Motor vehicles</i>		
Cost:		
At 1 January	600	647
Additions	-	-
Inter Asset Transfer	-	-
Disposals	(48)	(47)
At 31 December	552	600

8. PROPERTY, PLANT AND EQUIPMENTS - *continued*

	2009 \$'000	2008 \$'000
Depreciation and impairment:		
At 1 January	329	275
Depreciation charge for the year	86	101
Disposals	(48)	(47)
Inter Asset transfer	-	-
At 31 December	367	329
Net written down value - motor vehicles	185	271
<i>Computer equipment</i>		
Cost:		
At 1 January	2,622	3,419
Additions	1,946	45
Disposals	(42)	(842)
At 31 December	4,526	2,622
Depreciation and impairment:		
At 1 January	2,410	3,068
Depreciation charge for the year	416	183
Prior period depreciation charged	-	1
Disposals	(42)	(842)
At 31 December	2,784	2,410
Net written down value - computer equipment	1,742	212
<i>Others</i>		
Cost:		
At 1 January	70	120
Additions	-	-
Inter Asset transfer	-	-
Disposals	-	(50)
At 31 December	70	70
Depreciation and impairment:		
At 1 January	16	65
Depreciation charge for the year	1	1
Disposals	-	(50)
Inter Asset transfer	-	-
At 31 December	17	16
Net written down value - others	53	54

8. PROPERTY, PLANT AND EQUIPMENTS - *continued**Work in progress***Cost:**

At 1 January

Additions

Inter Asset transfer

Capitalised during the year

Disposals

At 31 December**Depreciation and impairment:**

At 1 January

Depreciation charge for the year

Inter Asset transfer

Disposals

At 31 December**Net written down value - work in progress***Total***Cost:**

At 1 January

Additions

Capitalised during the year

Inter Asset transfer

Disposals

At 31 December**Depreciation and impairment:**

At 1 January

Depreciation charge for the year

Prior period depreciation charged

Inter Asset transfer previous year

Disposals

At 31 December**Net written down value - total**

	2009 \$'000	2008 \$'000
<i>Work in progress</i>		
Cost:		
At 1 January	1,227	1,406
Additions	2,678	3,716
Inter Asset transfer	-	-
Capitalised during the year	(3,865)	(3,895)
Disposals	-	-
At 31 December	40	1,227
Depreciation and impairment:		
At 1 January	-	-
Depreciation charge for the year	-	-
Inter Asset transfer	-	-
Disposals	-	-
At 31 December	-	-
Net written down value - work in progress	40	1,227
<i>Total</i>		
Cost:		
At 1 January	14,215	12,878
Additions	5,048	6,503
Capitalised during the year	(3,865)	(3,895)
Inter Asset transfer	-	-
Disposals	(177)	(1,271)
At 31 December	15,221	14,215
Depreciation and impairment:		
At 1 January	4,877	5,571
Depreciation charge for the year	789	500
Prior period depreciation charged	-	8
Inter Asset transfer previous year	-	69
Disposals	(177)	(1,271)
At 31 December	5,489	4,877
Net written down value - total	9,732	9,338

The Valelevu and Lautoka office premises and land adjoining the premises and staff houses and Police Posts were revalued as at 31 December 2006 by the Housing Authority's internal valuer.

9. OTHER ASSETS

Interest receivable

Staff advances

Stationery stock

Sundry debtors and prepayments

8	-
-	-
13	19
453	48
474	67

			2009 \$'000	2008 \$'000
10.	DEBT ISSUED AND BORROWED FUNDS			
		Maturity		
		Effective interest rate %		
	<u>Current</u>			
	Bonds	Note 14	20,900	11,500
	Loans	Note 14	1,320	1,663
			22,220	13,163
	<u>Non current</u>			
	Bonds		62,198	73,098
	Loans		2,570	3,961
			64,768	77,059
	Total debt issued and borrowed funds		86,988	90,222
		Maturity		
	<u>Bonds</u>	2009 to 2021		
	<u>Loans</u>	2009 to 2013		
11.	OTHER LIABILITIES			
	Interest payable		1,328	1,138
	Insurance aggregate		567	673
	Mortgage accounts with credit balances		-	1,769
	Deferred Government grant		1,410	1,471
	Deferred grant - University of the South Pacific		-	-
	Other creditors and accruals		5,185	7,166
			8,490	12,217

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.

12. PROVISIONS**2009**

The movement in provision during the year is as follows:

At 1 January
 Arising during the year
 Utilised
 Unused amounts reversed

As 31 December

Represented by:
 Current
 Non current

2008

The movement in provision during the year is as follows:

At 1 January
 Arising during the year
 Utilised
 Unused amounts reversed

As 31 December

Represented by:
 Current
 Non current

	Repairs and maintenance \$'000	Entitlement \$'000	Total \$'000
At 1 January	800	858	1,658
Arising during the year	205	80	285
Utilised	(293)	(197)	(490)
Unused amounts reversed	-	-	-
As 31 December	712	741	1,453
Represented by:			
Current	712	741	1,453
Non current	-	-	-
	712	741	1,453
At 1 January	680	699	1,379
Arising during the year	239	192	431
Utilised	(119)	(33)	(152)
Unused amounts reversed	-	-	-
As 31 December	800	858	1,658
Represented by:			
Current	800	858	1,658
Non current	-	-	-
	800	858	1,658

13. CAPITAL AND RESERVESCapitalReserves

Asset Revaluation Reserve
 Balance at the beginning of the year
 Effect of change in accounting policy
 Movement during the year
 Balance at the end of the year

Total reserves

	2009 \$'000	2008 \$'000
Capital	41,772	41,772
Asset Revaluation Reserve	6,834	6,834
Balance at the beginning of the year	-	-
Effect of change in accounting policy	-	-
Movement during the year	6,834	6,834
Balance at the end of the year	6,834	6,834
Total reserves	6,834	6,834

14 MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

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

31 December 2009

	At call \$'000	Less than 3 months \$'000	4 to 12 months \$'000	1 to 5 years \$'000	over 5 years \$'000	Provision for doubtful debts \$'000	Suspended interest \$'000	Total \$'000
Financial assets								
Cash	2,412	-	-	-	-	-	-	2,412
Loans and advances	8,981	4,259	11,997	45,101	69,756	(12,893)	(6,143)	121,058
Financial investments - held to maturity	-	-	-	-	-	-	-	-
Total	11,393	4,259	11,997	45,101	69,756	(12,893)	(6,143)	123,470
Financial liabilities								
Mortgage loans with credit balances	-	-	-	-	-	-	-	-
Borrowings	-	-	22,220	35,768	29,000	-	-	86,988
Accrued interest	-	1,328	-	-	-	-	-	1,328
Accounts payable and accrued liabilities	-	5,752	-	-	-	-	-	5,752
Total	-	7,080	22,220	35,768	29,000	-	-	94,068
31 December 2008								
Financial assets								
Cash	1,755	-	-	-	-	-	-	1,755
Loans and advances	11,590	5,148	13,878	51,480	65,119	(12,317)	(4,004)	130,894
Financial investments - held to maturity	-	-	-	-	-	-	-	-
Total	13,345	5,148	13,878	51,480	65,119	(12,317)	(4,004)	132,649
Financial liabilities								
Mortgage loans with credit balances	1,769	-	-	-	-	-	-	1,769
Borrowings	-	116	13,047	53,059	24,000	-	-	90,222
Accrued interest	-	1,138	-	-	-	-	-	1,138
Accounts payable and accrued liabilities	-	7,839	-	-	-	-	-	7,839
Total	1,769	9,093	13,047	53,059	24,000	-	-	100,968

15. CONTINGENT LIABILITIES AND COMMITMENTS

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

The total outstanding commitments and contingent liabilities are as follows:

	2009 \$'000	2008 \$'000
Contingent liabilities		
Indemnity	4,746	4,746
Guarantees	5	5
	4,751	4,751
Commitments		
Operating lease commitments	726	595
Capital commitment	3,900	2,423
	4,626	3,018
Total	9,377	7,769

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:

a) Indemnity

During 1989, loans owing to the Fiji National Provident Fund (FNPF) amounting to \$18,573,232 was transferred to the Public Rental Board (PRB) by Government Decree (No. 12 of 8 May, 1989). The FNPF continues to recognise the Authority as the borrower of these loans and has not released the Authority from these loans or amended the loan documentation to specify the PRB as the rightful borrower. In the meantime, the Ministry of Finance is making repayments of principal and interest to FNPF on behalf of PRB. The total loan principal and interest accrued at balance date, but not reflected in the financial statements, are as follows:

Principal	4,697	4,697
Accrued interest	49	49
	4,746	4,746
b) Guarantee		
Fiji Electricity Authority bond	5	5

15. CONTINGENT LIABILITIES AND COMMITMENTS - *continued*

Commitments

a) Operating lease commitments

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

	2009 \$'000	2008 \$'000
Not later than one year	185	148
Later than one year but not later than two years	178	228
Later than two years but not later than five years	363	219
	726	595

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 lease rentals recognised as an expense in the income statement amount to \$ 148,000 (2008: \$143,500).

b) *Capital commitments* Approved by Board

3,900	2,423

16. 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:

Col. Samuela Alivereti Saumatua	Chairman(served until 17-Sept-2009)
Lt. Col Pio Tikoduadua	Chairman(appointed from 18-Sept-2009)
Ratu Josateki Nawalowalo	Members
Ms. Lavinia Padarath	Members
Mr. Chandar Singh	Members
Father Kevin Barr	Members
Ms. Rosarine Pasepa Langi	Members

16. RELATED PARTY DISCLOSURES - *continued*

(b) Transactions with Related parties

Transactions with related parties during the year ended 31 December 2009 with approximate transaction value are summarised as follows:

	2009 \$'000	2008 \$'000
Board expenses and allowances	82	29
Government grant	1393	1471
(c) Compensation of key management personnel		
Short term employee benefits	439	450
Post employment pension and medical benefits	-	-
Termination benefits	-	-
Other long-term benefits	-	-
	439	450

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

17. 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.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

18.1 Introduction

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

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

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - *continued*

18.1 Introduction - *continued*

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

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

Internal audit

Risk management processes throughout the Authority are audited quarterly by the internal auditors, that examines the adequacy of the procedures and the Authority's compliance with the procedures. Internal audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

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. In addition, the Authority monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

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

Excessive risk concentration

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

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

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - *continued*

18.2 Credit Risk

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

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

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

	Notes	Gross maximum exposure 2009 \$'000	Gross maximum exposure 2008 \$'000
Held to maturity investment	4	-	-
Loans and advances	5	121,058	130,894
Other assets	9	474	67
Total		121,532	130,961
Contingent liabilities	15	4,751	4,751
Commitments	15	4,626	3,018
Total		9,377	7,769
Total credit exposure		130,909	138,730

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes.

19. 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.

20. DETAILS OF THE AUTHORITY**Registered office:****Housing Authority Building, Saqa Street, Valelevu, Nasinu**

P.O. Box 1263, Suva

Telephone: (679) 339 2977

Facsimile: (679) 334 0092

Email: info@housing.com.fj

www.housingfiji.com

Branches:**Lautoka**

Housing Authority Building, 14 Tavewa Avenue, Lautoka

P.O. Box 262, Lautoka

Telephone: (679) 666 0299

Facsimile: (679) 666 5602

Labasa

F N PF Building, Rosawa Street, Labasa

P.O. Box 78, Labasa

Telephone: (679) 881 1977

Facsimile: (679) 881 3919

Suva

Level 1, Ratu Sukuna House, Macarthur Street, Suva

Telephone: (679) 330 9718

Facsimile: (679) 331 5135

Nadi

Shop 1, Grand Melanesian Complex, Namaka, Nadi

Telephone: (679) 670 7999

Facsimile: (679) 670 7499

Number of employees at the end of the year:

Management 17

Staff 99

1958	<ul style="list-style-type: none"> - Begin operations. - Purchase and Home Improvement Loans. - Small Program to build small units.
1964	<ul style="list-style-type: none"> - Rental accommodation provided. - To provide temporary accommodation for those who could not afford loans.
1971	<ul style="list-style-type: none"> - Production and sale of serviced sites.
1986	<ul style="list-style-type: none"> - 17,000 families benefited from housing programs or 34% of urban population.
1987	<ul style="list-style-type: none"> - HA produced about 830 serviced sites, 700 mortgages, 1800 rental flats.
1988	<ul style="list-style-type: none"> - New policy statement adopted by Board and Government.
1989	<ul style="list-style-type: none"> - Public rental board separation.
1991	<ul style="list-style-type: none"> - Loan agreement signed between Housing Authority, Government, world Bank and Asian Development Section.
1997	<ul style="list-style-type: none"> - Out-sourced functions of the Planning and Development section.
1999	<ul style="list-style-type: none"> - Reduction of interest rate from 11.5% to 6% to all customers earning below \$6,500 annually.
2000	<ul style="list-style-type: none"> - Special "Assistance Scheme" to help HA customers who have lost their jobs or reduction in May crisis.
2001	<ul style="list-style-type: none"> - Refinanced expensive loans. - Moving on Package launched with initial Interest rate 5.99%.
2002	<ul style="list-style-type: none"> - Implementation of more intensive and proactive management controls and introduction of Credit management unit.
2003	<ul style="list-style-type: none"> - Celebrated 45 year of Service. - Launching of Sapphire Package with initial rate 4.45%. <p>Highlights of the 2002/2003 Year:</p> <ul style="list-style-type: none"> * The moving on package with its 5.99% first year interest rate proved to be a major success in 2002 * Total loan provided under this package amounted to \$29 million * The mortgage portfolio grew by 10.6% in 2002 and 875 customers were able to make their accounts good * On 3rd October 2002 Parliament approved the conversion to government equity of the \$44 million owned moving the Authority from a negative equity position of \$3.4 million in 2001 to a positive equity position of \$38 million in 2002 * The Authority is in the process of designing major subdivisions at Waqadra in Nadi and Housing City in Suva
2004	<ul style="list-style-type: none"> - HA recorded a surplus of \$2.7 million. HA awarded Waila 3B project to BW Holding Limited for development of 466 fully serviced lots.
2005	<ul style="list-style-type: none"> - HA launched sale of 421 residential lots at its Field 40 sub-division in Lautoka.
2006	<ul style="list-style-type: none"> - Waila 3B sub-division completed, comprising of 466 lots. Most of the lots were allocated resettle squatters.
2007	<ul style="list-style-type: none"> - Despite downturn in an economy Housing Authority recorded an operating profit of \$0.583 million.
2008	<ul style="list-style-type: none"> - 50 years of Housing in Fiji. Land and Housing Development Unit to re-establish
2009	<ul style="list-style-type: none"> - Opening of the newly renovated Valelevu House - Launching of the new Wainibuku Sub-Division



Housing Authority

Head Office
Housing Authority Building,
Saca Street, Valelevu,
Nasinu
P.O.Box 1263, Suva
Tel: (679) 339 2977
Fax: (679) 334 0082

Suva
Level 1, Sukuna House.
Tel: (679) 330 9570
Fax: (679) 331 5135

Nadi
Queens Rd,
Shop 1 Grand Melanesian
Hotel Namaka.
Tel: (679) 6707999
Fax: (679) 670 7499

Lautoka
Housing Authority Building
14 Tavewa Avenue, Lautoka.
PO Box 267, Lautoka.
Tel: (679) 666 0299
Fax: (679) 666 5602

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

