

2012

ANNUAL REPORT



Public
RENTAL
Board

Our Vision

To be the leading provider of affordable, quality and appropriate rental housing for our customers.

Our Mission

- Facilitating the development of affordable and quality rental housing to meet the socio economic needs of customers.
- Maintaining efficient and effective customer service to meet customer expectation.
- Maintaining and enhancing flats to Public Rental Board standards.
- Empowering customers through innovative public relations and community building.
- Providing cohesive communities while enhancing commercial openings that can be used to facilitate win – win opportunity for everyone.
- Undertaking profiling and analysis of existing and potential customers.
- Promoting Public Private Partnership (PPP) for innovative development and funding

Corporate Objectives

1. Re-profiling

- Re-profiling of customers in order to obtain a better understanding of PRB customers.
- Provide Government with a more precise determination of rental subsidy and non-commercial obligation.
- Definition and socio-economic standing of the income range of PRB customers.

2. Rent Review

- Ensure equitable distribution of rental subsidy and social cost compensated by Government.
- Maintain flats to current market rentals
- Increase income.

3. Government Grant and Aid

- In the short to medium term Government is expected to continue servicing the subsidy grant to PRB.
- The Government's social responsibility towards public housing will need to be quantified and claimed by PRB.
- Develop community centers in PRB estates.
- Continue assisting financially disadvantaged tenants
- Construct more flats.
- Implementation in accordance with donor requirements.

4. Commercial Operations

- Ensure PRB considers mixed use development as a way forward with the understanding that higher returns from such will cross subsidise low income developments therefore ensuring less reliance on Government.
- The move to a more commercial focus will be undertaken in light of the PRB's core business – providing rental accommodation to low and middle income earners.

5. Rental Property Stock versus Demand

- PRB's competitors need to become partners.
- Better information and better partnerships with other developers of low cost rental accommodation.

6. PRB's Cost Structure

- PRB recognises that its current cost structure needs to be reduced or certainly re-focussed on areas of better return on investment.
- Replacing old aged buildings.

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Letter to the Minister

16th October 2013

Mr. Aiyaz Sayed-Khaiyum
Attorney General / Acting Minister for Local Government,
Urban Development, Housing and Environment
P O Box 2131
Government Buildings
SUVA

Dear Minister

Re: 2012 ANNUAL REPORT

Please find attached the PRB 2012 Annual Report. This report covers the activities of PRB for year ending 31st December 2012.

The report is in compliance with Section 21 of the Housing Act Cap 267 and should also satisfy one of the Board's KPI's.

We acknowledge Government's commitment to the support of financially disadvantaged tenants of PRB and we look forward for a continued partnership with Government in serving the low income earners in the coming years.

Yours sincerely



MOSESE TIKOITOGA (Colonel)
Chairman of the Board of Directors



Chairman's Report

On behalf of the Board of Directors of Public Rental Board I am pleased to present this year's Annual Report together with the audited statements for the year ending 31st December 2012.

The past year posed challenges to the Board against the backdrop of two major natural disasters (severe floods in April and cyclone Evan in December), meant that efforts for reconstruction and rehabilitation would tie up resources and affect revenue collection. However, despite these challenges, the Board remained composed to successfully manoeuvre the organization through these rough patches to ensure that business proceeded as normal and services continued to be delivered to its communities.

PRB is acutely aware of its responsibilities to Government in its central role to provide the people of Fiji with rental housing of a decent and affordable standard. This is implemented through transitional housing policy where tenants are being encouraged towards home ownership and through construction of new housing units to enable us meet the growing demand.

Collectable revenue was increased by 5% compared to year 2011 figures as a direct result of improved efficiency and the reduction of operational expenses. Indirectly it is as a result of general maintenance upgrading of flats: 63% completed. Whilst on the one hand we remain focused in increasing revenue we are also conscious of the need to develop our communities by making services available and providing them with a stable environment. By doing so PRB hopes to cultivate partnerships which would ultimately foster a genuine effort to stimulate social uplift and economic growth.

Accordingly, the Board concluded 2012 with some significant milestone events namely:

- Completion of in-house general maintenance/renovation projects at Savusavu and Macfarlane
- Increased rental charges
- Recalculation of subsidy criteria
- Upgrade of the Votua estate borehole facility

Having highlighted this, I am also equally aware of the challenges we continue to face. Some include factors that are beyond our control and may dampen our growth. The focus remains on increasing the number of housing units available for the public. I am confident that PRB is poised for some exciting times ahead.

I would like to express my sincere appreciation to my fellow Board Members for their support and contribution in maintaining the long-term sustainability of PRB's operations. Acknowledgment is also appropriate for Government's contribution of annual grants that continues to benefit those that are currently housed with us.

My sincere appreciation as well to the General Manager, his management team and staff of PRB for their dedication to the course of the organization.

Mosese Tikoitoga (Colonel)
Chairman of the Board of Directors

Board of Directors



Colonel Mosese Tikoitoga

Colonel Tikoitoga currently is the Land Force Commander of Republic of Fiji Military Forces and was appointed as PRB Board Chairman in February 2010. He possesses a Degree in Masters of Management of Defense Studies from Canberra University and Masters of Philosophy in Defense and Strategies Studies from Madras University in India. During 1988 to 1989 Colonel Tikoitoga was appointed Platoon Commander (PCommd) Third Battalion Fiji Infantry Regiment (3FIR), Seen Active service in Lebanon, Sinai, East Timor and Iraq. He has also served the RFMF as Senior Instructor of the Officers School, Commanding Officer for FTG – Nasinu, Chief Staff Officer for Training and Doctrine RFMF, Chief of Staff for Land Forces. Colonel Tikoitoga is a former Commissioner Central Division under Ministry of Provincial Development & Multi Ethnic Affairs. Colonel Tikoitoga has attended local and overseas military courses and attained a number of honors and awards.



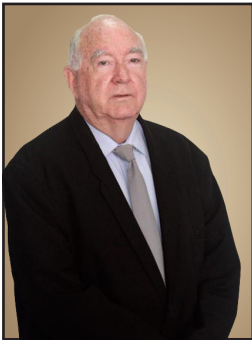
Adrian Sofield

Appointed as PRB Director in September 2010 Mr. Sofield is an architect by profession with over 33 years' experience in the field. Originally from Perth in Western Australia Mr. Sofield has been a Fiji citizen since 1976. He is the current Chairman of the Fiji Trade & Investment Board, Investment Fiji, Airports Fiji Limited and Rewa Dairy. He is also the managing director for Adrian Sofield & Associates Ltd.



Umarji Musa

Mr. Musa holds a Bachelor of Arts degree in Economics and a number of professional credentials. He joined Fiji Development Bank in 1974 and retired in 2010 after serving 36 years. He has had a distinguished career, having held the position of General Manager in the Bank's Lending Operations for 21 consecutive years prior to his retirement. Mr. Musa was appointed as PRB Director in September 2010 and brings across extensive experience in Banking, Financial Analysis, Project Finance, Agricultural Credit and managing large scale, complex and diverse projects. Currently, he practices as an independent Business and Finance Consultant and also serves on a number of Boards.



Father Kevin Barr

Father Barr currently is Consultant to People's Community Network, member of the Housing Board and Chairperson of the Wages Councils. He possesses a Degree in Education, Sociology and Anthropology, Theology plus studies in Economic theories and Development. Father Barr was appointed as PRB Director in March 2008. Born Sydney Australia. Ordained a Catholic priest in 1961. Father Barr has worked for 15 years in PNG teaching in secondary schools and University of PNG. Has now been in Fiji for past 30 years – teaching at PRS, PTC and USP for the first ten years. He is also one of the founders of ECREA, founder of Chevalier Hostel and Chevalier Training Centre for underprivileged youth



Petero Daurewa

Appointed to the Board on 2nd June 2011, Mr. Daurewa holds a Bachelor's Degree in Economics and Accounting from the University of the South Pacific. A brilliant and brut finance person, Mr. Daurewa has worked for various organizations and has held various managerial positions as well until his retirement whilst at the Reserve Bank of Fiji. A community worker since 2007 and currently serves as a Financial Advisor to the Catholic Church of Fiji and is also a member of the Saint Giles Hospital Board of Visitors.



Maraia Ubitau

Appointed to the Board on 2nd June 2011 Mrs Ubitau is a town planner by profession and holds a Masters in Urban and Regional Planning from the University of Sydney, Australia. She has over 30 years of experience in town planning and served as Director of Town & Country Planning for 7 years before joining the Ministry of Local Government, Urban Development, Housing and Environment as the Deputy Secretary from 2008 to 2009 and eventually becoming the Acting Permanent Secretary for the Ministry before retiring in 2010. She currently works as a consultant in the urban development and local government sector.



General Manager's Report

Provision of affordable rental housing is not an end in itself rather; it is as it should be, a transition to home ownership for the 1344 tenants we have across the 19 estates in the country. The challenge for PRB is to effectively carry out re-profiling of tenants and ensuring those that need to exit the system do so after the lapse of their current tenancy agreement. The paradigm shift is from collecting rents, maintaining flats and eviction to one that deals with tenants holistically considering the evolving socio economic changes of tenants and developing strategies so that a win – win arrangement is achieved. Having said this, some issues may be beyond our control like limited funding for expansion of rental housing in major urban centers. However, despite the setback I am confident in our ability to cope with challenges overall and remain focused in implementing strategic plans while maintaining business objectives. Selected highlights of the year include:

- Delivery within budget of estate renovations
- Reviewed rental charges
- Recalculated subsidy
- Completion of Raiwaqa Rugby Club House
- Partnership between PRB and YWCA
- Launch of the Topline Community Watch Council
- Income generation opportunities for women and youth groups in estate communities

Gone are the days when we would concentrate our attention to simply house individuals or families. Through Government's Roadmap for Democracy and Sustainable Socio-Economic Development (2009-2014), there is a genuine and concerted effort by stakeholders to develop our communities. Furthermore, Government's Housing Policy and tax rebates augurs well for us as this would on the one hand attempt to

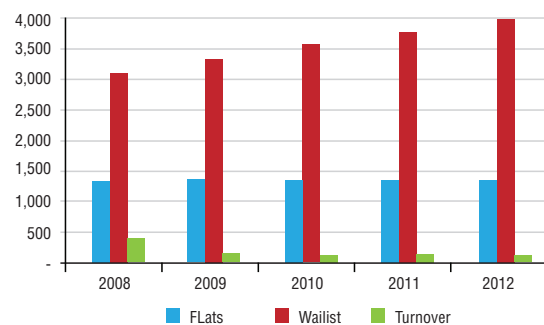
reduce soaring construction costs whilst encouraging home ownership on the other.

This 2012 annual report provides an overview on our progress as well as highlighting how PRB is addressing the following key focus areas:

1. Reduce waitlisted applicants

PRB has had its own challenges in meeting the demand for rental flats. We have never been able to catch up with waitlist applications registered with the Board. Exorbitant construction cost has not assisted PRB in fulfilling the ever increasing demand. For every family housed, we have 34 other families on waitlisted applications compounded by the low turnover of flats brings home the need for consistent flat construction. A five - year comparison on the number of flats available for renting against waitlist and turnover of flats is presented in the graph below.

No. of Flats, Waitlist Applications & Flats Turnover



What is needed is the innovative style of construction that meets the Standard Construction Code of Fiji.

2. Corporate Governance

The Board of Directors and Management are responsible for corporate governance and remain committed to upholding high standards of integrity and transparency in their governance of the Board. Finance, Audit and Risk Management Subcommittee further strengthens the Board's Corporate Governance.

Role of the Board

The role of the Board is to assume accountability for the success of Public Rental Board by taking responsibility for the organization's direction in order to meet the objective of enhancing stakeholder value.

The Board

Board of Directors is appointed by Minister for Housing under the Housing (Amendment) Decree 1989 for an initial term of three (3) years and who may be eligible for re-appointment for another term.

Meetings of the Board

The regular business of the Board during its meetings covers business and strategic matters, governance and compliance, the General Manager's report, financial report and performance of PRB.

Members' attendance at Board meetings during the financial year under review is tabled below:

Director	Number of to meetings entitled attend	Number of meetings attended	Apologies Received
Col Mosese Tikoitoga	10	8	2
Father Kevin Barr	7	5	2
Mr. Adrian Sofield	10	8	2
Mr. Petero Daurewa	7	7	0
Ms. Maraia Ubitau	7	5	2
Mr. Umarji Musa	10	8	2

The Board met 12 times during the year under review.

Sub-committees of the Board

The Board has formally constituted three (3) sub-committees;

- Property Subcommittee
- Finance, Audit and Risk Management Subcommittee and
- Human Resources Subcommittee.

As at the balance date, the Property Subcommittee comprised Mr. Adrian Sofield, Ms. Maraia Ubitau, Mr. Umarji Musa, Mr. Petero Daurewa and Father Kevin Barr.

The Property Subcommittee has overview and responsibility over flat construction and development, general renovation of flats, engagement of private contractors for construction works and overall management of projects. Though the sub-committee did not have any meetings during the financial year under review, the executive management took decisions in consultation with the members of the sub-committee where necessary.

As at the balance date, the Finance, Audit and Risk Management Subcommittee comprised Mr. Umarji Musa, Mr. Petero Daurewa, Father Kevin Barr, and Mr. Adrian Sofield.

The Finance, Audit and Risk Management Subcommittee is responsible for monitoring PRB's financial strategies, monitoring the external audit of the Board's affairs, reviewing the half-year and annual financial statements and monitoring the Board's compliance with applicable laws and ministerial requirements. The Subcommittee is also responsible for monitoring the Risk Management aspect to ensure that key business and operational risks are identified and appropriate controls and procedures are put in place to manage those risks.

Though the sub-committee did not have any meetings during the financial year under review, the executive management took decisions in consultation with the members of the sub-committee, where necessary.



As at the balance date, the Human Resources Subcommittee comprised Mr. Umarji Musa, Mr. Adrian Sofield, Father Kevin Barr, and Ms. Maraia Ubitau.

The Human Resources Subcommittee is responsible for providing recommendations to the Board for executive management appointment and remuneration, staff performance appraisal, administrative affairs of PRB, and staff welfare in the best interest of PRB. Though the sub-committee did not have any meetings during the financial year under review, the executive management took decisions in consultation with the members of the sub-committee, where necessary.

3. Rental Revenue

Actual rent charge for year 2012 was computed at \$2,200,385 and market rental charge at \$2,581,457. The Board through its rental collection initiatives collected \$1,823,235 against the total collectable rent of \$2,156,377. Actual rent collected over actual rent charged is approximately 83% and approximately 71% of total market rent charge. The total rent collected includes rent for the period, arrears payments, and advance rental payments by tenants. Table 1 shows the collection amounts since commencement of operations.

The 2012 social cost (difference between market rent and actual rent) was directly funded by Government from allocated subsidy grant. Government's contribution towards payment of social cost was approximately \$243,707.99 for the reporting year.

Actual Collections Comparison: 1990 to 2012

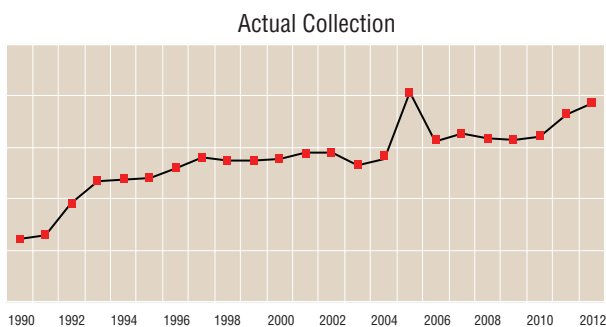


Table 1

ACTUAL COLLECTION	
1990	\$ 615,000
1991	\$ 650,336
1992	\$ 954,104
1993	\$ 1,174,526
1994	\$ 1,187,169
1995	\$ 1,200,756
1996	\$ 1,301,729
1997	\$ 1,401,013
1998	\$ 1,370,155
1999	\$ 1,370,155
2000	\$ 1,389,168
2001	\$ 1,445,754
2002	\$ 1,456,199
2003	\$ 1,332,285
2004	\$ 1,392,923
2005	\$ 2,040,905
2006	\$ 1,555,592
2007	\$ 1,638,105
2008	\$ 1,589,496
2009	\$ 1,573,695
2010	\$ 1,606,895
2011	\$ 1,823,235
2012	\$1,921,375

4. General Maintenance

PRB commenced the second round of general maintenance program in year 2008. In this cycle PRB undertakes general improvements and upgrading of its facilities such as tiling wet areas & floors, placement of ceiling etc. following which, rental charges are reviewed equivalent to the market rent.

Tenants are however subsidized accordingly where appropriate. Thus maintenance is very important for PRB as money earned from rental is the major contributing source of income for the Board. General maintenance undertaken in 2012 was in the following estates as presented in Table 2.

Table 2

Estates	Contractor	Budget (\$)	Contract Sum (\$)	Expenditure
Macfarlane Raiwai	PRB Maintenance Team – in house	\$200,000	\$200,000	\$ 118,676.36
Savusavu	PRB Maintenance Team – in house	\$80,000	\$80,000	\$ 65,664.64

Distribution of Rental Subsidy

Subsidy assistance is provided to deserving tenants based on their household Weekly Gross Income (WGI) in accordance with approved subsidy allocation criteria. Some 569 financially disadvantaged tenants received a total of \$549,947.67 subsidy assistance in 2012. Rental subsidy assistance given is the difference between actual rent and amount afforded by tenants.

The Board in 2012 reviewed rent charges for 2 estates (Macfarlane and Savusavu). This brings the total number to 12 estates being applied progressively with the new rent charges after completion of general maintenance. These are Charles St, Kalabu, Kia St, Levuka, Namaka, Mead Rd, Simla, Newtown, Nadera, Tuatua, Macfarlane and Savusavu.

The subsidy criteria was reviewed in year 2010 following valuation of properties to determine market rent charges and claim the non-commercial obligations (social cost) from Government's annual subsidy grant. Subsidy is allocated according to the subsidy agreement between Ministry of Housing and the Board. New subsidy criteria and rent charge would only be applicable to the above estates and will continue to apply to all other estates after general maintenance is carried out.

The 1999 and new 2010 subsidy criteria are provided herein as follows:

1999 Subsidy Criteria	
Weekly Gross household Income \$0 - \$64, tenant pays	5% of Income
Weekly Gross household Income \$65 - \$80, tenant pays	10% of Income
Weekly Gross household Income \$80 - \$100, tenant pays	15% of Income
Weekly Gross household Income \$101 - \$125, tenant pays	20% of Income
Weekly Gross household Income \$126 - \$150, tenant pays	25% of Income

These criteria are still applied to all estates where rent has not been reviewed.

2010 Subsidy Criteria	
Weekly Gross household Income \$0 - \$80, tenant pays	5% of Income
Weekly Gross household Income \$80 - \$100, tenant pays	8% of Income
Weekly Gross household Income \$100 - \$125, tenant pays	11% of Income
Weekly Gross household Income \$126 - \$150, tenant pays	14% of Income
Weekly Gross household Income \$151 - \$175, tenant pays	17% of Income
Weekly Gross household Income \$176 - \$200, tenant pays	20% of Income

These criteria are applied to the 12 estates where rent has been reviewed from 2010 onwards and will continue to apply to all other estates after rent review process.

5. New Developments and Construction

Re-development work at Raiwai and work at Raiwaqa through loan from EXIM Bank of China have commenced in August 2011. It is anticipated that 208 rental flats would be constructed at Raiwai and some 220 flats at Raiwaqa. The Chinese contractor (China Railway First Group) has confirmed completing both these projects by end of 2013. Raiwai Housing project is expected to complete in early 2013 and available for letting. The design structure and concepts have been changed in these developments to allow for private entrance and balcony for tenants.

The Board is still considering and exploring cheaper construction methods to construct 30 units at Kalabu subject to availability of funds. High cost of construction is another reason for the delays in getting this project off the ground.

PRB is liaising with Housing Authority for confirmation of land available for PRB in their planned development sites.

6. Tenancy Management

Table 3

	Valid Tenancies	Tenancies In-Valid for renewal	No. of Agreements issued in 2012	No. of Agreements issued in 2011
No. of Tenancies	1106	238	324	1009

7. Sale of Rental Flats

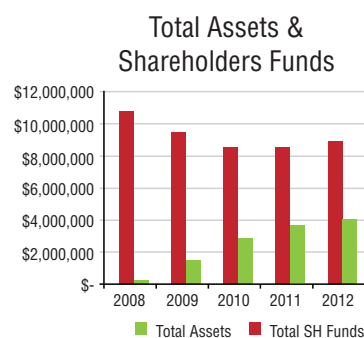
The Board in 2003 approved the sale of flats at Grantham Road and Kia Street estates to sitting tenants. Makoi estate was also sold to tenants in year 1992 however, 2 flats were not sold due to some technical glitch in the registration of titles and progressively attempts have been made to correct the situation. Table 4 indicates the pending settlement for Makoi estate.

Table 4

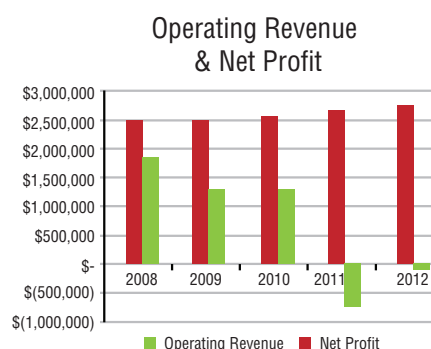
Estates	No. of Flats on Sale	No. Sold as at 31.12.2012	Balance to be sold	Selling Price	Market Value for each unit
Makoi	2	1	1	Ranging from \$30,000.00 to \$40,000.00	Ranging from \$30,000.00 to \$40,000.00

8. Financial Highlights

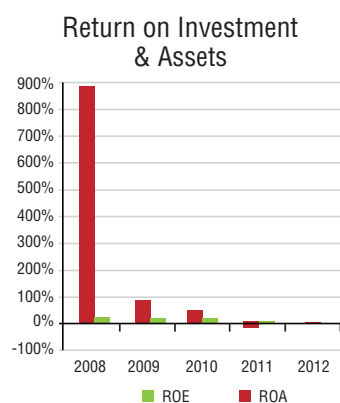
Total Assets & Shareholder's Funds		
Years	Total Assets	Total SH Funds
2008	10,791,047	207,042
2009	9,476,701	1,502,149
2010	8,507,356	2,815,137
2011	8,486,877	3,613,371
2012	8,877,283	4,020,823



Operating Revenue & Net Profit		
Years	Operating Revenue	Net Profit
2008	2,488,430	1,850,510
2009	2,487,212	1,295,107
2010	2,503,867	1,312,988
2011	2,663,162	(750,412)
2012	2,752,632	(123,638)



Return on Investment & Assets		
Years	ROE	ROA
2008	894%	20%
2009	86%	17%
2010	47%	17%
2011	(21%)	(8%)
2012	(3%)	(1%)



9. Financial Report

Statement of Comprehensive Income (Extract)

	12 Months period ending 31.12.12	12 Months period ending Re stated 31.12.11
Total Income	2,806,584	2,720,787
Total Expenses	-2,910,895	-3,375,667
Operating profit before interest expenses	-104,311	-654,880
Operating Profit % to Total Income	-3.72%	-24.07%
In interest Expenses	19,328	95,532
Net Profit % to Total Income	-4.41%	-27.58%
Other Comprehensive Income	-	-
Total Comprehensive Income for the Year	-123,638	-750,412

Total Income reported as at 31st December 2012 increased by approximately 3% compared against same period last year. Increases were reported in rental income after rents were increased in 2 estates.

Total comprehensive deficit (net loss) for year 2012 however decreased by approximately 84% compared against same period last year. Total expenses decreased by approximately 14% contributing to this reduction in net loss. A significant decrease was reported in building repairs and maintenance expenses.

Statement of Financial Position (Extract)

	12 Months period ending 31.12.12	12 Months period ending Restated 31.12.11
Non Current Asset	7,410,534	7,007,467
Current Asset	1,466,749	1,479,410
Total Asset	8,877,283	8,486,877
Total Equity	4,020,823	3,613,371
Non Current Liabilities	651,544	705,495
Current Liabilities	4,504,917	4,168,011
Total Liabilities	4,856,460	4,873,506
Total Equity and Liabilities	8,877,283	8,468,877

Non-Current assets increased by approximately 6% as a result of ongoing capital projects Raiwai Housing Project, Naodamu Community Hall, whilst Current Assets decreased by approximately 0.90%. Current Liability increased by approximately 0.89% and Non-Current Liability decreased by 7.6% respectively whereas total equity increased by approximately 11.3%. Total Equity increased due to the government grant being converted from revenue to equity.

Cash Flow

Net cash flow for the financial year ending 31st December 2012 was managed efficiently despite a difficult year. The cash and cash equivalent position decreased by approximately 2%; as a result of increase in payments for property

10. Financial Ratio Analysis

Liquidity & Activity Analysis

Liquidity analysis measures the adequacy of the Board's cash resources to meet its near-term cash obligations.

Activity analysis evaluates revenue and output generated by the Board's assets.

I. Current Ratio – Measures short-term debt obligations.

	2012	2011
Current Asset / Current Liabilities	0.35	0.36

The current ratio indicates that approximately 35% of current liabilities for financial year ending 2012 would be paid off upon liquidating 100% of current asset compared against 36% same period last year. Under normal circumstances this ratio should be at least 2:1. The Board's current ratio indicates that it lacks adequate cash to meet its short term debts and other obligations. A more conservative measure of liquidity is as follows:

Quick Ratio	2012	2011
Cash + marketable securities + accounts receivable / Current Liabilities	0.34	0.35

The current assets are referred to as "quick assets" because they can be quickly converted to cash.

II. Average No. of Days Receivables Outstanding – Measure the effectiveness of the Board's credit policies and indicates the level of investment in receivables needed to maintain a desired rental income level.

	2012	2011
Average No. of Days Receivables Outstanding	12	14

Average collection days have improved by 2 days in the reporting year compared against the same period last year. This indicates PRB is becoming efficient on collecting rental income.

Long-Term Debt and Solvency Analysis

Examines the Board's capital structure, including the mix of financing sources and the ability of PRB to satisfy its longer-term debt and investment obligations.

III. Debt to Equity Ratio (financial leverage) – Measures how much money the Board should safely be able to borrow over long periods of time.

	2012	2011
Total Debt / Total Equity	1.21	1.36

The debt to equity ratio for financial year ending 2012 decreased compared against same period last year. This is mainly due to the full payment of Fiji National Provident Fund – Housing Authority Loan and cushioned by an increase in total equity.

Profitability Analysis

Measures the income of the Board relative to revenue and invested capital.

IV. **Return on Assets (ROA)** – Measures how much profit is generated on every dollar of assets. This is a strong basis to gauge the asset intensity of the Board. It is probably one of the most useful measures of management’s ability and efficiency in using the Board’s assets to generate (operating) profits.

ROA is calculated using the formula: Earnings before Interest & Taxes / Total Assets

	2012	2011
Return on Assets	(1.18%)	(7.72%)

As a general rule, anything below 5% is more asset intensive whilst anything above 20% is less asset intensive. The above table indicates that the Board’s ROA is less assets intensive.

V. **Return on Equity (ROE)** – Measures how much profit is earned in comparison with the total shareholder equity in balance sheet.

ROE is calculated using the formula: Net Profit / Total Equity

	2012	2011
Return on Equity	(3%)	(21%)

ROE increased by approximately 85% compared against the same period for the previous year. It is generally accepted that a high return on equity is capable of generating cash internally. The required rate of return on equity ratio under the Public Enterprise Act is 10%.

VI. **Profitability Ratio** – Measures the percentage of profit made on income by the Board.

	2012	2011
Profitability Ratio	(4%)	(28%)

The profitability ratio increased for reporting financial year by approximately 86% compared to the same period in the previous year. In 2013 Ministry of Public Enterprise issued a circular in which it required any grant or special funding to state owned Enterprises to be recorded as capital contribution in equity rather than grant income. This change was made effective from 2010. Hence 2010 and 2011 financials were restated to reflect the changes therefore a negative profitability ratio was achieved.

11. Human Resources, Payroll & Administration Report

Staff Personnel

Public Rental Board’s personnel are divided into two categories of Established and Permanent Un-Established Staff. Staff costs continue to be a major expense for the Board. This comprises approximately 40% of the rental income in the current year. However, this percentage of staff cost against rental income would have been more (47%) if market rental were not subsidized by Government. Public Rental Board staff formation is tabulated below.

Division	No. of Staff
Executive	2
Finance and Administration	9
Property	17
Un-Established	19
Total	47

For the year under review, PRB recruited four new staff members however; acknowledgement is given to three who retired after spending collectively 64 years of fruitful service to the Board.

Training

Training and development has been an ongoing challenge for the Board as it pursues the alignment of knowledge, skills and attitude of its workforce to new methods.

The Board ensures that relevant training and development of its workers are conducted at all levels of the organization. Performance gaps were identified during the Performance Management System’s evaluation process in the reporting year and necessary actions taken in terms of training (mostly internal) in order to address these gaps. In addition to in-house training and workshops, employees also attended work related short courses conducted by



various training institutions. Tabled below is a summary of 11 external training programs attended by 25 employees.

Courses/Conference	Facilitator	No. of Participant(s)
Changes in Tax System 2012	FIA	3
The Human Resources Industry	FHRI	1
Quality Maintenance	FNU	1
Conducting Effective Meetings	FNU	2
Quality Control	FNU	1
Trade Test Class III	FNU	6
MS Excel	DATEC	1
Fort iGATE Training	VT SOLUTIONS	1
Wireman's Course	FNU	3
Exceptional Customer Service	FNU	5
ITAC	VT SOLUTIONS	1

Job Evaluation

The Board of Directors initiated the review of Salary and Wages at PRB in late 2011, following which PwC was appointed as consultants to carry out this project in the year under review. The first job evaluation exercise was implemented in 2005 that included a Performance Management System tailor made to PRB's situation. The current review is an enhancement to the practice and looked at rewarding high performers through establishment of stretch targets in the system.

12. Information & Communication Technology

The use of Microsoft® Business Solutions – Navision® (4) as the main integrated database system has enhanced work including the provision of quality information for better decision making for the Board. Further enhancements are made to Nav 4 as and when required.

Modules integrated in Nav 4 are listed as follows:

- Finance & Accounting
- Payroll & Accounting
- Fixed Assets Register
- Rental System (Debtors Subsidiary)
- Creditors System (Creditors Subsidiary)
- Development & Tendering
- Tenants Complaints

Acknowledgement

PRB is delivering service to stakeholders proactively to be able to increase efficiency and improve service delivery so that we can continue to be a strategic player in the housing sector. 2013 will be a challenging year at best, but we remain confident in delivering forecasted projects and programmes.

I would also like to thank Government for their on-going financial support in the form of yearly grants which has enabled us to effectively provide housing for low income earners. This continues to show Government's efforts and sincerity in providing housing for all.

My appreciation goes to our Chairman and the Board of Directors who have been instrumental in charting the business process in 2012.

Finally I also owe the management team and staff of PRB my gratitude for their support and commitment for the work accomplished in the past financial year.

Mesake T Senibulu
GENERAL MANAGER

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2012

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PUBLIC RENTAL BOARD DIRECTORS' REPORT YEAR ENDED 31 DECEMBER 2012

In accordance with a resolution of the Board of Directors, the Directors herewith submit the statement of financial position of the Board as at 31 December 2012, the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and report as follows:

Directors

The directors of the Board during the financial year and up until the date of this report are:

Directors	Appointed	Served Until
Mr. Moses Tikoitoga - Chairman	Feb-10	-
Father Kevin Barr - Member	Jun-11	-
Mr Adrian Sofield - Member	Sep-10	-
Mr. Petero Daurewa	Jun-11	-
Ms. Maraia Ubitau	Jun-11	-
Mr. Umarji Musa - Member	Sep-10	-

Principal Activities

The principal activities of the Board during the course of the financial year were providing public rental housing to low income earners, estate services and building projects. There were no significant changes in the nature of activities of the Board during the year.

Results

The operating loss for the year was \$123,638 (2011: \$750,412).

Dividends

The Directors recommend that no dividends be declared or paid for the year.

Reserves

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

Bad and Doubtful Debts

Prior to the completion of the Board's financial statements, the directors took reasonable steps to ascertain that action had been taken in relation to writing off of bad debts. In the opinion of directors, the provision for doubtful debts is adequate.

As at the date of this report, the directors are not aware of any circumstances, which would render the amount written off for bad debts inadequate to any substantial extent.

Non Current Assets

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

As at the date of this report, the directors are not aware of any circumstances, which would render the values attributed to non current assets in the Board's financial statements misleading.

**PUBLIC RENTAL BOARD
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2012**

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 Board during the financial 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 financial 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 Board in the current financial year, other than those reflected in the financial statements.

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 members of the Board, to affect significantly the operations of the Board, the results of those operations, or the state of affairs of the Board, in subsequent financial years.

Other Circumstances

As at the date of this report:

- (i) no charge on the assets of the Board has been given since the end of the financial year to secure the liabilities of any other person;
- (ii) no contingent liabilities have arisen since the end of the financial year for which the Board could become liable; and
- (iii) no contingent liabilities or other liabilities of the Board has become or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Board 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 Board's financial statements, which would make adherence to the existing method of valuation of assets or liabilities of the Board misleading or inappropriate.

Directors' Benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than those included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements or received as the fixed salary of a full-time employee of the Board or of a related corporation) by reason of a contract made by the Board or by a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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

Dated this 30th day of July 2013.



Director



Director

**PUBLIC RENTAL BOARD
STATEMENT BY DIRECTORS
YEAR ENDED 31 DECEMBER 2012**

In accordance with a resolution of the Board of Directors of Public Rental Board, we state that in the opinion of the directors:

- (i) the accompanying statement of comprehensive income of the Board is drawn up so as to give a true and fair view of the results of the Board for the year ended 31 December 2012;
- (ii) the accompanying statement of changes in equity of the Board is drawn up so as to give a true and fair view of the changes in equity of the Board for the year ended 31 December 2012;
- (iii) the accompanying statement of financial position of the Board is drawn up so as to give a true and fair view of the state of affairs of the Board as at 31 December 2012;
- (iv) the accompanying statement of cash flows of the Board is drawn up so as to give a true and fair view of the cash flows of the Board for the year ended 31 December 2012;
- (v) "at the date of this statement there are reasonable grounds to believe the Board 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 Board.

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

Dated this 30 day of July 2013.



Director



Director



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

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Excellence in Public Sector Auditing

**PUBLIC RENTAL BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

INDEPENDENT AUDIT REPORT

I have audited the accompanying financial statements of Public Rental Board which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity, the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information as set out on pages 11 to 22.

Directors and Management's Responsibility for the Financial Statements

The directors and management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Housing Act 1985 (Cap 267) and the Public Enterprise Act (1996) and Housing Amendment Decree (1989). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

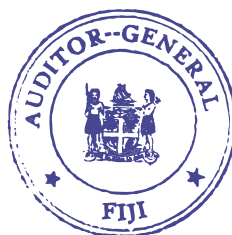
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Audit Opinion In my opinion:

- (a) proper books of account have been kept by the Public Rental Board, 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; and
 - (ii) to the best of my information and according to the explanations given to me:
 - give a true and fair view of the state of affairs of the Public Rental Board as at 31 December 2012 and its financial performance, changes in equity and its cash flows for the year ended on that date; and
 - give the information required by the Housing Act 1985 and Public Enterprise Act 1996 in the manner so required.

I have obtained all the information and explanation to the best of my knowledge and belief, were necessary for the purpose of the audit.

Tevita Bolanavanua AUDITOR GENERAL
21 August 2013 Suva, Fiji



PUBLIC RENTAL BOARD
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2012

	Notes	2012 \$	2011 \$ Restated
Revenue			
Rental Revenue		2,632,329	2,581,457
Other operating income	2	169,189	132,775
Interest Revenue	5	5,066	6,555
		2,806,584	2,720,787
Expenses			
Amortisation and depreciation expense	-	(371,879)	(380,724)
Employee benefit expense	3	(1,123,012)	(984,029)
Other operating expenses	4	(1,416,004)	(2,010,914)
		(2,910,895)	(3,375,667)
Profit/(Loss) from operations		(104,310)	(654,880)
Interest Expenses	5	(19,328)	(95,532)
Net loss for the year		(123,638)	(750,412)
Other comprehensive income		-	-
Total comprehensive income for the year		(123,638)	(750,412)

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

**PUBLIC RENTAL BOARD
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2012**

	2012 \$	2011 \$ Restated
Government equity		
Balance at the beginning of the year	3,865,126	2,316,480
Additions during the year	531,090	1,548,646
Balance at the end of the year	4,396,216	3,865,126
Accumulated losses		
Balance at the beginning of the year	(251,755)	498,657
Net loss for the year	(123,638)	(750,412)
Total available for appropriation	(375,393)	(251,755)
Dividends paid or proposed	-	-
Balance at the end of the year	(375,393)	(251,755)
Total Equity	4,020,823	3,613,371

**PUBLIC RENTAL BOARD
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2012**

	Notes	2012 \$	2011 \$ Restated
ASSETS			
Non-current assets			
Property, plant and equipment	6	7,324,645	6,921,527
Intangible asset	7	8,145	8,245
Investments		77,744	77,695
		7,410,534	7,007,467
Current assets			
Cash and short term deposits	8	1,336,820	1,365,234
Rent receivables	9	83,829	102,290
Inventories	10	1,987	1,578
Prepayments and other assets	11	44,113	10,308
		1,466,749	1,479,410
		8,877,283	8,486,877
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Capital and reserves			
Government equity		4,396,216	3,865,126
Accumulated losses		(375,393)	(251,755)
Total equity		4,020,823	3,613,371
Non- current liabilities			
Deferred revenue	12	651,544	705,495
Interest bearing debt	13	-	-
		651,544	705,495
Current liabilities			
Trade payables and accruals	14	2,938,085	2,372,334
Interest bearing debt	13	1,014,712	1,524,346
Deferred revenue	12	57,625	57,625
Employee entitlements	15	194,495	213,706
		4,204,917	4,168,011
Total liabilities		4,856,460	4,873,506
TOTAL EQUITY AND LIABILITIES		8,877,283	8,486,877

The accompanying notes form an integral part of this Statement of Financial Position.
For and on behalf of the board and in accordance with a resolution of the directors.



Director



Director

PUBLIC RENTAL BOARD
STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2012

	2012	2011
Note	Inflows/ (Outflows) \$	Restated Inflows/ (Outflows) \$
Operating activities		
Receipts from customers	2,751,691	2,928,248
Payments to suppliers and employees	(2,047,960)	(2,566,477)
Interest paid	(19,328)	(139,699)
Interest received	5,066	6,555
Cash flows from operating activities	689,469	228,627
Investing activities		
Payments for property, plant and equipment	(739,289)	(50,345)
Payments for Investments	(50)	(2,264)
Cash flows from investing activities	(739,339)	(52,609)
Financing activities		
Proceeds from borrowings	21,456	112,540
Cash flows from financing activities	21,456	112,540
Net increase/(decrease) in cash and cash equivalents	(28,414)	288,558
Cash and cash equivalents at the beginning of the year	1,365,234	1,076,676
Cash and cash equivalents at the end of the year	8 1,336,820	1,365,234

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

PUBLIC RENTAL BOARD NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

1.0 Corporate Information

The Public Rental Board ("the Board") is a fully owned Government of Fiji entity domiciled in Fiji. The financial statements were authorised for issue in accordance with a resolution of the Directors on 30/07/2013.

The principal activities of the Board are described in Note 18.

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.

Statement of compliance

The financial statements of Public Rental Board have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Borrowings of the Board that are utilised to fund its ongoing operations are guaranteed by the Government of Fiji and on this basis, the Board is satisfied that it will continue as a going concern and will be able to realise its assets and discharge its liabilities in the normal course of business.

Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the classification of liabilities that may be necessary if the Board is unable to continue as a going concern.

IAS 1 Presentation of Financial Statements

This standard requires the Board to make new disclosures to enable users of the financial statements to evaluate the Board's objectives, policies and processes for managing capital. These new disclosures are shown in Note 20.

1.2 Significant accounting judgments, estimates and assumptions

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

Judgments

In the process of applying the Board'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 Board has entered in commercial property leases. The Board has determined based on an evaluation of the terms and conditions of the arrangements, that it does not retain all the significant risks and rewards of ownership of the property and so accounts for the contracts as operating leases.

**PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31 DECEMBER 2012**

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 of non financial assets

The Board assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

1.3 Summary of significant accounting policies

a) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria is met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

Leasehold land	Over period of lease
Building	Over their estimated remaining useful life
Furniture, fittings and equipment	20%
Motor vehicles	20%
Office premises	2.5%

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 the profit or loss in the year the asset is recognised.

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

b) Intangible assets

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. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets for the Board are assessed to be finite.

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31 DECEMBER 2012

1.3 Summary of significant accounting policies

b) Intangible assets - continued

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is renewed at least at each financial year end. Changes in the expected useful life or expected pattern of consumption in future economic benefits embodied in the asset is accounted by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangibles assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Gain or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

c) Impairment of non financial assets

The Board assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Board estimates the asset's 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.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate value model is used.

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 Board 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 a reversal is recognised in the income statement.

d) Rent receivables

Rent receivables are recognised on an accrual basis and are stated at cost less impairment losses (doubtful debts). Gains or losses are recognised in profit or loss when the receivables are derecognised or impaired, as well as through the amortisation process. Bad debts are written-off as incurred.

e) Inventories

Inventories include items held for general repairs and maintenance of the Board's properties and are valued at the lower of cost and net realisable value. Cost has been determined on the basis of the "first-in-first-out" principle and includes expenditure incurred in acquiring the inventories and bringing it to its existing condition and location. Provision for inventory obsolescence is created for obsolete inventory items.

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31 DECEMBER 2012

1.3 Summary of significant accounting policies

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) Financial liabilities

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs, and have not been designated 'as at fair value through profit or loss'.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

h) Provisions

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

Where the Board expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when reimbursement is virtually certain. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

i) Employee entitlements

Employee entitlements relating to wages, salaries, annual leave, sick leave, long service leave and retirement benefit represents the amount which the Board has a present obligation to pay resulting from the employees' services provided up to balance date.

Wages and salaries, sick leave and annual leave

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

Provision for long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Retirement provision

Provision for retirement leave have been calculated on an actuarial basis, based on the present value of expected future entitlements.

**PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31 DECEMBER 2012**

1.3 Summary of significant accounting policies

m) Revenue recognition - continued

Government grant

The Government provides an annual grant to the Board to subsidise rental payments for tenants. 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) Social cost grant

Fund received from Government are applied to subsidise the social cost that is incurred by the Board in levying rental below market rates. The amount is recognised directly in the profit or loss as revenue when the grant is received.

ii) Rent subsidy grant

Funds received from Government to subsidize the rental charges levied by the Board to tenants. The grant is allocated to specific tenant rental accounts on a progressive basis on the level of income earned by tenants.

iii) Deferred grant

Any other government grant is recognised in the statement of financial position initially as deferred income when there is reasonable assurance that it will be received and that the Board will comply with the conditions attaching to it. Grants that compensate the Board for the cost of an asset are recognised in the profit or loss as revenue on a systematic basis over the useful life of the asset.

n) Net financing cost

Net financing costs comprise of bank charges, interest received and interest paid and payable on borrowings and are recognised in the profit or loss.

2. Other operating income

Government grants

Amortisation of deferred revenue from government grants

Gain on sale of property, plant and equipment

Other income

3. Employee benefit expense

Salaries and wages

FNPF contributions

TPAF levy

Others

	2012	2011
	\$	\$
		Restated
	53,952	57,624
	35,607	-
	79,630	75,151
	169,189	132,775
	\$	\$
	987,289	838,445
	68,363	80,396
	8,830	10,535
	58,530	54,653
	1,123,012	984,029

The number of employees at the end of the financial year was 47 (2011:46)

PUBLIC RENTAL BOARD
 NOTES TO FINANCIAL STATEMENTS (CONT'D)
 YEAR ENDED 31 DECEMBER 2012

	2012 \$	2011 \$
4. Other operating expense		
Auditors' remuneration - audit fees	4,500	13,500
Bad and doubtful debts	17,996	19,676
Insurance	28,081	24,027
Repairs and maintenance	621,705	909,323
Others	743,722	1,044,388
	1,416,004	2,010,914
5. Net financing cost	\$	\$
Interest income	(5,066)	(6,554)
Interest expense	19,328	95,532
Total costs	14,262	88,978
6. Property, plant and equipment		
Land and Buildings	\$	\$
Cost:		
At 1 January	15,039,006	14,961,899
Transfer from Work in progress	-	77,107
Additions	-	-
Disposals	(1,906)	-
At 31 December	15,037,100	15,039,006
<i>Depreciation and impairment</i>		
At 1 January	9,125,042	8,856,410
Depreciation charge for the year	258,903	268,632
Disposals	-	-
At 31 December	9,383,945	9,125,042
Net book value	5,653,155	5,913,964
Office premises	\$	\$
Cost:		
At 1 January	171,071	171,071
Transfer from Work in progress	-	-
Additions	-	-
Disposals	-	-
At 31 December	171,071	171,071
<i>Depreciation and impairment</i>		
At 1 January	95,437	91,194
Depreciation charge for the year	4,277	4,243
Disposals	-	-
At 31 December	99,714	95,437
Net book value	71,357	75,634

PUBLIC RENTAL BOARD
 NOTES TO FINANCIAL STATEMENTS (CONT'D)
 YEAR ENDED 31 DECEMBER 2012

	2012 \$	2011 \$
6. Property, plant and equipment		
Motor vehicles		
Cost:		
At 1 January	633,837	632,474
Transfer from Work in progress	-	-
Additions	-	-
Disposals	-	1,363
At 31 December	633,837	633,837
<i>Depreciation and impairment</i>		
At 1 January	385,311	302,736
Depreciation charge for the year	82,703	82,575
Disposals	-	-
At 31 December	468,014	385,311
Net book value	165,823	248,526
Furniture and fittings	\$	\$
Cost:		
At 1 January	839,649	818,531
Transfer from Work in progress	-	-
Additions	21,822	22,595
Disposals	-	(1,477)
At 31 December	861,471	839,649
<i>Depreciation and impairment</i>		
At 1 January	498,839	476,068
Depreciation charge for the year	23,826	22,771
Disposals/Additions	-	-
At 31 December	522,665	498,839
Net book value	338,806	340,810
Work in progress	\$	\$
Cost:		
At 1 January	340,843	353,238
Transfer to land and buildings	-	(77,107)
Additions	748,450	74,679
Disposals	-	(9,967)
Net book value	1,089,293	340,843
Other Long Term Assets		
Security Deposit - FEA	6,211	1,750
Net book value	7,324,645	6,921,527

**PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31 DECEMBER 2012**

7. Intangible asset

	2012	2011
	\$	\$
Cost		
At 1 January	8,245	768
Additions	2,070	9,980
At 31 December	10,315	10,748
Additions	-	-
At 31 December	10,315	10,748
Less amortisation and impairment:		
At 1 January	-	-
Amortisation	2,170	2,503
At 31 December	2,170	2,503
Amortisation	-	-
At 31 December	2,170	2,503
Net book value:		
At 31 December	8,145	8,245
At 31 December	8,145	8,245

8. Cash and short term deposits

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investment in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash	386,820	265,234
Short term deposits	950,000	1,100,000
	1,336,820	1,365,234

9. Rent receivables

	\$	\$
Rent receivable	102,099	141,833
Less provision for Doubtful Debts	18,270	39,543
	83,829	102,290

As at 31 December 2012 rent receivables at nominal value of \$102,099 (2011: \$141,833) were impaired and fully provided for.

Movement in the provision for impairment of receivables were as follows:

At 1 January	39,543	39,682
Charge for the year	-	-
Utilised	-	-
Unused amount reversed	(21,273)	(139)
At 31 December	18,270	39,543

**PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31 DECEMBER 2012**

9. Rent receivables - continued

At 31 December, the ageing analysis of rent receivables is as follows:

Current

30- 60 days

61 -90 days

> 90 days

	2012	2011
	\$	\$
	15,562	38,915
	24,350	(12,521)
	(1,722)	37,087
	63,910	78,352
	102,099	141,833
	\$	\$
	1,987	1,578
	\$	\$
	34,778	4,753
	7,111	3,116
	2,224	2,439
	-	-
	44,113	10,308
	\$	\$
	57,625	57,625
	651,544	705,495
	709,169	763,120

10. Inventories

Inventories - at cost

11. Prepayments and other assets

Prepayments

Interest receivable

Sundry receivable

Subsidy receivable

12. Deferred revenue

Current

Non current

Deferred revenue relates to grant received from the Government for the construction of the Kaukimoce, Newtown stage 2, Kia Street, Newtown stage 3 and Raiwaqa flats in 1997, community halls at Vakatora in 2005, Vunimoli and Natokowaqa in 2008 and Kalabu in 2009, Newtown, Simla and Golf Link Community Halls in 2011. Revenue is brought to account over the periods necessary to match the related cost of the buildings.

13. Interest bearing debt

Current

Housing Authority bond

Housing Authority loans

Promissory notes

Non current

Housing Authority loans

	\$	\$
	1,014,712	1,014,712
	-	509,634
	-	-
	1,014,712	1,524,346
	\$	\$
	-	-
	1,014,712	1,524,346

The promissory notes are guaranteed by the Government of the Republic of Fiji under the Public Rental Board Guarantee Decree No. 8, 1990.

The term loans owing to Housing Authority but ultimately to the Fiji National Provident Fund (FNPF), are guaranteed by the Government of the Republic of Fiji under the Public Rental Board loan Guarantee decree No. 9,(1990). The term loans were transferred from the Housing Authority in 1989 and are payable in bi-annual instalment over twenty years, including interest between 7.095% and 8.375%. The Loan has been fully settled in 2012.

The Housing Authority bond is due and payable to the Government of the Republic of Fiji.

**PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31 DECEMBER 2012**

14. Trade payables and accruals

Trade creditors and accruals
Consultancy
Rental deposits
Credit balances in receivables
Unallocated subsidy

2012	2011
\$	\$
1,457,028	988,677
2,435	30,000
249,701	242,250
690,934	687,764
537,987	423,643
2,938,085	2,372,334

The table below summarises the maturity profile of the Board's financial liabilities at 31 December 2012 and 31 December 2011 based on contractual undiscounted payments. This includes the interest bearing borrowings and the trade payables and accruals.

On demand	2,685,948	2,089,549
3 to 12 months	1,017,147	1,554,346
1 to 5 years	249,701	242,250
Total	3,952,797	3,886,145

15. Provisions

At 1 January
Arising during the year
Utilised
Unused amounts reversed
At 31 December

At 1 January	213,706	190,105
Arising during the year	4,692	4,341
Utilised	-	19,260
Unused amounts reversed	(23,903)	-
At 31 December	194,495	213,706

16. Related parties

(a) Identity of related parties

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

Appointed

Mr. Mosese Tikoitoga - Chairman
Father Kevin Barr - Member
Mr Adrian Sofield - Member
Mr. Umarji Musa - Member
Mr. Petero Daurewa - Member
Ms. Maraia Ubitau - Member

Served Until

Feb-10 -
Jun-11 -
Sep-10 -
Sep-10 -
Jun-11 -
Jun-11 -

(b) Transactions with related parties

Transactions with related parties during the year ended 31 December 2012 with approximate transaction value are summarised as follows:

Board expenses and allowances	48,115	42,328
Amount owing to the Government for FPNF Bond	1,014,712	1,014,712
Amount owing to the Government for FPNF Loan	(i) -	509,634
Government grant received to subsidise rental	(ii) 1,000,000	958,000

PUBLIC RENTAL BOARD
 NOTES TO FINANCIAL STATEMENTS (CONT'D)
 YEAR ENDED 31 DECEMBER 2012

	2012	2011
	\$	\$
16. Related parties (Cont'd)		
(b) Transactions with related parties (Cont'd)		
(i) The Govern ment made the payment on behalf of the Board towards the Housing Authority loans ultimately payable to FNPF of \$531,090.48 (2011: \$1,548,647).		
(ii) The government grant of \$1,000,000 were directed towards rental subsidy of \$549,948 (2011: \$472,847), compensation for the market rent of \$243,708 (2011: \$381,072). A balance of \$206,344 (2011: \$104,081) remains which may be used for capital expenditure after getting a variation signed by Minister.		
(c) Compensation of key management personnel		
Short term employee benefits	215,871	186,786
	215,871	186,786
	215,871	186,786
17. Commitments and contingent liabilities		
(a) Capital expenditure commitments	-	-
(b) Contingent liabilities	-	-
(c) Operating lease commitments	-	-
	-	-
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	47,499	29,832
Later than one year but not later than five years	189,997	140,882
Later than 5 years	2,757,563	2,020,909
	2,995,059	2,191,623
	2,995,059	2,191,623

The Board has various lease commitments for leasehold land. The leases typically run for a period of between sixteen and ninety nine 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 \$47,499 (2011: \$29,832).

8. Principal activities

The principal activities of the Board during the course of the financial year were providing public rental housing to low income earners, estate services and building projects. There were no significant changes in the nature of activities of the Board during the year.

19. Registered office

The Board's head office is located at 132 Grantham Road, Raiwaqa.

20. Financial risk management objectives and policies

The principal financial liabilities comprise interest bearing borrowings and trade payables. The main purpose of these financial liabilities is to raise finance for the Board's operations. The Board has various financial assets such as trade receivables and cash, which arise directly from its operations.

The main risk arising from the Board's financial statements are interest rate risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

**PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31 DECEMBER 2012**

20. Financial risk management objectives and policies - continued

Interest rate risk

The Board's exposure to the risk of changes in market interest rates relates primarily to the Board's interest bearing debt. The level of debt is disclosed in Note 13.

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

	Increase / decrease in interest rate	Effect on profit before tax
2012	+10%	(507)
	-10%	507
2011	+10%	(655)
	-10%	655

Credit risk

It is the Board's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Board's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Board.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	2012	2011
	\$	\$
Cash and cash equivalents	386,820	265,234
Trade and other receivables	148,199	153,720
Held-to-maturity investments	1,027,744	1,177,695
	<u>1,562,763</u>	<u>1,596,649</u>

21 SUBSEQUENT EVENTS

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

22 CHANGE IN ACCOUNTING POLICY

In 2013 Ministry of Public Enterprise issued a circular in which it required any grant or special funding to state owned Enterprises to be recorded as capital contribution in equity rather than grant income. This change was made effective from 2010. Accordingly, 2010 and 2011 financials were restated to reflect the changes made in accordance with Circular.

