Public RENTAL Board

2018 ANNUAL REPORT

Opening of Naqere Low Cost Housing Project in Savusavu by the Prime Minister, Hon. Voreqe Bainimarama

CONTENTS

VISION

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

MISSION

The Public Rental Board will achieve its Vision through:

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

CORPORATE OBJECTIVES

1. Re-profiling

- Re-profiling of tenants in order to obtain a better understanding of PRB tenants.
- Provide Government with a more precise determination of rental subsidy and Non Commercial Obligation (NCO).
- Definition and assertion of the socio-economic standing of income range of PRB tenants.
- Encourage homeownership for tenants earning above $317 weekly household combined income.

2. Rent Review

- Equitable distribution of subsidy and social cost (non-commercial obligation) compensated by Government.
- Maintain rentals at viable level.
- Increase income.

3. Government Grant

- Continue assisting financially disadvantaged tenants.
- Building more flats that are affordable to tenants.
- Subsidy on construction costs.
- Rental subsidy requested to Government to make rental affordable to tenants.

4. Rental Property Stock versus Demand

- Better information and viable partnerships with other developers of low cost rental accommodation to meet demand.
- Plan and construct at least 1,000 flats per annum.
- Determine economic rental at different income levels and establish demand.

5. PRB's Revenue and Cost Structure

- PRB recognises that its current cost structure needs to be reduced.

6. Socio Economic Obligation

- Reduce squatter settlements.
- Promote healthy living.
- House urban workforce.
- Housing tenants in export finance and import substitute industries.

Public RENTAL Board

HEAD OFFICE
Public Rental Board Bldg
Raiwaqa
P.O. Box 5275, Raiwaqa
Tel: (679) 338 7787
Fax No.: (679) 337 0105

LAUTOKA
P.O. Box 5640, Lautoka
Tel: (679) 666 8717
Fax No.: (679) 666 6970

LABASA
P.O. Box 1507, Labasa
Tel: (679) 881 6717
Fax No.: (679) 881 4233

29th October 2019

Hon Premila Devi Kumar
Minister for Industry, Trade, Tourism, Local Government, Housing and Community Development
P 0 Box 2131
Government Buildings
SUVA

Dear Hon Minister

Re: 2018 ANNUAL REPORT

Please find attached the PRB 2018 Annual Report. This report incorporates details of the operations and activities of PRB for year ending 31st December 2018.

The annual 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 in the support to the 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,

....
Mr Nesbitt Hazelman
Board Chairman

ALL CORRESPONDENCE TO BE ADDRESSED TO THE GENERAL MANAGER

BOARD MEMBERS

Mr. Umarji Musa- Acting Board Chair

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. Mr. Musa served as a Board Chairman untill May 2019.

Mr. Roveen Permal – Board Director

Appointed to the Board in May 2016. Mr Permal holds a Bachelor's Degree in Civil Engineering from the University of New South Wales in Australia. Currently Mr Permal is a Senior Civil Engineer at HLK Jacob Limited with extensive background in structural engineering, construction engineering and project management. He is a member of the Institute of Engineers of both Fiji and Australia.

Mr. Nesbitt Hazelman – Board Director

Appointed to the Board in May 2016, Mr Hazelman holds a Post-Graduate Certificate in Human Resource Management from Australian Training and Quality College, a Bachelor of Arts with double majors in Management and Sociology and a Diploma in Industrial Relations and Personnel Management from the University of the South Pacific. He has over 31 years of experience in Human Resources, Industrials Relations and Executive Management. He is the current Chief Executive Officer of the Fiji Commerce Employers Federation. Mr. Hazelman has been appointed as a Board Chairman in May 2019.

Mr. Craig Strong – Board Director

Mr. Strong holds a Bachelor's Degree in Business Studies from Massey University in New Zealand and holds professional membership of the Australian Institute of Company Directors with other professional credentials and is the Permanent Secretary for Ministry of Fisheries. Mr. Strong brings a comprehensive Pacific based commercial management and board governance experience in the commercial, government and not for profit sectors. With an extensive commercial and shipping background, Mr. Strong is also a member of various business councils between Fiji and a few regional countries and is a board member in various organizations in Fiji. Mr. strong was appointed as a Board Director in May 2019.

Ms. Anabel Ali – Board Director

Anabel Ali is the group financial controller and company secretary of Fiji Fish Marketing Group company and its 11 related entities. She also holds membership in professional bodies like CPA Australia, Australian Institute of Company Directors and Leadership Fiji. In her professional work experience under the Fiji Fish Marketing Group she was the Group financial controller responsible for the financial management and control of the company. Anabel worked 10 years at PKF aliz Pacific where she was the manager overseeing the review of audits. The current board memberships of which Anabel is a member includes Maritime Safety Authority of Fiji, Basic Industries Limited, WOWs (kids) Fiji, Leadership Alumni and Total Fiji Ltd. Anabel shares some special interest which focusses on growth through innovation and governance in SME's and MSME's, Community and grassroots governance and promoting diversity through gender, skills and executive team composition. Miss Ali was appointed as a Board Director in May 2019.

Mr. Mohit Raj- Board Director

Mohit Raj is a senior officer of the Fiji Revenue and Customs Service (FRCS) and has more than 17 years of Taxation and Customs knowledge. He is currently the Chief Assessor Gold Card Services & Authorised Economic Operator responsible for the management of Gold Card Service Centre, and Authorised Economic Operators of the Service. Raj holds double Masters degrees namely, Master of Business Administration & Master of Commerce in Professional Accounting from the University of the South Pacific. He also holds Bachelor of Arts in Accounting & Financial Management and Post Graduate Certificate & Diploma in Financial Administration and Business Administration from University of the South Pacific. Mr. Raj is a Chartered Accountant member with Fiji Institute of Accountants and a Fellow member with Institute of Financial Accountants, United Kingdom and also a Fellow member of Institute of Public Accountants, Australia. In addition to his professional career at FRCS, Mr. Raj is a Council Member and Vice President of the Fiji Institute of Accountants. Mr. Raj was appointed as a Board Director in May 2019.

CHAIRMAN'S REPORT

As the Chairman of Public Rental Board (PRB), I have much pleasure in submitting the 2018 report to our stakeholders.

As its core business PRB continues to provide rental flats to low income earners on a transitional basis with the primary aim of eventually migrating its tenants to home ownership.

The 2018 year presented some real challenges to PRB. Amongst others, the most notable were the rising maintenance costs and the difficulty faced in sourcing finance from the financial markets to fund planned capital projects. Our clientele also presented us with unique challenges which we continue to manage.

The high points of the year included the ongoing Kalabu Low Cost Housing Project consisting of 36 one-bedroom flats completed in 2018 and was officially opened by the Hon Prime Minister in July. Simla low cost housing project began in October this year. This project will consist of 36 one-bedroom flats and is fully funded by the government costing around $3.6million dollars. The completion of Simla would bring the stock count to a total of 1672 flats.

Looking ahead, PRB realizes 2019 will be a challenging year as well. Governments negotiations with the World Bank is ongoing in securing funding for future projects. The planned projects include Davuilevu, Tavakubu, and Raiwaqa, these projects will support governments vision in ensuring that Fijians have access to decent and affordable housing. The growing demand of rental flats are clearly visible through the increasing number applicants registered.

2018 from the Boards perspective was both productive and challenging, we achieved a modest profit of $764,772 compared to $851,204 in 2017. The slight decline in profits was contributed to the planned renovation works being carried out for all PRB offices, the hall maintenance on our Macfarlane Estate, carpark works at Raiwai Estate and major general maintenance of our Mead Road property which comprises of 168 flats.

I would like to take this opportunity to thank Government for its continuing support in the provision of annual grants totaling $2.25m. I also acknowledge the assistance rendered from staff of the line ministry and other Government stakeholders over the year under review. Furthermore, I also acknowledge the work done by the Board of Directors in initiating the much-needed changes within PRB.

In conclusion and of behalf of the Directors, I wish to thank all management, staff and stakeholders that together have enabled us to continuously deal with the ever-increasing demand for affordable, quality and appropriate rental housing in Fiji.

....

Mr. Nesbitt Hazelman
Board Chairman

GENERAL MANAGER'S REPORT

The year 2018 marks Public Rental Board's twenty-nine years of operation. The year in review mainly focused on planning and re-strategizing to deliver on Governments vision of providing affordable, quality and appropriate rental housing for all Fijians.

As such the Board focused its efforts on developments to deliver one of the most basic needs to low- and middle-income families. This year Public Rental Board successfully completed the Low-Cost Housing Project at Kalabu of 36 rental units and allocated 48 rental units at the Savusavu Low cost Housing Project which was completed towards the end of year 2017.

Despite the challenges the Board recorded a total comprehensive income of $764,772 in 2018 as compared to $851,207 in 2017. The total operating revenue increased by 1.24% in 2018, similarly the total expenditure increased in 2018 by 4.17% as compared to 2017.

The comprehensive income was achieved as a result of a collective effort of the Board, Management and staff of Public Rental Board. The board implemented the Job Evaluation recommendation for its staff members undertaken by PWC in 2017.

The Board continues to promote and sustain Community Developments through estate meetings, community awareness and estate beautifications. These enables the estate communities to form youth groups, women groups and estate committees. The Board carried out general maintenance as per schedule in 2018 for Mead Road (168 rental units) and successfully renovated its office at Labasa and head office in Raiwaqa to give it a modern outlook. The Board also carried out improvements at the following estates:

1. Raiwai estate -increased the number of carpark spaces,
2. Macfarlane estate- Construction of Rock lining and Hall upgrade,
3. Naqere LCHP- boundary fencing and covered walkways,

Incorporated in the Report is a brief highlight of the activities undertaken by the Board in 2018;

- Reduced waitlisted applications
- Corporate Governance
- Rent Revenue/Rent Subsidy and Rental Flats
- General Maintenence & New Development
- Financial Highlights
- Financial Ratios and Analysis
- Human Resource and Administration Report

1. Reduce waitlisted applications

PRB has had its own challenges in meeting the demand for rental flats. We were not able to assist all the waitlisted applications registered with the Board. Exorbitant construction cost has not assisted PRB in fulfilling the ever-increasing demand. PRB currently has 1636 flats rented out against a waitlist demand of 909 applications. PRB's rental flats are located in 21 estates around the country.

Given the current trend of flat turnover, the Board is continuously networking with housing stakeholders in an effort to increase the flat turnover and reduce the waitlist at the same time increase the number of flats. Simla housing project comprising of 36 units is under construction and is expected to be completed by 2020.

A five - year comparison on the number of flats available for renting against the waitlist and the turnover of flats is presented in the graph below.

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. The Board continues to further strengthen its 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 directions in order to meet the objective of increasing stakeholder value.

PRB in collaboration with Housing Authority is moving towards innovative solutions in meeting the demand for low cost rental housing, facilitate and promote transitional housing to its tenants.

Meetings of the Board

The regular business of the Board during its meetings cover business and strategic matters, governance and compliance, Management, financial reports and the overall performance of PRB. The current Board members were appointed in May 2016 and their attendance at Board meetings during the financial year under review is tabled below:

Director	Number of Meetings Conducted	Number of meetings attended	Apologies Received
Mr. Umarji Musa	5	5	0
Mr. Roveen Permal	5	5	0
Mr. Nesbitt Hazelman	5	5	0

The Board met on 5 occasions for its meeting during the year under review.

3. Rental Revenue on Rental Flats

PRB charged rent of $ 4,034,765 in the reporting year. The total collection against rent charged as of 2018 was $3,103,518 (without subsidy) or approximately 68%. The total rent collected with subsidy is $4,107,980. The total rent collected includes rent for the period, arrears payments, and advance rental payments by tenants.

Table 1 shows the actual collection amount for five years.

Rental Collections Comparison: 2014 to 2018

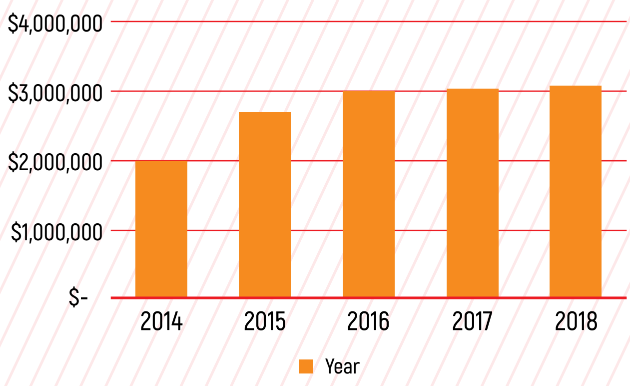


Table 1

RENTAL COLLECTION (without Subsidy)	
2014	$ 1,998,859
2015	$ 2,683,635
2016	$ 3,018,657
2017	$ 3,056,665
2018	$ 3,103,518

4. General Maintenance

PRB continued the third round of general maintenance program in the year 2018. The third round of general maintenance program commenced in year 2016. PRB undertakes general improvements and upgrading of its facilities such as tiling wet and living areas, grills, placement of ceiling, overall painting, changing of waste lines from galvanized to PVC, improvements on the external interior works and repairs.

Financially, disadvantaged tenants are assisted with subsidy according to the 2016 allocation criteria. General maintenance is essentially important for PRB because revenue from rental is the major contributing source of income for the Board apart from rental subsidy from government. General maintenance undertaken in 2018 were in the following estates as presented in Table 2.

Table 2- Major General Maintenance

Estates	Contractor	No of Units	Budget ($)	Expenditure ($)
Major Maintenance Mead Road General Maintenance	In-house Maintenance Team	168	$260,000.00	$260,000.00
Special Projects				
Macfarlane – Rock lining B6 & Hall Upgrade	In-house Maintenance Team		$60,500.00	$58,513.25

Estates	Contractor	No of Units	Budget ($)	Expenditure ($)
Raiwai Estate – Concreting of Carpark	In-house Maintenance Team		$37,275.00	$37,275.00
HQ Renovations	In-house Maintenance Team		$67,000.00	$63,000.00
Naqere LCHP – Grills, fencing and walkway covering	In-house Maintenance Team		$150,939.00	$127,417.48

Total Repair & Maintenance for major project cost for 2018 was $260,000 which is approximately 6.35% of Rental Income and the special projects cost for 2018 was $286,206.

5. Distribution of Rental Subsidy

Subsidy is allocated to tenants based on their household Weekly Gross Income (WGI) in accordance with the 2016 subsidy allocation criteria. Some 836 financially disadvantaged tenants received a total of $1,004,461 subsidy assistance in 2018. Rental subsidy assistance is calculated taking the difference between the actual rent charge and the tenant contribution.

Subsidy is allocated according to the subsidy agreement between the Ministry of Housing and the Board. The 2016 subsidy criteria is as follows:

2016 Subsidy Criteria

	Income Range	Criteria	Comments
1	HH Weekly Gross Income $0 – $100 less 8% FNPF	5% of Income	Tenant Contribution = 5% of WGI or $5 as minimum
2	HH Weekly Gross Income $101 – $125 less 8% FNPF	8% of Income	Tenant Contribution = 8% of WGI
3	HH Weekly Gross Income $126 – $150 less 8% FNPF	11% of Income	Tenant Contribution = 11% of WGI
4	HH Weekly Gross Income $151 – $175 less 8% FNPF	14% of Income	Tenant Contribution = 14% of WGI
5	HH Weekly Gross Income $176 – $200 less 8% FNPF	17% of Income	Tenant Contribution = 17% of WGI
6	HH Weekly Gross Income $201 – $250 less 8% FNPF	20 % of Income	Tenant Contribution = 20% of WGI

Social Cost

The 2018 social cost (difference between market rent and actual rent) was directly funded by Government through the government grant. Government's contribution towards payment of social cost was approximately $104,779 for the reporting year. A total of 117 flats were allocated social subsidy in 2018 as weekly rent charged were above the Board's ceiling of $50.

6. New Developments and Construction

6.1. Kalabu Housing Project

Government provided a grant of $1.5 million in the 2014 National Budget and a further grant of $741,344 in the 2015 National Budget. Construction started in June 2014 for 36 one-bedroom units at Kalabu. This project was completed in 2018 and officially opened by the Hon. Prime Minister on the 16th of July 2018.

6.2. Savusavu Housing Project

Government provided a grant of $500,000 in the 2014 National Budget and a further $3.34 million in the 2015 National Budget for Savusavu project. Construction commenced in March 2015 comprising of 32 one bedroom and 16 two-bedroom flats; total of 48 flats. This project was completed in 2017 and officially opened by the Hon. Prime Minister on the 4th of July 2018.

6.3. Simla Housing Project

Government provided a partial grant of $ 1,299,109 in the 2016/2017 National Budget for Simla project. The project compromises of 36 one-bedroom flats. The project commenced in 2018. A further grant of $2,225,533 was provided in 2017/2018 budget. Work is currently in progress and is expected to be completed in 2020.

7. Tenancy Management

The Board has a three-year tenancy agreement with the tenants. PRB undertakes Household Income survey (HHI) after which tenancy agreements are renewed.

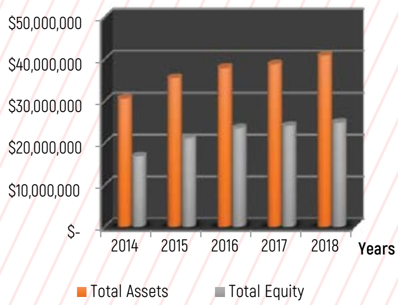
Table 3

	No. of flats	Valid Tenancy Agreements (TA)	TA yet to be renewed	No. of TA issued in 2018	No. of TA issued in 2017
No. of Tenancies	1636	1265	289	199	321

8. Financial Highlights

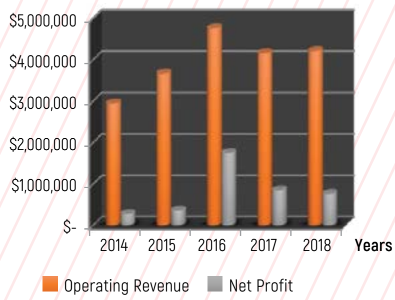
Years	Total Assets	Total Equity
2014	30,618,946	16,790,770
2015	35,434,599	21,078,972
2016	37,857,045	23,497,661
2017	38,731,914	24,072,225
2018	40,778,374	24,827,764

Total Assets & Total Equity



Years	Operating Revenue	Net Profit
2014	2,942,694	277,949
2015	3,665,560	359,943
2016	4,760,863	1,749,504
2017	4,160,886	851,207
2018	4,212,427	764,772

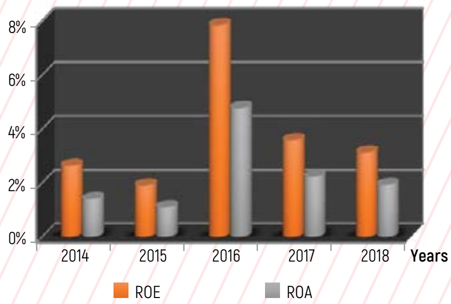
Operating Revenue & Net Profit



Net profit reduced by 10% due to increase in operating expenses in 2018 as compared to 2017. The increase in operating expenses mainly includes insurance of properties, staff cost and repair and maintennace.

Return on Investment & Assets

Years	ROE	ROA
2014	3%	1%
2015	2%	1%
2016	8%	5%
2017	4%	2%
2018	3%	2%



9. Financial Report

Statement of Comprehensive Income (Extract)

	12 Months period ending 31.12.18	12 Months period ending 31.12.17
Total Income	4,212,427	4,160,886
Total Expenses	(3,431,098)	(2,983,765)
Operating profit before interest expenses	781,329	1,177,121
Operating profit % to Total Income	*18.55%*	*28.29%*
Finance Cost	16,557	325,914
Net profit for the years	764,772	851,207
Net Profit % to Total Income	*18.16%*	*20.46%*
Total comprehensive income for the year	764,772	851,207
% to Total Income	*18.16%*	*20.46%*

Total Income reported as at 31st December 2018 increased by approximately 1.24% compared against the same period last year. There was an increase in rental revenue due to completion of two new project at Savusavu and Kalabu in early 2018 and late 2017.

Total comprehensive surplus (net profits) for year 2018 decreased by $86,435 and approximately 10% compared against the same period last year.

Statement of Financial Position (Extract)

	12 Months period, ending 31.12.18	12 Months period, ending 31.12.17
Non Current Asset	34, 869 ,65 3	36,151,205
Current Asset	5.9 08 ,721	2, 580,,709
Total Asset	40,778,374	38,731,914
Total Equity	24,827,764	24,0 72,225
Non Current Liabilities	13,208,056	11,760,105
Current Liabilities	2,742,554	2,899,584
Total Liabililities	15,950,610	14,6 59,689
Total Equity and Liabilities	40,118,374	38,731,914

Non-Current assets decreased by approximately 3.54% due to decrease in long term deposit. Current Assets increased by approximately 129%. Total equity increased by approximately 3.14%.

Cash Flow

Net cash flow for the financial year ending 31st December 2018 was managed efficiently.

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

	2018	2017
Current Asset / Current Liabilities	2.15	0.89

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

	2018	2017
Average No. of Days Receivables Outstanding	9	7

Average collection days increased in the reporting year compared against the same period last year. The percentage of rental arrears against rental revenue for the year 2018 is 2.24% and 2017 was 3.49%.

Long-Term Debt and Solvency Analysis

This 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 a long period of time.

	2018	2017
Total Debt / Total Equity	0.64	0.61

The debt to equity ratio for financial year ending 2018 slightly increased compared against same period last year.

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: Net Profit / Average Total Assets

	2018	2017
Return on Assets	2 %	2%

As a general rule, anything below 5% is more assets intensive whilst anything above 20% is less asset intensive. The Board's ROA is more asset intensive.

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

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

	2018	2017
Return on Equity	3%	4%

ROE decreased by approximately 1% 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 is 10%.

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

	2018	2017
Profitability Ratio	18%	20%

The profitability ratio decreased for reporting financial year by approximately 2% compared to the same period in the previous year. The decreased is associated to decrease in other income and increase operating cost compared to last year.

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 cost continue to be a major expense for the Board. This comprises approximately 27.87% of the total revenue in the current year. This percentage is high but is expected to reduce through economy of scale and close monitoring by the Board. Public Rental Board staff and cost in the financial year is provided as follows:

Division	No. of Staff
Executive	3
Finance and Administration	9
Property	14
Un-Established	19
Total	45

Training

Training & 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 are 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.

Courses/Conference	Facilitator	No. Of Participants
Construction Industry Council	CIC	2
Fiji Institute of Accountants	FIA	2
OHS	FNU	4
Wireman's Licence Examination	EFL	1
Payroll Training -Pay Run Assistance	UXC ECLIPSE	1

Market Salary Adjustment and Performance Management System (PMS)

Currently all staff are paid in accordance with the market salary rates implemented in 2018. Job Evaluation was carried out in 2017 and implemented in 2018.

12. Information & Communication Technology

The server hardware resources has been upgraded to optimize performance. We have also successfully upgraded our Phone systems and all network equipment to be in par with IT technology. We have re-designed our Boardroom with new projector and screen and a conference phone.

Some minor enhancements such as, office alarm system, CCTV systems, EFTPOS setup and new color printer for our office was also done. Work has been initiated to setup electronic payments and employee self-service and is expected to be completed in the last quarter of 2019.

The Board is exploring the use of Solar energy for its Head Office as part of Government's Go Green initiative to conserve energy as a pilot project and will roll out to other estates once successfully implemented.

13. Acknowledgement

On behalf of the Management Team, I acknowledge the support given by the Hon Minister for Industry, Trade, Tourism, Local Government, Housing and Community Development and related Ministries, Board of Directors and staff together with stakeholders who worked closely with us in making 2018 a successful year.

We appreciate your trust and confidence and we look forward to your continued support in meeting the challenges that lie ahead.

____
Pat Veu
Acting General Manager

OFFICE OF THE AUDITOR GENERAL

Excellence in Public Sector Auditing

6-8TH Floor, Ratu Sukuna House
2-10 Mc Arthur St
P.O. Box 2214, Government Buildings
Suva, Fij

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

File: 1283

30 October 2019

Mr. Nesbitt Hazelman
Chairman
Public Rental Board
Public Rental Board Building
RAIWAI

Dear Mr. Hazelman

AUDITED FINANCIAL STATEMENTS
PUBLIC RENTAL BOARD
FOR THE FINANCIAL YEAR ENDED 31st DECEMBER 2018

Audited financial statements for the Public Rental Board for the year ended 31 December 2018 together with my audit report on them are enclosed.

Particulars of the errors and omissions arising from the audit have been forwarded to the Management for necessary actions.

Yours sincerely

Ajay Nand
AUDITOR-GENERAL

cc: Mr. Patrick Veu, Acting General Manager- Public Rental Board

Encl.

PUBLIC RENTAL BOARD

FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2018

PUBLIC RENTAL BOARD
FINANCIAL STATEMENTS
YEAR ENDED 31DECEMBER 2018

Contents

PUBLIC RENTAL BOARD

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2018

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 2018, 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. Nesbitt Hazelman (Chairman)	May-16	On going
Mr. Umarji Musa	May-16	May-1[illegible]
Mr. Roveen Permal	May-16	On going
Mr. Craig Strong	May-19	On going
Ms. Anabel Ali	May-19	On going
Mr. Mohit Raj	May-19	On going

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 profit for the year was $764,772 (2017 (restated):$851,207)

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 actions had been taken in relation to writing-off bad debts. In the opinion of the 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 (Continued)
YEAR ENDED 31 DECEMBER 2018

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 23rd day of October 2019.

....
Chairman Director

PUBLIC RENTAL BOARD
STATEMENT BY DIRECTORS
YEAR ENDED 31 DECEMBER 2018

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 2018;

(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 2018;

(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 2018;

(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 2018;

(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 23rd day of October 2019.

....
Chairman Director

OFFICE OF THE AUDITOR GENERAL

Excellence in Public Sector Auditing

6-8TH Floor, Ratu Sukuna House
2-10 Mc Arthur St
P.O. Box 2214, Government Buildings
Suva, Fij

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

INDEPENDENT AUDITOR'S REPORT

PUBLIC RENTAL BOARD

I have audited the financial statements of Public Rental Board (Board), which comprise the Statement of Financial Position as at 31 December 2018, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Emphasis of Matter

Without qualifying the financial statements, reference is made to the following:

- Note 21 of the financial statements explains the financial risk management objectives and policies of the Board. The Board's Risk Management Policies are yet to be implemented.

- Note 15 of the financial statements includes an amount of credit balances in receivables of $465,295. The Board is in the process of reconciling tenant's accounts and refunding excess payments where applicable.

Other Matter

The Board has breached the Grant Agreement signed between the Board and the Ministry of Local Government, Housing and Environment dated 11 October 2017 by investing grant funds of $2,000,000 in Term Deposits which was provided for capital projects. Ministerial approval was not obtained for this variation of the grant agreement.

Responsibilities of the Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the management's and directors' use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Housing Act 1985 and the Public Enterprise Act 1996, in my opinion:

a) proper books of account have been kept by the Board, so far as it appears from my examination of those books;

b) the accompanying financial statements:

- the financial statements are in agreement with the books of account; and
- to the best of my information and according to the explanations given to me, give the information required by the Housing Act 1985 and the Public Enterprise Act 1996.

Ajay Nand
AUDITOR-GENERAL

Suva, Fiji
30 October, 2019

PUBLIC RENTAL BOARD
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2018

	Notes	2018 $	2017 $
Revenue			
Rental revenue		4,093,335	3,921,080
Other operating income	2	119,092	239,806
		4,212,427	4,160,886
Expenses			
Amortisation and depreciation expense		(762,748)	(798,127)
Employee benefit expense	3	(1,173,923)	(1,121,369)
Other operating expenses	4	(1,494,427)	(1,064,269)
Total operating expenses		(3,431,098)	(2,983,765)
Profit from operations		781,329	1,177,121
Finance cost	5	(16,557)	(325,914)
Net profit for the year		764,772	851,207
Other comprehensive income		-	-
Total comprehensive income for the year		764,772	851,207

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 2018

		2018 $	2017 $ (Restated)
Government equity			
Balance at the beginning of the year		20,692,166	20,692,166
Additions during the year		---	---
Balance at the end of the year		20,692,166	20,692,166
Accumulated Profit			
Balance at the beginning of the year		3,380,059	2,805,495
Net profit for the year		764,772	851,207.00
Effect of change in accounting standards	1.2b	(9,233)	---
Adjustment due to estimates	23 a	---	(276,643)
Balance at the end of the year		4,135,598	3,380,059
Total Equity		24,827,764	24,072,225

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

PUBLIC RENTAL BOARD
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 $	2017 $ (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	6	33,102,156	32,969,813
Intangible asset	7	176,188	233,300
Financial assets	8	1,591,309	2,948,092
		34,869,653	36,151,205
Current assets			
Cash and short term deposits	9	2,516,896	2,425,336
Financial assets	8	3,169,329	---
Rent receivables	10	47,886	77,809
Inventories	11	4,935	8,606
Prepayments and other assets	12	169,675	68,958
		5,908,721	2,580,709
TOTAL ASSETS		**40,778,374**	**38,731,914**
EQUITY AND LIABILITIES			
Capital and reserves			
Government equity		20,692,166	20,692,166
Accumulated profit / (losses)		4,135,598	3,380,059
TOTAL EQUITY		24,827,764	24,072,225
Non- current liabilities			
Deferred revenue	13	4,168,165	1,914,857
Interest bearing debt	14	9,039,891	9,845,248
		13,208,056	11,760,105
Current liabilities			
Trade payables and accruals	15	1,279,037	1,555,418
Interest bearing debt	14	1,134,190	1,134,190
Deferred revenue	13	16,404	61,583
Employee entitlements	16	312,923	148,393
		2,742,554	2,899,584
TOTAL LIABILITIES		15,950,610	14,659,689
TOTAL EQUITY AND LIABILITIES		**40,778,374**	**38,731,914**

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.

.... Chairman

.... Director

PUBLIC RENTAL BOARD
STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2018

	Note	2018 $ Inflows/ (Outflows)	2017 $ Inflows/ (Outflows) (Restated)
Operating activities			
Receipts from customers		4,207,313	4,062,266
Payments to suppliers and employees		(2,872,207)	(3,020,624)
Interest paid	5	(249,838)	(206,382)
Interest received	5	233,281	101,165
Cash flows from operating activities		**1,318,549**	**936,425**
Investing activities			
Payments for property, plant and equipment		(837,980)	(2,008,043)
Proceeds from sale of assets		3,360	57,500
Proceeds/(Payments) for Investments net		(1,812,546)	197,800
Cash flows used in investing activities		**(2,647,166)**	**(1,752,743)**
Financing activities			
Proceeds of Government Grant	13	2,225,533	1,299,109
Repayments of borrowings		(805,356)	(493,720)
Cash flows from financing activities		**1,420,177**	**805,389**
Net increase/(decrease) in cash and cash equivalents		91,560	(10,929)
Cash and cash equivalents at the beginning of the year		2,425,336	2,436,265
Cash and cash equivalents at the end of the year	9	**2,516,896**	**2,425,336**

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

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

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 23/10/2019.

The principal activities of the Board 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.

Statement of compliance

The financial statements of Public Rental Board have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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.

1.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted and methods of computation followed are consistent with those of the previous financial year, except for items disclosed below. Specifically, the Board applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

There were several other new and amendments to standards and interpretations which are applicable for the first time in 2018, but either not relevant or do not have an impact on the financial statements of the Board. The Board has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. See Note 1.6.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments : Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Board applied IFRS 9 using a modified retrospective approach, with an initial application date of 1 January 2018. The Board did not elect to restate the comparative information for 2017, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised in retained earnings and, if appropriate, in other components of equity on 1 January 2018.

Equity

Retained Earning		
Balance as at 1 January 2018		3,380,056
Effect of change in accounting standards	(b)	(9,233)
Balance as at 1 January 2018		3,370,823

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

1.2 Changes in Accounting Policies and Disclosures (continued)

IFRS 9 Financial Instruments (continued)

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through Other Comprehensive Income ("OCI"). The classification is based on two criteria: the Board's business model for managing the assets; and whether the instruments' contractual cash flows represent' solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Board's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Board. The Board continued measuring at fair value all financial assets previously held at fair value under IAS 39. Thefollowing are the changes in the classification of the Board's financial assets.

Trade receivables and Other non-current financial assets previously classified as Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as Debt instruments at amortised cost.

The Board has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Board's financial liabilities.

In summary, upon the adoption of IFRS 9, the Board had the following required or elected reclassifications:

	Notes	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial Assets					
Cash and short term deposits	9	Loan and receivables	Amortised cost	2,425,336	2,425,336
Rent receivables*	10	Loan and receivables	Amortised cost	77,809	77,809
Prepayments and other assets	12	Loan and receivables	Amortised cost	68,957	68,957
Investments	8	Loan and receivables	Amortised cost	2,948,092	2,948,092
				5,520,194	5,520,194
Financial liabilities					
Trade payables and accruals	15	Other financial liabilities	Amortised cost	1,555,418	1,555,418
Interest-bearing debt	14	Other financial liabilities	Amortised cost	10,979,438	10,979,438
Deferred revenue	13	Other financial liabilities	Amortised cost	1,976,440	1,976,440
				14,511,296	14,511,296

** The change in carrying amount is a result of a decrease in impairment allowance as discussed below:*

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

1.2 Changes in Accounting Policies and Disclosures (continued)

IFRS 9 Financial Instruments (continued)

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Board's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Board to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon the adoption of IFRS 9, the Board recognised an increase in impairment on the Board's Rent receivables of $9,233, respectively, which resulted in a decrease in retained earnings of $9,233 as at 1 January 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	Allowance for impairment under IAS 39 as 31/12/2017	Remeasurement	ECL under IFRS 9 as at 1 January 2018
Loans and receivables under IAS 39/Financial assets at amortised cost under IFRS 9 and contract assets	29,725	9,233	38,958
	29,725	9,233	38,958

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and applies to all revenues arising from contracts with its customers except for rental income. IFRS 15 requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Revenue from investment properties

The Board's main revenue stream is rental income earned from investment property. For investment property held primarily to earn rental income, the Board enters as a lessor in to lease agreements that fall within the scope of IAS 17 Leases, therefore, there would be no impact as a result of transitioning to IFRS 15.

Other income

The Board has adopted IFRS 15 using the cumulative effective method with the effect of initially applying this standard recognised at the date of initial application (i.e 1 January 2018) and applying the requirements to only contracts that are not completed contracts at the date of initial application. Accordingly, the information presented for 2017 has not been restated– i.e it is presented, as previously reported, under IAS 18 and related interpretations. Additionally the disclosure requirements of IFRS 15 have not generally been applied to comparative information.

The adoption of this standard did not have a material impact on other income as at 1 January 2018.

1.3 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:

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31 DECEMBER 2018

1.3 Significant accounting judgments, estimates and assumptions (continued)

Leases
The Board applied the following judgements that significantly affect the determination of the amount and timing of income from lease contracts where the Board that acts as a lessor:

- Determiniation of the lease term

As a lessor, the Board enters into lease agreements that contain options to terminate or to extend the lease. These options are generally exercisable after an initial period of 3 years. At commencement date, the Board determines whether the lessee is reasonably certain to extend the lease term or not to terminate the lease. To make this analysis, the Board takes into account any difference between the contract terms and the market terms, any significant investments made by the lessee in the property, costs relating to the termination of the lease and the importance of the underlying asset to the lessee's operations. In many cases the Board does not identify sufficient evidence to meet the required level of certainty.

- Property lease classification - the Board as lessor

The Board has entered into commercial property leases on its investment property portfolio. The Board has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of this property and accounts for the contracts as operating leases.

Estimation and assumption

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:

The Board uses a provision matrix to calculate Expected Credit Losses ("ECLs") for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, property type, customer type and rating).

The provision matrix is initially based on the Board's historical observed default rates. The Board will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e.,gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in a customer segment, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Board's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Board's trade receivables and contract assets is disclosed in Note 10.

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.

1.4 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.

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.

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31 DECEMBER 2018

1.4 Summary of significant accounting policies (continued)

b) Intangible assets - continued

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 (doubtfuldebts). 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.

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.

1.4 Summary of significant accounting policies (continued)

g) Financial instruments - initla recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Accounting for financial assets after 1 January 2018 (under IFRS 9)
Initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

For purposes of subsequent measurement, the Board's financial assets are classified in two categories:
- Financial assets at fair value through profit or loss (derivative financial instruments).
- Financial assets measured at amortised cost (rent and other trade receivables, contract assets and cash and short-term deposits).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Board's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Board has applied the practical expedient, the Board initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. As the Board's rent and other trade receivables do not contain a significant financing component, they are measured at the transaction price determined under IFRS 15. Refer to the accounting policies on revenues from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are' solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Board's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, the Board measures financial assets at amortised cost if both of the following conditions are met:

the financial assets is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

And

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Since the Board's financial assets (rent and other trade receivables, contract assets, cash and short-term deposits) meet these conditions, they are subsequently measured at amortised cost.

1.4 Summary of significant accounting policies (continued)

g) Financial instruments - initla recognition and subsequent measurement (continued)

i) Accounting for financial assets after 1 January 2018 (under IFRS 9) (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Board's statement of financial position) when:

- The rights to receive cash flows from the asset have expired.

Or

- The Board has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a'pass-through' arrangement; and either (a) the Board has transferred substantially all the risks and rewards of the asset, or (b) the Board has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Board has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Board continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Board also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Board has retained.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Rent and other trade receivables (Note 10)
- Financial instruments risk management objectives and policies (Note 21)

The Board recognises an allowance for expected credit losses ("ECLs") for all receivables and contract assets held by the Board. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Board expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For rent and other trade receivables and contract assets, the Board applies a simplified approach in calculating ECLs. Therefore, the Board does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date (i.e.,a loss allowance for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default). The Board has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Board considers a financial asset in default when contractual payments are due as a result of vacated flats. However, in certain cases, the Board may also consider a financial asset to be in default when internal or external information indicates that the Board is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Board. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

1.4 Summary of significant accounting policies (continued)

g) Financial instruments - initla recognition and subsequent measurement (continued)

ii) Accounting for financial liabilities before 1 January 2018 (under IAS 39)

Interest bearing loan 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.

iii) Accounting for financial liabilities after 1 January 2018 (under IFRS 9)

Initial recognition and measurement

The Board's financial liabilities comprise interest-bearing loans and borrowings and trade and other payables.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of all financial liabilities except derivative financial instruments, net of directly attributable transaction costs.

Subsequent measurement

For purposes of subsequent measurement, all financial liabilities, except derivative financial instruments, 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 Effective Interest Rate (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

For more information on the interest-bearing loans and borrowings, refer to Note 14.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are off set and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

1.4 Summary of significant accounting policies (continued)

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, as at end of the reporting period.

j) Leased assets

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

Board as a lessee

Finance leases, which transfer to the Board 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 the 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 Board will obtain ownership by the end of the lease term.

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

PUBLIC RENTAL BOARD

NOTES TO FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31 DECEMBER 2018

1.4 Summary of significant accounting policies

j) Leased assets (continued..)
Board as a lessor

Leases where the Board does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

k) Taxes

The Board is exempt from income tax under Section 26 of the Housing Act (Cap. 267).

l) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost (inclusive of VAT where applicable) which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the entity. Amounts payable that have been denominated in foreign currencies have been translated to local currency using the rates of exchange ruling at the end of the financial year.

m) Rent receivables

Rent receivables are recognised at their original invoiced value except where the time value of money is material, in which case rent receivables are recognised at fair value and subsequently measured at amortised cost.

n) Tenant deposit

Tenant deposits are initially recognised at fair value and subsequently measured at amortised cost. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term. This is explained under the accounting policies note 1.3 of this financial statement.

o) Revenue recognition

The Board's key source of income is rental income.

Rental income

The Board earns revenue from acting as a lessor in operating leases. Rental income arising from operating leases on property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income. Rental income is derived from rent received from rental housing provided to low income earners. Rental income is recognised on an accrual basis.

Weekly rent is charged to tenants with a renewable tenancy agreements for three years.

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:

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31 DECEMBER 2018

1.4 Summary of significant accounting policies (continued..)

o) Revenue recognition (continued..)

Government grant (continued..)

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**

Fund received from Government is to subsidise 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.

p) Net financing cost

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

q) Current versus non-current classifications

The Board presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period.

or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period.

or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Board classifies all other liabilities as non-current.

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31 DECEMBER 2018

1.5 Standards issued but not yet effective

The Board has not early adopted any new standards, amendments to standards and interpretations. The expected impacts on the Board of significant new and revised accounting standards, which are not yet effective, are summarised below.

IFRS 16 Leases - applies 1 January 2019

Broadly, this standard will require recognition of a right of use asset and lease liability based on the discounted value of committed lease payments. These payments, currently expensed within EBIT, will be replaced by the straight-line depreciation of the right of use asset and will reduce the lease liability. As the lease liability will be carried at present value, an interest expense will arise over the duration of the lease term. The principal component of lease payments will be reclassified in the statement of cash flows from operating to financing activities. Our implementation project team has completed loading lease agreements to a new lease accounting system, determined the impact to the Board's opening balance sheet and 2019 income statement and setup policies and processes to manage the new ongoing accounting requirements. Internal discussions with our finance teams have indicated no significant concerns in relation to this standard with respect to the Board's funding, tax and dividend obligations.

Transition to IFRS 16

The Board will initially apply the new standard using the modified retrospective approach, which requires no restatement of comparative information. Further,in relation to the opening balance of right of use assets,the Board has chosen to apply the following approach as is permitted by the standard to be equal to the opening lease liability.

Adjustments are also required for any prepayment or accrued lease payments recognised in the financial position prior to adoption.

Estimated impact from adoption of the standard the Board has carried out a preliminary assessment of the impact of the standard on the 2019 financial statements. Based on the work performed, the estimated impact is as follows:

Financial statements item - approximate impacts

Balance sheet - as at 1 January 2019

	$
Right of use of asset	1,947,313
Lease Liability	(1,947,313)
	-

This impact predominantly relates to the Board's leasing of land and building assets in Fiji.

	2018 $	2017 $ (Restated)
2. Other operating income		
Amortisation of deferred revenue from government grants	16,404	61,583
Taxi base income	18,980	18,980
Community income	28,776	33,945
Doubtful debts recovered	-	69
Maintenance income	5,674	6,882
Bill board income	29,181	31,607
Market stall fees	---	1,340
Gain on sale of property, plant and equipment	3,360	57,500
Miscellaneous income	16,717	27,900
	119,092	239,806

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31 DECEMBER 2018

3. Employee benefit expense

Salaries and wages	869,028	865,069
FNPF contributions	93,855	87,265
FNU levy	8,248	12,892
Personnel expenses	202,792	156,143
	1,173,923	1,121,369

The number of employees at the end of the financial year was 46 **(2017:41)**

4. Other operating expense

Auditors' remuneration - audit fees	12,000	8,000
Bad and doubtful debts	---	10,317
Expected credit loss	6,487	---
Insurance	148,910	80,116
Repairs and maintenance	570,228	284,147
Professional services	108,408	75,357
Motor vehicle	54,122	50,601
Utilities and councils	236,257	268,883
Office and administration	311,854	229,216
Board expense	25,468	30,430
Bank charges	6,537	6,989
Advertising and promotions	14,156	20,213
	1,494,427	1,064,269

5. Net financing cost

Interest income	(111,975)	(101,165)
Foreign Exchange Gain	(121,306)	---
Interest expense-Loan	197,779	206,382
Foreign exchange Loss	52,059	220,697
Net Cost	16,557	325,914

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31 DECEMBER 2018

			2018	2017
			$	**$**
6.	**Property, plant and equipment**			**(Restated)**
	Land and Buildings			
	Cost:			
	At 1 January		37,548,937	37,691,681
	Transfers from WIP		6,864,822	---
	Disposals	23 e	(210,997)	(142,744)
	At 31 December		44,202,762	37,548,937
	Depreciation and impairment			
	At 1 January		11,747,149	11,122,304
	Depreciation charge for the year		580,198	624,845
	Disposals		(210,997)	-
	At 31 December		12,116,350	11,747,149
	Net book value		32,086,412	25,801,788
	Office premises			
	Cost:			
	At 1 January		171,071	171,071
	Additions		---	---
	Disposals		---	---
	At 31 December		171,071	171,071
	Depreciation and impairment			
	At 1 January		115,401	113,973
	Depreciation charge for the year		1,428	1,428
	Disposals		-	---
	At 31 December		116,829	115,401
	Net book value		54,242	55,670
	Motor vehicles			
	Cost:			
	At 1 January		905,137	822,637
	Additions		59,900	82,500
	Disposals		(49,000)	---
	At 31 December		916,037	905,137
	Depreciation and impairment			
	At 1 January		704,073	652,975
	Depreciation charge for the year		57,471	51,098
	Disposals		(35,360)	---
	At 31 December		726,184	704,073
	Net book value		189,853	201,064

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31 DECEMBER 2018

	2018 $	2017 $ (Restated)
6. Property, plant and equipment - continued		
Furniture and fittings		
Cost:		
At 1 January	786,717	772,539
Additions	47,280	14,178
At 31 December	833,997	786,717
Depreciation and impairment		
At 1 January	668,946	620,808
Depreciation charge for the year	49,544	48,138
At 31 December	718,490	668,946
Net book value	115,507	117,771
Work in progress		
Cost:		
At 1 January	6,793,520	4,890,062
Transfer to land and buildings	(6,877,133)	---
Additions	739,755	1,903,458
Net book value	656,142	6,793,520
Net book value	33,102,156	32,969,813

The additions to Work in Progress includes the Savusavu Low Cost Housing Project and Simla Low Cost Housing Project .
The Transfer to Land and Building Project includes capitalistaion for Savusavu and Kalabu Housing 2014

7. Intangible asset		**(Restated)**
Cost		
At I January	681,827	674,638
Additions	16,995	7,189
At 31 December	698,822	681,827
Less amortisation and impairment:		
At 1 January	448,527	375,909
Amortisation	74,107	72,618
Disposals/Addition	---	---
At 31 December	522,634	448,527
Net book value	176,188	233,300

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31 DECEMBER 2018

	2018	2017
	$	$

8. Financial Assets

Term Deposits with an interest rate between 3% to 4.5% on 3 months to 5 year term are held at the various financial institutions. The term of 6 months and above are included under Non Current and within 3 months are under Current investment. The term deposits are as follows:

Non Current	2018	2017
	$	$
Bred Bank	-	2,050,000
Kontiki Finance	-	802,199
Bank of South Pacific	91,309	95,893
Westpac Banking Corporation	1,500,000	---
	1,591,309	2,948,092

Current		
Bred Bank	2,764,745	-
Kontiki Finance	400,000	-
Bank of South Pacific	4,584	-
	3,169,329	-
Total Financial Assets	4,760,638	2,948,092

9. Cash and cash equivalents

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	2,516,896	2,425,336
	2,516,896	2,425,336

10. Rent receivables

Rent receivable	91,884	107,534
Less Allowance for expected credit loss	43,998	29,725
	47,886	77,809

As at 31 December 2018 rent receivables at nominal value of $91,884 (2017: $107,534) were examined for impairment and $43,998 (2017 : $29,725) were provided for.

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

At 1 January	29,725	28,497
Add: IFRS 9 impact for expected credit loss	9,233	---
Charge for the year	6,487	11,545
Utilised	(1,447)	(9,089)
Unused amount reversed	-	(1,228)
At 31 December	43,998	29,725

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

Current	6,194	25,199
32- 61 days	25,009	26,589
62 -92 days	13,943	5,139
> 92 days	46,738	50,607
	91,884	107,534

11. Inventories

Inventories - at cost	4,935	8,606

Inventories consists of items purchased and kept in stock for maintenance of flats.

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31 DECEMBER 2018

			2018 $	2017 $
12.	**Prepayments and other assets**			
	Prepayments		73,882	32,137
	Interest receivable		75,992	17,330
	Sundry receivable		10,399	9,679
	Construction Refundable Deposit		160	570
	Security deposit -FEA		9,242	9,242
			169,675	68,958
13.	**Deferred revenue**			
	Opening Balance		1,976,440	694,570
	Less Amortisation transferred to revenue		16,404	61,583
	Reversal due to correct Opening as per PPE	23 b	---	44,344
	Add Capital grant - Simla		2,225,533	1,299,109
	Less Opening of New Account		1,000	---
			4,184,569	1,976,440
	Current		16,404	61,583
	Non current		4,168,165	1,914,857
			4,184,569	1,976,440

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. Revenue is brought to account over the periods necessary to match the related cost of the buildings. Government grant for Simla received in 2017 & 2018 has been added to Deferred Income (IAS20).

		2018 $	2017 $
14.	**Interest bearing debt**		
	Current		
	Housing Authority bond	1,134,190	1,134,190
	Non current		
	Borrowings- Long Term	9,039,891	9,845,248
		10,174,081	10,979,438

(i) The long term loan borrowed by the Ministry of Finance from the EXIM Bank of China, is guaranteed by the Government of the Republic of Fiji. The term loan was borrowed by the Ministry of Finance in 2010 and is payable in bi-annual instalment over fifteen years at a interest rate of 2%. Grace period has expired and Loan repayments commenced in year 2016.

(ii) 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 2018

15. Trade payables and accruals

		2018 ($)	2017 ($) (Restated)
Trade creditors and accruals	23 d	543,774	341,041
Consultancy		-	24,569
Rental deposits		359,016	325,710
Credit balances in receivables		465,295	440,436
Unallocated subsidy		(89,048)	423,662
		1,279,037	1,555,418

The table below summarises the maturity profile of the Board's financial liabilities at 31 December 2018 and 31 December 2017 based on contractual undiscounted payments. This includes the interest bearing borrowings and the trade payables and accruals.

	2018 ($)	2017 ($)
On demand	920,021	1,205,139
3 to 12 months	1,134,190	1,158,759
1 to 5 years	9,398,907	10,170,958
Total	11,453,118	12,534,856

16. Employee Entitlements

	2018 ($)	2017 ($)
At 1 January	148,393	111,838
Arising during the year	198,260	73,730
Utilised	(33,730)	(37,175)
At 31 December	312,923	148,393

17. 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	*Served Until*
Mr. Umarji Musa - Acting Chairman	May-16	On going
Mr. Roveen Permal	May-16	On going
Mr. Nesbitt Hazelman	May-16	On going
Mr. Craig Strong	May-16	Nov-17

(b) Transactions with related parties

Transactions with related parties during the year ended 31 December 2018 with approximate transaction value are summarised as follows:

	2018 ($)	2017 ($)
Board expenses and allowances	25,468	30,431
Amount owing to the Government for FNPF Bond	1,014,712	1,014,712
Government grant received to subsidise rental	578,879	1,001,980

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31 DECEMBER 2018

17. Related parties (Cont'd)

(b) Transactions with related parties (Cont'd)

(i) The government grant of $578,879 received in 2018 and the balance of $63,546.55 from 2017 were distributed as rental subsidy amounting to $1,004,461 (2017: $98,2957) and compensation of the market rent amounting to $104,779 (2015: $98,990). There is a shortage of $89,048 subsidy as of December 2018.

(ii) The Board received a total Government Grant for the Kalabu Housing Project 2014 of $2,241,344 in year 2014 and 2015. Initial capital invested was $250 and total interest income equates to $1,183. The Project was taken over by PRB inhouse team from 2017 where PRB utilised the full grant given for the project and completed in 2018 at the cost of $3,470,486. The project was officially opened in 2018.

(iii) The Board received a total Government Grant for the Naqere, Savusavu Housing Project 2014 of $3,872,171 in year 2014 and 2015 . Initial capital invested was $250 and total interest income equates to $5,029. PRB completed the project at the end of 2017 at the cost of $3,406,647 and opened officially opened in 2018. PRB further utilised the funds for fencing and walkway in 2018.

(iv) The Board received a Government Grant for the Simla Housing Project 2016 of $2,225,533 in 2018 (2017- $1,299,109). Initial capital invested was $250. PRB utilised a total of $110,868 in 2018. The Project is expected to complete by end of 2019.

	2018 ($)	2017 ($)
(c) Compensation of key management personnel		
Short term employee benefits	189,702	122,597
	189,702	122,597

18. Commitments and contingent liabilities

	2018 ($)	2017 ($)
(a) Capital expenditure commitments	3,536,002	3,646,870

Capital expenditure commitments relates to approved grant for Simla Housing

(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	38,285	29,558
Later than one year but not later than five years	153,139	118,233
Later than 5 years	2,361,061	1,731,232
	2,552,485	1,879,023

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 $38,285.00 (2017: $29,558.00).

19. 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.

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31 DECEMBER 2018

20. Registered office

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

21. 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.

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 14. The interest rate on income ranges from 2% to 4% and is reviewed when required by the board.

Credit risk

It is the Boards 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	
	2018	**2017**
	$	**$**
Cash and cash equivalents	3,516,896	2,425,336
Trade and other receivables	261,559	176,492
Held-to-maturity investments	3,760,638	2,948,092
	7,539,093	5,549,920

22. SUBSEQUENT EVENTS

Except for the proposed merger with the Housing Authority of Fiji presented in Parliament which is yet to be formalised and timelines yet to be confirmed, 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.

23. CORRECTION OF AN ERROR

a) As a result of the uncertainties inherent in business activities, many items in financial statements cannot be measured with precision but can only be estimated (IAS8).

The estimates has been corrected by restating each of the affected financial statement line items for the comparable year.

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31 DECEMBER 2018

23. CORRECTION OF AN ERROR - cont'd

Statement of Changes in Equity

		Balance Before Ajustments	Net Adjustments	Opening Balance after Adjustments
		2017		**2017**
	Equity			
a.	Accumulated Profit	3,656,699	(276,643)	3,380,056

The net adjustment of $276,643 made to Retained Earnings to correct the estimates, errors and interest on recorded in prior years of $157,165 and $119,478 of interest expense on the Housing Authority Loan as confirmed by the Ministry of Economy on 17/07/19

The following items were restated as follows:

	Statement of Financial Position	Balance Before Ajustments	Adjustments	Opening Balance after Adjustments
b.	**Liability**	**2017**		**2017**
	Deferred Revenue	1,932,096	44,344	1,976,440

The recoupment of $44,344 was added back to Deferred Revenue Non- Curent. Number of Assets in Deferred Revenue were identified in Fixed Asset Register and calculation was reperformed based on the rates used in FAR.

		Balance Before Ajustments	Adjustments	Opening Balance after Adjustments
d	**Current Liability**	**2017**		**2017**
	Trade payables and accruals	370,965	(29,924)	341,041

The Board reversed and made adjustements to payments that were overaccrued in prior year amounting to $29,924.

		Balance Before Ajustment	Adjustment	Balance after Adjustment
e	**Non Current Assets**	**2017**		**2017**
	Buidling and Land	37,691,681	(142,744)	37,548,937

Board demolished Raiwai and Raiwaqa flat and adjusted the demolisation cost of $142,744 through Retained Earnings as the building was physically demolised in prior year.

		Balance Before Ajustment	Adjustment	Balance after Adjustment
f	**Current Liabilities**			
	Interest bearing debt	1,014,712	119,478	1,134,190

Board received a confirmation on the Housing Authority bond by Ministry of Economy of $1,134,190 as of financial year 2018 which included interest of $119,478 of prior years as such adjustment was made to retained earnings.

Mead Road General Maintainence



Savusavu Fencing

Diwali Lunch

Talanoa Session

Fiji Day Celebration





Savusavu Walkway


Charles Street General Maintenance


PRB Family Day



Kalabu LCHP Opening






Savusavu LCHP Opening





Head Office Rennovation

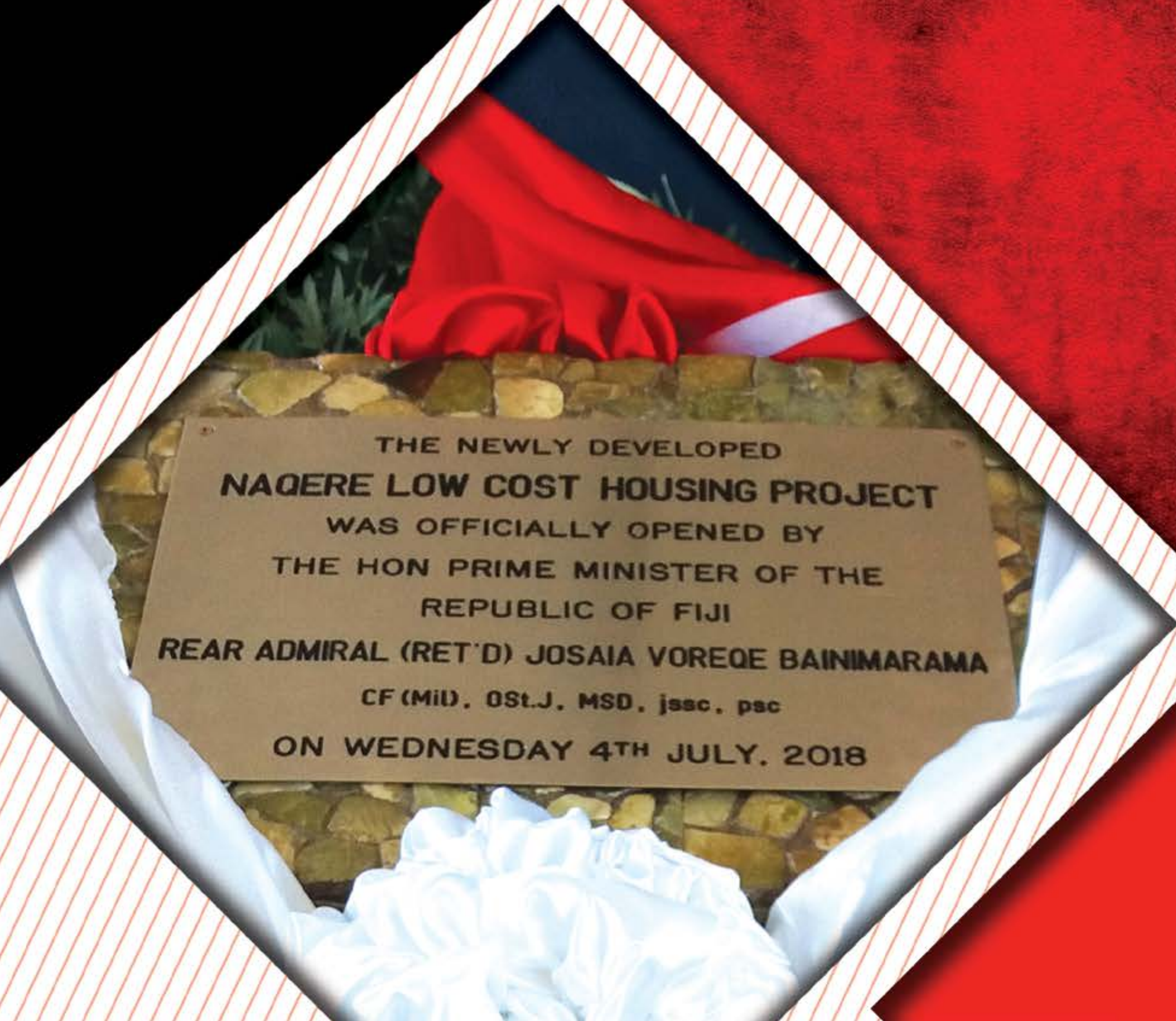

Appreciation Farewell

Raiwai Carpark Upgrade


Macfarlane Rock Lining



Public
RENTAL
Board


THE NEWLY DEVELOPED
NAQERE LOW COST HOUSING PROJECT
WAS OFFICIALLY OPENED BY
THE HON PRIME MINISTER OF THE
REPUBLIC OF FIJI
REAR ADMIRAL (RET'D) JOSAIA VOREQE BAINIMARAMA
CF (Mil), OSt.J, MSD, jssc, psc
ON WEDNESDAY 4TH JULY, 2018