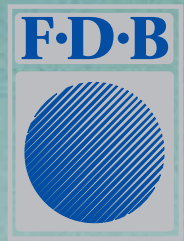
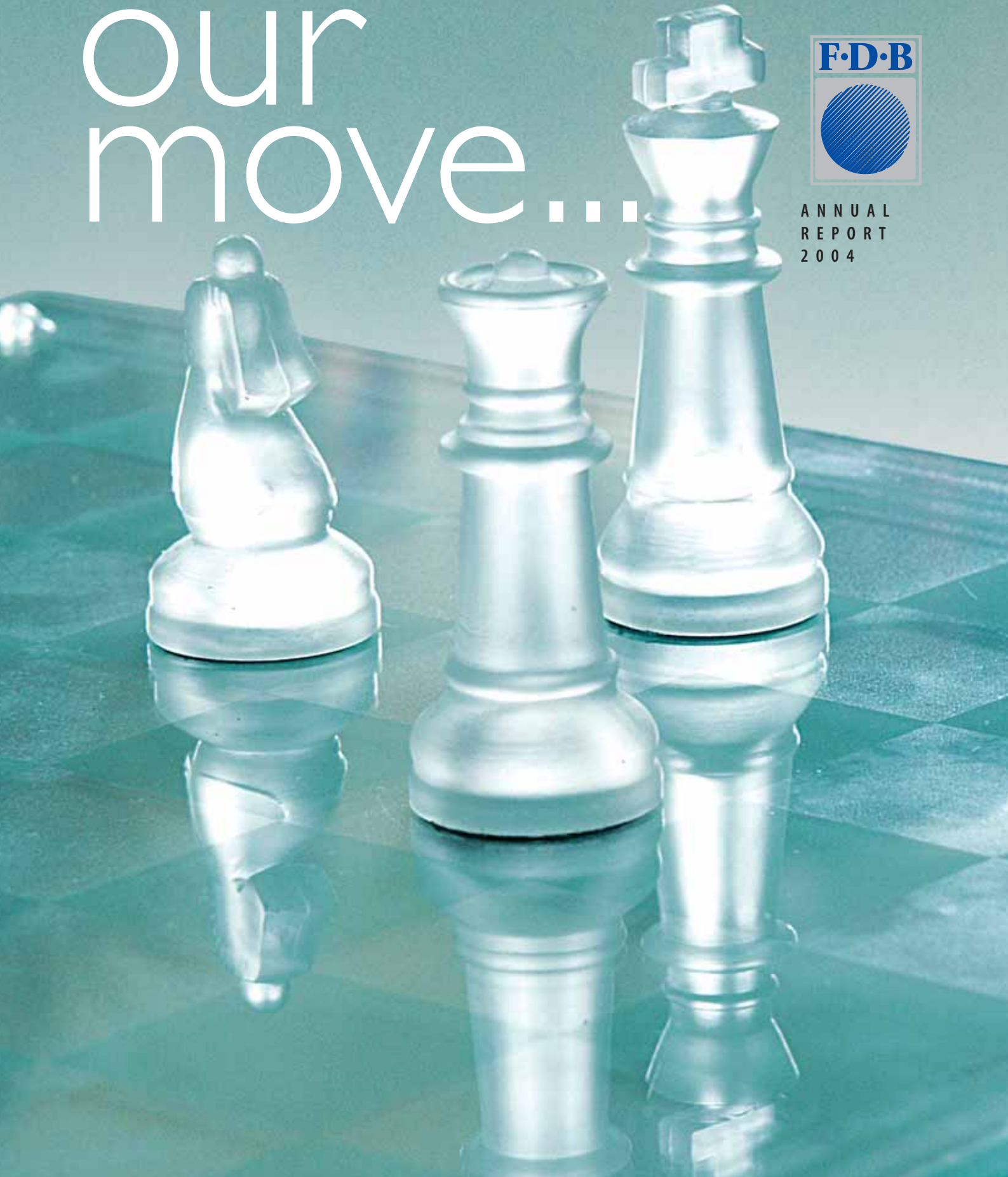


# our move...



ANNUAL  
REPORT  
2004



# in fact . . .

Development banking in Fiji dates back to December 1951 with the establishment of the Agricultural and Industrial Loans Board (AILB).

The aim of the AILB was not to compete with the financial institutions that already provided credit on reasonable terms, but to offer funds to those who could not obtain credit elsewhere. It reached a stage where the activities become too large for the existing structure. It was then (July 1967) that all its assets and liabilities were transferred to the Fiji Development Bank.

Under the FDB Act, FDB was required to assist and encourage the development of natural resources and enterprises in Fiji with special consideration given to the rural and agricultural sectors of the economy. Two decades later with about 60% of its portfolio in agriculture, the Bank diversified into industrial and commercial lending. It believed that a healthy high earning commercial loan portfolio was mandatory to supplement the development of the rural sectors and small business operators who bear much higher risks. Today, the Bank's investment in the agricultural sector has reduced to above 10% of the total loan value portfolio but has a market share of 55.06% of the total Fiji market.

Since 1967 FDB has helped establish and nurture projects in the sugar, copra, grain, distillery, fertilizer, media, and telecommunication industries, and has been at the forefront of implementing Government initiated schemes. FDB has positively impacted and reached into every community and valley, town and city, and island of Fiji - farmers, fishermen, small entrepreneur and large business partner alike. Today, the head office is located in the nation's capital, with branches located strategically in

Nausori, Sigatoka, Nadi, Lautoka, Ba, Rakiraki, Labasa, Savusavu and Seaqaqa.

In early 2004, the Bank implemented its restructure plans to ensure its sustainability and gradually remove its reliance on assistance from the government. It has adopted a commercial concept in managing its corporate clients and at the same time maintaining its development role of assisting agricultural and small business entrepreneurs.

FDB enjoys affiliations to various regional financial institutions like the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) and the Association for Development Financing Institutions of the Pacific (ADFIP).

Apart from loans to the general public at normal rates, FDB also provides concessionary loans to various ethnic groups who are Fiji citizens - the Commercial Loans to Fijians Scheme (CLFS) and Small Business Scheme (SBS). FDB provides all types of business loans for all sectors including leasing and export finance. Other special funds include the Equity Scheme, Economic Rehabilitation Package (ERP) and Seed Capital Revolving Fund (SCARF).

The Board of Directors, who is appointed by the Minister of Finance, is accountable for the operations of the Bank. Consequently, the operations of FDB to some extent reflect the policies and developmental aims of the government. The Government continues to use FDB as the financing institution in its development projects and for disaster rehabilitation programs. It is supported through its provision of interest subsidy, grant and guarantee and the occasional capital injection.

The concept for this years report stems from the strategic moves that the Fiji Development Bank has made this past year towards being a commercially viable bank.

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## our vision

To be the leading development financing institution in Fiji and in the South Pacific

## corporate objective

To be a profitable and self-sustaining financial institution

## our mission

We provide finance, financial and advisory services to assist in the economic development of Fiji and in particular in the development of agriculture, commerce and industry



31st August, 2004.

Hon. Ratu Jone Kubuabola,  
Minister of Finance,  
Ministry of Finance & National Planning,  
Victoria Parade, SUVA.

Dear Sir,

I have pleasure in submitting the annual report and financial accounts of the Fiji Development Bank for the financial year ended 30th June, 2004.

### Financial

The year ended with FDB recording a nominal profit, which was encouraging, considering some of the major changes we have implemented - in the manner in which we are now conducting our business.

We have taken a prudent and responsible approach to the management of our business with some significant differences being recorded in this year's accounts. Importantly is the doubling of our provisioning as compared to what the Bank normally applies each year. It is our intent to continue this trend until such time that we reach a desired level.

Our total revenue has declined, which is of concern and has been largely driven by reducing margins, reflecting a general increase in competition within our industry. However, the impact of this has been neutralized by the Bank's control on expenses, reflecting strong management in this

important aspect of our business. Unlike many of the other commercial banking entities, FDB serves a wide range of Fiji's business community located in both the urban and rural centers, providing development finance and support to many of our budding entrepreneurs and emerging businesses.

### Strengthening our Business

Our Bank has embarked on a series of strategies which are designed to strengthen our business. This has involved a major restructure which has separated our Bank in to two separate entities:

- (a) commercial - driven by a team of well trained and dedicated staff who are focused on our corporate customer needs; and
- (b) development - an integral part of our business, as reaffirmed in our Act and will continue to remain a vital purpose of our existence.

### Achievements to Date

Whilst we are still at an early stage of our restructure, to date, we have:

- introduced new governance systems - with the establishment of Board and Executive working committees who are responsible for overseeing critical areas, such as - Risk Management, Asset & Liability Management and Human Resources.
- Implemented new service models relating to both our larger commercial/industrial customers as well as our small business and agriculture customers. All customers are important to FDB and we remain equally focused on all sectors of our community.
  - Further strengthened our performance by establishing a new business division solely dedicated to managing and assessing the risk

FDB Chairman -  
David Aidney



associated with our customers.

- Upskilled our Team to ensure that we are more responsive, professional and customer service oriented.
- Communicated with many of our Customers and listened to what we need to build in to our service to suit their needs. We acknowledge that although we have seen improvements, we still have much work to do and will continue to internally audit our performance as we go along.

### Assistance

This re-structure programme has been made possible by the kind assistance offered to us by the Pacific Enterprise Development Facility (PEDF) who are just as keen as we are, to ensure it is a success. Steve Good is on assignment with us and whilst employed as a Consultant - to oversee the whole process, he is often seen wearing many hats and comes as a versatile facilitator, trainer and advisor. We thank Steve for his untiring efforts and commitment to ensure that this happens.

### Northern Development Program

FDB is keen to play a major role in our Government's Northern Development programme and I have been encouraged by the enthusiasm demonstrated by our staff at recent meetings in Labasa and Taveuni. We need to explore all avenues that will enable us to obtain the maximum benefit from our assets, especially our land.

### RBF Audit & Full Banking Licence

This year, at our request, we underwent an intensive audit, conducted by the Reserve Bank of Fiji. This was a first for the Bank and we would like to acknowledge the professional spirit in which the RBF worked with the Bank.

With these achievements to date, along with adopting a much greater focus on the management of the key elements of our business, we have applied for a "full banking licence" so we can better serve our Customer's banking needs. We are confident that this will be granted in the near future and it will also mean that FDB will come under the direct supervision of RBF.

Fiji needs a strong development bank, I am confident that the restructure and change process underway at FDB, will strengthen our bank, the only 100% locally owned bank

in Fiji to one we will all be proud of. Work is underway on a comprehensive three year strategic plan which will clearly outline where we are heading and how we intend to get there.

### Our FDB Team

We have a long road ahead but the progress to date has been encouraging and I have been personally encouraged by the spirit in which our Team at FDB is embracing this exercise.

Any restructure and change process within an organization must be done with great care ensuring that our people are kept fully informed and are made an integral part of the programme.

I would like to thank the management and all of our staff for their understanding and commitment to this process. They are the reason behind the success to date and undoubtedly our success tomorrow.

Finally I would like to thank my Board for their guidance and professional input in helping me to navigate my way through my first term as Chairman. It has been an interesting journey and one which I expect will take up the best part of my 3 year term.

My commitment is that by Christmas 2004, when much of the reorganization is complete, our customers will be the first ones to comment on our superior quality service that will be delivered to all sectors of Fiji.

Yours sincerely,



Dave Aidney,  
CHAIRMAN.



Steve Good



**David Aidney**

Aidney was appointed in 2003 to replace Navitalai Naisoro as Chairman. He is the Managing Director of the largest local freight forwarding business Williams and Gosling Ltd. He holds directorship with various organisations which include Fiji Trades & Investment Bureau, Matrix Risk Management and Waste Management (Fiji) Ltd and is a member of the Prime Minister's Think Tank.

**Mr. Ian Chute**

He is the General Manager of the family owned Celtrack Holdings Limited, a business involved in fish processing and exporting and vessel management.

**Mr. John Samisoni**

He is the Managing Director for Corporate Management Services Limited and has an Arts Degree majoring in Economics and Computer Science from Australia's University of Queensland.

**Mr. Solomon Vosaicake**

Appointed in March 2002, he is a retired civil servant. He is a Director for Munia Holdings and Mualevu Tikina Holdings Limited and holds an Education Degree from Australia.

**Mrs. Sereana Qoro**

Appointed in 2003, she is the General Manager Finance & Administration/ Company Secretary of Basic Industries Ltd and Fiji Industries Ltd. Qualifications include a Bachelor of Arts with majors in Accounting/Economics and a Master in Business Administration from the University of the South Pacific.

She is also a director with Fiji Electricity Authority, Capital Market Development Authority and Higher Salaries Commission.

**Mr. Kalivati Bakani**

He is the General Manager of the Native Land Trust Board (NLTB). He has also served as Board Chairman and director in various organisations.

Standing left to right: Ian Chute, Kalivati Bakani, John Samisoni  
Sitting left to right: Solomon Vosaicake, David Aidney, Sereana Qoro



## HISTORICAL PERFORMANCE

<b>Financial</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Net Profit (\$'000)	517	302	696	2,042	453
Total Assets (\$'000)	326,574	322,340	284,672	271,358	269,184
Total Asset/Equity	4.42	4.08	3.57	3.32	3.28
Average Earning Assets (\$'000)	360,422	345,754	327,669	301,950	281,572
Borrowing cost/Ave. earning assets (%)	5.50	5.12	4.67	3.85	3.09
Total costs/Ave earning assets (%)	8.02	7.59	7.50	7.10	7.06
Profit (loss)/Ave. equity (%)	0.70	0.39	0.88	2.53	0.55
Long term debt:Equity	3.3:1	2.99:1	2.43:1	2.12:1	1.99:1
Interest spread (%)	2.08	2.01	2.51	3.97	3.73
Earnings spread (%)	2.70	2.84	3.30	4.61	6.13

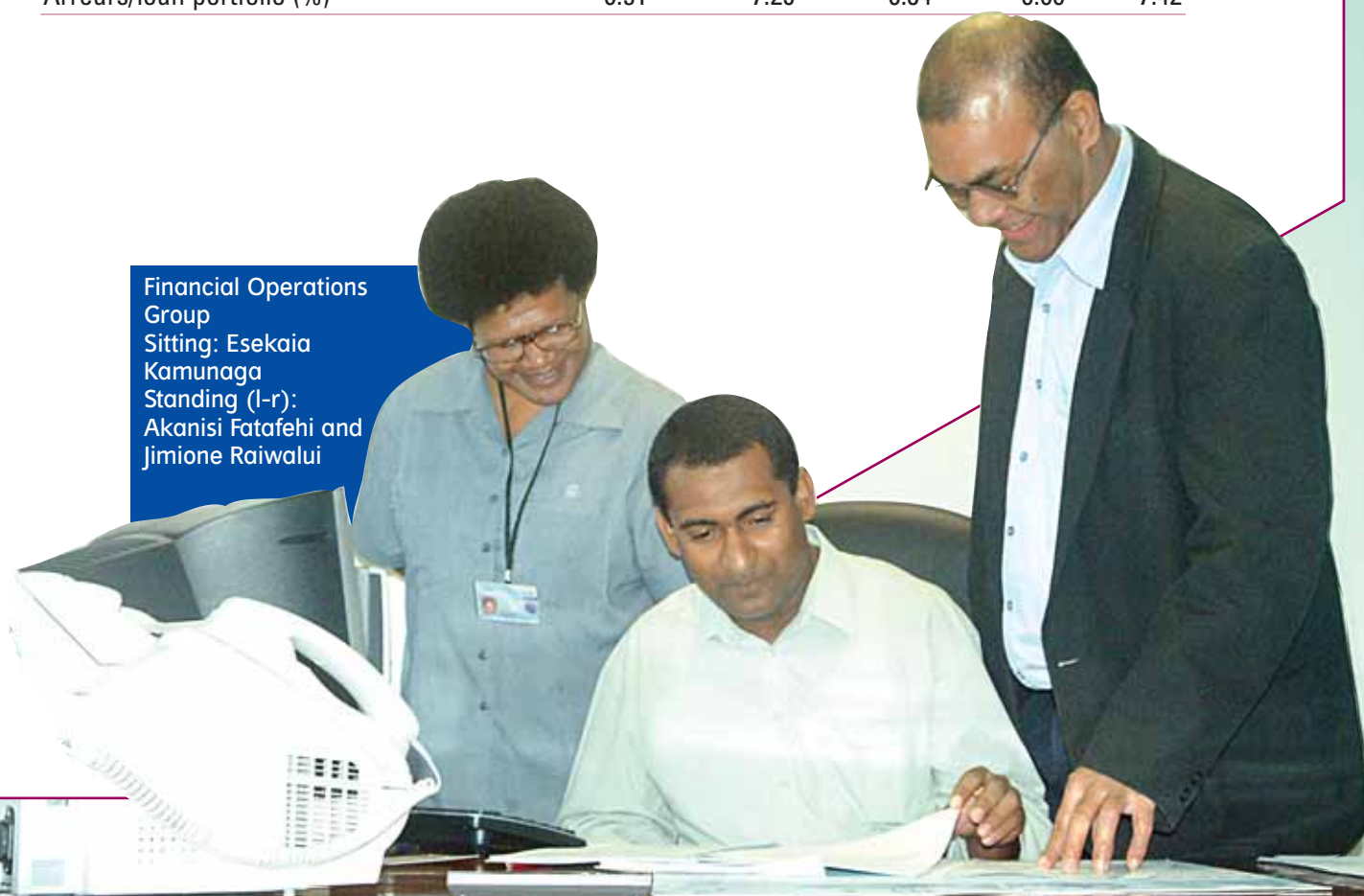
### Operating Efficiency

Staff cost/ave earning assets (%)	1.70	1.64	1.75	2.09	2.50
Total income/ave. earning assets (%)	10.25	10.19	10.42	10.88	11.73

### Lending

Approvals (number)	1,222	1,751	1,019	1,007	1,105
Approvals (\$'m)	46.60	50.40	24.43	67.19	76.45
Loan Portfolio (number)	5,952	6,092	6,282	5,990	4,372
Gross Loan Portfolio (\$'m)	317.2	321.7	293.3	282.5	281.18
Growth in loan portfolio (%)	-5.86	1.41	-8.83	-3.68	-0.46
Arrears/loan portfolio (%)	6.51	7.29	6.84	6.66	7.42

Financial Operations  
Group  
Sitting: Esekaia  
Kamunaga  
Standing (l-r):  
Akanisi Fatafehi and  
Jimione Raiwalui





The Change programme for the Bank can be likened to a trapeze artist who for years has received acclaim for performing outstanding somersaults on a single trapeze. One day they are told that to continue to receive acclaim they must try something new.

The suggestion is they somersault from one trapeze to another. To achieve this means letting go of the single familiar trapeze, somersault through the air, reach for the new trapeze, and then grab hold of the new trapeze, which will carry them to the other side, to even greater acclaim (adapted from the Journey Learning - UK's leading consultancy).

Commencing in February this year, the Bank embarked on a change programme that saw the FDB split its normal lending operations into two: Agriculture & Developmental Business and Corporate Sales & Service. The former being our old trapeze and the latter, our new - acknowledging that it is our commercial loans that have largely driven the bank's profits, enabling it to subsidise its development loans and other government - directed schemes. The changes are part of broader designs to improve the Bank's earnings.

And of the higher  
acclaims as a  
result of


these changes? Aspirations include controlled quality growth in our portfolio, achieving a new overall provisioning benchmark, capitalizing on potential areas and reviewing of existing ones, and enhancing the role of FDB Nominees Limited.

As the agent for change, my team would like to manage quality growth and aim to strengthen commercial portfolio to support our developmental goals. Plans in the new year include a vibrant and aggressive marketing drive in our product offerings. Our income positioning has to be assessed.

As for the overall arrears, FDB is targeting to attain below two percent of our overall portfolio. The team designed to tackle this have the expertise to ensure that our books can drop to this ambitious yet attainable level.

There are other potential areas that the Bank can tap into when a full banking license is in our hands. These include developing a funds management arm, merchant banking, infrastructure lending capabilities and capitalising on other lines of businesses including foreign exchange, term deposit and developing strategic alliances with our counterparts. Lastly, enhancing the convalesce service role of FDB Nominees Limited to our Asset & Management Unit (AMU) and ensuring that other avenues of revenue are explored.

So in acknowledging the need for change, the Bank looks forward to enhancing existing businesses and developing and exploring new opportunities.



Chief Executive  
Officer,  
Tukana Bovoro



## Financial Performance

- ▶ A net profit of \$0.453 million was achieved for the year ended 30th June 2004, a reduction from \$2.04 million in 2003. The decline was due to the significant increase in the provision expense created and also the decline in interest income.
- ▶ Interest income for the year amounted to \$25.84 million compared to \$29.49 million the previous year. This is a 12.4% decrease. Total other income for the year was \$4.98 million, the major portion being the gain on the sale of the International Hotel property.
- ▶ Total loan portfolio at end of June 2004 was \$280.6 million, a decline from \$282.5 million from June 2003.
- ▶ The return on gross loan portfolio (9.18%) reflects a drop in the return from that which was achieved in June 2003 (10.25%). One of the major cause affecting the return has been the decline in interest rates offered to clients.
- ▶ The management of the flow of funds, which entails the management of the interest rate risk, was vital during the year. It was critical that the cost of borrowing be brought in line with the declining loan portfolio to improve the Bank's profitability position. This involved a more critical and analytical focus on the varying interest rates and the Bank's borrowing maturity profile. The result was a reduced interest cost from \$11.61 million in 2003 to \$8.70 million in 2004, a reduction of 25%.
- ▶ Net long-term borrowings reduced from \$178.6 million in June 2003 to \$177.7 million in June 2004. The favourable market rates enabled the Bank to refinance some of the high rate bonds, thus allowing improvement in the interest spread and the earnings spread.
- ▶ Staff costs were \$6.79 million to June 2004, a slight increase from \$6.27 million in 2003. This was due to the cost of restructure for staff movement and transfer costs.

### Loan Approvals

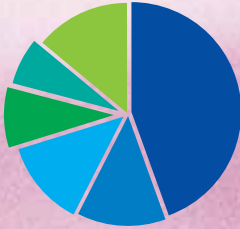
- ▶ Lending amounted to \$76.45 million for 1,105 projects during the financial year. This is compared to \$67.19million for 1,007 loans in 2003.
- ▶ Of this total lending, the Real Estate sector received the largest share of loans \$27.35 million or 35.78% of total approvals
- ▶ Provincial lending was highest for Rewa valued at \$34.0 million
- ▶ For sole trader borrowers, 823 in number and value of \$10.98 million, Indians accounted for majority of the loans with 49.16% followed by Fijians with 44.05% by value of these approvals
- ▶ Largest borrowing in the year was to a tourism project worth \$5.8 million
- ▶ Average loan is \$69,189
- ▶ Agriculture & Development loans approvals were 16.69% by value of total approvals - 1,003 clients worth \$10.90 million. These were mostly for Agriculture and Transport project loans. Development loans were mostly clustered in Rewa and Ba provinces.
- ▶ Loans below \$30,000 were provided to 909 borrowers with a total amount of \$6.66 million. In terms of both number and value, investment was centered in agricultural projects, a trend consistent to past years.
- ▶ Corporate Clients were 85.28% by value of total approvals - 102 clients worth \$65.55 million most of which were investments in real estate and tourism projects. The clients were mostly concentrated in the provinces of Rewa and Macuata.
- ▶ Seed Capital Revolving Fund (SCARF) projects were made a total of 24 new loans with a grant of \$1.03 million. Most were in the forestry sector
- ▶ Small Business Equity Scheme had 232 new loans with a grant of \$184,285.



# ...to achieving

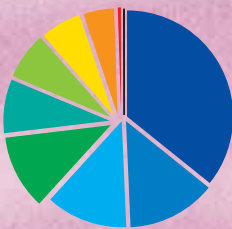
# profitability

Provincial Lending



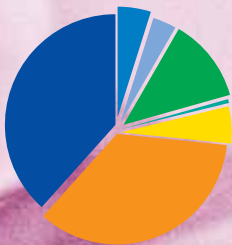
- Rewa 44.48% (34,003,300)
- Ba 13.03% (9,959,926)
- Macuata 12.70% (9,711,562)
- Kadavu 8.87% (6,779,841)
- Naitasiri 6.93% (5,301,543)
- Others 13.99% (10,697,506)

Lending by Sector



- Real Estate \$27,353,000
- Tourism \$10,350,000
- Wholesale, Retail, Restaurant \$9,514,000
- Transport & Communication \$8,677,000
- Manufacturing \$6,276,000
- Agro-Industry \$5,519,000
- Professional Business Centre \$4,792,000
- Agriculture \$3,588,000
- Infrastructure Construction \$361,000
- New Products \$23,000

Small Business Equity Grant Lending



	No	Value
■ Agro-Industry	6	8,968
■ Manufacturing	11	6,370
■ Professional Business Services	23	22,683
■ Real Estate	1	1,037
■ Tourism	6	9,986
■ Transport & Communication	41	64,522
■ Wholesale, Retail & Restaurant	144	70,720
<b>Total</b>	<b>232</b>	<b>184,285</b>

Seed Capital Revolving Fund

Sector	Approvals		Portfolio	
	No.	Grant (\$)	No.	Value \$
Fishing	1	39,879	4	690,913
Eco-Tourism	9	82,107	19	599,049
Forestry	14	453,436	25	1,975,953
<b>Total</b>	<b>24</b>	<b>1,036,583</b>	<b>48</b>	<b>3,265,915</b>



### Restructure

Early May 2004 saw the Bank implement its reform program. The new Bank saw the setup of 5 major groups namely Corporate Business Services (CBS), Business Risk Services (BRS), Agriculture & Development Finance (A&DF), Divisional Support Services (DSS) and Financial Operations.

### Lending

The CBS functional group will be servicing and marketing to the existing corporate customers and prospective corporate business partners. The underlying objective is to retain and grow the FDB's share of corporate customers.

The Corporate sales and risk team managers went through intensive training to equip them with knowledge and skills in preparation for the new bank.

The purpose of the A&DF group is to align FDB's business towards its development charter. It will use the facilities (interest subsidy, equity and guarantee) available from the Government to further the course of business

development to those sections of the community who do not have access to loan facilities. Its main challenge will be to bring about quality portfolio growth with maximum returns to the FDB, from a financially weak and high-risk segment of the portfolio.

### Business Risk Services

The BRS group comprises of Corporate, Agriculture & Development and Credit Support & Monitoring.

The BRS Corporate is responsible for providing efficient and consistent risk services to the bank's corporate customers. The A&DF Business Risk Team will provide similar support risk analysis for customers but using a different service model.

The Asset Management Unit manages all default accounts of a certain period. These accounts are evaluated for either rehabilitation or recovery purposes. The objective is to take quick action against defaulting facilities through legal action to protect the bank's interest.

The Credit Support and Monitoring group is responsible for continuously scanning the network and ensuring that policies and processes in respect of loans have been adhered to. The Portfolio Management, Process and Policy Group will monitor and manage the Bank's loans portfolio from a macro perspective.

**10** Corporate Business Services  
Standing: Khalid Hussein  
Sitting: Umarji Musa



## Support Services

This group provides quality functional support services that empower team leaders to efficiently and confidently carry out their responsibilities. Five (5) support departments are represented. These are Legal, Properties, Training, Insurance, and Human Resources.

## Human Resources

The main focus of the Department of Human Resource is on Strategic Management and development of the bank's core resource, its people. The effort to retain the existing workforce during the bank's restructure process demanded professional human resource services and expertise. A more active role was evident in the areas of training, employee support, communications and provision of customer services.

During the year, the FDB and other banks in the Pacific benefitted from various training programs funded by the Centre for Development of Enterprise (CDE).

The reorganization warranted substantial investment into training of its staff. A total of 108 lending staff underwent a "Skills Audit" to assess their current knowledge and analytical

skills in preparation for the restructure in the new bank. This also provided an indication on specific areas that needed further training for the respective lending staffs.

The Bank continued its commitment to employee development and skills enhancement. Eleven officers continued further studies at the University of the South Pacific and the Fiji Institute of Technology. Three graduated with Degrees and one with Masters Degree from the USP whilst two graduated with Diplomas from the FIT.

In conjunction with the restructure, new uniforms were issued in March 2004 to all bank staff. The uniform color and style were well accepted by the majority.

There is 218 staff in office compared to 226 last year, a reduction of 3.54%. Key reasons were migration and early retirement.

Staff ethnic breakdown comprised 55.05% Fijians, 37.67% Indians and 7.34% from other ethnic background. Around 60% of staff is male.



Agriculture and Development Finance Group  
Sitting: Deve Toganivalu  
Standing l-r: Nafitalai Cakacaka and Jaiwant Krishna

**Legal**

Previously, the Insurance and Tender Departments were part of the Legal Division. Insurance is now a Department on its own while Tender & Recovery Department has been absorbed into the Asset Management Unit, a local office of the Business Risk Services.

Distribution of work to the Legal staff have been re-looked at to improving the overall service of the center without compromising the Bank's position in terms of reliability and credibility of securities which the Bank would rely on in the unlikely event of default by its customers. Ultimately, it is contemplated that centers outside Suva would be able to print their own security documents to enhance overall delivery of service.

Legal is also involved in debt recovery work by instigating legal action against defaulting customers. This supplements actions taken by the Bank's panel of solicitors.

**Financial Operations**

The Finance Division carries out the Bank's treasury and accounting functions. This responsibility involves all accounting functions and the treasury functions such as liquidity management, debt management and investment.

The Division also serves as the secretariat to the Asset and Liability Committee (ALCO), which manages all financial risks of the Bank and is also responsible for the creation of all treasury policies.

## BUSINESS AT HEART...

Some may argue that a common test with indigenous - owned businesses is finance management. For Peni Marama from Nabitu, Tailevu, his business ventures have passed the test to establish itself in the Real Estate and Bread Retail markets.

Located on the fringe of Nausori Town, Peni's property is within walking distance from its main trading centre. In August 2001, Peni took advantage of FDB's Commercial Loans to Fijians' Scheme and acquired two neighboring commercial buildings in River Road. Monthly rentals are received from his residential and four commercial flats.

His core businesses are the bread shops in River Road and Baulevu. The absence of bakers' skills did not deter him to manage the shops. With strong experience in Finance, Peni hired the necessary skills and managed the shop to produce the maximum returns.

He emphasised the need for his staff to be customer-oriented and required them to serve their customers effectively and efficiently. One of the key features of his business is his queue management system in the bread



# to achieving

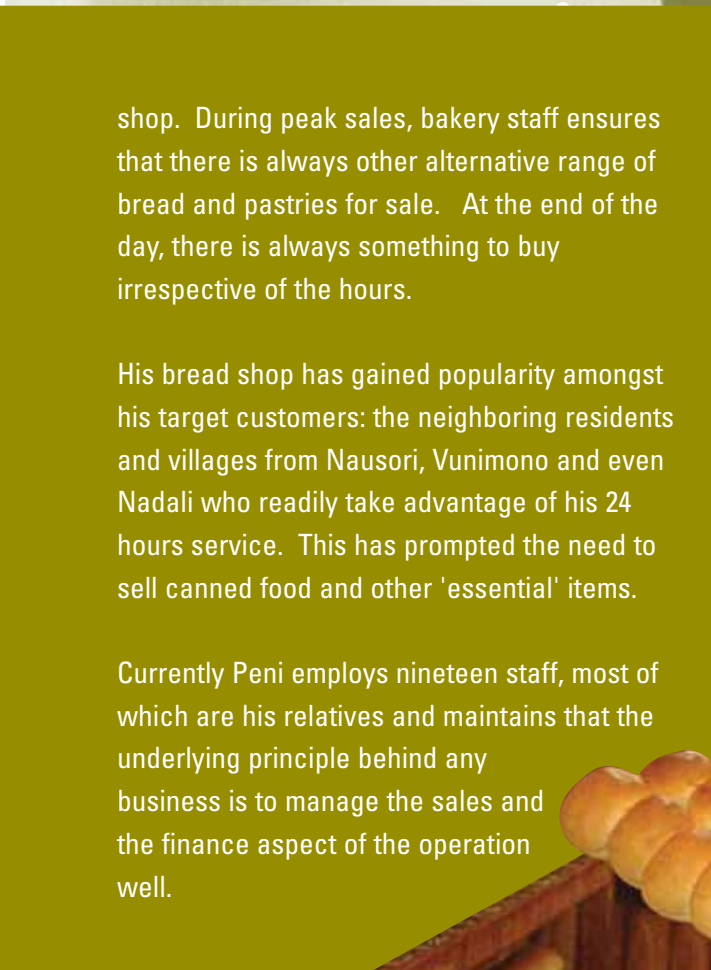
# efficiency

Ultimately, it is contemplated that centers outside Suva would be able to print their own security documents to enhance overall delivery of service.

shop. During peak sales, bakery staff ensures that there is always other alternative range of bread and pastries for sale. At the end of the day, there is always something to buy irrespective of the hours.

His bread shop has gained popularity amongst his target customers: the neighboring residents and villages from Nausori, Vunimono and even Nadali who readily take advantage of his 24 hours service. This has prompted the need to sell canned food and other 'essential' items.

Currently Peni employs nineteen staff, most of which are his relatives and maintains that the underlying principle behind any business is to manage the sales and the finance aspect of the operation well.



### Other developments

The Bank utilised the user-pay services of the Data Bureau Limited, the only Credit Bureau in Fiji, which maintains an electronic library of both demographic and historical credit information for individuals and corporate entities. It is a major step forward for financial providers, as critical financial information is made available via the Internet to assess potential clients credibility. This is provided on the basis of a particular person's previous dealings with other firms or financial institutions.

In February, the revised fees and charges were implemented, after years of remaining unchanged. Comparatively, the new rates remain competitive and in many cases are relatively lower than many of our competitors.

New additions to the fees include FNPF Transfer fee, Bank opinion fee, production fee and Release of Guarantor, which are currently charged by most banks.

## CONTINUOUS IMPROVEMENT - THE COMPETITIVE EDGE

28-year-old Raman Singh's "confectionery making and retailing" business has flourished from what started as a subsistence and hobby based interest in 1999. He started with his small savings and limited resources by selling door to door in his local area of Sabeto and Nawai in the western side of Viti Levu. Later, demand started growing and local schools and shops would place orders. He needed assistance. Coincidentally, he found out through friends that FDB was offering a new small business loan scheme. Immediately, he sought their assistance. Seeing the potential of the business and in alignment with its commitment to supporting small businesses, FDB provided funds to purchase more equipment and meet his working capital needs.

The Singh family with their innovative recipes continues to improve their method to retain and attract more customers. Demand continues to grow.

The income from the business has enabled Raman to support his

# to achieving productivity

...revised fees and charges were implemented, after years of remaining unchanged. Comparatively, the new rates remain competitive and in many cases are relatively lower than many of our competitors.

extended family of six and provide employment to 3 full time staff, purchase white goods and upgrade his home. He thanked FDB "for the funds and particularly for the financial and marketing advice." Portfolio officer stated that "this client is considered an ideal customer who has never missed a payment and does not need following up each month end."





### Loans to Small Business

909 businesses with loans amounting to \$6.66 million, classified as those borrowing less than \$30,000, were assisted during the year. By number this is more than 80% of total loan approvals. Most of these projects operate in the province of Ba. Majority are involved in agriculture type projects particularly in sugarcane farms (380 in number and \$1.96 million in value).

Out of these 909 operations, 222 qualified for the Small Business Equity Scheme as their businesses demonstrated that it earned less than \$100,000 in gross sales. These SBES borrowers received \$162,723 in grant and were approved a total loan of \$1.64 million.

Four borrowers received assistance under the Seed Capital Revolving Fund (SCARF) in

the Eco-Tourism sector with total loans of \$71,362. Under the Forestry sector, 3 received financing with loan amounting to \$66,333.

### Women Borrowers

During the year, 104 new loans were provided to sole trader businesswomen with total approvals valued at \$0.97 million, 8.89% of total individual loans. This is compared to 719 male sole traders whose loans amounted to \$10.0 million.

Most of the projects were retail businesses. Women operating their businesses in the provinces of Rewa and Ba received most of these approvals. In contrast, male borrowers in the province of Naitasiri received the most assistance being \$2.20 million loans.

## Shared Vision Boosts Business

When approaching the Nasali Landing, visibly displayed on a huge signboard is the Rewa Water Taxi Club's diversified range of services from fuel retail, land and water taxi business to their own retail 'one-stop' shop. Their strategy: service location. Their customers are satisfied due to the accessibility to this range of services from the Landing.

Water taxi is the main mode of transportation for the people of Rewa and boat operators' would source their fuel from Wainibokasi and Nausori Town, which is approximately 5km from Nasali Landing. This dilemma turned into an opportunity for the Peniasi Dobui - led group. In 2000, they embarked on the fuel retail project. Earnings made were reinvested into the business and soon, they were selling 10 drums of fuel per week - expansion was inevitable so they acquired a loan under the Loans to Fijians' Scheme with FDB.

# to achieving

# goals

...FDB serves a wide range of Fiji's business community located in both the urban and rural centers, providing development finance and support to many of our budding entrepreneurs and emerging businesses.

Other opportunities arose, so they set up a retail shop, parking lot for clients and self-financed a minivan to transport commuters due to irregular bus services in the area. The group now own eight boats, provides 24 hours water taxi service for commuters and fuel vending to fishermen/boat operators who pass through the area. Dobui attributes the success of the business to its members' shared goals to manage it as a separate business entity.



The Bank currently has a total of 3,376 sole traders. Of these, 16.11% are female with a portfolio of \$6.84 million, equivalent to 2.43% of total Bank portfolio. In comparison, 2,832 are males with a portfolio of \$38.90 million.

In terms of number most of the women are involved in agricultural related projects. By value, women investing in real estate properties top the list.

## STATE OF THE ART HOME CINEMA HITS TOWN ...

In keeping up with contemporary progress, Combined Investment sought the assistance of FDB to upgrade and renovate its commercial property, Honson Arcade, in downtown Suva.

With work still in progress, the completed refurbishment will witness the operation of an electronics and clothing retail outlet in its ground level. The electronics outlet, operated by J. Maneklal, will include state of the art home cinema amongst its existing upmarket camera's, videos, home and car stereo's. The clothing retail, owned by S. Nagindas, is posed to rival neighbouring Jack's Handicraft in the latest fashions. The arcade arrangement will be a far cry from the old layout with more open space, international standard service and top of the range products.

The directors sought FDB finance because of

the "established good relationship" over the years and are optimistic that this partnership will include future plans of renovating the upper 8 floors of the building.





# to achieving

# transparency

## Rehabilitation Package Salvages Grocery Store

Trading as Food Town, this popular supermarket operation located in Robertson Road in Suva sustained irreparable damages on coup day - May 19th 2000. The extensive structural damage to the building caused the company to cease operations for a while.

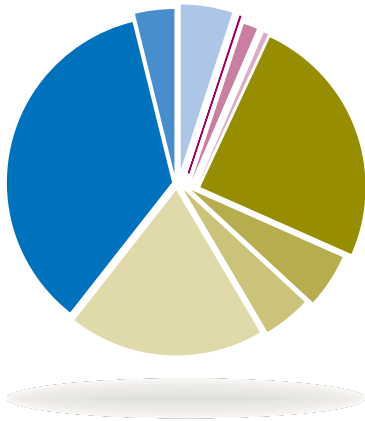
Shortly after, the Government introduced the Economic Rehabilitation Package (ERP) to allow these businesses to operate again as well as restore investor confidence. The offer was of great help and Foodtown immediately sought FDB assistance, as administrators of the package, to rebuild its supermarket and recommence operations.

FDB finance was used to re-establish the building, purchase equipment and stock up the shelves. With its competitive pricing and conveniently located outlets, the business has recaptured its pre-coup market share. The proprietors are grateful for the assistance, as they are fully operational and better serving their customers.



## Loan Approvals

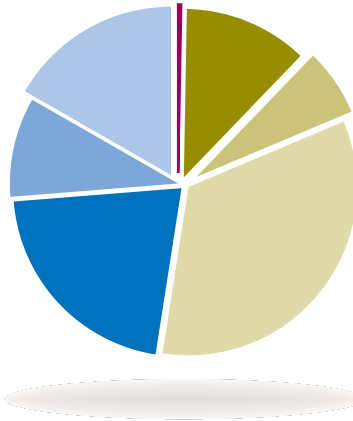
There were a total of 1,105 new loans valued at \$76.45 million



Agriculture

	No	Value
Fishing	20	185
Grain	1	2
Horticulture	10	50
Land Subdivision	1	17
Livestock	9	906
Other agro-based farming & services	5	192
Poultry	7	170
Root crops	64	699
Sugarcane	270	1,304
Timber milling	1	141
<b>Total</b>	<b>388</b>	<b>3,665</b>

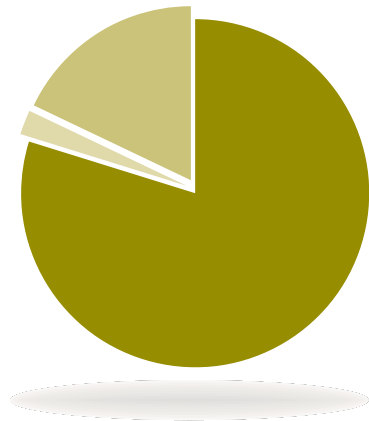
(Value is in \$,000)



Commercial & Industrial Loans

	No	Value
Agro-Industry	4	121
Manufacturing	14	4,988
Professional Business Services	6	2,710
Real Estate	38	14,172
Tourism	8	8,916
Transport & Communication	8	4,004
Wholesale, Retail & Restaurant	16	7,005
<b>Total</b>	<b>94</b>	<b>41,914</b>

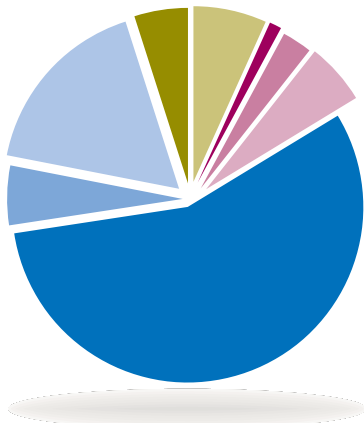
(Value is in \$,000)



Economic Rehabilitation Package

	No	Value
Agro-Industry	2	3,500
Infrastructure Construction	1	100
Wholesale, Retail & Restaurant	12	786
<b>Total</b>	<b>15</b>	<b>4,386</b>

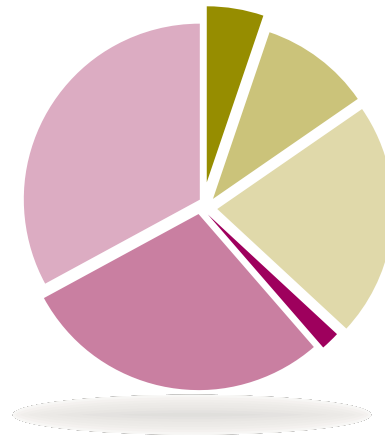
(Value is in \$,000)



Commercial Loans To Fijians, Rotumans and other Pacific Islanders

	No.	Value
Agro-industry	27	1,577
Infrastructure Construction	2	261
Manufacturing	14	643
Professional Business Services	42	1,326
Real Estate	23	13,144
Tourism	20	1,278
Transport & Communication	87	3,969
Wholesale, Retail & Restaurant	193	398
<b>Total</b>	<b>408</b>	<b>23,351</b>

(Value is in \$,000)



Small Business Loans to Other Ethnic Groups

	No	Value
Agro-Industry	4	63
Manufacturing	16	123
Professional Business Service	34	260
Tourism	2	21
Transport & Communication	24	344
Wholesale, Retail & Restaurant	66	398
<b>Total</b>	<b>146</b>	<b>1,209</b>
Leasing	50	1,810
Working Capital	4	118

(Value is in \$,000)

## Fiji Development Bank's Market Share in Selected Sectors

	Fiji Total		FDB Total		FDB as % of Fiji Total	
	No.	(\$'000)	No.	(\$'000)	No.	\$
<b>TOTAL LOANS AND ADVANCES</b>	<b>61,839</b>	<b>1,734,597</b>	<b>4,375</b>	<b>281,182</b>	<b>7.07</b>	<b>16.21</b>
<b>AGRICULTURE</b>	<b>3,489</b>	<b>56,544</b>	<b>1,902</b>	<b>31,134</b>	<b>54.51</b>	<b>55.06</b>
Sugar-cane growing	2,488	17,000	1,117	8,591	44.90	50.54
Forestry and logging	97	6,886	56	4,336	57.73	62.98
Fisheries	106	7,698	64	1,605	60.38	20.85
Livestock	112	11,869	86	7,286	76.79	61.38
<b>MANUFACTURING</b>	<b>784</b>	<b>215,901</b>	<b>139</b>	<b>41,229</b>	<b>17.73</b>	<b>19.10</b>
Food, beverages & tobacco	103	87,528	20	5,791	19.42	6.62
Clothing	111	19,286	21	3,030	18.92	15.71
Woodwork & Furniture Making	83	34,823	19	22,453	22.89	64.48
Metal Products & Machinery	150	9,979	48	4,434	32.00	44.43
<b>BUILDING AND CONSTRUCTION</b>	<b>309</b>	<b>71,786</b>	<b>46</b>	<b>12,691</b>	<b>14.89</b>	<b>17.68</b>
Hotels & tourism-related	67	41,066	10	11,337	14.93	27.61
<b>REAL ESTATE</b>	<b>404</b>	<b>191,896</b>	<b>254</b>	<b>106,423</b>	<b>62.87</b>	<b>55.46</b>
<b>WHOLESALE/RETAIL</b>	<b>2,043</b>	<b>462,784</b>	<b>718</b>	<b>47,417</b>	<b>35.14</b>	<b>10.25</b>
<b>TRANSPORT &amp; STORAGE</b>	<b>688</b>	<b>49,047</b>	<b>375</b>	<b>20,956</b>	<b>54.51</b>	<b>42.73</b>
<b>PROFESSIONAL &amp; BUSINESS SERVICES</b>	<b>611</b>	<b>37,571</b>	<b>150</b>	<b>6,119</b>	<b>24.55</b>	<b>16.29</b>
<b>PRIVATE INDIVIDUALS</b>	<b>51,837</b>	<b>505,118</b>	<b>756</b>	<b>14,028</b>	<b>1.46</b>	<b>2.78</b>
Housing	7,108	395,135	269	11,972	3.78	3.03

Note - Fiji Total refers to total loans and advances outstanding by all commercial banks and the Fiji Development Bank as at 30th June 2004.



The FDB continues to be the market leader in agricultural lending.



**DIRECTORS' REPORT**

The directors present their report together with the financial statements of Fiji Development Bank ("the Bank") and the consolidated financial statements of the Group, being the Bank and its subsidiary for the year ended 30 June 2004 and the auditors' report thereon.

In the opinion of the directors:

There were no significant changes in the state of affairs of the Bank or the Group that occurred during the financial year under review not otherwise disclosed in this report or the financial statements; and

The accompanying balance sheets and the statements of changes in equity give a true and fair view of the state of affairs of the Bank and the Group as at 30 June 2004 and the accompanying income statements, statements of changes in equity and statements of cash flows give a true and fair view of the results and cash flows of the Bank and the Group for the year then ended.

**Principal Activities**

The principal activities of the Bank during the course of the financial year were providing finance, financial and advisory services to assist in the development of agriculture, commerce and industry in Fiji. There were no significant changes in the nature of the activities of the Bank during the year.

**Result**

The consolidated operating profit after income tax expense for the year ended 30 June 2004 was \$452,918 (2003 - \$2,042,627).

**Reserves**

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

**Dividends**

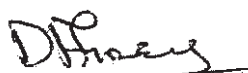
The directors recommend that no dividends be declared or paid.

**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 or transaction of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Bank or its subsidiary, the results of those operations or the state of affairs of the Bank or its subsidiary in subsequent financial years.

Dated at Suva this 31st day of August 2004.

Signed in accordance with a resolution of the directors:



Director



Director

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**

**Scope**

We have audited the financial statements of the Fiji Development Bank for the financial year ended 30 June 2004, consisting of the balance sheets, income statements, statements of changes in equity, statement of cash flows and accompanying notes, set out on pages 24 to 45. The financial statements comprise the financial statements of the Bank and the consolidated financial statements of the Group, being the Bank and its subsidiary. The Bank's directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Bank.

Our audit has been conducted in accordance with Fiji Standards on Auditing to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion, as to whether, in all material respects, the financial statements are presented fairly in accordance with Fiji Accounting Standards and statutory requirements so as to present a view which is consistent with our understanding of the Bank's and the Group's financial position and the results of their operations and the Group's cash flows.

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

**Audit Opinion**

In our opinion:

- (a) proper books of account have been kept by the Bank and the Group, so far as appears from our examination of those books; and
- (b) the accompanying financial statements which have been prepared under the historical cost convention stated in Note 1 to the financial statements:
  - (i) are in agreement with the books of account,
  - (ii) to the best of our information and according to the explanations given to us:
    - (a) give a true and fair view of the state of affairs of the Bank and of the Group as at 30 June 2004 and of the results of the Bank and of the Group and of the cash flows of the Group for the year ended on that date;
    - (b) give the information required by Section 35 of the Fiji Development Bank Act in the manner so required.

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

**Suva, Fiji  
31 August, 2004**

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**KPMG  
Chartered Accountants**

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**  
**BALANCE SHEETS**  
**AS AT 30 JUNE 2004**

	Note	CONSOLIDATED		THE BANK	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>Capital and reserves</b>					
Capital	2	<b>56,050,636</b>	56,050,636	<b>56,050,636</b>	56,050,636
Reserves	3	<b>8,835,395</b>	8,996,823	<b>8,835,395</b>	8,996,823
Accumulated profits		<b>17,277,151</b>	16,662,805	<b>17,272,850</b>	16,658,180
<b>Total capital and reserves</b>		<b>82,163,182</b>	81,710,264	<b>82,158,881</b>	81,705,639
<b>Non-current liabilities</b>					
Borrowings	4	<b>141,233,400</b>	138,560,932	<b>141,233,400</b>	138,560,932
Provisions	5	<b>1,108,951</b>	1,140,962	<b>1,108,951</b>	1,140,962
<b>Total non-current liabilities</b>		<b>142,342,351</b>	139,701,894	<b>142,342,351</b>	139,701,894
<b>Current liabilities</b>					
Borrowings	4	<b>36,480,896</b>	40,132,051	<b>36,480,896</b>	40,132,051
Provisions	5	<b>795,967</b>	516,842	<b>795,967</b>	516,842
Accounts payable and accruals	6	<b>3,358,188</b>	4,005,686	<b>3,354,930</b>	4,005,120
Other liabilities	7	<b>4,050,993</b>	5,296,797	<b>4,050,993</b>	5,296,797
<b>Total current liabilities</b>		<b>44,686,044</b>	49,951,376	<b>44,682,786</b>	49,950,810
<b>TOTAL LIABILITIES, CAPITAL AND RESERVES</b>		<b>269,191,577</b>	271,363,534	<b>269,184,018</b>	271,358,343

Commitments and  
contingent liabilities

8

On behalf of the Board

  
 \_\_\_\_\_  
 Director

The balance sheets are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 29 to 45

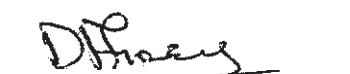


**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**

**BALANCE SHEETS**

**AS AT 30 JUNE 2004**

	Note	CONSOLIDATED		THE BANK	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>Non-current assets</b>					
Loans and advances	10	<b>207,305,466</b>	210,319,109	<b>207,305,466</b>	210,319,109
Property, plant and equipment	11	<b>12,742,728</b>	13,034,150	<b>12,742,728</b>	13,034,150
Investment in subsidiary	12	-	-	<b>20,000</b>	20,000
Investments	13	<b>50,251</b>	1,330,251	<b>50,251</b>	1,330,251
Land held for resale	14	<b>240,628</b>	2,146,678	<b>240,628</b>	2,146,678
<b>Total non-current assets</b>		<b>220,339,073</b>	226,830,188	<b>220,359,073</b>	226,850,188
<b>Current assets</b>					
Cash		<b>17,503,793</b>	8,138,087	<b>17,428,087</b>	8,060,707
Amounts due from subsidiary	9	-	-	<b>107,570</b>	80,370
Loans and advances	10	<b>27,504,579</b>	33,360,339	<b>27,504,579</b>	33,360,339
Other debtors	15	<b>3,844,132</b>	3,034,920	<b>3,784,709</b>	3,006,739
<b>Total current assets</b>		<b>48,852,504</b>	44,533,346	<b>48,824,945</b>	44,508,155
<b>TOTAL ASSETS</b>		<b>269,191,577</b>	271,363,534	<b>269,184,018</b>	271,358,343



Director

The balance sheets are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 29 to 45

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**  
**INCOME STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

	Note	CONSOLIDATED		THE BANK	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>INCOME</b>					
Income from loans:					
Interest	16	<b>25,843,788</b>	29,499,279	<b>25,840,800</b>	29,496,736
Fees		<b>2,196,671</b>	1,741,248	<b>2,196,671</b>	1,741,248
Other income	17	<b>4,983,120</b>	1,613,322	<b>4,983,120</b>	1,613,322
<b>TOTAL INCOME</b>		<b>33,023,579</b>	32,853,849	<b>33,020,591</b>	32,851,306
<b>EXPENSES</b>					
Interest and other borrowing expenses	18	<b>8,705,645</b>	11,615,439	<b>8,705,645</b>	11,615,439
Administrative expenses	18	<b>11,169,762</b>	9,818,840	<b>11,166,854</b>	9,816,914
<b>TOTAL EXPENSES</b>		<b>19,875,407</b>	21,434,279	<b>19,872,499</b>	21,432,353
<b>OPERATING PROFIT BEFORE PROVISIONS</b>		<b>13,148,172</b>	11,419,570	<b>13,148,092</b>	11,418,953
Doubtful loans and advances	10	<b>11,414,850</b>	8,156,943	<b>11,414,850</b>	8,156,943
Diminution in investments	13	<b>1,280,000</b>	320,000	<b>1,280,000</b>	320,000
Diminution in value of land	14	-	900,000	-	900,000
<b>OPERATING PROFIT BEFORE INCOME TAX EXPENSE</b>		<b>453,322</b>	2,042,627	<b>453,242</b>	2,042,010
Income tax expense	1(k)	<b>404</b>	-	-	-
<b>OPERATING PROFIT AFTER INCOME TAX</b>		<b>452,918</b>	2,042,627	<b>453,242</b>	2,042,010

The income statements are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 29 to 45

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2004**

	<b>CONSOLIDATED</b>				
	<b>Capital</b>	<b>Revaluation reserve</b>	<b>General reserve</b>	<b>Accumulated profits</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Balance at 30 June 2002	56,050,636	6,486,621	2,500,000	14,630,380	79,667,637
Net profit for the year	-	-	-	2,042,627	2,042,627
Effect of sale of revalued assets	-	10,202	-	(10,202)	-
Balance at 30 June 2003	56,050,636	6,496,823	2,500,000	16,662,805	81,710,264
Net profit for the year	-	-	-	452,918	452,918
Effect of sale of revalued assets	-	(161,428)	-	161,428	-
Balance at 30 June 2004	<b>56,050,636</b>	<b>6,335,395</b>	<b>2,500,000</b>	<b>17,277,151</b>	<b>82,163,182</b>

	<b>THE BANK</b>				
	<b>Capital</b>	<b>Revaluation reserve</b>	<b>General reserve</b>	<b>Accumulated profits</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Balance at 30 June 2002	56,050,636	6,486,621	2,500,000	14,626,372	79,663,629
Net profit for the year	-	-	-	2,042,010	2,042,010
Effect of sale of revalued assets	-	10,202	-	(10,202)	-
Balance at 30 June 2003	56,050,636	6,496,823	2,500,000	16,658,180	81,705,639
Net profit for the year	-	-	-	453,242	453,242
Effect of sale of revalued assets	-	(161,428)	-	161,428	-
Balance at 30 June 2004	<b>56,050,636</b>	<b>6,335,395</b>	<b>2,500,000</b>	<b>17,272,850</b>	<b>82,158,881</b>

The statements of changes in equity are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 29 to 45.



**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

		<b>2004</b>	2003
		<b>\$</b>	<b>\$</b>
		<b>Inflows</b>	Inflows
	<b>Note</b>	<b>(Outflows)</b>	(Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest and subsidy received		<b>26,284,366</b>	27,671,627
Interest and other costs of borrowing paid		<b>(9,176,496)</b>	(12,576,886)
Dividends received		<b>4,263</b>	-
Fees received		<b>2,196,671</b>	1,741,248
Cash paid to suppliers and employees		<b>(11,309,635)</b>	(8,449,860)
Other receipts		<b>702,070</b>	3,604,420
<b>Net cash provided by operating activities</b>	23 (ii)	<b>8,701,239</b>	11,990,549
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from the sale of investments		-	340,010
Customer loans granted		<b>(73,352,429)</b>	(55,341,000)
Customer loans repaid		<b>70,946,019</b>	58,742,516
Payments for property and equipment		<b>(859,202)</b>	(1,477,858)
Receipts from disposal of property and equipment		<b>243,407</b>	135,769
Receipts from land held for resale		<b>5,599,995</b>	6,800
<b>Net cash provided by investing activities</b>		<b>2,577,790</b>	2,406,237
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net increase in other deposit accounts		-	2,143,700
Proceeds from long-term borrowings		<b>31,496,834</b>	39,000,901
Repayment of long-term borrowings		<b>(40,959,298)</b>	(58,305,642)
Net increase in short-term borrowing		<b>7,549,141</b>	4,490,291
<b>Net cash used in financing activities</b>		<b>(1,913,323)</b>	(12,670,750)
Net increase in cash held		<b>9,365,706</b>	1,726,036
Cash at the beginning of the financial year		<b>8,138,087</b>	6,412,051
<b>Cash at the end of the financial year</b>	23 (i)	<b>17,503,793</b>	8,138,087

The consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 29 to 45.

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

Fiji Development Bank is a fully owned Government of Fiji ("Government") entity domiciled in Fiji. The consolidated financial statements of the Bank for the year ended 30 June 2004 comprise the Bank and its subsidiary. The financial statements were authorised for issue by the directors on 31 August, 2004.

The significant policies which have been adopted in the preparation of these financial statements are:

**(a) Basis of accounting**

The financial statements of the Bank and the Group have been drawn up in accordance with the accounting standards and disclosure requirements of the Fiji Institute of Accountants and the requirements of law. Unless otherwise stated, the financial statements have been prepared under the historical cost convention and do not take into account changing money values or, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied.

The financial statements are presented in Fiji dollars rounded to the nearest dollar.

**(b) Principles of consolidation**

The consolidated financial statements of the Group include the financial statements of the Bank being the chief entity and its controlled entity as disclosed in Note 12.

The balances and effects of transactions between the Bank and the controlled entity have been eliminated.

**(c) Revenue recognition**

**Interest income**

Interest income on investments, loans and advances is recognised as it accrues. Interest on impaired loans is recognised as income only when received.

Unearned interest on lease finance is brought into account at the time of realisation.

**Government interest subsidies**

Government provides interest subsidies on certain loans schemes. These interest subsidies are recognised as interest income as they accrue.

**Fees and charges**

Fees and charges are brought to account when they are earned. Fees on impaired loans are recognised as income only when received.

**(d) Borrowings**

**Bonds**

FDB registered bonds are recorded at face value. The discount on these bonds is amortised on a straight-line basis over the term of the bond to which it relates. Borrowing costs are recognised as expenses in the period in which they are incurred.

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(e) Property, plant and equipment**

**Acquisition**

Items of property, plant and equipment are recorded at cost and depreciated as outlined below. Items purchased at less than \$500 are directly expensed.

**Revaluation**

The directors have adopted a policy of obtaining regular independent valuations for the Bank's properties on an existing use basis of valuation. All other items of property, plant and equipment are carried at cost less accumulated depreciation.

**Depreciation**

Property, plant and equipment with the exception of freehold and leasehold land are written off over their expected useful lives using the straight-line method of depreciation at the following rates, whilst leasehold improvements are amortised over the shorter of their useful lives and the terms of their respective leases.

Buildings and improvements	1.25%
Plant, equipment, furniture and fittings	10%
Motor vehicles	20%
Computer hardware and software	20%

**(f) Loans and advances**

Loans and advances net of lending provisions include direct finance provided to customers such as term loans, lease finance, working capital and import letter of credits.

Term loans are carried at principal balances outstanding plus interest accrued. Finance leases are shown net of unearned interest.

**Policies adopted in classifying loans**

Each customer account is graded individually using established guidelines. Critical factors include collectibility of all principal and interest based on the contractual agreement and the security offered by the borrower.

**Impaired assets**

The Bank has disclosed components of its loan portfolio that have been classified as impaired assets. The following broad categories have been used in classifying impaired assets:

***Non-accrual loans***

A loan is classified as non-accrual if there is reasonable doubt over the ultimate recoverability of the principal or interest based on the contractual agreement. Non accrual loans are those where interest and fees receivable, are not realised in the income statement but are recognised only when received.

***Restructured loans***

Restructured loans are those where the original terms of the contract have been modified to provide concessions of principal and/or interest to the borrower because of financial difficulties.



**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(f) Loans and Advances (cont'd)**

***Past due loans***

Facilities that are classified under past due are loans that are more than 30 days in arrears but which are not non-accrual.

**(g) Bad and doubtful loans and advances**

Loan accounts are reviewed throughout the year to assess the provision for bad and doubtful loan requirements.

The collectibility of loans and advances is assessed and specific provision is made for any doubtful accounts. The determination of the amount of specific provision is based on many factors including credit evaluation of the borrowers, value of security and collateral held, current economic conditions and past experience.

All known bad debts are written off against the provision in the year in which they are classified as irrecoverable.

**Specific provisions**

The annual charge against profits for bad and doubtful debts reflects new specific provisions and reversals of specific provisions no longer required.

Uncollectible loans are written off during the year in which they become known by a charge against the provision for doubtful loans and advances.

**Unallocated specific provisions**

An unallocated specific provision is maintained by the Bank on loans graded substandard and below. This policy is in accordance with the Reserve Bank of Fiji's minimum provisioning guidelines. The unallocated specific provision is maintained as follows:

<u>Grade</u>	<u>Minimum Unallocated Provision Percentage</u>
Substandard	20% of loan balance
Doubtful	50% of loan balance
Loss	100% of difference between loan balance and security realisable value.

**General Provision**

A general provision of 1.5% of performing facilities which, in the Directors' judgment, is adequate to provide for unidentified future losses inherent in the loans and advances portfolio is maintained. The general provision percentage is reviewed on a yearly basis.

**(h) Investments**

Investments are those that the Bank has purchased with positive intent and ability to hold until maturity. These securities are recorded at cost or at cost adjusted for amortisation of premium or discounts. Premiums and discounts are capitalised and amortised from date of purchase to maturity. Interest income is accrued.

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(h) Investments (cont'd)**

Equity investments in companies that are not subsidiaries are carried at the lower of cost and net realisable value. Marketable equity securities are valued at the lower of cost and market value.

**(i) Transactions in foreign currencies**

Borrowings and amounts payable in foreign currencies have been translated to Fiji dollars at the exchange rates ruling at balance date. Exchange gains and losses whether realised or unrealised, for which exchange risk cover has not been provided by the Government, are recognised in full in the income statement.

Exchange risk cover is provided by the Government on all offshore borrowings of the Bank, with the exception of a loan from the European Investment Bank.

**(j) Land held for sale**

The Cane Estate and other land held for subdivision and resale are carried at the lower of cost and net realisable value. Cost includes the costs of acquisition and development.

**(k) Taxation**

The Bank has made no provision for taxation, as it is not subject to income tax in accordance with section 17(29) of the Income Tax Act 1985. The Bank's subsidiary adopts the principles of tax effect accounting.

**(l) Employee entitlements**

**Annual leave**

The provision for annual leave represents the amount which the Bank has a present obligation to pay, resulting from employees' services provided up to the balance date. The provision is based on current wage and salary rates and includes related on-costs. The number of employees as at 30 June 2004 was 219 (2003: 226).

**Long service leave**

The liability for employees' entitlements to long service leave represents the amount payable to employees, based on current wage and salary rates, for services provided up to balance date. The provision for long service leave increases according to the number of years of service completed by the employee.

**Gratuity**

The provision for gratuity represents amounts payable to employees who have achieved in excess of the minimum ten years of service on retirement, and is based on current wage and salary rates.

**Triennial leave allowance**

The triennial leave allowance is payable to employees on completion of every three years of service and is based on staff's grade.

**(m) Capital grants from Government**

Capital grants received from Government are credited directly to equity.

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

	<b>CONSOLIDATED</b>		<b>THE BANK</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>\$</b>	\$	<b>\$</b>	\$
<b>2 CAPITAL</b>				
Authorised capital	<b>100,000,000</b>	100,000,000	<b>100,000,000</b>	100,000,000
Contributed capital	<b>56,050,636</b>	56,050,636	<b>56,050,636</b>	56,050,636

Contributed capital consists of equity contribution from the Government of Fiji.

**3 RESERVES**

**Asset revaluation reserve**

Balance at beginning of year	<b>6,496,823</b>	6,486,621	<b>6,496,823</b>	6,486,621
Prior year revaluation realised on sale of land & buildings transferred to accumulated profits	<b>(161,428)</b>	10,202	<b>(161,428)</b>	10,202
Balance at the end of the year	<b>6,335,395</b>	6,496,823	<b>6,335,395</b>	6,496,823

**General reserve**

Balance at beginning of year	<b>2,500,000</b>	2,500,000	<b>2,500,000</b>	2,500,000
Transfer from/(to) accumulated profits	-	-	-	-
Balance at the end of the year	<b>2,500,000</b>	2,500,000	<b>2,500,000</b>	2,500,000
<b>Total reserves</b>	<b>8,835,395</b>	8,996,823	<b>8,835,395</b>	8,996,823



**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

	<b>CONSOLIDATED</b>		<b>THE BANK</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>\$</b>	\$	<b>\$</b>	\$
<b>4 BORROWINGS</b>				
<b>Non-current</b>				
Local borrowings	<b>141,143,252</b>	137,744,670	<b>141,143,252</b>	137,744,670
Foreign borrowings	<b>90,148</b>	816,262	<b>90,148</b>	816,262
	<b>141,233,400</b>	138,560,932	<b>141,233,400</b>	138,560,932
<b>Current</b>				
Local borrowings	<b>35,743,729</b>	39,430,359	<b>35,743,729</b>	39,430,359
Foreign borrowings	<b>737,167</b>	701,692	<b>737,167</b>	701,692
	<b>36,480,896</b>	40,132,051	<b>36,480,896</b>	40,132,051
	<b>177,714,296</b>	178,692,983	<b>177,714,296</b>	178,692,983

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	<b>CONSOLIDATED</b>		<b>Repayment</b>	<b>Security</b>
	<b>AND THE BANK</b>			
	<b>2004</b>	2003		
	<b>\$</b>	\$		
FDB Registered bonds-face value	<b>162,945,000</b>	171,724,500	Maturity varying 1 -11 years	Guaranteed by Govt. of Fiji
Less: Unamortised discount	<b>1,748</b>	330		
	<b>162,943,252</b>	171,724,170		
Short term borrowings	<b>13,000,000</b>	4,500,000	Maturity less than 1 year	Guaranteed by Govt. of Fiji
Staff savings accounts	<b>943,729</b>	950,859	At call	
<b>Total local borrowings</b>	<b>176,886,981</b>	177,175,029		
<b>Total foreign borrowings</b>	<b>827,315</b>	1,517,954	Maturity varying up to 15 years	
<b>Total borrowings</b>	<b>177,714,296</b>	178,692,983		

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

	<b>CONSOLIDATED</b>		<b>THE BANK</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>5 PROVISIONS</b>				
<b>Non-current</b>				
Provision for gratuity	<b>618,874</b>	644,787	<b>618,874</b>	644,787
Provision for long service leave	<b>430,361</b>	436,288	<b>430,361</b>	436,288
Provision for triennial leave	<b>59,716</b>	59,887	<b>59,716</b>	59,887
	<b><u>1,108,951</u></b>	<u>1,140,962</u>	<b><u>1,108,951</u></b>	<u>1,140,962</u>
<b>Current</b>				
Provision for annual leave	<b>542,234</b>	516,842	<b>542,234</b>	516,842
Provision for voluntary redundancy	<b>253,733</b>	-	<b>253,733</b>	-
	<b><u>795,967</u></b>	<u>516,842</u>	<b><u>795,967</u></b>	<u>516,842</u>
<b>Total provisions</b>	<b><u>1,904,918</u></b>	<u>1,657,804</u>	<b><u>1,904,918</u></b>	<u>1,657,804</u>
<b>6 ACCOUNTS PAYABLE AND ACCRUALS</b>				
Interest accruals	<b>1,728,967</b>	2,205,151	<b>1,728,967</b>	2,205,151
Others	<b>1,629,221</b>	1,800,535	<b>1,625,963</b>	1,799,969
	<b><u>3,358,188</u></b>	<u>4,005,686</u>	<b><u>3,354,930</u></b>	<u>4,005,120</u>
<b>7 OTHER LIABILITIES</b>				
Small Business Equity Scheme	<b>1,054,429</b>	1,427,753	<b>1,054,429</b>	1,427,753
Seed Capital Fund	<b>2,996,564</b>	3,869,044	<b>2,996,564</b>	3,869,044
	<b><u>4,050,993</u></b>	<u>5,296,797</u>	<b><u>4,050,993</u></b>	<u>5,296,797</u>

The Small Business Equity Scheme ("SBES") is financed by the Government of Fiji to assist in the funding of the equity contribution of loans for small businesses. SBES amounts that are not utilised are repayable to the Government.

Seed Capital Fund is a revolving fund from the Government of Fiji for lending to specialised business activities in forestry, fishing and eco-tourism. Principal repayments for the seed capital loans are added back to the initial fund for re-lending. Seed Capital Fund amounts that are not utilised are repayable to the Government.

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

		<b>CONSOLIDATED AND THE BANK</b>	
		<b>2004</b>	2003
		<b>\$</b>	<b>\$</b>
<b>8</b>	<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>		
	(a) Commitments		
	(i) Capital commitments	-	47,295
	(ii) Loans approved but not disbursed	<u><b>23,688,961</b></u>	<u>22,431,547</u>
		<u><b>23,688,961</b></u>	<u>22,478,842</u>
	(b) Contingent liabilities		
	(i) Guarantees	<u><b>2,608,461</b></u>	<u>1,403,100</u>
	(ii) Litigation		

The Bank has claims by former customers and a former employee for specified and unspecified losses or damages relating to actions taken by the Bank in the normal course of operations. The directors and management of the Bank deny these claims, or are defending these claims rigorously and are of the opinion that these claims will be unsuccessful.

		<b>CONSOLIDATED</b>		<b>THE BANK</b>	
<b>Note</b>		<b>2004</b>	2003	<b>2004</b>	2003
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>9</b>	<b>AMOUNTS DUE FROM SUBSIDIARY</b>				
	FDB Nominees Ltd	19	-	<u><b>107,570</b></u>	<u>80,370</u>

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

	<b>CONSOLIDATED</b>		<b>THE BANK</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>10 LOANS AND ADVANCES</b>				
<b>Current</b>	<b>73,313,677</b>	72,205,801	<b>73,313,677</b>	72,205,801
Less: Interest and fees suspended	<b>7,745,411</b>	6,302,551	<b>7,745,411</b>	6,302,551
	<b>65,568,266</b>	65,903,250	<b>65,568,266</b>	65,903,250
Provision for doubtful debts	<b>38,063,687</b>	32,542,911	<b>38,063,687</b>	32,542,911
	<b>27,504,579</b>	33,360,339	<b>27,504,579</b>	33,360,339
<b>Non-current</b>	<b>207,305,466</b>	210,319,109	<b>207,305,466</b>	210,319,109
<b>Total loans and advances</b>	<b>234,810,045</b>	243,679,448	<b>234,810,045</b>	243,679,448
Provision for doubtful debts is represented as follows:				
<b>Specific provision</b>				
Balance at the beginning of the year	<b>23,727,607</b>	25,467,091	<b>23,727,607</b>	25,467,091
Charge to the income statement	<b>11,706,707</b>	5,918,734	<b>11,706,707</b>	5,918,734
	<b>35,434,314</b>	31,385,825	<b>35,434,314</b>	31,385,825
Written off as bad debts against provision for doubtful debts	<b>(5,894,074)</b>	(7,658,218)	<b>(5,894,074)</b>	(7,658,218)
Balance at the end of the year	<b>29,540,240</b>	23,727,607	<b>29,540,240</b>	23,727,607
<b>Unallocated specific provision</b>				
Balance at beginning of year	<b>5,770,437</b>	3,533,404	<b>5,770,437</b>	3,533,404
Charge/(credit) to the income statement	<b>(206,363)</b>	2,237,033	<b>(206,363)</b>	2,237,033
Balance at the end of the year	<b>5,564,074</b>	5,770,437	<b>5,564,074</b>	5,770,437
<b>General provision</b>				
Balance at beginning of year	<b>3,044,867</b>	3,043,691	<b>3,044,867</b>	3,043,691
Charge/(credit) to the income statement	<b>(85,494)</b>	1,176	<b>(85,494)</b>	1,176
Balance at the end of the year	<b>2,959,373</b>	3,044,867	<b>2,959,373</b>	3,044,867
<b>Total provision for doubtful debts</b>	<b>38,063,687</b>	32,542,911	<b>38,063,687</b>	32,542,911



**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

**11 PROPERTY, PLANT AND EQUIPMENT**

**CONSOLIDATED AND THE BANK**

	<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Fixtures and fittings</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Cost</b>				
Balance at beginning of the year	11,903,287	4,552,147	1,130,795	17,586,229
Acquisitions during the year	134,437	686,062	38,703	859,202
Disposals	<u>(164,598)</u>	<u>(298,300)</u>	<u>(17,395)</u>	<u>(480,293)</u>
Balance at end of the year	<u>11,873,126</u>	<u>4,939,909</u>	<u>1,152,103</u>	<u>17,965,138</u>
<b>Accumulated depreciation</b>				
Balance at beginning of the year	1,279,986	2,716,651	555,442	4,552,079
Depreciation charge for the year	217,622	670,899	80,297	968,818
Disposals	<u>(18,183)</u>	<u>(265,220)</u>	<u>(15,084)</u>	<u>(298,487)</u>
Balance at end of the year	<u>1,479,425</u>	<u>3,122,330</u>	<u>620,655</u>	<u>5,222,410</u>
<b>Carrying amount</b>				
Balance at beginning of year	<u>10,623,301</u>	<u>1,835,496</u>	<u>575,353</u>	<u>13,034,150</u>
Balance at end of the year	<u><b>10,393,701</b></u>	<u><b>1,817,579</b></u>	<u><b>531,448</b></u>	<u><b>12,742,728</b></u>

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**12 INVESTMENT IN SUBSIDIARY**

	<b>CONTRIBUTION TO GROUP RESULTS</b>		<b>BOOK VALUE</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
	\$	\$	\$	\$
FDB Nominees Limited - at cost	<u><b>860</b></u>	<u>617</u>	<u><b>20,000</b></u>	<u>20,000</u>

The Bank has 100% beneficial interest in the ordinary share capital of the subsidiary company which is incorporated in Fiji.

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

	<b>CONSOLIDATED</b>		<b>THE BANK</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>13 INVESTMENTS</b>				
Shares in companies - at cost	<b>5,139,236</b>	5,139,236	<b>5,139,236</b>	5,139,236
Less: Provision for diminution in value	<b>(5,088,985)</b>	(3,808,985)	<b>(5,088,985)</b>	(3,808,985)
	<b>50,251</b>	1,330,251	<b>50,251</b>	1,330,251
Provision for diminution in investments is represented as follows:				
Balance at the beginning of the year	<b>3,808,985</b>	3,488,985	<b>3,808,985</b>	3,488,985
Charge to the income statement	<b>1,280,000</b>	320,000	<b>1,280,000</b>	320,000
Balance at the end of the year	<b>5,088,985</b>	3,808,985	<b>5,088,985</b>	3,808,985
<b>14 LAND HELD FOR RESALE</b>				
<b>Nasarawaqa Estate</b>				
Cost	<b>99,426</b>	99,426	<b>99,426</b>	99,426
Less: Provision for diminution in value	<b>(51,950)</b>	(51,950)	<b>(51,950)</b>	(51,950)
	<b>47,476</b>	47,476	<b>47,476</b>	7,476
Contributions to project	<b>(1,045)</b>	-	<b>(1,045)</b>	-
	<b>46,431</b>	47,476	<b>46,431</b>	47,476
<b>Hotel Development Project</b>				
Cost	<b>1,500,000</b>	1,500,000	<b>1,500,000</b>	1,500,000
Contributions to project	<b>398,329</b>	403,955	<b>398,329</b>	403,955
	<b>1,898,329</b>	1,903,955	<b>1,898,329</b>	1,903,955
Less: Disposal	<b>(1,898,329)</b>	-	<b>(1,898,329)</b>	-
	-	1,903,955	-	1,903,955
<b>Cane Estate</b>				
Cost	<b>1,000,000</b>	1,000,000	<b>1,000,000</b>	1,000,000
Other expenses capitalised	<b>94,197</b>	95,247	<b>94,197</b>	95,247
	<b>1,094,197</b>	1,095,247	<b>1,094,197</b>	1,095,247
Less: Provision for diminution in value	<b>900,000</b>	900,000	<b>900,000</b>	900,000
	<b>194,197</b>	195,247	<b>194,197</b>	195,247
	<b>240,628</b>	2,146,678	<b>240,628</b>	2,146,678

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

	CONSOLIDATED		THE BANK	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>15 OTHER DEBTORS</b>				
Government interest subsidies	<b>2,460,767</b>	2,116,501	<b>2,460,767</b>	2,116,501
Government guarantees:				
- Fijian loans scheme	<b>1,049,957</b>	515,009	<b>1,049,957</b>	515,009
- Exchange loss	-	136,065	-	136,065
Other	<b>333,408</b>	267,345	<b>273,985</b>	239,164
	<b>3,844,132</b>	3,034,920	<b>3,784,709</b>	3,006,739
<b>16 INTEREST INCOME</b>				
Included in interest income are interest subsidies received / receivable from the Government for:				
- Agricultural loans	<b>426,207</b>	511,394	<b>426,207</b>	511,394
- Commercial Loans to Fijians scheme	<b>2,294,373</b>	2,476,270	<b>2,294,373</b>	2,476,270
- Economic Rehabilitation Package Scheme	<b>365,600</b>	415,956	<b>365,600</b>	415,956
- Small Business Scheme	<b>124,280</b>	155,859	<b>124,280</b>	155,859
	<b>3,210,460</b>	3,559,479	<b>3,210,460</b>	3,559,479
<b>17 OTHER INCOME</b>				
The following items are included in other income:				
Gain on sale of fixed assets	<b>73,643</b>	48,014	<b>73,643</b>	48,014
Gain on sale of investments	-	340,010	-	340,010
Gain on sale of land held for resale	<b>3,701,671</b>	-	<b>3,701,671</b>	-
Recoveries on bad and doubtful debts	<b>587,576</b>	519,350	<b>587,576</b>	519,350
Rental income	<b>468,624</b>	463,069	<b>468,624</b>	463,069
<b>18 EXPENSES</b>				
Exchange losses included in interest expense	<b>29,971</b>	52,886	<b>29,971</b>	52,886
Items included in administrative expenses:				
Amortisation of bond discounts	<b>1,748</b>	2,418	<b>1,748</b>	2,418
Auditors' remuneration	<b>34,500</b>	34,500	<b>33,000</b>	33,000
Directors' fees	<b>60,586</b>	81,571	<b>60,586</b>	81,571
Depreciation	<b>968,818</b>	882,376	<b>968,818</b>	882,376
Loss on disposal of fixed assets	<b>39,617</b>	12,022	<b>39,617</b>	12,022
Employee costs	<b>6,791,185</b>	6,268,670	<b>6,791,185</b>	6,268,670
Voluntary redundancy expenses	<b>253,733</b>	-	<b>253,733</b>	-

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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**19 RELATED PARTY TRANSACTIONS**

**Transaction with Directors**

Loans amounting to \$215,828 (2003: \$298,548) to certain companies with directors interest are included in "Loans and Advances" ( refer note 10) . The loans were provided under normal terms and conditions.

**Other related party transactions**

During the year ended 30 June 2004, the total management fees received or receivable by the Bank from its subsidiary, FDB Nominees Limited in respect of services provided to the company, amounted to \$107,570 (2003: \$80,370).

All transactions with the related party are on normal commercial terms and conditions.

The Bank has a related party relationship with Software Factory Limited. During the financial year ended 30 June 2004, the Bank rented space to Software Factory Limited and acquired IT services. The total amount of rental income earned from the related party during the year was \$28,063 while \$437,030 was paid for IT services. The amount due to Software Factory Limited for IT services is \$218,514 and receivable from Software Factory Limited for rent is \$5,688.

**20 CREDIT RISK CONCENTRATION**

The Bank lends to various industry sectors. The concentration of credit risk in relation to these industry sectors is set out below:

<b>Industry</b>	<b>2004</b>	2003
	<b>\$</b>	<b>\$</b>
Agro-industry	<b>58,510,367</b>	57,863,711
Financial institution	<b>660,034</b>	1,182,240
Infrastructure	<b>454,719</b>	501,804
Manufacturing	<b>14,343,499</b>	16,779,684
Mining & quarrying	<b>434,337</b>	498,828
Professional & business services	<b>7,517,192</b>	6,763,527
Real estate	<b>115,744,795</b>	108,717,530
Tourism	<b>28,049,169</b>	29,222,240
Transport	<b>19,366,333</b>	20,304,459
Wholesale, retail, restaurant	<b>32,234,994</b>	36,676,169
Leasing	<b>3,303,703</b>	4,014,718
	<b><u>280,619,142</u></b>	<u>282,524,910</u>



**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**  
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**21 MATURITY ANALYSIS**

The following analysis of monetary assets and liabilities is based on contractual terms. The majority of longer term loans are variable rate products.

**2004**

**CONSOLIDATED**

	<b>At call</b>	<b>1 day to 3 months</b>	<b>Over 3 months to 1 year</b>	<b>Over 1 year to 5 years</b>	<b>Over 5 years</b>	<b>Specific provision</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>							
Cash	17,504	-	-	-	-	-	17,504
Loans	20,355	14,457	38,502	127,806	79,499	(29,540)	251,079
<b>Total</b>	<b>37,859</b>	<b>14,457</b>	<b>38,502</b>	<b>127,806</b>	<b>79,499</b>	<b>(29,540)</b>	<b>268,583</b>
<b>Liabilities</b>							
Borrowings	944	7,600	27,937	79,443	61,790	-	177,714
<b>Total</b>	<b>944</b>	<b>7,600</b>	<b>27,937</b>	<b>79,443</b>	<b>61,790</b>	<b>-</b>	<b>177,714</b>
<b>2003</b>							
<b>Assets</b>							
Cash	8,138	-	-	-	-	-	8,138
Loans	18,536	15,670	37,999	123,054	87,266	(23,728)	258,797
<b>Total</b>	<b>26,674</b>	<b>15,670</b>	<b>37,999</b>	<b>123,054</b>	<b>87,266</b>	<b>(23,728)</b>	<b>266,935</b>
<b>Liabilities</b>							
Borrowings	951	12,752	26,430	69,105	69,455	-	178,693
<b>Total</b>	<b>951</b>	<b>12,752</b>	<b>26,430</b>	<b>69,105</b>	<b>69,455</b>	<b>-</b>	<b>178,693</b>

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

	<b>THE BANK</b>	
	<b>2004</b>	2003
	<b>\$</b>	<b>\$</b>
<b>22 IMPAIRED AND PAST-DUE ASSETS</b>		
<b>Non-accrual loans without specific provisions for impairment</b>		
Gross	<b>5,347,137</b>	6,004,240
Less: suspended debt	<b>415,084</b>	359,117
Net non-accrual loans without specific provisions for impairment	<b>4,932,053</b>	5,645,123
<b>Non-accrual loans with specific provisions for impairment</b>		
Gross	<b>60,328,816</b>	58,346,969
Less: suspended debt	<b>7,103,003</b>	5,893,507
	<b>53,225,813</b>	52,453,462
Less: specific provisions	<b>29,540,240</b>	23,727,607
Net non-accrual loans with specific provisions for impairment	<b>23,685,57</b>	28,725,855
<b>Restructured loans without specific provision</b>		
Gross	<b>1,424,464</b>	3,994,935
Less: suspended debt	<b>150,944</b>	5,293
	<b>1,273,520</b>	3,989,642
<b>Total impaired loans</b>	<b>29,891,146</b>	38,360,620
<b>Past-due loans</b>		
Gross	<b>41,957,931</b>	31,950,309
Less: suspended debt	<b>74,794</b>	41,678
<b>Total past-due loans</b>	<b>41,883,137</b>	31,908,631
<b>Total impaired and past-due loans</b>	<b>71,774,283</b>	70,269,251

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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**23 NOTES TO THE STATEMENT OF CASH FLOWS**

**(i) Reconciliation of cash**

For the purposes of the statement of cash flows, cash includes cash on hand and other amounts which are integral to the cash management function and which are not subject to a term facility.

	<b>CONSOLIDATED</b>	
	<b>2004</b>	2003
	<b>\$</b>	\$
Cash	<u><b>17,503,793</b></u>	<u>8,138,087</u>

**(ii) Reconciliation of operating profit after income tax  
to net cash provided by operating activities**

Operating profit after income tax	<b>452,918</b>	2,042,627
Add / (less) non-cash items:		
Amortisation of bond discounts	<b>1,748</b>	2,418
Depreciation	<b>968,818</b>	882,376
(Gain) on disposal of investments	-	(340,010)
(Gain) on disposal of land held for resale	<b>(3,701,671)</b>	-
Loss/(Gain) on disposal of fixed assets	<b>(34,027)</b>	(35,992)
Other	-	15,841
Provision for annual and long-service leave	<b>(6,619)</b>	347,944
Provision for voluntary redundancy	<b>253,733</b>	-
Provision for doubtful loans and investments	<b>11,414,850</b>	8,156,943
Provision for dimunition in investment	<b>1,280,000</b>	320,000
Provision for dimunition in value of land	-	900,000
Provision for tax	<b>752</b>	-
Translation of foreign currency loans	<b>42,208</b>	52,886
	<u><b>10,672,710</b></u>	<u>12,345,033</u>
Change in assets and liabilities:		
Decrease/(increase) in interest receivable	<b>784,844</b>	(1,779,831)
(Increase)/decrease in accounts receivable	<b>(500,636)</b>	2,363,281
(Increase) in grants and subsidies receivable	<b>(344,266)</b>	(47,821)
(Decrease) in interest payable	<b>(514,807)</b>	(1,016,751)
(Decrease)/increase in other accruals	<b>(1,396,606)</b>	126,638
<b>Net cash provided by operating activities</b>	<u><b>8,701,239</b></u>	<u>11,990,549</u>

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY**  
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**24    COMPARATIVES**

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures. Where this information is not available and impracticable to obtain, they are not disclosed.

**25    PRINCIPAL ACTIVITIES**

The principal activities of the Bank during the course of the financial year were providing finance, financial and advisory services to assist in the development of agriculture, commerce and industry in Fiji.

**26    PRINCIPAL PLACE OF BUSINESS**

The Bank's head office is located at the Development Bank Centre, 360 Victoria Parade, Suva. The Bank also has nine branches located throughout Fiji.



## Our services - where we've been and where we are...

### 1967 - Agricultural Lending

The Bank has lent considerably to this sector with small-scale farmers benefiting from the participation of FDB in several Government-sponsored rural developments since 1967. Clients enjoy subsidised rates of 8% per annum.

Recipients of this development finance have been able to support their families' meet family expenses on education, weddings and home building. Many have been able to send their children to schools to receive the education they never obtained because of their poor financial backgrounds.

### 1975 - Commercial Loans to Fijian Scheme

To help bridge the commercial and economic gap between the indigenous and non-indigenous communities, a soft loan scheme for indigenous Fijians was introduced in 1975. The scheme is known as the Commercial Loans to Fijians Scheme (CLFS) and still continues today.

### 1993 - Industrial & Commercial Lending

Over the years, FDB found that the industrial sector offered opportunity for employment creation, import substitution, development of opportunities for small emerging entrepreneurs and the introduction of new knowledge and technology. Since 1993, lending to the industrial and commercial sectors has represented more than half of the Bank's total portfolio and continues to be a critical lending sector of the Bank.

This scheme differs from other types of schemes because it does not offer subsidized interest. The rates range from 10% to 13.5% per annum. It is open to Fiji residents and foreign nationals provided they meet the requirements laid out by the Reserve Bank of Fiji and Fiji Trade & Investment Board.

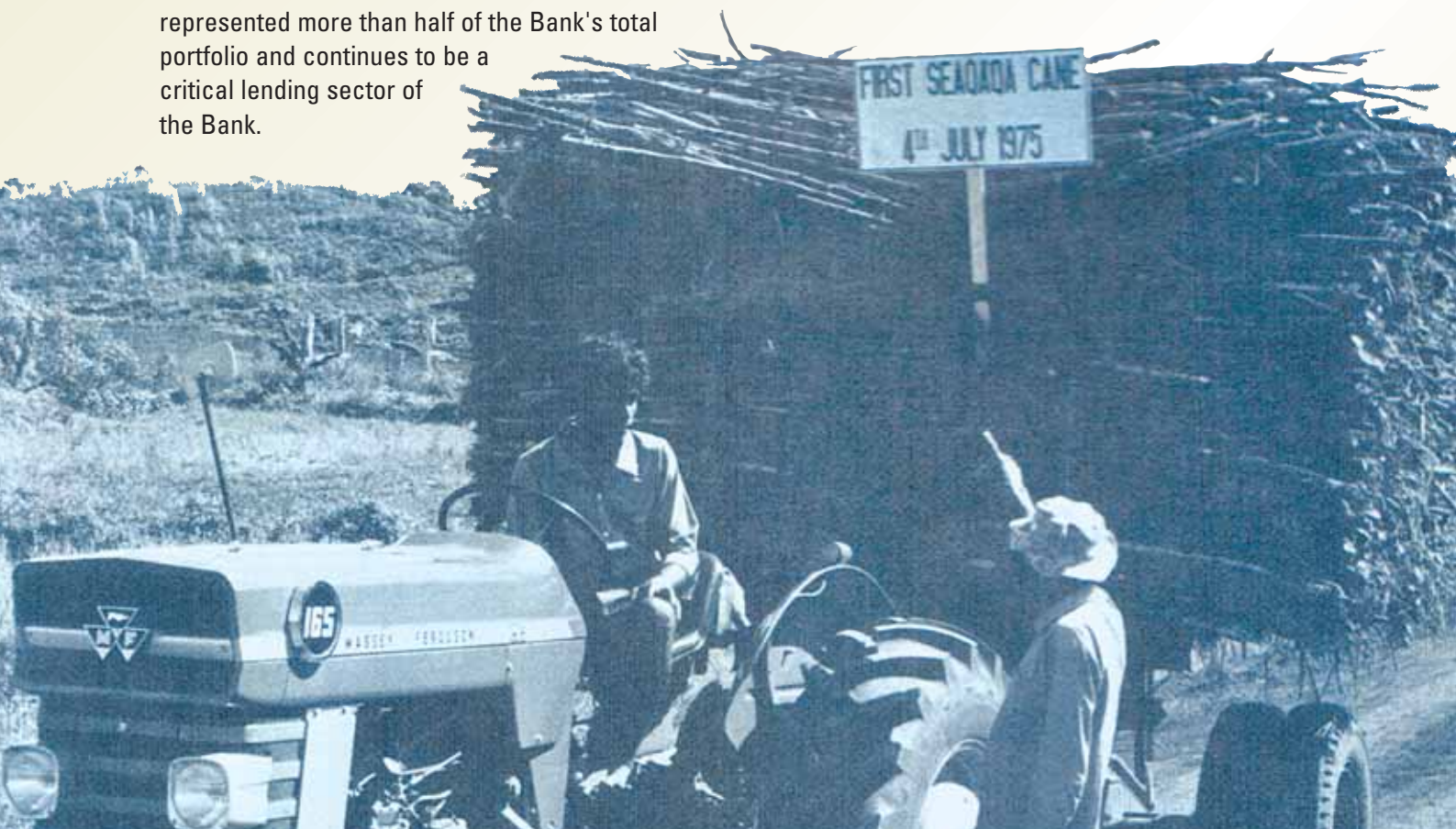
### 1994 - Lease & Export Finance

In November 1994 the FDB launched its Lease Finance operations to widen its business base.

As Lease Financing progressed the Bank introduced Working Capital facilities in January 1996. This package included Working Capital to corporate clients, Bill Discounting and Funding for Imports. Bill Discounting assists customers by providing cash to ease funding requirements while awaiting payment from debtors. Funding for Imports provides finance for payment of import duty, freight charges or customs duty.

The Export facility term of loan ranges from 60 to 120 days and interest rate starts from 6% per annum. Leasing product interest rate is from 10% per annum flat rate with term of loan from 2 years to 7 years.

The Bank also provides Letters of Credit facility where it uses the services of commercial banks to open up a Letter of Credit (LC) facility on behalf of its customers.





### **2000 - Small Business Scheme**

Introduced in October 2000, this soft loan scheme was developed to provide subsidised lending opportunities to other communities not eligible under the Bank's Commercial Loans to Fijians Scheme (CLFS).

Under SBS, loan applications are considered from potential borrowers, with a business turnover of up to \$50,000, for various types of projects. Subsidised interest rate of 8 percent per annum and equity contribution of 20 percent of the project cost are some of the benefits. Government also provides guarantees under the scheme to cover shortfalls in securities.

In April 2001, the Bank introduced an additional component to the Small Business Scheme. Businesses with an annual turnover of \$50,000 or below can apply for equity participation - Government meets 10% equity towards the project cost.

### **2000 - Economic Rehabilitation Package**

This program called ERP 1 was established in September 2000 targeting business houses that were burnt and/or looted during the country's political crisis in May 2000.

Interest rate stood at 10% but only 5% was charged to the client and the remaining met by the Government. Other benefits included loan term of five years with a 6-month repayment moratorium period.

ERP II commenced a year later to include other manufacturing industries and bus operators who suffered a serious decline in their earnings because of the ensuing trade bans placed against Fiji. The

interest rate was the same as ERP 1 but the loan term was for three years with a moratorium period until end of December 2001. This was later increased to 5 years, from May 2002, to ease cash flow problems to the borrowers.

In June 2003, the ERP III was introduced. The package was introduced as a result of Cyclone Ami targeting established small to medium businesses in the Northern and Eastern Divisions only. The main purpose was to assist those retailers, manufacturers and bus operators who suffered damages and/or serious decline in earnings due to the effects of Cyclone Ami or faced difficulties in the purchase of raw materials and other essential business inputs due to tightening of credit by suppliers.

An interest rate of 5% per annum was offered, with a moratorium of up to 6 months and a loan term of up to 5 years.

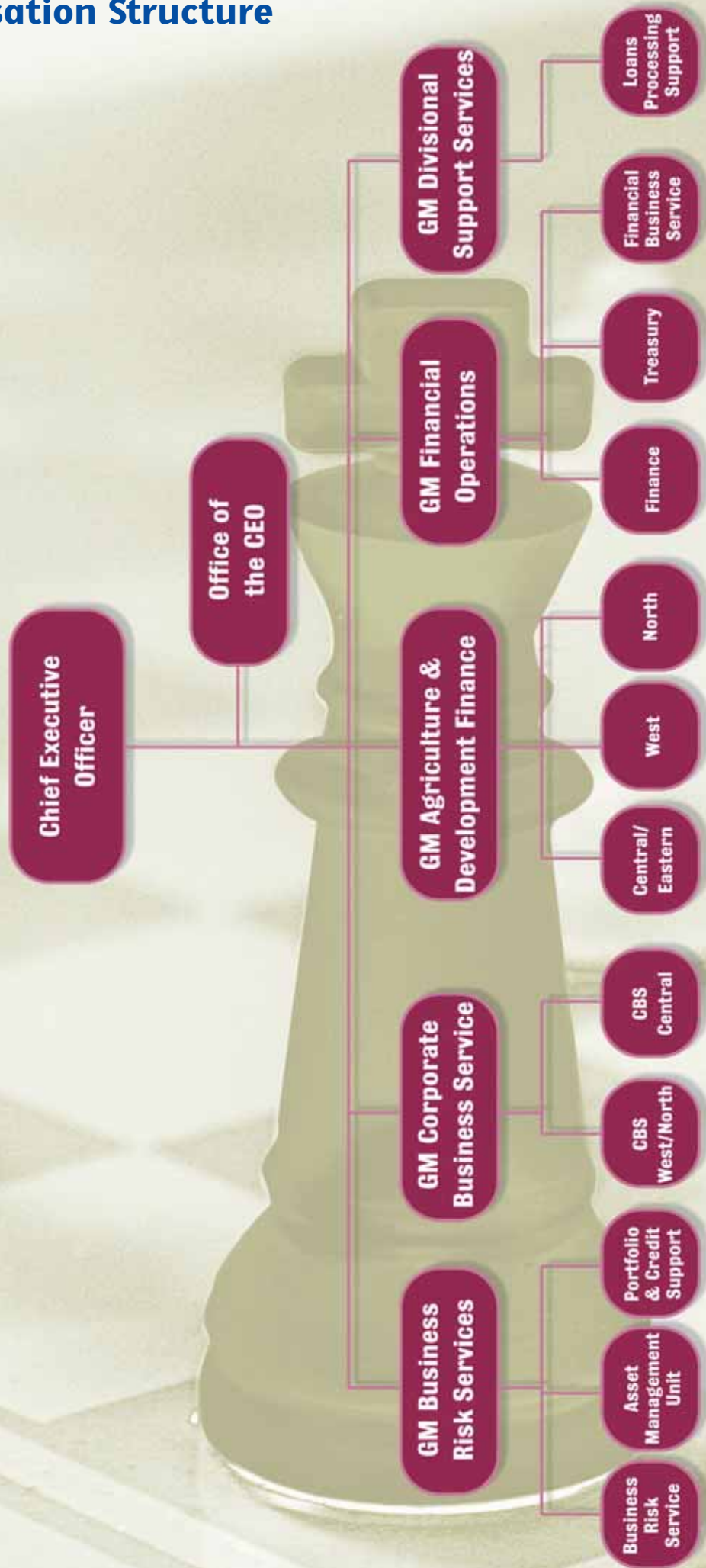
### **2002 - Seed Capital Revolving Fund**

As part of the affirmative action for indigenous Fijians and Rotumans, the Government provided \$4.5 million for the SCARF program assisting the Tourism, Fisheries and Forestry industries. The fund began in 2002.

The initiative is to assist eligible nationals who are unable to meet the Bank's 35% of the total project cost equity contribution. Successful applicants enjoy an interest free loan for up to 25% of the total project cost. Their equity contribution is limited to 10% of the project cost and interest is charged at 8% per annum.



# Organisation Structure



## Operations Network

### Central/Eastern

#### Head Office

360 Victoria Parade  
Suva, P.O. Box 104, Suva  
Ph: (679) 3314 866  
Fax: (679) 3314 886  
mailroom@fdb.com.fj  
www.Fijidevelopmentbank.com

#### Nausori

60 Main Street,  
P.O. Box 317, Nausori  
Ph: (679) 347 7277  
Fax: (679) 340 0484

### Western Region

#### Sigatoka

Vunasalu Road  
P.O. Box 81, Sigatoka  
Ph: (679) 650 0122  
Fax: (679) 652 0399

### Nadi

Main Street  
P.O. Box 1718, Nadi  
Ph: (679) 670 1900  
Fax: (679) 670 3552

### Lautoka

38 Vitogo Parade  
P.O. Box 716, Lautoka  
Ph: (679) 666 0639  
Fax: (679) 666 5950

### Rakiraki

Vaileka Parade  
P.O. Box 82, Rakiraki  
Ph: (679) 669 4088  
Fax: (679) 669 4784

### Ba

Varoka  
P.O. Box 110, Ba  
Ph: (679) 667 4211  
Fax: (679) 667 4031

### Northern Region

#### Labasa

Nasekula Road  
P.O. Box 41, Labasa  
Ph: (679) 881 1944  
Fax: (679) 881 4009

#### Savusavu

Hugh Street, Verevere  
P.O. Box 42, Savusavu  
Ph: (679) 885 0055  
Fax: (679) 885 0629

#### Seaqaqa

Seaqaqa Town  
Ph: (679) 886 0166  
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## Relationship Managers

### Corporate Business

#### Central/Eastern

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#### Mangal Singh

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**Nausori**  
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**Lautoka**  
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**Ba**  
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#### Rakiraki

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**Seaqaqa**  
**Keshwan Prasad**  
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