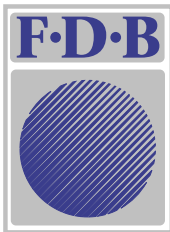


CULTIVATING &  
FACILITATING  
GROWTH



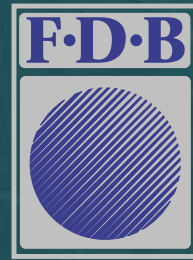
**ANNUAL  
REPORT  
2005**

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*The idea for this year's cover emanates from Fiji Development Bank's ever growing commitment to development.*



*financing your future*

## ***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*

# CHAIRMAN'S MESSAGE

20th October 2005

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

Dear Sir,

It is with pleasure that we submit our annual report and financial accounts for the Fiji Development Bank for the financial year ended 30th June 2005.

The year was one of consolidation. Much of our efforts were in settling in and monitoring the gains made by our re-structure exercise. Our Team at FDB has done a great job and by taking ownership of this re-structure, they enabled it to happen in a seamless manner.



## Financial

The year ended with FDB recording a profit of \$1.9 million which was achieved after adding a further \$9.7 million to our general provision account. This will bring our Provisions for the total Bank to TIA's to over 75 per cent. Our target for the next financial year is to increase this further to 100 per cent. We are committed to further strengthening our balance sheet. We have set ourselves a target that in 5 years time the FDB will be in a strong position to raise its own funds, and will not be dependent on the Government for guarantee.

Competition in the Banking arena continues to be strong which affects our margins. However our Team did well in managing their costs and has helped us to achieve this final result.

## Strategic Planning

FDB organised a number of stakeholder meetings and partnered with a consulting firm in drafting up a 3-year strategic plan. Our Banking industry is forever changing with new opportunities and challenges for ever appearing on the horizon. This has kept our plan fluid and a document that we continue to work on.

FDB will move with the future but we will not lose sight of our core responsibility – “to facilitate and stimulate the promotion and development of our natural resources, transportation and other industries and enterprises in Fiji – giving special consideration and priority to the economic development of the rural and agricultural sectors.”

FDB continues to look for opportunities in rural areas. Whether they be green field projects, prototyping, supporting under developed industries and others - where we believe our support will create employment, wealth and business entrepreneurship for those living outside the urban centres.



# The Fiji Development Bank has helped in growth: **from a small farmer . . .**



Fiji must make better use of its natural resources and FDB is committed to partnering with other stakeholders in this exercise. An example is a model developed on rural farming, which has been implemented and is achieving the desired results. FDB also approved a loan to Government for the Sugar Cane Growers Fund, which has made available much needed finance for our Cane Farmers to help them with their crop re-habilitation programme.

## **Assistance**

FDB continues to work with the Pacific Enterprise Development Facility (PEDF), a division of the World Bank, to help prepare FDB's retail banking strategies. These will be incorporated into our strategic plan and will offer our customers new and exciting opportunities.

We thank PEDF for their ongoing support along with the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) who recently assisted FDB in the recruitment of our new Treasury expert.

FDB is one of the founding members of ADFIAP and were honoured to co-host their 28th annual meeting, the first to be held in our Pacific Region. The meeting was held in May 2005, and was officially opened by our Prime Minister and attracted 123 delegates from throughout the Asia – Pacific region.

## **Human Resources**

FDB continued to up-skill its employees throughout the year and recruited 6 graduate trainees who have all been busy, learning the business of our Bank.

A job evaluation exercise was carried out with external assistance that also reviewed our existing Performance Management system. This resulted in a blue print, which FDB is able to refer to in future years.

Succession Planning is high on the Bank's agenda, as we require the best people with the right qualifications, knowledge, personal attributes, career aspirations and attitude to help drive FDB into the future.

Our Team at FDB needs to be commended for their dedication and commitment demonstrated through these challenging times.

## **Our Customers**

FDB enjoys an excellent base of core Customers who have supported our Bank through good times and bad. We thank them for their business and trust that they are enjoying many of the service enhancements, which we have introduced.

... to  
multi-million  
dollar  
corporations

We have conducted a couple of corporate client surveys and the feedback has been invaluable.

We have also created a "Customer Service Enhancement" register where all Customer complaints are registered and addressed by the Chief Executive Officer.

#### **Good Corporate Citizens**

FDB continues to support nominated causes like the Fiji Red Cross who are seen to be doing a sterling job especially when disasters strike. We also supported the Asian tsunami appeal plus assisted in getting the interpreter for the Gospel deaf students, amongst many other well deserving causes.

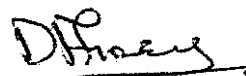
#### **Our Board**

2005 saw the appointment of Mrs. Sereana Qoro as deputy Chairperson. New Board members appointed during the year are Mrs. Taina Ravutu, Mr Sam Foy Chung and Mr. Ian Hawthorn who has extensive experience in the financial services sector and is based in Sydney.

Our Board is passionate about the future of FDB and all contribute greatly. They have dedicated a great deal of time – from their busy schedules – for which I thank them.

Our journey is far from over and we remain fully committed to steering FDB – with the support of Management and their Team – along a well planned road to success.

Yours sincerely,



**David Aidney**  
Chairman – Fiji Development Bank

# BOARD OF DIRECTORS

## David Aidney Chairman

Mr. Aidney served in his second year as Chairman. He is the Managing Director of the largest local freight forwarding business Williams and Gosling Ltd. He holds directorship with various organizations like Fiji Trade & Investment Board, Matrix Risk Management and Waste Management (Fiji) Ltd and is a member of the Prime Minister's Think Tank.

## Ian Chute

He is the General Manager for the family owned Celtrock Holdings Limited, a business involved in fish processing and exporting and vessel management. His term expired in February 2005 and has been renewed for another two years.

## Sereana Qoro

She is the Chief Executive Officer of Basic Industries Ltd and Fiji Industries Ltd. She holds 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.

## John Samisoni

He is the Managing Director for Corporate Management Services Limited, commonly known as the Hot Bread Kitchen. He attained his Arts Degree majoring in Economics and Computer Science from Australia's University of Queensland. His term has been extended for another two years.

## Solomoni Vosaicake

He is the Director for Munia Holdings and Mualevu Tikina Holdings Limited and holds an Education Degree from Australia. He has been re-appointed until 2007.





**Kalivati Bakani**

He is the General Manager of Native Land Trust Board (NLTB) and has extensive financial background having been employed in banking institutions. He has also served as Board Chairman and director in various organizations.

**Taina Ravutu**

Ms Ravutu is one of the four new directors appointed during the year. She is the Managing Director of Taina's Travel Services Ltd.

**Ian Hawthorn**

London born and Oxford University graduate, Mr. Hawthorn brings with him a wealth of experience. He is a Fellow of Institute of Chartered Accountants (FCA) in England, Wales and Australia and is a member of the Australian Institute of Company Directors (MAICD). He has extensive work experience and holds directorship in various organizations. Hawthorn is based in Sydney, Australia.

**Sam Foy Chung**

One of the new directors (appointed in July 2004), he is a teacher by profession but launched into his own business, Waisali Farm Produce Ltd in the late 70's. He is also a Director of Fiji Malt House Ltd.



**Mr. Steven Pickering**

He was appointed in July 2004. He is an accountant by profession and is a Partner with Ernst & Young. He holds a Bachelor of Commerce from the University of Auckland. He serves on other boards like Pacific Trustee and Universal Computers. He resigned in May 2005.

# HISTORICAL PERFORMANCE

|  | 2000  | 2001   | 2002   | 2003   | 2004   | 2005   |
|--|-------|--------|--------|--------|--------|--------|
| <b>Financial</b>                       |       |        |        |        |        |        |
| Net Profit (\$M)                       | .517  | .302   | .696   | 2.042  | .453   | 1.911  |
| Total Assets (\$M)                     | 326.6 | 322.3  | 284.7  | 271.4  | 269.2  | 309.2  |
| Total Asset /Equity (%)                | 4.42  | 4.08   | 3.57   | 3.32   | 3.28   | 3.68   |
| Average Earning Assets (\$M)           | 360.4 | 345.8  | 327.7  | 302.0  | 282.7  | 302.9  |
| Borrowing cost/Ave. earning assets (%) | 5.50  | 5.12   | 4.67   | 3.85   | 3.09   | 2.63   |
| Total cost/Ave earning assets (%)      | 8.02  | 7.59   | 7.50   | 7.10   | 7.06   | 6.44   |
| Profit (loss)Ave. equity (%)           | 0.70  | 0.39   | 0.88   | 2.53   | 0.55   | 2.27   |
| Long term debt:Equity                  | 3.3:1 | 2.99:1 | 2.43:1 | 2.12:1 | 1.99:1 | 2.49:1 |
| Interest Spread (%)                    | 2.08  | 2.01   | 2.51   | 3.97   | 3.73   | 3.79   |
| Earnings spread (%)                    | 2.70  | 2.84   | 3.30   | 4.61   | 6.13   | 5.55   |
| <b>Operating Efficiency</b>            |       |        |        |        |        |        |
| Staff cost/ave earning assets (%)      | 1.70  | 1.64   | 1.75   | 2.09   | 2.50   | 2.14   |
| Total income/ave. earning assets (%)   | 10.25 | 10.19  | 10.42  | 10.88  | 11.73  | 10.21  |
| <b>Lending</b>                         |       |        |        |        |        |        |
| Approvals (number)                     | 1,222 | 1,751  | 1,019  | 1,007  | 1,105  | 1,903  |
| Approvals (\$M)                        | 46.60 | 50.40  | 24.43  | 67.19  | 76.45  | 227.27 |
| Loan Portfolio (number)                | 5,952 | 6,092  | 6,282  | 5,990  | 4,372  | 5,588  |
| Gross Loan Portfolio (\$M)             | 317.2 | 321.7  | 293.3  | 282.5  | 281.18 | 325.01 |
| Growth in loan portfolio (%)           | -5.86 | 1.41   | -8.83  | -3.68  | -0.46  | 15.59  |
| Arrears/loan porfolio (%)              | 6.51  | 7.29   | 6.84   | 6.66   | 7.42   | 4.32   |



# CHIEF EXECUTIVE'S REPORT

*The year ended with FDB achieving another milestone by approving \$227.48 million dollars of business. The increase in approvals is attributed to the aggressive marketing of our relationship people whose position were created in the restructure of February 2004.*

The positive effect of change management is also evident in the increase in profit to \$1.91 million. There was a lower provisioning expense for the current financial year. This shows the improvement in the quality of the Bank's portfolio.



The bank has also taken a giant step in its ambitious plan to attain overall arrears below two percent of the portfolio. I am happy to say that the overall arrears decreased from 7.42 per cent in 2004 to 4.32 per cent in 2005, and expectation is high for further decrease in the next financial year.

The bank continues to strengthen the convalesce arm of the bank, The Asset Management Unit (AMU). With AMU recording a profit in the first year of operation, the division is expected to do even better in terms of rehabilitation and recovery with the current staff complement peaking around the learning curve.

The bank, in its role as a development financier, has taken a lead role in the inaugural launch of the Small Business Awards in September 2004. The main aim of the awards was to promote and increase awareness of small and medium enterprises and their role in economic development. This will become an annual event in the bank's calendar. Bringing out these businesses from subsistence to commercial level of operation will have a major impact on economic growth.

Lastly, the bank in its endeavor to widen its business prospects, has engaged consultants from Pacific Enterprise Development Facility to assist the Bank to acquire full banking license.

So on the whole, there are some very exciting and challenging times ahead for the bank.

# MANAGEMENT TEAM



**Tukana Bovoro**  
Chief Executive Officer



**Nesbitt Hazelman**  
General Manager Divisional  
Support Services



**Umarji Musa**  
General Manager Corporate  
Business Services



**Kee Fong**  
General Manager Business  
& Risk Services



**Deve Toganivalu**  
General Manager Agriculture  
& Development Finance



**Esekaia Kamunaga**  
General Manager  
Financial Operations



**Tevita Madigibuli**  
Executive Manager Asset  
Management Unit



**Akanisi Fatafehi**  
Executive Manager Finance



**Khalid Hussein**  
Senior Relationship Manager  
CBS



**Kiji Leqa**  
Executive Manager Business  
& Risk Services



**Pita Tamani**  
Area Manager Western



**Jimione Raiwalui**  
Executive Manager Financial  
Business Services



**Nafitalai Cakacaka**  
Area Manager Central Eastern



**Jaiwant Krishna**  
Area Manager Northern



**Salote Tavainavesi**  
Senior Manager Legal Services



# FINANCIAL PERFORMANCE

- A net profit of \$1.911 million was recorded for the year ended 30th June 2005, an increase of \$1.458 million from 2004. The increase was mainly due to a lower provision expense charged to the profit & loss account in 2005 compared to 2004.

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- Interest income amounted to \$25.231 million for the year. This is a slight reduction from the \$25.844 million in 2004.

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- Other Income totaled \$5.678 million compared to \$7.18 million in 2004. The 2004 amount included a gain on sale on the sale of the FDB foreshore land.

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- Interest cost for the year is \$7.970 million, slightly less than the \$8.705 million in 2004. This is a direct result of the lower interest cost on bonds and promissory notes enjoyed by the Bank in the low interest rate environment.

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- Other Operating cost for the year was \$11.526 million, a slight increase from \$11.169 million in 2004.

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- Employee cost for 2005 of \$6.483 million was slightly lower than the \$6.792 million in 2004.

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- Provision for doubtful loans & advances charged to the Profit & Loss amounted to \$9.691 million. This is lower than the \$11.415 million in 2004. The lower provision expense reflects the better quality of loan portfolio.

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- The Bank's loan & advances portfolio stood at \$325.095 million as at 30 June 2005. This is compared to \$280.619 million as at 30 June 2004. This is a growth of 15.85 per cent in portfolio.

---

- Total borrowings stood at \$219.442 million at 30 June 2005. This is compared to \$177.714 million on 30 June 2004. The increase in borrowings was to support the increase in the bank's loan book.

# PRODUCTS & SERVICES

Business was brisk during the year with approvals increasing to \$227.4 million from \$76.45 million in 2004. The increase is due to the \$25.2 million lending to Government for the Sugar Cane Growers Council, new Choice Home Loan product and large tourist and real estate projects.

## Agricultural Loans

At the end of June 2005 there were 1,964 accounts worth \$48.7 million in the Agricultural Loans portfolio. This represented 15.1 per cent of the value of FDB's overall loan portfolio.

Approvals were granted for 379 projects worth \$35.0 million, compared to 388 loans valued at \$3.6 million the previous year. The significant increase in approvals was the result of a \$25.2 million loan to Government for the Sugar Cane Growers Fund as part of the crop rehabilitation scheme of 1998.

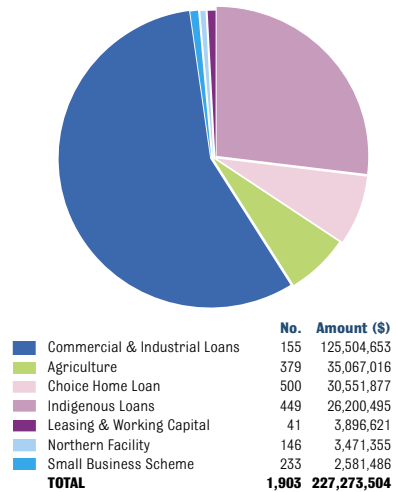
## Indigenous Loan Schemes

The FDB has a leading role, through its indigenous loans scheme, in the national initiative to promote the involvement of ethnic Fijians in business.

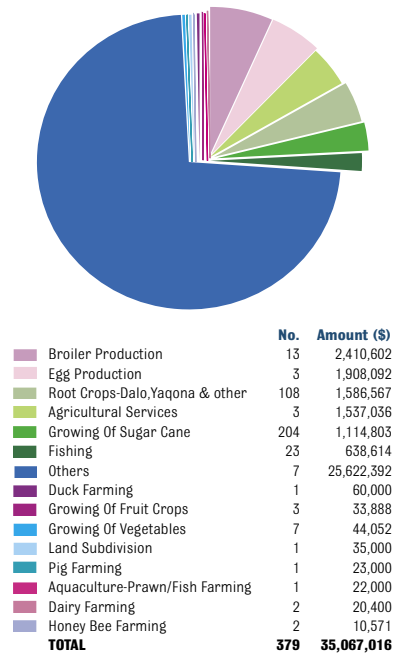
The Bank's portfolio for the Fijians, Rotumans and other Pacific Islanders amounted to 1,255 accounts valued at \$73.1 million, compared to 1,197 accounts worth \$77.9 million last year. This is 22.7 per cent of total value of the Bank's loan portfolio.

Approvals provided under this scheme for the year totaled 449 loans valued at \$26.2 million. This is compared to 408 loans valued at \$23.3 million the previous year. Indigenous entrepreneurs continued to take a special interest in real estate property development.

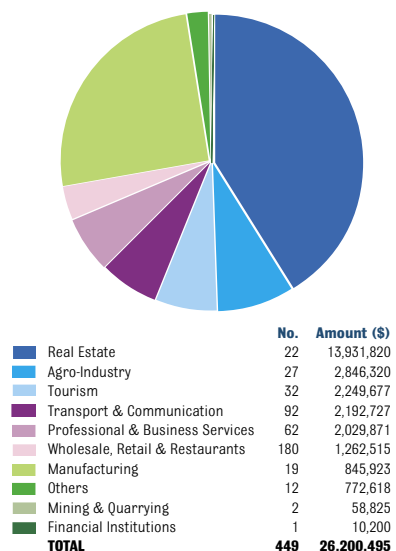
Approvals



Agricultural Loans



Indigenous Loans



### Small Business Scheme

The FDB facilitates the business aspiration of non-indigenous communities through the Small Business Scheme.

During the year, 233 approvals valued at \$2.5 million were made compared to 146 loans valued at \$1.2 million in June 2004. This increase is a result of changes to the business annual turnover limit from \$50,000 to \$100,000, the lifting of the freezes on recurrent working capital and taxi loans.

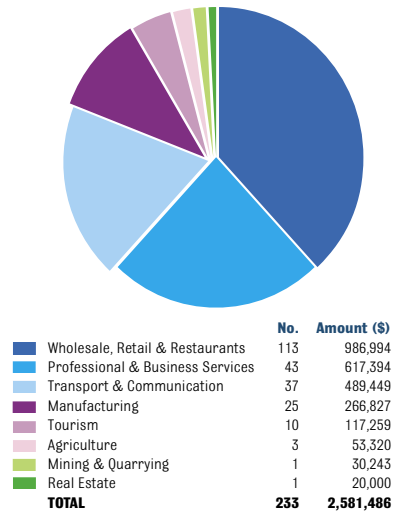
### Commercial & Industrial Lending

The commercial arm is an important area of the Bank. Lending is very broad and covers the agro-industry, transport & communication, professional business services, tourism, real estate and wholesaling and retailing sectors.

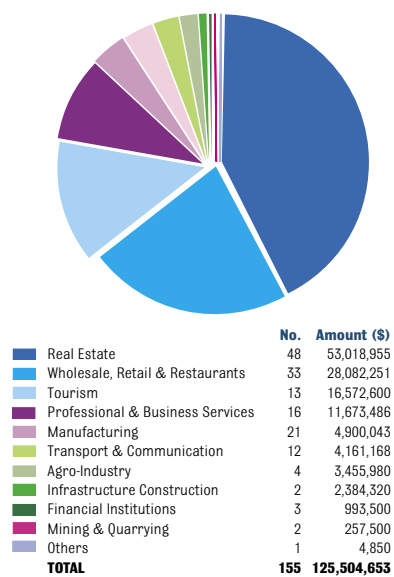
The corporate center portfolio is comprised of 570 projects worth \$169.7 million. This constitutes 52.68 per cent of the total value of the Bank's loan portfolio.

There were 155 loans approvals valued at \$125.5 million during the year compared to 94 loans worth \$41.9 million in 2004. The continued national growth of the real estate market was evident with approvals for real estate accelerating threefold, largely for investment in commercial buildings for rent.

Small Business Scheme



Commercial & Industrial Loans





# NEW DEVELOPMENTS

## **Special Northern Division Loan Facility**

In September 2004, a Special Northern Division Loan Facility was implemented. The idea was to boost economic growth in the north and curb population movement to Viti Levu. The facility targets all types of businesses operating in the provinces of Bua, Macuata and Cakaudrove. The Government has provided \$1 million for this facility.

The facility portfolio is comprised of 166 projects worth \$2.9 million, 1.5 per cent of the total value of the Bank's portfolio. During the year 166 loans valued at \$3.6 million were approved with most of these being agricultural projects.

## **Choice Home Loan**

The Home Loan market competition soared to new heights after FDB launched its Choice Home Loan product. There was considerable reaction from competitors, with rates reduced drastically but FDB's resolve is to eventually command a significant market share in this sector.

Over \$30 million was approved in the year.

## **Development Charter**

The Bank gathered stakeholders to formulate a development charter and the formation of the Board sub-committee to provide strategic directions to the Bank's Agriculture and Development Finance's developmental role.

The meeting resolved that the FDB place more resources and efforts into developmental projects in the rural areas, with emphasis on under-developed sectors. Three sectors (beef, dairy and copra) have been identified and detailed reviews commissioned will identify the opportunities and constraints in these sectors. An operational framework will be developed and spearheaded by FDB to see the fruition of these sector developments.

In line with these developments, the Bank's information systems will be re-designed to incorporate imperative data collection on the economic contribution of the rural sector development on the country's growth like employment, income sustainability and other indicators.

## **Group Farming Schemes**

FDB closely liaised with Government in developing a group-farming concept. Small farmers form a cooperative or company by pooling resources, including labour ("solesolevaki"), and operate their business on a commercial level. The Government assists through financial and technical expertise and FDB provides financial support.

One of the first schemes is in Natavea Village, Naitasiri. There are 40 individual farmers within the village, each farming on their own "I – kanakana" or Mataqali land with no title on it. They have developed their land through the "solesolevaki" system and have cleared and planted over 400 acres.

The Bank assisted the village in registering a Trust Company and approved its loan to finance the fertilizers and other needs. Their contribution is "sweat equity" instead of cash contribution. The Bank ensured that the market was fixed and the financial management was in place before approving the loan. The village manages the scheme through a mixture of the traditional structure and the terms covered under the Trust Act.

The company has performed well with a reasonable return in its first year.

## **The Seed Capital Revolving Fund**

The Seed Capital Revolving Fund, popularly known as SCARF, was introduced in April 2002. The fund targeted projects involved in the logging, eco-tourism and fishing sectors of the economy. The Bank continued to meet with the various Ministries on the

enhancement of this scheme and have provided submissions to the Cabinet sub-committee on its improvement.

The eco-tourism and forestry sectors are the most popular under SCARF. The Ministry of Tourism has identified opportunities that can be capitalized through this scheme. One of this is to support vegetable farmers increase their production, improve product quality and sell to local hotels. Many of Fiji's major hotels still import a fair amount of their vegetables.

The SCARF portfolio as at June 2005 has 82 loans worth \$6.9 million, compared to 48 loans with a value of \$3.2 million at the same time last year. The increase is due to the \$2.8 million approvals in the forestry sector. This exhausted the grant allocation so applications for all forestry loans were considered under other normal loan schemes without the equity grant.

On the other hand, the Fisheries scheme, initially set up to fund long line fishing vessels, had its operations put on hold during the year. The problems with issuance of license, limited qualified indigenous entrepreneurs and incompatible vessels in the market have caused this freeze.

### **Business Risk Services**

The Business and Risk Services (BRS) functional group is primarily responsible for providing direct business and risk services to corporate, agricultural and development clients. It also manages the bank's troubled and impaired accounts apart from other functions.

It was a challenging period for the group with the implementation of the new business service model. Risk Managers and portfolio support officers were trained on these new risk assessment methodologies.

The impact of the training and new methodologies has begun to show with notable improvements in the quality of the bank's loan portfolio and risk assessment skill levels of the team.

Statistics show an improving trend from July 2004 to June 2005 for loans decisions. This was a commendable achievement given the volume of loans processed and disbursed, which was a record year for the bank.

A significant development for the Bank was the implementation of the new rules of troubled and impaired account (TIA) migration to the Asset Management Unit (AMU). Accounts with more than 3 months in arrears are transferred to AMU for rehabilitation or recovery action as appropriate.

### **Divisional Support Services**

The Divisional Support Services comprises Human Resources, Insurance, Legal, Properties and Training & Development and Occupational Health & Safety in the workplace.

### **Human Resources**

With the transition from the old to the new Bank, the Human Resources division has developed a 3-year strategic plan to direct its core resource activities. The Bank continued its training programs, reviewed its policies and procedures and performance management systems and conducted a job evaluation exercise.

The Bank has 207 staff in office compared to 218 last year, a reduction of 5.05 per cent. Key reasons were early voluntary retirement and migration.

### **Training & Development**

There were 17 in-house, 5 overseas trainings and 62 local public (external) courses conducted during the year. The in-house courses focused on OHS, lending





## Disability is No Hindrance

*When Alifereti Nasilasila was twelve he lost his left leg through an accident. Even though it dramatically altered his life, curtailing his education and dimming his future prospects, it did not stop him.*

*First he became a tour guide in the historic village of Viseisei, but his love of music and his passion for the guitar won out and he joined various bands that played at resorts around the western side of the island.*

*But in 1996 he started a family and had to find a way to fully support them so he turned to the Fiji Development Bank. The FDB being impressed with his determination provided a loan so that he could develop his tour guide business including the funds for a vehicle.*

*He now runs a thriving business providing tours called 'Vuda Historic Site Tours' that includes stops at Viseisei Villagae, First Landing Resort, and to ancient Vuda Village.*

*He is talking to the FDB about developing a backpacker's resort and housing for his family. And with his determination and talent there is little doubt that whatever he does he will succeed.*



& risk services, Choice Home Loan, Leadership & Change Management, Coaching & Mentoring and Decision-Making & Risk Management.

The external courses covered topics ranging from computer skills, cash flow management, leadership, and project management to professional institute programs like the Fiji Institute of Accountants' and the Law Society. The overseas courses ranged from Audit to Small & Micro enterprise financing and corporate governance.

Ten officers continued their studies at the University of the South Pacific and the Fiji Institute of Technology. Two officers graduated with Degree and Masters from the USP whilst two others graduated with Certificate and Diploma from the FIT.

### **Graduate Trainee Program**

The training program was launched in December 2004. Seven graduates, with a wide range of degrees that include bank finance, marketing, accounting, economics, information systems, management and statistics, were recruited.

The program is designed to provide an in-depth understanding of the development finance industry and train graduates in the various functions of the organization. Part of the graduates learning process is the 12 months on-the-job training, working in all FDB departments before placement into specific positions that best meet their skills and interest. The training included a week's induction program and client visits.

The program is part of the overall restructure to expand the level of professionalism in the bank. The second recruitment is scheduled for December 2005.

### **Job Evaluation**

The Bank's restructure called for a job evaluation exercise to build on the results of their job analysis for all the positions in the Bank.

A job evaluation was conducted in April 2005 to ensure that FDB is well placed in the job market and be competitive in the local and regional labour market.

### **Properties**

In line with its renovations and refurbishment plans, FDB continued with its commitment to upgrade the Development Bank Centre's tenanted floors. The refurbishment works to these offices is a strategy used by the Bank in strengthening business partnership with its tenants.

### **Corporate Governance**

An Enhancing Corporate Governance for Financial Institutions seminar was held in May 2005 in association with the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) and the Washington D.C. based Center for International Private Enterprise (CIPE).

The aim of the seminar is to develop a Corporate Governance Rating System (CGRS) for development and local banks and adapt it to the local context of each country. This rating will be a benchmark used for gradual assessment of the extent of good corporate governance in the various institutions.

### **Insurance**

The Bank is officially a licensed insurance agent for a locally registered and owned company.

The arrangement is part of the Bank's customer service to provide a "one-stop lending shop" of offering financing and insurance coverage products.



## Success on mind of Fijian Entrepreneur

*It started out simple enough: Waisale Kurikoro received a loan from the FDB to takeover a transportation business. His commitment to the project earned him reasonable turnover. But that was just the beginning. In the next four years his business grew beyond expectations with the Fiji Development Bank with him all the way.*

*In 2002 he was approved additional funding to purchase second hand clothes, retail shops in Sigatoka and Nadi and additional vehicles. Interestingly, his earnings increased more than three fold. Late last year, he expanded his business acquiring another vehicle and shops in Tavua and Suva.*

*To date, Kurikoro has reduced his loan balance by 60%. He is one of those unique Fijian entrepreneurs that have proved that anything is possible through hard work and dedication.*

These include motor vehicles, marine insurance, workers' compensation and other risks.

In implementing this agency, the Bank has created templates and proposal forms for easy access by the Bank's network. Clients will be able to instantaneously ascertain premium payments after providing all the essential information to our officers.

The Bank continues to provide on-going staff training programme to improve insurance knowledge and up-skill staff on the marketing of insurance products.

#### **Inaugural National Small Business Awards**

In its quest to encourage Small and Micro Enterprises (SME's) development and to provide a platform for them to become viable enterprises, an Annual Small Business Award Competition was inaugurated.

The competition identified winners in the Beekeeping, Handicraft, Tourism, Floriculture, Fabric Arts and Service business categories. The overall winner was an innovative and high-risk venture in the local market. Specialist Access Services, a partnership business involves the use of rock climbing technique to service building walls and install new equipments in tall and difficult to access structures.

The Small Business Journalism, an award targeting media reporters for creating and increasing public understanding of the importance of small-business contributions to the economy, was won by Ms Sylvia Low a reporter with the Ministry of Information. Her

winning entrant was about a local woman whose business promotes and sells herbal medicine and cosmetic products made from seaweed.

The bank has committed this to become an annual event.

#### **Association of Development Banks in the Asia and Pacific**

The FDB is affiliated with the ADFIAP (Association of Development Banks in the Asia and Pacific), and is represented on the Board of Directors. During the year the Bank, in co-sponsorship with another member the Fiji National Provident Fund, hosted the Annual Meetings of ADFIAP in Nadi.

A group of 54 member-development banks in 26 countries in the Asia-Pacific region attended with the Prime Minister, His Excellency Laisenia Qarase, inaugurating the event. The highlights and programs of the event include the 61st ADFIAP Board of Directors Meeting; the General Assembly; the ADFIAP Awards 2005 and the 28th Annual Conference with the theme "DFIs: Investing into the Future

The occasion was a special one for FDB as the ADFIAP's Institute of Development Finance (IDF) conferred the title of "Fellow in Development Banking" Honoris Causa to His Excellency Laisenia Qarase, Fiji's Prime Minister. The "Fellow" is the highest of the 3-level credentials being offered by the Institute to recognize professional qualifications and accomplishments in development banking.





## *Sons follow in dad's footsteps*

*Isireli Verebasaga (Snr) approached the bank for assistance in 1976 to fund his Water sports business. He secured a fixed contract with the Warwick Hotel in providing services such as glass bottom boat coral viewing, snorkeling trips, bay fishing, deep sea fishing and banana boat ride.*

*With nearly thirty years of experience in this type of business, he has groomed his two sons' on proper business operation. His namesake, Isireli (Jnr) drives their van and looks after the financial aspects of the business whilst his older brother runs the water sports business.*

*Mr Verebasaga was the recipient of the Tourism Category in the FDB-sponsored Small Business Awards.*





## Overcoming Life's Challenges

*Tekope Toka is an unassuming farmer from Savudrodro, Savusavu. Originally from Qoma Island in Tailevu he came to the area in search of land to farm, unavailable on his island home.*

*Initially he lived with a family in Waivunia Village who provided him with land to start his farm. With support of the villagers and surrounding farms, he was able*

*to expand his holding and earn enough money to build a home where he brought his family.*

*In 2002, FDB provided Toka a farm development loan, which he invested and the farm thrived - until Cyclone Ami. The high winds caused extensive damage to his crops and for many it would have spelled a disaster, but not for Tekope Toka.*

*He went back to work, and with the help of his brother, set a goal of planting 1,000 dalo a month. The farm is once again a success, so much so that Tekope Toka was considered by the Ministry of Agriculture to be one of the model farmers in the area. He now supports his extended family and that includes education for all the children.*

# FINANCIAL REPORT

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## **FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY 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 company for the year ended 30 June 2005 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 2005 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 2005 was \$1,911,347 (2004 – \$452,918).

### **Reserves**

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

### **Dividends**

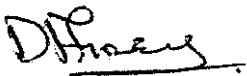
The directors recommend that no dividends be declared or paid.

### **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 company, the results of those operations or the state of affairs of the Bank or its subsidiary company in subsequent financial years.

Dated at Suva this 20 day of September 2005.

Signed in accordance with a resolution of the directors:



**Director**



**Director**



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

### Scope

We have audited the financial statements of the Fiji Development Bank for the financial year ended 30 June 2005, 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 42. The financial statements comprise the financial statements of the Bank and the consolidated financial statements of the Group, being the Bank and its subsidiary company. 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 it 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 2005 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.

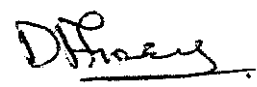
Suva, Fiji  
20 September, 2005

  
KPMG  
Chartered Accountants

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY  
BALANCE SHEETS  
AS AT 30 JUNE 2005**

|  | Note | CONSOLIDATED       |             | THE BANK           |             |
|--|------|--------------------|-------------|--------------------|-------------|
|  |      | 2005<br>\$         | 2004<br>\$  | 2005<br>\$         | 2004<br>\$  |
| <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>   | 8,835,395   | <b>8,835,395</b>   | 8,835,395   |
| Accumulated profits                            |      | <b>19,188,498</b>  | 17,277,151  | <b>19,184,102</b>  | 17,272,850  |
| <b>Total capital and reserves</b>              |      | <b>84,074,529</b>  | 82,163,182  | <b>84,070,133</b>  | 82,158,881  |
| <b>Non-current liabilities</b>                 |      |                    |             |                    |             |
| Borrowings                                     | 4    | <b>178,826,146</b> | 141,233,400 | <b>178,826,146</b> | 141,233,400 |
| Provisions                                     | 5    | <b>948,212</b>     | 1,108,951   | <b>948,212</b>     | 1,108,951   |
| <b>Total non-current liabilities</b>           |      | <b>179,774,358</b> | 142,342,351 | <b>179,774,358</b> | 142,342,351 |
| <b>Current liabilities</b>                     |      |                    |             |                    |             |
| Borrowings                                     | 4    | <b>40,615,534</b>  | 36,480,896  | <b>40,615,534</b>  | 36,480,896  |
| Provisions                                     | 5    | <b>454,793</b>     | 795,967     | <b>454,793</b>     | 795,967     |
| Accounts payable and accruals                  | 6    | <b>2,534,943</b>   | 3,358,188   | <b>2,526,346</b>   | 3,354,930   |
| Other liabilities                              | 7    | <b>1,786,804</b>   | 4,050,993   | <b>1,786,804</b>   | 4,050,993   |
| <b>Total current liabilities</b>               |      | <b>45,392,074</b>  | 44,686,044  | <b>45,383,477</b>  | 44,682,786  |
| <b>TOTAL LIABILITIES, CAPITAL AND RESERVES</b> |      | <b>309,240,961</b> | 269,191,577 | <b>309,227,968</b> | 269,184,018 |
| 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 42.

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY  
BALANCE SHEETS  
AS AT 30 JUNE 2005**

|                                 | Note | CONSOLIDATED       |             | THE BANK           |             |
|---------------------------------|------|--------------------|-------------|--------------------|-------------|
|                                 |      | 2005<br>\$         | 2004<br>\$  | 2005<br>\$         | 2004<br>\$  |
| <b>Non-current assets</b>       |      |                    |             |                    |             |
| Loans and advances              | 10   | <b>251,805,182</b> | 207,305,466 | <b>251,805,182</b> | 207,305,466 |
| Property, plant and equipment   | 11   | <b>12,693,996</b>  | 12,742,728  | <b>12,693,996</b>  | 12,742,728  |
| Investment in subsidiary        | 12   | -                  | -           | <b>20,000</b>      | 20,000      |
| Investments                     | 13   | <b>50,251</b>      | 50,251      | <b>50,251</b>      | 50,251      |
| Land held for resale            | 14   | <b>289,087</b>     | 240,628     | <b>289,087</b>     | 240,628     |
| <b>Total non-current assets</b> |      | <b>264,838,516</b> | 220,339,073 | <b>264,858,516</b> | 220,359,073 |
| <b>Current assets</b>           |      |                    |             |                    |             |
| Cash                            |      | <b>13,747,323</b>  | 17,503,793  | <b>13,594,469</b>  | 17,428,087  |
| Amounts due from subsidiary     | 9    | -                  | -           | <b>195,208</b>     | 107,570     |
| Loans and advances              | 10   | <b>28,203,892</b>  | 27,504,579  | <b>28,203,892</b>  | 27,504,579  |
| Other debtors                   | 15   | <b>2,451,230</b>   | 3,844,132   | <b>2,375,883</b>   | 3,784,709   |
| <b>Total current assets</b>     |      | <b>44,402,445</b>  | 48,852,504  | <b>44,369,452</b>  | 48,824,945  |
| <b>TOTAL ASSETS</b>             |      | <b>309,240,961</b> | 269,191,577 | <b>309,227,968</b> | 269,184,018 |



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 42.



**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY  
INCOME STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

|   | Note | CONSOLIDATED             |                   | THE BANK                 |                   |
|---|------|--------------------------|-------------------|--------------------------|-------------------|
|   |      | 2005                     | 2004              | 2005                     | 2004              |
|   |      | \$                       | \$                | \$                       | \$                |
| <b>INCOME</b>   |      |                          |                   |                          |                   |
| Income from loans:                                    |      |                          |                   |                          |                   |
| Interest  | 16   | <b>25,230,882</b>        | 25,843,788        | <b>25,228,926</b>        | 25,840,800        |
| Fees  |      | <b>2,972,759</b>         | 2,196,671         | <b>2,972,759</b>         | 2,196,671         |
| Other income  | 17   | <b>2,705,553</b>         | 4,983,120         | <b>2,705,553</b>         | 4,983,120         |
| <b>TOTAL INCOME</b>                                   |      | <b><u>30,909,194</u></b> | <u>33,023,579</u> | <b><u>30,907,238</u></b> | <u>33,020,591</u> |
| <b>EXPENSES</b>                                       |      |                          |                   |                          |                   |
| Interest and other borrowing expenses                 | 18   | <b>7,969,823</b>         | 8,705,645         | <b>7,969,823</b>         | 8,705,645         |
| Administrative expenses                               | 18   | <b>11,526,282</b>        | 11,169,762        | <b>11,524,421</b>        | 11,166,854        |
| <b>TOTAL EXPENSES</b>                                 |      | <b><u>19,496,105</u></b> | <u>19,875,407</u> | <b><u>19,494,244</u></b> | <u>19,872,499</u> |
| <b>OPERATING PROFIT BEFORE PROVISIONS</b>             |      | <b>11,413,089</b>        | 13,148,172        | <b>11,412,994</b>        | 13,148,092        |
| Doubtful loans and advances                           | 10   | <b>9,691,437</b>         | 11,414,850        | <b>9,691,437</b>         | 11,414,850        |
| Diminution in investments                             | 13   | <b>(189,695)</b>         | 1,280,000         | <b>(189,695)</b>         | 1,280,000         |
| <b>OPERATING PROFIT BEFORE<br/>INCOME TAX EXPENSE</b> |      | <b>1,911,347</b>         | 453,322           | <b>1,911,252</b>         | 453,242           |
| Income tax expense                                    | 1(k) | -                        | 404               | -                        | -                 |
| <b>OPERATING PROFIT AFTER INCOME TAX</b>              |      | <b><u>1,911,347</u></b>  | <u>452,918</u>    | <b><u>1,911,252</u></b>  | <u>453,242</u>    |

The income statements are to be read in conjunction with the notes to and forming part of the financial statement set out on pages 29 to 42.

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY  
OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2005**

|                                   | <b>CONSOLIDATED</b>      |                                |                            |                                |                          |
|-----------------------------------|--------------------------|--------------------------------|----------------------------|--------------------------------|--------------------------|
|                                   | <b>Capital</b>           | <b>Revaluation<br/>reserve</b> | <b>General<br/>reserve</b> | <b>Accumulated<br/>profits</b> | <b>Total</b>             |
|                                   | \$                       | \$                             | \$                         | \$                             | \$                       |
| 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           | <u>56,050,636</u>        | <u>6,335,395</u>               | <u>2,500,000</u>           | <u>17,277,151</u>              | <u>82,163,182</u>        |
| Net profit for the year           | -                        | -                              | -                          | 1,911,347                      | 1,911,347                |
| Balance at 30 June 2005           | <u><b>56,050,636</b></u> | <u><b>6,335,395</b></u>        | <u><b>2,500,000</b></u>    | <u><b>19,188,498</b></u>       | <u><b>84,074,529</b></u> |

|                                   | <b>THE BANK</b>          |                                |                            |                                |                          |
|-----------------------------------|--------------------------|--------------------------------|----------------------------|--------------------------------|--------------------------|
|                                   | <b>Capital</b>           | <b>Revaluation<br/>reserve</b> | <b>General<br/>reserve</b> | <b>Accumulated<br/>profits</b> | <b>Total</b>             |
|                                   | \$                       | \$                             | \$                         | \$                             | \$                       |
| 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           | <u>56,050,636</u>        | <u>6,335,395</u>               | <u>2,500,000</u>           | <u>17,272,850</u>              | <u>82,158,881</u>        |
| Net profit for the year           | -                        | -                              | -                          | 1,911,252                      | 1,911,252                |
| Balance at 30 June 2005           | <u><b>56,050,636</b></u> | <u><b>6,335,395</b></u>        | <u><b>2,500,000</b></u>    | <u><b>19,184,102</b></u>       | <u><b>84,070,133</b></u> |

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 42.

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2005**

|  | <b>2005</b>         | 2004         |
|--|---------------------|--------------|
|  | \$                  | \$           |
|  | <b>Inflows</b>      | Inflows      |
| <b>Note</b>                                      | <b>(Outflows)</b>   | (Outflows)   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>      |                     |              |
| Interest and subsidy received                    | <b>29,296,341</b>   | 26,284,366   |
| Interest and other costs of borrowing paid       | <b>(7,717,128)</b>  | (9,176,496)  |
| Dividends received                               | -                   | 4,263        |
| Fees received                                    | <b>2,972,759</b>    | 2,196,671    |
| Cash paid to suppliers and employee              | <b>(14,509,478)</b> | (11,309,635) |
| Other receipts                                   | <b>1,852,461</b>    | 702,070      |
| <b>Net cash provided by operating activities</b> | <b>11,894,955</b>   | 8,701,239    |
| 23 (ii)  |                     |              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>      |                     |              |
| Proceeds from the sale of investments            | <b>225,000</b>      | -            |
| Customer loans granted                           | <b>134,045,000</b>  | (73,352,429) |
| Customer loans repaid                            | <b>77,689,926</b>   | 70,946,019   |
| Payments for property and equipment              | <b>(396,981)</b>    | (859,202)    |
| Receipts from disposal of property and equipment | <b>120,873</b>      | 243,407      |
| Receipts/(Payments) for land held for resale     | <b>(48,459)</b>     | 5,599,995    |
| Net cash provided by investing activities        | <b>(56,454,641)</b> | 2,577,790    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>      |                     |              |
| Proceeds from long-term borrowings               | <b>80,897,404</b>   | 31,496,834   |
| Repayment of long-term borrowings                | <b>(35,150,459)</b> | (40,959,298) |
| Net increase in short-term borrowing             | <b>(4,943,729)</b>  | 7,549,141    |
| <b>Net cash used in financing activities</b>     | <b>40,803,216</b>   | (1,913,323)  |
| Net increase in cash held                        | <b>(3,756,470)</b>  | 9,365,706    |
| Cash at the beginning of the financial year      | <b>17,503,793</b>   | 8,138,087    |
| <b>Cash at the end of the financial year</b>     | <b>13,747,323</b>   | 17,503,793   |
| 23 (i)   |                     |              |

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 42.



**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

**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 2005 comprise the Bank and its subsidiary company. The financial statements were authorised for issue by the directors on 20 September, 2005.

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 COMPANY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

**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 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 COMPANY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

**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**

Specific provision is maintained to cover identified doubtful debts. All known bad debts are written off in the year in which they are identified. The specific provision requirement (representing new and increased specific provisions less specific releases) is transferred from the general provision to the specific provision.

Recoveries, representing excess transfers to the specific provision, are credited to the general provision.

**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.

**General Provision**

The annual charge against profits for bad and doubtful debts reflects new general provisions.

General Provision is maintained on all loans based on the Credit Risk Rating "(CRR)" and is allocated monthly to reflect the highest risk. The general provision is based on a percentage and 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.

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.



**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

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

**(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 2005 was 207 (2004: 219).

**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.

**2 CAPITAL**

|                     | CONSOLIDATED       |                    | THE BANK           |                    |
|---------------------|--------------------|--------------------|--------------------|--------------------|
|                     | 2005               | 2004               | 2005               | 2004               |
|                     | \$                 | \$                 | \$                 | \$                 |
| Authorised capital  | <u>100,000,000</u> | <u>100,000,000</u> | <u>100,000,000</u> | <u>100,000,000</u> |
| Contributed capital | <u>56,050,636</u>  | <u>56,050,636</u>  | <u>56,050,636</u>  | <u>56,050,636</u>  |

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



**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY  
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|  | <b>CONSOLIDATED</b> |           | <b>THE BANK</b>  |           |
|--|---------------------|-----------|------------------|-----------|
|  | <b>2005</b>         | 2004      | <b>2005</b>      | 2004      |
|  | <b>\$</b>           | \$        | <b>\$</b>        | \$        |
| <b>5 PROVISIONS</b>                    |                     |           |                  |           |
| <b>Non-current</b>                     |                     |           |                  |           |
| Provision for gratuity                 | <b>488,616</b>      | 618,874   | <b>488,616</b>   | 618,874   |
| Provision for long service leave       | <b>400,060</b>      | 430,361   | <b>400,060</b>   | 430,361   |
| Provision for triennial leave          | <b>59,536</b>       | 59,716    | <b>59,536</b>    | 59,716    |
|  | <b>948,212</b>      | 1,108,951 | <b>948,212</b>   | 1,108,951 |
| <b>Current</b>                         |                     |           |                  |           |
| Provision for annual leave             | <b>454,793</b>      | 542,234   | <b>454,793</b>   | 542,234   |
| Provision for voluntary redundancy     | -                   | 253,733   | -                | 253,733   |
|  | <b>454,793</b>      | 795,967   | <b>454,793</b>   | 795,967   |
| <b>Total provisions</b>                | <b>1,403,005</b>    | 1,904,918 | <b>1,403,005</b> | 1,904,918 |
| <b>6 ACCOUNTS PAYABLE AND ACCRUALS</b> |                     |           |                  |           |
| Interest accruals                      | <b>1,979,504</b>    | 1,728,967 | <b>1,979,504</b> | 1,728,967 |
| Others                                 | <b>555,439</b>      | 1,629,221 | <b>546,842</b>   | 1,625,963 |
|  | <b>2,534,943</b>    | 3,358,188 | <b>2,526,346</b> | 3,354,930 |
| <b>7 OTHER LIABILITIES</b>             |                     |           |                  |           |
| Small Business Equity Scheme           | <b>446,458</b>      | 1,054,429 | <b>446,458</b>   | 1,054,429 |
| Seed Capital Fund                      | <b>1,340,346</b>    | 2,996,564 | <b>1,340,346</b> | 2,996,564 |
|  | <b>1,786,804</b>    | 4,050,993 | <b>1,786,804</b> | 4,050,993 |

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. The SBES balances 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 COMPANY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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|          |   | <b>CONSOLIDATED<br/>AND THE BANK</b> |                   |
|----------|---|--------------------------------------|-------------------|
|          |   | <b>2005</b>                          | 2004              |
|          |   | \$                                   | \$                |
| <b>8</b> | <b>COMMITMENTS AND CONTINGENT LIABILITIES</b> |                                      |                   |
| (a)      | Commitments                                   |                                      |                   |
|          | (i) Capital commitments                       | -                                    | -                 |
|          | (ii) Loans approved but not disbursed         | <u><b>69,332,395</b></u>             | <u>23,688,961</u> |
|          |   | <u><b>69,332,395</b></u>             | <u>23,688,961</u> |
| (b)      | Contingent liabilities                        |                                      |                   |
|          | (i) Guarantees                                | <u><b>2,393,851</b></u>              | <u>2,608,461</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>Note</b>                        | <b>CONSOLIDATED</b> |          | <b>THE BANK</b>       |                |
|------------------|------------------------------------|---------------------|----------|-----------------------|----------------|
|                  |                                    | <b>2005</b>         | 2004     | <b>2005</b>           | 2004           |
|                  |                                    | \$                  | \$       | \$                    | \$             |
| <b>9</b>         | <b>AMOUNTS DUE FROM SUBSIDIARY</b> |                     |          |                       |                |
| FDB Nominees Ltd | 19                                 | <u>-</u>            | <u>-</u> | <u><b>195,208</b></u> | <u>107,570</u> |



**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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|   | <b>CONSOLIDATED</b> |             | <b>THE BANK</b>     |             |
|---|---------------------|-------------|---------------------|-------------|
|   | <b>2005</b>         | 2004        | <b>2005</b>         | 2004        |
|   | <b>\$</b>           | \$          | <b>\$</b>           | \$          |
| <b>10 LOANS AND ADVANCES</b>                                  |                     |             |                     |             |
| <b>Current</b>  | <b>73,289,474</b>   | 73,313,677  | <b>73,289,474</b>   | 73,313,677  |
| Less: Interest and fees suspended                             | <b>6,479,127</b>    | 7,745,411   | <b>6,479,127</b>    | 7,745,411   |
|   | <b>66,810,347</b>   | 65,568,266  | <b>66,810,347</b>   | 65,568,266  |
| Provision for doubtful debts                                  | <b>38,606,455</b>   | 38,063,687  | <b>38,606,455</b>   | 38,063,687  |
|   | <b>28,203,892</b>   | 27,504,579  | <b>28,203,892</b>   | 27,504,579  |
| <b>Non-current</b>  | <b>251,805,182</b>  | 207,305,466 | <b>251,805,182</b>  | 207,305,466 |
| <b>Total loans and advances</b>                               | <b>280,009,074</b>  | 234,810,045 | <b>280,009,074</b>  | 234,810,045 |
| Provision for doubtful debts is represented as follows:       |                     |             |                     |             |
| <b>Specific provision</b>                                     |                     |             |                     |             |
| Balance at the beginning of the year                          | <b>29,540,240</b>   | 23,727,607  | <b>29,540,240</b>   | 23,727,607  |
| Charge to the income statement                                | -                   | 11,706,707  | -                   | 11,706,707  |
|   | <b>29,540,240</b>   | 35,434,314  | <b>29,540,240</b>   | 35,434,314  |
| Transfer to General Provision                                 | <b>3,995,639</b>    | -           | <b>3,995,639</b>    | -           |
|   | <b>33,535,879</b>   | 35,434,314  | <b>33,535,879</b>   | 35,434,314  |
| Written off as bad debts against provision for doubtful debts | <b>(12,690,607)</b> | (5,894,074) | <b>(12,690,607)</b> | (5,894,074) |
| Balance at the end of the year                                | <b>20,845,272</b>   | 29,540,240  | <b>20,845,272</b>   | 29,540,240  |
| <b>Unallocated specific provision</b>                         |                     |             |                     |             |
| Balance at beginning of year                                  | <b>5,564,074</b>    | 5,770,437   | <b>5,564,074</b>    | 5,770,437   |
| Charge/(credit) to the income statement                       | <b>2,068,322</b>    | (206,363)   | <b>2,068,322</b>    | (206,363)   |
| Balance at the end of the year                                | <b>7,632,396</b>    | 5,564,074   | <b>7,632,396</b>    | 5,564,074   |
| <b>General provision</b>                                      |                     |             |                     |             |
| Balance at beginning of year                                  | <b>2,959,373</b>    | 3,044,867   | <b>2,959,373</b>    | 3,044,867   |
| Charge/(credit) to the income statement                       | <b>7,623,115</b>    | (85,494)    | <b>7,623,115</b>    | (85,494)    |
|   | <b>10,582,488</b>   | 2,959,373   | <b>10,582,488</b>   | 2,959,373   |
| Transfer to Specific Provision                                | <b>(3,058,517)</b>  | -           | <b>(3,058,517)</b>  | -           |
|   | <b>7,523,971</b>    | 2,959,373   | <b>7,523,971</b>    | 2,959,373   |
| Bad debt recovered  | <b>2,604,816</b>    | -           | <b>2,604,816</b>    | -           |
| Balance at the end of the year                                | <b>10,128,787</b>   | 2,959,373   | <b>10,128,787</b>   | 2,959,373   |
| <b>Total provision for doubtful debts</b>                     | <b>38,606,455</b>   | 38,063,687  | <b>38,606,455</b>   | 38,063,687  |

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY  
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|   | <b>Land and<br/>buildings<br/>\$</b> | <b>CONSOLIDATED AND THE BANK<br/>Plant and<br/>equipment<br/>\$</b> |                       | <b>Fixtures and<br/>fittings<br/>\$</b> | <b>Total<br/>\$</b> |
|---|--------------------------------------|---|-----------------------|---|---------------------|
| <b>11 PROPERTY, PLANT AND EQUIPMENT</b> |                                      |   |                       |   |                     |
| <b>Cost</b>                             |                                      |   |                       |   |                     |
| Balance at beginning of the year        | 11,873,126                           | 4,939,909   | 1,152,103             | 17,965,138                              |                     |
| Acquisitions during the year            | 11,396                               | 432,116   | 394,421               | 837,933                                 |                     |
| Disposals                               | -                                    | (442,427)   | (1,310)               | (443,737)                               |                     |
| Balance at end of the year              | <u>11,884,522</u>                    | <u>4,929,598</u>  | <u>1,545,214</u>      | <u>18,359,334</u>                       |                     |
| <b>Accumulated depreciation</b>         |                                      |   |                       |   |                     |
| Balance at beginning of the year        | 1,479,425                            | 3,122,330   | 620,655               | 5,222,410                               |                     |
| Depreciation charge for the year        | 220,659                              | 548,534   | 83,016                | 852,209                                 |                     |
| Disposals                               | -                                    | (408,746)   | (535)                 | (409,281)                               |                     |
| Balance at end of the year              | <u>1,700,084</u>                     | <u>3,262,118</u>  | <u>703,136</u>        | <u>5,665,338</u>                        |                     |
| <b>Carrying amount</b>                  |                                      |   |                       |   |                     |
| Balance at beginning of year            | 10,393,701                           | 1,817,579   | 531,448               | 12,742,728                              |                     |
| Balance at end of the year              | <u><b>10,184,438</b></u>             | <u><b>1,667,480</b></u>   | <u><b>842,078</b></u> | <u><b>12,693,996</b></u>                |                     |

|                                    | <b>CONTRIBUTION TO<br/>GROUP RESULTS</b> |            | <b>BOOK VALUE</b>    |               |
|------------------------------------|--|------------|----------------------|---------------|
|                                    | <b>2005<br/>\$</b>                       | 2004<br>\$ | <b>2005<br/>\$</b>   | 2004<br>\$    |
| <b>12 INVESTMENT IN SUBSIDIARY</b> |  |            |                      |               |
| FDB Nominees Limited - at cost     | <u><b>95</b></u>                         | <u>860</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.

|  | <b>CONSOLIDATED</b>       |                    | <b>THE BANK</b>           |                    |
|--|---------------------------|--------------------|---------------------------|--------------------|
|  | <b>2005<br/>\$</b>        | 2004<br>\$         | <b>2005<br/>\$</b>        | 2004<br>\$         |
| <b>13 INVESTMENTS</b>  |                           |                    |                           |                    |
| Shares in companies - at cost                                      | <b>4,949,541</b>          | 5,139,236          | <b>4,949,541</b>          | 5,139,236          |
| Less: Provision for diminution in value                            | <u><b>(4,899,290)</b></u> | <u>(5,088,985)</u> | <u><b>(4,899,290)</b></u> | <u>(5,088,985)</u> |
|  | <u><b>50,251</b></u>      | <u>50,251</u>      | <u><b>50,251</b></u>      | <u>50,251</u>      |
| Provision for diminution in investments is represented as follows: |                           |                    |                           |                    |
| Balance at the beginning of the year                               | <b>5,088,985</b>          | 3,808,985          | <b>5,088,985</b>          | 3,808,985          |
| Charge to the income statement                                     | <u><b>(189,695)</b></u>   | <u>1,280,000</u>   | <u><b>(189,695)</b></u>   | <u>1,280,000</u>   |
| Balance at the end of the year                                     | <u><b>4,899,290</b></u>   | <u>5,088,985</u>   | <u><b>4,899,290</b></u>   | <u>5,088,985</u>   |

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY  
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|   | <b>CONSOLIDATED</b> |             | <b>THE BANK</b>  |             |
|---|---------------------|-------------|------------------|-------------|
|   | <b>2005</b>         | 2004        | <b>2005</b>      | 2004        |
|   | \$                  | \$          | \$               | \$          |
| <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>    | 47,476      |
| Contributions to project  | <b>(3,245)</b>      | (1,045)     | <b>(3,245)</b>   | (1,045)     |
|   | <b>44,231</b>       | 46,431      | <b>44,231</b>    | 46,431      |
| <b>Hotel Development Project</b>  |                     |             |                  |             |
| Cost  | -                   | 1,500,000   | -                | 1,500,000   |
| Contributions to project  | -                   | 398,329     | -                | 398,329     |
|   | -                   | 1,898,329   | -                | 1,898,329   |
| Less: Disposal  | -                   | (1,898,329) | -                | (1,898,329) |
|   | -                   | -           | -                | -           |
| <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>144,856</b>      | 94,197      | <b>144,856</b>   | 94,197      |
|   | <b>1,144,856</b>    | 1,094,197   | <b>1,144,856</b> | 1,094,197   |
| Less: Provision for diminution in value   | <b>900,000</b>      | 900,000     | <b>900,000</b>   | 900,000     |
|   | <b>244,856</b>      | 194,197     | <b>244,856</b>   | 194,197     |
|   | <b>289,087</b>      | 240,628     | <b>289,087</b>   | 240,628     |
| <b>15 OTHER DEBTORS</b>   |                     |             |                  |             |
| Government interest subsidies   | <b>530,340</b>      | 2,460,767   | <b>530,340</b>   | 2,460,767   |
| Government guarantees:  |                     |             |                  |             |
| - Fijian loans scheme   | <b>1,551,973</b>    | 1,049,957   | <b>1,551,973</b> | 1,049,957   |
| Other   | <b>368,917</b>      | 333,408     | <b>293,570</b>   | 273,985     |
|   | <b>2,451,230</b>    | 3,844,132   | <b>2,375,884</b> | 3,784,709   |
| <b>16 INTEREST INCOME</b>   |                     |             |                  |             |
| Included in interest income are interest subsidies received / receivable from the Government for: |                     |             |                  |             |
| - Agricultural loans  | <b>347,774</b>      | 426,207     | <b>347,774</b>   | 426,207     |
| - Commercial Loans to Fijians scheme  | <b>2,014,957</b>    | 2,294,373   | <b>2,014,957</b> | 2,294,373   |
| - Economic Rehabilitation Package Scheme  | <b>480,156</b>      | 365,600     | <b>480,156</b>   | 365,600     |
| - Small Business Scheme   | <b>138,322</b>      | 124,280     | <b>138,322</b>   | 124,280     |
| - Northern Rehabilitation Package   | <b>55,081</b>       | -           | <b>55,081</b>    | -           |
|   | <b>3,036,290</b>    | 3,210,460   | <b>3,036,290</b> | 3,210,460   |

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY  
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|   | <b>CONSOLIDATED</b> |           | <b>THE BANK</b>  |           |
|---|---------------------|-----------|------------------|-----------|
|   | <b>2005</b>         | 2004      | <b>2005</b>      | 2004      |
|   | <b>\$</b>           | \$        | <b>\$</b>        | \$        |
| <b>17 OTHER INCOME</b>                            |                     |           |                  |           |
| The following items are included in other income: |                     |           |                  |           |
| Gain on sale of fixed assets                      | <b>86,418</b>       | 73,643    | <b>86,418</b>    | 73,643    |
| Gain on sale of investments                       | <b>35,305</b>       | -         | <b>35,305</b>    | -         |
| Gain on sale of land held for resale              | -                   | 3,701,671 | -                | 3,701,671 |
| Recoveries on bad and doubtful debts              | <b>2,604,816</b>    | 587,576   | <b>2,604,816</b> | 587,576   |
| Rental income                                     | <b>462,835</b>      | 468,624   | <b>462,835</b>   | 468,624   |
| <b>18 EXPENSES</b>                                |                     |           |                  |           |
| Exchange losses included in interest expense      | <b>10,868</b>       | 29,971    | <b>10,868</b>    | 29,971    |
| Items included in administrative expenses:        |                     |           |                  |           |
| Amortisation of bond discounts                    | <b>2,172</b>        | 1,748     | <b>2,172</b>     | 1,748     |
| Auditors' remuneration                            | <b>37,964</b>       | 34,500    | <b>36,300</b>    | 33,000    |
| Directors' fees                                   | <b>189,028</b>      | 60,586    | <b>189,028</b>   | 60,586    |
| Depreciation                                      | <b>852,209</b>      | 968,818   | <b>852,209</b>   | 968,818   |
| Loss on disposal of fixed assets                  | -                   | 39,617    | -                | 39,617    |
| Employee costs                                    | <b>6,482,623</b>    | 6,791,185 | <b>6,482,623</b> | 6,791,185 |
| Voluntary redundancy expenses                     | -                   | 253,733   | -                | 253,733   |

**19 RELATED PARTY TRANSACTIONS**

**Transaction with Directors**

Loans amounting to \$476,656.70 (2004: \$215,828) 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 2005, 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 \$195,208 (2004: \$107,570).

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 2005, 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 \$33,750 while \$437,032 was paid for IT services. The amount due to Software Factory Limited for IT services is \$109,258.



**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY  
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**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>2005</b>               | <b>2004</b>        |
|----------------------------------|---------------------------|--------------------|
|                                  | <b>\$</b>                 | <b>\$</b>          |
| Agro-industry                    | <b>85,002,823</b>         | 58,510,367         |
| Financial institution            | <b>1,207,787</b>          | 660,034            |
| Infrastructure                   | <b>484,179</b>            | 454,719            |
| Manufacturing                    | <b>12,770,896</b>         | 14,343,499         |
| Mining & quarrying               | <b>686,573</b>            | 434,337            |
| Professional & business services | <b>13,959,719</b>         | 7,517,192          |
| Real estate                      | <b>104,023,118</b>        | 115,744,795        |
| Tourism                          | <b>34,618,819</b>         | 28,049,169         |
| Transport                        | <b>20,238,655</b>         | 19,366,333         |
| Wholesale, retail, restaurant    | <b>49,086,290</b>         | 32,234,994         |
| Leasing                          | <b>3,015,797</b>          | 3,303,703          |
|                                  | <b><u>325,094,656</u></b> | <u>280,619,142</u> |

**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.

| <b>2005</b>        | <b>CONSOLIDATED (\$'000)</b> |                          |                                |                               |                       |                           |                       |
|--------------------|------------------------------|--------------------------|--------------------------------|-------------------------------|-----------------------|---------------------------|-----------------------|
|                    | <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>Assets</b>      | <b>\$'000</b>                | <b>\$'000</b>            | <b>\$'000</b>                  | <b>\$'000</b>                 | <b>\$'000</b>         | <b>\$'000</b>             | <b>\$'000</b>         |
| Cash               | 13,747                       | -                        | -                              | -                             | -                     | -                         | 13,747                |
| Loans              | 14,625                       | 15,796                   | 42,869                         | 142,974                       | 108,831               | (20,845)                  | 304,250               |
| <b>Total</b>       | <b><u>28,372</u></b>         | <b><u>15,796</u></b>     | <b><u>42,869</u></b>           | <b><u>142,974</u></b>         | <b><u>108,831</u></b> | <b><u>(20,845)</u></b>    | <b><u>317,997</u></b> |
| <b>Liabilities</b> |                              |                          |                                |                               |                       |                           |                       |
| Borrowings         | 922                          | 10,445                   | 29,248                         | 116,149                       | 62,677                | -                         | 219,441               |
| <b>Total</b>       | <b><u>922</u></b>            | <b><u>10,445</u></b>     | <b><u>29,248</u></b>           | <b><u>116,149</u></b>         | <b><u>62,677</u></b>  | <b><u>-</u></b>           | <b><u>219,441</u></b> |
| <b>2004</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><u>37,859</u></b>         | <b><u>14,457</u></b>     | <b><u>38,502</u></b>           | <b><u>127,806</u></b>         | <b><u>79,499</u></b>  | <b><u>(29,540)</u></b>    | <b><u>268,583</u></b> |
| <b>Liabilities</b> |                              |                          |                                |                               |                       |                           |                       |
| Borrowings         | 944                          | 7,600                    | 27,937                         | 79,443                        | 61,790                | -                         | 177,714               |
| <b>Total</b>       | <b><u>944</u></b>            | <b><u>7,600</u></b>      | <b><u>27,937</u></b>           | <b><u>79,443</u></b>          | <b><u>61,790</u></b>  | <b><u>-</u></b>           | <b><u>177,714</u></b> |

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

|   | <b>2005</b>              | <b>THE BANK</b> | <b>2004</b>       |
|---|--------------------------|-----------------|-------------------|
|   | <b>\$</b>                |                 | <b>\$</b>         |
| <b>22 IMPAIRED AND PAST-DUE ASSETS</b>                              |                          |                 |                   |
| <b>Non-accrual loans without specific provisions for impairment</b> |                          |                 |                   |
| Gross   | <b>5,751,126</b>         |                 | 5,347,137         |
| Less: suspended debt  | <b>184,813</b>           |                 | 415,084           |
| Net non-accrual loans without specific provisions for impairment    | <b><u>5,566,313</u></b>  |                 | <u>4,932,053</u>  |
| <b>Non-accrual loans with specific provisions for impairment</b>    |                          |                 |                   |
| Gross   | <b>46,471,948</b>        |                 | 60,328,816        |
| Less: suspended debt  | <b>6,287,547</b>         |                 | 7,103,003         |
|   | <b>40,184,401</b>        |                 | 53,225,813        |
| Less: specific provisions   | <b>20,845,272</b>        |                 | 29,540,240        |
| Net non-accrual loans with specific provisions for impairment       | <b><u>19,339,129</u></b> |                 | <u>23,685,573</u> |
| <b>Restructured loans without specific provision</b>                |                          |                 |                   |
| Gross   | <b>1,962,838</b>         |                 | 1,424,464         |
| Less: suspended debt  | <b>18,350</b>            |                 | 150,944           |
| <b>Total impaired loans</b>   | <b><u>26,849,929</u></b> |                 | <u>29,891,146</u> |
| <b>Past-due loans</b>   |                          |                 |                   |
| Gross   | <b>37,539,098</b>        |                 | 41,957,931        |
| Less: suspended debt  | <b>37,239</b>            |                 | 74,794            |
| <b>Total past-due loans</b>   | <b><u>37,501,859</u></b> |                 | <u>41,883,137</u> |
| <b>Total impaired and past-due loans</b>                            | <b><u>64,351,789</u></b> |                 | <u>71,774,283</u> |

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

**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>2005</b>              | 2004              |
|      | <b>\$</b>                | \$                |
| Cash | <b><u>13,747,323</u></b> | <u>17,503,793</u> |

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

|  |                          |                   |
|--|--------------------------|-------------------|
| Operating profit after income tax                      | <b>1,911,347</b>         | 452,918           |
| Add / (less) non-cash items:                           |                          |                   |
| Amortisation of bond discounts                         | <b>2,172</b>             | 1,748             |
| Depreciation   | <b>852,209</b>           | 968,818           |
| (Gain) on disposal of investments                      | <b>(35,305)</b>          | -                 |
| (Gain) on disposal of land held for resale             | -                        | (3,701,671)       |
| Loss/(Gain) on disposal of fixed assets                | <b>(86,418)</b>          | (34,027)          |
| Other  | -                        | -                 |
| Provision for annual and long-service leave            | <b>(501,913)</b>         | (6,619)           |
| Provision for voluntary redundancy                     | -                        | 253,733           |
| Provision for doubtful loans and investments           | <b>9,691,437</b>         | 11,414,850        |
| Provision for diminution in investment                 | <b>(189,695)</b>         | 1,280,000         |
| Provision for diminution in value of land              | -                        | -                 |
| Provision for tax                                      | -                        | 752               |
| Translation of foreign currency loans                  | <b>(13,353)</b>          | 42,208            |
|  | <b><u>11,630,481</u></b> | <u>10,672,710</u> |
| Change in assets and liabilities:                      |                          |                   |
| Decrease in interest receivable                        | <b>2,135,032</b>         | 784,844           |
| Increase in accounts receivable                        | <b>(727,293)</b>         | (500,636)         |
| Decrease/(increase) in grants and subsidies receivable | <b>1,930,427</b>         | (344,266)         |
| Increase/(decrease) in interest payable                | <b>263,876</b>           | (514,807)         |
| Decrease in other accruals                             | <b>(3,337,568)</b>       | (1,396,606)       |
| <b>Net cash provided by operating activities</b>       | <b><u>11,894,955</u></b> | <u>8,701,239</u>  |

**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.

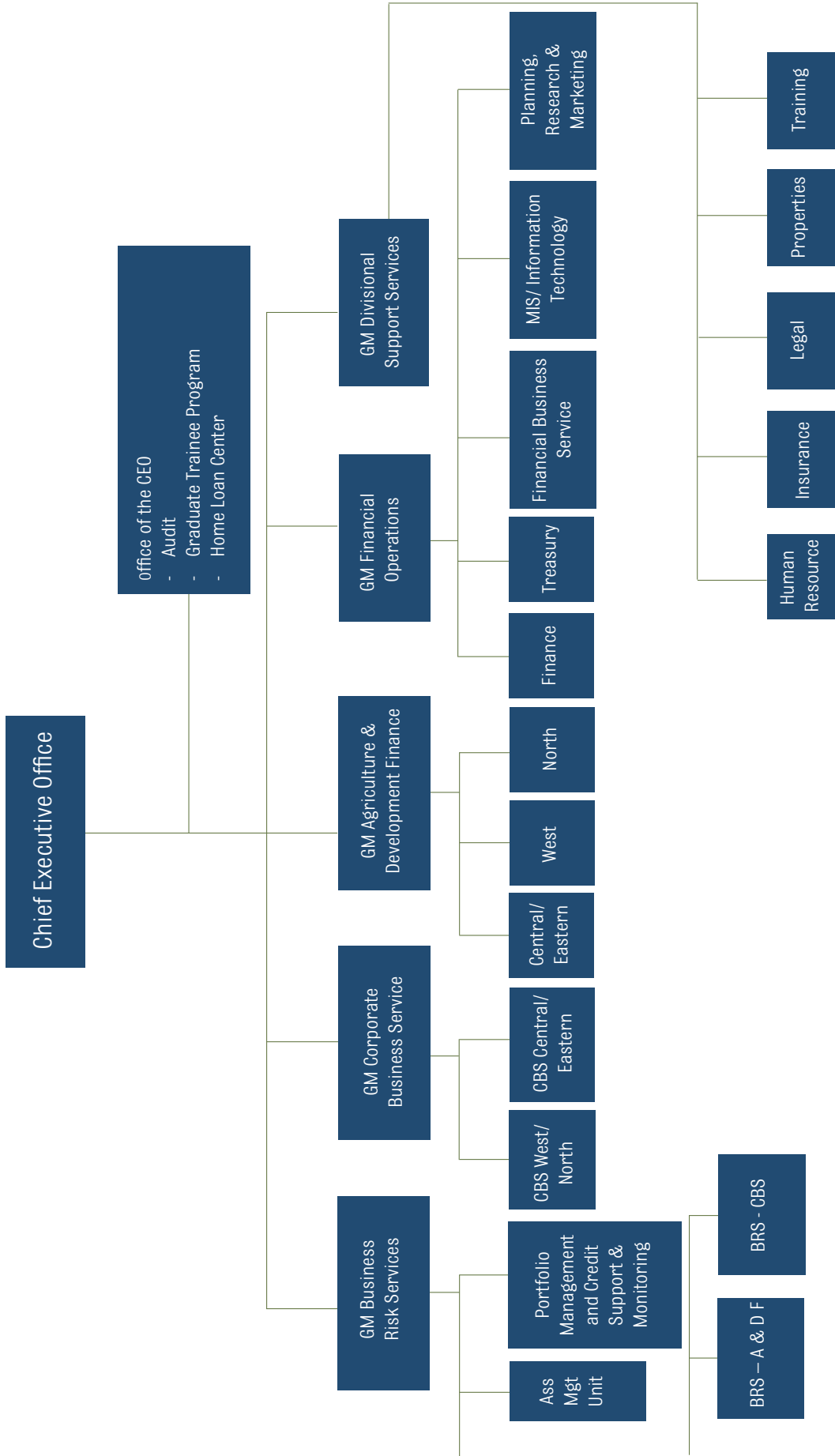
# MARKET SHARE INTO SELECTED SECTORS

|                           | Fiji Total |           | FDB Total |         | FDB as % of Fiji Total |      |
|---------------------------|------------|-----------|-----------|---------|------------------------|------|
|                           | No.        | (\$000)   | No.       | (\$000) | No.                    | (\$) |
| Total Loans & Advances    | 68,615     | 2,079,225 | 5,588     | 325,095 | 8.1                    | 15.6 |
| Agriculture               | 3,382      | 55,849    | 2,137     | 32,783  | 63.2                   | 58.7 |
| Sugar cane growing        | 2,178      | 12,560    | 1,160     | 7,074   | 53.3                   | 56.3 |
| Fisheries                 | 187        | 10,056    | 137       | 1,829   | 73.3                   | 18.2 |
| Livestock                 | 121        | 12,774    | 92        | 8,198   | 76.0                   | 64.2 |
| Manufacturing             | 847        | 234,293   | 194       | 39,912  | 22.9                   | 17.0 |
| Woodwork/furniture        | 78         | 31,506    | 20        | 20,538  | 25.6                   | 65.2 |
| Building/Construction     | 366        | 87,015    | 76        | 14,926  | 20.8                   | 17.2 |
| Hotels/tourism related    | 85         | 46,719    | 20        | 11,437  | 23.5                   | 24.5 |
| Real Estate (development) | 546        | 233,651   | 277       | 83,938  | 50.7                   | 35.9 |
| Wholesale/Retail          | 2,353      | 563,496   | 915       | 69,026  | 38.9                   | 12.2 |
| Transport & Storage       | 971        | 77,845    | 527       | 23,330  | 54.3                   | 30.0 |
| Profess/Business Services | 814        | 68,141    | 232       | 10,447  | 28.5                   | 15.3 |
| Private Individuals       | 58,490     | 614,240   | 1,186     | 24,451  | 2.0                    | 4.0  |
| Private home loans        | 8,025      | 486,657   | 672       | 22,135  | 8.4                    | 4.5  |

NOTE: Fiji total refers to total loans and advances outstanding by all commercial banks and the Fiji Development Bank as at 30 June 2005. The Bank's market share into selected sector is highlighted. The FDB Total is inclusive of Staff Loans and Loans to the Fiji Government.



**ORGANISATIONAL STRUCTURE**



## OPERATIONS NETWORK

### Central/Eastern

#### Head Office

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P: (679) 3314 866  
F: (679) 3314 886  
info@fjidevelopmentbank.com.fj  
www.fjidevelopmentbank.com

#### Nausori

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P: (679) 347 7277  
F: (679) 340 0484

### Western Region

#### Sigatoka

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P.O. Box 81, Sigatoka  
P: (679) 650 0122  
F: (679) 652 0399

#### Nadi

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

#### Lautoka

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

#### Rakiraki

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

#### Ba

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

### Northern Region

#### Labasa

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

#### Savusavu

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F: (679) 885 0629

#### Seaqaqa

Seaqaqa Town  
P: (679) 886 0166  
F: (679) 886 0168

## RELATIONSHIP MANAGERS

### CORPORATE BUSINESS

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##### Ba

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##### Rakiraki

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##### Mosese Ulucicia

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##### Labasa

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