

your partner in progress



2013 ANNUAL REPORT



VISION

To be a dynamic financial service provider in the development of Fiji.

MISSION

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

CORPORATE OBJECTIVE

To be a profitable and self-sustaining financial institution.

STRATEGIC OBJECTIVES

1. To continue to be a sustainable development financial institution.
2. To increase market share in the focused areas:
 - Resource-based sectors; and
 - Small medium enterprise sectors.
3. To introduce micro-loan banking services as a product service that caters to the poorer sector of the community.
4. To operate a licensed credit institution.

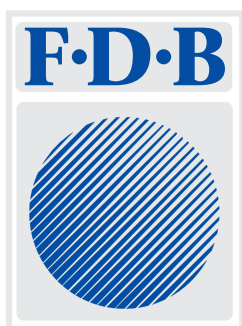
ABOUT US

The Fiji Development Bank was established under the Fiji Development Bank Act (Cap 214) on 1 July, 1967. The bank is an autonomous statutory body, the operations of which are controlled by a board of directors appointed by the Minister of Finance.

Under the Act, the bank provides finance for projects that contribute to the development of Fiji's economy and improves the quality of life for the people of Fiji. Loan funds are provided for agricultural, small and medium, as well as corporate enterprise projects. The government also uses the FDB as a financial instrument in its development projects/plans and special assistance programmes that may be necessary from time to time.

Over the years FDB has introduced a range of loan packages and services aligning it with its strategic objectives and customer demands. At the same time, the FDB has the challenging task of matching its competitiveness level with others in the banking and finance sector.

The bank has also played a significant role in developing the various economic sectors of the country and believes in a strong corporate social programme which it undertakes through Money Smart™ and Invest Smart™, a financial literacy programme in all Fiji secondary schools as well as the annual FDB small business awards.



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CHAIRMAN'S LETTER



FIJI
DEVELOPMENT
BANK

Development Bank Centre
360 Victoria Parade
GPO Box 104
Suva, Fiji
Tel: 3314866
Fax: 3314886

14 February, 2014.

Rear Admiral Josia Voreqe Bainimarama
Prime Minister and Minister of Finance
Level 4, Government Buildings (New Wing)
Gladstone Road
SUVA.

Dear Sir,

RE: 2013 ANNUAL REPORT

I have much pleasure in submitting the annual report and accounts for the Fiji Development Bank for the financial year ending 30 June, 2013.

The bank had an improved overall performance for the 2012/2013 financial year with a net profit of \$4.14MM. This was an increase of \$1.28MM compared to the 2011/2012 financial year.

The bank's gross loan portfolio increased by 6.6 percent to \$347.15MM. This growth was due to the achievement of the bank's disbursement target this financial year.

The board wishes to express its sincere gratitude to the executive management and staff for their efforts and commitments throughout the financial year.

We look forward to the continued support and contribution of government in our endeavour to provide affordable developmental financing for the economic and social development of Fiji.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R. Lyon'.

Robert G. Lyon (Mr.)
CHAIRMAN

EXECUTIVE REPORT



The mandate of the Fiji Development Bank is derived from the FDB Act (Cap 214) of 1967. FDB is geared towards developing the resource based sectors, manufacturing, communication transport, wholesale, retail and professional services. The financial period stated for the purpose of this annual report is 1 July, 2012 to 30th June 2013. For ease of reference, the financial year is noted as 2013.

Global Environment

The year 2013 ushered in its share of challenges for the Fijian economy which continues to recover from the global economic and financial meltdown in 2009.

The Fiji Development Bank continues to operate in a challenging environment and the financial year ending June 2013 is no exception. As a development financier, the bank's business is constantly at the mercy of forces outside its control.

As a nation, we were not spared from the global and economic crisis originating from the collapse of US sub-prime mortgages in 2007 which the global economy continues to recover from.

In 2013 the International Monetary Fund (IMF) forecast a global economic growth of 3.3% downgraded from the initial forecast of 3.5%.

With limited fiscal space in most developed economies, and low underlying inflation rates, expansionary monetary policy has been key in supporting domestic demand and growth for Fiji's major trading partner economies.

Growth amongst emerging economies like Fiji remains stronger than that of advanced economies, but the slowdown in export demand from many Euro zone countries is affecting growth in these emerging economies.

With the exception of the Euro zone, which is expected to contract again this year, growth in Fiji's other trading partner economies is expected to remain positive.

Closer to home, growth in our major trading partners, Australia continued its recovery while New Zealand's economy gained momentum despite the dry weather conditions that restrained growth in the external sector to some extent.

Being part of the global economy means that as a nation, we are susceptible to global economic trends and as a development financier, the bank continues to make inroads in cushioning these impacts for its clients as much as possible to create a conducive environment for investment and growth.

Domestic Environment

Consumption for the 2013 financial year remained positive as indicated by high domestic Value Added Tax (VAT). This was due to the increase in disposable income, as a result of lower income tax rates made effective from January. VAT collections, increased by 14.2% on an annual basis.

Over the same period, new lending for consumption purposes rose year-on-year by 123.2% to \$154.3 million.

Fiji's foreign reserves stood at \$1.60MM, sufficient to cover 5.1 months of retained imports of goods and non-factor services. Inflation for the period decreased to 3.7% from 4.5% in June.

By December 2012, consumer prices declined in November by 0.3%, following a 0.1% gain in the previous month, as energy prices fell. Inflation rate further decreased to 1.5%. Weak outcomes were noted for cane, sugar, copra, timber and gold production. However, milling efficiency improved compared to the 2011 season, reflected by an improvement in the tonnes of cane to tonnes of sugar (TCTS) ratio.

Visitor arrivals also fell on an annual basis during the first nine months of 2012 falling by 2.5%. Total investment income for the December 2012 quarter recorded a 33.6 percent increase from September.

In June 2013, consumer spending remained positive. Additionally, new lending for consumption purposes rose by 270.5% to \$210.9MM. The strong growth in personal remittances (19.4%) in the first five months also supported consumption activity in the financial year.

Investment indicators remained positive while tourism indicators were negative due to the impact of Tropical Cyclone Evan on visitor arrivals during the first few months of the year.

The combined liquidity of commercial banks was satisfactory based on the level of liquid assets and their ability to meet short term

The Fiji Development Bank continues to operate in a challenging environment and the financial year ending June 2013 is no exception. As a development financier, the bank's business is constantly at the mercy of forces outside its control.

liabilities. The commercial banks' liquid assets ratio (liquid assets to total assets) which provides an indication of the liquidity available to meet expected and unexpected demand for cash remained at a satisfactory level of 18.1%.

Our Business

The bank recorded a net profit of \$4.14MM for the financial year ending 30 June 2013. This was an increase of \$1.28MM (44.69%) over the 2012 financial year. The net profit also represented a return on average assets (ROA) of 0.86% - down from 0.9% in 2012 and a return on average equity (ROE) of 2.49% - a slight decrease from the 2.5% for 2012.

The bank's main source of revenue, interest income decreased by \$5.57MM (16.94%) when compared to the 2012 financial year. The decrease is largely attributed to reduction of interest rates for some major existing clients of the bank.

Furthermore, the bank's interest and other borrowing expenses declined by \$2.28MM due to decrease in cost of borrowing by 0.84% compared to 2012. This reduction in cost of funds was due to higher cost bonds being redeemed earlier and new ones acquired at lower interest rates during the financial year.

The bank also set aside \$9.386MM for future credit impairment which is a decline of 31.8% from 2012. This was due to a slight improvement in the impaired loan portfolio.

Our Risks

The implementation of prudent risk management strategies is imperative for

development banks in order to remain sustainable. FDB understands the fact that risks can always be minimised or shared.

The bank's Risk Management activities are aligned to the achievement of the bank's goals and objectives. The board, in consultation with the executive committee, determines the bank's risk appetite and risk tolerance. These benchmarks are used in the risk identification, analysis and risk evaluation processes. Our major challenge in 2014 will be to continue to achieve growth in an increasingly competitive marketplace. The opening of Bred Bank in November 2012 has intensified competition. Their pursuit of market share at the expense of reasonable profit margins will challenge the market.

Our Customers

Customer satisfaction is a priority for the bank as we continue to build and maintain life-long relations with our customers. Our financial products are some of the most flexible, tailor-made to suit the customer's needs.

Regular consultations with customers are maintained during visitations by relationship and sales officers to project sites and even in the maritime islands where the bank has a handful of clients. These visits provide the perfect opportunity for us to appreciate the projects and learn from and share our experiences with our customers.

Our People

Like any other organisation, staff turnover does have cyclical increases. The bank has managed such situations very well in ensuring proper

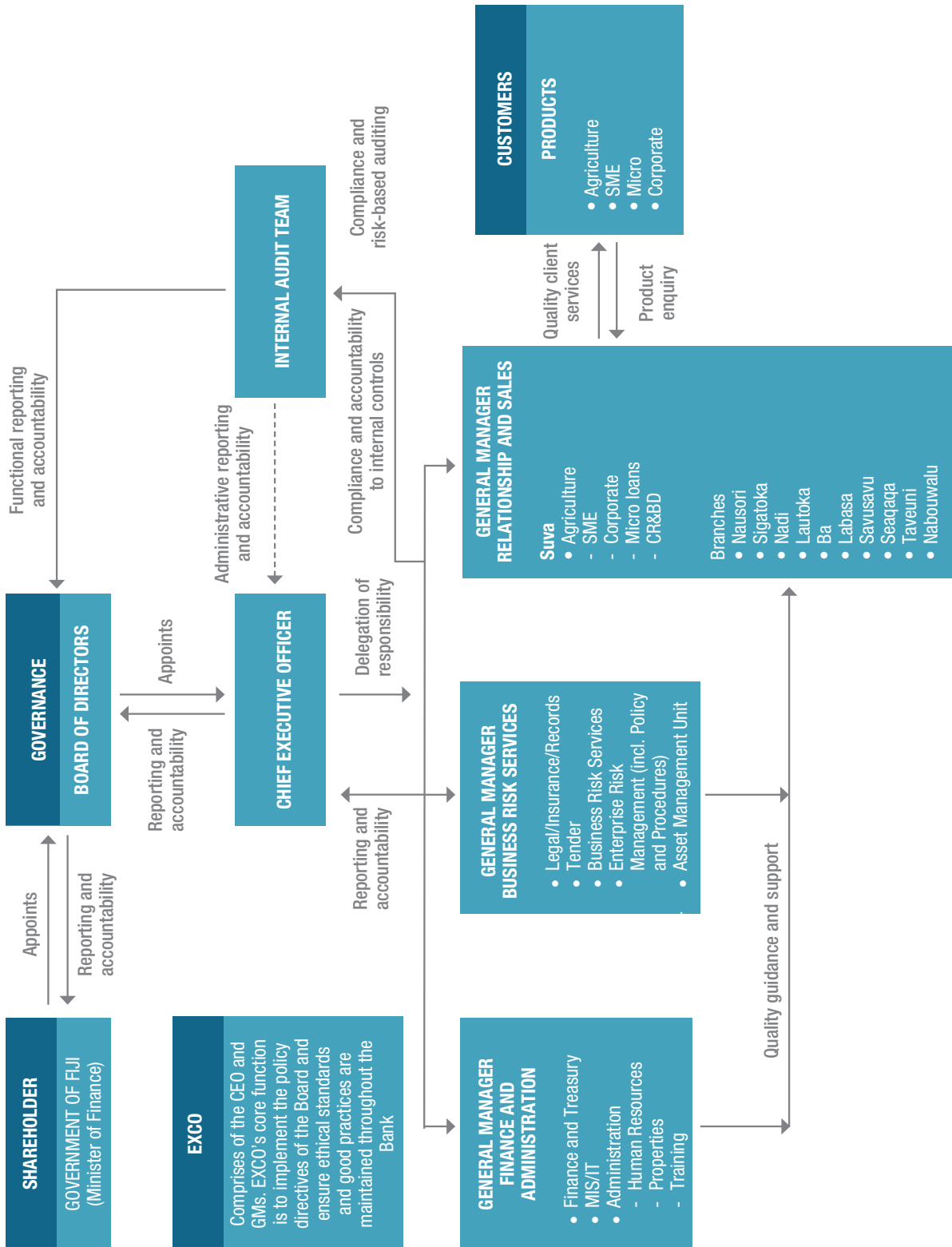
manpower planning and vacuums created through staff turnover are occupied on time. Continuous training and refresher programs as well as up-skilling new and existing staff are regularly conducted to meet the demands of a bank that's operating in a highly competitive environment. Professional development courses are offered in-house and externally to staff on a regular basis. External trainings attended by staff overseas and locally included those provided by the Asia Productivity Organisation in Indonesia; Government of Thailand; Government of New Zealand; Fast Learn Centre and the Department of Energy in Fiji to name a few.

Looking Ahead

The Reserve Bank of Fiji projects that the economy will grow by 3.0% in 2014. The upward revision is complemented by the positive business sentiments, the spill-over of some of the planned capital projects into 2014, expected increase in private sector investment and the expected increase in government's operating and capital expenditure in 2014. All sectors in the economy are forecast to grow next year, with significant contributions expected from the agriculture; manufacturing; construction; wholesale & retail trade; financial intermediation and the transport & storage sectors.

The general elections will also be a positive sign for investors willing to do business in the country as the restoration of democracy will instil confidence for investors.

Fiji Development Bank Organigram



BOARD OF DIRECTORS



Mr. Robert G. Lyon

Chairman

(appointed August 2010).

Mr. Lyon spent over 43 years with ANZ. He has held numerous board positions including chairman of FINTEL/Kidanet, chairman of Melbourne City marketing, board member of the Melbourne Chamber of Commerce, Pacific Economic Bulletin, Australia Papua New Guinea Business Council and Australia Pacific Island Business Council. Mr. Lyon spent fourteen years with the Australian Finance & Banking Council and was President for five years. He currently chairs the Foundation for Development Cooperation, Sunergise, Denarau Residential Estates Limited and the Kula Fund Investment Board. He is a member of Denarau Corporation Limited board.

Mr. Lyon holds a graduate diploma in organisation development from RMIT University (Australia) and is a Fellow of the Australian Human Resources Institute and a senior fellow of the Financial Services Institute of Australasia. In 2005 he was awarded the 30th Independence Anniversary Commemorative Medal by the Papua New Guinea government for services to the banking industry. Mr. Lyon also holds a chiefly title from Samoa.



Mr. Jitoko Tikolevu

Deputy chairman

chairman (served September 2007 – 2010; Reappointed August 2010).

Mr. Tikolevu is the chief executive officer of the Fiji Revenue and Customs Authority. He holds a bachelor of business studies from the University of the South Pacific (Fiji) with a masters of commerce in taxation (honours) from the University of Auckland (New Zealand). He is also the board deputy chairman for Investment Fiji.



Ms Olivia Mavoia

Director

(appointed January 2011).

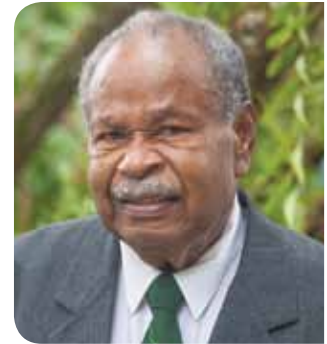
Ms Mavoia is the body corporate representative for Denarau Villas Ltd. She was previously the general manager for Musket Cove Resort. Prior to this, she was the northern regional manager for Fiji Trade and Investment Board (now Investment Fiji), (March 2009-2010) and the tourism and business consultant for Mavoia Consultancy (2004-2009). She was also the chief executive officer for the Fiji Hotel Association from 1994 to 2004. She has vast experience in tourism as well. She holds a Postgraduate Diploma in Business Administration from Central Queensland University (Australia).

Mr. Joseva Serulagilagi

Director

(appointed August 2008).

Mr. Serulagilagi is the chairman of the Public Service Commission. He is also the chairman of the Tailevu Provincial Council and the Rewa Co-operative Dairy Company Limited. He holds a bachelor of arts in sociology/public administration and a diploma in rural development from the University of the South Pacific, Fiji. He also holds a certificate in development planning from Bradford University (United Kingdom). He is a retired civil servant.



Mr. Manasa Vaniqi

Director

(appointed August 2008).

Mr. Vaniqi is the permanent secretary for sugar since 2011. His previous appointments include; permanent secretary for the ministry of provincial development and multi-ethnic affairs, deputy secretary for home affairs. He holds a diploma in Business English from the Manchester University (United Kingdom) and a diploma in administrative studies from the University of the South Pacific. He has served in the public service since 1971 and as a territorial as well as regular forces officer with the Fiji Military Forces since 1974.



Mr. Isikeli Tikoduadua

Director

(appointed January 2010).

Mr. Tikoduadua is the chief executive officer for HFC. He holds a masters in business Administration from the University of the South Pacific. His professional affiliations include honorary fellow of the Fiji Institute of Bankers, financial fellow of the Financial Services of Australasia and associate fellow of the Australian Institute of Management. He has vast experience in the banking and financial sector having previously worked with the ANZ Bank in Fiji.



Mr. Ropate Ligairi

Director

(appointed February 2013).

Mr. Ligairi is the permanent secretary for agriculture. He holds a masters in management & public administration from the University of the South Pacific, masters of science in development, training and education from the University of Wolverhampton (United Kingdom) and a bachelor of science in agriculture also from USP. Mr. Ligairi is a career agriculturalist having spent the last thirty two years working at the ministry of agriculture.



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GOVERNANCE STATEMENT



The Fiji Development Bank promotes and supports high standards of corporate governance, integrity and ethics that contribute towards sustainability, facilitates long term customer/client value and enhances the benefits that all the other stakeholders derive from the bank's continued services.

Corporate responsibility as part of our business

Our clients	We will provide exemplary customer service at all our touch points. Our customers have complete faith and trust in our abilities to serve them well. The Bank is committed to provide various kinds of banking services and products that will respond to the individual customers' needs.
Our people	The Bank intends to develop staff competencies and skills to optimise benefit of the Bank; it is committed to build favourable working environment and culture in the organisation as well as to ensure good career path and suitable compensation for staff so as to create a team spirit.
Our community	The Bank is earnest and aware of its responsibility and contribution to the society by participating in activities to improve the quality of life in various communities. The Bank will also monitor the result and continuously improve bank practices to ensure suitability with the current and future environments.
Our stakeholders	The Bank's objective is to achieve an improved performance and sustainable growth. This is to enhance the Bank value to the shareholders. It is also the Bank's objective to fully and transparently disclose information in line with the regulatory standards and requirements.

The board is responsible to shareholders for the strategic guidance and oversight of the bank as set out in the Fiji Development Act (Cap 214) as well the Charter and Code of Corporate Governance. The board recognizes its responsibility to act honestly, fairly and diligently in building sustainable value for its sole shareholder (government) whilst acknowledging the bank's other stakeholders – staff, customers and the communities in which it operates as important to an integrated and responsible approach to business.

THE BOARD

(i) Board structure

The Minister of Finance appoints the directors to the board under the Act. The directors are appointed for a period of three years and are eligible for reappointment. The quorum of the meeting shall be four.

The board meets monthly and a director's fee in addition to a sitting allowance for every sub-committee meeting is paid to members in accordance with the payment schedule set out by the Ministry of Finance.

Individual directors are required to sign and abide by the Bank's Code of Conduct, Oath of Secrecy and to declare any conflict of interest that may arise while fulfilling their duty as directors of the Bank.

The board is responsible for the appointment of the chief executive officer and reviews his performance. On the recommendation of the CEO, the board also appoints the general managers of the bank.

The board strives to achieve a balance of skills, knowledge, experience and perspective among its directors. This is particularly important for the banking sector because of the customer relationship that cuts across every sector of the economy and the need to understand events in the local and global context.

The board determines management structure of the bank. It delegates business operations to the executive management (EXCO) consisting

of the CEO and General Managers. In addition, the board assumes the policy making role for the business and risk management of the bank.

It also ensures that EXCO conducts its day-to-day activities on behalf of the bank in accordance with policy.

The following table shows the date of appointment for the directors during the financial year and their attendance at scheduled Board meetings during the year:

	Date of Appointment	Date of Completion	Meetings Attended
Chairman:			
Robert G. Lyon	Chairman	September 2010	7/7
Deputy Chairman:			
Jitoko Tikolevu	Deputy chairman	September 2010	5/7
Member:			
Isikeli Tikoduadua	January 2010	-	4/7
Manasa Vaniqi	September 2011	-	6/7
Joseva Serulagilagi	September 2011	-	5/7
Olivia Mavoava	January 2011	-	6/7
Mason Smith	November 2009	November 2012	2/7
Ropate Ligairi	February 2013	-	2/7

The chief executive officer in consultation with the board secretary is responsible for setting the agenda for each meeting. Board meetings are scheduled every second month and management ensures that board are provided with all relevant papers at least five days prior to the meeting.

(ii) Sub-Committees of the board

The board delegates certain functions to sub-committees to assist in the discharging of its responsibilities. Appropriate structures for those delegations are in place, accompanied by monitoring and reporting systems to

ensure transparency and efficiency. These committees are authorised to make decisions in accordance with their delegated powers. Each sub-committee acts within a term of reference. The established board sub-committees are detailed below:

Audit committee

The board established the audit subcommittee to enhance accountability and the relationship between the board, management and the auditor. The committee also ensures:

1. Oversight of specific areas of review critical to the overall operation of the bank;

- 2. Oversight of the operations of the Internal Audit Team of the bank;
- 3. Liaison between the board, auditors and the management on matters pertaining to the bank's financial reporting policies as well as internal control and processes; and
- 4. Responsible for the integrity of the bank's financial reports.

Chaired by Mr. Jitoko Tikolevu, members of the audit committee include; Mr. Robert G. Lyon and Ms Olivia Mavoava. The audit committee met three times in the financial year. Details of their meeting attendance are as follows:

BOARD AUDIT SUB-COMMITTEE MEETINGS – 2013			
No.	Jitoko Tikolevu Chairman	Robert G. Lyon	Meetings Attended
1.	✓	✓	X
2.	✓	✓	✓
3.	✓	✓	✓
	3/3	3/3	2/3



Human resources committee

This committee fulfils the board’s responsibility towards the strategic human resources role of the bank. It ensures that the necessary policies and processes are in place under which all

the employees are fairly and competitively rewarded. The committee chaired by Mr. Josefa Serulagilagi with Mr. Robert G. Lyon and Mr. Manasa Vaniqi as members.

The HR committee met three times during the last financial period, as recorded below:

BOARD HUMAN RESOURCES SUB-COMMITTEE MEETINGS – 2013, NO. OF MEETINGS ATTENDED BY BOARD MEMBERS			
No.	Joseva Serulagilagi Chairman	Robert G. Lyon Member	Meetings Attended Member
1.	X	✓	X
2.	X	✓	✓
3.	✓	✓	✓
	1/3	3/3	2/3

Risk committee

The committee reviews and assesses the critical risk management policies and infrastructure implemented by management and recommend improvements where appropriate. The committee also addresses

corrective actions for deficiencies that arise with respect to the effectiveness of such policies.

Chaired by Mr Robert G. Lyon, members include Mr. Isikeli Tikoduadua and Mr.

Mason Smith. In February 2013, Mr. Smith was succeeded by Mr. Ropate Ligairi. The committee met three times during the last financial year.

BOARD CREDIT RISK SUB-COMMITTEES – 2013, NO. OF MEETINGS ATTENDED BY BOARD MEMBERS				
No.	Robert G. Lyon Chairman	Isikeli Tikoduadua Member	Mason Smith Member	Ropate Ligairi Member
1.	✓	✓	X	Appointed on 14/2/13
2.	✓	✓	Term expired.	
3.	✓	✓		✓
	3/3	3/3	1/1	1/1



MANAGEMENT

Executive Committee (EXCO)

The Executive Committee (EXCO) of the bank comprises of the Chief Executive Officer (CEO), the General Manager Business Risk Services (GMBRS), the General Manager Operations (GMO) and the General Manager Finance and Administration (GMF&A). EXCO meets at least once every fortnight to review operations and make operational decisions.

The key functions of EXCO are:

- Implement the policies, corporate objectives and strategic direction set by the board
- Allocate resources within the allocated budget approved by the board.

Manage the day to day affairs of the bank to achieve the targets and the goals set by the board to maximise the shareholder's value.

- Ensure compliance of all regulations and laws.
- Set up and implement an effective internal control system, commensurate with the business requirements.

LEGISLATIVE AND REGULATORY COMPLIANCE

Internal Audit

Internal audit operations are guided by an internal audit charter. The audit team monitors the operations of the bank and determines its compliance with internal control systems and procedures. The team ensures a systematic, disciplined approach to evaluating and improving the effectiveness of processes that surround risk management, control and governance.

The audit team reports directly to the board audit committee.

- provides support to the company's anti-fraud programs.

External Audit

In accordance with the Financial Management Act (FMA) of 2004, under the FDB Act (Cap 214 and the subsequent amendment promulgation (No. 21) of 2007, the bank's financials are independently audited annually by the auditor general.

The external audit provides an evaluation of the bank's operations, governance, internal controls and financial reporting. This is an independent assessment of the bank's governance and financial health.

STAKEHOLDERS

Employees

The bank continues to build a working environment and culture that enables career progression and suitable remuneration. The human resources division of the bank ensures that employees sign and abide by the bank's code of conduct, oath of secrecy and to declare any conflict of interest that may arise while fulfilling their duty as employees of the bank.

Any non-compliance and non-performance is dealt with in accordance with the set procedures in the collective agreement with the Fiji Bank and Finance Sector Employees Union and the general instructions of the bank.

Customers

The bank in recognising our customers as our most valuable stakeholder, strives to maintain the best level of customer service.

Should a customer feel that he/she has not been treated fairly; a complaints procedure is in place where customers can lodge a written complaint directly to the chief executive officer. These complaints are dealt directly by the office of the chief executive officer.

To safeguard the interest of its many clients the bank has strict guidelines to ensure client information confidentiality is maintained at all times.

Community

The bank is earnest and aware of its responsibility and contribution to society by participating in activities to improve the quality of life in various communities. As a responsible employer and business operator in the community, the bank currently supports financial literacy programmes in all secondary schools in Fiji as well as recognition of small business entrepreneurs through its annual small business awards. The bank also continues to maintain an annual allocation for sponsorships and donations to various charities and educational institutions as part of its corporate social responsibility programme.



EXECUTIVE MANAGEMENT



Mr. Deve Toganivalu
Chief Executive Officer

Mr. Toganivalu holds a bachelor of commerce from James Cook University (Australia). He has over 30 years of experience in the banking industry having spent 12 years with the Bank of New Zealand prior to joining the Fiji Development Bank in 1987. He has held various managerial level positions with FDB including general manager operations, general manager agriculture and development finance, general manager new business and general manager business risk services. Mr. Toganivalu is also a board member of the Fiji Sugar Corporation Limited.



Mr. Nafitalai Cakacaka
General Manager Business Risk Services

Mr. Cakacaka holds a bachelor of arts in business management from the University of the South Pacific (Fiji) and a certificate in master level from the Pacific Coast Banking School (USA). Prior to this appointment, he was FDB's manager risk (corporate). Mr. Cakacaka is also a member of the Fiji Institute of Bankers.



Mr. Tevita Madigibuli
General Manager Relationships & Sales

Mr. Madigibuli holds a masters in business administration, a bachelor of arts in business studies and a diploma in tropical agriculture from the University of the South Pacific (Fiji). Prior to this appointment, he held the post of manager asset management unit.



Mr. Saiyad Hussain
General Manager Finance & Administration

Mr. Hussain holds a postgraduate diploma in financial management, a bachelor of arts degree in accounting and financial management and a diploma in economics from the University of the South Pacific (Fiji). He is a Chartered Accountant by profession. He held the position of manager finance with FDB prior to this appointment.

FINANCIAL YEAR IN REVIEW

Overview

The financial year 2013 was a relatively successful one for the bank in terms of its performance. The bank achieved a net profit of \$4.13MM, an increase of \$1.28MM (44.69%) over the 2012 financial year. This is attributed to a decline in borrowing expenses by \$2.28MM (20.82%) and a reduction in the bank's overall operating expenses by \$0.83MM (7.77%). The bank's allowance for credit impairment also reduced by \$4.38MM as risk exposure on certain accounts had also declined during the year.

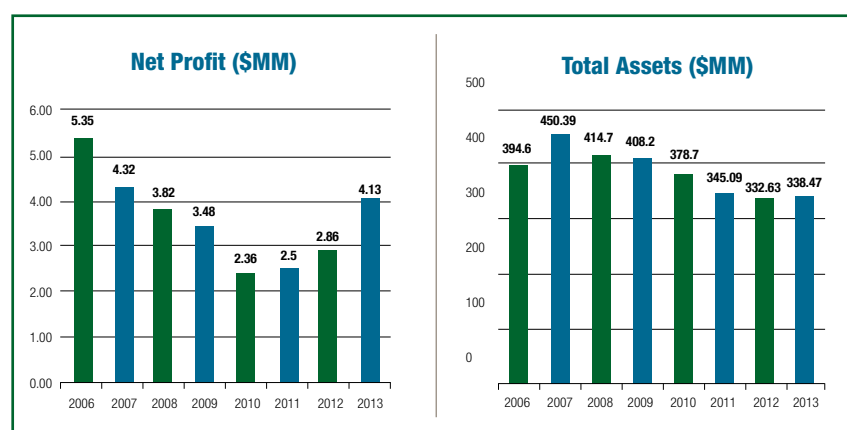
Income

The bank's interest income, declined by \$5.57MM (16.94%) when compared to the 2012 financial year. This decrease was due to the reduction of interest rates for clients of the bank. A decline was also noted in the bank's other sources of revenue including fees and charges as well as bad debts recovered.



Financial income and expense

	2013	Restated 2012	Change	Change rate (%)
Interest income	27.32	32.90	(5.57)	(16.94)
Interest & other borrowing expenses	(8.67)	(10.95)	2.28	20.82
Net interest income	18.65	21.95	3.30	15.04
Net Fees income	5.23	6.10	(0.87)	(14.24)
Other income	3.96	6.95	(2.99)	(43.01)
Operating expenses	(9.83)	(10.66)	0.83	7.77
Allowance for credit impairment	(9.39)	(13.76)	4.38	31.81
Allowance for Interest and Fees	(4.49)	(7.26)	2.77	38.15
Allowance for loss - Govt. guarantee	-	(0.46)	0.46	100.00
Profit before income tax	4.13	2.86	1.28	44.69
Income tax expense	-	-	-	-
Net profit	4.13	2.86	1.28	44.69



Financial conditions

Asset structure

	2013	Composition (%)	2012	Composition (%)
Cash	44.20	13.06	55.62	16.72%
Amounts due from subsidiary	0.20	0.06%	0.07	0.02%
Loans and advances	276.95	81.82%	258.66	77.76%
Other Debtors	1.58	0.47%	2.68	0.81%
Property, plant & equipment	15.43	4.56%	14.72	4.43%
Intangibles	0.04	0.01%	0.06	0.02%
Investments (incl. subsidiary)	0.04	0.01%	0.07	0.02%
Land held for resale	0.74	0.01%	0.74	0.22%
Total	338.47	100.00%	332.63	100.00%

As at 30 June, 2013 the bank's total assets amounted to \$338.47MM, an increase of \$5.85MM when compared to 2012. The bank's most significant asset, loans and advances increased by \$18.28MM an increase in disbursements during the year.

Interest and Borrowing Expenses

The bank's interest and other borrowing expenses declined by \$2.28MM due to a decrease in the cost of borrowing by 0.84% when compared to 2012. This reduction in cost of funds was mainly due to higher cost bonds being redeemed early and new ones acquired at lower interest rates during the financial year.

Operating Expenses

The 2013 operating expenses for the year stood at \$9.83MM, a decrease of 7.77% over 2012 due to stringent cost management strategies.

Allowance for Credit Impairment

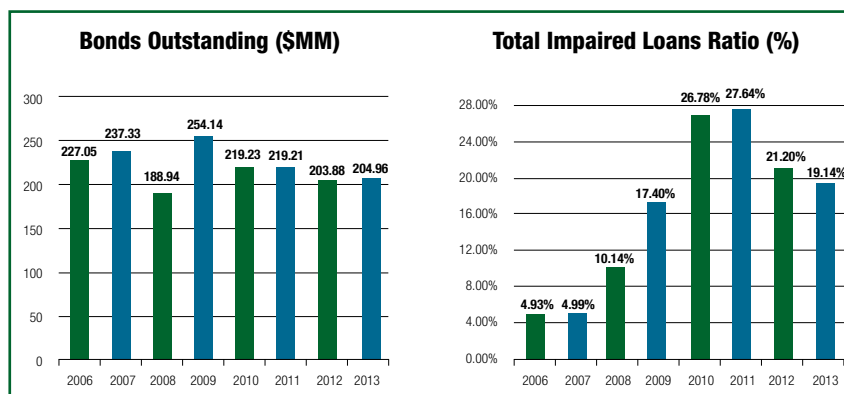
An allowance for credit impairment of \$9.39MM was created to accommodate for future credit losses. This was a decline of 31.81% over 2012 due to write-offs of non-performing accounts.

Liability structure

For the financial year 2013, total liabilities amounted to \$216.907MM resulting in an increase of 0.17% (\$0.366MM) over 2012. The increase was mainly to cater for disbursements during the year.

Liability structure

	2013	Composition (%)	2012	Composition (%)
Total Borrowings	204.96	94.49%	203.88	94.15%
Employee entitlements	1.58	0.73%	1.83	0.84%
Deferred income	1.64	0.76%	1.59	0.74%
Accounts payable and accruals	2.89	1.33%	3.79	1.75%
Other liabilities	5.84	2.69%	5.45	2.52%
Total	216.91	100.00%	216.54	100.00%



Historical Performance	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Financial											
Net profit(\$M)	2.04	0.45	1.91	5.35	4.32	3.82	3.48	2.36	2.50	2.86	4.13
Total Assets (\$M)	271.40	269.20	309.20	394.60	450.39	414.69	408.21	378.72	345.09	332.63	338.47
Total Assets / Equity (%)	3.32	3.28	3.68	4.41	4.72	4.17	3.77	3.42	3.05	2.87	2.78
Average Earning assets (AEA) (\$M)	302.00	282.70	302.90	359.80	421.10	446.24	438.97	435.61	381.55	330.70	351.22
Borrowing Cost (%)	6.24	4.88	4.01	3.92	6.92	5.37	5.62	6.59	6.08	4.45	2.47
Total Cost / AEA (%)	7.10	7.06	6.44	6.00	7.94	7.51	5.68	3.83	7.17	7.52	5.27
Profit (Loss) / Average Equity (%)	2.53	0.55	2.27	5.98	4.67	3.92	3.35	2.15	2.23	2.50	3.48
Long Term Debt : Equity	2.12:1	1.99:1	2.49:1	2.55:1	2.49:1	1.90:1	2.35:1	1.98:1	1.44:1	0.95:1	1.16:1
Interest Spread (%)	3.97	3.73	3.79	4.11	2.39	4.76	3.34	0.38	3.02	3.97	3.81
Earning Spread (%)	4.61	6.13	5.55	5.79	4.48	8.89	4.54	1.96	6.18	7.25	7.12
Operating Efficiency											
Staff Cost / AEA (%)	2.09	2.50	2.14	1.89	1.73	1.87	1.46	1.58	1.75	2.04	1.72
Total Income / AEA (%)	10.88	11.73	10.21	10.29	6.37	9.66	6.82	4.38	7.83	8.39	7.93
Lending											
Approvals (Number)	1,007	1,105	1,903	2,104	1,709	1,502	1,840	1,817	717	746	1,014
Approvals (\$M)	67.19	76.45	227.27	188.21	115.24	84.10	76.21	56.53	50.57	76.48	139.04
Loan Portfolio (Number)	5,990	4,372	5,588	5,888	5,251	5,989	5,987	6,435	5,258	4,536	4,071
Gross Loan Portfolio (\$M)	282.50	281.18	325.01	392.69	446.27	443.07	433.26	426.21	336.80	324.51	347.15
Growth in Loan Portfolio (%)	-3.68	-0.46	15.59	20.79	13.64	-0.72	-2.21	1.63	-20.98	-3.65	6.68
Arrears / Loan Portfolio (%)	6.66	7.42	4.32	1.32	1.20	2.54	6.88	19.41	15.24	12.98	12.40



FIJI DEVELOPMENT BANK'S MARKET SHARE

	FDB (\$M)	Commercial Banks (\$M)	Credit Institutions (\$M)	Fiji Total (\$M)	FDB as a % of Fiji Total
Agriculture	46.5	31.1	19.2	96.8	48.0
Sugarcane Growing	5.4	0.4	0.6	6.4	84.3
Forestry & Logging	13.9	4.2	13.3	31.4	44.3
Others	27.2	16.0	4.4	47.6	57.1
Mining & Quarrying	0.2	6.7	4.4	11.3	1.8
Manufacturing	69.7	302	25.6	397.3	17.5
Food, Beverages and Tobacco	43.6	79.4	0.3	123.3	35.4
Textiles, Clothing and Footwear	1.61	42.5	1.3	45.41	3.5
Metal Products and Machinery	0.53	29.5	2.5	32.53	1.6
Others	24.1	150.6	21.5	196.2	12.3
Building and Construction	44.6	282.6	42.4	369.6	12.1
Real Estate (Development)	86.8	393.9	7.3	488	17.8
Non-Bank Financial Institutions	-	3.0	-	3	-
Public Enterprises	-	47.9	0.6	48.5	-
Wholesale, Retail, Hotels and Restaurants	19.4	861.4	55.8	936.6	2.1
Hotels and Restaurants	9.1	260.9	22.0	292	3.1
Other Commercial Advances	10.3	600.5	33.8	644.6	1.6
Transport, Communications and Storage	13.5	156.7	79.3	249.5	5.4
Professional Business Services	24.4	90.5	22.4	137.3	18.1
Private Individuals	31.5	954.7	141.3	1,127.50	2.8
Housing	30.3	718.1	-	748.4	4.0
Car or Personal Individual Transport	0.2	23.0	-	23.2	0.9
Others	1.0	213.6	-	214.6	0.5
Central and Local Government	6.5	32.8	0.2	39.5	16.5
Other Sectors	4.0	251.0	11.2	266.2	1.5
TOTAL	514.3	5,553	509.4	6576.7	7.8

NOTE: Fiji total refers to total loans and lease advances outstanding by all commercial banks, licensed credit institutions and the Fiji Development Bank as at 30 June, 2013. The bank's market share is highlighted.

CAN'T PUT A GOOD WOMAN DOWN



Ana in her shop at the Malake Jetty.

Dropping out of school at form five and a failed marriage have not deterred Ana Kenona, 43 of Malake village in Ra from achieving her lifelong dream of becoming a successful business woman.

Ana operates a fish selling business at the junction of Malake landing in Rakiraki sitting adjacent to Kings Highway overlooking the coastal waters of Malake Island.

Being from the province of Ra, which means 'bottom' in the Fijian vernacular, Ana is determined to make it to the top.

"I was brought up in my village on Malake Island and educated only up to form five at Penang High School. I had to drop out of school due to financial reasons. I told myself that I will work hard to give my children the best education, something I couldn't achieve," Ana said.

She moved back to the village after high school in 1987 where she got married three years later at the age of 20 years to a secondary school teacher.

"I got married young because that's the type of fate you end up with dropping out of school and not really having a career path like most educated women."

However, she was determined to further her studies when she got the chance and this came by 15 years and four kids later when her husband was posted to Lomaivuna High School in Naitasiri.

"In 2005 I applied to the then F.I.T (Fiji Institute Technology now Fiji National University) to do the Open Distance Learning course as passing this course will allow me to do further studies. This program was 8-weeks long and from there I was able to apply to TPAF (Training & Productivity Authority of Fiji now the National Training and Productivity Centre) where I did a certificate in pattern making or designing."

Ana used her new found skills and knowledge to assist vocational students at her husband's school and this was soon recognised by the school that assisted in sending her to FIT to do a certificate in teaching.

The excitement of her new opportunities and the promise of a teaching career were short lived as Ana's marriage 'hit the rocks'.

"We started having problems at home and I was left on my own to raise my four children. I dropped out of the teaching program because I had to find a means to support my children."

After a few odd jobs Ana found steady employment with the Hot Bread Kitchen starting as a cashier in early 2007. She stayed with the company until the end of 2012 when she was made redundant. During this period, she also found time to complete a certificate in Start Your Own Business, which was to prove valuable for her later on.

"I visited my village after being made redundant and saw an opportunity that really interested me. My brother used to run this fish selling business and somehow he had run bankrupt but all he's assets were still with him including the shop, boats and the deep freezers. I asked him if I could use them and revive the business under my name and he agreed."

Ana's desire to start a business was hindered by the lack of capital so she approached the Fiji Development Bank's Rakiraki branch for a loan. She secured \$5000 from FDB allowing her to do some maintenance work to the fish shop and likewise buy her first stock of fish.

"The shop required a flush toilet which was a Ministry of Health requirement and also I needed to pay for my licence. The loan was used to cover all this and purchase fish stocks so I'm very grateful for FDB's assistance."

Ana started trading in June 2013 buying fish from her brother who owns a few boats. She retails her fish at different grades with grade A including *salmon cord*, *sabutu (yellow tail emperor)*, *kawago (spangled emperor)* selling at \$8.50 per kg. Grade B fishes includes *Ta (unicorn fish)*, *saqa (giant trevally)*; *kake (Russell's snapper)* selling at \$7.00 per kg and Grade C includes parrot fish, goat fish selling at \$5 per kg.

In a good week, Ana makes up to \$300 profit with her customers coming from as far as Suva. She hopes to expand the current fish shop once she has enough capital and to also start her own bakery putting good use into the five years spent at the Hot Bread Kitchen.

OPERATIONAL REVIEW



Overview

Development banks are always exposed to great risks because of the nature of the projects that they invest in. FDB invests heavily into resource based projects which are always at the mercy of Mother Nature amongst other risk factors such as political and socio-economic.

During the 2013 financial year, \$77.77MM was disbursed, an increase of 39% when compared to 2012 and surpassing the 2013 disbursement target by \$9.8MM. Notable also was an increase in the bank's Performing Loan Portfolio (PLP) by 9.45% valued at \$281M compared to \$256M last year. There was also a reduction in the bank's Trouble and Impaired Asset (TIA) by 25.53% and 3.63% by number and value when compared to 2012.

The bank's affiliation with the government agencies and the private sectors has broadened with projects lined up for financing in the next financial year, namely in agricultural schemes, municipal infrastructure development, renewable energy projects & resort based financing.

Lending Activities during the Year Portfolio

The bank's portfolio as at 30th June, 2013 stood at 4,071 accounts with a loan value

of \$347.152MM. This is a 6.67% increase compared to a loan value of \$325.43MM last financial year.

The focus sector portfolio by number was a significant 73.08% of the bank's total portfolio by number and 49.39% by value. The agricultural sector represents 53.5% of the total accounts (2,178) and 23.16% by value (\$80.4MM) followed by the manufacturing sector accounting for 11.93% (\$41.4MM) of the bank's portfolio. Lending in this sector was aimed at Fiji made products which substitute imports.

The non-focus sectors comprise of 26.92% and 50.61% by number (1,096) and value (\$175.69M) respectively. The majority of this sector is concentrated in real estate, building & construction and private individuals.

In 2013, the bank approved a total of 1,014 loans valued at \$139M. Compared to the last FY's approval, this is an increase of 35.9% & 81.8% by number (746) and value (\$76.5M) respectively.

Focused Sector Loans

All loans under \$0.5MM for the sectors professional business services and wholesale, retail, hotels & restaurants are classified as focus sectors.

Under the focused sector, 856 projects were approved valued at \$77.17MM at the end of the 2013 FY. The majority of the applications approved were from the focused sector being 84.42% out of the total approvals for the financial year.

Agriculture sector dominated the focused sector with the largest number of application received by number (595 Accounts) which accounted to a total of \$45.9MM. Farming is the backbone of Fiji's subsistence economy, with 595 approvals solely for agricultural loans; this depicts FDB's commitment in improving the production level of the resource based sectors to meet the market demands local and external.

Further approval was made to electricity, gas, water \$21.9MM, and professional business service \$4.7MM, wholesale, retail, hotels & restaurants sector \$2.4MM and transportation, communication and storage sector with \$1.2MM and the manufacturing loans at \$1.0MM.

Non-Focused Sector Loans

All loans above \$0.5MM for the sectors professional business services and wholesale, retail, hotels & restaurants form part of the bank's non-focus sectors. A total of 158 applications were approved valued at \$61.9MM for this sector. Approvals in this sector amounted to 15.6% & 44.5% to the total banks approval by number and value respectively.

The real estate sector recorded the highest approvals with a total of \$45.48MM. Other approvals included in real estate are building & construction \$13.8MM, Others at \$1.4MM, wholesale, retail, hotel & restaurants \$0.7MM and private individuals at \$0.5MM.

Reduction in Home Loans Interest Rate

FDB Board in its meeting on February 2013 had approved a further 1% across the board reduction in interest rate for our existing home loan clients as follows:

1. Reduction to all Choice Home Loan rate from 8.75% p.a variable to 7.75% p.a variable.



2. Reduction in interest rate for Line of Credit (LOC) 11% p.a variable to 10% p.a variable.
3. Reduction in interest rate for Residential Investment Property loan 9.25% p.a variable to 8.25% p.a variable.

The directive from Government in February 2008 to cease lending under Home Loan and Leasing product is still intact. The bank is seeking government's approval for the revamping of Home Loan and the leasing product. This is a positive step for the bank in light of the existing competition in the market and also to cushion the risks associated with lending to the higher risk resource based agricultural sectors.

Strengthening Outreach

The bank has the largest network of branches in Fiji with branches strategically located in 11 locations at the major municipalities of Suva, Nausori, Sigatoka, Nadi, Lautoka, Ba, Rakiraki, Savusavu, and Labasa and remote areas like Nabouwalu, Seaqqa and Taveuni.

The strategic network is a commitment from the bank to improve the standard of living for rural dwellers by providing affordable finance to

commerce. Inaccessibility to financial services hampers growth and it is envisioned that with the presence of FDB in widest of locations will improve investments and enterprise and improve the standard of living for everyone concerned.

During the year, the bank continued its participation in community based expositions and road shows organised by the Ministry of Agriculture, Ministry of Provincial Development and the Reserve Bank of Fiji. In addition, FDB was part of the RBF Micro-Finance village at the Hibiscus Festival in Suva, Trade show in Vunidawa, Naitasiri and Government Road show at the Navatumali Government station in Navosa and at the Nadarivatu Government station, Naitasiri.

In addition, the bank was also part of the Financial Service promotional drive organised by the Ministry of Finance at the Government

Service Center, Suva and the Poverty alleviation Awareness program during the Rakavi Carnival at Lawaqa Park in Sigatoka.

In the 2013 Financial Year, FDB recorded 51 enquiries for the SEFP facility, out of which 27 applications valued at \$25.17MM were received and 14 of these applications valued at \$21.92MM was approved.

The sustainable energy financing policy (SEFP) was approved by Board in May 2010. In July 2011, the bank through Department of Energy was designated as a participating financial institution by the World Bank for its sustainable energy financing projects (SEFP) partial guarantee. On 20th November, 2012 the Bank had been formally advised that the commitment period for applying the 50% World Bank Guarantee for the SEFP loans has been extended to 30th June, 2017. This is due to the growing demand of this product in Fiji,

Sustainable Energy Financing Policy	Total	
	No	Value (\$)
Loan Enquiries	51	40,214,425
Loan Application Received	27	25,170,584
Loan Approved	14	21,918,123

particularly the remote or rural areas where access to electricity is expensive or limited in supply.

Northern Development

Our northern branches received a total of 375 applications valued at \$5.4MM for the FY. This is a vast increase of 27.99% (293) and

15.37% (\$4.69MM) by number and value respectively compared to the 2012 FY.

Government grant in the form of subsidy has led to development of local resources, encourages greater local participation in the economic life, has created gainful and sustainable employment and has enhanced

the general standard of living for the many in the past. Infrastructure developments in the northern division such as the power grid extension from Seaqaqa to Dreketi and Hibiscus highway coupled with the sealing of the Nabouwalu/Dreketi road, new boat procured by Patterson's Shipping is expected to spur economic activities in the region.

NORTHERN DIVISION PROJECTS	GOVERNMENT SUBSIDY
Small Farmers (First \$200,000)	8%
Large Scale Farmers (Above \$200,001)	6%
All Other Focus Sector Loans < \$50,000	6%
New Investors – Other Than Agriculture	6%



Credit Institution License (CIL)

Securing a credit institution license (CIL) from RBF is an on-going strategic objective of the Bank. This is a countermeasure to the high cost of funds. The CIL will allow the bank to take term deposits from customers that will improve banks liquidity position in the market, reduce the cost of funds, compete with the commercial Banks, enhance sustainability and be more competitive in terms of interest rates.

Looking Ahead

Being a development financier, FDB is faced with many inherent risks and challenges compared to the commercial banks given the riskier projects that it is mandated to assist in support of Government's strategic plan and direction. As the dominant lender to the agriculture sector, we push for further development and productivity that improves the supply of the agricultural products domestically and internationally in the overseas market to cater for their ever increasing demands, thus at the same time improve the GDP level of Fiji. Our main focus moving ahead would be in beef farming ventures and resort based projects looking at the growing trend of tourist arrivals in the country. Financing projects in the Northern region would be a major priority with the construction of the Dreketi/Nabouwalu highway; this will spur greater economic activity in this region going forward.

2011 – 2012 FINANCIAL YEAR DATA BASED ON RBF CLASSIFICATION

Sector/RBF Major	Approvals			
	No.	Value	% by no.	% by value
Focused	856	77,170,985	84.42%	55.50%
Agriculture	595	45,970,173	58.68%	33.06%
Electricity, Gas & Water	14	21,918,123	1.38%	15.76%
Manufacturing	16	992,488	1.58%	0.71%
Mining and Quarrying	-	-	-	-
Transport, Communication & Storage	57	4,650,334	5.62%	3.34%
Professional & Business Services	26	1,208,391	2.56%	0.87%
Wholesale, Retail, Hotel & Restaurants	148	2,431,477	14.60%	1.75%
Non-Focused	158	61,871,186	15.58%	44.50%
Building & Construction	7	13,774,617	0.69%	9.91%
Others	51	1,395,954	5.03%	1.00%
Private Individuals	87	470,456	8.58%	0.34%
Real Estate	12	45,482,159	1.18%	32.71%
Professional & Business Services	-	-	-	-
Wholesale, Retail, Hotels & Restaurants	1	748,000	0.10%	0.54%
TOTAL	1,014	139,042,171		

Lending Activities during the Year

Sector/RBF Major	Portfolio as at 30/06/2012			
	No.	Value	% by no.	% by value
Focused	2,975	171,457,576	73.08%	49.39%
Agriculture	2,178	80,396,048	53.50%	23.16%
Electricity, Gas & Water	17	2,862,210	0.42%	0.82%
Manufacturing	74	41,425,310	1.82%	11.93%
Mining and Quarrying	3	195,021	0.07%	0.06%
Transport, Communication & Storage	157	34,290,039	3.86%	9.88%
Professional & Business Services	101	2,324,314	2.48%	0.67%
Wholesale, Retail, Hotel & Restaurants	445	9,964,633	10.93%	2.87%
Non-Focused	1,096	175,694,932	26.92%	50.61%
Building & Construction	44	51,445,951	1.08%	14.82%
Others	35	1,323,138	0.86%	0.38%
Private Individuals	912	31,677,407	22.40%	9.12%
Real Estate	99	73,152,748	2.43%	21.07%
Professional & Business Services	1	616,332	0.02%	0.18%
Wholesale, Retail, Hotels & Restaurants	5	17,479,357	0.12%	5.04%
TOTAL	4,071	347,152,508		

GOOD TEETH ESSENTIAL FOR GOOD HEALTH



Dr. Lewenilovo at his practice in Lautoka

He may have been brought up on the remote island of Cicia in the Lau group, but Ilaitia Lewenilovo, 43, a former electrical apprentice and bank officer cum dentist knows fully well the importance of a good set of teeth.

“Teeth are the gateway to your body. For your body to be well nourished, you need your natural set of teeth. A natural set of teeth will not be replaced by anything else in terms of functions and feel,” Dr. Lewenilovo said.

Dr. Lewenilovo was brought up in his village of Mabula, Cicia where he attended his early years of education before moving to Queen Victoria School to complete his secondary education from 1984 - 1987.

He started his apprenticeship program with the Fiji Sugar Corporation’s electrical unit fresh out of high school in 1988. He left out of boredom and found a job with the National Bank of Fiji (NBF) as a bank teller and later on a credit officer from 1989 - 1991.

“I enjoyed working with the National Bank but I knew that I had to think of the long term as I was a pure science student from high school and this was my area of expertise,” said the father of four.

Dr. Lewenilovo applied to the Fiji School of Medicine (now the Fiji National University College of Medicine, Nursing and Health Services) where he completed his Bachelor of Dental Surgery from 1992 - 1997.

He was posted to the Lautoka Hospital where he worked from 1998 - 2010 before resigning as principal dental officer in charge of the dental unit.

“I felt I was no longer challenged in the hospital because it was a management position. I was trained as a dentist and it was something I was passionate about. A dentist friend of mine told me she was selling her practice so I decided on buying it.”

“I did not have enough capital for the purchase but fortunately, FDB offered such loans that made it possible for me to have my own practice and do what I love and that is taking care of people’s teeth.”

Soon after opening in 2010, Dr. Lewenilovo’s clinic was on the brink of closure as disaster struck.

“I had big problem just months after opening. There was a burst pipe from the top floor and it filled up the ceiling into my clinic. It damaged a lot of my equipment’s and materials. I went back to the bank for further assistance and they helpfully gave it allowing me to do rehabilitate my clinic.”

During his time with the Lautoka hospital, Dr. Lewenilovo had continued to further his education completing a diploma in management and then post graduate studies specialising in orthodontics. These clinical trainings he felt were not utilised at the hospital.

Apart from general dentistry such as extractions, fillings, dental surgeries, cosmetics dentistry, periodontal treatment and prosthetic dentistry, Dr. Lewenilovo specialises in orthodontics - correcting teeth alignments where people are born with or through habits their teeth becomes maligned which is very common in Fiji according to Dr. Lewenilovo.

“This is a highly specialised area of dentistry and a highly sought form of treatment to as it is very common in Fiji and yet access to such treatments is very limited. This is one of the reasons I felt very strongly about starting my own practice.”

“I’m very passionate about helping people as for me, teeth are essential in everyday life and nothing can replace it. Without a good set of teeth, your choice of food is very limited so people may resort to eating unhealthy processed foods which in turn affect their health. To have a healthy body you need a good set of teeth”

“When you have a good set of teeth, it gives you the confidence to smile and boosts your self-esteem. People are affected psychologically when they don’t have good teeth and I have seen this from my experience. Giving this confidence back to them after working on their teeth gives me a lot of satisfaction in my job.”

Dr. Lewenilovo highlighted that getting the right information is important in taking care of teeth and this information comes only from dentists. Therefore, he always maximises the amount of information relayed to his patients during their treatments.

“The best dentist is you yourself by educating yourself with this information and once you know what to do, do it. A good set of teeth saves money because when you lose teeth, you start spending.”

Dr. Lewenilovo believes a smile is definitely meant to last a lifetime.

RISK MANAGEMENT



Overview

The developmental lending prudence of FDB is challenged by the emerging environment that the bank operates in which demands a lot more initiatives and innovations to break through barriers and build linkages. The human and cultural element of society provides a major challenge in assessing the project risk.

The bank's risk management activities are aligned to the achievement of the bank's goals and objectives. The board, in consultation with the executive committee, determines the bank's risk appetite and risk tolerance. These benchmarks are used in the risk identification, analysis and risk evaluation processes.

Long term sustainability remains as the prime objective as the bank continues to employ procedures and approaches to manage risk from the enterprise-wide perspective whilst reassessing the opportunities. Sustainability however is matched against the Bank's social performance in improving quality of life. When there is tunnel focus on financial sustainability, it diminishes the motivation on the social outcomes of developments and vice versa. The art of taking risk then becomes a speciality in development banking; however the risk of putting too much weight on the social objectives as a non-measurable KPI is precarious.

Regardless of the sustainability challenges, there has been stable performance from the mainstays of sugar and tourism, with mining expected to play a greater role in the economy, and there is growing optimism that the progress towards democratic elections in 2014 will continue as planned.

Regulatory Control

The bank does not come under the Banking Act and its regulations, however it always ensures compliance with the regulatory terms and conditions set by the RBF. The RBF monitors the bank's lending activities through regular reviews and issuance of monetary policy guidelines. It provides supervisory guideline to the bank on acceptable international standards and macro-economic policies of government. The bank's operation is also subject to certain requirements under various regulations including the Consumer Credit Amendment Act, the Banking Act and the Fiji Revenue & Customs Authority (FRCA) requirement for businesses.

Policy Directives

Solely owned by the government of Fiji, the bank is subject to government policy directives. During the year, the following were implemented to accommodate government's macro and micro-economic policies which includes the changes to the RBF flood rehabilitation in September 2013; the *Import*

Substitution & Export Finance Facility (ISEFF); Sustainable Energy Financing Projects (SEFP) in March 1st March 2013; Increase in Funding allocation to \$40M for Natural Disaster Rehabilitation Facility and the extension of world bank guarantee commitment period for SEFP Loans.

Competition

The banking environment continues to evolve with technology and two new players in the marketplace creates a healthy and competitive environment and features in FDB's daily banking operation. High liquidity has resulted in low interest rates offered as an inducement for borrowing. Interest rate continues to trend downwards which may remain for some time and the market is at the customer's choice with access to a wider products and services. The RBF's decision to control fees and charges have again allowed for resilience in the banking industry.

The Bank continues provides financial services at subsidized rate for all loans under \$50,000 as it determines to operate on our core business of lending to the agricultural and SME sector. For the agriculture sector, in particular, where the risk factors are substantial, the bank lends at below the market rate in keeping with its core role of development financing.

Early in 2012, RBF directed all commercial banks to set aside 4% of their deposits and similar liabilities in loans for the agriculture sector and 2% for the renewable energy sector. This posed a great challenge as the directive did not restrict the issuance of such loans to new lending, leaving the bank open to poaching of its larger and more established accounts. The willingness however, of commercial banks to take on such entities from FDB is testament to the bank's ability to nurture and grow them to their current level of success.

A new bank, Bred Bank was granted entry into the Fiji market. The numbers reflect continued strong commitment by FDB and its people to keep improving financial performance and advancing financial services to customers.



Liquidity Risk

Market liquidity rose from \$598MM in December 2012 to approximately \$695MM in June 2013. The favorable liquidity level led to some reduction to the lending and time deposit rates by between two and four basis points for commercial banks. This also aided the bank in managing a reduction in cost of funds. The price of bonds (three years and above) however, remained high during the review period.

Proficient management of investments, maturities, short term borrowings, government backed bonds and promissory notes enabled the Bank to maintain liquidity at a satisfactory level.

Interest Rate Risk

Interest rate risk is measured and managed by the Bank's Treasury Function. It arises from the structure and characteristic of the Bank's assets, liabilities and equity and their respective interest rates. Determining repricing gap profiles and the present value change on interest rate changes is a core function in identifying risk.

Interest rate risk is a potential risk arising from the change in the value of a financial instrument due to the change in the market interest rate or their implied volatilities. Even with the cost of funds reducing to 3.59% as at June 2013 from 4.45% in June 2012, this was still significantly above other financial service providers who were paying a nominal rates of between 0.5 - 2% per annum. With the cost of funds determined by the market subject to domestic and global economic conditions as well as the policies and politics of government, the bank has managed its assets well to ensure maximum returns.

FDB continues to pursue its Commercial Institutional License (CIL) for deposit taking as a long term solution.

Political and Other Risk Factors

Fiji's economy is forecast to grow by 2.3% in 2014, driven mainly by tourism and higher public capital expenditure. The increased public capital expenditure will focus on constructing new transport infrastructure, valued at more than \$225 million, and infrastructure rehabilitation. Higher consumption, combined with public infrastructure work, election-related expenditure, and continued expansion

in tourism in line with an improving global economy, support a prediction of growth rising to 2.3% in 2014. (Source: ADB. 2013. *Asian Development Outlook 2013*. Manila.)

The projected economic result is also supported by the stabilized domestic political front and the various reforms undertaken by the government. The promise of a return to democracy with the implementation of voter registration and election machineries has restored confidence at the diplomatic level with our neighboring countries. Participation of government at various global forums encourages strong ties with other countries.

Allowance for loan losses

The Bank adheres to the RBF guidelines for account grading which determines provisions for loan losses. Individually Assessed Allowance (IAA) is estimated on trouble and impaired assets (TIA) to ensure doubtful accounts are provisioned for. The RBF requires that at least 70% of the value of all loans and advances are assessed annually. The bank's allowance for loan losses is in compliance with the International Finance Reports Standards (IFRS), Basel III.

2014 Initiative & Challenges

Our major challenge in 2014 will be to continue to achieve growth in an increasingly competitive marketplace. The opening of Bred Bank in November 2012 has intensified competition. Their pursuit of market share at the expense of reasonable profit margins will challenge the market. The Reserve Bank of Fiji has also announced the awarding of a provisional banking license to Home Finance Corporation. This will bring the number of licensed commercial banks in Fiji to six.

The Bank has embarked in formalising its Strategic Plan for 2014 to 2017 towards the end of the financial year to appropriately respond to the internal and external challenges and reposition itself in the banking industry.



JAGDISH LOVES TO SERVE



Jagdish in his work attire in Rakiraki.

The loss of a loved one is always a difficult time to cope with not only emotionally but also financially. This is further burdened by the need for funeral arrangements to farewell the departed loved one.

A good funeral service provider is something that eases some of the burden during such times and that is exactly what Jagdish Chand, 57, proprietor of Vaileka Funeral Directors in Naqoro, Rakiraki is trying to achieve. Vaileka Funeral Directors is the very first funeral service provider for the town.

“Death is always a difficult time. First you grieve for the loved one that you have lost and then on top of that pain, you have to take care of arranging for the funeral. I thought this was a good area to invest and start and business in,” the former Rakiraki Hospital ambulance driver said.

Jagdish left school at form four in 1972 to help with the family sugarcane farm as labourers were costly and the cost of education was an additional burden to the family of 11 siblings.

“I learned to drive on the farm with the tractor and cane trucks and by the time I was 25, I

had secured a part time driving job with the Ministry of Health here in Rakiraki. I would relieve for the ambulance driver whenever I was needed. After about six months I was taken on full time.”

“I loved the job because even though I was not well educated, I was able to help people who were hurt or sick and getting them to the hospital so they can get well. I’m always very friendly with the patients and seeing them smile gave me a lot of satisfaction in my job.”

During his 29 years of tenure as an ambulance driver, the father of four witnessed the difficulty of making funeral arrangements especially in a small remote town like Rakiraki.

“Carriers are the usual means of transport during funerals in these parts and I always felt sorry for the departed as this was their last ride. At least out of respect they should be provided a better transport. Carriers are for transporting cargo, cows and firewood.”

“I decided that as soon as I retire, I would buy a vehicle and start this business and thankfully, FDB provided a suitable loan for me to start of new initiative.”

After retiring in early 2012, Jagdish applied for his business licence then approached the Fiji Development Bank in Rakiraki for a loan to do maintenance and body work on a van he had bought earlier to make it suitable as a hearse.

He was offered \$6000 as working capital which also allowed him to build a garage for the hearse.

“Since I started, business has been good with my services being required 2 to 3 times a week charging \$120 for town area rates and this rate applies as far as Naqoro, Naria and Wairuku and sometimes even as far as Navolau villages.”

“I provide a 24 hours service and I’m prepared to go anywhere the job is. I have provided hearse transportation to as far as Nadi and even to the Suva Private Hospital.”

With time on his hand, Jagdish has also ventured into coffin making to complement his service.

“I want to provide a full package service for my customers and I’m doing this slowly with now few of my coffins already waiting for buyers. My prices are very reasonable as I have to consider the level of economic activity here in Rakiraki so I keep my prices low.”

Coffin boxes sold by Jagdish ranges from \$200 to \$400 and according to him are of the highest quality. He can also do custom made coffins according to the desires of the customers. He is already planning on expanding his business with the purchase of a Holden Commodore which he will convert into a hearse once he has enough capital.

He understands the level of competition he has in Rakiraki with two other coffin makers in town however, he is confident with the additional hearse service, he will out do the competition as he looks to extend his services to the neighbouring towns of Tavua and Ba.

CORPORATE SOCIAL RESPONSIBILITY

The FDB small business awards, Money \$mart and Invest Smart programmes continue to be important corporate social programmes for the bank. Ongoing consultation continued with the ministry of education on the formulation of a new memorandum of understanding (MOU) as the basis of the bank's continuous financial support towards the program for another three years, 2013 - 2015.

Likewise, the bank maintains a sponsorship and donation programme, which registered charities and social groups working with disadvantaged communities can apply for.

For the bank, this serves as a reminder that it operates within a community and has a social obligation to share its resources for the well-being of those that dwell in the community.

Money \$mart and Invest Smart

The bank is in consultation with the ministry of education on the formulation of a new memorandum of understanding to continue financial support on the Money \$mart and Invest Smart programmes. These are complementary financial programmes supported by the bank to encourage students in the third form and fourth form respectively, to learn about budgeting, financial planning, saving and best ways to invest those savings.

The objective of these programmes is to start the child's financial education early. The bank believes that if we educate the children on the value of money, the benefits will remain with them for life.

Money \$mart was introduced into the commercial studies curriculum in 2007 and Invest Smart followed in 2011. The ministry noted a marked change in attitude of students towards savings and investment with the majority opening bank accounts and a handful signing up voluntarily with the Fiji National Provident Fund (FNPF) and even investing with the Unit Trust of Fiji (UToF).

Small Business Awards

Small and medium enterprise development continues to be a priority for the government and the bank takes its precedence from

government's directions. Besides the provision of loans for SMEs, the annual FDB small business awards provides recognition to successful and innovative entrepreneurs' who are making a livelihood and in doing so collectively make a strong contribution to Fiji's economy.

Introduced in 2004, the awards continue to gain popularity as the bank continues to grow the awards ensuring it remains relevant.

Business that are 100% locally owned and turning over between \$30,000 and \$100,000 in gross sales per annum are eligible to enter the awards.

The awards are aimed at not only rewarding small businesses but also to encourage these businesses to grow to the next level as medium enterprises and FDB facilities provides the mechanism to spur on these businesses to greater heights.

The 2012 Awards were presented to the following:

- Agriculture sponsored by Crest Chicken - Kamal Virendra Singh, Bua.
- Professional & Business Services sponsored by Reserve Bank of Fiji - Pacific Harbour Health Care, Pacific Harbour.
- Manufacturing sponsored by New India Assurance – Cove Furnishings, Navua.
- Tourism sponsored by the Fiji Times - Marama Jaz 24hrs Water Taxi Services, Nadi.
- Wholesale & Retail sponsored by Sun Insurance - Hannalei Handicraft, Labasa.
- Best Business Practice - Vuidravuwalu Enterprise, Vatulele
- Special Award - Cegu Valley Farms, Labasa

Donations and Sponsors

Donations and sponsorships are an important mechanism by which the bank ensures that credible educational, non-profit organizations and charities with strong, sustainable community based programmes receive much needed funding requested.

The bank was a minor sponsor for the 2013 Agriculture Show. In the 2013 financial year,

the bank gave \$8,214.64 in sponsorship and donations to the Save the Children's Fund, Lautoka Chamber of Commerce Industry Forum, St John Association of Fiji, Sisters of Compassion, Fiji Cancer Society and the Fiji Red Cross.

Staff of the bank also collected \$1,917.36 through two 'bring and buys' and a dinner fundraiser for the Walk on Walk Strong (WOWS) campaign for kids with cancer.

The bank has now put in place a donations and sponsorship guideline with effect from 27 June, 2013. The guidelines will now provide the parameters within which the two corporate social activities will be administered.

Under the donation component those eligible for funding will be welfare and/or humanitarian services that are inclusive of minorities in the provision of their services. This assistance however, does not extend to the funding of capital and upgrading works, administrative costs, medical treatments/evacuations, workshops and entertainment based events. All civil society and non-government organisations looking for donations will now be required to register their interest on a specially designed form and provide evidence of their legal status.

EXPOS/Road Shows

In the 2012 financial year, the bank continued in its concerted effort to attend as many community based expositions and road shows as possible. With the assistance of the Ministry of Agriculture and the Reserve Bank of Fiji, FDB was able to be part of the Micro-Finance Expos in Korovou, Tailevu, Hibiscus Micro-finance villages in Suva, 2012 Agriculture shows in Lautoka and Labasa.

In addition, the bank was part of the Investment Fiji Seminar for potential Exporters in Suva, Nausori and Labasa; Fiji Export Council's Export Readiness Workshop in Suva; Save the Children Fiji's Financial Management Workshop; Investment Fiji's Seminar on Resource Owners as Investors and the World Wide Fund Inter-provincial Climate Change Adaptation Forum held in Nadave.

Winners of the 2012 FDB Small Business Awards

AGRICULTURE CATEGORY



WINNER:

Kamal Virendra Singh.
Nakorovou, Bua.

COMMENDATION AWARD:

Ashok Kumar, Barotu, Rakiraki.

PROUDLY SPONSORED BY:



TOURISM CATEGORY



WINNER:

Marama Jaz 24hrs.
Water Taxi Services, Nadi.
(Amran Yusuf)

COMMENDATION AWARD:

Kulture Entertainment Ltd, Suva.
(Arthur Philitoga)

PROUDLY SPONSORED BY:



WHOLESALE/RETAIL CATEGORY



WINNER:

Hannalei Handicraft.
(Joana Ugatea Tinai)

COMMENDATION AWARD:

Navosa Kava Supplies, Nadroga.
(Janendra Kumar)

PROUDLY SPONSORED BY:



PROFESSIONAL & BUSINESS SERVICES CATEGORY



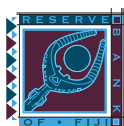
WINNER:

Pacific Harbour Health Care,
Pacific Harbour.
(Dr. Miliana Vadei)

COMMENDATION AWARD:

Mild Too Wild Upholstery &
Sounds, Suva. (Daniel Chand)

PROUDLY SPONSORED BY:



MANUFACTURING CATEGORY



WINNER:

Cove Furnishings, Navua.
(Tulia Nacola)

COMMENDATION AWARD:

Aniketh Investments
(Jyotika Mani & Raman Singh)

PROUDLY SPONSORED BY:



JURY PRIZE



BEST BUSINESS PRACTICE:

Vuidravuwalu Enterprise, Vatulele.
(Mereula Vuidravuwalu)



SPECIAL AWARD:

Cegu Valley Farms, Labasa.
(Charles McKay)



FINANCIAL REPORT

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Fiji Development Bank and its Subsidiary Company Directors' Report For the Year Ended 30 June 2013

In accordance with the resolution of the board of directors, the directors herewith submit the statement of financial position of the Fiji Development Bank and its subsidiary (the Group) as at 30 June 2013, the related statement of comprehensive income, statement of cash flows and statement of changes in equity for the year ended on that date and report as follows.

DIRECTORS

The following were directors of the bank at any time during the financial year and up to the date of this report:

Current Directors

Mr Robert G. Lyon	-	Chairperson; appointed on 29/09/2010
Mr Jitoko Tikolevu	-	Deputy Chairperson; reappointed on 04/09/2010
Mr Josefa Serulagilagi	-	Reappointed on 15/09/2011
Mr Isikeli Tikoduadua	-	Reappointed on 20/02/2013
Mr Manasa Vaniqi	-	Reappointed on 15/09/2011
Ms Olivia Mavoia	-	Appointed on 06/01/2011
Mr Ropate Ligairi	-	Appointed on 14/02/2013

PRINCIPAL ACTIVITIES

The principal business activities of the Group 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 Group during the year.

RESULTS

The consolidated profit for the year was \$4,193,396 (2012 – \$2,913,892) after providing an income tax expense of \$14,693 (2012 - \$16,017). The profit for the Bank for the year was \$4,134,624 (2012 - \$2,857,586).

DIVIDENDS

The directors recommend that no dividend be declared or paid for the year.

BAD AND DOUBTFUL DEBTS

Prior to the completion of the financial statements, the directors took reasonable steps to ascertain that action had been taken in relation to writing off of bad debts and the allowance for doubtful debts. In the opinion of the directors, adequate allowance has been made for doubtful debts.

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

UNUSUAL TRANSACTIONS

Apart from these matters and other matters specifically referred to in the financial statements, in the opinion of the directors, the results of the operations of the Group during the year were not substantially affected by any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group in the current financial year, other than those reflected in the financial statements.

Fiji Development Bank and its subsidiary company
Directors' report
For the year ended 30 June, 2013. (continued)

NON-CURRENT ASSETS

Prior to the completion of the financial statements of the Bank, the directors took reasonable steps to ascertain whether any non-current assets were unlikely to be realized in the ordinary course of the business compared to the values as recorded in the accounting records of the Bank and its subsidiary. Where necessary these assets have been written down or adequate provision has been made to bring the values of such assets to an amount that they might be expected to realise. As at the date of this report, the directors are not aware of any circumstances that will cause the value of non-current assets in the financial statements to be misleading.

SIGNIFICANT EVENT

There were no significant changes in the state of affairs of the Bank or its subsidiary during the financial year.

EVENTS SUBSEQUENT TO BALANCE DATE

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

OTHER CIRCUMSTANCES

As at the date of this report:

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

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


DIRECTORS' BENEFITS

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

Signed on behalf of the board of directors in accordance with a resolution of the directors this 21st day of November 2013.



Director



Director

Fiji Development Bank and its subsidiary
Statement by directors
For the year ended 30 June 2013 (*continued*)

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

- (i) the accompanying statement of comprehensive income of the Bank and subsidiary is drawn up so as to give a true and fair view of the results of the group for the year ended 30 June 2013;
- (ii) the accompanying statement of changes in equity of the Bank and subsidiary is drawn up so as to give a true and fair view of the changes in equity of the group for the year ended 30 June 2013;
- (iii) the accompanying statement of financial position of the Bank and subsidiary is drawn up so as to give a true and fair view of the state of affairs of the group as at 30 June 2013;
- (iv) the accompanying statement of cash flows of the Bank and subsidiary is drawn up so as to give a true and fair view of the cash flows of the group for the year ended 30 June 2013;
- (v) at the date of this statement there are reasonable grounds to believe the Bank and subsidiary will be able to pay their debts as and when they fall due; and
- (vi) all related party transactions have been adequately recorded in the books of the Bank and subsidiary.

Signed on behalf of the board of directors in accordance with a resolution of the directors this 21st day of November 2013.



Director



Director

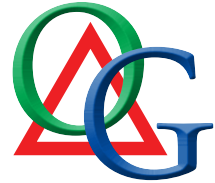
Independent audit report



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Fiji Development Bank and its subsidiary company Financial statements for the year ended 30 June, 2012.

Scope

I have audited the financial statements of the Fiji Development Bank for the financial year ended 30 June 2013, consisting of the statement of financial position, Statement of Comprehensive Income, statement of changes in equity, statement of cash flows and a summary of significant accounting policies and other explanatory notes. The financial statements comprise the financial statements of the Bank and the consolidated financial statements of the Group, being the Bank and its subsidiary. The Bank's directors are responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Bank and its subsidiary.

My audit has been conducted in accordance with International Standards on Auditing to provide reasonable assurance as to whether the financial statements are free of material misstatement. My 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 aspects, the financial statements are presented fairly in accordance with International Financial Reporting Standards and statutory requirements which is consistent with my understanding of the Bank's and the Group's financial position and the results of their operations and cash flows.

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

Audit opinion

In my opinion:

- a) proper books of account have been kept by the Bank and the Group, so far as it appears from my examination of those books; and
- b) the accompanying financial statements which have been prepared in accordance with International Financial Reporting Standards:
 - i) are in agreement with the books of account; and
 - ii) to the best of my information and according to the explanations given to me:
 - give a true and fair view of the state of affairs of the Bank and of the Group as at 30 June 2013 and of the results, cash flows and changes in equity of the Bank and the Group for the year ended on that date; and
 - give the information required by Section 35 of the Fiji Development Bank Act in the manner so required.

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



Tevita Bolanavanua
Auditor General
Suva, Fiji



Fiji Development Bank and its subsidiary company
Consolidated statement of financial position
As at 30 June, 2013.

	Notes	CONSOLIDATED		THE BANK	
		2013 \$	2012 \$	2013 \$	2012 \$
Assets					
Cash and cash equivalents	6	42,217,806	53,638,475	42,200,367	53,621,755
Held to maturity investments	7	2,028,121	2,026,958	2,000,000	2,000,000
Loans and advances	8	276,945,947	258,662,029	276,945,947	258,662,029
Receivable due from subsidiary	9	-	-	199,097	74,695
Other receivables	10	1,925,290	2,854,651	1,578,089	2,679,605
Investment in subsidiary	11	-	-	20,000	20,000
Investments	12	15,001	50,251	15,001	50,251
Land held for resale	13	42,581	736,918	42,581	736,918
Property, plant and equipment	14	15,432,303	14,723,752	15,432,303	14,723,752
Intangibles	15	40,524	56,668	40,524	56,668
TOTAL ASSETS		338,647,573	332,749,702	338,473,909	332,625,673
Liabilities					
Accounts payable and accruals	17	2,933,829	3,842,568	2,890,744	3,790,346
Short term borrowings	18	64,450,752	93,986,026	64,450,752	93,986,026
Other liabilities	19	5,837,515	5,450,368	5,837,515	5,450,368
Bonds - held-to-maturity	20	140,509,882	109,891,798	140,509,882	109,891,798
Employee entitlements	21	1,579,182	1,829,655	1,579,182	1,829,655
Deferred income		1,638,445	1,592,444	1,638,445	1,592,444
TOTAL LIABILITIES		216,949,605	216,592,859	216,906,520	216,540,637
Equity					
Capital	22	56,050,636	56,050,636	56,050,636	56,050,636
Reserves		12,535,291	11,187,562	12,535,291	11,187,562
Accumulated profits		53,112,041	48,918,645	52,981,462	48,846,838
Total capital and reserves		121,697,968	116,156,843	121,567,389	116,085,036
TOTAL LIABILITIES AND EQUITY		338,647,573	332,749,702	338,473,909	332,625,673

On behalf of the Board



Director



Director

The statements of financial position are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 43 to 65.

Fiji Development Bank and its subsidiary company
Consolidated statement of comprehensive income
For the year ended 30 June, 2013.

	Notes	CONSOLIDATED		THE BANK	
		2013 \$	2012 \$	2013 \$	2012 \$
INCOME					
Interest income	2	27,325,366	32,897,857	27,324,273	32,896,998
Interest expense		(8,673,545)	(10,953,789)	(8,673,545)	(10,953,789)
Net interest income		<u>18,651,821</u>	<u>21,944,068</u>	<u>18,650,728</u>	<u>21,943,209</u>
Fee income	3	5,228,266	6,106,184	5,228,266	6,106,184
Other income	4	4,109,262	7,096,828	3,959,263	6,946,827
OPERATING INCOME		<u>27,989,349</u>	<u>35,147,080</u>	<u>27,838,257</u>	<u>34,996,220</u>
OPERATING EXPENSES	5	<u>(9,908,235)</u>	<u>(10,737,799)</u>	<u>(9,830,608)</u>	<u>(10,659,262)</u>
OPERATING PROFIT BEFORE ALLOWANCES		18,081,114	24,409,281	18,007,649	24,336,958
Allowance for credit impairment	8	(9,386,015)	(13,764,656)	(9,386,015)	(13,764,656)
Allowance for Interest & Fees	8	(4,487,010)	(7,255,071)	(4,487,010)	(7,255,071)
Provision for grants	10	-	(459,645)	-	(459,645)
PROFIT BEFORE TAX		4,208,089	2,929,909	4,134,624	2,857,586
Tax expense	1(q)	(14,693)	(16,017)	-	-
PROFIT FOR THE YEAR		<u>4,193,396</u>	<u>2,913,892</u>	<u>4,134,624</u>	<u>2,857,586</u>
OTHER COMPREHENSIVE INCOME					
Items that will not be re-classified to profit or loss					
Revaluation of property, plant and equipment		1,347,729	-	1,347,729	-
Total Comprehensive income for the year		<u>5,541,125</u>	<u>2,913,892</u>	<u>5,482,353</u>	<u>2,857,586</u>

The statements of comprehensive income are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 43 to 65.

Fiji Development Bank and its subsidiary company
Consolidated statement of cash flows
For the year ended 30 June, 2013.

	2013 \$	2012 \$	2013 \$	2012 \$
Notes	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
OPERATING ACTIVITIES				
Interest and subsidy received	27,459,591	26,651,000	27,458,788	26,651,000
Interest and other costs of borrowing paid	(8,965,120)	(13,620,035)	(8,965,036)	(13,620,035)
Dividends received	11,686	-	11,686	-
Customer loans granted	(77,767,445)	(55,727,987)	(77,767,445)	(55,727,987)
Customer loans repaid	45,610,502	65,677,135	45,610,502	65,677,135
Fees received	5,228,266	3,343,815	5,228,266	3,343,815
Cash paid to suppliers and employees	(9,447,787)	(7,208,491)	(9,447,787)	(7,208,404)
Other receipts	4,716,483	7,661,687	4,716,483	7,661,687
Net cash (used in)/provided by operating activities	(13,153,824)	26,777,124	(13,154,543)	26,777,211
INVESTING ACTIVITIES				
Proceeds from the sale of investments	52,878	-	52,878	-
Payments for property, plant and equipment	(206,071)	(769,410)	(206,071)	(769,410)
Receipts from disposal of property and equipment	139,633	117,900	139,633	117,900
Proceeds from sale/ (payments for) land held for resale	700,000	(61,095)	700,000	(61,095)
Net cash provided by/(used in) investing activities	686,440	(712,605)	686,440	(712,605)
FINANCING ACTIVITIES				
Proceeds from long-term borrowings	97,113,163	77,777,156	97,113,163	77,777,156
Repayment of long-term borrowings	(92,020,991)	(119,720,948)	(92,020,991)	(119,720,948)
Proceeds from short-term borrowings	37,266,519	32,475,787	37,266,519	32,475,787
Repayment of short-term borrowings	(41,311,976)	(5,707,570)	(41,311,976)	(5,707,570)
Net cash provided by/(used in) financing activities	1,046,715	(15,175,575)	1,046,715	(15,175,575)
Net (decrease)/ increase in cash and cash equivalent	(11,420,669)	10,888,944	(11,421,388)	10,889,031
Cash and cash equivalents at the beginning of the financial year	53,638,475	42,749,531	53,621,755	42,732,724
Cash and cash equivalents at the end of the financial year	42,217,806	53,638,475	42,200,367	53,621,755
26 (i)				

The statements of cash flows are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 43 to 65.

Fiji Development Bank and its subsidiary company
Consolidated statement of changes in equity
For the year ended 30 June, 2013.

CONSOLIDATED						
Notes	Capital	General reserve	Revaluation reserve	Accumulated profits	Total	
	\$	\$	\$	\$	\$	\$
Balance at 30 June, 2011	22	56,050,636	8,064,000	3,123,562	46,004,753	113,242,951
Net profit for the 2012 year		-	-	-	2,913,892	2,913,892
Balance at 30 June, 2012		56,050,636	8,064,000	3,123,562	48,918,645	
Total other comprehensive income		-	-	1,347,729	-	116,156,843
Net profit for the 2013 year		-	-	-	4,193,396	1,347,729
						4,193,396
Balance at 30 June, 2013		56,050,636	8,064,000	4,471,291	53,112,041	121,697,968

THE BANK						
	Capital	General reserve	Revaluation reserve	Accumulated profits	Total	
	\$	\$	\$	\$	\$	\$
Balance at 30 June, 2011	22	56,050,636	8,064,000	3,123,562	45,989,252	113,227,450
Net profit for the 2012 year		-	-	-	2,857,586	2,857,586
Balance at 30 June, 2012		56,050,636	8,064,000	3,123,562	48,846,838	116,085,036
Total other comprehensive income		-	-	1,347,729	-	1,347,729
Net profit for the 2013 year		-	-	-	4,134,624	4,134,624
Balance at 30 June, 2013		56,050,636	8,064,000	4,471,291	52,981,462	121,567,389

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 43 to 65.

Fiji Development Bank and its subsidiary company Notes to and forming part of the financial statements For the year ended 30 June, 2013.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Fiji Development Bank is a fully owned Government of Fiji ("Government") entity domiciled in Fiji. The address of the registered office is 360 Victoria Parade, Suva, Fiji. The consolidated financial statements of the Bank for the year ended 30 June 2013 comprise the Bank and its subsidiary company. The Bank is primarily involved in the provision of finance, financial and advisory services to assist in the development of agriculture, commerce and industry in Fiji.

The financial statements were authorised for issue by the directors on 17th October 2013.

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

(a) Statement of compliance

The financial statements are presented in Fiji dollars, rounded to the nearest dollar. The financial statements of the Bank have been drawn up in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and the requirements of the FDB Act.

(b) Basis of preparation

The measurement base adopted is that of historical cost as modified by the fair value measurement of available for sale financial assets and financial instruments held at fair value through profit or loss. In addition, land and buildings are carried at re-valued amount.

(c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

- Note 1(i) and Note 25 – Allowance for credit impairment
- Note 14 – Valuation of land and buildings

(d) Principles of consolidation

Subsidiary

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 11. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that controls ceases.

The investment in subsidiary is measured at cost less impairment loss in the financial statements of the Bank.

Transactions eliminated on consolidation

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

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Bank and that the revenue can be reliably measured. The principal sources of revenue are interest income, government interest subsidies and fees and charges.

Fiji Development Bank and its subsidiary company
Notes to and forming part of the financial statements
For the year ended 30 June, 2013. (continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition (continued)

Interest income

Interest income on investments, loans and advances is recognised in profit or loss using the effective interest method. 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.

As per requirement of IAS 39, the Bank now discloses its Interest Suspended separately from total Interest Income on its Statement of Comprehensive Income. The reclassification has also been made for the prior year 2012 for consistency purposes.

Government interest subsidies

Government provides interest subsidies on certain loans schemes. These interest subsidies are recognised as interest income in profit or loss using the effective interest rates method.

Fees and charges

Lending fees

Fees and direct costs relating to loan origination, financing or restructuring and to loan commitments are deferred and amortised to interest income over the term of the loan using the effective interest method. Lending fees not directly related to the origination of a loan are recognised over the period of service.

As per requirement of IAS 39, the Bank now discloses its Fees Suspended separately from total Fees Income on its Statement of Comprehensive Income. The reclassification has also been made for the prior year 2012 for consistency purposes.

Other fees and charges

When other fees and charges relate to specific transactions or events, they are recognised in profit or loss over the period that the service is provided to the customer.

Fees on impaired loans are recognised as income only when received.

(f) Bonds – Held-to-maturity

FDB registered bonds are measured at fair value on initial recognition. Subsequent to initial recognition they are measured at amortised cost. Any discount on these bonds is amortized to interest expense on a straight-line basis over the term of the bond to which it relates.

(g) Property, plant and equipment

Items of plant and equipment are measured at cost less accumulated depreciation and impairment loss. Items purchased at less than \$500 are expensed.

Land & buildings are measured at revalued amounts being the fair value at the date of revaluation less any subsequent accumulated impairment losses. Revaluations reflect independent assessments of the fair market value of land and buildings based on existing use. Revaluation increments are credited directly to the revaluation reserve in equity. Revaluation decrements are debited directly to equity to the extent they reverse a previous revaluation surplus. Any remaining decrease is debited to profit and loss.

All other items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses.

Fiji Development Bank and its subsidiary company
Notes to and forming part of the financial statements
For the year ended 30 June, 2013. (continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment (continued)

Depreciation

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

Buildings and improvements	1-2%
Plant, equipment, furniture and fittings	10%
Motor vehicles	20%
Computer hardware	20%
Computer software	20%
Leasehold land	Term of the lease

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the asset or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the higher of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the statement of comprehensive income.

(h) Intangible assets

The Bank recognises internally generated Banking Software (Bank Management System) and any other externally purchased software as intangible assets in its books. Due to the finite life of the software, it is depreciated at 20% per annum.

(i) Loans and advances

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

Term loans are carried at amortised cost plus outstanding interest accrued. Finance leases are shown net of unearned interest. There were no new finance leases granted in the current financial year.

Policies adopted in classifying loans

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

Impaired and past due assets

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

(i) 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 recognised in the statement of comprehensive income but are recognised only when received.

Fiji Development Bank and its subsidiary company
Notes to and forming part of the financial statements
For the year ended 30 June, 2013. *(continued)*

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Loans and advances *(continued)*

(ii) 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.

(iii) 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.

(j) Loans and advances – Impairment allowance

Loan accounts are reviewed throughout the year to assess the allowance for impairment. The Bank has individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

Individually assessed allowance is maintained to cover identified impairment. All known bad debts are written off in the year in which they are identified. The individually assessed allowance requirement (representing new and increased individually assessed allowances less individually assessed releases) is taken to the statement of comprehensive income.

Individually assessed allowances are made against individually significant financial assets and those that are not individually significant, including groups of financial assets with similar credit risk characteristics. The determination of the amount of specific allowance is based on many factors including credit evaluation of the borrowers, value of security and collateral held, current economic conditions and past experience.

Recoveries, representing excess transfers to the specific allowance, are credited to the statement of comprehensive income.

Unallocated individually assessed allowances

An unallocated individually assessed allowance is maintained by the Bank on loans graded substandard and below. This policy is in accordance with the Reserve Bank of Fiji's minimum provisioning guidelines. The percentages applied to the respective grades are as follows:

- Substandard	20% of the loan balance
- Doubtful	50% of the loan balance
- Loss	100% of difference between loan balance and security realizable value

Collective allowance

All other loans and advances that do not have an individually assessed allowance are assessed collectively for impairment. Collective allowances are maintained to reduce the carrying amount of portfolios of similar loans and advances to their estimated recoverable amounts at the balance date.

The annual charge against profits for impairment reflects new collective allowances.

Collective allowance is maintained on all loans based on the Credit Risk Rating "(CRR)" and is allocated monthly to reflect the highest risk. The collective allowance is based on a percentage and is reviewed on a yearly basis.

General reserve for credit loss

A general reserve for credit loss is maintained for all accounts for possible losses inherent in the loan portfolio. This policy is in accordance with the Reserve Bank of Fiji minimum provisioning guidelines.

Fiji Development Bank and its subsidiary company
Notes to and forming part of the financial statements
For the year ended 30 June, 2013. *(continued)*

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Loans and advances – Impairment allowance *(continued)*

Bad debts written off/recovered

Bad debts are written off against the allowance in the year in which the debt is recognised as being irrecoverable. Where not previously included in the allowance, bad debts are written off directly against the statement of comprehensive income. Debts previously written off and subsequently recovered are written back to the statement of comprehensive income in the year in which they are recovered.

Impairment

The Bank assesses at each balance date whether there is any objective evidence of impairment.

If there is objective evidence that an impairment loss on loans, advances and other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the expected future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short-term balances are not discounted.

(k) Investments

Investments are those that the Bank has purchased with positive intent and ability to hold until maturity. These securities are recorded at initial cost or at cost adjusted for amortisation of premium or discounts. Premiums and discounts are capitalised and amortised using the effective interest method from date of purchase to maturity. Interest income is accrued using the effective interest method. Borrowing costs are recognised as expenses in the period in which they are incurred.

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.

(l) 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 statement of comprehensive income.

(m) Land held for sale

The cane estate and other land held for subdivision and resale are carried at the lower of their carrying amount and fair value less cost to sell.

(n) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and at Bank and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

(o) Other debtors

Other receivables are stated at amortised cost less impairment losses.

(p) Accounts payable and accruals

Accounts payable and accruals are stated at amortised cost.

Fiji Development Bank and its subsidiary company
Notes to and forming part of the financial statements
For the year ended 30 June, 2013. *(continued)*

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) 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. However, The Bank's subsidiary FDB Nominees Ltd adopts the principles of tax effect accounting and thus is the basis of recognition of tax expense in consolidated financial statements of the Bank.

(r) Employee entitlements

Annual leave

The accrual 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 accrual is based on current wage and salary rates and includes related on-costs.

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 liability for long service leave increases according to the number of years of service completed by the employee.

Gratuity

The accrual 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

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

Number of Employees

The number of employees as at 30 June 2013 was 190 (2012: 196).

(s) Contingent liabilities and credit commitments

The Bank is involved in a range of transactions that give rise to contingent and / or future liabilities. The Bank discloses a contingent liability when it has a possible obligation arising from past events that will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Bank's control. A contingent liability is disclosed when a present obligation is not recognised because it is not probable that an outflow of resources will be required to settle an obligation, or the amount of the obligation cannot be measured with sufficient reliability.

The Bank issues commitments to extend credit, letters of credit, guarantees and other credit facilities. These financial instruments attract fees in line with market prices for similar arrangements. They are not sold or traded. The items generally do not involve cash payments other than in the event of default. The fee pricing is set as part of the broader customer credit process and reflects the probability of default. They are recorded as contingent liabilities at their face value.

Information on the face value and credit equivalents of commitments and contingent liabilities shown in note 23.

(t) Capital grants from government

Capital grants received from government are credited directly to equity as the Government is the shareholder of the Bank.

(u) Deferred income

Deferred income represents establishment fees charged and is deferred and amortised using the effective interest rates over the term of the loan.

Fiji Development Bank and its subsidiary company
Notes to and forming part of the financial statements
For the year ended 30 June, 2013. (continued)

	CONSOLIDATED		THE BANK	
	2013 \$	2012 \$	2013 \$	2012 \$
2 INTEREST INCOME				
Included in interest income are interest subsidies received/receivable from the government for:				
- Agricultural loans	960,741	927,716	960,741	927,716
- Commercial loans to Fijians scheme	527,374	667,771	527,374	667,771
- Economic rehabilitation package scheme	71,959	110,150	71,959	110,150
- Small business scheme	236,150	212,446	236,150	212,446
- Northern rehabilitation package	155,177	167,834	155,177	167,834
	<u>1,951,401</u>	<u>2,085,917</u>	<u>1,951,401</u>	<u>2,085,917</u>
3 FEE INCOME				
Application fees	98,947	76,665	98,947	76,665
Establishment fees	738,876	606,366	738,876	606,366
Commitment fees	149,884	95,490	149,884	95,490
Bank service fees	1,403,426	1,764,909	1,403,426	1,764,909
Arrears fees	2,281,457	3,064,852	2,281,457	3,064,852
Legal fees	555,026	497,257	555,026	497,257
Other fee income	650	645	650	645
	<u>5,228,266</u>	<u>6,106,184</u>	<u>5,228,266</u>	<u>6,106,184</u>
4 OTHER INCOME				
The following items are included in other income:				
Gain on sale of property, plant and equipment	24,427	56,500	24,427	56,500
Bad debt recovered	2,423,093	5,283,156	2,423,093	5,283,156
Insurance commission	125,938	120,053	125,938	120,053
Rental income	639,551	594,003	639,551	594,003
Other income	896,253	1,043,116	746,254	893,115
	<u>4,109,262</u>	<u>7,096,828</u>	<u>3,959,263</u>	<u>6,946,827</u>
5 OPERATING EXPENSES				
Items included in operating expenses:				
Amortisation of bond discounts	1 113	182	113	182
Auditors' remuneration	39,996	39,996	39,996	39,996
Directors' fees	104,336	123,667	104,336	123,667
Depreciation and amortisation	746,185	778,184	746,185	778,184
Employee costs	6,029,300	6,748,969	6,029,300	6,748,969
Other Expenses	2,988,305	3,046,801	2,910,678	2,968,264
	<u>9,908,235</u>	<u>10,737,799</u>	<u>9,830,608</u>	<u>10,659,262</u>

Fiji Development Bank and its subsidiary company
Notes to and forming part of the financial statements
For the year ended 30 June, 2013. (continued)

	CONSOLIDATED		THE BANK	
	2013 \$	2012 \$	2013 \$	2012 \$
6 CASH & CASH EQUIVALENTS				
Petty cash	1,850	1,600	1,850	1,600
Overdraft facility	15,000	15,000	15,000	15,000
Deposit accounts -branches	3,425,713	3,950,833	3,408,274	3,934,113
Reserve Bank of Fiji call account	-	1,205,424	-	1,205,424
Colonial National Bank call account	425,819	20,442,478	425,819	20,442,478
Bank Of Baroda - head office	38,349,399	28,023,115	38,349,399	28,023,115
National Bank of Fiji savings - Suva	25	25	25	25
	<u>42,217,806</u>	<u>53,638,475</u>	<u>42,200,367</u>	<u>53,621,755</u>

The Bank maintains an overdraft facility of \$15,000 to cater for staff withdrawals based on their eligibility level. Deposit accounts are maintained for the Bank's daily transactions with its clients and the accounts earn interest at floating rates based on daily rates. RBF Call account is maintained by the Bank with RBF for their funding of Import Substitution and Export Finance Facility. Bank of South Pacific and Bank of Baroda accounts are interest bearing accounts for investing the Bank's surplus funds.

7 INVESTMENTS HELD TO MATURITY

Investment In bonds	<u>2,028,121</u>	<u>2,026,958</u>	<u>2,000,000</u>	<u>2,000,000</u>
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Investment in bonds relates to \$2,000,000 Investments with Reserve Bank of Fiji at 12.31%, with maturity year being 2022 and \$28,121 of investment by FDB Nominees Limited held in Home Finance Corporation at 3.50% and 4.25% for a term of 12 and 24 months respectively.

Fiji Development Bank and its subsidiary company
Notes to and forming part of the financial statements
For the year ended 30 June, 2013. (continued)

	CONSOLIDATED		THE BANK	
	2013 \$	2012 \$	2013 \$	2012 \$
8 LOANS AND ADVANCES				
Loans and advances	347,404,693	324,514,020	347,404,693	324,514,020
Allowance for Interest and fees suspended	(18,498,791)	(18,535,396)	(18,498,791)	(18,535,396)
	<u>328,905,902</u>	<u>305,978,624</u>	<u>328,905,902</u>	<u>305,978,624</u>
Allowance for credit impairment	(51,959,955)	(47,316,595)	(51,959,955)	(47,316,595)
Total loans and advances	<u>276,945,947</u>	<u>258,662,029</u>	<u>276,945,947</u>	<u>258,662,029</u>
Loans and advances include finance lease provided to customers as well. There were no new finance leases granted in the current financial year.				
Allowance for credit impairment is represented as follows:				
Individually assessed allowance				
Balance at the beginning of the year	21,444,199	25,553,358	21,444,199	25,553,358
Charge to the profit or loss	4,990,092	9,886,787	4,990,092	9,886,787
	<u>26,434,291</u>	<u>35,440,145</u>	<u>26,434,291</u>	<u>35,440,145</u>
Bad debts written off against allowance for credit impairment	(4,742,655)	(13,995,946)	(4,742,655)	(13,995,946)
Balance at the end of the year	<u>21,691,636</u>	<u>21,444,199</u>	<u>21,691,636</u>	<u>21,444,199</u>
Unallocated Individually assessed allowance				
Balance at beginning of year	13,558,040	11,908,040	13,558,040	11,908,040
Charge to the profit or loss	3,421,000	1,650,000	3,421,000	1,650,000
Balance at the end of the year	<u>16,979,040</u>	<u>13,558,040</u>	<u>16,979,040</u>	<u>13,558,040</u>
Collectively assessed allowance				
Balance at beginning of year	12,314,356	10,086,487	12,314,356	10,086,487
Charge to the profit or loss	974,923	2,227,869	974,923	2,227,869
Balance at the end of the year	<u>13,289,279</u>	<u>12,314,356</u>	<u>13,289,279</u>	<u>12,314,356</u>
Total allowance for credit impairment	<u>51,959,955</u>	<u>47,316,595</u>	<u>51,959,955</u>	<u>47,316,595</u>
9 RECEIVABLE FROM SUBSIDIARY				
FDB Nominees Limited	<u>-</u>	<u>-</u>	<u>199,097</u>	<u>74,695</u>

Fiji Development Bank and its subsidiary company
Notes to and forming part of the financial statements
For the year ended 30 June, 2013. (continued)

	CONSOLIDATED		THE BANK	
	2013 \$	2012 \$	2013 \$	2012 \$
10 OTHER RECEIVABLES				
Government guarantees & grants	5,499,216	5,499,216	5,499,216	5,499,216
Impairment loss - government guarantee & grants	(5,499,216)	(5,499,216)	(5,499,216)	(5,499,216)
	-	-	-	-
Government interest subsidies	1,137,205	2,085,917	1,137,205	2,085,918
Others	788,085	768,734	440,884	593,687
	<u>1,925,290</u>	<u>2,854,651</u>	<u>1,578,089</u>	<u>2,679,605</u>
Impairment loss is represented as follows:				
Total Impairment at the beginning of the year	5,499,216	5,039,571	5,499,216	5,039,571
Charge to profit or loss	-	459,645	-	459,645
	<u>5,499,216</u>	<u>5,499,216</u>	<u>5,499,216</u>	<u>5,499,216</u>
Total Impairment at the end of the year				
	<u>5,499,216</u>	<u>5,499,216</u>	<u>5,499,216</u>	<u>5,499,216</u>
11 INVESTMENT IN SUBSIDIARY				
FDB Nominees Ltd	-	-	20,000	20,000
	<u>-</u>	<u>-</u>	<u>20,000</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.				
12 INVESTMENTS	\$	\$	\$	\$
Shares in companies - at cost	6,599,291	6,634,541	6,599,291	6,634,541
Allowance for diminution in value	(6,584,290)	(6,584,290)	(6,584,290)	(6,584,290)
	<u>15,001</u>	<u>50,251</u>	<u>15,001</u>	<u>50,251</u>

Fiji Development Bank and its subsidiary company
Notes to and forming part of the financial statements
For the year ended 30 June, 2013. (continued)

	CONSOLIDATED		THE BANK	
	2013 \$	2012 \$	2013 \$	2012 \$
13 LAND HELD FOR RESALE				
Nasarawaqa Estate				
Cost	99,426	99,426	99,426	99,426
Allowance for diminution in value	(51,950)	(51,950)	(51,950)	(51,950)
	47,476	47,476	47,476	47,476
Contributions to project	(4,895)	(4,895)	(4,895)	(4,895)
	42,581	42,581	42,581	42,581
Cane Estate				
Cost	1,000,000	1,000,000	1,000,000	1,000,000
Other expenses capitalised	594,337	594,337	594,337	594,337
	1,594,337	1,594,337	1,594,337	1,594,337
Allowance for diminution in value	(900,000)	(900,000)	(900,000)	(900,000)
	694,337	694,337	694,337	694,337
Disposal	(694,337)	-	(694,337)	-
	-	694,337	-	694,337
Balance at the end of the year	42,581	736,918	42,581	736,918

Fiji Development Bank and its subsidiary company
Notes to and forming part of the financial statements
For the year ended 30 June, 2013. (continued)

	CONSOLIDATED AND THE BANK			Total \$
	Land and buildings \$	Plant and equipment \$	Fixtures and fittings \$	
14 PROPERTY, PLANT AND EQUIPMENT				
Cost or valuation				
Balance at 1 July 2011	13,180,786	8,089,911	746,494	22,017,191
Acquisitions during the year	301,585	572,449	2,025	876,059
Disposals	-	(1,641,838)	(516,188)	(2,158,026)
Balance at 1 July 2012	13,482,371	7,020,522	232,331	20,735,224
Acquisitions during the year	-	205,290	780	206,070
Revaluation	247,629	-	-	247,629
Disposals	(29,593)	(822,832)	(101,018)	(953,443)
Balance at 30 June 2013	13,700,407	6,402,980	132,093	20,235,480
Accumulated depreciation				
Balance at 1 July 2011	920,533	5,630,915	659,935	7,211,383
Depreciation charge for the year	179,567	558,771	28,301	766,639
Disposals	-	(1,468,063)	(498,487)	(1,966,550)
Balance at 1 July 2012	1,100,100	4,721,623	189,749	6,011,472
Depreciation charge for the year	198,907	518,973	12,162	730,042
Revaluation	(1,100,100)	-	-	(1,100,100)
Disposals	-	(744,440)	(93,797)	(838,237)
Balance at 30 June 2013	198,907	4,496,156	108,114	4,803,177
Carrying amount				
Balance at 1 July, 2012	12,382,271	2,298,899	42,582	14,723,752
Balance at 30 June, 2013	13,501,500	1,906,824	23,979	15,432,303

Fiji Development Bank and its subsidiary company
Notes to and forming part of the financial statements
For the year ended 30 June, 2013. (continued)

	CONSOLIDATED		THE BANK	
	2013 \$	2012 \$	2013 \$	2012 \$
15 INTANGIBLES - COMPUTER SOFTWARE				
Balance at the beginning of the year	85,772	62,777	85,772	62,777
Acquisitions during the year	-	22,995	-	22,995
Balance at the end of the year	<u>85,772</u>	<u>85,772</u>	<u>85,772</u>	<u>85,772</u>
Accumulated depreciation				
Balance at the beginning of the year	29,104	17,559	29,104	17,559
Amortisation charge for the year	16,144	11,545	16,144	11,545
Balance at the end of the year	<u>45,248</u>	<u>29,104</u>	<u>45,248</u>	<u>29,104</u>
Carrying amount				
Balance at the beginning of the year	56,668	45,218	56,668	45,218
Balance at the end of the year	<u>40,524</u>	<u>56,668</u>	<u>40,524</u>	<u>56,668</u>
16 OPERATING LEASE				
Leases as Lessee				
Minimum lease payments under non-cancellable operating leases are payable as follows:				
- Not Later than one year	72,612	72,612	72,612	72,612
- Between one and five years	290,447	290,447	290,447	290,447
- More than 5 years	2,492,798	2,565,410	2,492,798	2,565,410
	<u>2,855,857</u>	<u>2,928,469</u>	<u>2,855,857</u>	<u>2,928,469</u>
The above operating Lease Rentals relate to TLTB lease payments the Bank is required to make annually.				
17 ACCOUNTS PAYABLE AND ACCRUALS				
Interest accruals	1,469,028	1,796,614	1,469,028	1,796,614
Others	1,464,801	2,045,954	1,421,716	1,993,732
	<u>2,933,829</u>	<u>3,842,568</u>	<u>2,890,744</u>	<u>3,790,346</u>
18 SHORT TERM BORROWINGS				
Short term borrowings	<u>64,450,752</u>	<u>93,986,026</u>	<u>64,450,752</u>	<u>93,986,026</u>

The above borrowings have a repayment term of less than 1 year and have been guaranteed by Government of Fiji. The interest rate for the short term borrowing ranges from 4.15% to 8.5%, in (2012: 4.15% to 8.5%).

Fiji Development Bank and its subsidiary company
Notes to and forming part of the financial statements
For the year ended 30 June, 2013. (continued)

	CONSOLIDATED		THE BANK	
	2013 \$	2012 \$	2013 \$	2012 \$
19 OTHER LIABILITIES				
Seed capital fund	2,844,480	2,817,427	2,844,480	2,817,427
Staff savings account	1,379,362	1,067,866	1,379,362	1,067,866
Export facility	1,499,518	1,450,920	1,499,518	1,450,920
Farmers assistance scheme	114,155	114,155	114,155	114,155
	<u>5,837,515</u>	<u>5,450,368</u>	<u>5,837,515</u>	<u>5,450,368</u>

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.

Staff savings are stated at amortised cost and are repayable on demand at an average interest rate of 4% per annum.

20 BONDS - HELDS-TO-MATURITY

Non-current

RBF Export Facility	27,695,196	19,002,298	27,695,196	19,002,298
FDB Registered bonds - face value	112,778,591	90,850,000	112,778,591	90,850,000
Unamortised discount	36,095	39,500	36,095	39,500
	<u>140,509,882</u>	<u>109,891,798</u>	<u>140,509,882</u>	<u>109,891,798</u>

The RBF Export Facility has been reclassified from Accounts and other payables to borrowing as the maturity profile of these funds ranges from 2 to 5 years. The FDB registered bonds have a repayment term varying between 1 to 15 years and have been guaranteed by Government of Fiji.

21 EMPLOYEE ENTITLEMENTS

At 1 July, 2012	1,829,655	1,836,175	1,829,655	1,836,175
Utilised during the year	(383,920)	(234,953)	(383,920)	(234,953)
Arising during the year	133,447	228,433	133,447	228,433
At 30 June, 2013	<u>1,579,182</u>	<u>1,829,655</u>	<u>1,579,182</u>	<u>1,829,655</u>

The employee entitlement includes accrued leave and gratuity. The gratuity is accrued for all tenure staff after continuous service of 10 years and the staff is eligible for payment on retirement after reaching the age of 55 years.

22 CAPITAL

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>

The Bank was formed by an Act of Parliament and the contributed capital of \$56,050,636 consists of equity contribution from the Government of Fiji.

Fiji Development Bank and its subsidiary company
Notes to and forming part of the financial statements
For the year ended 30 June, 2013. *(continued)*

	2013	2012
	\$	\$
23 COMMITMENTS AND CONTINGENT LIABILITIES		
(a) Commitments		
(i) Loans approved but not disbursed	<u>34,138,836</u>	<u>11,804,173</u>
(b) Contingent liabilities		
(i) Work In Progress	<u>395,413</u>	<u>520,434</u>
(c) Contingent liabilities		
(i) Guarantees	<u>771,931</u>	<u>845,952</u>

24 RELATED PARTY TRANSACTIONS

The following were directors of the bank during the financial year ended 30 June, 2013:

Current directors

Mr Robert G. Lyon	Appointed on 29/09/2010 as chairperson
Mr Jitoko Tikolevu	Deputy chairperson; reappointed on 04/09/2010
Mr Josefa Serulagilagi	Reappointed on 15/09/2011
Mr Manasa Vaniqi	Reappointed on 15/09/2011
Mr Isikeli Tikoduadua	Reappointed on 20/02/2013
Ms Olivia Mavoava	Appointed on 06/01/2011
Mr Ropate Ligairi	Appointed on 14/02/2013

Former directors

Mr Mason Smith	Appointment ended on 30/11/2012
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	CONSOLIDATED		THE BANK	
	2013	2012	2013	2012
	\$	\$	\$	\$
Directors' fees	<u>104,336</u>	<u>123,667</u>	<u>104,336</u>	<u>123,667</u>

Fiji Development Bank and its subsidiary company
Notes to and forming part of the financial statements
For the year ended 30 June, 2013. (continued)

24 RELATED PARTY TRANSACTIONS (continued)

Key management personnel

Details of Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

During the year the following persons were the executives identified as key management personnel, with the greatest authority and responsibility for the planning, directing and controlling the activities of the Bank.

Name	Current title
Deve Toganivalu	Chief Executive Officer
Tevita Madigibuli	General Manager Relationship & Sales
Saiyad Hussain	General Manager Finance and Administration
Nafitalai Cakacaka	General Manager Business Risk Services

The aggregate compensation of the key management personnel comprises only short-term benefits and is set out below:

	CONSOLIDATED		THE BANK	
	2013	2012	2013	2012
	\$	\$	\$	\$
Short-term benefits	469,769	469,769	469,769	469,769

The Key Management Personnel are contracted employees and are only entitled to short term benefits only. There is no long term benefits payable.

Loans amounting to \$171,675 (2012: \$191,563) to executives are included in "Loans Advances" (refer note 8). The loans were provided under normal terms and conditions.

Fiji Development Bank and its subsidiary company
Notes to and forming part of the financial statements
For the year ended 30 June, 2013. *(continued)*

25 RISK MANAGEMENT POLICY

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from loans and advances. The credit risk framework is in place across the organization with the end-objective of ensuring a structured and disciplined approach in pursuing the targets mutually set by the board and management. The framework focuses on corporate mission, policies, procedures, people, skills, values, controls and portfolio balance exposures. It is supported by regular portfolio analysis and detailed underwriting evaluation that identifies risk areas / concentrations, with recommended risk remedies and monitoring procedures in order to avert any probable negative impact of the account and of the portfolio.

The authority to make credit decision is layered. The board subcommittee known as board credit committee retains the authority to approve loan amounts above a threshold that is set by the board. On the other hand, the management (EXCO) has authority and discretion to delegated defined approving limits to Risk Officers under certain conditions. The delegated credit decision authority, particularly below the threshold level is reviewed from time to time on the Officer's performance, exercise of delegated authority and changes to Bank's policy guidelines. Managers are also obliged to meet reporting and review requirements, to monitor credit risk exposure under their control and to report promptly any deteriorating situations that affect the Bank.

The Bank also ensures that all customers go through a comprehensive credit screening including Data Bureau check as well as credit rating with other institutions. The other component of the Bank's rating system for customers is a Client Quality Rating (CQR). This rating represents the Bank's view as to the "financial health" of the business during the past and in future. Furthermore, the Bank uses Credit Risk Rating (CRR) Systems, which was developed internally and integrates the different qualitative and quantitative variables of a borrower. The grading method takes into focus the history of the borrower, its financial performance, regulatory mandates (e.g. RBF regulations, Basel 2), industry/sectoral outlook, customer's liquidity to meet his contractual obligation and the probable loss in the event of default, a factor of the security value taken to support the facility. The credit risk grading system is robust and consistently applied on all borrowing customers. Any exceptions or variations on the risk grading for specific borrower is brought to EXCO or Board for final approval. FDB considers and consolidates all elements of credit risk exposure (such as individual default risk, country risk and sector risk).

Forecasts are made using different statistical methodologies and pricing models in order to determine the relative volatility of the portfolios against market conditions. This includes forms of analysis such as but not limited to value-at-risk; durated term of loan assets; interest rate elasticity and gaps, with the end-objective of maintaining a balance structure between the bank's assets and liabilities; and a balance between developmental and commercial activities.

As part of credit risk management process, portfolios are subjected to systematic stress tests in order to determine the probable loss of values due to changes in interest rates (financial market condition), default ratios and durated term structure. The stress testing also covers asymmetric risk-radicals that are unexpectedly sprouted on the portfolio thereby changing the estimated risk pattern previously established.

Fiji Development Bank and its subsidiary company
Notes to and forming part of the financial statements
For the year ended 30 June, 2013. (continued)

25 RISK MANAGEMENT POLICY (continued)

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:

Industry	2013 \$	2012 \$
Agriculture	80,566,867	51,617,092
Building and construction	51,445,951	44,749,327
Manufacturing	39,652,613	59,262,957
Mining and quarrying	195,022	232,514
Private individuals	31,533,038	37,759,148
Professional and business services	2,939,202	23,500,352
Real estate	73,152,748	70,856,337
Transport, communication and storage	12,768,782	9,620,190
Wholesale, retail, hotels and restaurants	27,076,150	23,240,756
Others	28,074,320	3,675,347
Total gross loans and advances	347,404,693	324,514,020

Default risk

Default risk is a risk that some loans may not be repaid; implications of asset mix on risk based capital and asset quality on ability to leverage the bank's capital.

Liquidity risk management

Liquidity risk involves the inability of the Bank to fund increases in assets, manage unplanned changes in funding sources and to meet obligations when required, without incurring additional costs or inducing a cash flow crisis. FDB generates its funding through issuance of bonds, with one to seven years maturities, term deposits and promissory notes of maturities less than a year. The Bank's strong and effective liquidity risk management policy and framework ensures that Bank has sufficient liquid assets to meet liabilities that fall due in the short term and to meet any unexpected demands for funds by its depositors or creditors.

The Bank's executive committee manages the bank's liquidity and cost of funds. FDB performs a daily cash forecast for the next three months (one quarter) to identify any probable liquidity stress points. In addition to this, the bank performs a stress-test on its cost of funds twice a month to measure any probable deviation from its forecasted forward rates and cost benchmarks by:

- quantifying liquidity outflows in all scenarios for each risk driver;
- identifying cash flows to mitigate liquidity shortfalls identified;
- determine net liquidity position under each scenario.

Since the bank does not have trading activities or hedge facilities to cushion unexpected liquidity gaps, it retains a policy of maintaining 10% of its total liability position in liquid assets at all times. Fully aware of maturity mismatched between its assets and liabilities, the bank places a heavy emphasis on collection efficiency of its lending units.

Fiji Development Bank and its subsidiary company
Notes to and forming part of the financial statements
For the year ended 30 June, 2013. *(continued)*

25 RISK MANAGEMENT POLICY *(continued)*

Liquidity risk management *(continued)*

The determination of the adequacy of FDB's liquidity position depends upon an analysis of the bank's position relative to the following factors:

- historical funding requirements
- current liquidity position
- anticipated future funding needs
- present and anticipated asset quality
- present and future earning capacity
- sources of funds.

All of the bank's borrowings are at interest rates that are fixed for the timing of the borrowing. Therefore, there is no maturity sensitivity to changes in interest rates.

Market risk

Market risk refers to the uncertainty of future earnings resulting from changes in interest rates, exchange rates, market prices and volatilities. Normally financial institutions assume market risk from consumer and corporate loans, position taking, and trading and investment activities.

The impacts of market risks to FDB are on three dimensions, namely:

- Interest rate movement as it impacts the overall weighted cost of funds;
- As it impacts the interest rate margin; and
- As it changes the value of the earning assets; or putting it in another perspective, as it changes the value-at-risk of earning assets.

The strategy for controlling Bank's market risk involves:

- Investing surplus funds in other banks and financial institutions;
- Stringent control and limits;
- Timely Review of loan and deposit pricing;
- Regular independent review of all controls and limits; and
- Rigorous testing and auditing of all pricing, trading, risk management and accounting systems.

Market risk analysis is focused on the contemplated term of borrowing, which is then expressed by the rate offers of the Bond or Promissory Note buyers. In line with the term structure of interest rate defined by the financial market (investors or lenders), the bank further consider the impact of such rates to its overall cost of funds. To achieve this, the banks determines a benchmark on its weighted average cost of funds and stress this benchmark by simulating different rate levels which the market may tender, when the bank makes its offering.

In relation to overall cost of borrowings, the bank re-calibrates its interest rate margin, which is the difference between the average interest yield of earning assets and the projected weighted average cost of funds. To cure the probable risk on margins, the bank uses the reference curve approach where the durated term of groups of earning assets is matched with the durated term of group of fund sources. By matching the durated term and yield of earning assets with specific durated term and cost of borrowings, the target margin is often achieved under normal conditions. While the bank's assets are of longer term maturities, they are repriced after a certain period thereby enabling the bank to change its pricing structure and protecting its target interest margins.

Fiji Development Bank and its subsidiary company
Notes to and forming part of the financial statements
For the year ended 30 June, 2013. (continued)

25 RISK MANAGEMENT POLICY (continued)

Market risk (continued)

The volatility of market interest rates impacts the value of the bank's earning assets (also known as value-at-risk). While loan assets carry a repricing provision, they are committed for a fixed and long term, thereby making the asset structure immobile for probable contraction when warranted.

Given these conditionalities, the bank forecasts the probable market interest rates and measures its value-at-risk on its assets under the forecasted conditions. Historical V-a-R is used to determine the relative depletion of asset value at existing conditions. Forecasted V-a-R is then computed base on simulated conditions, integrating thereto the other risk variables that would impact the value at risk.

The value-at-risk is analyzed base on "likelihood to happen" (very low, low, medium, high and very high) and the respective consequences of each likelihood which is then measured in terms of probable losses (dollar values – quantitative; and reputational impact - qualitative).

Sensitivity Analysis

Market risk sensitivity due to $\pm 2.50\%$ fluctuation in weighted average lending rate

	As at June 2013	Increase in Lending Rate (+2.50%)	Decrease in Lending Rate (-2.50%)
Weighted average lending rate (%)	6.54	-	-
Interest income (\$)	27,324,273	8,685,117	(8,685,117)
Impact on Profit/(loss) (\$)	4,134,624	8,685,117	(8,685,117)

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk.

The Business & Risk Services Division, through its Portfolio Management Process & Procedure Unit develops the policies governing the operations of the Bank. The Internal Audit Department oversees the implementation of these policies and procedures across the organization. A more recent development is the application of Risk Base Audit in contrast with the traditional audit approach where compliance is the focus.

Most operational risks are best managed within the departments in which they arise. However, overall planning, coordination, and monitoring should be provided by a centralized operational risk management department. This should closely coordinate with market risk and credit risk management departments within an overall enterprise risk management framework.

Fiji Development Bank and its subsidiary company
Notes to and forming part of the financial statements
For the year ended 30 June, 2013. (continued)

25 RISK MANAGEMENT POLICY (continued)
LIQUIDITY RISK MANAGEMENT (continued)

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.

2013	CONSOLIDATED						
	At call	1 day to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Specific provision	Total
Assets	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investments held to maturity	2,000	61	185	985	932	-	4,163
Cash	42,200	-	-	-	-	-	42,200
Loans	5,381	4,499	119,603	199,249	18,673	(21,692)	325,713
Total	49,581	4,560	119,788	200,234	19,605	(21,692)	372,076
<i>Liabilities</i>							
Other Liabilities	9,055	-	-	-	-	-	9,055
Accounts Payables	2,891	-	-	-	-	-	2,891
Borrowings	-	31,000	33,451	137,510	3,000	-	204,961
Total	11,946	31,000	33,451	137,510	3,000	-	216,907
2012							
Assets							
Investments held to maturity	2,000	61	185	985	1,178	-	4,409
Cash	53,622	-	-	-	-	-	53,622
Loans	42,335	29,940	10,719	93,806	147,714	(21,444)	303,070
Total	97,957	30,001	10,904	94,791	148,892	(21,444)	361,101
<i>Liabilities</i>							
Other Liabilities	8,872	-	-	-	-	-	8,872
Accounts Payables	3,790	-	-	-	-	-	3,790
Borrowings	1,068	29,472	63,486	106,852	3,000	-	203,878
Total	13,730	29,472	63,486	106,852	3,000	-	216,540

Fiji Development Bank and its subsidiary company
 Notes to and forming part of the financial statements
 For the year ended 30 June, 2013. (continued)

25 RISK MANAGEMENT POLICY (continued)	2013 \$	THE BANK 2012 \$
Impaired and Past-Due Assets		
Non-accrual loans without individual assessed allowance		
Gross	7,311,629	9,811,113
Less: suspended debt	(1,205,842)	(1,170,862)
Net non-accrual loans without individual assessed allowance	<u>6,105,787</u>	<u>8,640,251</u>
Non-accrual loans with individual assessed allowance		
Gross	58,135,179	57,814,554
Less: suspended debt	(16,942,777)	(16,502,177)
	41,192,402	41,312,377
Less: individual assessed allowance	(21,406,666)	(20,859,199)
Net non-accrual loans with individual assessed allowance	<u>19,785,736</u>	<u>20,453,178</u>
Restructured loans without individual assessed allowance		
Gross	15,791	154,941
Less: suspended debt	(445)	(27,980)
Net restructured loans without individual assessed allowance	<u>15,346</u>	<u>126,961</u>
Restructured loans with individual assessed allowance		
Gross	610,370	268,078
Less: suspended debt	(125,405)	(81,508)
	484,965	186,570
Less: individual assessed allowance	(115,559)	(90,900)
Net restructured loans with individual assessed allowance	<u>369,406</u>	<u>95,670</u>
Other impaired loans		
Gross	425,286	957,834
Less: suspended debt	(9,023)	(4,310)
Net other classified loans	<u>416,263</u>	<u>953,524</u>
Total impaired and past-due loans	<u>26,692,538</u>	<u>30,269,585</u>
Past-due loans		
Gross	50,494,003	52,172,543
Less: suspended debt	(16,228,285)	(15,954,201)
Total past-due loans	<u>34,265,718</u>	<u>36,218,342</u>

Fiji Development Bank and its subsidiary company
Notes to and forming part of the financial statements
For the year ended 30 June, 2013. (continued)

26 NOTES TO THE STATEMENT OF CASH FLOWS

(i) Reconciliation of cash

For the purpose of the statement of cash flows, cash includes cash at bank and on hand and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the Group in the management of its short-term commitments.

	CONSOLIDATED		THE BANK	
	2013 \$	2012 \$	2013 \$	2012 \$
Cash	<u>42,217,806</u>	<u>53,638,475</u>	<u>42,200,367</u>	<u>53,621,755</u>

27 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.

28 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.

29 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.

30 SUBSEQUENT EVENTS

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



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