

your partner in progress

2014 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 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 as a licensed credit institution.

ABOUT US

The Fiji Development Bank was established under the Fiji Development Bank Act (Cap 214) on 1 July, 1967. FDB 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 Fiji government also uses FDB as a financial vehicle 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, FDB has the challenging task of matching its competitiveness level with that in the banking and finance sector.

The Bank plays a significant role in helping develop the various economic sectors of the country. It believes in a strong corporate social programme which it undertakes through Money \$mart and Invest \$mart (a financial literacy programme in all Fiji secondary schools) as well as the annual Small Business Awards which has been upgraded and renamed the FDB Small & Medium Enterprise Award.

CONTENTS

4	Letter to the Minister of Finance
5	Executive Report
7	Organigram
8	Board of Directors
11	Corporate Governance
15	Executive Management
16	Financial Year in Review
22	Operational Review
27	Human Resource & Training
28	Risk Management
32	Corporate Social Responsibility
34	Financial Report

CHAIRMAN'S LETTER



your partner in progress

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

16 February, 2015.

Mr. Aiyaz Sayed-Khaiyum
The Minister of Finance,
Attorney General and Minister for Justice Public Enterprises and Public Service,
Ro Lalabalavu House,
SUVA.

Dear Sir

RE: 2014 ANNUAL REPORT

On behalf of the Board members of the Fiji Development Bank, I have much pleasure in submitting the annual report and accounts for the Fiji Development Bank for the financial year ending 30 June, 2014.

Despite the challenging economic conditions, the Bank had an improved overall performance for the 2014 financial year with a net profit of \$4.89MM which was an increase of 18.20 percent in comparison to the 2013 financial year.

On the other hand, the Bank's total portfolio reduced by 2 percent from \$347MM in June 2013 to \$339MM in June 2014 which was triggered by the 10 percent shortfall in the Bank's disbursement target coupled with the \$44.8MM loss through exiting customers. Restoration of investor confidence following the general elections should provide the needed impetus for more business in the new 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,

Robert G. Lyon
CHAIRMAN

EXECUTIVE REPORT

The 2014 financial year began with cautious optimism with regard to how the economy was going to respond leading up to the general elections of September 2014.



The financial period stated for the purpose of this annual report is 1 July, 2013 to 30th June 2014. For ease of reference, the financial year is noted as 2014.

Beyond our Borders

The 2014 financial year began with cautious optimism with regard to how the economy was going to respond leading up to the general elections of September 2014. Stakeholders and entrepreneur's alike waited with abated breath for the outcome of Fiji's move towards democracy after a seven year sabbatical. The national political landscape has always had a direct impact on the countries' economic performance.

According to projections from the Reserve Bank of Fiji, the economy is expected to grow by 3.8 percent during the financial year. This was due to forecasted growth in the construction; manufacturing; wholesale & retail trade; transport & storage; agriculture and information & communication sectors.

On the world stage, as the financial year drew to an end, the global economy was gradually turning the corner off the Great Recession. The global economy reached a critical juncture; emerging from the greatest financial crisis in almost a hundred years. Recovery was gaining momentum and global financial stability was improving, however, the level of growth was still too low for comfort.

Growth was the strongest in the United States, supported by robust private demand and easing financial conditions, setting the stage for normalisation of monetary policy.

In Europe, greatly reduced tail risks due to the implementation of policies at the national and regional levels and the return of growth in almost all countries led to substantial improvements in market confidence for the region.

Closer to home, the Australian economy registered strong pace of growth due to strong resource exports and increased home building on the back of record-low interest rates. According to RBF, the New Zealand economy expanded by 1.0 percent in the March quarter unchanged from the previous quarter. The construction sector posted the highest growth in 14 years.

Improvements on the home-front

Consumption activity remained firm during the financial year as indicated by the increase in net Value Added Tax (VAT) collections which rose by 6.4 percent. Similarly, new commercial bank lending for consumption purposes rose by 28.0 percent to \$316.0MM, underpinned by higher lending to the wholesale, retail, hotels & restaurants sector. Additionally, imports of consumption goods rose by 15.6 percent on an annual basis cumulative to May 2014.

Higher consumption activity is consistent with improvements noted in the labour market, increased individual incomes as indicated by annual increases in pay as you earn tax collections (20.0 percent) as well as higher inward remittances (14.2 percent) in the year to June.

Foreign reserves were \$1,679.1MM at the end of June, sufficient to cover 4.5 months of retained imports of goods and non-factor services. Total foreign reserves were comfortable at \$1.8billion at the end of 2013 whilst inflation was at 3.4 percent.

Sectoral performances during the 2014 FY was broadly positive with an increase in visitor arrivals by 4.0 percent, sugar by 27,325 tonnes of sugar, representing an annual increase of 67.7 percent. The timber industry continued to perform positively in the second quarter of 2014. The positive outcome is consistent with higher demand from Fiji's two main woodchip markets Japan and China.

Investment activity noted positive outcomes during the financial year. Domestic cement sales, a partial indicator for construction activity grew by an annual 15.2 percent while imports of investment goods increased by 15.2 percent on an annual basis. Similarly, new investment lending increased by 6.9 percent to \$133.3MM.

Commercial banks' aggregated liquidity levels remained satisfactory during the financial year. Liquid assets were sufficient to meet short term liabilities, despite a decline of \$107.9MM over the last quarter to \$1.3billion. Liquid assets of commercial banks continued to be assessed as adequate to meet expected and unexpected demands for cash, with the liquid assets to total assets ratio recorded at 20.3 percent.

Our Business

The Bank had an improved overall performance for the 2014 Financial Year with a net profit of \$4.89MM which was an increase of 18.20 percent in comparison to 2013 financial year. This profit is the highest profit margin for the Bank since 2007. The net profit also represented a return on average assets (ROA) of 1.42 percent - up from 1.18 percent in 2013 and a return on average equity (ROE) of 3.94 percent - up from 3.48 percent in 2013.

Interest income for the year was \$25.54MM compared to \$27.33MM last financial year. The major contributing factor to the decrease was the rigid market competition which resulted in reduction of the Bank's overall portfolio.

FDB set aside \$8.33MM for future credit impairment. This was a decline of 11.3 percent over the 2013 financial year due to write-offs of a few major non-performing accounts.

Our Risks

The Fiji Development Bank recognises that as a development financier, the Bank's core business often sits square in the middle of the high risk areas. Commercial development is frequently disrupted by natural disasters and political instability. This is especially true for the projected growth in the tourism sector as well as the agricultural sector.

However, the Bank is confident that its prudent risk management strategies, will help ensure that the Bank remains sustainable. The Bank's risk tolerance and risk appetite is set out by the Board in consultations with the Executive Committee.

The major challenge for the Bank is to remain competitive in a crowded Banking sector. There are six commercial banks in Fiji with Home Finance Company being the latest addition in early 2014. Competition is high given the competitive interest rates other Banks offer and their high lending capacity.

Positive projections from the Asian Development Bank indicate a greater government capital expenditure, higher remittance income, and improved business confidence in the run-up to the elections held in September 2014. New lending for consumption increased by 72.8 percent and for investment by 11.3 percent. These trends have contributed to record growth in private sector investment, which is expected to reach 13.5 percent of the gross domestic product in 2014.

Our Customers

According to the Banks current customer service survey, the present profile of the FDB customer is an English speaking male over the age of 53, looking to engage in the Agricultural sector in either Suva or Rakiraki.

Providing the best customer service continues to be a priority for the Bank. This is in recognition of the fact that customers are the most important stakeholders.

Field visitations are an essential part of our lending service procedure. This ensures that we build a good relationship with our customers, rejoicing in their success and a source of financial advisory services during trying times.

There is also a complaints procedure in place where customers can lodge a written complaint directly to the CEO. These complaints are dealt directly by the CEO's office. To safeguard the interest of its clients, the Bank has strict guidelines in place to ensure client information and confidentiality is maintained at all times.

Our People

The 2014 FY was tagged the "Year of HR," as the Human Resources & Training Department ensured that all focus remain fixated on priority areas as mandated by the Bank's strategic plan, namely;

- *Employee Engagement &*
- *Learning and Growth.*

The Bank's training programs were reviewed and aligned accordingly to ensure that the core function of the business was fully supported. This also involved a more structured approach in terms of career development for all employees.

FDB continues to strive to be the "Employer of Choice". In this regard, the Bank is focussed on employee engagement initiatives and non-monetary schemes to engage and reward staff.

Going Forward

According to the Reserve Bank of Fiji, the economy is expected to grow by 3.8 percent with some advanced economies forecast to note better outcomes next year. The Asian Development Bank as a loftier forecast, where indicators suggest that growth will moderate slightly in 2015 to 4.0 percent as the economy navigates a transition in its growth drivers. Tourism is expected to continue to grow at a steady pace, while current sugar and gold prices will make it hard to maintain growth in these industries in the coming year.

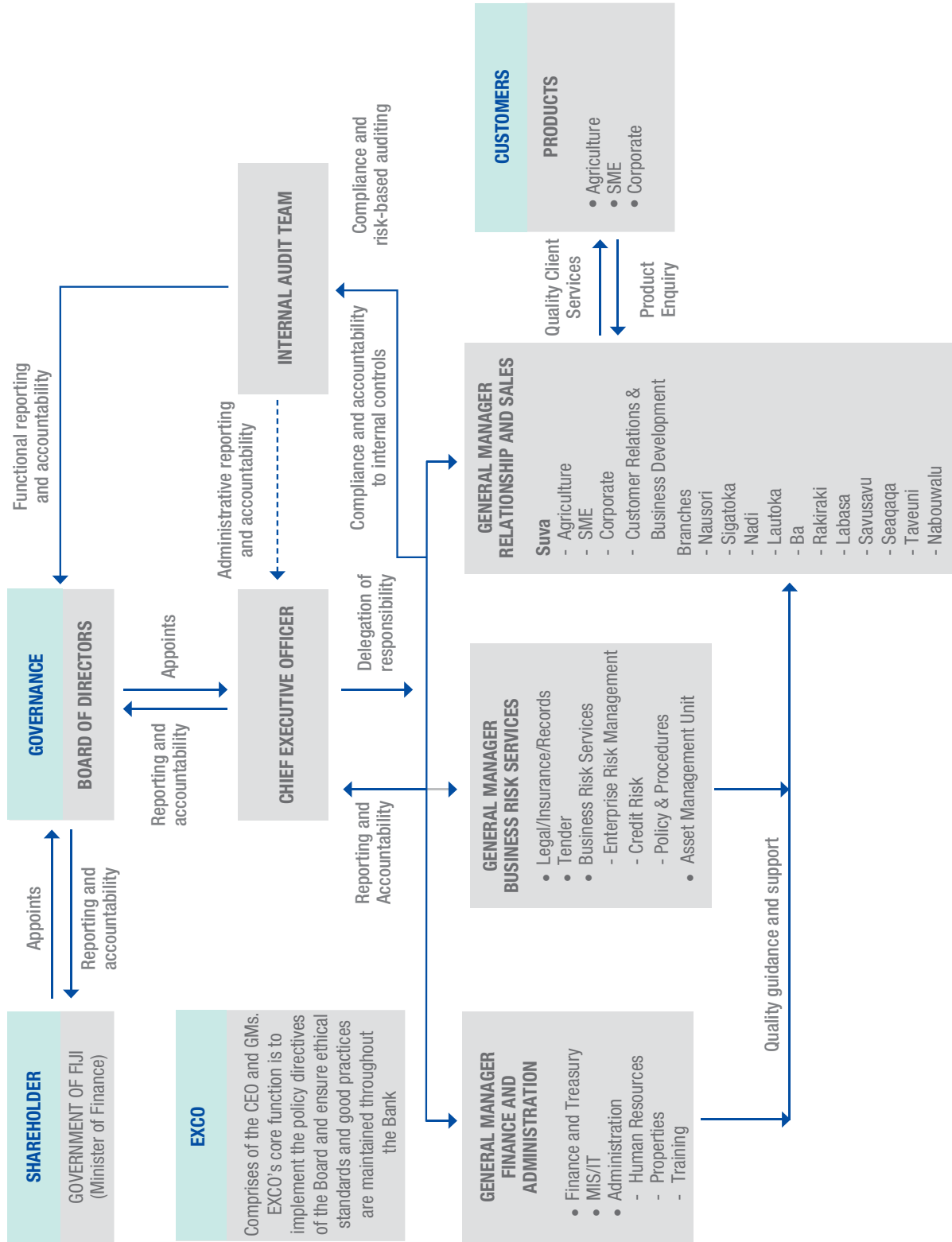
The central bank projects that the main sectors that can raise potential growth includes; Large scale/commercial agriculture/aquaculture; Mining; Manufacturing; Timber (value adding); Tourism; ICT and Business & Financial Services for Micro, Small & Medium Enterprises.

In the coming year we have refocused our goals to expand our product line. We hope to offer finance packages for climate change, green growth, and retirement and TVET graduates. The FDB believes banking is more than just profits and concentrates on creating larger socio-economic impact through its investment in economic sectors of prime importance. The Bank has pursued an active strategy to reach people who need it most and has been the first Bank in the country to open its branches in rural areas, with plans to open more sub-branches across the country. This is important to us.

By adopting strong development management programs, through compliance with national policies, the Bank reaffirms 48 years of commitment to development in Fiji.

2015 holds a lot of promise for the economy and the Fiji Development Bank is well positioned to continue to play the key role in the progress of our great nation.

FIJI DEVELOPMENT BANK ORGANIGRAM



BOARD OF DIRECTORS



Mr. Robert G. Lyon
 Chairman (Appointed August 2010)

Bob Lyon is one of the most experienced and respected business leaders in the South Pacific. Bob spent over 43 years with ANZ. He worked extensively in the Asia Pacific region including 12 years as Managing Director Pacific, during which time he also looked after ANZ’s retail operations in Asia.

Bob has held numerous Board positions including Chairman of FINTEL/Kidanet, Chairman of Melbourne City Marketing, Board member of Melbourne Chamber of Commerce, Pacific Economic Bulletin, APNGBC and APIBC. Bob spent 14 years with the AFBC and was President for 5 years. He currently Chairs the Fiji Development Bank, Foundation for Development Cooperation, Sunergise Group, and Kula Fund Investment Board.

Bob holds a Graduate Diploma in Organisation Development from RMIT University and is a Fellow of the Australian Human Resources Institute, Fellow Australian Institute of Company Directors, and a Senior Fellow of the Financial Services Institute of Australasia.

In 2005 he was awarded the 30th Independence Anniversary Commemorative Medal by the PNG Government for services to the banking industry. Bob also holds a chiefly title from Samoa.

Bob and his wife live in Fiji.



Mr. Jitoko Tikolevu
 Deputy 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 Masters of Commerce in Taxation (honours) from the University of Auckland (New Zealand). He is also the Board Deputy Chairman for Investment Fiji.

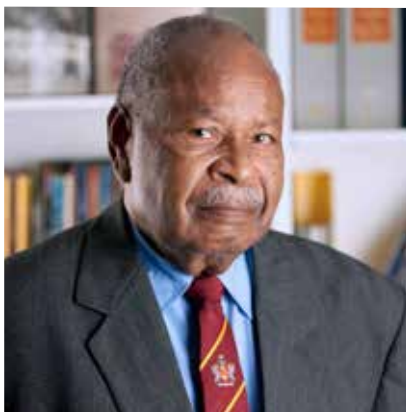


Ms. Olivia Mavoia
 Director

(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 the tourism industry and holds a Postgraduate Diploma in Business Administration from Central Queensland University (Australia).

BOARD OF DIRECTORS

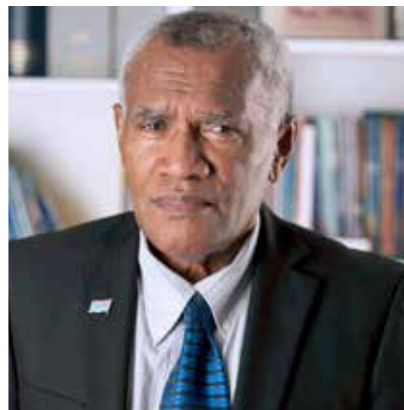


Mr. Joseva Serulagilagi

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 as a territorial as well as Regular Forces Officer with the Fiji Military Forces since 1974.



Mr. Isikeli Tikoduadua

Director

(Appointed January 2010 - Resigned March 2014)

Mr. Tikoduadua is the Chief Executive Officer for Home Finance Company. He holds a Master's 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 from USP. Mr. Ligairi is a Career Agriculturalist having spent the last thirty two years working at the Ministry Of Agriculture.

The Fiji Development Bank supported the 4FJ campaign this past year, which asks people from all walks of life in Fiji to promote sustainable fishing by foregoing eating kawakawa and donu during their peak spawning months, June through September. That way the fish could restock Fiji's reefs and better support food and income needs of communities.

Photo credit: Photo courtesy McKenzie falla

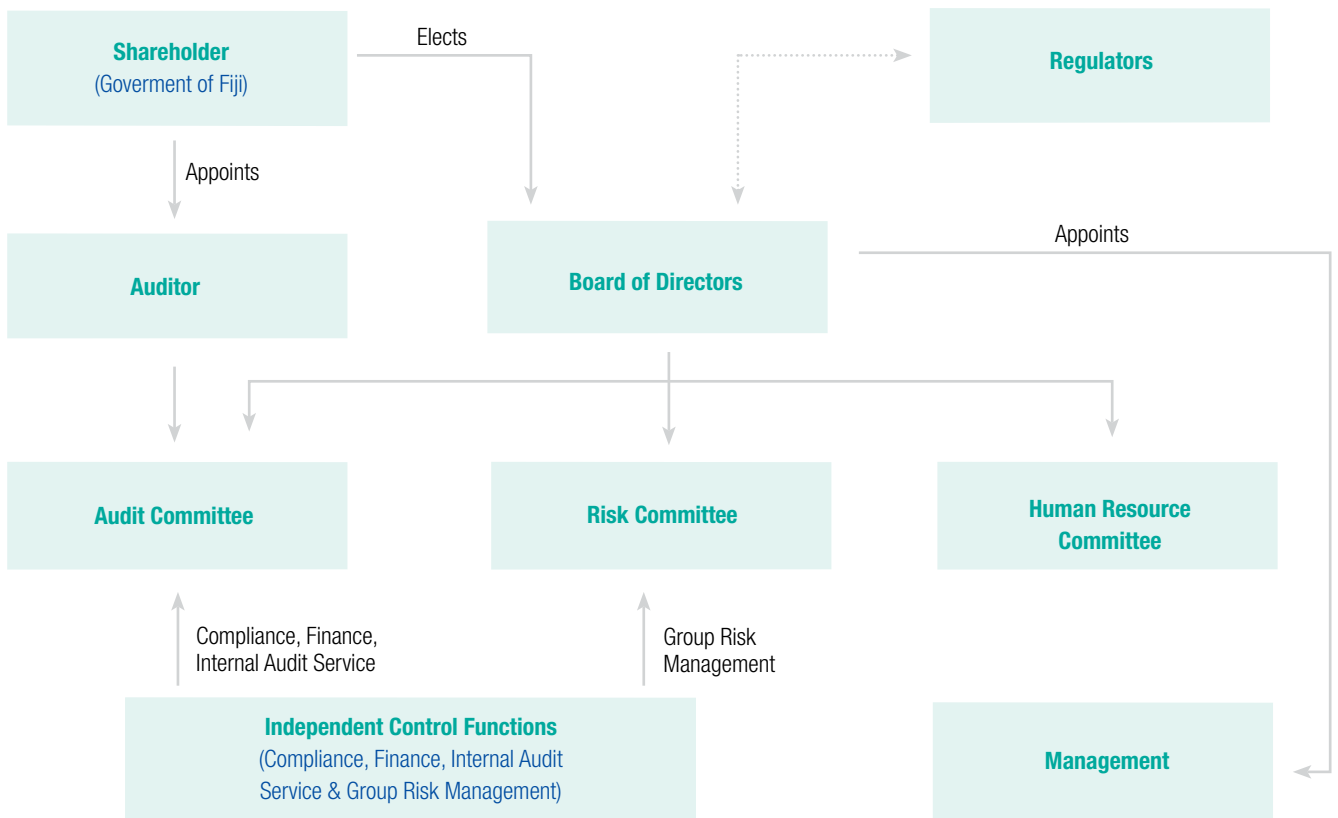


CORPORATE GOVERNANCE

The Fiji Development Bank's corporate governance framework plays a key role in supporting the Bank's business operations. The Bank recognises the importance of good corporate governance principles and strongly believes that the practices of good corporate governance and transparency in operating the business by the Board, Executives and Staff at all level will be a key to the Bank's success.

Corporate governance provides clear guidance on how authority is exercised within the Bank. Our approach to corporate governance is based on a set of values and behaviours that underpin accountability, provide transparency and fair dealing, and seeks to protect stakeholder interests which include a commitment to excellence in governance standards.

The fundamental relationship among the Board, Management, Shareholder and other stakeholders is established by our governance structure, illustrated below, through which the ethical value and corporate objectives are set and plans for achieving those objectives and monitoring performance are determined.



Being a responsible business is integral to our success and that of the customers, clients, shareholder and communities around the country. Corporate responsibility is embedded in our values and informs how we conduct business, develop products and services and deliver our goals and commitment.

The Board

Under the Fiji Development Bank Act, the Minister of Finance appoints the directors of the Board for a period of three years and Board members are eligible for reappointment. The Board has the overall responsibility of Fiji Development Banks success. Its role is to exercise leadership and judgement in directing the Bank to achieve sustainable growth in the best interest of its stakeholders.

The responsibilities of the Board include:

- Over sight of the Bank’s strategic direction
- Approving major capital projects, investments and divestments
- Exercising objective judgment on the Bank’s business affairs independent from Management;
- Ensuring that appropriate governance structure policies and procedures are in place;
- Ensuring the effectiveness of the Bank’s internal control;
- Approving annual budget and annual financial results;
- Approving the senior management structure, responsibilities and succession plan.

Chairman

The Minister of Finance elects one of the Directors as Chairman, whose primary responsibility includes leading the Board by upholding and promoting high standards of integrity and probity.

Deputy Chairman

The Deputy Chairman is responsible for chairing the Board meetings when the Chairman is unable to do so and undertake additional matters on the Chairman’s behalf as requested by the Chairman.

Chief Executive Officer

The Board appoints the Chief Executive Officer (CEO) and reviews his performance. On the recommendation of the CEO, the Board appoints the General Managers of the

Bank. The CEO’s role includes leadership of the Management team, developing strategic objectives for the business and the day to day management of the Bank’s operation.

Board Meetings

The Board meets every second month 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 Ministry of Finance. Special Board is conveyed when necessary. There was only one special Board meeting during the year attended by Mr. Robert G Lyon, Mr. Jitoko Tikolevu, Ms Olivia Mavoia and Mr. Ropate Ligairi. The Secretary is responsible for setting the agenda for each meeting and ensures that the Board is provided with all relevant papers at least five days prior to the meeting.

	Date of Appointment	Meetings Attended
Robert G Lyon - Chairman (Reappointed)	September 2013	5/6
Jitoko Tikolevu – Deputy Chairman (Reappointed)	September 2013	4/6
Members:		
Isikeli Tikoduadua (Resigned)	January 2010	2/6
Manasa Vaniqi	September 2011	4/6
Joseva Serulagilagi	September 2011	4/6
Olivia Mavoia (Reappointed)	January 2014	5/6
Ropate Ligairi	February 2013	6/6

Board Sub Committees

The Board is supported in its role by three Board Sub-Committee(s). Members are chosen for the skills and experience that they can contribute to respective Board Sub-Committee(s). Appropriate structures for these delegations are in place, accompanied by monitoring and reporting systems to ensure transparency and efficiency. These committees are authorized to make decisions in accordance with their delegated powers. Each sub-committee acts within a term of reference. The Board of FDB has established three sub-committees which includes the Audit Committee, Human Resource Committee and Risk Committee.

Audit Committee



- Oversees the financial reporting and disclosure process
- Monitoring choice of accounting policies and principles.
- Oversees the hiring, performance and independence of the external auditors.
- Oversight of regulatory compliance, ethics and whistle-blower hotlines.
- Monitoring internal control process

BOARD AUDIT SUB-COMMITTEE MEETINGS-2014

Member	No. of Meeting Held	No. of Meeting Attended
Jitoko Tikolevu - Chairman	2	1
Olivia Mavoia	2	2
Robert G Lyon	2	2

Risk Committee



- Reviews and monitors implementation of the risk policy and plan.
- Ensures that an appropriate enterprise-wide risk management system is in place with adequate and effective processes that includes strategy, ethics, operations, reporting, compliance and sustainability.

BOARD CREDIT RISK SUB-COMMITTEE MEETINGS-2014

Member	No. of Meeting Held	No. of Meeting Attended
R. G Lyon - Chairman	1	1
Isikeli Tikoduadua	1	1
Ropate Ligairi	1	1

While the Board Risk Committee met only once during the financial year, there were 9 flying papers for the matters requiring Board approval. The flying papers were later ratified in the Board sittings during the financial year.

Human Resource Committee



- Ensures that necessary policies and processes are in place under which all the employees are fairly and competitively rewarded.

BOARD HUMAN RESOURCES SUB-COMMITTEE MEETINGS-2014

Member	No. of Meeting Held	No. of Meeting Attended
J. Serulagilagi - Chairman	2	1
Robert G Lyon	2	1
Manasa Vaniqi	2	2
Olivia Mavo	2	2

MANAGEMENT

Executive Committee (EXCO)

The Executive Committee of the Bank is chaired by the Chief Executive Officer (CEO) and the members of the Committee. They are the General Manager Business Risk Services, General Manager Relationship & Sales, General Manager Human Resource and Training and the General Manager Finance & Administration. EXCO meets at least once every fortnight to review and make operational decisions.

The Committee is responsible for managing the Bank's operations, developing strategy and policy proposal for the Boards consideration and implementation of the Board's directives.

The Committee's other responsibilities include:

- Leading executive management and employees;
- Developing the annual budget and business plans for Boards approval
- Developing, implementing and monitoring policies and procedures, internal controls, governance, risk management, ethics and authority levels.

CONFLICT OF INTEREST

The Bank gives a high degree of importance to the fair, prudent and transparent approach to the conflict of interest issues of the Bank. The Bank completely and timely discloses any such transactions, and encourages the Directors, Executives and the Staff at all levels to recognise the importance of and avoid violating the regulatory rules concerning the conflict of interest.

The Bank takes serious actions to prevent the misuse of customer information and ensures that secrecy by the Bank or its employees are maintained every time for doing business with rival customers.

As such, the Directors, Executives and the Staff at all level 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 duties to the Bank.

LEGISLATIVE AND REGULATORY COMPLIANCE

Internal Audit

The Bank gives priority to internal control

system at both management and operational level to ensure the benefits to customers and the Bank is properly protected. The Bank has consistently evaluated the adequacy of internal control system. The Board of Directors has assigned an Audit Committee to review and ensure that the Bank has proper internal control and internal audit system and conforms to the corporate policy, rules and guidelines, as well as the relevant laws and regulations.

The Internal Audit team is responsible for review and evaluation of the Bank's internal control and reporting of the results to the Audit Committee. Its operations are guided by an internal audit charter.

The audit team monitors the operations of the Bank and determines its compliance with the internal controls systems and procedures. The team ensures a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Internal Audit team also investigates fraud cases and cases referred under the Bank's Whistle blower policy and reports to Management and Audit Committee.

The audit team reports directly to the Board Audit Committee.

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 and unbiased assessment of the Bank's internal governance and financial health.

Reserve Bank of Fiji's Prudential Supervision

The Bank ensures compliance with the Banking and Supervision Act of the Reserve Bank of Fiji, as part of RBF's prudential supervision requirements. This includes analysis of prudential returns that is periodically submitted to the RBF.

The Bank on a monthly and quarterly basis submits reports to RBF as per its requirement, ensuring the transparency of information to the public.

STAKEHOLDERS

Employees

The Fiji Development Bank continues to up skill staff to optimise benefit to the Bank. It is committed to building a favorable working environment with a positive organisational culture. This ensures good career path and suitable compensation. This in turn creates a formidable team spirit.

All employees are required to comply with the Bank’s policies and procedures whilst performing their day to day duties.

Any non-compliance and non-performance is dealt with in accordance with the set procedures in the Collective Agreement with the Fiji Finance and Banking Employees Union and the General Instructions of the Bank.

The Bank has strict guidelines for employees to ensure client data confidentiality is maintained at all times.

Customers

The Bank is committed to provide a variety of Banking services and products that respond

well to the customers’ needs. In recognising our customers as our most valuable stakeholder, the Bank strives to maintain the utmost level of customer service.

The Bank has a Complaints Management policy where customers can lodge a written complaint directly to the CEO, should they feel that they have not been treated fairly. These complaints are dealt directly by the CEO’s Office. This allows complaints to be addressed promptly and satisfactorily, and resolved within 5 working days.

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

Community

Being a responsible business is integral to the Banks success and that of the customers, clients, shareholder, and communities. The Banks corporate governance practises are just part of its commitment to operating a strong, ethical and responsible business. As a result, corporate social responsibility is embedded

in our values and informs how we conduct business, develop products and services and deliver on our goals and commitment.

The Bank believes that education is crucial to the development and prosperity of the country and that it has a responsibility to educate the wider community on the benefits of better financial planning and financial management. The Bank currently supports financial literacy programmes in all secondary schools in Fiji through its Money \$mart program, which has initiated an attitude change towards budgeting, saving and financial planning amongst young people.

In addition to Money \$mart, the Bank also promotes the value of small businesses to the national economy through the 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 Master's 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.



Mr. Uraia Rasake
General Manager Human Resources & Training

Mr. Rasake is a certified Starwood Leadership, Service Culture and Brand Trainer which was attained at the Starwood Cares Leadership University (SCLU), Australia. He also holds a Human Resource Advance Certificate from the Starwood Cares Leadership University, USA and an Occupational Health & Safety Certificate from Ballarat University, Australia and is a continuing student at USP pursuing his MBA program. Prior to taking up his appointment at FDB, he held the position of Regional (Pacific) Human Resource Director at the Warwick International Hotels and prior to that he was the Director of Human Resources Sheraton and Westin Resorts, Fiji.

FINANCIAL YEAR IN REVIEW

PROFITABILITY

Amid the competitive environment, the Bank achieved a net profit \$4.89MM for the financial year ending June 2014. This was an increase of 18.20 percent over the year despite the challenges the Bank faced with the declining market lending rates and debt refinancing by a number of customers. The Bank managed to overcome these challenges by reducing its borrowing costs by \$2.34MM when compared to the previous year. The reduction in borrowing cost absorbed the loss in revenue thus resulting in an overall profit.

REVENUE

Interest income from loans and advances make up the largest component of the Banks total income. A decline of 6.54 percent was noted in interest income over the year due to stiff market competition and declining portfolio levels.

A decline was also noted in the Bank’s other sources of revenue including fees and bad debts recovered. Like interest income, fee income was also affected by the declining portfolio levels while reduction in bad debts recovered is largely attributed to litigation challenges.

EXPENDITURE

Borrowing Costs

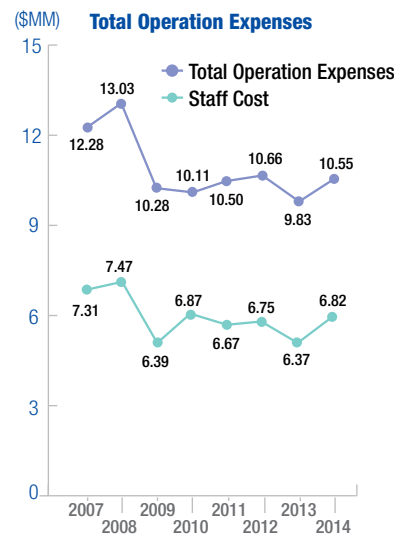
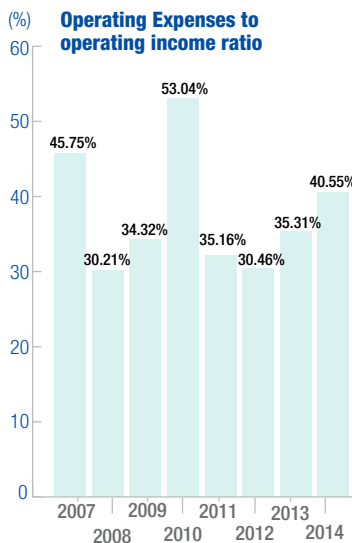
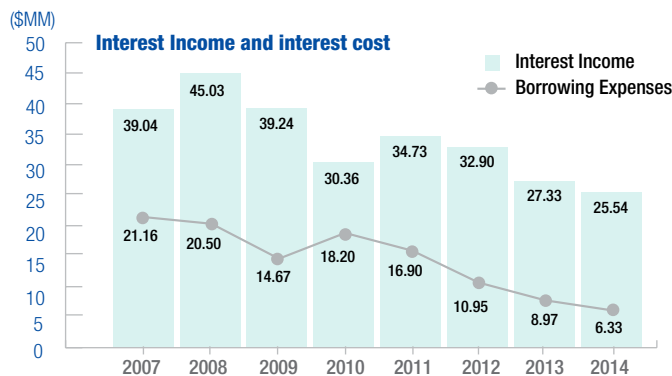
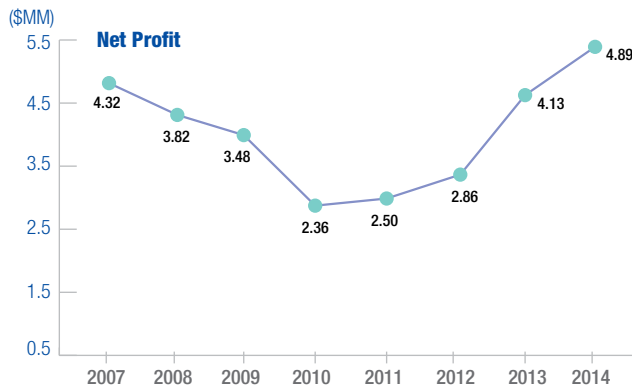
The Bank incurred a total of \$6.33MM in borrowing costs during the year, noting a substantial decline of 27.02 percent from \$8.67MM in 2013. This was underpinned by declining market interest rates which enabled the Bank to acquire funds at lower interest rates during the year.

Administrative Costs

Total operating costs during the 2014 financial year amounted to \$10.55MM, an increase of \$0.72MM (7.32 percent) from \$9.83MM in 2013. This comprises of total staff costs, fleet costs and other operating costs.

Total salary costs increased from \$6.37MM to \$6.82MM largely due to merit and bonus payouts and a market adjustment of 2.50 percent in staff remuneration.

The FDB Market Day was also introduced as an avenue for the Bank’s clients to increase their income from the sale of their fresh produce in a setting that is festive and less competitive. The event also gives the Bank’s clients the opportunity to establish business relations with the customers and other clients. The full cost of the event was borne by the Bank. Renovations to the Banks head office building also contributed to the increase in the Bank’s administrative expenses.



Allowance for Credit Impairment

An allowance for credit impairment of \$8.38MM was created to accommodate for future credit losses. There was a decline of 10.70 percent over the financial year due to write-off of a few major non-performing accounts and improvements noted in the Troubled and Impaired Assets (TIA) portfolio. The TIA portfolio declined to \$60.72MM from

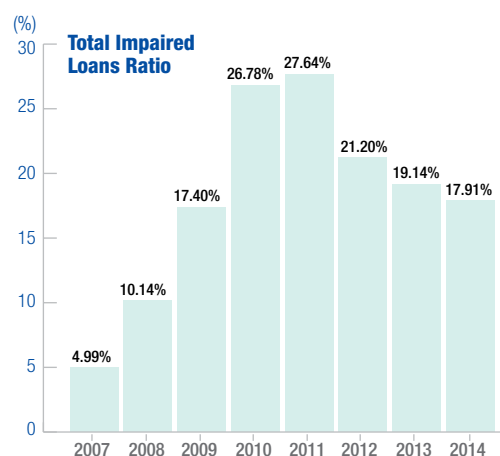
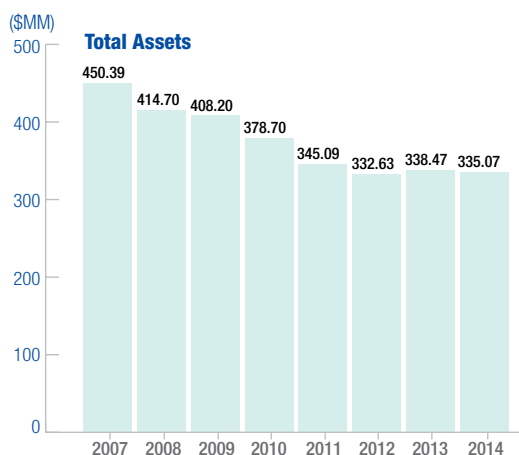
\$66.50MM. This represented 17.91 percent of the total loans portfolio.

ASSET STRUCTURE

As at June 2014, the Banks total asset amounted to \$335.07MM, a decline of 1.00 percent in comparison to 2013. Total loans and advances, the principal asset category, declined by 4.24 percent due to loss of customers to other Financial Institutions.



Asset structure	SMM			
	2014	Composition (%)	2013	Composition (%)
Cash	52.04	15.53	44.20	13.06
Amounts due from subsidiary	0.32	0.10	0.20	0.06
Loans and advances	265.20	79.15	276.95	81.82
Other Debtors	1.59	0.47	1.58	0.47
Property, plant & equipment	15.81	4.72	15.43	4.56
Intangibles	0.06	0.02	0.04	0.01
Investments (incl. subsidiary)	0.04	0.01	0.04	0.01
Land held for resale	0.00	0.00	0.04	0.01
Noncurrent asset held for resale	0.00	0.00	0.00	0.00
Total	335.07	100.00	338.47	100.00



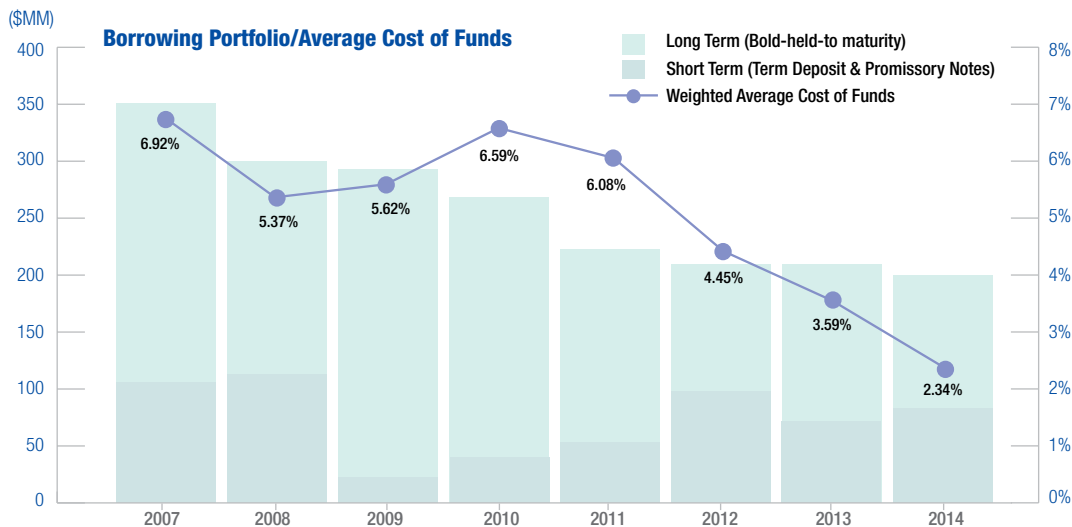
LIABILITY STRUCTURE

The Banks total liabilities for the 2014 financial year amounted to \$208.61MM. This was a

decrease of 3.83 percent (\$8.30MM) compared to the prior year. Bonds, the Banks largest liability component, declined significantly due

to early redemption of higher cost bonds during the year.

Liability Structure	SMM			
	2014	Composition (%)	2013	Composition (%)
Total Borrowings	198.01	94.92	204.96	94.49
Employee entitlements	1.07	0.51	1.58	0.73
Deferred income	1.29	0.62	1.64	0.76
Accounts payable and accruals	2.43	1.16	2.89	1.33
Other liabilities	5.82	2.79	5.84	2.69
Total	208.61	100.00	216.91	100.00



ICT OPERATIONS

The Bank continues to align its processes and systems for delivery of ICT services with industry best practises. The existing ICT platform of the Bank is geared towards using technology to gain efficiency, reducing operating costs, improving customer’s services and improving reporting in all areas of the Bank. The ICT Department is responsible for providing IT support to all centres and branches across Fiji.

During the year, development work continued on the Bank Management System (BMS), which is the main application software for provision of loans and advances. Major changes included migration of the BMS Database from SQL 2008 to SQL 2012. The BMS web application was also centralized to Head Office. This was previously replicated in other branches. Other changes were also done on BMS to ease the flow of information and to automate and reengineer certain tasks and processes that were previously performed manually.

The Bank also carried out major infrastructure changes to the hardware platform. This included redesigning and rebuilding of new domain structure, relocating physical servers in other branches, upgrading FDB operating environment to 64-bit architecture operating system, implementing backup rotation for mission-critical servers and updating security systems for data and infrastructure protection.

The Bank also improved on its ICT governance by implementing its new ICT manual which governs the use of all the Banks ICT services.

PROPERTY ADMINISTRATION

Repairs and Maintenance

The Bank is committed to providing and maintaining a safe and healthy working environment for its employees and customers. As such regular repair and maintenance programmes were carried out across all branches of the Bank. The Rakiraki & Sigatoka offices were extended and refurbished to maximise usage of space and to meet tenant and staffing requirements. In addition, necessary OHS, fire safety and waste management requirements were also adhered to.

Capital Expenditure

During the 2014 financial year, the Bank undertook two major capital projects at the main FDB building. This included construction of a VIP driveway and drop off area to accommodate foreign diplomats who are part of the Banks tenants and removal of the aged exterior facades/slabs to ensure building safety. The exteriors will be refurbished and

redesigned to ensure that the building is energy efficient and gives the Bank a new image.

Rental Income

Rental income from Bank owned properties as at June 2014 amounted to \$0.78MM, an increase of 21.86 percent over the last financial year. The increase is mainly due to two new tenants coming on board and also there was a review in rental rates for few tenants over the financial year.

	2013	2014
Total Rental Income	\$ 639,551	\$ 779,388
No. of Tenant	14	16

The Bank ensures that its rental property is maintained efficiently as incomes earned from rental of such properties are one of the contributing sources of income for the Bank.



Historical Performance	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Financial</i>											
Net profit(\$M)	0.45	1.91	5.35	4.32	3.82	3.48	2.36	2.50	2.86	4.13	4.89
Total Assets (\$M)	269.20	309.20	394.60	450.39	414.69	408.21	378.72	345.09	332.63	338.47	335.07
Total Assets / Equity (%)	3.28	3.68	4.41	4.72	4.17	3.77	3.42	3.05	2.87	2.78	2.65
Average Earning assets (AEA) (\$M)	282.70	302.90	359.80	421.10	446.24	438.97	435.61	381.55	330.70	351.22	342.99
Borrowing Cost/Average Earnings Asset (%)	4.88	4.01	3.92	6.92	5.37	5.62	6.59	6.08	3.31	2.47	1.85
Total Cost / AEA (%)	7.06	6.44	6.00	7.94	7.51	5.68	3.83	7.17	7.52	5.27	4.92
Profit (Loss) / Average Equity (%)	0.55	2.27	5.98	4.67	3.92	3.35	2.15	2.23	2.49	3.48	3.94
Long Term Debt : Equity	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	0.99:1
Interest Spread (%)	3.73	3.79	4.11	2.39	4.76	3.34	0.38	3.02	3.97	3.81	5.11
Earning Spread (%)	6.13	5.55	5.79	4.48	8.89	4.54	1.96	6.18	7.25	7.12	6.98
<i>Operating Efficiency</i>											
Staff Cost / AEA (%)	2.50	2.14	1.89	1.73	1.87	1.46	1.58	1.75	2.04	1.81	1.99
Total Income / AEA (%)	11.73	10.21	10.29	6.37	9.66	6.82	4.38	7.83	8.39	7.93	7.59
<i>Lending</i>											
Approvals (Number)	1,105	1,903	2,104	1,709	1,502	1,840	1,817	717	746	1,014	1,249
Approvals (\$M)	76.45	227.27	188.21	115.24	84.10	76.21	56.53	50.57	76.48	139.04	140.76
Loan Portfolio (Number)	4,372	5,588	5,888	5,251	5,989	5,987	6,435	5,258	4,536	4,071	3,843
Gross Loan Portfolio (\$M)	281.18	325.01	392.69	446.27	443.07	433.26	426.21	336.80	324.51	347.41	339.05
Growth in Loan Portfolio (%)	-0.46	15.59	20.79	13.64	-0.72	-2.21	1.63	-20.98	-3.65	7.06	-2.41
Arrears / Loan Portfolio (%)	7.42	4.32	1.32	1.20	2.54	6.88	19.41	15.24	12.98	12.40	12.90

FIJI DEVELOPMENT BANK'S MARKET SHARE						
	FDB (\$MM)	Commercial Banks (\$MM)	Credit Institutions (\$MM)	Fiji Total (\$MM)	FDB as a % of Fiji Total	
<i>Agriculture</i>	60.7	45.9	12.8	119.4	50.8	
Sugarcane Growing	7.5	0.4	0.6	8.51	88.1	
Forestry & Logging	12.3	8.9	7.9	29.1	42.3	
Others	40.9	22.8	4.3	68	60.1	
<i>Mining & Quarrying</i>	0.2	12.1	1.4	13.7	1.5	
<i>Manufacturing</i>	33.6	352.3	9.3	395.2	8.5	
Food, Beverages and Tobacco	18.4	67.7	0.2	86.3	21.3	
Textiles, Clothing and Footwear	0.9	59.1	0.9	60.9	1.5	
Metal Products and Machinery	0.1	31.2	1.9	33.2	0.3	
Others	14.2	194.3	6.3	214.8	6.6	
<i>Building and Construction</i>	48	324.8	31.1	403.9	11.9	
<i>Real Estate (Development)</i>	63	485.9	1	549.9	11.5	
<i>Non-Bank Financial Institutions</i>	0	3.3	-	3.3		
<i>Public Enterprises</i>	20.1	100.7	0.7	121.5	16.5	
<i>Wholesale, Retail, Hotels and Restaurants</i>	38.6	1073.2	21.9	1,133.70	3.4	
<i>Hotels and Restaurants</i>	27.8	349.4	7.8	385	7.2	
Other Commercial Advances	10.8	723.8	14.1	748.7	1.4	
<i>Transport, Communications and Storage</i>	16.4	212.2	60.7	289.3	5.7	
<i>Electricity, Gas & Water</i>	21.5	233.7	0.4	255.6	8.4	
<i>Professional Business Services</i>	3.1	103.4	7.6	114.1	2.7	
<i>Private Individuals</i>	27.3	1234.4	35.6	1,297.30	2.1	
Housing	25.9	885	-	910.9	2.8	
Car or Personal Individual Transport	0.1	58.5	-	58.6	0.2	
Others	1.2	290.9	-	292.1	0.4	
<i>Central and Local Government</i>	3.1	20.2	0.2	23.5	13.2	
<i>Other Sectors</i>	3.3	272.8	11.4	287.5	1.1	
TOTAL	338.9	4,475	194.1	5,007.90	6.7	

NOTE: Fiji total refers to total loans and leases advances outstanding by all Commercial Banks, Licensed Credit Institutions and the Fiji Development Bank as at 30 June 2014.

RAVIN IS BEST GINGER FARMER

Ravin Vikash, 34, may be new to the ginger industry, but he sure is making his presence felt and he plans to continue with this trend in what is becoming a lucrative industry.

“I only started farming on a commercial scale in 2011 when I took over my father’s 10 acre lease in Lomaivuna. The lease is from the landowners of Navolau village. It was a really difficult start for me having to secure the lease under my name as this is a long process however, I grew up in this area and so I know the rewards of hard work as a farmer,” Ravin said.

Ravin was educated at Lomaivuna Secondary School up to sixth form before pursuing a Certificate in Automotive Engineering from the Fiji Institute of Technology in Samabula, now known as the Fiji National University Samabula Campus. He decided to go back to his roots and takeover the farm after his father contracted an illness.

He now owns and operates his business as Naitasiri Hire located in Lomaivuna Sector 5. The business is registered as a hiring company as he runs a side business with an excavator, a nine tonne truck, two carriers, one twin cab and a pick-up truck as part of his fleet of machines.

“The purchase of vehicles for hiring was always my long term plan however; I have been able to achieve this in such a short span of time with the assistance FDB has given me. My first loan was for the purchase of my 10 acre land and the second one was for the excavator currently being demanded by farmers.”

Ginger is his prime produce with 85 percent germination rate. His farm is semi-mechanised especially during land preparation stage as largest cost component in ginger farming. He produces his own planting material for each planting season.

“We used to plant dalo and cassava as our main crops however, since ginger prices have gone up and the markets overseas and locally are opening up, I decided to devote my farm to ginger. Compared to root crops, it involves less work and the harvest is only in six months with prices as high as 95 cents per kg for the green ginger and \$5 per kg for the matured ones.”



Ravin has a contract of supplying ginger to Frespac in Lami which provides a sure market for his produce.

Earlier this year Ravin was awarded the Best Ginger Farmer of the Year by the Ministry of Agriculture during the Central Agriculture Show on 12 September in Nausori. This followed after he set the record for highest tonnage of ginger in Lomaivuna with 38 tonnes.

Later in November, he was also awarded the 2014 FDB Small and Medium Enterprise Award for agriculture in the mixed farming category. He was also rewarded with \$2,500 for his efforts.

“FDB has been a major contributor to my success from my humble beginnings until receiving the two awards. I know that if I can work hard and have FDB by my side, I can achieve my dreams and more. The service provided by FDB is very good as they are very flexible with us and attentive to our needs. They visit us every now and then just to talk and get feedback from us on our developments which are something we really appreciate.”

Besides the 10 acre land from his father, Ravin has also secured an additional 10 acres lease

from the Waimaro clan who own some of the land in Lomaivuna

“I’m currently only using 1/3 of the land as with ginger, we need to rotate after each harvest and leave the land to fallow. This allows the land to recover its nutrients and get rid of unwanted fungus before we can re-plant ginger. If we keep on re-planting after harvest than the ginger will not yield its full potential. I will be harvesting my ginger earlier next year so roughly I will be getting between \$25,000 to \$34,000 gross from that.”

Ravin is planning to utilise his new lease to plant ginger and to use the proceeds from this 10 acres to invest in about 10 to 20 chicken sheds from Crest Chicken as he is looking into poultry to complement his ginger farming. This he says is also going to cut the cost of manure as this can be produced from the chickens.

“I’m aiming for the SME awards again next year so my plan is to increase my farm and business so that come next year there is evidence of growth in the business.” Partnering with our clients to ensure progress is something we do very well at FDB.

OPERATIONAL REVIEW

Overview

During the 2014 (FY), the Fiji economy was projected to grow by 3.8 percent with the growth mainly driven by the construction; manufacturing; wholesale & retail trade; transport & storage; agriculture and the information & communication sectors. As such, the Bank was optimistic in setting its disbursement targets 20 percent more than the 2013 financial year.

The Bank's performance however was not parallel to the projected economic growth due to several factors. Firstly the high liquidity position in the economy resulted in competitive interest rates in the market.

Secondly, the Bank's policy guideline to lend up to 15 percent of its paid up capital was a limitation for clients who wished to source loan funds in excess of this. Lastly, with the nature of the political climate in the country meant that investor confidence hinged on the outcome of the general election in September 2014.

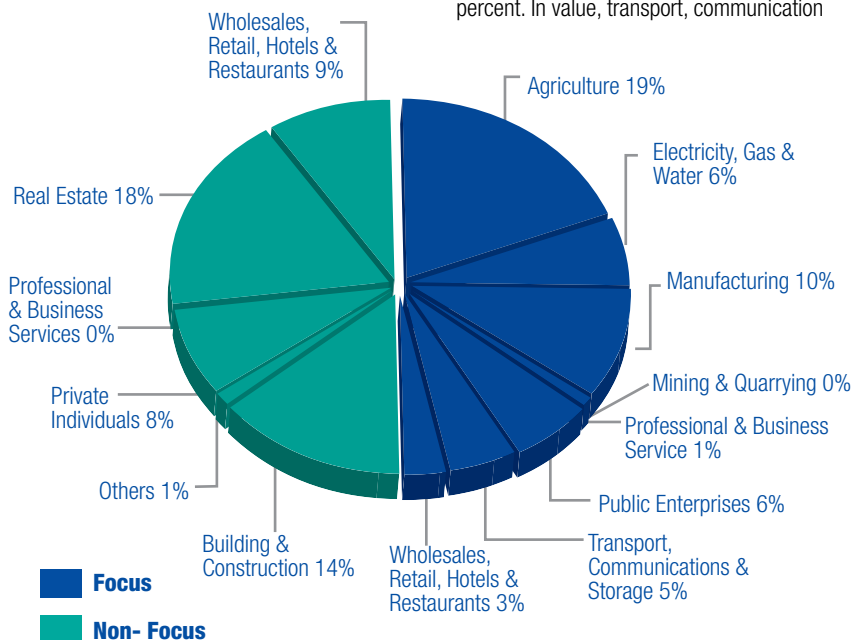
FDB being adamant with its mission in assisting the economic development of Fiji is frequently challenged with the inherent risks that accompany the sectors the Bank invests in. Apart from environmental, climatic and socio-economic conditions, conducting business with the grassroots level must also be conducted with respect to the prevailing cultural or traditional norms that exist in the community.

The Bank continues to work in collaboration with government agencies and private sectors whose contribution has impacted the projects financed in this financial year together with loan prospects for financing in the financial year, namely in agricultural schemes, municipal infrastructure development, renewable energy projects and resort based financing.

Lending Activities during the Year Portfolio

The Bank's total portfolio reduced by 2 percent from \$347MM in June 2013 to \$339MM in June 2014. This decline was triggered by the Bank's 10 percent shortfall in achieving its disbursement target coupled with the \$44.8MM loss through customers leaving the Bank. In addition, there was a 6 percent reduction in the number of portfolio from 4,075 accounts in June 2013 to 3,843 in June 2014.

The focus sectors represent 49 percent of the Banks total portfolio by value and 73 percent by the number of accounts as at June 2014. The highest share is from the Agriculture sector at 19 percent followed by the Manufacturing sector at 10 percent. The non-focus sectors on the other hand contributed to 51 percent of total portfolio by value and 27 percent by number with Real Estate being the highest sector at 18 percent followed by Building & Construction at 14 percent. These two sectors are mainly represented by the Bank's land subdivision projects in the Western Side of Viti Levu.



For the 2014 FY, the Bank approved a total of 1,235 loans valued at \$99.5MM. In comparison to the 2013 FY, the total loan approved by number increased by 22 percent from 1,014 accounts and reduced by 28 percent in value from \$139MM in June 2013.

Market Share

At the end of June 2014, the total market share of the Bank's portfolio in relation to total loans and lease advances outstanding by all commercial banks and other licensed credit institution stood at 6.8 percent. This is a reduction of 1.0 percent in comparison to June 2013. However, the Bank still holds the highest share in the Agriculture sector at 50.8 percent an increase from 48.0 percent in the

same period last year. This shows the Bank's commitment towards the development of the agricultural sector.

Focus Sector Loans

During the 2014 FY, the Bank approved 1,065 projects under focus sector valued at \$74.7MM. In comparison with the 2013 FY performance, the number of loans approved increased by 24 percent and reduced by 3 percent in value. FDB is committed in assisting resource based activities evident in the agriculture sector representing the highest approval by number at 62 percent followed by wholesale, retail, hotel & restaurants at 12 percent. In value, transport, communication

& storage recorded the highest at 31 percent followed by agriculture at 29 percent.

Non-Focus Sector Loans

Under this sector, a total of 170 applications were approved valued at \$24.8MM during the 2014 FY. The wholesale, retail, hotel & restaurants sectors contributed 18 percent of the total non-focus approval valued at \$18.2MM. The project is for the construction and operation of a five star boutique hotel in the Mamanuca Group. Other approvals are from the real estate sector valued at \$3.8MM followed by loans classified as other sectors valued at \$1.1MM.

Strengthening Outreach

The Bank currently maintains seven branches

in Viti Levu, four in Vanua Levu and the garden island of Taveuni and conducts regular agency visits to the outer islands. The Bank is always looking for innovative ways to boost the success of its clients and how they can grow with the Bank by taking services to the people.

During the year, the Bank continued to participate 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 shows in Vunidawa and Laselevu Village in Naitasiri, the Rural Fiji Fashion Show, Agriculture Shows in Lautoka and Labasa, all the Investment Fiji Seminars and a few carnivals in the country.

On the 15th of March this year the Bank hosted its first ever market day at the Suva Head Office car park, this initiative was an opportunity for Bank clients to sell their produce at a location where there is minimum competition. The Bank provided the venue and the stalls and even assisted with carting of their produce to the venue. The market hours were from 6am to 1pm and was held every second Saturday of the month. The Bank is looking into taking this initiative to other parts of Fiji.

In 2010, the Bank together with a few government agencies established a revitalisation coordinating unit with the main objective to revitalize farmers with agricultural and forestry programmes on leased land that are accessible to markets and are viable and sustainable. The outcome of this progressive coordination over the years between these various stakeholders was visible this year where a total of 25 farmers identified and selected for the revitalisation of the Tilivalevu Beef Scheme Project in the interior of Nadroga. The Bank will be the major funding institution for the development of this project with the assistance of the various stakeholders. The Bank is also considering two other similar schemes in the same province namely the Yalavou Beef Scheme and the Navovo Resettlement Scheme.

Sustainable Energy Financing

The Sustainable Energy Financing Facility (SEFF) was approved by the Board in May 2010 in support of the use of greener energy sources such as renewable energy. This facility supports three renewable energy systems including Solar System, Hydro System, Fuel



Switching System (coconut oil fuel) and energy efficient equipment. 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 Facility (SEFF) partial guarantee. On 20th November, 2012 the Bank had been formally advised that the commitment period for applying the 50 percent World Bank Guarantee for the SEFF loans has been extended to 30th June, 2017. This is due to the growing demand of this product in Fiji, particularly the remote or rural areas where access to electricity is expensive or limited in supply.

In the 2014 FY, FDB recorded 14 enquiries valued at \$20MM for the SEFF facility, out of which 7 applications valued at \$4.1MM were received and 6 of these applications valued at \$0.18MM was approved increasing the total portfolio for this product to 21 accounts valued at \$3.3MM.

Environmental Management Plan

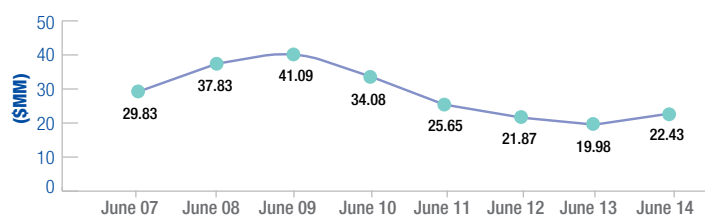
The Bank being a good corporate citizen in the protection of the environment took proactive steps to create awareness within the small businesses and agriculture customers. With effect from 1st of April 2014, the Bank

included an Environmental Management Plan template as a requirement under its lending policy. This step encourages clients to invest in proper environmental management systems that facilitates the productivity of the agricultural/business system and contributes to its longevity thus giving the Bank continued business opportunities into the foreseeable future.

Northern Development

The Bank continues to provide special attention to the Northern Division in line with the Government's Northern Development Programme (NDP) in energising economic activities in the region. This year the portfolio growth for the Northern Division slightly turns positive with an increase from \$19.98MM to \$22.43MM in contrast to a trend of 4 years negative growth. During the year, the Bank funded a total of 499 projects valued at \$9.2MM against the 337 projects valued at \$5.1MM funded in the same period last year. The positive growth is also driven by the implementation of the Northern Rural projects by the government in 2013 including rural roads, housing and others costing more than \$2.2MM. Such developments improve the livelihood of people in the rural areas and are

Figure 2: Portfolio Growth in the Northern Division from June 2007 to June 2014



the basis for the increase in loan applications. Government is also encouraging farmers in the North to plant more rice to meet current demand as part of the revitalisation of the rice industry. Working closely with Government, the Bank also encourages subsistence farmers to take advantage of opportunities created by local market demand together with export demands to increase their production to commercial levels.

Looking Ahead

The Bank is positive of the year ahead with investor confidence expected to stabilise following the general election. The Bank will continue to push for the development of the agriculture sector as part of its focus sector lending. This sector remains a critical contributor to the national economy and continues to employ thousands of Fijians across the country. This confidence in the agriculture sector is based on recent government visits to countries such as the Philippines and China holding bilateral talks in strengthening Fiji’s coconut industry, development of aqua-farms and rice industries cooperation. The government focuses on how these countries have developed special financial products for small and medium enterprises in the primary industry sector.

The Bank also follows closely on Government developments and assistance in the Northern Division especially in its support for the Sugar Industry and drive towards the revival of Rice Farming in the region and as such is expected to have an effect on its lending in the related industries. Highlighted below are few other items that the Bank will be looking into in the next financial year with the hope to improve the Bank’s performance in being a dynamic financial service provider in the development of Fiji.

Re-alignment of Head Office Centers - Relationship & Sales

As part of the Bank’s strategic initiative to enhance delivery at every level of its operations, the Board has mandated the inclusion of three Regional Manager Positions in the 2015 FY. The Regional Managers will be responsible for the management of loan portfolio and growth in the three respective regions; Northern, Western, and Central Eastern. This will involve the re-alignment and collapsing of the three Centres in Head Office and forming one centre to be renamed Suva



Branch.

The Bank is also looking into opening 3 more sub-branches or agencies as a second phase of its reorganisation to cater for Naitasiri, Korovou and Kadavu. This move will further solidify the Bank’s role as a key development partner of Government in the development of rural economies through the provision of affordable financing.

Revamping of Home Loan & Leasing

Following a government directive in 2008, FDB’s Home Loan and Lease finance products were suspended. Existing clients under these two products are still being monitored by the Bank and exceptions for further loan are only met for home repairs & maintenance. The Bank is seeking government’s approval for the restoration of Home Loan and Leasing product. The Bank awaits government’s decision on the

matter. 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 sectors and meeting the needs of its loyal customers.

New Products

With the evolving business environment and competitiveness, the Bank is looking into developing new products that are not in the market. FDB is currently putting together policies for a new product that will cater for the retirees. This product will enable pensioners to have greater financial security upon reaching the retirement age of 55 years. Also with the current age, there is high health consciousness hence the Bank plans to look at encouraging Organic Farming to cater for the demands in the market.



2013 – 2014 FINANCIAL YEAR DATA BASED ON RBF CLASSIFICATION

Sector/RBF Major	Approvals			
	No.	Value	% by No.	% by Value
Focus	1,065	74,757,723	86.2%	75.1%
Agriculture	767	28,763,573	62.1%	28.9%
Electricity, Gas & Water	6	184,805	0.5%	0.2%
Manufacturing	16	8,977,094	1.3%	9.0%
Mining and Quarrying	2	100,000	0.0%	0.0%
Transport, Communication & Storage	95	31,437,459	7.7%	31.6%
Professional & Business Services	30	1,154,816	2.4%	1.2%
Wholesale, Retail, Hotel & Restaurants	149	4,139,977	12.1%	4.2%
Non-Focus	170	24,822,385	13.8%	24.9%
Building & Construction	11	694,999	0.9%	0.7%
Others	35	1,196,172	2.8%	1.2%
Private Individuals	112	869,439	9.1%	0.9%
Real Estate	11	3,826,666	0.9%	3.8%
Professional & Business Services	-	-	0.0%	0.0%
Wholesale, Retail, Hotels & Restaurants	1	18,235,108	0.1%	18.3%
TOTAL	1,235	99,580,108		

Lending Activities during the Year

Sector/RBF Major	Portfolio			
	No.	Value	% by No.	% by Value
Focus	2,801	167,456,550	72.9%	49.4%
Agriculture	2,026	63,859,498	52.7%	18.8%
Electricity, Gas & Water	23	21,570,119	0.6%	6.4%
Manufacturing	57	33,592,383	1.5%	9.9%
Mining and Quarrying	3	212,882	0.1%	0.1%
Transport, Communication & Storage	190	16,389,855	4.9%	4.8%
Professional & Business Services	94	2,588,708	2.4%	0.8%
Public Enterprises	1	20,125,386	0.0%	5.9%
Wholesale, Retail, Hotel & Restaurants	407	9,117,720	10.6%	2.7%
Non-Focus	1,042	171,580,823	27.1%	50.6%
Building & Construction	40	48,020,468	1.0%	14.2%
Others	90	3,254,141	2.3%	1.0%
Private Individuals	816	27,259,870	21.2%	8.0%
Professional & Business Services	1	504,940	0.0%	0.1%
Real Estate	85	63,022,874	2.2%	18.6%
Wholesale, Retail, Hotels & Restaurants	10	29,518,529	0.3%	8.7%
TOTAL	3,843	339,037,372		

NAKUITA ENTERPRISES A MODEL PARTNERSHIP

Providing tailor made solutions for its clients is an area of expertise of the Fiji Development Bank since its establishment in 1967.

Nakuita Enterprises, the business arm of the mataqali Nakuita from the Yavusa Vunivivi of Nausori village is one such client that has received FDB's special attention to ensure the success of its business venture.

On 26th November 2014, the Minister for Youth & Sports Lt.Col Laisenia Tuitubou was Chief Guest at the ground breaking ceremony for the new vehicle servicing ramp for the Nakuita Enterprises at the Northern end of the Nausori Bridge.

The \$230,000 facility financed by FDB is to complement a two-storey building also owned by the company beside the new facility which will be rented by the Land Transport Authority (LTA), who will use the ramping facility for servicing vehicles.

"Our two-storey building was financed by one of the local commercial banks. This year, we signed a tenancy agreement with the Land Transport Authority for the renting of the building, however, they requested that we build a facility on a vacant land beside the property which will be used as a servicing ramp for fitness testing of vehicles," Managing Director Nakuita Enterprises Solomon Cakaunitabua said.

"We approached the commercial bank for an additional loan but the repayment amount they offered was too high for us. However, when we approached FDB, they presented an offer which was perfect for us as the LTA was willing to provide rental for that amount covering our loan repayments. Unlike before, we used to get additional money from the leasing of our piece of land to top up the repayments to the Bank."

"FDB refinanced the two-storey building from the commercial bank and likewise provided an additional loan for the new ramping building".

"The facility sits on our own Mataqali land and we are taking on the initiative of getting more value for our land. We discussed within the Mataqali that it would be useful to make investments using the Mataqali owned company and re-invest this in purchase of



property so that we can get more from our land. Even if we are leasing our own land for the sake of value added development, we are eventually getting that money back through lease payouts from i-TLTB as land owning units."

Mr. Cakaunitabua added that the overall objective was to ensure that the current generation maximise the wealth of the Mataqali while at the same time putting in place the platform to ensure the longevity of these initiatives so that the future generations can also reap the benefits.

"Such a partnership is indicative of our role as a development financier to help improve the living standards of our people. Landowners such as these are exemplary in that they have realised that the only way to fight poverty is to maximise the use of their own resources," FDB Chief Executive Officer Mr. Deve Toganivalu said.

"This is an exemplary model in which landowners are willing to lease their own land and adding value by purchasing properties and renting these out. Eventually the lease money comes back to them and the supplementary rental income means they have more disposable income."

FDB is committed to assisting individuals as well as groups who are genuine about development. This partnership is a model that can assist other landowners with similar arrangements that could benefit them. The Bank is mandated to develop the grassroots people and is committed to achieving this priority.

The project is expected to be completed in early 2015 and the company is already in consultation with the FDB Nausori branch on other options of investments for their Mataqali.

HUMAN RESOURCES & TRAINING

Tagged the “Year of HR,” the Human Resources & Training Department ensured that all focus remain fixated on priority areas as mandated by the Bank’s strategic plan, namely;

- *Employee Engagement &*
- *Learning and Growth.*

The strategies were aligned accordingly and to ensure that business results are achieved and more importantly FDB’s service culture becomes more personalised. This resulted to trainings being designed in the areas of self-development and motivation.

The introduction of the “*Attitude and Brand*” training throughout the branches coupled with the synopsis of FDB’s new Core Values earmarks a new journey for FDB in terms of brand development. Building FDB’s own personal brand was also viewed as paramount.

LEARNING & GROWTH

From a Learning & Growth perspective, training programs were reviewed and aligned accordingly to ensure that the core function of the business was fully supported. This also involved a more structured approach in terms of career development for all employees.

To ensure that the process of continuous improvement is encouraged, employee feedback from all training sessions and employee Talanoa forums were shared with Senior Management and the same put into an action plan for necessary action.

2014 priority trainings;

- **Leadership Development** (external) – This involved 49 middle and Senior Managers from around Fiji to attend. It was a five day training program which solely focused on leadership and its role from both an operational and strategic perspective.
- **Training of Trainers** – In partnership with the Fiji National University (FNU), FDB was able to train selected (10) staff from various departments. This will now result to “On-The-Job Training” (OJT) being reinforced and a more structured and pro-active approach being made to ensure quality and consistency in service delivery in FDB’s day to day business.
- **Financial Training** (internal) – “Understanding financial statements for decision making.”

Employee Training	Year (31st December)			
	2011	2012	2013	2014
Attitude (internal)				165
FDB Brand (internal)				165
Core Values (internal)				165
Overseas Training	7	3	6	22
Leadership (external)	3			49
FDB Sponsored Students, ie; USP, FNU, etc..	7	6	7	8
Source: FDB Training Dept				

- **Insurance Training** (external) – “Understanding insurance risk management (external),” etc.

EMPLOYEE ENGAGEMENT

In FDB’s quest to attract and retain great employees, the drive to create employee engagement initiatives (non-monetary) and the introduction of FDB’s employee incentive programs were also introduced.

Sports and Social Committee

This is a voluntary social club for all FDB employees. Throughout the year numerous activities are organized as means to get employee participation and to have fun at/after work, the focus on team bonding. Activities organised included a clean-up & breakfast day, quiz nights, barrel nights, etc.

The year ended with a family sports/fun day which concluded with an Awards Gala night.

The Human Resource & Training Department’s Vision remains as; “*FDB the employer of choice!*” This is reflected in what we do for our employees who are our greatest assets.

FDB Employee Statistics (31st December)				
	2011	2012	2013	2014
Total Staff	197	213	214	201
Average Years of Service	11.6	10.5	10.6	11.4
Annual Staff Turnover (%)	11%	13%	10%	8%
Source: FDB HR Department				

2014 Achievements

- **Core Values** – The launch of FDB’s new Core Values now govern the organisation’s behaviour and a big step towards building FDB’s Brand (or promise).
- **Fiji Business Excellence Award** (FBEA) – Participating for the first time, FDB’s FBEA champion’s urge to be part of the business excellence journey resulting to the organisation being awarded (for the first time ever) the FBEA Achievement Award which was received by our own Chief Executive Officer, Mr. Toganivalu.
- **Employee Self Service** – The successful launch of the on-line HR service now enables employees to apply for leave, check leave balances, vacancies, FDB news updates, etc.

Occupational Health & Safety (OHS)

FDB’s initiative to promote “zero” loss hours for any work related injury continues and 2014 has been successful making it truly the “Year of HR&T!”

RISK MANAGEMENT

Overview

In the new age of public financing, Fiji Development Bank's lending schemes are designed to overcome the hardships in changing climate in which the Bank operates. There are recent demands for a more practical solution for customers, needs and solutions of a more innovative nature. The unforeseen nature of many economic elements is a major challenge for identifying and assessing risks. This calls for more stringent measures to be taken to mitigate these unforeseen risks.

The Bank's risk tolerance and risk appetite are set out by the Board in consultations with the Executive Committee. The Bank also on lends to commercial clients in order to off-set its risk.

Policies are incorporated by the Bank to identify troubled loans and every effort is made to recover principal arrears even after write off. Risk Management and credit policies are in place to minimise risk. An annual review of accounts is undertaken to assess the value of collaterals ensuring that these are able to meet future repayments. This is done to ensure that the Bank remains stable and takes advantage of opportunities to achieve its goals and objectives.

Regulatory Control

The Bank is governed by the FDB Act (1967) and is answerable to the Minister of Finance. Although FDB is a Non-Bank Financial Institution (NBF), the Bank adheres to the Banking Supervision Policy of the Reserve Bank of Fiji (RBF). It always ensures compliance with the regulatory terms and conditions set by the RBF. RBF provides overall support and supervisory guidelines to the Bank on acceptable international standards and macro-economic policies of government.

FDB's operations is also subject to certain requirements under various regulations including the Consumer Credit Act that assists FDB in perfecting the services provided to the customers, working in the customer's best interest and advising them on their rights as customers. The Bank complies with the Banking Act to act as a credible lending institution and engages in all necessary Banking procedures and policies. The Bank adheres to Fiji Revenue & Customs Authority's (FRCA) requirement for businesses, and also RBF requirements, in terms of reporting on



suspicious transactions and review of client portfolios on an annual basis.

Policy Directives

The Bank is owned by the government of Fiji, and is subject to government policy directives. For the 2014 period, there were no major changes in the direction apart from the normal financial support for government's priority areas. Following a decision by the Central Bank to reduce interest rates, FDB reduced certain facility rates from the RBF. These include the Import Substitute and Export Finance Facility (ISEFF), Natural Disaster rehabilitation Facility (NDRF) and Sustainable Energy Financing Project loans funded through ISEFF, effective from 1st November 2013. The qualified sector customers benefited from the reduced rates for the five year term.

Competition

The Banking sector continues to grow with technology, products and services in a healthy and competitive environment with a new entrant in the market, the Home Finance Company. FDB also fosters competitiveness and the use of technology in its day to day business. In total, there are six commercial banks with other licensed credit Institutions

operating in the country. FDB's major competitive challenge is on interest rates and the prevailing high liquidity situation contributes to the low interest rates. The continuing low interest rates now means that customers have much more access to a wider range of products and services from financial institutions.

The Bank provides financial services at subsidised rate for all focused sector loans under \$50,000 as it is determined to promote FDB's core role of lending to the agricultural and SME sector. FDB values the growth in agriculture and SME sector and works in collaboration with stakeholders in further developing these sectors. The agriculture and SME sectors recorded 1,070 in new approvals for the period reflecting the impact of the subsidized rates.

The Bank prioritises financial performance, promoting financial products in the market and improving its services. FDB relies on its experienced staff, customer service, promotional initiatives and networks to expand its market share.

Liquidity Risk

The liquidity level decreased slightly from \$598MM in December 2013 to \$531MM in June 2014. Regardless of the decrease in the liquidity level, the continuation of reduction in lending and time deposit rates has been practiced by the commercial banks. This did not have much effect on the business operations of the Bank as the forecasts have been favourable.

Responsible Management of the investment and borrowing assisted the Bank to keep liquidity at a desirable level.

Interest Rate Risk

Even though the cost of funds, over the financial year had decreased from 3.59 percent in July 2013 to 2.48 percent in July 2014, it is still higher than the nominal rates of 0.5 percent -2 percent that a deposit taking institution offers. The cost of funds is determined by external factors that are beyond the Bank's control. These factors include domestic and global general economic conditions, political situations, policies put in place by the government and the Reserve Bank of Fiji

To cushion its high cost of funds, FDB will apply for Deposit taking license from the Reserve Bank of Fiji and is continuing to work with RBF to attain a Commercial Institutional License

(CIL) for deposit taking, both long term and short term.

Political and Other Risk Factors

Fiji's economy is expected to grow by 3.8percent in 2014 according to the Central Bank. The main contributors are identified to be tourism and high public capital expenditure. There was a high household consumption for the period, car sales have escalated and there is a positive sign in the construction sector indicating infrastructure development.

The much anticipated September elections is predicted to have a positive impact after a democratically elected government is established and that Fiji will regain its democratic standing at the international level. This will ensure confidence and attract investors for further development in the country.

Located in the tropics, Fiji is prone to many natural disasters, such as cyclones and flooding. FDB understands that these disasters are beyond our control and it is sufficiently capitalized to underwrite the impact. The bank has put in place certain relief measures to ensure its customers get the best services, even during times of disasters.

Allowance for loan losses

The Bank adheres to 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. We strive to annually assess more accounts than the 70 percent of the value of all loans and advances as required by RBF. The Bank's allowance for loan losses is in compliance with the International Finance Reports Standards (IFRS) and Basel III.

2015 Initiative & Challenges

The major challenge for the Bank is to remain sustainable within a low interest rate market, high liquidity, entrance of new banks, easy access to finance etc. Market is very competitive with low interest rates offered by other Banks and FDB will focus in its core development financing function.

The prime focus of the Bank is agriculture and the strong support for the sugar industry is a promising sign for the Bank. However, we are cautious of the expiry of the preferential pricing agreement in 2017. The expected growth in the tourism industry remains a strong economic and development opportunity for the Bank.

The Bank is aligning itself to the Strategic Plan for 2014-2017 which will further deal with issues of internal and external factors that affect the Bank and the overall goals and objectives.



DEVESH - THE HORTICULTURIST

While the potential in farming in Fiji is a well-documented fact prompting people from all walks of life turning to the land, it would take innovative people like Devesh Nath of Nadi to identify niche markets that can boost farming to greater heights.

Devesh Nath, 27 of Savolau, Votualevu in Nadi is a qualified applied computing professional cum fruit and vegetable seedlings farmer.

“I was brought up in our family farm here in Savolau. I graduated from the Fiji National University with a Diploma in Applied Computing but I gave up pursuing employment in that field as I felt farming was where the money is,” Devesh said.

“I started my seedling farm in 2009 with a small nursery made from native trees in our backyard. I started with the very basic vegetables such as okra, papaya, eggplant and chillies. All the money I received was all reinvested into the business.”

Devesh immediately attracted the attention of reputable clients such as FRIENDS Fiji, South Pacific Community (SPC) and the Food and Agriculture Organisation (FAO). He even started supplying the Ministry of Agriculture and farmers around his area.

With the increase in demand, Devesh approached the Fiji Development Bank in 2013 for a loan to secure a 38 acre lease and for the setting up of his first major nursery in Votualevu.

“With this new facility, we can supply 72,000 seedlings fortnightly of papayas however with the use of the trays, we can produce up to 500,000 seedlings every two weeks. We produce various types of seedlings for example papaya, eggplants, cabbages and other fruits and vegetables and even breadfruit and Kura (noni). We also produce organic seedlings which is a new market demanded by the tourism industry. With the new facility, we are looking into ornamentals and fruit trees.”

“A lot of people ask why I chose seedlings instead of farming like everyone else without realising that all farmers need seedlings to plant and we are importing seedlings from overseas. We have the natural resources in Fiji



to produce these and at even better quality. I have been encouraged by the Ministry of Agriculture as this is a way of also ensuring we have ample supply of seedlings for rehabilitation purposes especially following natural disasters.”

To quickly return a nation’s food production to normal levels after a natural disaster such as a flood or a cyclone is critical for food security and income generation. A major constraint to achieving this is lack of seedlings, especially for quick-growing cash crops. Seedlings are generally better than seeds for growing crops, as they already have an established root system, leading to a more robust crop in a shorter time.

Fiji has weathered a number of natural disaster in recent times, causing interruptions to the food supply at critical times. There are a limited number of nurseries in the country, and those in operation are vulnerable to strong winds and flood damage, rendering them inadequate to supply seedlings immediately after a natural

disaster. Devesh’s set up and location in the upper Votualevu region is an advantage.

While Devesh has not invested in promotion and marketing activities, the quality of his products continue to promote themselves as word of mouth from satisfied customers bring in new clients almost on a daily basis.

“I thank FDB for providing the financial assistance that I needed as this facility allows me to meet the ever growing demand. I want to continue to grow with FDB as I’m looking to move into exporting one day so that’s the ultimate goal.”

Devesh was awarded for the Young Farmer of the Year at the Crest Agriculture Show 2013 in Lautoka. In the same year he also received the Agriculture award for Mix Farming at the 2013 FDB Small Business Awards in Suva. With the huge potential in seedlings farming and the increasing demand on his products, Devesh continues to consult with FDB on future expansion to cater for the demand.



Photo credit: Photo courtesy of Shiri Ram

CORPORATE SOCIAL RESPONSIBILITY

The signing of a new Memorandum of Understanding (MOU) between the Fiji Development Bank and the Ministry of Education for the Bank's continued financial support of the Money Smart and Invest Smart programmes portrays the importance of the programme as part of the Bank's corporate responsibility culture.

In addition, the Bank maintains a sponsorship and donation programme, which registered charities and social groups working with disadvantaged communities continue to utilise serving as a reminder that the Bank does not operate in isolation and it maintains its social obligation, sharing its resources for the greater good.

Money Smart and Invest Smart

The Money Smart and Invest Smart programs were introduced into the school curriculum in 2007 and 2011 respectively to assist students develop the skill of managing personal finance, making informed decisions, keeping relevant records and sustaining good and healthy financial lifestyles at an early stage.

These programmes are complementary financial programmes supported by the Bank to encourage students in third and fourth form to learn about budgeting, financial planning, saving and the best ways to invest those savings.

Since 2007, the FDB has provided close to \$216,571 in funding for these two programmes. In August 2013, FDB and the Ministry of Education signed a new MOU for the next three years which will see the Bank committing a further \$73,584 for the monitoring and evaluation of the resource materials as well as the students' savings and investment.

Small Business Awards

Government continued to prioritise small and medium enterprise development as evident in its 2014 budget. As a financial instrument for government, FDB's role is to ensure that government policies and programs reach fruition. As a result, FDB hosted its very last Small Business Awards in 2013 and revamped this to become the FDB Small & Medium Enterprise Awards to be presented for the first time in 2014.

Currently businesses that are 100 percent locally owned and turning over between \$30,000 and \$100,000 in gross sales per annum are eligible to enter the awards. The SME Awards however will be introduced to allow locally owned business turning over between \$30,000 and \$500,000 to enter the awards.

Established in 2004, the awards are aimed at rewarding and encouraging small businesses who are a major contributor to the economy.

The 2013 awards were presented to the following;

- **AGRICULTURE** (Mixed Farming) - Bharo's Farm, Votualevu, Nadi. (Devesh Nath)
- **AGRICULTURE** (Livestock/Aquaculture) - Matei Farm Fresh Eggs, Taveuni. (Donald Pickering)
- **WHOLESALE/RETAIL** (Sole Trader) - Broadway Fiji, Suva. (Rajneil Avneet Sharma)
- **WHOLESALE/RETAIL** (Partnership) - Dhru Enterprises, Sigatoka. (Ashika Prasad & Areesh Ali)
- **MANUFACTURING** (Winner) - Mild Too Wild Upholstery, Nabua. (Daniel Chand)
- **TOURISM** (Winner) - Captain Sireli Sportfishing Fiji, Korolevu. (Sireli Bogileka Verebasaga)
- **PROFESSIONAL BUSINESS SERVICES** (Sole Trader) - Dreamz Wedding Planner, Ba (Richard Devendra)
- **PROFESSIONAL BUSINESS SERVICES** (Partnership) - Runners Errand Services, Suva.
- **BEST BUSINESS PRACTICE** - Bluewave Rental & Hire Ltd, Rakiraki. (Mohammed Rafiq)
- **SPECIAL AWARD** - Dreamz Wedding Planner, Ba. (Richard Devendra)
- **SMALL BUSINESS OF THE YEAR** - Dreamz Wedding Planner, Ba. (Richard Devendra)

Donations and Sponsorship

Through its donations and sponsorship programme, the Bank ensures that credible educational, non-profit organisations and charities with strong sustainable community based programmes receive much needed funding.

The Bank was one of the sponsors of the South Pacific Business Development's Micro-finance awards held in Suva. In the 2014 financial year, the Bank gave \$10,400 in sponsorships and donations to the Foundation for Development Corporation, Kinoya Methodist Church, Masada Youth, Rakiraki Agriculture Show, Seaqaqa Primary School, FENC Fiji, Fiji Association for the Deaf, Fiji Red Cross Society and the St Johns Association.

The Bank's donations and sponsorship guidelines provides the parameters within which the two corporate social responsibilities are administered.

Under the donation component of the guideline, 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 include 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 need to register their interest on a specially designed form and provide evidence of their legal status.

Expos/Road Shows

The Bank continued to participate 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 and Laselevu Village in Naitasiri, Rural Fiji Fashion Show, Agriculture Show in Lautoka and Labasa, all the Investment Fiji Seminars and a few carnivals in the country.

WINNERS OF THE 2013 FDB SMALL BUSINESS AWARDS

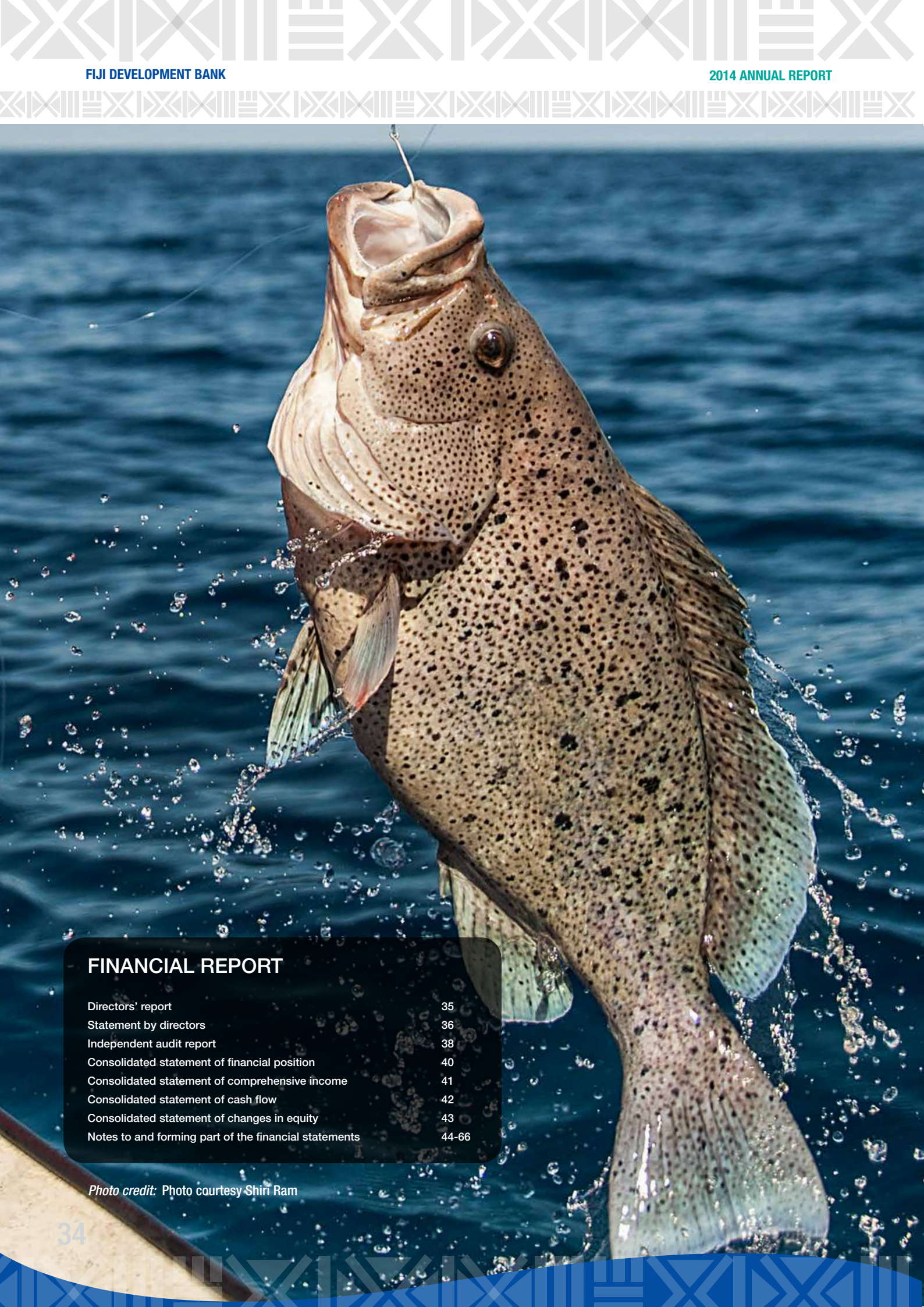


- **AGRICULTURE** (Mixed Farming) - Devesh Nath of Bharo's Farm, Votualevu, Nadi.
- **AGRICULTURE** (Livestock/Aquaculture) - Donald Pickering of Matei Farm Fresh Eggs, Taveuni.
- **WHOLESALE/RETAIL** (Sole Trader) - Rajneil Avneet Sharma of Broadway Fiji, Suva.
- **WHOLESALE/RETAIL** (Partnership) - Ashika Prasad & Areesh Ali of Dhru Enterprises, Sigatoka.
- **MANUFACTURING** (Winner) - Daniel Chand of Mild Too Wild Upholstery, Nabua.
- **TOURISM** (Winner) - Sireli Bogileka Verebasaga of Captain Sireli Sportfishing Fiji, Korolevu.
- **PROFESSIONAL BUSINESS SERVICES** (Sole Trader) - Richard Devendra of Dreamz Wedding Planner, Ba.
- **PROFESSIONAL BUSINESS SERVICES** (Partnership) - Chelsey Singh of Runners Errand Services, Suva.
- **BEST BUSINESS PRACTICE** - Mohammed Rafiq of Bluewave Rental & Hire Ltd, Rakiraki.
- **SPECIAL AWARD** - Richard Devendra of Dreamz Wedding Planner, Ba.
- **SMALL BUSINESS OF THE YEAR** - Richard Devendra of Dreamz Wedding Planner, Ba.



The Fiji Times





FINANCIAL REPORT

Directors' report	35
Statement by directors	36
Independent audit report	38
Consolidated statement of financial position	40
Consolidated statement of comprehensive income	41
Consolidated statement of cash flow	42
Consolidated statement of changes in equity	43
Notes to and forming part of the financial statements	44-66

Photo credit: Photo courtesy Shir Ram

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

In accordance with the resolution of the board of directors, the directors herewith submit the statements of financial position of the Fiji Development Bank (the Bank) and of the Group, being the Bank and its subsidiary as at 30 June 2014, and the related statements of comprehensive income, statements of cash flows and statements 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; reappointed on 30/09/2013
Mr Jitoko Tikolevu	-	Deputy Chairperson; reappointed on 04/09/2013
Mr Josefa Serulagilagi	-	Reappointed on 15/09/2011
Mr Manasa Vaniqi	-	Reappointed on 15/09/2011
Ms Olivia Mavoava	-	Reappointed on 06/01/2014
Mr Ropate Ligairi	-	Appointed on 14/02/2013

Former Director

Mr Isikeli Tikoduadua	-	Resigned on 17/03/2014
-----------------------	---	------------------------

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 operating profit for the year ended 30 June 2014 was \$4,801,743 (2013: \$4,193,396). The profit for the Bank for the year was \$4,887,194 (2013: \$4,134,624).

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.

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.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENT BY DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2014

SIGNIFICANT EVENTS

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:

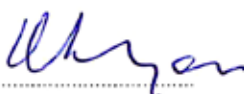
- (i) no charge on the assets of the Bank or its subsidiary have been given since the end of the financial year to secure liabilities of any other person;
- (ii) no contingent liabilities have arisen since the end of the financial year for which the Bank and its subsidiary could become liable; and
- (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 20th day of November 2014.


.....
Director


.....
Director

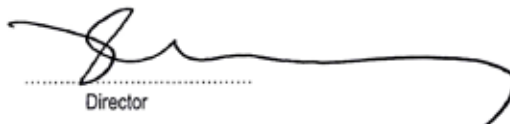
FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENT BY DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2014

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 statements of comprehensive income are drawn up so as to give a true and fair view of the results of the Bank and the Group for the year ended 30 June 2014;
- (ii) the accompanying statements of changes in equity are drawn up so as to give a true and fair view of the changes in equity of the Bank and the Group for the year ended 30 June 2014;
- (iii) the accompanying statements of financial position are drawn up so as to give a true and fair view of the state of affairs of the Bank and the Group as at 30 June 2014;
- (iv) the accompanying statements of cash flows are drawn up so as to give a true and fair view of the cash flows of the Bank and the Group for the year ended 30 June 2014;
- (v) at the date of this statements there are reasonable grounds to believe the Bank and the Group 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 of the Group.

Signed on behalf of the board of directors in accordance with a resolution of the directors this 20th day of November 2014.


.....
Director


.....
Director

OFFICE OF THE AUDITOR GENERAL

Excellence in Public Sector Auditing

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



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



INDEPENDENT AUDIT REPORT

Fiji Development Bank and its subsidiary company
Financial statements for the year ended 30 June, 2014.

I have audited the financial statements of the Fiji Development Bank and its subsidiary (Bank) which comprise the statement of financial position as at 30 June 2014, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors and Management's Responsibility for the Financial Statements

Directors and management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Fiji Development Bank Act (Cap 214). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Audit Opinion

In my opinion:

- (a) proper books of account have been kept by the Fiji Development Bank and its subsidiary, 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 2014 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 the Fiji Development Bank Act (Cap 214) 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


1 December 2014.

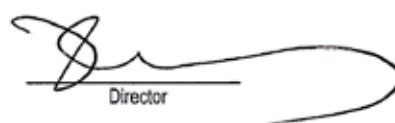


FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	CONSOLIDATED		THE BANK	
		2014 \$	2013 \$	2014 \$	2013 \$
Cash and cash equivalents	6	50,056,907	42,217,806	50,039,552	42,200,367
Investments held to maturity	7	2,028,472	2,028,121	2,000,000	2,000,000
Loans and advances	8	265,204,855	276,945,947	265,204,855	276,945,947
Receivable due from subsidiary	9	-	-	323,932	199,097
Other receivables	10	1,935,609	1,925,290	1,587,754	1,578,089
Investment in subsidiary	11	-	-	20,000	20,000
Investments	12	15,001	15,001	15,001	15,001
Land held for resale	13	-	42,581	-	42,581
Property, plant and equipment	14	15,812,483	15,432,303	15,812,483	15,432,303
Computer Software -Intangibles	15	63,890	40,524	63,890	40,524
TOTAL ASSETS		335,117,217	338,647,573	335,067,467	338,473,909
Liabilities					
Accounts payable and accruals	17	2,431,659	2,933,829	2,427,037	2,890,744
Short term borrowings	18	72,559,476	64,450,752	72,559,476	64,450,752
Other liabilities	19	5,819,490	5,837,515	5,819,490	5,837,515
Bonds - held-to-maturity	20	125,451,099	140,509,882	125,451,099	140,509,882
Employee entitlements	21	1,065,998	1,579,182	1,065,998	1,579,182
Deferred income		1,289,784	1,638,445	1,289,784	1,638,445
TOTAL LIABILITIES		208,617,506	216,949,605	208,612,884	216,906,520
Equity					
Capital	22	56,050,636	56,050,636	56,050,636	56,050,636
Reserves		12,535,291	12,535,291	12,535,291	12,535,291
Accumulated profits		57,913,784	53,112,041	57,868,656	52,981,462
Total capital and reserves		126,499,711	121,697,968	126,454,583	121,567,389
TOTAL LIABILITIES AND EQUITY		335,117,217	338,647,573	335,067,467	338,473,909

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 44 to 66.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE, 2014

	Notes	CONSOLIDATED		THE BANK	
		2014 \$	2013 \$	2014 \$	2013 \$
INCOME					
Interest income	2	25,539,281	27,325,366	25,538,182	27,324,273
Interest expense		(6,329,915)	(8,673,545)	(6,329,915)	(8,673,545)
Net interest income		<u>19,209,366</u>	<u>18,651,821</u>	<u>19,208,267</u>	<u>18,650,728</u>
Fee income	3	3,871,188	5,228,266	3,871,188	5,228,266
Other income	4	2,941,798	4,109,262	2,941,798	3,959,263
OPERATING INCOME		<u>26,022,352</u>	<u>27,989,349</u>	<u>26,021,253</u>	<u>27,838,257</u>
OPERATING EXPENSES	5	<u>(10,634,091)</u>	<u>(9,908,235)</u>	<u>(10,547,541)</u>	<u>(9,830,608)</u>
OPERATING PROFIT BEFORE ALLOWANCES		<u>15,388,261</u>	<u>18,081,114</u>	<u>15,473,712</u>	<u>18,007,649</u>
Allowance for credit impairment	8	(8,381,870)	(9,386,015)	(8,381,870)	(9,386,015)
Impairment of land held for resale	13	(42,581)	-	(42,581)	-
Allowance for Interest & Fees		<u>(2,162,067)</u>	<u>(4,487,010)</u>	<u>(2,162,067)</u>	<u>(4,487,010)</u>
		-	-	-	-
PROFIT BEFORE TAX		<u>4,801,743</u>	<u>4,208,089</u>	<u>4,887,194</u>	<u>4,134,624</u>
Tax expense	1(q)	-	(14,693)	-	-
PROFIT FOR THE YEAR		<u>4,801,743</u>	<u>4,193,396</u>	<u>4,887,194</u>	<u>4,134,624</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>4,801,743</u>	<u>5,541,125</u>	<u>4,887,194</u>	<u>5,482,353</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 44 to 66.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE, 2014

	CONSOLIDATED		THE BANK	
	2014	2013	2014	2013
	\$	\$	\$	\$
	Inflows	Inflows	Inflows	Inflows
Notes	(Outflows)	(Outflows)	(Outflows)	(Outflows)
OPERATING ACTIVITIES				
Interest and subsidy received	25,523,032	27,459,591	25,523,032	27,458,788
Interest and other costs of borrowing paid	(7,076,172)	(8,965,120)	(7,076,088)	(8,965,036)
Dividends received	-	11,686	-	11,686
Customer loans granted	(74,090,536)	(77,767,445)	(74,090,536)	(77,767,445)
Customer loans repaid	75,049,110	45,610,502	75,049,110	45,610,502
Fees received	3,871,188	5,228,266	3,871,188	5,228,266
Cash paid to suppliers and employees	(10,257,256)	(9,447,787)	(10,257,256)	(9,447,787)
Other receipts	2,588,560	4,716,483	2,588,560	4,716,483
Net cash provided / (used in) by operating activities	15,607,926	(13,153,824)	15,608,010	(13,154,543)
INVESTING ACTIVITIES				
Proceeds from the sale of investments	-	52,878	-	52,878
Payments for property, plant and equipment and intangible	(786,676)	(206,071)	(786,676)	(206,071)
Receipts from disposal of property and equipment	-	139,633	-	139,633
Proceeds from sale of land held for resale	-	700,000	-	700,000
Net cash (used in) / provided investing activities	(786,676)	686,440	(786,676)	686,440
FINANCING ACTIVITIES				
Proceeds from long-term borrowings	68,004,697	97,113,163	68,004,697	97,113,163
Repayment of long-term borrowings	(60,457,504)	(92,020,991)	(60,457,504)	(92,020,991)
Proceeds from short-term borrowings	18,000,000	37,266,519	18,000,000	37,266,519
Repayment of short-term borrowings	(32,529,342)	(41,311,976)	(32,529,342)	(41,311,976)
Net cash (used in) / provided by financing activities	(6,982,149)	1,046,715	(6,982,149)	1,046,715
Net increase/(decrease) in cash and cash equivalent	7,839,101	(11,420,669)	7,839,185	(11,421,388)
Cash and cash equivalents at the beginning of the financial year	42,217,806	53,638,475	42,200,367	53,621,755
Cash and cash equivalents at the end of the financial year	50,056,907	42,217,806	50,039,552	42,200,367
	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 44 to 66.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 2014

		CONSOLIDATED				
	Notes	Capital	General reserve	Revaluation reserve	Accumulated profits	Total
		\$	\$	\$	\$	\$
Balance at 30 June 2012	22	56,050,636	8,064,000	3,123,562	48,918,645	116,156,843
Total other comprehensive income		-	-	1,347,729	-	1,347,729
Net profit for the 2013 year		-	-	-	4,193,396	4,193,396
Balance at 30 June, 2013		56,050,636	8,064,000	4,471,291	53,112,041	121,697,968
Net profit for the 2014 year		-	-	-	4,801,743	4,801,743
Balance at 30 June 2014		56,050,636	8,064,000	4,471,291	57,913,784	126,499,711

		THE BANK				
		Capital	General reserve	Revaluation reserve	Accumulated profits	Total
		\$	\$	\$	\$	\$
Balance at 30 June 2012	22	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
Net profit for the 2014 year		-	-	-	4,887,194	4,887,194
Balance at 30 June 2014		56,050,636	8,064,000	4,471,291	57,868,656	126,454,583

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 44 to 66.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2014

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Fiji Development Bank (the 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 2014 comprise the Bank and its subsidiary company (the Group). 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 28th August 2014.

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 consolidated financial statements 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. In addition, land and buildings are carried at revalued 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 8 – 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 and its wholly owned subsidiary 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, 2014

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.

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

Government interest subsidies

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

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 amortised 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 depreciation and 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 or 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, 2014

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 fair value less costs to sell 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 amortised at 20 percent 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) Restructured loans

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

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2014

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

(i) Loans and advances *(continued)*

(ii) Past due loans

Facilities that are classified under past due are loans that are more than 30 days in arrears.

(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 recorded in profit or loss.

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 profit or loss.

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 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.

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 to profit or loss. Debts previously written off and subsequently recovered are credited to profit or loss 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.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2014

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

(l) Transactions in foreign currencies

Transactions in foreign currencies are translated into the functional currency at the date of the transaction.

Monetary assets and liabilities 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 profit or loss.

(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.

(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 wage and salary rates at balance date 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 wage and salary rates at balance date.

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 2014 was 178 (2013: 190).

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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) 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, 2014

	CONSOLIDATED		THE BANK	
	2014 \$	2013 \$	2014 \$	2013 \$
2 INTEREST INCOME				
Included in interest income are interest subsidies received / receivable from the Government for:				
- Agricultural loans	1,052,069	960,741	1,052,069	960,741
- Commercial Loans to Fijians scheme	361,145	527,374	361,145	527,374
- Economic Rehabilitation Package Scheme	33,337	71,959	33,337	71,959
- Small Business Scheme	361,708	236,150	361,708	236,150
- Northern Rehabilitation Package	149,938	155,177	149,938	155,177
	<u>1,958,197</u>	<u>1,951,401</u>	<u>1,958,197</u>	<u>1,951,401</u>
3 FEE INCOME				
Application fees	120,655	98,947	120,655	98,947
Establishment fees	962,657	738,876	962,657	738,876
Commitment fees	265,561	149,884	265,561	149,884
Bank Service fees	1,674,294	1,403,426	1,674,294	1,403,426
Arrears fees	104,824	2,281,457	104,824	2,281,457
Legal fees	742,471	555,026	742,471	555,026
Other fee income	726	650	726	650
	<u>3,871,188</u>	<u>5,228,266</u>	<u>3,871,188</u>	<u>5,228,266</u>
4 OTHER INCOME				
The following items are included in other income:				
Gain on sale of property, plant and equipment	-	24,427	-	24,427
Bad debts recovered	1,379,955	2,423,093	1,379,955	2,423,093
Insurance commission	100,449	125,938	100,449	125,938
Rental income	779,388	639,551	779,388	639,551
Other Income	682,006	896,253	682,006	746,254
	<u>2,941,798</u>	<u>4,109,262</u>	<u>2,941,798</u>	<u>3,959,263</u>
5 OPERATING EXPENSES				
Items included in administrative expenses:				
Amortisation of bond discounts	89	113	89	113
Auditors' remuneration	39,996	39,996	39,996	39,996
Directors' fees	109,172	104,336	109,172	104,336
Depreciation and amortisation	748,498	746,185	748,498	746,185
Employee costs	6,816,824	6,370,719	6,816,824	6,370,719
Other Expenses	2,919,512	2,646,886	2,832,962	2,569,259
	<u>10,634,091</u>	<u>9,908,235</u>	<u>10,547,541</u>	<u>9,830,608</u>

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2014

	CONSOLIDATED		THE BANK	
	2014 \$	2013 \$	2014 \$	2013 \$
6 CASH & CASH EQUIVALENTS				
Petty cash	2,154	1,850	2,154	1,850
Overdraft facility	15,000	15,000	15,000	15,000
Western Union facility	12,000	-	12,000	-
Deposit accounts - branches	8,150,698	3,425,713	8,133,343	3,408,274
Bank of South Pacific - Call account	165,497	425,819	165,497	425,819
Bank of Baroda - head office	41,711,533	38,349,399	41,711,533	38,349,399
National Bank of Fiji savings -Suva	25	25	25	25
	<u>50,056,907</u>	<u>42,217,806</u>	<u>50,039,552</u>	<u>42,200,367</u>

The Bank maintains an overdraft facility of \$15,000 to cater for staff withdrawals based on their eligibility level. An agency agreement was signed with Western Union whereby the Bank maintains \$12,000 for money transfer facility. 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. A new deposit account was opened with Home Finance Company Limited (HFC) after it became operational as a commercial Bank for the Bank's daily transactions with its clients.

	CONSOLIDATED		THE BANK	
	2014 \$	2013 \$	2014 \$	2013 \$
7 INVESTMENTS HELD TO MATURITY				
Investment In bonds	<u>2,028,472</u>	<u>2,028,121</u>	<u>2,000,000</u>	<u>2,000,000</u>

Investment in bonds relates to \$2,000,000 of investments with the Reserve Bank of Fiji at 12.31 percent (2013: 12.31 percent), with maturity year being 2022 and \$28,472 of investment by FDB Nominees Limited held in Home Finance Corporation at 3.10 percent and 4.25 percent 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, 2014

	CONSOLIDATED		THE BANK	
	2014 \$	2013 \$	2014 \$	2013 \$
8 LOANS AND ADVANCES				
Loans and advances	339,047,874	347,404,693	339,047,874	347,404,693
Allowance for Interest and fees suspended	(16,908,555)	(18,498,791)	(16,908,555)	(18,498,791)
	<u>322,139,319</u>	<u>328,905,902</u>	<u>322,139,319</u>	<u>328,905,902</u>
Allowance for credit impairment	(56,934,464)	(51,959,955)	(56,934,464)	(51,959,955)
Total loans and advances	<u>265,204,855</u>	<u>276,945,947</u>	<u>265,204,855</u>	<u>276,945,947</u>
Loans and advances include finance lease provided to customers. 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	38,670,676	35,002,239	38,670,676	35,002,239
Charge to the profit or loss	3,016,348	8,411,092	3,016,348	8,411,092
Transfer from collective provision	12,540,174	-	12,540,174	-
	<u>54,227,198</u>	<u>43,413,331</u>	<u>54,227,198</u>	<u>43,413,331</u>
Bad debts written off against allowance for credit impairment	(3,407,361)	(4,742,655)	(3,407,361)	(4,742,655)
Balance at the end of the year	<u>50,819,837</u>	<u>38,670,676</u>	<u>50,819,837</u>	<u>38,670,676</u>
Collectively assessed allowance				
Balance at beginning of year	13,289,279	12,314,356	13,289,279	12,314,356
Charge to the profit or loss	5,365,522	974,923	5,365,522	974,923
Transfer to specific provision	(12,540,174)	-	(12,540,174)	-
Balance at the end of the year	<u>6,114,627</u>	<u>13,289,279</u>	<u>6,114,627</u>	<u>13,289,279</u>
Total allowance for credit impairment	<u>56,934,464</u>	<u>51,959,955</u>	<u>56,934,464</u>	<u>51,959,955</u>
9 RECEIVABLE FROM SUBSIDIARY				
FDB Nominees Limited	-	-	323,932	199,097

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2014

	CONSOLIDATED		THE BANK	
	2014 \$	2013 \$	2014 \$	2013 \$
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	1,152,355	1,137,205	1,152,355	1,137,205
Other	783,254	788,085	435,399	440,884
	<u>1,935,609</u>	<u>1,925,290</u>	<u>1,587,754</u>	<u>1,578,089</u>
Impairment loss is represented as follows:				
Total Impairment at the beginning of the year	5,499,216	5,499,216	5,499,216	5,499,216
Charge to profit or loss	-	-	-	-
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				
	-	-	20,000	20,000
FDB Nominees Ltd				
The Bank has 100 percent 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	6,599,291	6,599,291	6,599,291
Impairment	(6,584,290)	(6,584,290)	(6,584,290)	(6,584,290)
	<u>15,001</u>	<u>15,001</u>	<u>15,001</u>	<u>15,001</u>
13 LAND HELD FOR RESALE				
Nasarawaqa Estate				
Cost at beginning of the year	99,426	99,426	99,426	99,426
Impairment at the beginning of the year	(51,590)	(51,590)	(51,950)	(51,950)
Impairment expense during the year	(42,581)	-	(42,581)	-
Impairment at the end of the year	<u>(94,531)</u>	<u>(51,950)</u>	<u>(94,531)</u>	<u>(51,950)</u>
	4,895	47,476	4,895	47,476
Contributions to project	(4,895)	(4,895)	(4,895)	(4,895)
	-	42,581	-	42,581
Cane Estate				
Cost	-	1,000,000	-	1,000,000
Other expenses capitalised	-	594,337	-	594,337
	-	1,594,337	-	1,594,337
Allowance for diminution in value	-	(900,000)	-	(900,000)
	-	694,337	-	694,337
Disposal	-	(694,337)	-	(694,337)
Balance at the end of the year	-	42,581	-	42,581

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2014

14 PROPERTY, PLANT AND EQUIPMENT	CONSOLIDATED AND THE BANK				
	Land and buildings \$	Plant and equipment \$	Fixtures and fittings \$	Work in progress \$	Total \$
Cost or valuation					
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 1 July 2013	13,700,407	6,402,980	132,093	-	20,235,480
Acquisitions during the year	30,409	957,912	-	121,212	1,109,533
Disposals	-	(413,100)	-	-	(413,100)
Balance at 30 June 2014	13,730,816	6,947,792	132,093	121,212	20,931,913
Accumulated Depreciation					
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 1 July 2013	198,907	4,496,156	108,114	-	4,803,177
Depreciation charge for the year	172,714	550,295	6,343	-	729,352
Disposals	-	(413,100)	-	-	(413,100)
Balance at 30 June 2014	371,621	4,633,351	114,457	-	5,119,429
Carrying amount					
Balance at 1 July 2013	13,501,500	1,906,824	23,979	-	15,432,303
Balance at 30 June 2014	13,359,194	2,314,441	17,636	121,212	15,812,483

The Directors have adopted a policy of obtaining regular independent valuations for all of the Bank's properties on an existing use basis of valuation. The land and buildings were re-valued by Rolle Associates and these valuations were adopted by the Directors at 1 July 2013.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2014

	CONSOLIDATED		THE BANK	
	2014 \$	2013 \$	2014 \$	2013 \$
15 COMPUTER SOFTWARE - INTANGIBLE				
Balance at the end of the year	85,772	85,772	85,772	85,772
Acquisitions during the year	28,355	-	28,355	-
Work in Progress	14,157	-	14,157	-
	<u>128,284</u>	<u>85,772</u>	<u>128,284</u>	<u>85,772</u>
Accumulated Amortisation				
Balance at the end of the year	45,248	29,104	45,248	29,104
Amortisation charge for the year	19,146	16,144	19,146	16,144
	<u>64,394</u>	<u>45,248</u>	<u>64,394</u>	<u>45,248</u>
Carrying amount				
Balance at the end of the year	40,524	56,668	40,524	56,668
	<u>63,890</u>	<u>40,524</u>	<u>63,890</u>	<u>40,524</u>
16 OPERATING LEASE				
Leases as Lessee				
Minimum lease payments under non-cancellable operating leases are payable as follows:				
- Not Later than one year	63,186	72,612	63,186	72,612
- Between one and five years	290,447	290,447	290,447	290,447
- More than 5 years	2,429,612	2,492,798	2,429,612	2,492,798
	<u>2,783,245</u>	<u>2,855,857</u>	<u>2,783,245</u>	<u>2,855,857</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	690,764	1,469,028	690,764	1,469,028
Others	1,740,895	1,464,801	1,736,273	1,421,716
	<u>2,431,659</u>	<u>2,933,829</u>	<u>2,427,037</u>	<u>2,890,744</u>
18 SHORT TERM BORROWINGS				
Short term borrowings	<u>72,559,476</u>	<u>64,450,752</u>	<u>72,559,476</u>	<u>64,450,752</u>

The above borrowings have a repayment term of less than 1 year and have been guaranteed by the Government of Fiji. The interest rates for the short term borrowing range from 0.25 percent to 5.12 percent, in (2013: 4.15 percent to 8.5 percent).

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2014

	CONSOLIDATED		THE BANK	
	2014 \$	2013 \$	2014 \$	2013 \$
19 OTHER LIABILITIES				
Seed Capital Fund	2,746,784	2,844,480	2,746,784	2,844,480
Staff Savings account	1,462,588	1,379,362	1,462,588	1,379,362
Export Facility	1,500,000	1,499,518	1,500,000	1,499,518
Farmers Assistance Scheme	110,118	114,155	110,118	114,155
	<u>5,819,490</u>	<u>5,837,515</u>	<u>5,819,490</u>	<u>5,837,515</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

Term deposits	5,700,000	-	5,700,000	-
RBF Export Facility	46,719,008	27,695,196	46,719,008	27,695,196
FDB Registered bonds - face value	73,000,000	112,778,591	73,000,000	112,778,591
Unamortised discount	32,091	36,095	32,091	36,095
	<u>125,451,099</u>	<u>140,509,882</u>	<u>125,451,099</u>	<u>140,509,882</u>

The RBF Export Facility has been reclassified from Accounts and other paybles 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, 2013	1,579,182	1,829,655	1,579,182	1,829,655
Utilised during the year	(513,625)	(383,920)	(513,625)	(383,920)
Arising during the year	441	133,447	441	133,447
At 30 June, 2014	<u>1,065,998</u>	<u>1,579,182</u>	<u>1,065,998</u>	<u>1,579,182</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, 2014

	THE BANK	
	2014	2013
	\$	\$
23 COMMITMENTS AND CONTINGENT LIABILITIES		
(a) Commitments		
(i) Loans approved but not disbursed	58,671,179	34,138,836
(b) Capital Commitments		
(i) Work In Progress	218,063	395,413
(c) Contingent liabilities		
(i) Guarantees	1,087,176	771,931

24 RELATED PARTY TRANSACTIONS

Directors

The following were directors of the Bank during the financial year ended 30 June 2014:

Current directors

Mr Robert G. Lyon	Reappointed on 30/09/2013 as chairperson
Mr Jitoko Tikolevu	Deputy chairperson; reappointed on 04/09/2013
Mr Josefa Serulagilagi	Reappointed on 15/09/2011
Mr Manasa Vaniqi	Reappointed on 15/09/2011
Ms Olivia Mavoava	Reappointed on 06/01/2014
Mr Ropate Ligairi	Appointed on 14/02/2013

Former directors

Mr Isikeli Tikoduadua	Resigned on 17/03/2014
-----------------------	------------------------

	CONSOLIDATED		THE BANK	
	2014	2013	2014	2013
	\$	\$	\$	\$
Directors' fees	109,172	104,336	109,172	104,336

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE, 2014

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
Uraia Rasake	General Manager Human Resource and Training

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

	CONSOLIDATED		THE BANK	
	2014 \$	2013 \$	2014 \$	2013 \$
Short-term benefits	708,702	469,769	708,702	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 \$163,149/(2013: \$171,675) to three executives are included in "Loans and 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, 2014

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. The Bank 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, 2014

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	2014 \$	2013 \$
Agriculture	63,859,498	80,566,867
Building and construction	48,020,468	51,445,951
Manufacturing	33,592,383	39,652,613
Mining and quarrying	212,882	195,022
Private individuals	27,250,222	31,533,038
Professional and business services	3,093,648	2,939,202
Real estate	63,022,87	73,152,748
Transport, communication and storage	16,389,855	12,768,782
Wholesale, retail, hotels and restaurants	38,636,249	27,076,150
Others	44,969,795	28,074,320
Total gross loans and advances	339,047,874	347,404,693

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2014

25 RISK MANAGEMENT POLICY (continued)

Impaired and Past-Due Assets

	2014	THE BANK	2013
	\$		\$
Non-accrual loans without individual assessed allowance			
Gross	6,373,315		7,311,629
Less: interest and fees suspended	(1,136,302)		(1,205,842)
Net non-accrual loans without individual assessed allowance	<u>5,237,013</u>		<u>6,105,787</u>
Non-accrual loans with individual assessed allowance			
Gross	53,433,898		58,135,179
Less: interest and fees suspended	(15,590,625)		(16,942,777)
	<u>37,843,273</u>		<u>41,192,402</u>
Less: individual assessed allowance	(20,774,657)		(21,406,666)
Net non-accrual loans with individual assessed allowance	<u>17,068,616</u>		<u>19,785,736</u>
Restructured loans without individual assessed allowance			
Gross	50,877		15,791
Less: interest and fees suspended	(924)		(445)
Net restructured loans without individual assessed allowance	<u>49,953</u>		<u>15,346</u>
Restructured loans with individual assessed allowance			
Gross	523,423		610,370
Less: interest and fees suspended	(94,161)		(125,405)
	<u>429,262</u>		<u>484,965</u>
Less: individual assessed allowance	(86,571)		(115,559)
Net restructured loans with individual assessed allowance	<u>342,691</u>		<u>369,406</u>
Other impaired loans			
Gross	335,388		425,286
Less: interest and fees suspended	(2,878)		(9,023)
Net other classified loans	<u>332,510</u>		<u>416,263</u>
Total impaired and past-due loans	<u>23,030,782</u>		<u>26,692,538</u>
Past-due loans			
Gross	51,882,290		50,494,003
Less: interest and fees suspended	(15,858,377)		(16,228,285)
Total past-due loans	<u>36,023,913</u>		<u>34,265,718</u>

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2014

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. The Bank 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. The Bank 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 at least 10 percent 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 emphasizes on collection efficiency of its lending units.

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 material sensitivity to changes in interest rates.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2014

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

Maturity Analysis

The following analysis of financial assets and liabilities is based on contractual terms.

The majority of longer term loans advances are variable rate products.

2014

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	686	-	3,917
Loans and advances	63,750	14,501	74,934	140,944	44,919	(21,301)	317,747
Total	65,750	14,562	75,119	141,929	45,605	(21,301)	321,664
Liabilities							
Accounts Payables	2,427	-	-	-	-	-	2,427
Borrowings	-	31,200	41,359	122,419	3,032	-	198,011
Total	2,427	31,200	41,359	122,419	3,032	-	200,438
2013							
Assets							
Investments held to maturity	2,000	61	185	985	932	-	4,163
Loans	5,381	4,499	119,603	199,249	18,673	(21,692)	325,713
Total	7,381	4,560	119,788	200,234	19,605	(21,692)	329,876
Liabilities							
Accounts Payables	2,891	-	-	-	-	-	2,891
Borrowings	-	31,000	33,451	137,510	3,000	-	204,961
Total	2,891	31,000	33,451	137,510	3,000	-	207,852

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2014

25 RISK MANAGEMENT POLICY *(continued)*

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 the Bank 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.

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).

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2014

Sensitivity Analysis

Market risk

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

	As at June 2014	Increase in Lending Rate (+2.50%)	Decrease in Lending Rate (-2.50%)
Weighted average Lending Rate (%)	5.82	-	-
Interest Income (\$)	25,538,182	8,476,197	(8,476,197)
Impact on Profit or loss (\$)	4,887,194	8,476,197	(8,476,197)

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.

26 NOTES TO THE STATEMENT OF CASH FLOWS

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	
	2014 \$	2013 \$	2014 \$	2013 \$
Cash	50,056,907	42,217,806	50,039,552	42,200,367

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2014

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

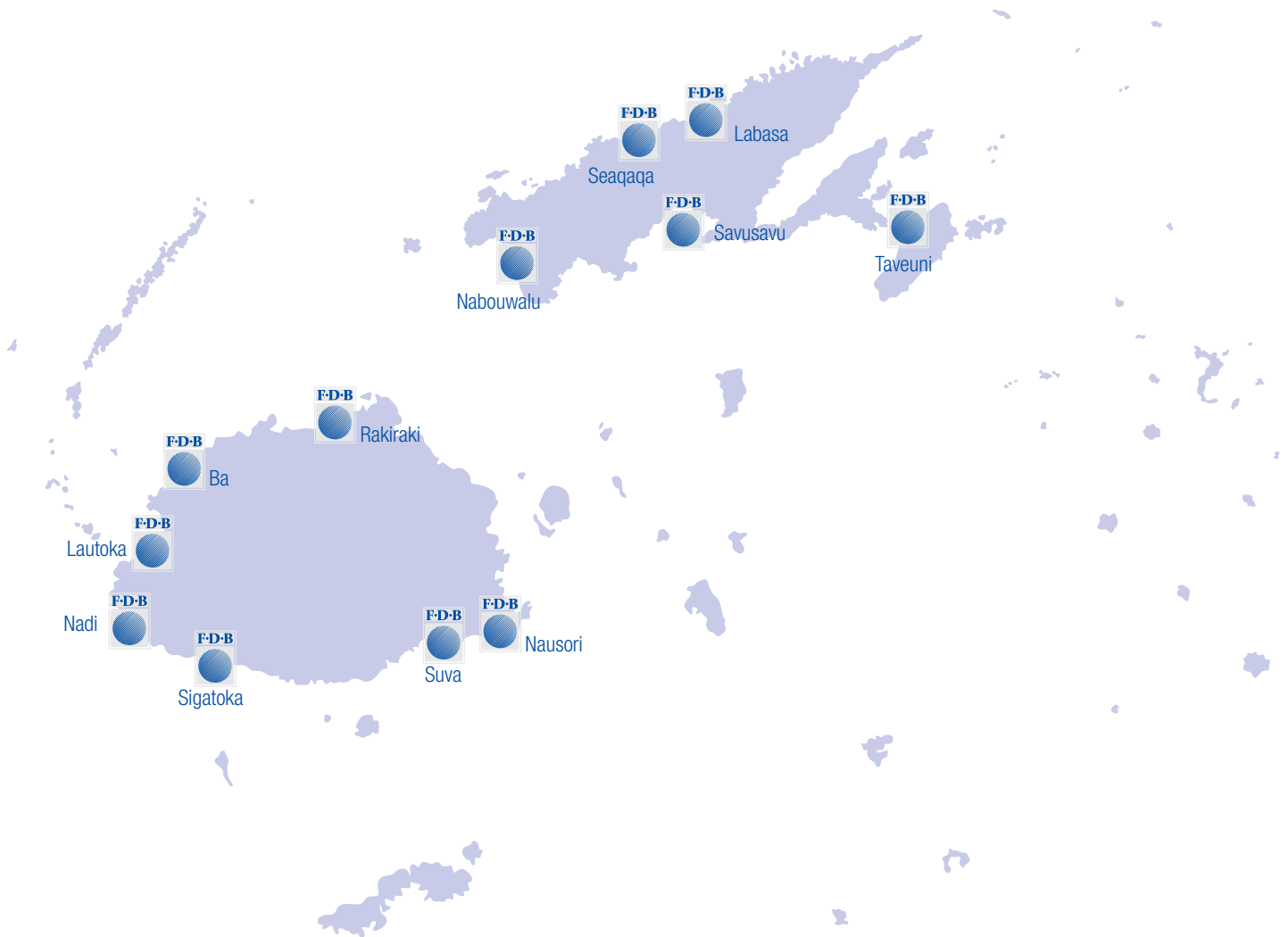
The principal activities of the Group during the course of the financial year were providing finance, financial and advisory services to assist in the development of agriculture, commerce and industry in Fiji.

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 Group or the Bank, the results of those operations, or the state of affairs of the Group or the Bank in subsequent financial years.



Suva Branch

360 Victoria Parade,
G.P.O Box 104, Suva.
Ph: (679) 3314 866
Fax: (679) 3314 886

Nabouwalu Branch

Nabouwalu,
P.O. Box 51, Bua.
Ph: (679) 8280 400
Fax: (679) 8280 401

Seaqaqa Branch

Seaqaqa Township,
P.O Box 62, Seaqaqa.
Ph: (679) 8860 166
Fax: (679) 8860 168

Ba Branch

Varoka,
P.O Box 110, Ba.
Ph: (679) 6674 211
Fax: (679) 6674 031

Nadi Branch

Main Street,
P.O Box 1718, Nadi.
Ph: (679) 6701 900
Fax: (679) 6703 552

Sigatoka Branch

Vunasalu Road,
P.O Box 81, Sigatoka.
Ph: (679) 6500 122
Fax: (679) 6520 399

Labasa Branch

Nasekula Road,
P.O Box 41, Labasa.
Ph: (679) 8811 944
Fax: (679) 8814 009

Nausori Branch

60 Main Street,
P.O.Box 317, Nausori.
Ph: (679) 3477 277
Fax: (679) 3400 484

Rakiraki Branch

Vaileka Parade,
P.O Box 82, Rakiraki.
Ph: (679) 6694 088
Fax: (679) 6694 784

Lautoka Branch

38 Vitogo Parade,
P.O Box 716, Lautoka.
Ph: (679) 6660 639
Fax: (679) 6665 950

Savusavu Branch

Hugh Street, Verevere
P.O Box 42, Savusavu.
Ph: (679) 8850 055
Fax: (679) 8850 629

Taveuni Branch

Somosomo,
P.O. Box 215, Waiyevo, Taveuni.
Ph: (679) 8880 084
Fax: (679) 8880 057

HEAD OFFICE:

360 Victoria Parade, Suva, Fiji.

G.P.O. Box 104, Suva, Fiji.

PH: (679) 3314 866

FAX: (679) 3314 886

Website: www.fdb.com.fj

 Fiji Development Bank