

*your partner in progress*

**2015** 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.**



# OUR VALUES

## Development

**FDB continuously focuses on the economic development of our country that is why we exist! We believe in the development of Fiji and bringing success to its entire people.**

## Innovation

**FDB continuously strives to exceed customer's expectations with products and services that would meet the changing needs of all customer's and also taking advantage of emerging opportunities before competitor's can.**

## Collaboration

**FDB always works as one team and communicates one message for the development of Fiji and it's people.**

## Integrity

**FDB exhibits the highest level of objectivity, honesty, transparency, fairness and responsibility at all times.**

## Accountability

**FDB acknowledges and assumes responsibility for its actions with the overarching obligation to report, explain and be answerable for resulting consequences.**

# STRATEGIC OBJECTIVES

- 1. To be commercially viable and reduce reliance on government assistance.**
- 2. To enhance our role as Fiji's only development Bank.**
- 3. To inculcate an environment that values, empowers and rewards our employees.**

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## 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, the 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 to the FDB Small & Medium Enterprise Awards.



## CHAIRMAN'S LETTER



*your partner in progress*

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**8, February, 2016**

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: 2015 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 Banks financial year ending 30 June, 2015.

Despite the challenging economic conditions, the Bank had an improved overall performance during the financial year with a net profit of \$6.14MM which was an increase of 25.64% in comparison to the 2014 financial year.

The Bank's total portfolio as at 30th June, 2015 stood at 4,188 accounts with a loan value of \$367.23MM. This was an increase in portfolio by 8.14% and 8.32% by number and value respectively in comparison to the last financial year. The Bank's continued collaboration with government stakeholders and private sectors has contributed favourably with regards to the quality of projects financed during the 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 2015 financial year is defined as July 1, 2014 to June 30, 2015. This period is referred to as 2015 throughout this document.

In terms of both financial performance and quality of projects, FDB recorded creditable improvements over 2014 – itself a rewarding year for the Bank.

A more certain and optimistic post-election economic environment combined with a return of confidence within the Fiji community at large, contributed substantially to the Bank's many successes in 2015.

### A Timely Look North

Major infrastructural developments in Vanua Levu, such as the Nabouwalu to Dreketi Highway upgrade and enhanced shipping services, provided Northern farmers and small businesses much improved access to waiting markets in 2015. The Bank therefore applied particular focus to enabling individuals and organizations in the region to capitalize on this situation.

Thanks to the Government interest rate subsidy available to FDB borrowers the length and breadth of Fiji, the Bank's strategically placed branches in Labasa, Nabouwalu, Savusavu, Seaqaqa and Taveuni were able to offer Northern clients more attractive terms than other lending bodies.

The region accounted for \$29.3MM of FDB's loans portfolio in 2015, an increase of \$5MM over 2014.

### More Accounts, Increased Lending

In terms of account numbers FDB recorded an 8.14% increase over 2014, and an 8.32% increase by value. The Bank's lending profile for 2015 shows more than 1,500 accounts and lending of \$367.23MM. This compares to the 1,235 accounts of 2014 with lending of \$99.5MM.

A small increase in Trouble and Impaired Assets was adequately compensated for by a notable increase in the Bank's Performing Loan Portfolio.

### Strong Support for Agriculture

Agriculture-related loans formed the larger part of the Bank's 2015 Loans Portfolio with more than 50% of the total accounts and loans amounting to \$65.5MM. Applications in this sector were also dominant with 853 accounts valued at \$22.83MM.

While farming is well established as the greatest contributor to the Fiji economy, FDB is firm in its belief that the sector still holds sizeable growth potential.

Lending to agricultural businesses and projects will remain a priority for the foreseeable future. The Bank's Financial Advisory Service will continue to explore ways of raising production levels in a sustainable fashion while encouraging the development of new, value added products, targeting domestic and export markets.

### Powerful Support for more Prime Sectors

FDB loans to the Fiji manufacturing sector in 2015 totaled \$28.6MM, while those to the country's real estate, construction, wholesale and retail, tourism and restaurant sectors amounted to \$190MM.

### Continuing Help and Encouragement for Small Business Operators

The Bank was characteristically supportive in 2015 of projects involving loans of \$0.5MM or less. 1,400 applications with a combined value of \$39.65MM and involving professional and business services, smaller wholesale and retail businesses and the hotel and restaurant sectors, proved successful.

### A Welcome Extra Boost

Micro and small enterprise operators benefited in 2015 from a \$1MM Government grant, disbursed through the Bank. FDB again proved its effectiveness as a means of reaching and assisting business-minded people in our cities, towns and rural areas by processing close to 26,000 applications through its eleven branches. 1,040 of those applications gained the FDB stamp of approval.

### The Question of Risk

By its very nature the Bank routinely exposes itself to higher risk levels than its purely commercial counterparts. When markets fluctuate due to factors such as weather or the political climate, there is a corresponding ripple effect on most, if not all, of our clients' businesses – and consequently our own. In 2015 FDB continued to invest in projects in which it had a high degree of faith in light of past experience and prevailing conditions.

### Sector-Specific Growth Trends Observed in 2015

The high demand in 2015 for loans relating to agriculture, real estate, construction, wholesale, retail, hotels and restaurants was a strong indication of growth trends in all these areas.

The Bank also advanced significant funds to small to medium size businesses, and projects whose focus was environmental management and renewable energy. Audited figures show a 28.88% increase in such loans over 2014.

### **Proposed Return of FDB Home Loan and Lease Finance Products**

In 2015 FDB sought Government approval for the reinstatement of its Home Loan and Lease Finance operations. Strong market demand, the need to mitigate other lending risks and the Bank's ability to remain competitive in the wider Banking arena are key arguments in favour of the move. We are hopeful of receiving the go-ahead very soon.

### **One-On-One Communication with the Customer Remains Key**

Ease of access and close interaction between Bank personnel and their customers are central to the Bank's success. The existing network of eleven strategically located branches in Viti Levu and Vanua Levu plus the addition of three new sub-branches offering the same services has expanded the Bank's reach to its clients.

FDB's ongoing program of road shows and expositions in Ra, Vunidawa, the Western Division and Vanua Levu and elsewhere again proved effective in promoting the Bank's services at a grass roots level.

### **Words of Wisdom for the Young**

As part of its corporate responsibility program, FDB is committed to raising financial awareness among the children of Fiji. The Bank's Money \$mart program, conducted since 2007 in partnership with the Ministry of Education, continued to play its part throughout 2015.

Again we were able to give a new generation of young Fijians an understanding of the importance of saving for the future, and of managing money wisely.

### **Encouragement for Young Investors**

The FDB Invest \$mart program was also active in 2015, educating older students on how to invest their money wisely and avoid potential pitfalls. As in years past, many students chose to open savings accounts as a first step to securing their financial future. These highly successful programs resulted in over half a million in recorded savings and investments.

### **Recognition for the Stars of Small and Medium Enterprise**

FDB's Small & Medium Enterprise Awards again gave operators an added incentive to shine. Introduced as a move to help lift people out of poverty, the Awards recognize businesses that are fully Fiji owned and that turn over between \$30,000 and \$500,000 per annum. The winning line-up for 2014 included representatives from the fields of professional business services, agriculture, wholesale and retail, manufacturing and tourism.

### **Help for the Helpers**

FDB gave its continued support in 2015 to credible educational, non-profit and charitable organizations. Our assistance took the form of both donations and sponsorship. Among the two dozen recipients

of FDB sponsorship this year were Fiji Society for the Blind, FENC Fiji (Foundation for the Education of Needy Children) and Save the Children Fund. The Bank also made donations to organizations focusing on welfare and humanitarian services.

### **Investment Priorities for 2016 and Beyond**

As we move into the 2016 financial year we first and foremost look to new avenues and opportunities in finance for agriculture. A revitalization program heavily funded by the Bank will assist farmers – including those engaged in forestry – in gaining access to viable and sustainable markets.

The sugar and beef sub-sectors are also among those slated for development, in order to achieve the scale growth necessary to create further funding opportunities and stimulate vital economic activity, particularly in the North.

Renewable energy and other resource-based initiatives will also attract the Bank's interest. In line with its Sustainable Energy Financing Policy FDB will continue to support a shift from fossil fuels to green energy. We will do this by financing Fiji owned projects that adopt renewable energy technology to provide rural communities and other markets with cheaper, cleaner energy solutions.

Other sectors earmarked for special attention include professional business services and infrastructure. Industry-based sectors such as mining, manufacturing and tourism, together with associated developments related to their infrastructure and communications, will also receive special attention.

### **The Ideas Bank**

Innovation in FDB products and processes coupled with a dynamic market presence consistently enables us to remain current and prominent in the Banking arena. New and exciting product ideas commensurate with the sustainability of our business are always in the pipeline.

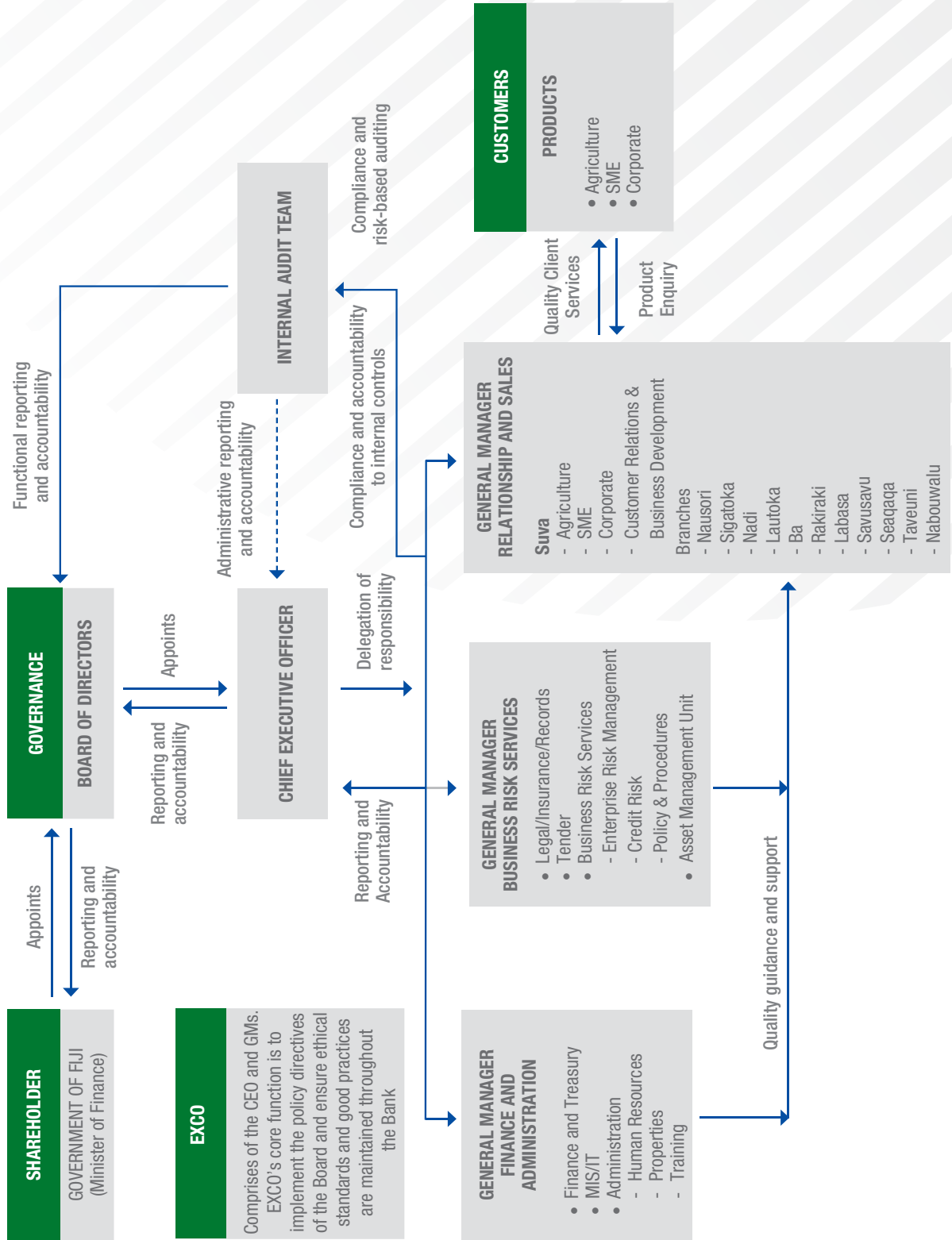
Concepts undergoing evaluation presently include financial assistance for retirees to establish 'fresh start' businesses of their own, a 'head start' assistance scheme for graduates wishing to set up in business at the beginning of their careers, residential loans for investors, and overdraft stretch facilities for FDB customers in times of special need. One thing is sure. In 2016, as in 2015, Fiji Development Bank will play a unique and critical role in taking the nation forward.







# FIJI DEVELOPMENT BANK ORGANIGRAM



## BOARD OF DIRECTORS



**Mr. Robert G. Lyon**  
Chairman

(Appointed August 2010 - reappointed 30th September 2013)

Bob Lyon is one of the most experienced and respected business leaders in the South Pacific. During his 43 years with ANZ, he worked extensively in the Asia Pacific region, including 12 years as Managing Director Pacific and head of ANZ's Asian retail operations.

Bob has also held numerous Board positions over the years, including the Chairmanships of FINTEL/Kidanet and Melbourne City Marketing, and Board memberships of Melbourne Chamber of Commerce, Pacific Economic Bulletin, APNGBC and APIBC. During his 14 years with the AFBC, Bob was President for 5 of those years and 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 and the Australian Institute of Company Directors, and a Senior Fellow of the Financial Services Institute of Australasia.

In 2005, the PNG Government awarded Bob the 30th Independence Anniversary Commemorative Medal for services to the Banking industry.

Bob also holds a chiefly title from Samoa and currently resides with his wife in Fiji.



**Mr. Jitoko Tikolevu**  
Deputy Chairman

(Appointed September 2007 - reappointed August 2010)

Mr. Tikolevu has been the Chief Executive Officer of the Fiji Revenue and Customs Authority. He graduated with a Bachelor of Business Studies from the University of the South Pacific (Fiji) and with a Masters of Commerce in Taxation (Honours) from the University of Auckland (New Zealand). He was also Deputy Chairman of the Board of Investment Fiji.



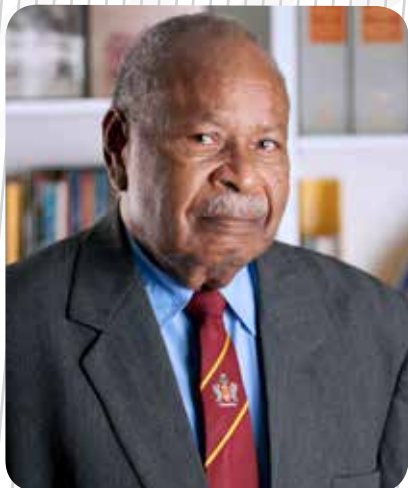
**Ms. Olivia Mavoia**  
Director

(Appointed January 2011)

Ms. Mavoia is the body corporate representative for Denarau Villas Ltd and has vast experience in the tourism industry. From 1994 – 2004, Ms. Mavoia was the Chief Executive Officer for the Fiji Hotel Association, following which she ran a tourism and business consultancy for five years. She was also previously the General Manager for Musket Cove Resort and from March 2009-2010, the Northern Regional Manager for the Fiji Trade and Investment Board (now Investment Fiji). Ms. Mavoia holds a Postgraduate Diploma in Business Administration from Central Queensland University (Australia).



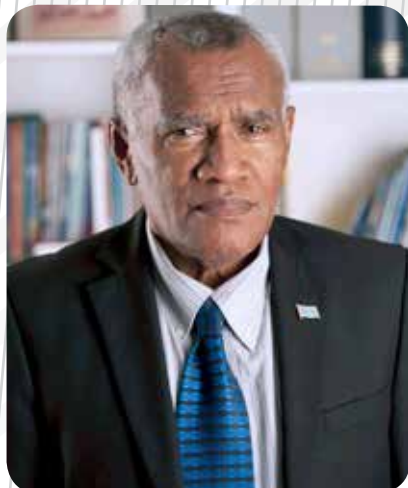
## BOARD OF DIRECTORS



**Mr. Joseva Serulagilagi**  
Director

(Appointed August 2008)

A retired civil servant, Mr. Serulagilagi is the Chairman of the Public Service Commission, 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, as well as a Certificate in Development Planning from Bradford University in the United Kingdom.



**Mr. Manasa Vaniqi**  
Director

(Appointed August 2008 - deceased January 2015)

Mr. Vaniqi has served in the public service since 1971, and as a territorial, as well as regular forces, officer with the Fiji Military Forces since 1974. Prior to being appointed Permanent Secretary for Sugar in 2011, Mr. Vaniqi was Permanent Secretary for the Ministry of Provincial Development and Multi-Ethnic Affairs, and 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.



**Mr. Ropate Ligairi**  
Director

(Appointed February 2013 - retired 31 December 2014)

Mr. Ligairi is a career agriculturalist having spent the last thirty-two years working at the Ministry of Agriculture and is now the Permanent Secretary for Agriculture. He holds a Bachelor of Science in Agriculture and a Masters in Management & Public Administration from the University of the South Pacific as well as a Masters of Science in Development, Training and Education from the University of Wolverhampton (United Kingdom).

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 to the FDB Small & Medium Enterprise Awards.





## CORPORATE GOVERNANCE

At the Fiji Development Bank, we recognise that our corporate governance framework plays a crucial role in supporting our business operations and that good governance and transparency are integral at all levels in order to achieve success in our goals. As such, the corporate governance framework is continually updated and now focuses less on agency conflicts and more on ethics, accountability, transparency and disclosure in alignment with stakeholder-friendly policies.

Corporate governance principles provide clear guidance on how authority should be exercised within the Bank in accordance with values and behaviours that demonstrate accountability, transparency and fair dealing, and seek to protect stakeholder interests, including a commitment to excellence in governance standards.



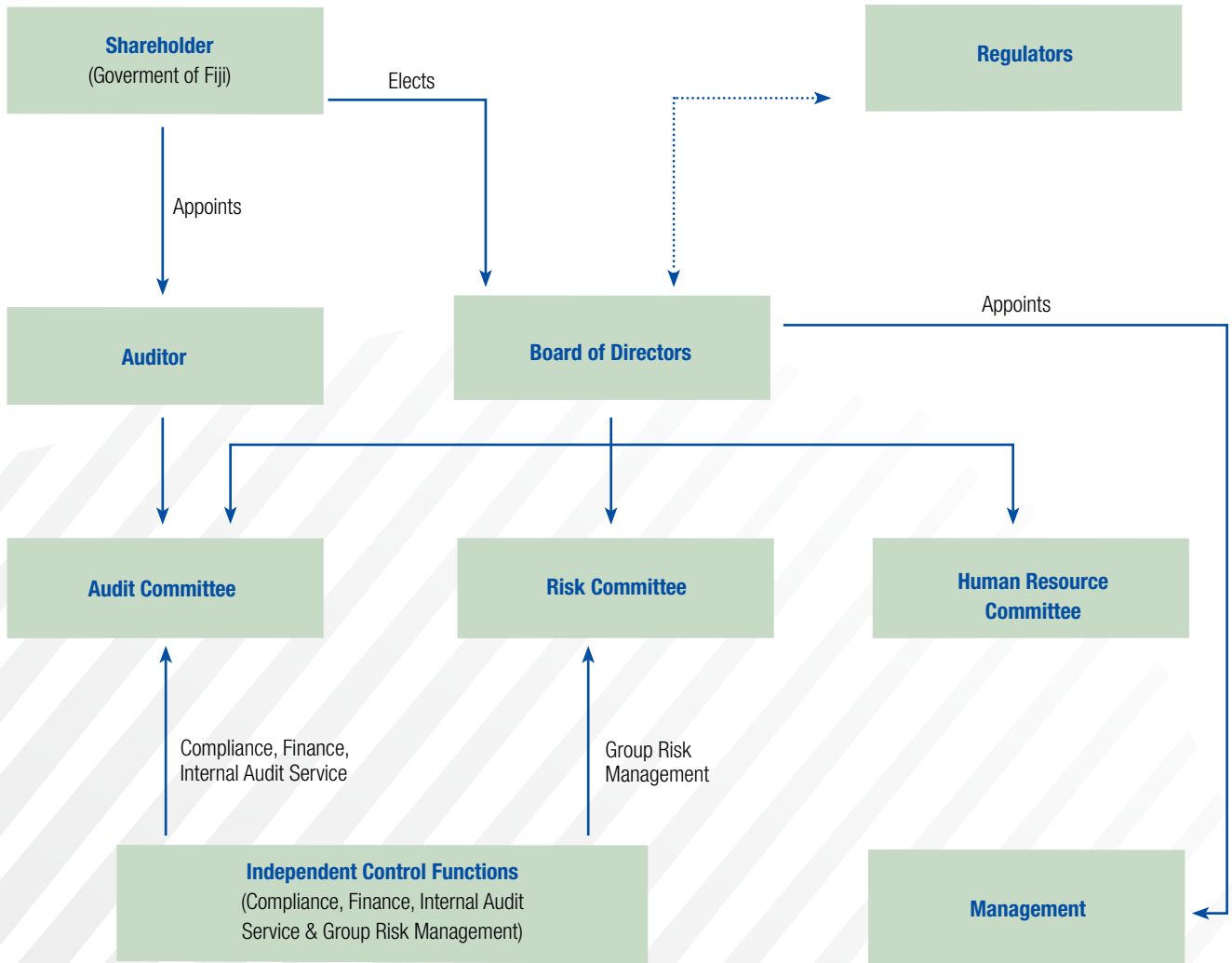
- The Bank focuses on the economic development of the nation as the reason for its existence. We believe in being part of the our nation's success story.
- The Bank continually strives to exceed customers' expectations by offering products and services that meet the changing needs of all of our customers and by taking advantage of emerging opportunities before our competitors do.
- The Bank acknowledges and assumes responsibility for its actions with an overarching obligation to report, explain and be answerable for its actions and resulting consequences.
- The Bank's employees work as a team and communicate one message with respect to the development of Fiji and its people.
- The Bank aims to exhibit the highest level of objectivity, honesty, transparency, fairness and responsibility at all times.



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

The Board's primary responsibilities include:

- Oversight of the Bank's strategic direction
- Approving major capital projects, investments or divestments
- Exercising objective judgement on the Bank's business affairs independently from management.



Our governance structure (illustrated above) establishes the relationship between the Board, Management, Shareholder and other stakeholders through which the ethical value and corporate objectives and monitoring performance are determined.

**The Board**

Under the Fiji Development Bank Act, the Minister of Finance appoints the Directors to the Board for an initial period of three years. All Board members have overall responsibility for the Bank's performance. Their role is to exercise leadership and judgement in directing the Bank towards achieving sustainable growth in the best interest of its stakeholders.

- Ensuring that appropriate governance policies and procedures are in place
- Ensuring the effectiveness of the Bank's internal controls
- Approving annual budget and annual financial results
- Approving the senior management structure, responsibilities and succession.

**Board Composition**

The Board, chaired by Mr Robert Lyon since September 2013, oversees the implementation of financial and advisory services to assist in the economic development of Fiji and in particular, the development of agriculture, commerce and industry.



The Board also comprised of five other directors namely: Mr Jitoko Tikolevu (Deputy Chairman), Mr. Manasa Vaniqi, Mr. Joseva Serulagilagi, Ms. Olivia Mavoia and Mr. Ropate Ligairi, all of who were appointed by the Minister of Finance. The Chief Executive Officer, by virtue of his position, is an ex-officio member of the Board, but does not have voting rights nor is he regarded as a Director for the purpose of forming a quorum.

In January 2015, the Bank mourned the loss of Board member Mr Mansa Vaniqi. Mr Vaniqi's passing was a great loss to the Bank as he was an active member of the Board and vocal with his thoughts and aspirations regarding the Bank's development. Board member Mr Ropate Ligairi, a representative of Ministry of Agriculture, ceased to be a member of the Bank's Board when he retired from his post as the Permanent Secretary of Ministry of Agriculture in December 2015.

### Board Meetings

The Board meets every second month and a Director's fee in addition to a sitting allowance for each sub-committee meeting is paid to them in accordance with a payment schedule established by the Ministry of Finance. Special Board meetings are held as and when necessary and for the year 2015, only one Special Board meeting was held attended by Mr. Robert G Lyon, Mr. Jitoko Tikolevu, and Ms Olivia Mavoia. 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 a meeting.

	Date of Appointment	Meetings Attended
Robert G Lyon - Chairman (Reappointed)	September 2013	7/7
Jitoko Tikolevu - Deputy Chairman (Reappointed)	September 2013	5/7
<b>Members:</b>		
Manasa Vaniqi (Deceased)	September 2011 - January 2015	3/7
Joseva Serulagilagi	September 2011	6/7
Olivia Mavoia (Reappointed)	January 2014	6/7
Ropate Ligairi (Retired)	February 2013 - December 2014	3/7

### Board Sub Committees

Three Board Sub-Committees, entitled Audit, Human Resource and Risk, the members of which are appointed based on their skills and experience, provide support to the Board in its role. The Sub-Committees act within specific terms of reference and are authorized to make decisions in accordance with their delegated powers, in respect of which monitoring and reporting systems ensure transparency and efficiency.

### 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-2015

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-2015

#### Members

**Robert G Lyon - Chairman**

**Ropate Ligairi - Retired from Civil Service on 31/12/2014**

While there were no Board Risk Committee meeting held during the financial year, there were 39 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.

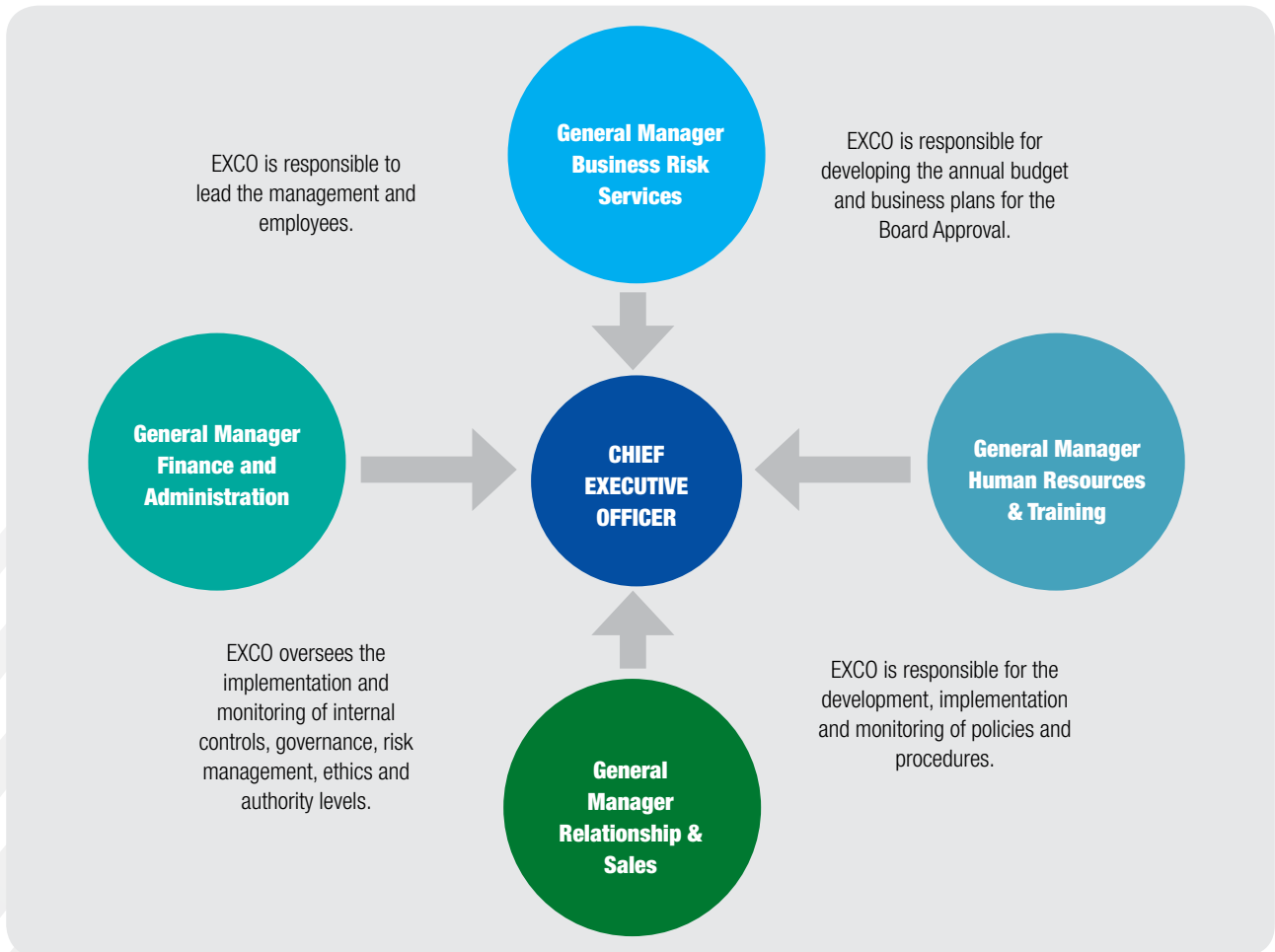
### BOARD HUMAN RESOURCES SUB-COMMITTEE MEETINGS-2015

J. Serulagilagi - Chairman	3	3
Robert G Lyon	3	3
Manasa Vaniqi - Deceased 1/1/15	3	2
Olivia Mavoia	3	3
Ropate Ligairi - Retired 31/12/14	3	1

**Management**

**Executive Committee (EXCO)**

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



**Conflict of Interest**

The Bank places great importance on a fair, prudent and transparent approach towards its conflict of interest issues. The Bank practices full disclosure of such transactions in a timely manner, and encourages the Directors, Executive and staff at all levels to recognise the importance of avoiding violations of the regulatory rules concerning conflict of interest.

Considerable importance is placed on customer privacy and the Bank has implemented robust procedures to prevent the improper use of customer information or breaches of privacy by employees. 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 regards internal control systems at both management and operation levels as a priority measure for ensuring that the Bank and its customers are properly protected. Thus, the adequacy of internal control systems is continuously evaluated. The Board of Directors has assigned the Audit Committee the task of reviewing and ensuring that the Bank has proper internal control and internal audit systems which conform with its corporate policies, rules and guidelines, as well as applicable laws and regulations.

The Bank's Internal Audit team is responsible for reviewing and evaluating its internal control systems and reporting of the results to the Audit Committee. The audit team monitors the operations of the Bank and determines its compliance with the internal control systems and procedures in accordance with its internal audit charter.



The team ensures a systematic, disciplined approach to evaluating and improving 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 their findings to Management and the Audit Committee.

#### External Audit

The Bank's Financials are independently audited by the Auditor General annually in accordance with the Financial Management Act (FMA) of 2004, the Fiji Development Bank Act (Cap 214) and the subsequent amending legislation (No. 21) of 2007. This external audit is an independent and objective assessment of the Bank's internal governance and financial health and contains an evaluation of the Bank's operations, governance, internal controls and financial reporting.

#### Reserve Bank of Fiji's Prudential Supervision

The Bank complies with the Banking and Supervision Act of the Reserve Bank of Fiji and as part of the RBF's prudential supervision requirements, it provides an analysis of prudential returns and periodic reports to the RBF, thereby ensuring transparency of information to the public.

#### Stakeholders

##### Employees

As with any organization, the Bank faces cyclical employee turnover. The Bank continues to manage such changes without difficulty through proper manpower planning. In addition, the Bank is committed to building a favorable working environment and culture in the organization, as well as career progression and suitable compensation for staff to maintain motivation.

As part of its professional development program, the Bank provides regular training for its staff both in-house and externally. Employees have attended external training both overseas and locally organised by the Fiji National University and the Government of India.

##### Customers

Customer contentment is a priority for the Bank as we continue to build and maintain life-long relationships with our customers. Our financial products are flexible and tailor-made to suit our customers' needs. Relationship and Sales Officers engage in regular consultations with customers through visitations to project sites, including the maritime islands where the Bank has a handful of clients. These visits provide the perfect opportunity for us to learn about our customers' projects and to share our experiences with our clients.

The Bank also has a Complaints Management policy pursuant to which customers can lodge a written complaint directly to the CEO, should they believe they have been unfairly treated. Such complaints are dealt with directly by the CEO's Office, enabling complaints to be addressed promptly and resolved within 5 working days.

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



#### Community

Being a responsible business is integral to the Bank's success and that of our customers, clients, shareholder, and communities. We are committed to operating a strong, ethical and responsible business and corporate social responsibility is embedded in our values and determines how we conduct business.

#### Corporate Social Programmes Offered by the Bank

##### MONEY \$MART AND INVEST \$MART

This programme encourages students in Year 9 and Year 10 to learn about budgeting, financial planning, saving and the best ways to invest those savings.

##### SMALL & MEDIUM ENTERPRISE AWARDS

This annual award was created as a recognition mechanism for Small & Medium Enterprise which, against insurmountable odds, continue to thrive because of the tenacity and determination of their operations.

##### DONATIONS & SPONSORSHIP

The Bank ensures that credible, educational, non-profit organisations and charities with strong, sustainable community-based programmes receive much needed funding.

##### EXPOS/ROAD SHOWS

The Bank continues to attend as many community-based expositions and road shows as possible. This enables interaction with its clients in a convenient manner.

## EXECUTIVE MANAGEMENT



### **Mr. Deve Toganivalu**

#### **Chief Executive Officer**

Mr. Toganivalu 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 General Manager positions with FDB, including in Operations, Agriculture and Development Finance, New Business and Business Risk Services and is also a Board member of the Fiji Sugar Corporation Limited.



### **Mr. Nafitalai Cakacaka**

#### **General Manager Business Risk Services**

Mr. Cakacaka was FDB's Manager Risk (Corporate) prior to his current appointment. He is a member of the Fiji Institute of Bankers and 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).



### **Mr. Tevita Madigibuli**

#### **General Manager Relationship & Sales**

Mr. Madigibuli was previously the Manager of the Asset Management Unit and holds a Bachelor of Arts in Business Studies and a Diploma in Tropical Agriculture as well as a Masters in Business Administration from the University of the South Pacific (Fiji).



### **Mr. Saiyad Hussain**

#### **General Manager Finance & Administration**

Mr. Hussain is a Chartered Accountant by profession and previously held the position of Manager Finance with FDB. He holds a Postgraduate Diploma in Financial Management, a Bachelor of Arts in Accounting and Financial Management and a Diploma in Economics from the University of the South Pacific (Fiji).



### **Mr. Uraia Rasake**

#### **General Manager Human Resource & Training**

Mr. Rasake is a certified Starwood Leadership, Service Culture and Brand Trainer, trained at the Starwood Cares Leadership University (SCLU) in Australia. He also holds a Human Resource Advance Certificate from the SCLU in the 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, Mr. Rasake held the position of Regional (Pacific) Human Resource Director at the Warwick International Hotel and Director of Human Resources at the Sheraton and Westin Resorts, Fiji.



## FINANCIAL YEAR IN REVIEW

### Overview

The 2015 financial year has been a challenging yet fruitful year for the Bank. Due to prudential financial management, a net profit of \$6.14MM was recorded for the year; an increase of 25.64% compared to the same period last year. Despite a decrease in interest income as a result of stiff competition in the financial market.

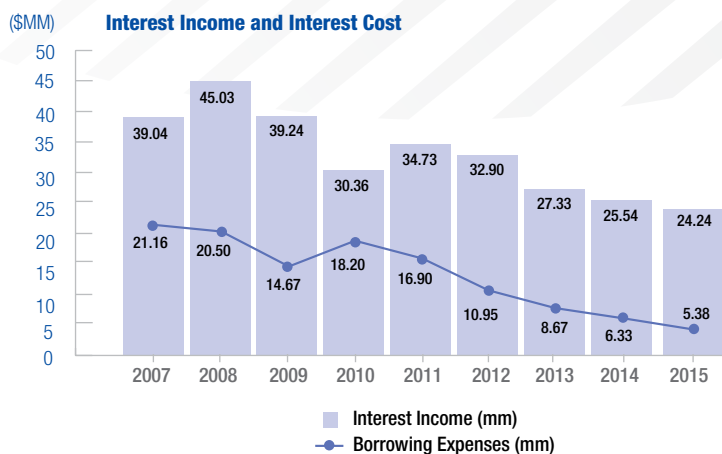
The Bank's total revenue was \$25.847MM, a decrease of 0.67% compared to the same period last year. Total expenses, including allowances for impaired assets, was \$19.707MM, a decrease of 6.75% compared to the same period last year.



Income Statement (\$MM)	2015	2014	2013	2012	2011	2010
Net Interest income	18.865	19.208	18.651	21.943	17.830	12.166
Other operating income	6.982	6.813	9.187	13.053	12.029	6.897
Operating Income	25.847	26.021	27.838	34.996	29.859	19.063
Operating Expenses	11.904	10.548	9.831	10.659	10.496	10.113
Profit before Allowances	13.943	15.473	18.007	24.337	19.363	8.950
Total Allowances	7.803	10.586	13.873	21.479	16.859	6.592
Net Profit	6.140	4.887	4.134	2.858	2.504	2.358

### Net Interest Income

Net interest income decreased by 1.79% for the year; however, there was a growth in average interest earning assets. The decline in interest income was due to a decrease in the market weighted average interest rates which resulted in the reduction of Bank's lending interest rate.



### Other Operating Income

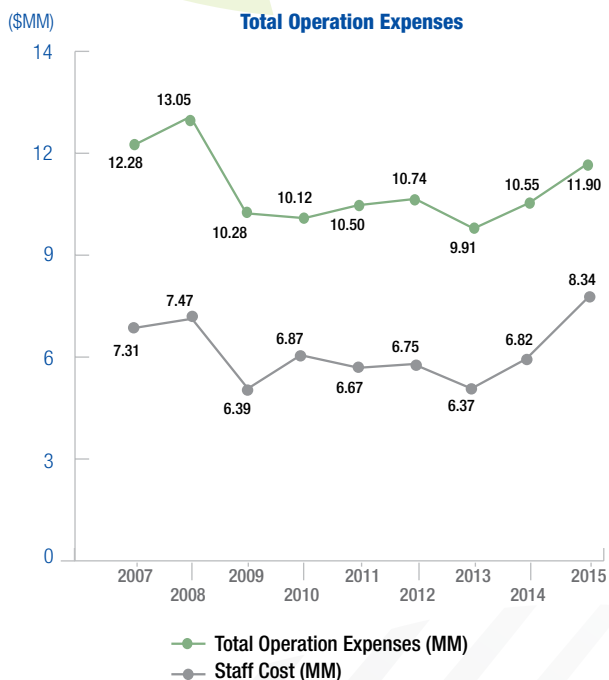
Other operating income increased by 2.48% for the year ended 30 June 2015 due to:

- Bad debts recovered increase by \$0.575MM largely because of stringent recovery initiatives on the part of Bank Officers in improving the bad debt portfolio; and
- Increases in insurance commission and legal income mostly driven by volume growth in the Bank's loans and advances portfolio.

### Operating Expenses

Operating expenses grew by 12.68% compared to same period last year. These were mainly due to:

- Employee costs increasing by \$1.526MM as a result of a 3% market adjustment in annual salaries, an increase in the statutory pension employer contribution from 8%-10% and accumulation of other employee entitlements; and
- Depreciation and amortisation increasing by \$0.112MM compared to same period last year, as new assets were purchased .



### Allowance for Credit Impairment

Total credit impairment charges related to lending assets decreased by \$2.783MM over the financial year due to prudent credit management. The reduction was also as a result of lower collectively assessed allowance (reduction of \$4.086MM) and partly offset by higher individual allowance charges (increase of \$1.520MM).

### Assets Structure

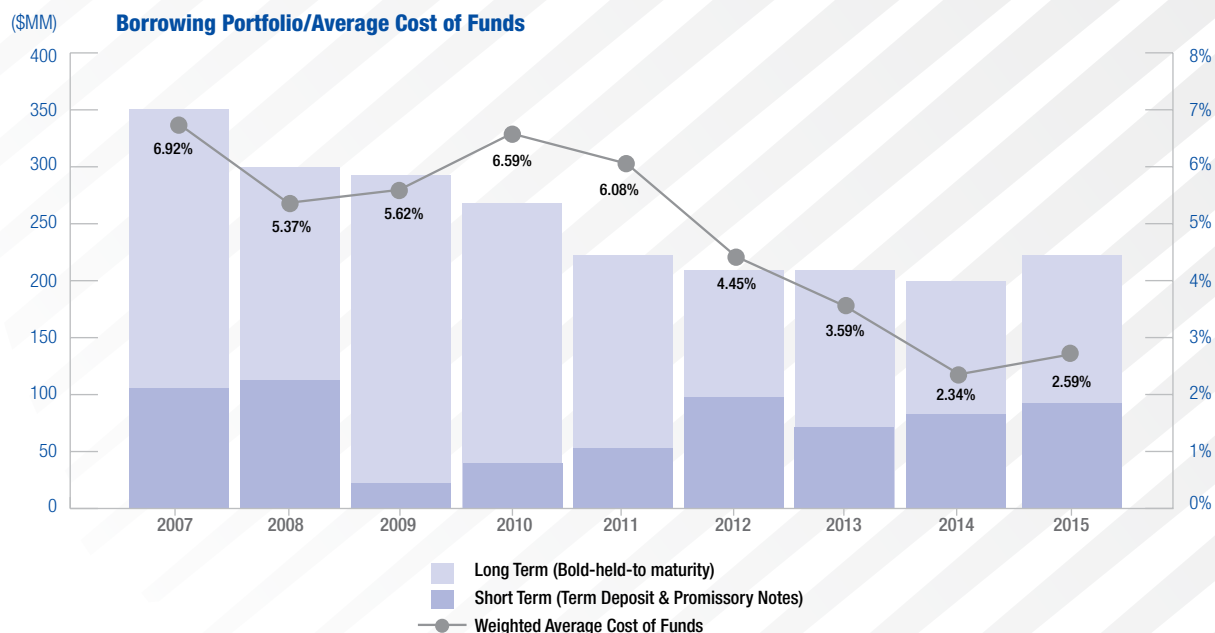
Balance Sheet Review (\$MM)	2015	2014	2013	2012	2011	2010
Liquid Assets	49.579	50.040	42.200	53.622	44.733	21.513
Investments	2.035	2.035	2.035	2.070	.070	0.070
Net loans and advances	291.629	265.205	276.946	258.662	272.142	325.211
Receivables	2.529	1.911	1.777	2.754	3.582	4.324
Land Held for Resale	-	-	0.043	0.737	9.716	12.171
Fixed Assets including intangibles	16.058	15.876	15.473	14.780	14.851	15.429
<b>Total Assets</b>	<b>361.830</b>	<b>335.067</b>	<b>338.474</b>	<b>332.625</b>	<b>345.094</b>	<b>378.718</b>
Liabilities						
Accounts payable and accruals	2.117	2.427	2.891	3.790	3.864	4.347
Short term borrowings	78.600	72.559	64.451	93.986	55.830	34.737
Other Liabilities	9.299	8.175	9.055	8.872	8.787	8.998
Bond- held to maturity	139.219	125.451	140.510	109.892	163.385	219.913
<b>Total Liabilities</b>	<b>229.235</b>	<b>208.612</b>	<b>216.907</b>	<b>216.540</b>	<b>231.866</b>	<b>267.995</b>
<b>Total Equity</b>	<b>132.595</b>	<b>126.455</b>	<b>121.567</b>	<b>116.085</b>	<b>113.228</b>	<b>110.723</b>
<b>Total Liabilities and Equity</b>	<b>361.830</b>	<b>335.067</b>	<b>338.474</b>	<b>332.625</b>	<b>345.094</b>	<b>378.718</b>

The Bank's financial position strengthened during 2015 with an increase in return on equity, growth in net loans and advances to customers, which led to an increase in total assets from \$335.067MM to \$361.830MM. The Bank's total loan portfolio stood at \$367.242MM, recording an increase of \$28.194MM in comparison to same period last year. This depicts a growth of 8.32% in the Bank's total loan portfolio as at June 2015. The growth in the portfolio was due to effective customer relationships, which enabled the Bank to retain robust corporate customers. Efficient lending methods were also used to attract more agricultural, small and medium enterprise and corporate customers, which led to an increase in the Bank's portfolio.

### Liabilities Structure

There was a growth of 9.89% in the Bank's total liabilities for the 2015 financial year. This was due to an increase in total borrowings (through term deposits, promissory notes and bonds) by \$19.809MM compared to the prior year. The increase in borrowings was due to growth in the Bank's total loan portfolio. More borrowings were done to cater for disbursements of loans to customers that were done during the financial year.





## Other Finance and Administration Activities

### a) ICT Operations

Keeping up with the latest building technology is difficult, due to the huge number of advances every year. The Bank however continues to make every effort to keep abreast with such changes, to make the most of the opportunities to decrease cost and to improve staff comfort and productivity:

- Upgrades in the Banks wide area networking infrastructure both in terms of capacity and technology enabling the Bank to implement a modern and cost effective unified VoIP communication solution.
- Upgrading its legacy rack based datacentre with environment-friendly blade technology fully virtualized with VMware.
- Implementation of a new SAN storage infrastructure based on project data growth and an enterprise hybrid data protection backup solution.
- Upgrades in the Banks firewall and border control security with a brand new unified threat management (UTM) system.

### b) Property Administration

During the 2015 financial year, the Property Administration Department managed the planning, programming, design and implementation of new construction and renovation projects.

Having made a long-term commitment to sustainability, the Department is also working on energy-saving initiatives for its operations as well as being the financing partner for such initiatives under its lending activities. Some of its major projects include new energy efficient lifts in the Head Office and refurbishing the exterior of the Head Office. The Department has also revised its manual to include principles of accountability and transparency as part of its efficiency improvement measures to achieve desired levels of profitability and sustainability.



Historical Performance	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<i>Financial</i>												
Net profit(\$MM)	0.45	1.91	5.35	4.32	3.82	3.48	2.36	2.50	2.86	4.13	4.89	6.14
Total Assets (\$MM)	269.20	309.20	394.60	450.39	414.69	408.21	378.72	345.09	332.63	338.47	335.07	361.83
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	2.73
Average Earning assets (AEA) (\$MM)	282.70	302.90	359.80	421.10	446.24	438.97	435.61	381.55	330.70	351.22	342.99	371.81
Borrowing Cost(%)	4.88	4.01	3.92	6.92	5.37	5.62	6.59	6.08	3.31	2.47	1.85	1.45
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	4.65
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	4.74
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	1.05:1
Interest Spread (%)	3.73	3.79	4.11	2.39	4.76	3.34	0.38	3.02	3.97	3.81	5.11	4.27
Earning Spread (%)	6.13	5.55	5.79	4.48	8.89	4.54	1.96	6.18	7.25	7.12	6.98	6.15
<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	2.24
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	6.95
<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	1,532
Approvals (\$MM)	76.45	227.27	188.21	115.24	84.10	76.21	56.53	50.57	76.48	139.04	140.76	108.89
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	4,189
Gross Loan Portfolio (\$MM)	281.18	325.01	392.69	446.27	443.07	433.26	426.21	336.80	324.51	347.41	339.05	367.23
Growth in Loan Portfolio (%)	-0.46	15.59	20.79	13.64	-0.72	-2.21	1.63	-20.98	-3.65	7.05	-2.41	8.32
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	12.02



<b>FIJI DEVELOPMENT BANK'S MARKET SHARE</b>						
	<b>FDB (\$MM)</b>	<b>Commercial Banks (\$MM)</b>	<b>Credit Institutions (\$MM)</b>	<b>Fiji Total (\$MM)</b>	<b>FDB as a % of Fiji Total</b>	
<i>Agriculture</i>	65.53	60.80	12.80	139.13	47.1%	
<b>Sugarcane Growing</b>	10.67	0.20	0.60	11.47	93.0%	
<b>Forestry &amp; Logging</b>	10.50	18.20	7.80	36.50	28.8%	
<b>Others</b>	44.35	42.40	3.60	90.35	49.1%	
<i>Mining &amp; Quarrying</i>	0.33	15.30	1.60	17.23	1.9%	
<i>Manufacturing</i>	28.57	405.70	10.00	444.27	6.4%	
<b>Food, Beverages and Tobacco</b>	16.38	83.20	0.30	99.88	16.4%	
<b>Textiles, Clothing and Footwear</b>	0.78	66.40	0.70	67.88	1.1%	
<b>Metal Products and Machinery</b>	0.09	41.10	1.50	42.69	0.2%	
<b>Others</b>	11.32	215.00	7.50	233.82	4.8%	
<i>Building and Construction</i>	51.51	420.20	28.90	500.61	10.3%	
<i>Real Estate (Development)</i>	71.21	563.70	1.20	636.11	11.2%	
<i>Non-Bank Financial Institutions</i>	0.00	4.50	0.00	4.50	0.0%	
<i>Public Enterprises</i>	18.45	97.20	0.40	116.05	15.9%	
<i>Wholesale, Retail, Hotels and Restaurants</i>	47.55	1,186.20	24.60	1,258.35	3.8%	
<i>Hotels and Restaurants</i>	35.81	403.40	5.80	445.01	8.0%	
<b>Other Commercial Advances</b>	11.74	782.80	18.80	813.34	1.4%	
<i>Transport, Communications and Storage</i>	27.68	230.50	69.00	327.18	8.5%	
<i>Electricity, Gas &amp; Water</i>	23.36	248.40	0.30	272.06	8.6%	
<i>Professional Business Services</i>	2.24	103.70	9.40	115.34	1.9%	
<i>Private Individuals</i>	24.52	1,491.90	44.00	1,560.42	1.6%	
<b>Housing</b>	20.88	1,057.00		1,077.88	1.9%	
<b>Car or Personal Individual Transport</b>	0.25	93.90	0.00	94.15	0.3%	
<b>Others</b>	3.38	341.00	0.00	344.38	1.0%	
<i>Central and Local Government</i>	0.00	16.70	0.40	17.10	0.0%	
<i>Other Sectors</i>	6.28	298.00	10.20	314.48	2.0%	
<b>TOTAL</b>	<b>367.23</b>	<b>5,142.80</b>	<b>212.80</b>	<b>5,722.83</b>	<b>6.4%</b>	

**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 2015.**

## NAUSORI'S DAZZLING NEW ADDITION

Strategically located at the border of the three major provinces of Rewa, Tailevu and Naitasiri, Nausori is poised to take advantage of its key location. The building of a brand new market and bus stand in Nausori has transformed the Delta Town, making it a central point of market commerce for the region.

Nausori was declared a Town in 1931 after beginning its economic boom in the early 1880's and played an important role in Fiji's history. Economic opportunities were brought about by the Sugar Industry in 1882 making it the first town in the country to host the Sugar Refining Company. A number of landmarks and historical sites remain within and around Nausori, including monuments and buildings from the early colonial period.

The Town has weathered through tough times, from the shift of the Sugar industry to the Western Division to the devastation of the Town caused by Hurricane Bebe in 1972.

Nausori's steady economic growth in the past few decades is starkly contrasted by its population explosion, an increase of 333% from 5,744 in 1996 to 24,919 in 2007, according to census reports.

"The old market had been in operation since 1938 catering for the flourishing Town predominantly occupied by airport workers, civil servants and workers from other industries that existed back then. The first market was an initiative of the then Ministry of Agriculture in its bid to improve food security in Nausori. After its establishment, it was handed over to the Nausori Town Council (NTC) to manage," NTC Chief Executive Office Azam Khan said.

"The old market served Nausori well for the past 75 years, being a source of provisions for residents as well as income for local farmers. The rapidly increasing population and corresponding economic growth could not be sufficiently catered for and thus the old market had to be retired to make way for the country's biggest and newest municipal market."

The Prime Minister, Rear Admiral Voreqe Bainimarama, opened the new Nausori Market, twice the size of the old market, on 11 September 2015. The new market, adjoining Nausori's modern new bus station, houses 1,780 stalls selling vegetables, root crops, grog and groceries, jewellery, and handicrafts, as well as housing a tea room, bakery, coffee shop, butchery, seafood area and a large public car park.

"During the Town Planning Scheme of 1989, there were three major structural infrastructure adjustments highlighted and these included the realignment of the Kings Road, construction of a new market and a new bus stand. Various assessments were carried out, the final outcome of which has reached fruition."

"During this process, we approached various financiers but we then decided that the Fiji Development Bank would be the best provider given the nature of the project and the fact that they have stuck with us from the initial stages of consultations."

According to Mr. Khan, the new market and bus stand, which were constructed for around \$12MM have redirected traffic outside of the main town area, once a heavily congested area.



"Besides the impact on the traffic, the new look bus stand and market are expected to challenge local businesses to bring their operations up to par with the new look Nausori Town. There are going to be a lot of adjustments and these will draw even more positive attention to the Town in the short term. In the long term, it will ease some pressure on Suva City as the Suva-Nausori corridor is the most populated area in Fiji. Improving our facilities will ensure we re-direct more businesses to Nausori for their benefit as well as that of customers."

"The development is the new centre of Nausori. The council will now focus on developing surrounding infrastructure such as proper footpaths, lighting systems, benches and horticulture. We thank FDB for partnering with us and we are looking forward to working with them on other projects."

With the relocation of the market, the council is in consultation with developers interested in developing the old market and bus stand to further meet the needs of Nausori's residents.

Nausori Town has a forward looking plan and is on track for becoming a stand out municipality in Fiji.



## OPERATIONAL REVIEW



### Overview

Development Banks are naturally inclined to take on higher risks due to the type of lending portfolio they hold. With fluctuating market conditions and gradual economic progress, acquiring and maintaining the core business is always a challenge. Nevertheless, FDB invests heavily in supporting resource based projects and as such takes on risks associated with turbulent weather conditions, political, and socio economic issues.

This financial year was indeed another challenging journey for the Bank as it continuously endeavoured to fulfil its development role as the government's financial arm for economic development. Whilst operating in a high risk sector FDB has maintained a competitive edge in the midst of increasingly aggressive business environment.

The Bank has made exceptional progress in terms of lending to key economic sectors and has positively contributed by supporting projects associated with better environmental management, agricultural exports, renewable energy, tourism developments, and growing small to medium businesses. The overall performance throughout the year has been tremendous and focused towards achieving government's key strategic objectives.

During the 2015 year, \$95.49MM worth of loans were disbursed, this is an increase of 28.88% when compared to 2014. This exceeds the Bank's 2015 disbursement target by \$146,000. There was a notable increase in the Bank's Performing Loan Portfolio (PLP) by 8.96% valued at \$303.25MM compared to \$278.32MM in 2014. A slight increase of 5.38% was noted in the Bank's Trouble and Impaired Asset (TIA) by value, while the total number of accounts had reduced by 1.93% as compared to the last financial year.

The Bank's continued collaboration with government stakeholders and private sectors has contributed favourably with regards to the quality of projects financed during the year. New prospects for financing in the next financial year look feasible for agriculture, professional business services, infrastructure development, renewable energy & resort based financing.

### Lending Activities during the Year

#### Portfolio

The Bank's total portfolio as at 30th June, 2015 stood at 4,188 accounts with a loan value of \$367.23MM. This was an increase in portfolio by 8.14% and 8.32% by number and value respectively in comparison to the last financial year. The focus sector portfolio was a significant 76.29% of the total Bank portfolio by number and 47.99% by value.

The Agriculture sector holds the highest share of the Bank's portfolio at 52.98% of the total accounts (2,219) and 17.84 % by value (\$65.5MM) followed by the Manufacturing sector at 1.12% of the total accounts (47) and 7.78% by value (\$28.6MM). Lending in this sector was aimed at locally grown products that substitute imports.

The non-focus sector portfolio comprises of 23.71% and 52% by number (993) and value (\$190.9MM) respectively. Majority of the accounts are concentrated in the real estate, building & construction and wholesale, retail, hotels & restaurants sectors. The Bank approved a total of 1,532 loans valued at \$108.89MM compared to 1,235 accounts valued at \$99.5MM approved in June 2014. This was an increase of 24% and 9.44% by number and value respectively in 2015.

#### Focus Sector Loans

Focus sector loans are projects under \$0.5MM for the professional & business services and wholesale, retail, hotels & restaurants sectors. Under the focused sector, 1,383 projects were approved valued at \$39.65MM at the end of the 2015 financial year. The agriculture sector was the majority contributor to the focused sector with the largest number of applications received which stood at 853 accounts valued at \$22.83MM.

Farming is the backbone of Fiji's economy and the Bank believes that the agriculture sector is far from reaching its full potential and as a development financier, the Bank continues to prioritise agriculture in its lending facilities. Concentration is aligned to improvements in production levels, encouraging sustainability and value added projects to meet the market demands locally and externally.

In addition further approvals by value were made to other sectors in terms of exposure level as follows:

Transport & Communication	-	\$7.47MM
Wholesale, Retail, Hotels & Restaurants	-	\$4.22MM
Electricity, Gas & Water	-	\$2.84MM
Professional & Business Services	-	\$1.75MM
Manufacturing	-	\$0.45MM
Mining & Quarrying	-	\$0.09MM

In comparison with the 2014 FY performance, the number of loans approved increased by 29.9%, however there was a decline by 46.85% in value. FDB is committed to supporting resource based activities in the agriculture sector which represents the highest approval by number at 55.68% followed by transport & communication at 19.32%.

### Non-Focus Sector Loans

All loans above \$0.5MM for the professional & business services and wholesale, retail, hotels & restaurants sectors form part of the Bank's non-focus sector.

A total of 149 applications with a value of \$69.24MM were approved under this sector. These amounted to 9.73% and 63.59% of the Bank's total approval by number and value respectively. In comparison to last financial year, there was a reduction in number of applications approved by 12.35%, however a significant increase of 179% was realized in the value of approvals.

The real estate sector recorded the highest approvals at \$27.43MM. The major contributing projects were the construction of the new Nausori Municipal Market and Bus Stand and refinancing of various businesses.

Other approvals that followed were the wholesale, retail, hotel & restaurants (\$17.47MM), building & construction (\$16.97MM), professional & business services (\$6.23MM), private individual (\$811,000) and other sectors with a value of \$329,000.

### Strengthening Outreach and Accessibility

The Bank's eleven branches including three sub-branches throughout Viti Levu and Vanua Levu are strategically located to allow accessibility, visibility for customers and also enable the Bank staff to conduct regular agency visits within their own vicinity and outer islands. The branches are located at the main municipalities of Suva, Nausori, Rakiraki, Ba, Lautoka, Nadi, Sigatoka, Savusavu, Nabouwalu, Labasa, Seaqqa, Taveuni.

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, the Reserve Bank of Fiji, Ministry of Youth & Sports, the University of the South Pacific, Fiji National University and Investment Fiji. In addition, FDB was also part of the RBF Micro-Finance village at the Hibiscus Festival in Suva, the Trade show in Vunidawa, Government roadshow at Nabala High School, Agriculture Show in Lautoka & Labasa, and all the Investment Fiji Seminars.

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 came alive in August 2014 where the Tilivalevu Beef Scheme Project in the interior of Nadroga was revitalised and a Memorandum of Understanding established accordingly. The Bank will be the major funding institution for the development of this project with the assistance of relevant government stakeholders.

Sustainable Energy Financing Facility	Total	
	No	Value (\$)
Loan Application Received	6	2.92MM
Loan Approved	5	0.43MM

In 2014, FDB received 6 applications valued at \$2.92MM. The Bank has approved 26 applications (consisting of new and existing accounts) valued at \$5.68MM which was approved during the same period. However, during the year only 5 new approvals under this scheme was approved valued at \$0.74MM.

In May 2010, the Sustainable Energy Financing Facility (SEFF) was approved by the Board in support of the use of greener energy sources such as renewable energy. The Sustainable Energy Financing Facility (SEFF) allows farmers and businesses to adopt sustainable energy technology in place of fossil fuel for the generation of electricity. The main objectives of providing such a facility is to encourage the development of locally owned sustainable energy projects for the wider benefit of business enterprise, the community and the environment. Such projects also help rural dwellers obtain a cheaper and cleaner energy source for their long term needs.

In its inception, this facility supported four renewable energy systems including Solar System, Hydro System, Fuel Switching System (Coconut oil fuel) and Energy Efficiency equipment. In November 2014, an amendment was made to include additional sustainable energy sources such as Wind, Biomass, Biogas, Wave, Tide and Geothermal systems to the current Sustainable Energy Financing Facility.

The Bank through the Department of Energy was designated as a participating financial institution by the World Bank for its Sustainable Energy Financing Facility (SEFF) partial guarantee. The commitment period for qualifying for the 50% World Bank Guarantee for the SEFF loans has been extended to 30th June, 2017.

### Northern Developments

Development of Vanua Levu and its people is a priority for the Fiji Development Bank. The Bank is positioning itself to take advantage of the developments currently undergoing in the North so that the grassroots communities are given a chance of turning their resources into income generating sources.



These major developments will now attract a lot of investments to the North. The improvement of road from Nabouwalu to Dreketi coupled with the back to back services provided by Patterson's Shipping means greater accessibility. Farmers and business entrepreneurs now have a wider range of access to new markets and opportunities.

With the help of government through concessions, FDB is now offering some of the lowest loan interest rates in the Northern division for small, medium level business entrepreneurs and farmers. As at June 2015, FDB's loan portfolio by number stands at 1,361 accounts valued at \$29.3MM for the Northern division who have taken advantage of these concessions. This is an increase from the last financial year whereby total loans by number were 1,124 valued at \$22.4MM. The Bank's Northern branches consist of Labasa, Nabouwalu, Savusavu, Seaqaga and Taveuni.

FDB continues to work very closely with development partners in the North such as the Northern Development Program and the Ministry of Agriculture to provide better services for the people.

#### **FDB Disburses Government Grant**

The Fiji Development Bank was tasked with disbursing the \$1MM grant set aside for the development of micro and small enterprises.

As part of the 2015 government budget, applications towards the grant were opened from Monday 15 December 2014 to Friday 30th January 2015. Following a stringent process, the grant committee had finalised the 1,040 recipients who have been approved to receive the grant. This is from a total of 25,789 applications that were received. Out of these 23,417 applications were received from FDB's 11 branches Fiji wide.

Government through the Ministry of Industry and Trade offered the grant for business start-ups, to expand and secure new markets. The grant could also be used as equity to obtain a loan from any lending institution.

#### **Restructure of Centers - Relationship & Sales**

The restructure of the Relationship & Sales centers is underway and the rollover to the new structure will enable more efficient services especially in improving turnaround time and decision-making. The Bank's services will be more accessible to rural communities with the creation of the three sub-branches providing door-step services to these areas.

#### **Reinstatement of Home Loans & Lease Finance Facility**

The Bank's Home Loan and Lease Finance facility was ceased in January 2008, following a government directive. Presently, the Bank is seeking government's approval to restore the two products mainly for reasons relating to high demand for these products from customers, to cushion the high risks associated in lending to the agricultural sector and to remain competitive within the market. The reinstatement of these products are pending official consideration and announcement by the government.

#### **New Products**

FDB aims to be an innovative and dynamic player within the Banking industry and the Bank hopes to rebrand and improve its products and services. The Bank is currently looking at the designing and launching new products suitable and conducive to the sustainability of its operations. The following are upcoming initiatives which the Bank hopes to rollout in the 2016 financial year:

- 1) The Parri Facility which is targeted at retirees to obtain financial assistance in setting up a business or farm at the age of 55 years will be made available to assist in filling the gap in the market.
- 2) Creating a residential for rental loan package to cater for those willing to invest in residential properties as a business.
- 3) The Start \$mart Programme – a Bank initiative to help graduating vocational students obtain a loan to start up their businesses with the skills they have learnt.
- 4) TOP Credit Facility – a proposed overdraft stretch facility made available for existing customers in a time of cash flow crisis.
- 5) SME Advisory services - providing financial advisory services to existing and new clients of the Bank. The advisory services will be implemented with a training program on how to manage your own business and finances.

#### **Going Forward**

As a development financier, the Bank is susceptible to risks and challenges given the higher risk resource based lending that we facilitate compared to other financial institutions. The Bank is mandated to support government strategic plans and directions which include the development of the economy's resource base through sustainable lending. This sector remains a critical contributor to the national economy and continues to employ thousands of Fijians across the country, the very reason FDB continues to push for further development of this sector.

Enhancements in the sugar industry is earmarked to further improve following positive discussions from the 47th Session of the International Sugar Organisation (ISO) Council in Antigua, Guatemala in June 2015. A team from the World Bank was in Fiji to discover opportunities and developments that could attract funding both for sugar and non-sugar agriculture sectors.

The Bank's main focus moving ahead would be in revitalizing further beef farming schemes in Nadroga and other suitable localities coupled with emerging resort based projects which is a growing trend due to increased tourist arrivals in the country.

The Bank works closely with government developments and assistance especially in the Northern division. Financing projects in the Northern division is also expected to grow due to the recent construction of the Dreketi/Nabouwalu highway. This development will greatly stir the economic activity in this region.

## 2015 FINANCIAL YEAR DATA BASED ON RBF CLASSIFICATION

Sector/RBF Major	Approvals			
	No.	Value	% by No.	% by Value
<b>Focus</b>	<b>1,383</b>	<b>39,647,425.41</b>	<b>90.27</b>	<b>36.41</b>
Agriculture	853	22,832,187.93	55.68	20.97
Transport & Communication	296	7,472,863.41	19.32	6.86
Wholesale, Retail, Hotels & Restaurants	155	4,215,722.99	10.12	3.87
Electricity, Gas & Water	6	2,843,795.12	0.39	2.61
Professional & Business Services	56	1,747,080.56	3.66	1.60
Manufacturing	16	449,855.40	1.04	0.41
Mining & Quarrying	1	85,920.00	0.07	0.08
<b>Non-Focus</b>	<b>149</b>	<b>69,244,951.77</b>	<b>9.73</b>	<b>63.59</b>
Real Estate	19	27,426,839.40	1.24	25.19
Wholesale, Retail, Hotels & Restaurants	8	17,474,673.92	0.52	16.05
Building & Construction	3	16,969,200.00	0.20	15.58
Professional & Business Services	2	6,233,206.00	0.13	5.72
Private Individual	111	811,394.45	7.25	0.75
Others	6	329,638.00	0.39	0.30
<b>TOTAL</b>	<b>1,532</b>	<b>108,892,377.18</b>	<b>100</b>	<b>100</b>
<b>Lending Activities during the Year</b>				
Sector/RBF Major	Portfolio			
	No.	Value	% by No.	% by Value
<b>Focus</b>	<b>3,195</b>	<b>176,236,176</b>	<b>76.29</b>	<b>47.99</b>
Agriculture	2,219	65,526,508	52.98	17.84
Manufacturing	47	28,571,749	1.12	7.78
Transport, Communication, Storage	391	27,687,633	9.34	7.54
Electricity, Gas & Water	18	23,358,391	0.43	6.36
Public Enterprises	1	18,451,673	0.02	5.02
Wholesale, Retail, Hotels & Restaurants	424	10,075,116	10.12	2.74
Professional & Business Services	91	2,235,341	2.17	0.61
Mining & Quarrying	4	329,765	0.10	0.09
<b>Non-Focus</b>	<b>993</b>	<b>190,996,481</b>	<b>23.71</b>	<b>52.01</b>
Real Estate	78	71,213,945	1.86	19.39
Building & Construction	45	51,506,424	1.07	14.03
Wholesale, Retail, Hotels & Restaurants	13	37,477,246	0.31	10.21
Private Individuals	750	24,517,925	17.91	6.68
Others	107	6,280,941	2.55	1.71
Professional & Business Services	-	-	-	-
<b>Grand Total</b>	<b>4,188</b>	<b>367,232,657</b>	<b>100</b>	<b>100</b>

Note: RBF - Reserve Bank of Fiji.



## FULFILLING HIS FATHER'S VISION - THE RAKESH NARAYAN STORY



Rakesh Narayan continues to pay tribute to the memory of his late father by growing their family farm into something that would have made his father proud.

Rakesh, 46, of Vakabalea in Navua is a renowned livestock farmer who has been plying his trade since he left school in 1983.

"My parents originally came from Nadroga and settled in Korolevu. When the lease there expired, he bought this land and settled here in 1967. I left school at Form 6 level from Navua High School (now Vashist Muni Secondary School) to help my father on the farm," Rakesh said.

His father the late Mr. Hari Narayan was a long serving customer of the Bank from 1978 until his passing in 2007.

Like his father before him, livestock has been the main focus of the farming operation on their 8 acre freehold land in Vakabalea.

"My father was the one that started with the livestock farming rearing ducks, chickens and a piggery project. He was a very hard working man who even through stiff competition, political turmoil, natural disasters and even his physical incapability after the amputation of his left leg, he managed to keep the farm floating until I was ready to take over," said the proud father of three.

Rakesh continues to build on his father's hard work by taking the farm to even greater heights. Rakesh continued to work with FDB and paid off his father's loan before he approached the Bank again earlier this year for \$5,000 to purchase feed for his ducks.

"I'm farming at a much larger scale compared to my father as I want to see his vision materialise. I also continue to be with the Bank that my father trusted which is the Fiji Development Bank and they have become our family financier."

His stock consists of more than 3,000 ducks, 60 chickens and 100 pigs. Besides his 8 acres freehold land, Rakesh also rents an additional 20 acres on which he has 10 acres of cassava and 3 acres of dalo. His pigs are sold to Freshna Fine Foods in Lautoka for \$7.50 per kg dressed

weight, chickens at \$15 per head, female ducks sold from \$15 to \$18 per head and males between \$30 and \$60 farm gate price.

Likewise, he sells his cassava to the exporters at \$0.30 per kg and dalo is sold between \$0.80 and \$1.00 per kg.

"Only my pigs have a constant market with Freshna in Lautoka whilst my ducks and chickens are sold at the farm gate. Prices for roots crops are fluctuating now so the plan is to get a three-phase power supply so that we can focus on exporting."

Rakesh highlighted that he used to export root crops previously but the cost of operation was too high that he opted to sell his products to exporters.

"When I was exporting, I would hire a container from Suva for storage as I did not have a three phase power. Then we would hire labourers to process the dalo and cassava and a truck to transport it to Suva as I did not have a truck. These additional costs were just not viable so I opted to sell to the exporters. The prices are low with \$0.30 per kg but I'm making do with that for now so the plan is to install a three-phase power in future and focus on export again."

Rakesh has three labourers assisting him on the farm as he says that the livestock farming is a full time job.

"Livestock farming is a very demanding business and requires your full attention. They are living things so they need water and feed on time. They need to be kept healthy because if something goes wrong they will die. With the high cost of feed, it is a huge loss if any animal dies."

The farming business has been good to Rakesh which has kept him well fed through the years, sent his sister abroad who resides in Australia and likewise sent his three children to school, one of whom is doing agriculture at Form 6 level to carry on from his father on the farm.

FDB has been providing financial solutions for many families through generations. At FDB, providing innovative solutions for farmers is something we do exceptionally well.



## HUMAN RESOURCES & TRAINING

### Human Resources & Training

The continued focus by HR and Training to drive employee engagement (EE) initiatives remains paramount as this would in turn result to a culture of innovation and productivity. This also saw the introduction of quality circle trainings for leaders and the Labour-Management Consultation and Cooperation Committee (LMCC). The on-going "Attitude & Brand" training throughout the branches coupled with the synopsis of FDB's new Core Values has seen change from a performance attitude perspective and this is evident with the "adopt the branch" program.

### Learning & Growth (L&G)

L&G trainings/initiatives for the 2015 period was focused on Leadership Development and in particular the areas of employee engagement, performance management, managing people, etc. Again, this is in support of HR's continued focus to drive EE initiatives and the fact that leadership is to be aligned to drive and manage this process is important, thus the leadership training programs, making productivity the desired outcome.

<b>HUMAN RESOURCE &amp; TRAINING STATISTICS</b>			
<b>Employee Training</b>	<b>Year (31st December)</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Attitude (Internal)	0	60	116
FDB Brand (Internal)	0	60	116
Core Values (Internal)	0	60	116
Leadership (External)	51	107	40
Over Seas Programs	2	16	9
FDB Sponsored Students - ie; USP	17	14	17

Source: FDB Training Department & External.

<b>STAFF STATS</b>	<b>FINANCIAL YEAR (July – June)</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Total Staff	189	177	179
Average Years of service	13.72 years	12.55 years	14.99 years
Annual Staff Turnover (%)	8%	15%	6%
Vacancy Rate	11%	13%	11%
Retention Rate (%)	96%	93%	101%
FDB Sponsored Students - ie; USP	17	14	17

Source: FDB HR Department



## RISK MANAGEMENT

### In a Nutshell

The Fiji Development Bank has come a long way since its inception in 1967. Over the years, the Bank has adjusted and adapted to the Banking industry's best practices and remained competitive in the market. Initially, setup as a Bank primarily to support the development in Fiji. This has not been easy, meeting demands of the clients, re-forging products to suit the customers' needs and maintaining a good relationship with the clients. There have been many obstacles in the past, but innovation and customer satisfaction has been the pinnacle of our success.

The Bank's Risk Management model focuses on the Credit Risk process which was evaluated against international practices by an external consultant. The evaluation has given the Bank a greater degree of confidence over the criteria and methodology in assessing the quality of the loan asset book and the learning experience acquired over the decade of its implementation.

Development Banks are exposed to high risks and constant monitoring of its credit policies and processes is critical in the ever changing environment and competitive market. The Business Risk Services unit under the Risk Management model ensures that front to end loan cycles, policies and parameters are consistently assessed to mitigate and minimize impact of undesirable situations. This will ensure that the ultimate objective is to improve the livelihood of the people of Fiji and to assist the rural, agriculture and the SME sectors sustainably. The achievement of such objectives is best measured by the national output, productivity and economic growth contributed by various sectors and the national review on household income and employment survey.

Our lending products and services are designed to provide catalyst for economic activity as well as promoting entrepreneurship across all sectors and communities. We are proud to have an ongoing relationship with a large micro finance institution in sharing risk for micro enterprises and women in particular.

The Bank also undertakes large ticket commercial loans as it contributes to economic growth and social development. The tourism industry remains a potential growing sector with national drive to increase new global markets. It has proven to be highly resilient and potential for climate adaptation projects. Nevertheless, the Bank's risk tolerance and appetite for sectorial exposure is defined to ensure a balanced portfolio and as required by the Board from time to time in consultations with the Executive Committee.

The establishment of a centralised recovery unit to provide impetuous focus on recovery has achieved its purpose. The high non performing portfolio has reduced below the target of 10% (with the exception of one major account). There is the challenge of maintaining quality loan performance and the Bank has embarked on establishing partnership with external parties to provide supervisory and financial management support across the sectors and in particular for Small and Medium Enterprises.

As more pressure on access to finance becomes more evident from all segments of society and stakeholders locally and internationally. The Bank must continue to reposition its products and streamline process for efficiency and accessibility. The proposed new legislation for on-line registration of collaterals will reduce service delivery time but risk assessment standards must be upheld. Long term sustainability of the Bank can be guaranteed through vigorous risk assessment of its books as well as at the enterprise-wide level.

### Oversight and Accountability

FDB, as part of its best practice in governance and management of portfolios adheres to the Reserve Bank of Fiji's (RBF) Banking supervision policies. The RBF policies provide stringent guidelines to oversight support and supervisory equivalent of international standards. Since the Bank's inception through the FDB Act of 1967, FDB's primary accountability is to the Minister of Finance.

Working in an environment where much is affected by what we do, there are needs to adhere to many other statutory and ethical policies. As a course of action, the Bank also adheres to the Fiji Revenue and Customs Authority's (FRCA) requirements for business, Consumer Credit Act, to make the customer aware of all details that need to be known about the lending facility and RBF's Financial Intelligence Unit's reporting of suspicious transactions. Abiding by these policies make FDB a credible lender working in the best interest of the customers and most importantly, towards the development of Fiji.

### Policy Directives

The FDB continued to implement a low interest rates offered through the RBF for Import Substitute and Export Finance Facility (ISEFF), Natural Disaster Rehabilitation Facility (NDRF) and Sustainable Energy Financing Project funded through ISEFF. These reduced rates have been effective from 1st November, 2013 offered on a six monthly roll over for a maximum term of five years. In addition, the SME guarantee scheme that was made available to all Banks by RBF in support of the development and promotion of the SME sector.

In addition, the Bank, in collaboration with the Ministry of Industry, Trade and Tourism (MITT) have initiated a new project that will assist many in starting up their own businesses. The Micro and Small Business Grant is an initiative by the Government of the day to assist those who have the entrepreneurial mindset and determination but lack resources such as start up capital. The Bank's responsibility is to disseminate the funds to the selected recipients and oversee success levels of the recipient's business overtime.

### Competition and Competitive Strategies

Banking and financial industry has never been so competitive in the past. In recent years, the advancement in technologies, service delivery and products are at the core of competitiveness. New entrants such as Handy Finance Limited and BSP Finance (Fiji) Limited are targeting the Small and Medium Entities (SMEs) and small scale borrowings with minimal or no security. FDB, being the Bank that emphasizes on understanding the clients have devised, and are continuing to promote flexible products and reasonable interest rates that keep us in the game.

The Bank's primary lending focus areas are agriculture and SMEs, with subsidized rates for focus sector loans under \$50,000, FDB promotes development of these very important areas that are the backbones of the economy. FDB also engages with stakeholder relations in these sectors to further develop and address issues that hinder development. This shows the dedication and commitment of FDB towards the focused sectors.

With skilled and experienced staff across our 11 branches scattered around Fiji, FDB works towards customer satisfaction and promoting flexible products. Our staff strive to understand our clients, the needs, the potentials and the commitment, making it one of the most important strategies for expanding market share and retaining our customers.

### Liquidity Risk

Fiji's liquidity had amplified for the period of 6 months from January to June, 2015. At the end of December 2014 the liquidity level stood at \$514MM and in June 2015 it was \$689MM. The increase is an indication of more competitive interest rates for loans and term deposits offered by Financial Institutions.

The Bank fosters good risk practices and invests responsibly to ensure that the Bank retains a healthy liquidity level.

### Interest Rate Risk

The interest rates that are used for lending facilities have been carefully calculated, keeping in mind the cost of funds involved for the Bank. As a Development Bank, we do not have the added advantage of deposits from the public. It becomes a challenge to balance low lending rate with high cost of fund.

In July 2014, the cost for funds for the Bank was 2.48% compared to 2.59% towards the end of June 2015. This is projected to rise overtime into 2016. The cost of funds is still much higher than Commercial Banks, which averages between the nominal rates of 0.5-2%. Factors affecting the cost of funds are beyond the control of the Bank, and these factors are external in nature such as economic conditions, political situations and Central Bank policies.

FDB is still in talks with RBF for a Commercial Institution License (CIL) to take deposits from the public. This will ease the high cost of funds for the Bank and make our lending rates even more compatible in the market.

### Political and Other Risk Factors

Fiji is back to parliamentary democracy after the election in September and it has established international relations with growing foreign investments setting up business in Fiji. As a result of political stability, the Central Bank's estimate of the Fiji economy to grow by 4.0% in 2015 in December and in April the figure was revised upwards to 4.3%. The growth is due to stimulations in Finance & Insurance, Manufacturing, Wholesale & Retail, Information & Communication, Agriculture, Transport & Storage, Accommodation and Food sectors.

Fiji has been known to have a volatile climate and can bring about some problem in the short run. Cyclones and flooding are the two common threats identified that incur losses to infrastructure and agriculture. In recent years, a new threat has emerged that encapsulates all natural disasters known as Climate Change. Cyclones and flooding have become more frequent and dry spells have become worse. Combating the effects of these forces of nature, the Bank has structured relief mechanisms for the clients that are affected by natural disasters and ensure customers get the best advice and services in times of need.

### Provisions for Loan Impairment

The Bank, in its capacity to realize losses, follows stringent guidelines prescribed by the Central Bank. Individual assessment of accounts is done on an annual basis. Individually Assessed Allowance (IAA) identifies the non-performing accounts or Troubled and Impaired Assets (TIA) and allocates sufficient provisions for them. Allowances for losses are conducted in a manner that is compliant with International Financial Reporting Standards (IFRS) and Basel III. The Bank assesses beyond 70% of the value of its advances and loans as prescribed by RBF.

### Looking Forward

As 50 years of existence for the Bank draws close, the major concern for the Bank is to remain sustainable in a very competitive environment giving loans at low interest rates. With concerns over new market players, low interest rates, high liquidity and easy access to finance, the idea of getting most of the market share is becoming somewhat of a challenge. FDB remains actively committed to offering customers with development finance facilities at a competitive rate.

The Bank is looking forward to the engagement with MITT for its Micro and Small Business Grants. The initiative will not only assist the small scale entrepreneurs, but will give an indication of the demand that is there in the communities. This will give the people and the Bank an opportunity to form a relationship for necessary future funding of these businesses.

The growth in tourism and infrastructure development is expected. The two industries are where the Bank can gain more market share. Expiry of preferential price agreement in 2017 is a cause for concern for the sugar industry. Also, the problem of aging sugar cane farmers that needs to be addressed if the industry is to survive.

Furthermore, the 2014 -2017 Strategic Plan intends to pave the way for the Bank to create a more organized environment, taking into account necessary factors to set objectives and targets that determine our overall growth and success.



## PASIFIKALA STAMPS MARK IN GARMENT INDUSTRY



What started as a hobby for John Tausere, 30, has turned into a successful and award winning business venture for the Tausere duo.

Pasifikala Ltd, co-owned by John and his father Nemani Tausere is a small garment factory operating out of Laucala Beach in Suva. It may only be into its fourth year of operation, but it's already stamping its mark in the industry.

The father-son duo specialise in garment designing, printing and sewing sportswear, uniforms and many more with their own production set-up and graphic designers with some of the best software.

"We never planned to start a garment business let alone own a garment factory. After graduating from Papua New Guinea where I earned a degree in Business Administration and Information Technology, my dad and I decided to open a little internet café at Laucala Beach. I do graphic designs as a hobby so I used to do designs for friends." John said.

"So after these designs they would ask me to get the designs printed from somewhere. So I would take these to a number of garment factories to get them done for a small fee and this is where I began to build good relations with some of the senior staff at these factories. This became a small business for me."

John befriended A.V Gnanarajah (known as Raj), the owner and managing director of Tau Sports who was then the Production Manager for one of the garment factories that he would go to.

"Raj was the one that planted the seed in my mind to start my own factory. He mentored and guided me through the whole overwhelming process."

Using Mr. Tausere senior's superannuation fund, the duo decided to invest into this proposal. In 2010, they registered their business,

purchased two machines and started from the ground floor of the current building they are operating from.

"The name Pasifikala simply signifies the range of designs we use in our products which incorporates the diverse cultures and colours from around the Pacific."

"With the two machines we hired two machinists and in the same year we got about 6 employees and things just started to happen so fast."

With the business beginning to show signs of growth, John approached the Fiji Development Bank earlier this year for a loan to purchase a digital printer.

"Being involved in the garment industry, we need to keep abreast with the latest technology in the industry. Right now the industry is in the digital era so a lot of things are being sublimated and printed digitally. With finance from FDB we were able to get the digital printer from the USA."

"Our strength is in custom made uniforms for companies. Second to this are uniforms for sports and likewise school uniforms. For each request we receive, we do custom made designs according to each request. This includes bula wear, corporate wear and also sports uniforms. Sports uniforms are good for us as these come in bulk and we can drop the price as this is requested in large volumes."

In November this year, Pasifikala grabbed the Manufacturing Award for the Partnership Category and likewise the overall Small and Medium Enterprise of the year award at the FDB Small and Medium Enterprise Awards in Suva.

"The award was a huge surprise and to be awarded the overall prize is just amazing. This has been possible through the hard working staff that are constantly dedicating themselves to achieving the vision of the company."

John highlights that the award has boosted them and provides the platform for expansion as part of their long term plans.

The company currently sells around 70% of its products locally and 30% is exported to Vanuatu, Solomon Islands, Papua New Guinea and Samoa.

Pasifikala was assisted under FDB's Small & Medium Enterprises loan facility which provides loans for business purchase or establishment, contractual transport or plant operations in the following Sub-Sectors: Transport – Taxis; Hire cars; Trucks, Marine vessels, Minibuses. Loan facilities also cover distributive, delivery, storage, wholesale/retail for purchase of fixed assets and or initial working capital requirements. In addition it also covers service providers such as manufacturing, repair shops, fast food, dentistry, medicine and many more.

John continues to consult with FDB on his plans of expansions as he is targeting to increase their exports.

## CORPORATE SOCIAL RESPONSIBILITY

The Fiji Development Bank's commitment to corporate social responsibility is reflected through sponsorships, donations and various other programs that the Bank has incorporated through the years. These programs and activities endeavour to align this aspect of its activities with its corporate focus.

### Money \$mart and Invest \$mart

Since 1967, FDB has been creating opportunities for entrepreneurs through its various loan facilities. In 2007, the Bank took a further step of instilling financial knowledge through the Money \$mart and later on Invest \$mart programs.

In conjunction with the Ministry of Education, Money \$mart was designed to give school children early knowledge and appreciation of money and how to manage it. It emphasises wise spending, budgeting and the importance of saving. The Money \$mart resource book is directly linked with the course content specified in the Ministry of Education Commercial Studies syllabus.

Noting the improvement of attitudes of students towards saving, the Invest \$mart program was initiated as an extension of the Money \$mart program. Invest \$mart teaches students on how to invest these savings resulting in students opening Bank accounts and a handful signing up with the Fiji National Provident Fund voluntary scheme and even investing with the Unit Trust of Fiji. As a result, a total of \$628,398 was recorded in savings and investments.

### Small & Medium Enterprise Awards

In 2014, the Bank hosted its first Small & Medium Enterprise Awards as the successor to the former Small Business Awards which has been in place since 2004. The re-launching of the awards is in line with government's continued efforts to encourage SMEs as an economic tool to minimise or eradicate poverty.

The new awards format now accommodates businesses that are 100% locally owned and turning over between \$30,000 and \$500,000 in gross sales per annum.

The 2014 awards were presented to the following;

- **AGRICULTURE** (Mixed Farming) - Ravin Vikash, Naitasiri Hire, Lomaivuna
- **AGRICULTURE** (Livestock/Aquaculture) - Sunil Prasad, Ba.
- **WHOLESALE/RETAIL** (Sole Trader) - Nilesh Prasad, Coastal Auto Investments
- **WHOLESALE/RETAIL** (Partnership) - Eileen & Sukhia Tuimaleali'ifano, Gift Hutt Fiji
- **MANUFACTURING** (Sole Trader) - Sunita Devi, Western Fashions Ltd.
- **MANUFACTURING** (Partnership) - John Tausere, Pasifikala Ltd

- **TOURISM** (Sole Trader) - Lee Acreman, Taste Fiji Kitchen
- **TOURISM** (Partnership) - Ioane & Kasanita Nacoko, Long Beach Resort, Yasawa.
- **PROFESSIONAL BUSINESS SERVICES** (Sole Trader) - Shanil Chandra, Shazcom Tech Ltd.
- **PROFESSIONAL BUSINESS SERVICES** (Partnership) - Neil Koop, Nadraiki Fiji Ltd
- **BEST BUSINESS PRACTICE** - Anjini Lata, Farm Depo, Labasa
- **BEST RISK MANAGEMENT AWARD** - Qiolele Morisio, Taveuni
- **SPECIAL AWARD** - Alice Hill, Hot Glass Fiji, Sigatoka
- **SME OF THE YEAR AWARD** - John Tausere, Pasifikala Ltd

### Donations and Sponsorship

Through its donations and sponsorship program, the Bank ensures that credible educational, non-profit organisations and charities with strong sustainable community based programs receive much needed funding. The Bank's donations and sponsorship guidelines sets the parameters within which its corporate social responsibility is administered.

In the 2015 financial year the Bank gave \$29,429.80 to 24 organisations in sponsorships and donations including the Ministry of Agriculture, Fiji Society for the Blind; Sigatoka Town Council; Suva Bowling Club; Yaroi Sports Club; FENC Fiji; Save the Children Fiji to name a few.

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

Participation in community based expositions and road shows are an important part of the Bank's calendar. The Bank continued to participate and support events organised by Ministry of Agriculture in Labasa, Savusavu Open Day, Sigatoka Open Day; Naitasiri Provincial Council initiative in Vunidawa, Ra Expo and the Lautoka Sugar Festival.

These events provide the platform for the Bank to meet with the grassroots community and promote the Bank's financial services and provide financial advisory to aspiring and existing entrepreneurs.



## WINNERS OF THE 2014 SME AWARDS



**Best Business Practice Award Winner**  
Anjini Lata, Farm Depo, Labasa



**Best Risk Management Award Winner**  
Qirolele Morisio, Taveuni



**Livestock & Aquaculture Category Winner**  
Sunil Prasad, Ba



**Manufacturing Partnerships  
Category Winner & SME Of The Year**  
John Tausere, Pasifikala Ltd



**Manufacturing Sole Trader Category Winner**  
Sunita Devi, Western Fashions Ltd



**Mixed Farming Category Winner**  
Ravin Vikash, Naitasiri Hire, Lomaivuna



**Special Award Winner**  
Alice Hill, Hot Glass Fiji, Sigatoka



**Tourism Sole Trader Category Winner**  
Lee Acreman, Taste Fiji Kitchen



**Professional & Business Services  
Partnerships Category**  
Neil Koop, Nadraiki Fiji Ltd



**Wholesale & Retail Sole  
Trader Category Winner**  
Nilesh Prasad, Coastal Auto Investments



**Tourism Partnerships Category Winner**  
Ioane & Kasanita Naocko,  
Long Beach Resort, Yasawa



**Professional & Business  
Services Sole Trader Category**  
Shanil Chandra, Shazcom Tech, Nadi Ltd



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## FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY

### DIRECTORS' REPORT

#### FOR THE YEAR ENDED 30 JUNE 2015

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 2015, 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 15/09/2014
Ms Olivia Mavoava	-	Reappointed on 06/01/2014

##### Former Director

Mr Manasa Vaniqi	-	Deceased on 01/01/2015
Mr Ropate Ligairi	-	Retired on 31/12/2014

#### 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 2015 was \$6,089,619 (2014 – \$4,801,743). The profit for the Bank for the year was \$6,139,906 (2014 - \$4,887,194).

#### DIVIDENDS

The directors recommended 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 STATEMENT BY DIRECTORS FOR THE YEAR ENDED 30 JUNE 2015

### 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 29th day of October 2015.



Director



Director

## FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY STATEMENT BY DIRECTORS FOR THE YEAR ENDED 30 JUNE 2015

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 2015;
- (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 2015;
- (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 2015;
- (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 2015;
- (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 29th day of October 2015.



Director



Director

## OFFICE OF THE AUDITOR GENERAL

*Excellence in Public Sector Auditing*



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### INDEPENDENT AUDIT REPORT

#### FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 2015, 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 2015 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.



Atunaisa Nadakuitavuki  
for **AUDITOR GENERAL**

Suva, Fiji  
02 November 2015



**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	Notes	CONSOLIDATED		THE BANK	
		2015 \$	2014 \$	2015 \$	2014 \$
Cash and cash equivalents	6	49,596,669	50,056,907	49,579,398	50,039,552
Investments held to maturity	7	2,029,850	2,028,472	2,000,000	2,000,000
Loans and advances	8	291,628,618	265,204,855	291,628,618	265,204,855
Receivable due from subsidiary	9	-	-	401,359	323,932
Other receivables	10	2,504,217	1,935,609	2,127,543	1,587,754
Investment in subsidiary	11	-	-	20,000	20,000
Investments	12	15,001	15,001	15,001	15,001
Property, plant and equipment	14	16,011,849	15,812,483	16,011,849	15,812,483
Computer Software -Intangibles	15	45,949	63,890	45,949	63,890
<b>TOTAL ASSETS</b>		<b>361,832,153</b>	<b>335,117,217</b>	<b>361,829,717</b>	<b>335,067,467</b>
<b>LIABILITIES</b>					
Accounts payable and accruals	17	2,124,833	2,431,659	2,117,238	2,427,037
Short term borrowings	18	78,600,000	72,559,476	78,600,000	72,559,476
Other liabilities	19	5,474,755	5,819,490	5,474,755	5,819,490
Bonds - held-to-maturity	20	139,218,631	125,451,099	139,218,631	125,451,099
Employee entitlements	21	1,810,117	1,065,998	1,810,117	1,065,998
Deferred income		2,014,487	1,289,784	2,014,487	1,289,784
<b>TOTAL LIABILITIES</b>		<b>229,242,823</b>	<b>208,617,506</b>	<b>229,235,228</b>	<b>208,612,884</b>
<b>EQUITY</b>					
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		64,003,403	57,913,784	64,008,562	57,868,656
<b>TOTAL CAPITAL AND RESERVES</b>		<b>132,589,330</b>	<b>126,499,711</b>	<b>132,594,489</b>	<b>126,454,583</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>361,832,153</b>	<b>335,117,217</b>	<b>361,829,717</b>	<b>335,067,467</b>

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 47 to 65

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	Notes	CONSOLIDATED		THE BANK	
		2015 \$	2014 \$	2015 \$	2014 \$
INCOME					
Interest income	2	24,241,576	25,539,281	24,241,082	25,538,182
Interest expense		(5,376,158)	(6,329,915)	(5,376,158)	(6,329,915)
<b>Net interest income</b>		<b>18,865,418</b>	<b>19,209,366</b>	<b>18,864,924</b>	<b>19,208,267</b>
Fee income	3	3,280,088	3,871,188	3,280,088	3,871,188
Other income	4	3,728,066	2,941,798	3,702,170	2,941,798
<b>OPERATING INCOME</b>		<b>25,873,572</b>	<b>26,022,352</b>	<b>25,847,182</b>	<b>26,021,253</b>
<b>OPERATING EXPENSES</b>	5	<b>(11,980,752)</b>	<b>(10,634,091)</b>	<b>(11,904,075)</b>	<b>(10,547,541)</b>
<b>OPERATING PROFIT BEFORE ALLOWANCES</b>		<b>13,892,820</b>	<b>15,388,261</b>	<b>13,943,107</b>	<b>15,473,712</b>
Allowance for credit impairment	8	(5,815,476)	(8,381,870)	(5,815,476)	(8,381,870)
Impairment of Land held for resale	13	-	(42,581)	-	(42,581)
Allowance for Interest & Fees		(1,987,725)	(2,162,067)	(1,987,725)	(2,162,067)
<b>PROFIT BEFORE TAX</b>		<b>6,089,619</b>	<b>4,801,743</b>	<b>6,139,906</b>	<b>4,887,194</b>
Tax expense	1(p)	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>6,089,619</b>	<b>4,801,743</b>	<b>6,139,906</b>	<b>4,887,194</b>

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 47 to 65.



**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	CONSOLIDATED		THE BANK	
	2015 \$ Inflows (Outflows)	2014 \$ Inflows (Outflows)	2015 \$ Inflows (Outflows)	2014 \$ Inflows (Outflows)
Notes				
<b>OPERATING ACTIVITIES</b>				
Interest and subsidy received	24,240,198	25,523,032	24,241,082	25,523,032
Interest and other costs of borrowing paid	(5,270,648)	(7,076,172)	(5,270,648)	(7,076,088)
Customer loans granted	(95,489,516)	(74,090,536)	(95,489,516)	(74,090,536)
Customer loans repaid	61,262,552	75,049,110	61,262,552	75,049,110
Fees received	4,004,791	3,871,188	4,004,791	3,871,188
Cash paid to suppliers and employees	(11,247,926)	(10,257,256)	(11,222,830)	(10,257,256)
Other receipts	3,094,304	2,588,560	3,068,408	2,588,560
<b>Net cash provided / (used in) by operating activities</b>	<b>(19,406,245)</b>	<b>15,607,926</b>	<b>(19,406,161)</b>	<b>15,608,010</b>
<b>INVESTING ACTIVITIES</b>				
Proceeds from the insurance claim	72,187	-	72,187	-
Proceeds from the sale of property, plant and equipment	85,000	-	85,000	-
Payments for property, plant and equipment	(991,213)	(786,676)	(991,213)	(786,676)
<b>Net cash (used in) / provided investing activities</b>	<b>(834,026)</b>	<b>(786,676)</b>	<b>(834,026)</b>	<b>(786,676)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from long-term borrowings	97,671,600	68,004,697	97,671,600	68,004,697
Repayment of long-term borrowings	(77,891,567)	(60,457,504)	(77,891,567)	(60,457,504)
Proceeds from short-term borrowings	18,500,000	18,000,000	18,500,000	18,000,000
Repayment of short-term borrowings	(18,500,000)	(32,529,342)	(18,500,000)	(32,529,342)
<b>Net cash (used in) / provided by financing activities</b>	<b>19,780,033</b>	<b>(6,982,149)</b>	<b>19,780,033</b>	<b>(6,982,149)</b>
<b>Net increase/(decrease) in cash and cash equivalent</b>	<b>(460,238)</b>	<b>7,839,101</b>	<b>(460,154)</b>	<b>7,839,185</b>
Cash and cash equivalents at the beginning of the financial year	50,056,907	42,217,806	50,039,552	42,200,367
<b>Cash and cash equivalents at the end of the financial year</b> 26 (i)	<b>49,596,669</b>	<b>50,056,907</b>	<b>49,579,398</b>	<b>50,039,552</b>

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 47 to 65.

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	Notes	CONSOLIDATED				
		Capital	General reserve	Revaluation reserve	Accumulated profits	Total
		\$	\$	\$	\$	\$
Balance at 1 July 2013	22	56,050,636	8,064,000	4,471,291	53,112,041	121,697,968
Total other comprehensive income		-	-	-	-	-
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
Net profit for the 2015 year		-	-	-	6,089,619	6,089,619
Balance at 30 June 2015		56,050,636	8,064,000	4,471,291	64,003,403	132,589,330

	Notes	THE BANK				
		Capital	General reserve	Revaluation reserve	Accumulated profits	Total
		\$	\$	\$	\$	\$
Balance at 1 July 2013	22	56,050,636	8,064,000	4,471,291	52,981,462	121,567,389
Total other comprehensive income		-	-	-	-	-
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
Net profit for the 2015 year		-	-	-	6,139,906	6,139,906
Balance at 30 June 2015		56,050,636	8,064,000	4,471,291	64,008,562	132,594,489

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 47 to 65.

## FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 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 2015 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 11th August 2015.

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

#### (c) Use of estimates and judgements

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

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

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

- Note 1(i) and Note 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.



## FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

#### FOR THE YEAR ENDED 30 JUNE 2015

#### 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (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.

##### 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.

##### 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

## FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

#### FOR THE YEAR ENDED 30 JUNE 2015

#### 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Depreciation (continued)

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% per annum.

##### (i) Loans and advances

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

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

##### Policies adopted in classifying loans

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

##### Impaired and past due assets

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

##### (i) Non-accrual loans

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

##### (ii) Restructured loans

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

##### (iii) Past due loans

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

##### (j) Loans and advances – Impairment allowance

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

##### Individually assessed allowances

Individually assessed allowance is maintained to cover identified impairment. All known bad debts are written off in the year in which they are identified. The individually assessed allowance requirement (representing new and increased individually assessed allowances less individually assessed releases) is recorded in profit or loss.

## FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2015

### 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### Individually assessed allowances (continued)

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.

#### (l) 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.

#### (m) 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.

#### (n) Other debtors

Other receivables are stated at amortised cost less impairment losses.



**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

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

**(o) Accounts payable and accruals**

Accounts payable and accruals are stated at amortised cost.

**(p) 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.

**(q) Employee entitlements**

**Annual leave**

The accrual for annual leave represents the amount which the Bank has a present obligation to pay, resulting from employees' services provided up to the balance date. The accrual is based on current wage and salary rates and includes related on-costs.

**Long service leave**

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

**Gratuity**

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

**Triennial leave**

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

**Number of Employees**

The number of employees as at 30 June 2015 was 180 (2014: 178).

**(r) 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.

**(s) 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 (Continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	CONSOLIDATED		THE BANK	
	2015 \$	2014 \$	2015 \$	2014 \$
<b>2 INTEREST INCOME</b>				
Included in interest income are interest subsidies received / receivable from the Government for:				
- Agricultural loans	1,366,742	1,052,069	1,366,742	1,052,069
- Commercial Loans to Fijians scheme	269,498	361,145	269,498	361,145
- Economic Rehabilitation Package Scheme	932	33,337	932	33,337
- Small Business Scheme	489,582	361,708	489,582	361,708
- Northern Rehabilitation Package	160,486	149,938	160,486	149,938
	<u>2,287,240</u>	<u>1,958,197</u>	<u>2,287,240</u>	<u>1,958,197</u>
<b>3 FEE INCOME</b>				
Application fees	160,155	120,655	160,155	120,655
Establishment fees	288,675	962,657	288,675	962,657
Commitment fees	213,851	265,561	213,851	265,561
Bank Service fees	1,612,110	1,674,294	1,612,110	1,674,294
Arrears fees	113,055	104,824	113,055	104,824
Legal fees	891,527	742,471	891,527	742,471
Other fee income	715	726	715	726
	<u>3,280,088</u>	<u>3,871,188</u>	<u>3,280,088</u>	<u>3,871,188</u>
<b>4 OTHER INCOME</b>				
The following items are included in other income:				
Gain on sale of property, plant and equipment	125,197	148,000	125,197	148,000
Bad debts recovered	1,955,132	1,379,955	1,955,132	1,379,955
Insurance commission	126,615	100,449	126,615	100,449
Rental income	570,951	779,388	570,951	779,388
Other Income	950,171	534,006	924,275	534,006
	<u>3,728,066</u>	<u>2,941,798</u>	<u>3,702,170</u>	<u>2,941,798</u>
<b>5 OPERATING EXPENSES</b>				
Items included in administrative expenses:				
Amortisation of bond discounts	26	89	26	89
Auditors' remuneration	39,996	39,996	39,996	39,996
Directors' fees	87,815	109,172	87,815	109,172
Depreciation and amortisation	860,184	748,498	860,184	748,498
Employee costs	8,342,518	6,816,824	8,342,518	6,816,824
Other Expenses	2,650,213	2,919,512	2,573,536	2,832,962
	<u>11,980,752</u>	<u>10,634,091</u>	<u>11,904,075</u>	<u>10,547,541</u>

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	CONSOLIDATED		THE BANK	
	2015 \$	2014 \$	2015 \$	2014 \$
<b>6 CASH &amp; CASH EQUIVALENTS</b>				
Petty cash	2,600	2,154	2,600	2,154
Overdraft facility	15,000	15,000	15,000	15,000
Western Union facility	12,000	12,000	12,000	12,000
Deposit accounts -branches	11,140,594	8,150,698	11,123,323	8,133,343
Bank of South Pacific- Call account	1,420,050	165,497	1,420,050	165,497
Bank of Baroda- head office	37,006,425	41,711,533	37,006,425	41,711,533
National Bank of Fiji savings -Suva	-	25	-	25
	<u>49,596,669</u>	<u>50,056,907</u>	<u>49,579,398</u>	<u>50,039,552</u>

The Bank maintains an overdraft facility of \$15,000 to cater for staff withdrawals based on their eligibility level and also maintains \$12,000 for Western Union 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 balances.

	CONSOLIDATED		THE BANK	
	2015 \$	2014 \$	2015 \$	2014 \$
<b>7 INVESTMENTS HELD TO MATURITY</b>				
Investment In bonds	<u>2,029,850</u>	<u>2,028,472</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%, with maturity year being 2022 and \$29,850 of investment by FDB Nominees Limited held in Home Finance Corporation at 3.10% and 3.25% for a term of 12 months respectively.



**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	CONSOLIDATED		THE BANK	
	2015 \$	2014 \$	2015 \$	2014 \$
<b>8 LOANS AND ADVANCES</b>				
Loans and advances	367,242,048	339,047,874	367,242,048	339,047,874
Allowance for Interest and fees suspended	(16,208,684)	(16,908,555)	(16,208,684)	(16,908,555)
Allowance for credit impairment	351,033,364	322,139,319	351,033,364	322,139,319
	(59,404,746)	(56,934,464)	(59,404,746)	(56,934,464)
<b>Total loans and advances</b>	<b>291,628,618</b>	<b>265,204,855</b>	<b>291,628,618</b>	<b>265,204,855</b>

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	50,819,837	38,670,676	50,819,837	38,670,676
Charge to the profit or loss	4,536,390	3,016,348	4,536,390	3,016,348
Transfer from collective provision	724,756	12,540,174	724,756	12,540,174
	56,080,983	54,227,198	56,080,983	54,227,198
Bad debts written off against allowance for credit impairment	(3,345,193)	(3,407,361)	(3,345,193)	(3,407,361)
Balance at the end of the year	52,735,790	50,819,837	52,735,790	50,819,837

**Collectively assessed allowance**

Balance at beginning of the year	6,114,627	13,289,279	6,114,627	13,289,279
Charge to the profit or loss	1,279,085	5,365,522	1,279,085	5,365,522
Transfer from collective provision	(724,756)	(12,540,174)	(724,756)	(12,540,174)
	6,668,956	6,114,627	6,668,956	6,114,627
<b>Total allowance for credit impairment</b>	<b>59,404,746</b>	<b>56,934,464</b>	<b>59,404,746</b>	<b>56,934,464</b>

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	CONSOLIDATED		THE BANK	
	2015	2014	2015	2014
9 RECEIVABLE FROM SUBSIDIARY	\$	\$	\$	\$
FDB Nominees Limited	-	-	401,359	323,932
<b>10 OTHER RECEIVABLES</b>				
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	1,493,854	1,152,355	1,493,854	1,152,355
Other	1,010,363	783,254	633,689	435,399
	<u>2,504,217</u>	<u>1,935,609</u>	<u>2,127,543</u>	<u>1,587,754</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>

	CONSOLIDATED		THE BANK	
	2015	2014	2015	2014
11 INVESTMENT IN SUBSIDIARY	\$	\$	\$	\$
FDB Nominees Ltd	-	-	20,000	20,000

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

	CONSOLIDATED		THE BANK	
	2015	2014	2015	2014
<b>12 INVESTMENTS</b>				
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>

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**13 LAND HELD FOR RESALE**

	CONSOLIDATED		THE BANK	
	2015	2014	2015	2014
Nasarawaqa Estate	\$	\$	\$	\$
Cost at beginning of the year	99,426	99,426	99,426	99,426
Impairment at the beginning of the year	(94,531)	(51,950)	(94,531)	(51,950)
Impairment expense during the year	-	(42,581)	-	(42,581)
Impairment at the end of the year	(94,531)	(94,531)	(94,531)	(94,531)
	4,895	4,895	4,895	4,895
Contributions to project	(4,895)	(4,895)	(4,895)	(4,895)
	-	-	-	-

**CONSOLIDATED AND THE BANK**

14 PROPERTY, PLANT AND EQUIPMENT	Land and	Plant and	Fixtures and	Work	Total
	buildings	equipment	fixtures and	in progress	
	\$	\$	\$	\$	\$
<b>Cost or valuation</b>					
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 1 July 2014	13,730,816	6,947,792	132,093	121,212	20,931,913
Acquisitions during the year	1,515	855,764	-	345,847	1,203,126
Transfer in/(out)	106,312	14,900	-	(121,212)	-
Disposals	(100,969)	(1,462,218)	(1,454)	-	(1,564,641)
Balance at 30 June 2015	13,737,674	6,356,238	130,639	345,847	20,570,398
<b>Accumulated Depreciation</b>					
Balance at 1 July 2013	198,908	4,496,156	108,114	-	4,803,178
Depreciation charge for the year	172,714	550,295	6,343	-	729,352
Disposals	-	(413,100)	-	-	(413,100)
Balance at 1 July 2014	371,622	4,633,351	114,457	-	5,119,430
Depreciation charge for the year	167,552	662,974	6,168	-	836,694
Disposals	(8,621)	(1,387,828)	(1,126)	-	(1,397,575)
Balance at 30 June 2015	530,553	3,908,497	119,499	-	4,558,549
<b>Carrying amount</b>					
Balance at 1 July 2014	13,359,194	2,314,441	17,636	121,212	15,812,483
Balance at 30 June 2015	13,207,121	2,447,741	11,140	345,847	16,011,849

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 (Continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	CONSOLIDATED		THE BANK	
	2015 \$	2014 \$	2015 \$	2014 \$
<b>15 COMPUTER SOFTWARE - INTANGIBLES</b>				
Balance at the beginning of the year	128,284	85,772	128,284	85,772
Acquisitions during the year	5,549	28,355	5,549	28,355
Work in Progress	-	14,157	-	14,157
Balance at the end of the year	<u>133,833</u>	<u>128,284</u>	<u>133,833</u>	<u>128,284</u>
<b>Accumulated Amortisation</b>				
Balance at the beginning of the year	64,394	45,248	64,394	45,248
Amortisation charge for the year	23,490	19,146	23,490	19,146
Balance at the end of the year	<u>87,884</u>	<u>64,394</u>	<u>87,884</u>	<u>64,394</u>
<b>Carrying amount</b>				
Balance at the beginning of the year	63,890	40,524	63,890	40,524
Balance at the end of the year	<u>45,949</u>	<u>63,890</u>	<u>45,949</u>	<u>63,890</u>

**16 OPERATING LEASE**

**Leases as Lessee**

Minimum lease payments under non-cancellable operating leases are payable as follows:

Not Later than one year	54,480	63,190	54,480	63,190
Between one and five years	217,920	252,761	217,920	252,761
More than 5 years	2,238,783	2,309,555	2,238,783	2,309,555
	<u>2,511,183</u>	<u>2,625,506</u>	<u>2,511,183</u>	<u>2,625,506</u>

The above operating Lease Rentals relate to TLTB and Government of Fiji lease payments the Bank is required to make annually

**17 ACCOUNTS PAYABLE AND ACCRUALS**

Interest accruals	768,251	690,764	768,251	690,764
Others	1,356,582	1,740,895	1,348,987	1,736,273
	<u>2,124,833</u>	<u>2,431,659</u>	<u>2,117,238</u>	<u>2,427,037</u>

**18 SHORT TERM BORROWINGS**

Short term borrowings	<u>78,600,000</u>	<u>72,559,476</u>	<u>78,600,000</u>	<u>72,559,476</u>
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The above borrowings have a repayment term of less than 1 year and have been guaranteed by The Government of Fiji. The interest rate for the short term borrowing ranges from 1.70% to 4.00%, in (2014: 0.25% to 5.12%).

**19 OTHER LIABILITIES**

Seed Capital Fund	2,563,631	2,746,784	2,563,631	2,746,784
Staff Savings account	1,301,006	1,462,588	1,301,006	1,462,588
Export Facility	1,500,000	1,500,000	1,500,000	1,500,000
Farmers Assistance Scheme	110,118	110,118	110,118	110,118
	<u>5,474,755</u>	<u>5,819,490</u>	<u>5,474,755</u>	<u>5,819,490</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 2.5% per annum.

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

20 BONDS - HELDS-TO-MATURITY	CONSOLIDATED		THE BANK	
	2015 \$	2014 \$	2015 \$	2014 \$
<i>Non-current</i>				
Term deposits	2,700,000	5,700,000	2,700,000	5,700,000
RBF Export Facility	37,290,608	46,719,008	37,290,608	46,719,008
FDB Registered bonds - face value	99,200,000	73,000,000	99,200,000	73,000,000
Unamortised discount	28,023	32,091	28,023	32,091
	<u>139,218,631</u>	<u>125,451,099</u>	<u>139,218,631</u>	<u>125,451,099</u>

The borrowings under RBF Export Facility has terms varying 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 2014	1,065,998	1,579,182	1,065,998	1,579,182
Utilised during the year	(210,037)	(513,625)	(210,037)	(513,625)
Arising during the year	954,156	441	954,156	441
At 30 June 2015	<u>1,810,117</u>	<u>1,065,998</u>	<u>1,810,117</u>	<u>1,065,998</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.

23 COMMITMENTS AND CONTINGENT LIABILITIES

	2015 \$	2014 \$
(a) Commitments		
(i) Loans approved but not disbursed	<u>75,154,472</u>	<u>58,671,179</u>
(b) Capital Commitments		
(i) Work In Progress	<u>858,482</u>	<u>218,063</u>
(c) Contingent liabilities		
(i) Guarantees	<u>950,000</u>	<u>1,087,176</u>
(i) Litigation	<u>780,000</u>	<u>-</u>

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**24 RELATED PARTY TRANSACTIONS**

**Directors**

The following were directors of the Bank during the financial year ended 30 June 2015:

**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 15/09/2014
Ms Olivia Mavo	Reappointed on 06/01/2014

**Former directors**

Mr Ropate Ligairi	Retired on 31/12/2014
Mr Manasa Vaniqi	Deceased on 01/01/2015

	<b>CONSOLIDATED</b>		<b>THE BANK</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>\$</b>	\$	<b>\$</b>	\$
Directors' fees	87,815	109,172	87,815	109,172

Loans amounting to \$3,888,424 (2014: \$2,111,367) were advanced to a Company where a Director has related party interest are included in "Loans and Advances" (refer note 8). The loans were provided under normal terms and conditions.

**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.

<b>Name</b>	<b>Current title</b>
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:

	<b>CONSOLIDATED</b>		<b>THE BANK</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>\$</b>	\$	<b>\$</b>	\$
Short-term benefits	829,241	708,702	829,241	708,702

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 \$247,215 (2014: \$163,149) to 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 (Continued)

#### FOR THE YEAR ENDED 30 JUNE 2015

#### 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 delegate 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.

##### 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	2015 \$	2014 \$
Agriculture	65,528,534	63,859,498
Building and construction	51,506,424	48,020,468
Manufacturing	28,571,749	33,592,383
Mining and quarrying	329,765	212,882
Private individuals	24,517,925	27,250,222
Professional and business services	2,235,342	3,093,648
Real estate	71,213,945	63,022,874
Transport, communication and storage	27,687,633	16,389,855
Wholesale, retail, hotels and restaurants	47,552,363	38,636,249
Others	48,098,368	44,969,796
<b>Total gross loans and advances</b>	<b>367,242,048</b>	<b>339,047,875</b>

**FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

25 RISK MANAGEMENT POLICY (continued)

	<b>THE BANK</b>	
	<b>2015</b>	2014
	<b>\$</b>	<b>\$</b>
<b>Impaired and Past-Due Assets</b>		
<b>Non-accrual loans without individual assessed allowance</b>		
Gross	5,789,455	6,373,315
Less: Interest and Fees suspended	(822,098)	(1,136,302)
<b>Net non-accrual loans without individual assessed allowance</b>	<b>4,967,357</b>	<b>5,237,013</b>
<b>Non-accrual loans with individual assessed allowance</b>		
Gross	57,793,125	53,433,898
Less: Interest and Fees suspended	(15,346,710)	(15,590,625)
Less: individual assessed allowance	42,446,415	37,843,273
<b>Net non-accrual loans with individual assessed allowance</b>	<b>(22,280,263)</b>	<b>(20,774,657)</b>
<b>Restructured loans without individual assessed allowance</b>		
Gross	95,396	50,877
Less: Interest and Fees suspended	(1,703)	(924)
<b>Net restructured loans without individual assessed allowance</b>	<b>93,693</b>	<b>49,953</b>
<b>Restructured loans with individual assessed allowance</b>		
Gross	117,234	523,422
Less: Interest and Fees suspended	(23,485)	(94,161)
Less: individual assessed allowance	93,749	429,261
<b>Net restructured loans with individual assessed allowance</b>	<b>(6,411)</b>	<b>342,690</b>
<b>Other impaired loans</b>		
Gross		
Less: Interest and Fees suspended	188,707	335,388
	-	(2,878)
<b>Net other classified loans</b>	<b>188,707</b>	<b>332,510</b>
<b>Total impaired and past-due loans</b>	<b>25,409,498</b>	<b>23,030,782</b>
<b>Past-due loans</b>		
Gross	47,493,385	51,882,290
Less: Interest and Fees suspended	(14,939,664)	(15,858,377)
<b>Total past-due loans</b>	<b>32,553,721</b>	<b>36,023,913</b>

## FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2015

### 25 RISK MANAGEMENT POLICY (continued)

#### 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 10% of its total liability position in liquid assets at all times. Fully aware of maturity mismatched between its assets and liabilities, the Bank places a heavy emphasis on collection efficiency of its lending units.

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 (Continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**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.

2015

	<b>At call</b>	<b>1 day to 3 months</b>	<b>Over 3 months to 1 year</b>	<b>Over 1 year to 5 years</b>	<b>Over 5 years</b>	<b>Specific provision</b>	<b>Total</b>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>							
Investments held to maturity	2,000	61	185	985	440	-	3,671
Loans and advances	13,101	5,355	81,490	203,373	63,923	(22,492)	344,750
<b>Total</b>	<b>15,101</b>	<b>5,416</b>	<b>81,675</b>	<b>204,358</b>	<b>64,363</b>	<b>(22,492)</b>	<b>348,421</b>
<b>Liabilities</b>							
Other Liabilities	9,299						9,299
Accounts Payables	2,117	-	-	-	-	-	2,117
Borrowings	-	20,950	57,650	139,191	28	-	217,819
<b>Total</b>	<b>11,417</b>	<b>20,950</b>	<b>57,650</b>	<b>139,191</b>	<b>28</b>	<b>-</b>	<b>229,236</b>

2014

<b>Assets</b>							
Investments held to maturity	2,000	61	185	985	686	-	3,917
Loans	63,750	14,501	74,934	140,944	44,919	(21,301)	317,747
<b>Total</b>	<b>65,750</b>	<b>14,562</b>	<b>75,119</b>	<b>141,929</b>	<b>45,605</b>	<b>(21,301)</b>	<b>321,664</b>
<b>Liabilities</b>							
Accounts Payables	2,427	-	-	-	-	-	2,427
Borrowings	-	31,200	41,359	122,419	3,032	-	198,011
<b>Total</b>	<b>2,427</b>	<b>31,200</b>	<b>41,359</b>	<b>122,419</b>	<b>3,032</b>	<b>-</b>	<b>200,438</b>

## FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

#### FOR THE YEAR ENDED 30 JUNE 2015

#### 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 Bank determines a benchmark on its weighted average cost of funds and stresses 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 forecast conditions. Historical V-a-R is used to determine the relative depletion of asset value at existing conditions. Forecast V-a-R is then computed base on simulated conditions, integrating thereto the other risk variables that would impact the value at risk.

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

##### Sensitivity Analysis

##### Market Risk

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

	As at June 2015	Increase in Lending Rate (+2.50%)	Decrease in Lending Rate (-2.50%)
Weighted Average Lending Rate (%)	5.69	8.19	3.19
Interest Income (\$)	24,241,082	9,181,051	(9,181,051)
Impact on profit or loss (\$)	5,348,118	9,181,051	(9,181,051)

## FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2015

### 25 RISK MANAGEMENT POLICY (continued)

#### 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

#### i) Reconciliation of cash

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

	CONSOLIDATED		THE BANK	
	2015 \$	2014 \$	2015 \$	2014 \$
Cash	<u>49,596,669</u>	<u>50,056,907</u>	<u>49,579,398</u>	<u>50,039,552</u>

### 27 COMPARATIVES

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

### 28 PRINCIPAL ACTIVITIES

The principal activities of the 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 eleven 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.





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 Fiji Development Bank