



Contents

Chairman's Letter	2
The Board of Directors	4
Managing Director's Report	6
Financial Performance	6
Agricultural Loans	6
Indigenous Loans Scheme	7
Industrial and Commercial Loans	7
Special Projects Division	9
Small Business Scheme	9
Small Business Equity Scheme	10
Economic Rehabilitation Package	10
Seed Capital Revolving Fund (SCARF)	10
Customer Service Centre	11
FDB Nominees Ltd	12
New Zealand Small Loans Scheme	12
Corporate Services	13
Human Resources	13
Embarking on a Change Program	13
Training & Development	13
Occupational Health & Safety (OHS)	14
Premises	14
Legal Division	15
Planning Research & Marketing	15
FDB Market Shares	16
Loans Approved: July 2001 to June 2002	17
Success Stories	
The First for Fiji	19
Boomerang, lighting up Suva City	20
Financial Statements	21
FDB Organisation Structure	44
FDB Operations Network	45

Chairman's Letter

**Hon. Ratu Jone Yavala Kubuabola
The Minister of Finance**

Dear Minister,

I have much pleasure in submitting the annual report and accounts of the Fiji Development Bank for the financial year ended 30th June 2002.

Despite a weak economic environment, net profit for the year increased to \$696,383. The result can be largely attributed to prudent management and tight control on costs.

Development financing is a specialised area of banking with the main emphasis on promoting growth and diversification of the economy.

This often involves assisting

those who might not normally qualify for commercial bank credit and the Bank is grateful for Government's support in this regard, through equity financing, interest subsidies, guarantees and capital injection for its various schemes, during the year.

The Bank continues to face increased competition within the banking industry. Plans are underway to make the Bank more competitive in terms of improving and extending more services to clients.

In March 2002, the Board of Directors' term expired and a new board was appointed. I would like to take this opportunity to thank the previous Chairman, Ratu Timoci Vesikula for his leadership and dedicated service to the Bank. I would also like to thank former board members, Messrs. Padam Lala, Alfred Hazelman, Maika Qarikau, Peceli Vocea, Too Ying Koong, Jay Lal and Ratu Lepani Tagicakibau for

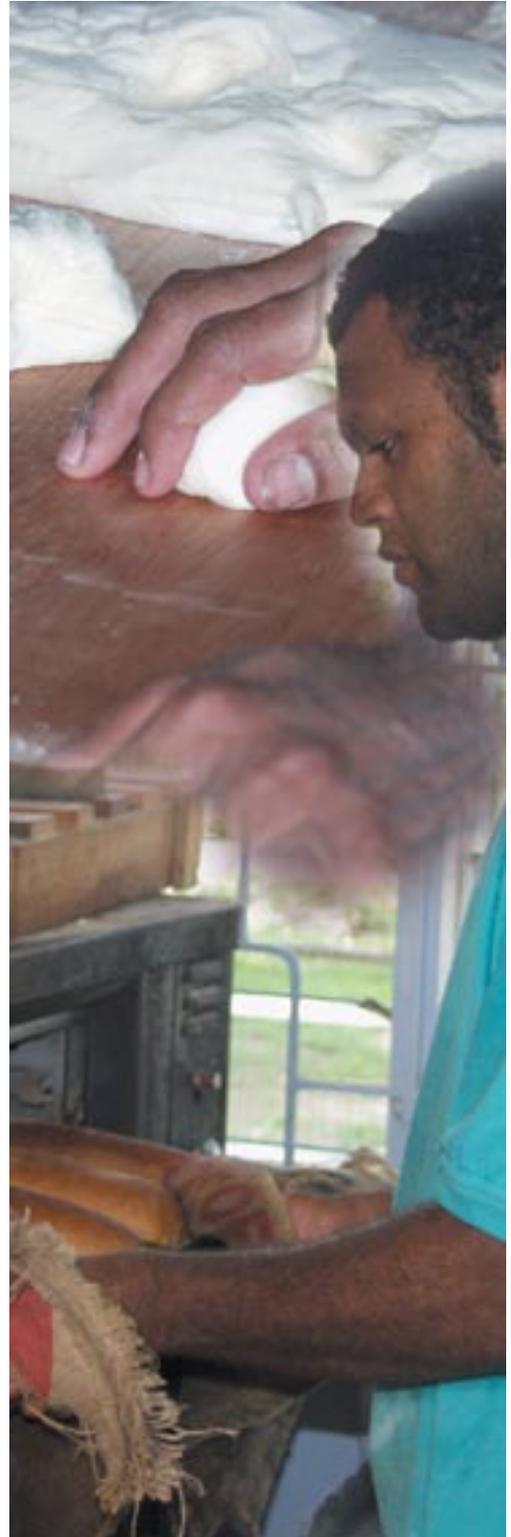


Despite a weak economic environment, net profit for the year increased to \$696,383.00. The result can be largely attributed to prudent management and tight control on costs.

their diligence, commitment and invaluable contributions displayed through their efforts to guide the Bank through extremely difficult economic conditions. However, I am sure that the vast amount of expertise and experience that my colleagues, the new directors, bring will be of great value as we guide the Bank through challenging conditions over the next three years.

Finally, the Board wishes to express its thanks to management and employees of the Bank for their efforts and commitment during the year.

Navitalai Naisoro
Chairman



Managing Director's Report



FINANCIAL PERFORMANCE

The Bank achieved a net profit of \$696,383 for the year ended 30th June 2002. This was higher than that recorded the previous year and was largely due to savings in cost of borrowings.

Interest income was \$31.6 million, as against \$32.4 million in 2001. The decreased business activities reflected in the decline in portfolio from \$327.5 million in 2001 to \$293.3 million in 2002 was the contributing factor. Interest return, however, improved from 9.8 percent in June 2001 to 10.2 percent in June 2002 indicating an improvement in the quality of existing accounts.

Approval was granted for 1,019 loans valued at \$24.4 million compared to 1,751 approvals worth \$50.4 million for the previous year. A combination of low investor confidence, expiring ALTA leases and cautious lending by the Bank caused this change.

Total borrowings to fund the Bank's operations decreased from \$235.9 million in June 2001 to \$193.5 million in June 2002. Surplus of loan collections

against disbursements contributed to this improvement. Cost of borrowings declined from

\$17.7 million to \$15.3 million in June 2002.

Interest spread, the difference between return on average earning assets and the weighted average cost of borrowing, was 2.5 percent in June 2002 compared to 2.0 percent the previous year. Earnings spread, measuring the return on overall operations and the weighted-average cost of borrowing, improved to 3.3 percent compared to 2.8 percent in June 2001.

Administrative costs totaled \$9.3 million. Administrative costs in the previous year were lower because of cost control measures put in place by management following the political and economic crisis during 2000.

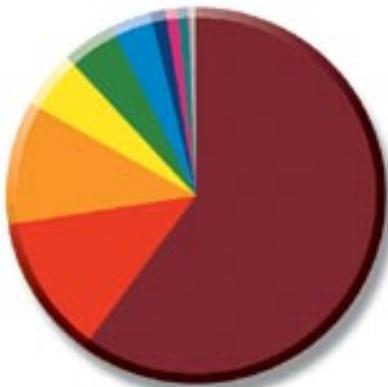
AGRICULTURAL LOANS

Lending to the agricultural sector has always been one of the Bank's central functions. The Bank continued to provide finance for many small-scale farmers who may not otherwise have access to credit. Despite lending difficulties related to the uncertainty over land leasing arrangements, the Bank continues to maintain a substantial agricultural portfolio.

At the end of June 2002, the FDB had 3,211 agricultural accounts worth \$36.5 million, a decrease over the previous year. However, these advances still form a higher percentage of the agricultural market than those held by any other financial institution. The Bank's agricultural portfolio represented 51.11 percent of the total number of loans and 12.46 percent of the Bank's overall portfolio value.

During the year, approvals were granted for 574 agricultural accounts worth \$3.3

Agricultural Portfolio



■ Sugarcane	21,950,035
■ Poultry	4,561,138
■ Root Crops	3,891,498
■ Livestock	1,807,122
■ Horticulture	1,638,432
■ Fishing	1,284,503
■ Tree Crops	463,585
■ Grain	378,226
■ Land Subdivision	317,229
■ Other Agro-based farm services	123,907
■ Road & Land Transport	50,927
■ Timber Milling	33,738
■ Food Products	23,690
■ Real Estate	16,866
■ Water Transport	522



million, compared to 1,064 accounts valued at \$6.4 million the previous year. The sugarcane sector received the most assistance with loans of \$2.1 million for 458 projects.

Lending to the agricultural sector is expected to increase in the new year with the establishment of the Government initiated Seed Capital Revolving Fund (SCARF) scheme targeted at fishing and forest based projects.

Furthermore, recent dialogue to secure the extension of ALTA leases is expected to have a positive impact on the agricultural portfolio in the future.

INDIGENOUS LOANS SCHEME (CLFS)

The FDB has made substantial commitments in terms of finance,

management expertise, advice and training to the national effort to promote the involvement of indigenous Fijians in business. The Commercial Loans to Fijians Scheme was introduced in 1975. It was later broadened to include other eligible members of the minority general electors' communities.

The Bank's indigenous loan portfolio presently has 1,009 accounts valued at \$72.4 million.

Approvals under the scheme totalled 216 accounts worth \$5.2 million. This was 21.2 percent of the total number of bank approvals and 21.5 percent of the total value of approvals. Projects in the Transport and Communication sector received the most assistance in terms of dollar value.

Suspension of lending for taxis in the Suva-Nausori corridor and Labasa, freight transport and investment for rental of executive homes continues, as annual reviews of these sectors indicate no significant improvement in performance.

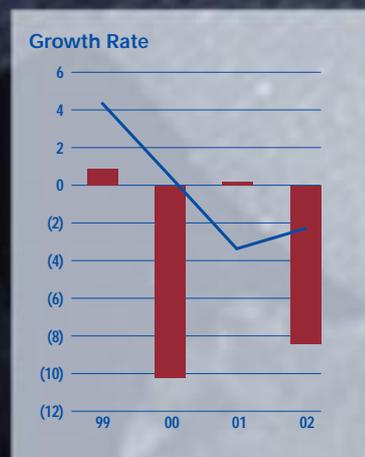
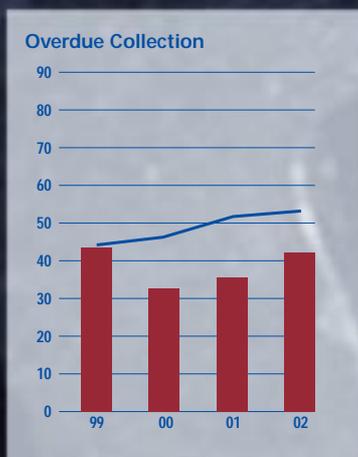
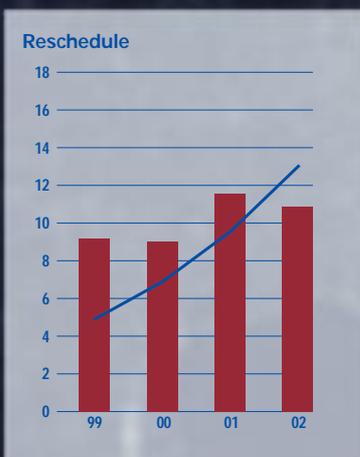
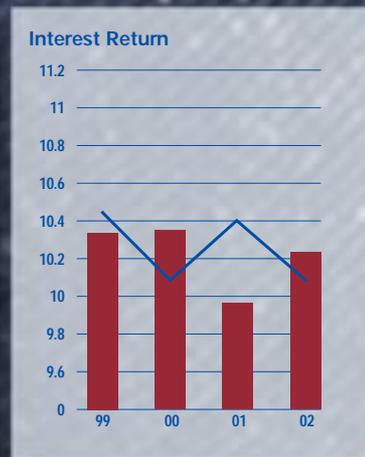
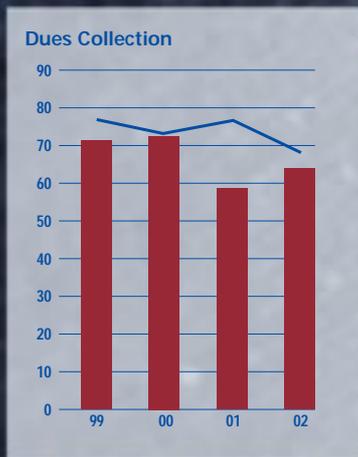
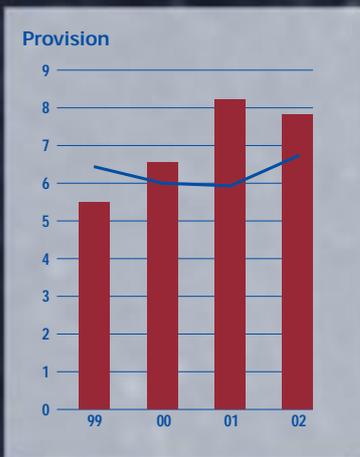
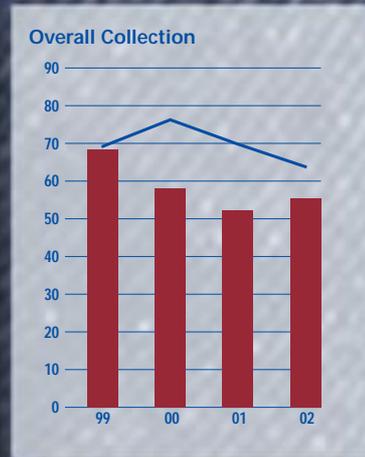
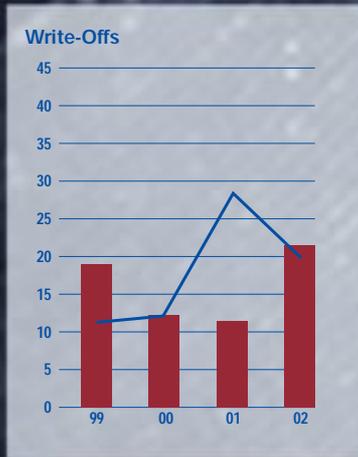
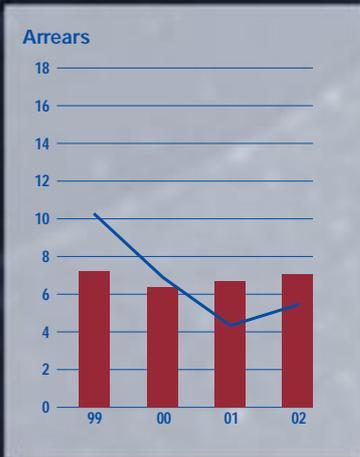
The Bank encourages potential clients to attend business management training courses held by the Small Business Advisory Unit of the Ministry of Commerce, in an effort to assist would-be applicants to acquire commercial skills and greater understanding of the principles of business.

INDUSTRIAL AND COMMERCIAL LOANS

Industrial and commercial lending is of critical importance to the Bank. It is one of FDB's main sources of earnings covering activities ranging from real estate, manufacturing and owner-occupied home loans, to transport and communication,

Historical Performance Trend

■ Actual — Target



wholesale and retail, professional and other business services.

The industrial and commercial portfolio consists of 747 projects worth \$165.9 million. This is 11.9 percent of the FDB's total number of loans and 56.6 percent of the total value of portfolio.

Approvals during the year amounted to 51 loans valued at \$12.8 million, compared to 80 loans valued at \$23.2 million in 2001. Projects in the Wholesale, Retail and Restaurant sectors received the most assistance in terms of dollar value.

SPECIAL PROJECTS DIVISION

The Division has developed specialist expertise for assisting clients with financial and management difficulties. In a conventional commercial banking context, many such clients would more than likely be forced to foreclose. For the FDB, mortgagee sales and receiverships is the last resort. As a development Banker, the Bank devotes significant resources to 'rescue' strategies, especially when the companies involved employ significant

numbers of people and have the potential to contribute to the national economic growth.

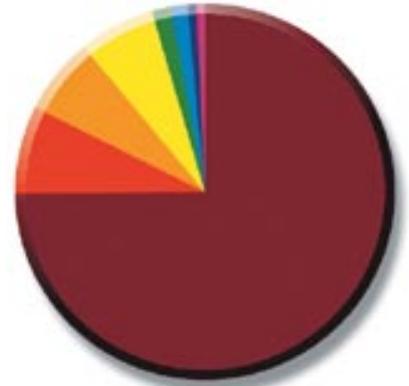
The Division specialises in loan rehabilitation, asset management, and financial and advisory services designed to assist companies to regain viability and become successful.

At the end of June 2002, the Division's portfolio was 32 accounts worth \$31.9 million, a slight decrease from last year.

SMALL BUSINESS SCHEME (SBS)

The Government initiated Small Business Scheme was launched in October 2000 with the objective of providing subsidised loans to other communities who do not qualify under the current Special Loans Scheme for Fijians, Rotumans and eligible General Electors, and have very little opportunity to source funds from other institutions due to risks associated with small loans. It targets small to medium existing or new enterprises, with an annual turnover of up to \$50,000.

Commercial Loans to Fijians Scheme (CLFS) Portfolio



Real Estate	54,211,641
Transport & Communication	5,456,570
Professional Business Services	4,754,582
Wholesale, Retail & Restaurant	4,706,802
Manufacturing	1,179,999
Tourism	1,027,365
Agriculture	564,800
Agro-Industry	481,743
Mining & Quarrying	12,753

During the year, 145 approvals worth \$0.9 million were made for projects in this category, mostly in Wholesale, Retail and Restaurant sector. The total portfolio for the scheme was 408 accounts worth \$2.8 million.



OPERATIONS TEAM

From left: Ilisoni Taoba, Joeli Senikuta, Salote Tavainavesi, Umarji Musa, Kiji Leqa, Khalid Hussein, Brij Lal

SMALL BUSINESS EQUITY SCHEME (SBES)

Established in April 2001, the SBES caters for Fiji citizens interested in establishing small businesses but unable to meet the Bank's equity contribution requirement of 20 percent of total project cost.

Funds are accessible through the Commercial Loans to Fijians Scheme (CLFS) and the Small Business Scheme (SBS) loans. Under the CLFS, eligible indigenous Fijians and Rotumans have access to an equity grant if the business has an annual gross income and/or assets of \$100,000 or below. Maximum equity per project is \$20,000 and applicants must have at least a certificate in basic business management. Under SBS, the maximum equity available is \$10,000.

During the year, 161 applicants had received grants totaling \$168,297 for projects valued at \$1.2 million. Most of these projects

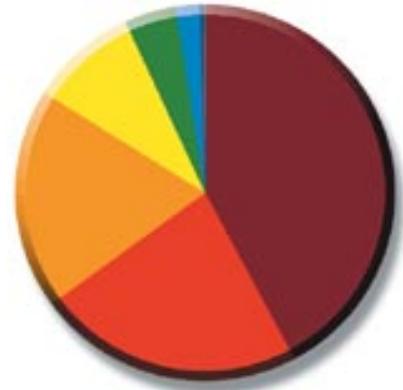
were in the Wholesale, Retail and Restaurant sectors.

ECONOMIC REHABILITATION PACKAGE (ERP)

Following the events of May 2000, the Interim Government decided that emergency fund assistance be made available to repair the damage caused to commercial property and businesses as a result of the civil disorder, through the Economic Rehabilitation Package. The FDB was chosen to administer this financial package for those who had suffered. It featured significant interest rate subsidies, credit guarantees and repayment moratoriums.

The assistance targeted commercial ventures in Suva's central business district, and in the Korovou, Levuka and Rakiraki areas. Manufacturers affected by trade sanctions and drop in sales were also eligible for

Small Business Scheme Portfolio



Wholesale, Retail & Restaurant	1,200,890
Transport & Communication	646,521
Professional Business Services	540,293
Manufacturing	261,237
Real Estate	124,590
Agriculture	59,569
Agro-Industry	7,636
Tourism	2,023
Infrastructure Construction	1,903

this package. Later, bus and airline operators were also eligible for the ERP.

During the year a total of 4 loans with a value of \$0.5 million were approved. As at June 2002, the ERP portfolio stood at 76 accounts worth \$7.6 million.

SEED CAPITAL REVOLVING FUND (SCARF)

Established in April 2002, the Seed Capital Revolving Fund (SCARF) was initiated by Government as part of its affirmative action programme for the indigenous communities. The objective of the fund is to encourage those interested in establishing businesses specifically in the eco-tourism, fishing and forestry sectors.





The scheme provides financial assistance to those who are unable to meet the Bank's 35 percent of total project cost equity requirement. Successful applicants enjoy an interest free loan for up to 25 percent of the total project cost from SCARF. The applicant must meet the remaining 10 percent as his own contribution. However, there are limits on the SCARF component depending on the project type. The client also enjoys a subsidised interest rate of 8 percent for the remainder of the loan. Furthermore, SCARF for eco-tourism projects is limited to those businesses with an annual turnover of less than \$100,000. The Government provided the Bank with \$2 million for forestry, \$1 million for fishing and \$1.5 million for eco-tourism.

An additional requirement for these borrowers is that they must have completed a financial training course at a recognised training centre or have five years experience in operating a business at supervisory level.

Moreover, for necessary technical inputs, business proposals, depending on the project type, are either screened by the Ministry of Fisheries and Forests or the Ministry of Tourism before being submitted to the Bank for consideration.

CUSTOMER SERVICE CENTRE

The improvement of customer services has been one of the Bank's top priorities in recent years. The Customer Service Centre,



CORPORATE SERVICES AND AUDIT TEAM

From left: Nafitalai Cakacaka and Isoa Kaloumaira.
Inset: Deve Toganivalu

Industrial Portfolio



Real Estate	58,734,923
Tourism	28,120,806
Wholesale, Retail & Restaurant	24,863,876
Agro-Industry	18,368,908
Manufacturing	16,166,336
Transport & Communication	12,345,479
Professional Business Services	4,490,272
Agriculture	2,028,297
Land Subdivision	516,144
Mining & Quarrying	314,926

a response by management to meeting customer needs, commenced operations on Monday, 11th March 2002 at the head office.

The Centre was established with the objective of streamlining operations to provide more efficient services to clients. Loan enquiries are directed to the Centre and are only handed over to the lending centres when they reach the application stage. The new set up will not only provide more efficient service to clients at the preliminary stage, but will allow the lending managers and portfolio officers more time to concentrate on quality appraisal and portfolio management.

With a staff complement of nine, ranging from a manager to a clerical officer (all of whom have undergone intensive training on customer interaction), the Centre is well-equipped to attend to all customer enquiries and requests efficiently.

Up until the end of June 2002, the Centre had attended to 6,682 customer enquiries, of which, 430 were loan enquiries valued at \$19.1 million. Of the loan enquiries, 313 worth \$9.4 million were



encouraged to submit loan applications while the remaining 117 enquiries worth \$9.8 million were discouraged. Those discouraged did not satisfy the requirements of the policy guidelines.

FDB NOMINEES LIMITED

FDB Nominees Limited, an FDB subsidiary, was incorporated to perform certain functions beyond the Bank's normal range of activities. These services, mainly in the area of management support and advice, are available only to FDB clients.

During the year, the company worked with clients in the manufacturing, real estate and information technology sectors. It also provided secretariat services for the Association of Development Financing Institutions in the Pacific (ADFIP). The secretariat's main functions are to coordinate activities for meetings of organisations from member countries as well as maintaining books of accounts and administering ADFIP's finances.

FDB Nominees Limited plan to vigorously pursue more clients in the new year.

NEW ZEALAND SMALL LOANS SCHEME (NZSLS)

The New Zealand Small Loans Scheme was established in April 1989 with New Zealand Government assistance. The objective of the scheme is to provide soft loans for the establishment of income generating projects, particularly for the benefit of rural women.

Loans of up to \$10,000 are provided with a 12 percent interest rate, and a maximum loan term of five years. Clients are also

SERVICE CENTRE MANAGEMENT TEAM



From left: Jimione Raiwalui, Kee Fong, Anjna Deb, Akanisi Fatafehi

expected to contribute 20 percent of the projects cost and the Bank normally takes security over any tangible asset financed.

Initially, administration of the scheme was confined to the Bank's head office in Suva. It was decentralised to other branches in 1999 to make this facility more

Human Resources

The Bank recognises that its human resources are a key factor in its progress.

Its current Human Resource Plan outlines strategies on staff development, organisation and training.

Marked competition for human resources

1999 focussed on developing customer service and winning a competitive edge for the FDB. The results of the programme were evident in contributing to the maintenance of customer relations following the economic downturn after the political crisis. The programme has



accessible to rural areas. Projects funded include retailing, tailoring and screen-printing, nursery and cut flowers, handicraft production and retail, beauty and hairdressing salons and restaurants.

For the year ended 30th June 2002, 30 projects with a value of \$100,180 were approved under the scheme. The total portfolio currently stands at 192 accounts worth \$0.4 million.

CORPORATE SERVICES

The Corporate Services Group comprises Human Resources, Training and Development, Occupational Health and Safety in the work place and Premises.

is not only experienced from local counterparts but internationally as well. The Bank continued to experience a high staff turnover mainly due to emigration.

Reorganising and reassigning of tasks have resulted in efficiencies and savings in costs.

The Bank operated with only 233 staff despite an approved staff complement of 261.

The revision of the non-recruitment policy last year saw the recruitment of a number of new loans officer trainees.

Recruits underwent a six-month training programme covering all aspects of the Bank's operations.

Embarking on a Change Program

The Change programme introduced in

resulted in the shortening of decision-making times, more flexible interest rates and the upgrading of the head office premises not only to establish a new customer service centre but also to promote a more professional and productive work environment.

Training and Development

FDB places much emphasis on continuous training of its staff. The Training Department provides training and professional development courses according to staff and organisational needs.

During the year, the staff training programme included in-house courses, local external courses, overseas external



courses, induction programmes for new recruits and transfers, training attachments and university studies. The Department conducted 16 in-house courses, 2 induction programmes, coordinated 24 local external courses, whilst six managers attended overseas courses.

The Bank continues to provide training attachments for officers from other development banks in the region. Towards the latter part of the year, the Bank provided a six-month attachment for a senior officer of the Development Bank of Palau. It also continues to provide work experience attachments to Fiji Institute of Technology graduating students.

The Bank also sponsored three middle management staff members for full-time studies to complete their degree programmes at the University of the South Pacific, as part of its career development strategies.

Every three years, the Training Department conducts a Training Needs Analysis Survey to assess and identify the training needs of its staff and the organisation. During the year, one such survey was carried out. Based on the results of this survey, a three-year training programme for all staff was prepared and will be implemented from the new financial year.

Occupational Health and Safety (OHS)

The Bank's Occupational Health and Safety Committee continued to ensure that the work place is as safe as possible. The committee meets monthly to review progress on safety and health issues and plans to produce a manual for OHS

Economic Rehabilitation Package Portfolio



Wholesale, Retail & Restaurant	5,663,759
Professional Business Services	561,679
Manufacturing	502,777
Real Estate	340,749
Agro-Industry	306,347
Transport & Communication	252,539

procedures and policies by the end of the year. The Bank also employs an accredited OHS officer to coordinate its OHS programme and ensure compliance with statutory requirements. The officer is the secretary to the OHS committee.

Premises

The Premises section is responsible for the management of the Bank's properties, including buildings, vehicles, furniture and equipment. Asset maintenance and replacement is an important function to ensure that costs are maintained within budget. Staff accommodation for those who are transferred to branches outside their usual places of residence is another responsibility of the department. Due to the high cost of maintenance, the Bank sold a number of its residential properties, preferring to lease accommodation for its officers and thus shifting the responsibility and cost of maintenance to the property owners.

The major project undertaken during the year was the renovation of head office in Suva. The project started in November 2001 with major renovations completed at the end of June 2002. The first three levels of the FDB Centre were renovated, as well as the public areas of the remaining three levels which are currently rented out. The establishment of the new Customer Service Centre on the ground floor was also included in the renovations.

of a loan. It also has a Tender and Recovery Department that organises mortgagee sales of secured items where necessary and coordinates legal proceedings against defaulting customers.

PLANNING, RESEARCH AND MARKETING (PRM)

The year under review was an extremely busy one for the Planning, Research and Marketing Division. A total of twenty papers

Bank. A marketing strategy to promote FDB's current and new products in 2003 was also developed during the year.

The Division responded to an increasing number of requests locally and from overseas for information about the Bank. It was also instrumental in the preparations of the managers' conference in October 2001 and the DevBank fortnightly newsletter, as well as other advertising and public relations activities.



LEGAL DIVISION

With the responsibility for ensuring that all securities taken are complete, accurate, fully documented and properly registered, the legal division has a critical part in ensuring the Bank's core activities are conducted in accordance with business and commercial law. All legal security documents for loan advances and lease facilities are prepared in-house.

The Division also has the responsibility for maintaining insurance covers on the assets taken as security throughout the life

were submitted to the Bank's Board of Directors for policy decisions, information, or monitoring purposes.

During the year, the Division, in collaboration with the budget and planning section of the Finance Division, prepared the third Corporate Plan for the Bank. The previous Plan was for the period 2000 to 2002. The new plan covers the 2003 to 2005 period.

Apart from the planning and research functions, the Division also identifies and markets new business opportunities for the

CONCLUSION

The financial year saw the end of the three-year Corporate Plan term. During this term, the Bank made satisfactory progress considering the political instability in 2000. To ensure continuity of a business plan, a third Corporate Plan has been developed to guide the Bank for the next three years.

The successful results of the Bank this year has been through the combined effort of staff, management and guidance from the Board. I would like to take this opportunity to thank them all.

Fiji Development Bank's Market Share into Selected Sectors

	Fiji Total		FDB Total		FDB as % of Fiji Total	
	No.	(\$'000)	No.	(\$'000)	No.	(\$)
Total Loans & Advances	67,382	1,439,712	6,282	293,282	9.3	20.4
Agriculture	5,312	75,625	3,180	50,696	59.9	67.0
Sugar cane growing	4,355	34,648	2,429	22,005	55.8	63.5
Fisheries	170	4,527	150	2,416	88.2	53.4
Livestock	122	7,761	95	7,066	77.9	91.0
Manufacturing	854	162,874	246	24,617	28.8	15.1
Food, beverages and tobacco	175	71,042	81	8,714	46.3	12.3
Metal products and machinery	169	62,078	77	5,549	45.6	8.9
Building/Construction	258	50,873	29	19,688	11.2	38.7
Hotels/tourism related	52	29,129	18	17,402	34.6	59.7
Real Estate (development)	470	149,689	328	98,565	69.8	65.8
Wholesale/Retail	2,105	416,999	655	48,245	31.1	11.6
Transport & Storage	674	44,252	403	19,152	59.8	43.3
Professional/Business Services	636	36,194	123	4,280	19.3	11.8
Private Individuals	54,509	390,171	933	19,581	1.7	5.0
Private home loans	6,997	302,392	437	19,099	6.2	6.3

NOTE: Fiji total refers to total loans and advances outstanding by all commercial banks and the Fiji Development Bank as at 30 June 2002. The Bank's market share into selected sector is highlighted.

Loans approved July 2001 to June 2002

Agricultural Loans

Subsector	No.	Amount (\$)	% No.	% Amount
Fishing	38	274,468	6.62	8.42
Grain	2	10,290	0.35	0.31
Horticulture	5	23,700	0.87	0.73
Livestock	6	78,220	1.05	2.39
Other Agro based farm & services	3	65,940	0.52	2.02
Poultry	12	201,174	2.09	6.17
Road & Land Transport	2	45,342	0.35	1.39
Root crops	48	481,331	8.36	14.76
Sugarcane	458	2,080,966	79.79	63.81
Totals	574	3,261,430	100.00	100.00

Industrial & Commercial Loans

Subsector	No.	Amount (\$)	% No.	% Amount
Manufacturing	11	2,388,000	21.57	18.60
Professional Business Services	8	760,197	15.69	5.92
Real Estate	16	2,730,547	31.37	21.26
Tourism	1	155,227	1.96	1.20
Transport & Communcation	8	1,586,660	15.69	12.36
Wholesale, Retail, Restaurant	7	5,221,107	13.72	40.66
Totals	51	12,841,738	100.00	100.00

Economic Rehabilitation Package (ERP) Loans

Subsector	No.	Amount (\$)	% No.	% Amount
Transport & Communcation	1	250,000	25.00	54.35
Professional Business Services	1	75,000	25.00	16.30
Manufacturing	2	135,000	50.00	29.35
Totals	4	460,000	100.00	100.00

Loans approved July 2001 to June 2002 (cont'd)

Commercial Loans to Fijians Scheme (CLFS)

Subsector	No.	Amount (\$)	% No.	% Amount
Agriculture	3	14,044	1.39	0.27
Agro-Industry	4	203,250	1.85	3.87
Infrastructure	1	33,360	0.46	0.64
Manufacturing	8	345,192	3.70	6.59
Professional Business Services	21	522,854	9.72	9.98
Real Estate	13	978,801	6.01	18.68
Tourism	15	869,861	6.94	16.60
Transport & Communication	45	1,551,513	20.83	29.60
Wholesale, Retail & Restaurant	106	721,995	49.10	13.77
Totals	216	5,240,870	100.00	100.00

Small Business Scheme Loans

Subsector	No.	Amount (\$)	% No.	% Amount
Agriculture	2	24,539	1.38	2.49
Manufacturing	18	131,923	12.41	13.39
Professional Business Services	32	173,147	22.07	17.57
Real Estate	2	40,080	1.38	4.07
Transport & Communication	13	177,453	8.97	18.01
Wholesale, Retail, Restaurant	78	438,136	53.79	44.47
Totals	145	985,277	100.00	100.00

Leasing	26	977,361		
Working Capital	3	659,000		

GRAND TOTAL **1,019** **24,425,676**

Small Business Equity Scheme Grants

Subsector	No.	Amount (\$)	% No.	% Amount
Agro-Industry	2	4,950	1.24	2.94
Financial Institutions	3	2,567	1.86	1.52
Manufacturing	10	9,108	6.21	5.41
Professional & Business Services	13	11,071	8.07	6.58
Real Estate	2	10,690	1.24	6.35
Tourism	5	6,804	3.11	4.04
Transport & Communication	29	62,997	18.01	37.43
Wholesale, Retail & Restaurant	97	60,110	60.25	35.72
Totals	161	168,297	100.00	100.00

SUCCESS STORIES



The First for Fiji

Soqoiwasa Marketing, at first glance, is just like any other shoe-manufacturing factory. But on closer scrutiny, it is peculiar and distinguished. This factory is the first Indigenous Fijian-owned shoe venture of its kind.

opening of his outlet at the Suva Flea Market in 1995.

Spearheading the operations, entrepreneur Soqoiwasa initially adopted a niche marketing strategy, focusing on specially designed sandals for school students. Targeting the secondary school markets such as Queen Victoria, Adi Cakobau, Sila Central and Ballantine Memorial Schools, Soqoiwasa Marketing

Growth has been at a steady rate and is expected to expand progressively. Employees have also increased to 40 compared to 4 when the business was established. To anticipate the demand and subsequent business expansion, Mr Soqoiwasa approached FDB for further funding assistance in 2001.

When interviewed, Mr. Soqoiwasa said " I am very grateful to the Bank for



Proprietor of the business, Mr Inoke Soqoiwasa, had long planned to establish his own business, as he wanted to provide a secure and stable future for his young family. His 8-years of work experience as a factory manager at Footwear Exporters Limited factory was sufficient background to initiate the operations of Soqoiwasa Marketing. With the financial backing of FDB, his dream was finally fulfilled with the

has enjoyed their loyal services since 1996.

In 1997, the business introduced into the market their new brand of sandals "Lako Tu" to differentiate them from other suppliers and to develop into a household name in Fiji. This product differentiation has attracted demand from renowned local schools like Ratu Kadavulevu School, Levuka Public School and Delana Methodist School.

its support and I will always know that I can rely on them for any further assistance".

Even though Soqoiwasa Marketing faces stiff competition from both local and overseas suppliers, Mr. Soqoiwasa believes he has a competitive edge in terms of price and quality. His determination and competency, has seen him surviving the storm this far.

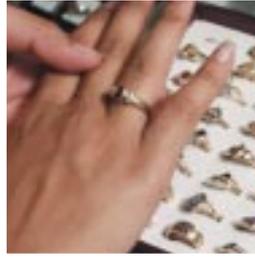
SUCCESS STORIES

Boomerang, lighting up Suva City

Up-market and eminent local jewelers, Boomerang, with exquisite lighting effects and top-of-the range jewelry and sports accessories, have attracted every passer-by alongside Thompson Street since it re-opened its door to the public on 13th December 2000.

Previously situated on the opposite side of the road, the company temporarily closed their business after it was looted and burned during the height of the coup. Mr. Jayanti Lal, the director of the business, was a helpless man and had to seriously consider his future in this industry. Still recovering from the pain of losing all his belongings, the hardworking owner was delighted to hear about the Government initiated scheme, the Economic Rehabilitation Package (ERP), which was administered through FDB. This package aimed to assist businesses that suffered loses during the coup of May 2000.

When interviewed, Mr. Lal appreciatively stated " If it was not for



FDB, Boomerang would not be here today as I was completely crippled after the coup". With the ERP assistance, Mr. Lal was able to purchase new range of items such as Oakley shoes, shorts and t-shirts for the business in addition to the

trademark sunglasses and range of jewellery for which Boomerang is distinguished from in the local market. Goods range from the trendy brand names such as Oakley, Ray Ban, Police and Killer Loop sunglasses to local taste accessories of chains, pendants, rings and watches.

Despite the competition in the industry, Boomerang continues to faithfully meet their repayments as well as operate profitably.

Mr. Lal thanked

the Prime Minister, the Managing Director, and the staff of FDB for introducing the ERP at the most convenient time, thus enabling Boomerang to be where it is today.

Financial Statements

Directors Report	22
.....
Independent Auditors' Report	23
.....
Balance Sheets	24 - 25
.....
Income Statements	26
.....
Consolidated Statement of Cash Flows	28
.....
Notes to and Forming Parts of the Financial Statements	29 - 43
.....

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY

DIRECTORS' REPORT

The directors present their report together with the financial statements of Fiji Development Bank ("the Bank") and the consolidated financial statements of the Group, being the Bank and its subsidiary for the year ended 30 June 2002 and the auditors' report thereon.

In the opinion of the directors:

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

The accompanying balance sheets and the statement of changes in equity give a true and fair view of the state of affairs of the Bank and of the Group as at 30 June 2002, the accompanying income statement and the statement of cash flows give a true and fair view of the results of the Bank and of the Group for the year then ended.

Principal Activities

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

Result

The consolidated operating profit after income tax expense for the year ended 30 June 2002 was \$696,383 (2001 - \$301,594).

Reserves

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

Dividends

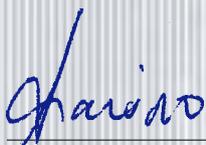
The directors recommend that no dividends be declared or paid.

Events Subsequent to Balance Date

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

Dated at Suva this 28th day of January 2003.

Signed in accordance with a resolution of the directors:



Director



Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY

Scope

We have audited the financial statements of the Fiji Development Bank for the financial year ended 30 June 2002, consisting of the balance sheets, income statements, statement of cash flows, statement of changes in equity and accompanying notes, set out on pages 29 to 43. The financial statements comprise the financial statements of the Bank and the consolidated financial statements of the Group, being the Bank and its subsidiary. The Bank's directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them.

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

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

Audit Opinion

In our opinion:

- (a) proper books of account have been kept by the Bank and the Group, so far as appears from our examination of those books; and
- (b) the accompanying financial statements which have been prepared under the historical cost convention stated in Note 1 to the accounts:
 - (i) are in agreement with the books of account,
 - (ii) to the best of our information and according to the explanations given to us:
- (a) give a true and fair view of the state of affairs of the Bank and of the Group as at 30 June 2002 and of the results of the Bank and of the Group and of the cash flows of the Group for the year ended on that date;
- (b) give the information required by Section 35 of the Fiji Development Bank Act in the manner so required.

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

The logo for KPMG, consisting of the letters 'KPMG' in a stylized, handwritten font, with a horizontal line underneath the letters.

KPMG

Chartered Accountants

Suva, Fiji
January 2003

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY

BALANCE SHEETS AS AT 30 JUNE 2002

	Note	CONSOLIDATED		THE BANK	
		2002 \$	2001 \$	2002 \$	2001 \$
Capital and reserves					
Capital	2	56,050,636	56,050,636	56,050,636	56,050,636
Reserves	3	8,986,621	9,426,198	8,986,621	9,426,198
Accumulated profits		14,630,380	13,494,420	14,626,372	13,490,177
Total capital and reserves		79,667,637	78,971,254	79,663,629	78,967,011
Non-current liabilities					
Borrowings	4	153,858,694	173,662,962	153,858,694	173,662,962
Provisions	5	819,305	805,719	819,305	805,719
Total non-current liabilities		154,677,999	174,468,681	154,677,999	174,468,681
Current liabilities					
Borrowings	4	39,674,675	62,281,448	39,674,675	62,281,448
Provisions	5	490,555	454,754	490,555	454,754
Accounts payable and accruals	6	10,168,953	6,172,014	10,165,397	6,167,775
Total current liabilities		50,334,183	68,908,216	50,330,627	68,903,977
TOTAL LIABILITIES, CAPITAL AND RESERVES		284,679,819	322,348,151	284,672,255	322,339,669
Commitments and contingent liabilities	7				

On behalf of the Board



Director

The balance sheets are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 29 to 43

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY

BALANCE SHEETS AS AT 30 JUNE 2002

	Note	CONSOLIDATED		THE BANK	
		2002 \$	2001 \$	2002 \$	2001 \$
Non-current assets					
Loans and advances	8	233,452,110	263,559,107	233,452,110	263,559,107
Property, plant and equipment	9	12,526,260	11,507,049	12,526,260	11,507,049
Investment in subsidiary	10	-	-	20,000	20,000
Investments	11	50,251	50,571	50,251	50,571
Land held for resale	12	3,063,693	3,063,693	3,063,693	3,063,693
Total non-current assets		249,092,314	278,180,420	249,112,314	278,200,420
Current assets					
Cash		6,412,051	8,520,334	6,356,922	8,495,952
Short term deposits		2,143,700	338,739	2,143,700	300,000
Loans and advances	8	21,623,777	30,191,384	21,623,777	30,191,384
Amounts due from subsidiary	13	-	-	44,250	59,200
Other debtors	14	5,407,977	5,117,274	5,391,292	5,092,713
Total current assets		35,587,505	44,167,731	35,559,941	44,139,249
TOTAL ASSETS		284,679,819	322,348,151	284,672,255	322,339,669

Director

The balance sheets are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 29 to 43

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY

INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

	Note	CONSOLIDATED		THE BANK	
		2002 \$	2001 \$	2002 \$	2001 \$
INCOME					
Income from loans:					
Interest	15	31,566,843	32,366,265	31,565,194	32,364,575
Fees		1,364,091	1,617,216	1,364,091	1,617,216
Other income	16	1,212,695	1,246,065	1,220,637	1,251,975
TOTAL INCOME		34,143,629	35,229,546	34,149,922	35,233,766
EXPENSES					
Interest and other borrowing expenses		15,292,332	17,708,443	15,292,332	17,708,443
Administrative expenses	17	9,295,352	8,512,537	9,301,410	8,517,351
TOTAL EXPENSES		24,587,684	26,220,980	24,593,742	26,225,794
OPERATING PROFIT BEFORE PROVISIONS FOR DOUBTFUL LOANS AND INVESTMENTS					
		9,555,945	9,008,566	9,556,180	9,007,972
Doubtful loans and advances	8,18	8,859,242	8,706,972	8,859,242	8,706,972
Diminution in investments		320	-	320	-
OPERATING PROFIT BEFORE INCOME TAX EXPENSE					
		696,383	301,594	696,618	301,000
Income tax expense	1(k)	-	-	-	-
OPERATING PROFIT AFTER INCOME TAX		696,383	301,594	696,618	301,000

The income statements are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 29 to 43

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2002

	CONSOLIDATED				
	Share capital \$	Revaluation reserve \$	General reserve \$	Accumulated profits \$	Total \$
Balance at 30 June 2000	51,308,958	6,926,198	2,500,000	13,192,826	73,927,982
Net profit for the year	-	-	-	301,594	301,594
Capital contributions during the financial year	4,741,678	-	-	-	4,741,678
Balance at 30 June 2001	56,050,636	6,926,198	2,500,000	13,494,420	78,971,254
Effect of sale of revalued assets	-	(439,577)	-	439,577	-
Net profit for the year	-	-	-	696,383	696,383
Balance at 30 June 2002	<u>56,050,636</u>	<u>6,486,621</u>	<u>2,500,000</u>	<u>14,630,380</u>	<u>79,667,637</u>
	Share capital \$	Revaluation reserve \$	BANK General reserve \$	Accumulated profits \$	Total \$
Balance at 30 June 2000	51,308,958	6,926,198	2,500,000	13,189,177	73,924,333
Net profit for the year	-	-	-	301,000	301,000
Capital contributions during the financial year	4,741,678	-	-	-	4,741,678
Balance at 30 June 2001	56,050,636	6,926,198	2,500,000	13,490,177	78,967,011
Effect of sale of revalued assets	-	(439,577)	-	439,577	-
Net profit for the year	-	-	-	696,618	696,618
Balance at 30 June 2002	<u>56,050,636</u>	<u>6,486,621</u>	<u>2,500,000</u>	<u>14,626,372</u>	<u>79,663,629</u>

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 29 to 43.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2002

	2002 \$	2001 \$
Note	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and subsidy received	33,736,775	35,462,910
Interest and other costs of borrowing paid	(16,624,136)	(18,406,253)
Fees received	1,364,091	1,617,216
Cash paid to suppliers and employees	(8,981,799)	(7,778,805)
Other receipts	395,980	1,490,270
Net cash provided by operating activities	9,890,911	12,385,338
	23(ii)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for investments	-	(35,250)
Customer loans granted	(30,787,990)	(47,108,000)
Customer loans repaid	58,661,231	39,796,767
Payments for property and equipment	(2,091,893)	(369,746)
Receipts from disposal of property and equipment	206,696	148,912
Receipts from land held for subdivision and resale	-	24,157
Net cash provided by/(used in) investing activities	25,988,044	(7,543,160)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in other deposit accounts	(1,804,961)	(302,250)
Proceeds from long-term borrowings	32,998,822	52,724,499
Repayment of long-term borrowings	(70,330,925)	(68,020,437)
Net (decrease)/increase in short-term borrowing	(5,071,692)	4,203,755
Capital contributions received from the Government of Fiji	-	4,741,678
SBES & Seed Capital fund received from Government of Fiji	6,221,518	1,927,212
Net cash (used in) financing activities	(37,987,238)	(4,725,543)
Net (decrease)/increase in cash held	(2,108,283)	116,635
Cash at the beginning of the financial year	8,520,334	8,403,699
Cash at the end of the financial year	6,412,051	8,520,334
	23(i)	

The consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 29 to 43.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Fiji Development Bank is a fully owned Government of Fiji ("Government") entity domiciled in Fiji. The consolidated financial statements of the Bank for the year ended 30 June 2002 comprise the Bank and its subsidiary. The financial statements were authorised for issue by the directors on 28 January 2003.

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

(a) Basis of accounting

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

This is the first year of the implementation of the revised Fiji Accounting Standards, incorporating the requirements of the International Accounting Standards. The Bank has reviewed its internal reporting systems and the presentation of its financial statements and has integrated the requirements into this general-purpose report. Where comparative figures for the previous reporting period are available, these are also reflected in the report.

(b) Principles of consolidation

The consolidated financial statements of the Group include the financial statements of the Bank being the chief entity and its controlled entity as disclosed in Note 10.

The balances and effects of transactions between the Bank and the controlled entity have been eliminated. Other entities over which the Bank has control are excluded from consolidation because control is intended to be temporary as the entities are held exclusively with a view to their subsequent disposal in the near future.

(c) Revenue recognition

Interest income

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

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

Government interest subsidies

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

Fees and charges

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

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002 (cont'd)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Borrowings

Bonds

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

(e) Property, plant and equipment

Acquisition

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

Revaluation

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

Depreciation

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

Buildings and improvements	1.25%
Plant, equipment, furniture and fittings	10%
Motor vehicles	25% - 33%
Computer hardware and software	20%

(f) Loans and Advances

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

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

Policies adopted in classifying loans

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

Loans are classified in the following categories:

Non-accrual loans

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

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002 (cont'd)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Past due loans

Facilities that are classified under past due are those accrued loans that are more than 90 days in arrears but which are not non-accrual.

(g) Bad and doubtful loans and advances

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

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

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

Specific provisions

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

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

Unallocated specific provisions

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

Grade	Minimum Unallocated Provision Percentage
Substandard	20% of loan balance
Doubtful	50% of loan balance
Loss	100% of difference between loan balance and Security Realisable Value.

General Provision

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

(h) Investments

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

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002 (cont'd)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(i) Transactions in foreign currencies

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

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

(j) Land held for sale

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

(k) Taxation

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

(l) Employee entitlements

Annual leave

The provision for annual leave represents the amount which the Bank has a present obligation to pay, resulting from employees' services provided up to the balance date. The provision is based on current wage and salary rates and includes related on-costs. The number of employees as at 30 June was 231.

Long service leave

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

Gratuity

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

Triennial leave allowance

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

(m) Capital grants from Government

Capital grants received from Government are credited directly to equity.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002 (cont'd)

	CONSOLIDATED		THE BANK	
	2002 \$	2001 \$	2002 \$	2001 \$
2 CAPITAL				
Authorised capital	100,000,000	100,000,000	100,000,000	100,000,000
Capital at beginning of year	56,050,636	51,308,958	56,050,636	51,308,958
Capital grant from Government during the financial year	-	4,741,678	-	4,741,678
	56,050,636	56,050,636	56,050,636	56,050,636
3 RESERVES				
Asset Revaluation Reserve				
Balance at beginning of year	6,926,198	6,926,198	6,926,198	6,926,198
Prior year revaluation realised on sale of land & buildings transferred to accumulated profits	(439,577)	-	(439,577)	-
Balance at year end	6,486,621	6,926,198	6,486,621	6,926,198
General Reserve				
Balance at beginning of year	2,500,000	2,500,000	2,500,000	2,500,000
Transfer from/(to) accumulated profits	-	-	-	-
Balance at year end	2,500,000	2,500,000	2,500,000	2,500,000
Total Reserves	8,986,621	9,426,198	8,986,621	9,426,198

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY

NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002 (cont'd)

	CONSOLIDATED		THE BANK	
	2002 \$	2001 \$	2002 \$	2001 \$
5 PROVISIONS				
Non-current				
Provision for gratuity	485,861	405,305	485,861	405,305
Provision for long service leave	269,967	347,438	269,967	347,438
Provision for triennial leave	63,477	52,976	63,477	52,976
	<u>819,305</u>	<u>805,719</u>	<u>819,305</u>	<u>805,719</u>
Current				
Provision for annual leave	490,555	454,754	490,555	454,754
Total provisions	<u>1,309,860</u>	<u>1,260,473</u>	<u>1,309,860</u>	<u>1,260,473</u>

6 ACCOUNTS PAYABLE AND ACCRUALS

Small Business Equity Scheme & Seed Capital Fund	6,221,518	1,927,212	6,221,518	1,927,212
Interest accruals	3,198,259	3,892,348	3,198,259	3,892,348
Others	749,176	352,454	745,620	348,215
	<u>10,168,953</u>	<u>6,172,014</u>	<u>10,165,397</u>	<u>6,167,775</u>

7 COMMITMENTS AND CONTINGENT LIABILITIES
(a) Commitments

	CONSOLIDATED AND THE BANK	
	2002 \$	2001 \$
(i) Capital commitments	704,654	23,880
(ii) Loans approved but not disbursed	11,402,444	12,020,400
	<u>12,107,098</u>	<u>12,044,280</u>

(b) Contingent liabilities

(i) Guarantees	1,614,500	358,500
(ii) Letters of credit	-	732,320
	<u>1,614,500</u>	<u>1,090,820</u>

(iii) Litigation

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

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002 (cont'd)

	CONSOLIDATED		THE BANK	
	2002 \$	2001 \$	2002 \$	2001 \$
8 LOANS AND ADVANCES				
Current	59,818,110	68,333,972	59,818,110	68,333,972
Less: Interest and fees suspended	6,150,147	4,420,742	6,150,147	4,420,742
	53,667,963	63,913,230	53,667,963	63,913,230
Provision for doubtful debts	32,044,186	33,721,846	32,044,186	33,721,846
	21,623,777	30,191,384	21,623,777	30,191,384
Non-current	233,452,110	263,559,107	233,452,110	263,559,107
Total loans and advances	255,075,887	293,750,491	255,075,887	293,750,491
Provision for doubtful debts is represented as follows:				
Specific provision				
Balance at the beginning of the year	29,102,274	22,876,334	29,102,274	22,876,334
Charge to the income statement	6,901,719	11,368,715	6,901,719	11,368,715
	360,039,93	34,245,049	360,039,93	34,245,049
Less: written off as bad debts against provision for doubtful debts	(10,536,902)	(5,142,775)	(10,536,902)	(5,142,775)
Balance at the end of the year	25,467,091	29,102,274	25,467,091	29,102,274
Unallocated specific provision				
Balance at beginning of year	1,085,521	3,539,319	1,085,521	3,539,319
Charge to the income statement	2,447,883	(2,453,798)	2,447,883	(2,453,798)
Balance at the end of the year	3,533,404	1,085,521	3,533,404	1,085,521
General provision				
Balance at beginning of year	3,534,051	3,741,996	3,534,051	3,741,996
Charge to the income statement	(490,360)	(207,945)	(490,360)	(207,945)
Balance at the end of the year	3,043,691	3,534,051	3,043,691	3,534,051
Total provision for doubtful debts	32,044,186	33,721,846	32,044,186	33,721,846

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002 (cont'd)

	Land and buildings \$	Plant and equipment \$	Fixtures and fittings \$	Total \$
9 PROPERTY, PLANT AND EQUIPMENT				
Cost				
Balance at 30 June 2001	10,513,382	3,859,299	1,074,606	15,447,287
Acquisitions during the year	1,315,973	424,472	379,020	2,119,465
Disposals	(261,894)	(455,047)	(410,943)	(1,127,884)
Balance at 30 June 2002	<u>11,567,461</u>	<u>3,828,724</u>	<u>1,042,683</u>	<u>16,438,868</u>
Accumulated depreciation				
Balance at 30 June 2001	898,790	2,242,663	798,785	3,940,238
Depreciation charge for the year	198,139	536,112	59,356	793,608
Disposals	(28,030)	(445,846)	(347,361)	(821,238)
Balance at 30 June 2002	<u>1,068,899</u>	<u>2,332,929</u>	<u>510,780</u>	<u>3,912,608</u>
Carrying amount				
At 30 June 2001	<u>9,614,592</u>	<u>1,616,636</u>	<u>275,821</u>	<u>11,507,049</u>
At 30 June 2002	<u>10,498,562</u>	<u>1,495,795</u>	<u>531,903</u>	<u>12,526,260</u>
		CONTRIBUTION TO GROUP RESULTS		BOOK VALUE
	2002	2001	2002	2001
	\$	\$	\$	\$
10 INVESTMENT IN SUBSIDIARY				
FDB Nominees Limited - at cost	<u>(235)</u>	<u>594</u>	<u>20,000</u>	<u>20,000</u>

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

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002 (cont'd)

	CONSOLIDATED		THE BANK	
	2002 \$	2001 \$	2002 \$	2001 \$
11 INVESTMENTS				
Shares in companies - at cost	6,364,889	6,394,889	6,364,889	6,394,889
Less: Provision for diminution in value	(6,314,638)	(6,344,318)	(6,314,638)	(6,344,318)
	50,251	50,571	50,251	50,571
12 LAND HELD FOR RESALE				
Nasarawaqa Estate				
Cost	106,225	106,225	106,225	106,225
Less: Provision for diminution in value	(36,108)	(36,108)	(36,108)	(36,108)
	70,117	70,117	70,117	70,117
Hotel Development Project				
Cost	1,500,000	1,500,000	1,500,000	1,500,000
Contributions to project	398,329	398,329	398,329	398,329
	1,898,329	1,898,329	1,898,329	1,898,329
Cane Estate				
Acquisition cost	1,000,000	1,000,000	1,000,000	1,000,000
Other expenses capitalised	95,247	95,247	95,247	95,247
	1,095,247	1,095,247	1,095,247	1,095,247
	3,063,693	3,063,693	3,063,693	3,063,693
13 DUE FROM SUBSIDIARY				
FDB Nominees Ltd	-	-	44,250	59,200
14 OTHER DEBTORS				
Government Interest subsidies	2,068,680	2,296,490	2,068,680	2,296,490
Government guarantees:				
- Fijian loans scheme	903,076	247,904	903,076	247,904
- Exchange loss	2,239,857	2,259,533	2,239,857	2,259,533
Others	196,364	313,347	179,679	288,786
	5,407,977	5,117,274	5,391,292	5,092,713

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002 (cont'd)

	CONSOLIDATED		THE BANK	
	2002	2001	2002	2001
	\$	\$	\$	\$
15 INTEREST INCOME				
Included in interest income are interest subsidies received/receivable from the Government of Fiji for:				
- Agricultural loans	653,402	728,753	653,402	728,753
- Commercial loans to Fijians scheme	2,496,893	2,413,492	2,496,893	2,413,492
- ERP Scheme	412,699	165,188	412,699	165,188
- SB Scheme	155,666	40,011	155,666	40,011
	3,718,660	3,347,444	3,718,660	3,347,444
16 OTHER INCOME				
The following items are included in other income:				
Gain on sale of fixed assets	33,822	82,644	33,822	82,644
Recoveries on bad and doubtful debts	488,624	247,712	488,624	247,712
Rental income	464,173	424,782	464,173	424,782
17 ADMINISTRATIVE EXPENSES				
Exchange losses (gain) included in interest expense	58,935	(1,747)	58,935	(1,747)
Items included in administrative expenses:				
Amortisation of bond discounts	1,458	1,300	1,458	1,300
Auditors' remuneration - Audit fees	34,500	34,500	33,000	33,000
Directors' fees	50,187	54,500	50,187	54,500
Depreciation	793,609	751,336	793,609	751,336
Loss on disposal of fixed assets	106,199	34,499	106,199	34,499
Employee costs	5,734,312	5,686,763	5,734,312	5,686,763
18 CHANGES IN LOAN GRADING				
The Reserve Bank of Fiji guidelines on loan provisioning were revised in April 2000. During the financial year, the Bank has re-aligned its policy to the revised Reserve Bank of Fiji guidelines. The impact to the financial statements was an increase to the provision for doubtful debts of \$1,544,572 and an increase to doubtful debt expense of the same amount.				
19 RELATED PARTY TRANSACTIONS				
During the year, the Bank received management fees of \$87,450 from its subsidiary, FDB Nominees Limited in respect of services provided to FDB Nominees Limited. All transactions with the related parties are on normal commercial terms and conditions.				

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002 (cont'd)

20 MATURITY ANALYSIS

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

	CONSOLIDATED (\$'000)						Total
	At call	1 day to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Specific provision	
2002							
Assets	\$	\$	\$	\$	\$	\$	\$
Cash	6,412	-	-	-	-	-	6,412
Due from other financial institutions	-	2,143	-	-	-	-	2,143
Loans	19,692	33,570	39,755	118,241	82,012	(25,467)	267,803
Total	26,104	35,713	39,755	118,241	82,012	(25,467)	276,358
Liabilities							
Borrowings	961	13,133	34,291	68,861	76,288	-	193,534
Total	961	13,133	34,291	68,861	76,288	-	193,534
2001							
Assets							
Cash	8,520	-	-	-	-	-	8,520
Due from other financial institutions	-	339	-	-	-	-	339
Loans	22,337	2,551	42,940	147,626	112,018	(29,102)	298,370
Total	30,857	2,890	42,940	147,626	112,018	(29,102)	307,229
Liabilities							
Borrowings	997	18,546	46,839	108,053	61,510	-	235,945
Total	997	18,546	46,839	108,053	61,510	-	235,945

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002 (cont'd)

21 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	2002 \$	2001 \$
Agro-industry	57,949,485	74,710,359
Financial institution	1,444,948	1,591,706
Infrastructure	510,901	662,702
Manufacturing	17,781,976	22,165,325
Mining & quarrying	327,678	424,590
Professional & business services	8,392,879	7,856,286
Real estate	118,135,668	124,919,284
Tourism	29,277,173	28,745,065
Transport	18,625,580	20,553,580
Wholesale, retail, restaurant	36,385,196	44,251,061
Leasing	4,438,736	6,013,121
	<u>293,270,220</u>	<u>331,893,079</u>

22 IMPAIRED AND PAST-DUE ASSETS

Non-accrual loans without specific provisions for impairment

Gross	10,833,573	11,594,932
Less: suspended debt	366,474	427,894
Net non-accrual loans without specific provisions for impairment	<u>10,467,099</u>	<u>11,167,038</u>

Non-accrual loans with specific provisions for impairment

Gross	62,396,317	66,766,516
Less: suspended debt	5,560,279	3,794,800
	<u>56,836,038</u>	<u>62,971,716</u>
Less: specific provisions	25,467,091	29,102,274
Net non-accrual loans with specific provisions for impairment	<u>31,368,947</u>	<u>33,869,442</u>

Restructured loans without specific provision

Gross	3,196,325	2,754,042
Less: suspended debt	9,240	753
	<u>3,187,085</u>	<u>2,753,289</u>

Total impaired loans	<u>45,023,131</u>	<u>47,789,769</u>
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FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002 (cont'd)

22 IMPAIRED AND PAST-DUES - cont'd

	2002 \$	2001 \$
Past-due loans		
Gross	47,560,256	65,968,977
Less: suspended debt	214,154	197,295
Total past-due loans	<u>47,346,102</u>	<u>65,771,682</u>
Total impaired and past-due loans	<u>92,369,233</u>	<u>113,561,451</u>

23 NOTES TO THE STATEMENT OF CASH FLOWS

(i) Reconciliation of cash

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

	2002 \$	2001 \$
Cash	<u>6,412,051</u>	<u>8,520,334</u>

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

Operating profit after income tax	696,383	301,594
Add / (less) non-cash items:		
Amortisation of bond discounts	1,458	1,300
Depreciation	793,609	751,336
Loss/(Gain) on disposal of fixed assets	72,377	(48,145)
Other	-	3,697
Provision for annual and long-service leave	49,387	62,525
Provision for doubtful loans and investments	8,859,562	8,706,972
Translation of foreign currency loans	81,243	21,089
	<u>10,554,019</u>	<u>9,800,368</u>
Change in assets and liabilities:		
Decrease in interest receivable	1,942,122	3,511,658
(Increase)/decrease in accounts receivable	(782,894)	323,152
Decrease/(Increase) in grants and subsidies receivable	227,810	(415,013)
(Decrease) in interest payable	(1,414,504)	(720,199)
(Decrease) in other accruals	(635,642)	(114,628)
Net cash provided by operating activities	<u>9,890,911</u>	<u>12,385,338</u>

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002 (cont'd)

24 COMPARATIVES

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

25 PRINCIPAL ACTIVITIES

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

26 CURRENCY

All amounts are expressed in Fiji dollars.

