2018 Annual Report

EFL
energising our nation

Dawn Of A New Era
For Energy Fiji Limited

“Electricity is a product we take pride in for empowering the Nation”

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About Us

Energy Fiji Limited, previously the Fiji Electricity Authority, was established, incorporated and constituted under the provisions of the Electricity Act of 1966 and began operating from 1 August of that year.

The powers, functions and duties of EFL under the Electricity Act are for the basic purpose of providing and maintaining an efficient and cost-effective power supply to the Fijian people in a safe and secure manner that meets high benchmarks in quality. Every consumer group in Fiji is charged a uniform tariff rate to ensure affordability across the socio-economic spectrum. These tariffs are determined according to Government policy and are designed to meet specific targets in access to electricity while simultaneously achieving a reasonable rate of return for the shareholder.

EFL is entrusted with enforcing the Electricity Act and regulations, setting standards, examining and registering electricians, and is empowered to approve and license suppliers to serve certain areas. EFL is also governed by the requirements under the Public Enterprise Act.

Our Vision

Energising our Nation

Our Mission

We aim to provide clean and affordable energy solutions to Fiji with at least 90% of the energy requirements through renewable sources by 2025.

Our Values

Customer focus
Honesty
Do what is right for EFL
Team work
Individual accountability
Transparency
Innovativeness

Fiji Electricity Authority (FEA) was corporatised into Energy Fiji Limited (EFL) on 16 April 2018, a public company limited by shares, and was registered under the Companies Act pursuant to regulations that were gazetted. EFL has also been appointed as the successor entity of FEA. One of the key objectives of the corporatisation of FEA is to provide an opportunity for Fijians to share the economic benefits of FEA and list the newly corporatised entity on the South Pacific Stock Exchange which will promote the development of Fiji's capital markets. In March 2017, a new Electricity Act 2017 was passed by Parliament and will come into effect on a date to be set by the Minister responsible for the Electricity Act 2017. Once the new Electricity Act 2017 comes into effect, the corporatised FEA will cease its regulatory functions, and such functions will be undertaken by the Fijian Competition and Consumer Commission.

Letter to the Minister

The Honourable Minister for Economy
Ro Lalabalavu House
370 Victoria Parade,
Suva

31 May 2019

Dear Minister,

In accordance with Section 103 (1) of the Public Enterprise Act 1996, I am pleased to present our Annual Report for 2018.

This year's report incorporates a comprehensive summary of EFL's operations and activities, as well as our Financial Statements for the year, ending 31 December 2018.

This Annual Report details the full extent of our transition into the newly corporatised entity, Energy Fiji Limited.

I am thrilled to report that we've welcomed this new era of corporatisation with an unprecedented third-straight year of over $70 million in before-tax profits. In all of our organisation's history, we've never before seen a streak of profitability quite like this.

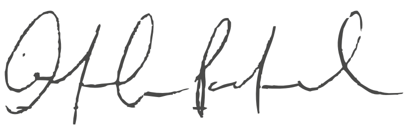
Our after-tax profit in 2018 stands at $63.9 million, which sets us well for our ambitious programme of capital development to meet the growing demand for energy across the country. This fact is a clear testament to the organisational reforms we've put in place, which have paid off –– quite literally –– in a big way for EFL.

Our Board and management team continues to abide by solid, internationally-benchmarked practices in good governance, which has paved the way towards a fantastic first year of performance for EFL. But the true foundation of our success, now and always, has been the hard-working women and men on our staff –– our EFL family –– whose dedication is the engine that energises our nation.

The Fijian Government's unyielding support towards EFL has made 2018 a landmark year in more ways than one. For me personally, 2018 has been our best year ever, as we made historic progress in bringing electricity to rural Fijian communities. For EFL's leadership and staff, there is no work more fulfilling than seeing the faces of our fellow Fijians light up with joy as they experience the life-changing benefits of electric power for the first time, and I thank the Fijian Government for their support of that deeply rewarding and profoundly important mission.

The Board and Management of EFL remain committed to the success and viability of the company. While our short-term success certainly merits celebration, we already have our sights set on the company's future. We are keeping a careful eye on the challenges on the horizon and are allocating resources to ensure sustainable success, and we are staying true to the corporate fundamentals that have guided our organisation throughout its proud and endearing history.

Sincerely,



Daksesh Patel, Chairman

Directors of Energy Fiji Limited

Daksesh Patel
Chairman

Gardiner Whiteside
Deputy Chairman

Alipate Naiorosui
Director

David Kolitagane
Director

Kamal Gounder
Director

Hasmukh Patel
Director

Executive Management Team

Hasmukh Patel
Chief Executive Officer

Bobby Naimawi
Chief Financial Officer/Board Secretary

Tuvitu Delairewa
General Manager Commercial

Eparama Tawake
General Manager Generation

Annabel Ducia
General Manager Customer Services

Jitendra V. Kumar
General Manager Network

Naveen Lakshmaiya
General Manager Human Resources

Om Dutt Sharma
General Manager System Planning & Control

Umesh Chandra
Chief Information Officer

Corporate Governance

The principles of corporate governance at EFL form the basis of our company-wide effort to foster a culture of transparency, accountability and sustainable success over the long term. These principles demand high expectations for our corporate conduct. With our actions governed by a coherent set of key values, EFL leadership, management and staff are united in a common vision for the company's success and share a comprehensive understanding of both how and why we do business.

At EFL, we recognise that adherence to high ethical standards is the key to high corporate achievement. We do things the right way, which means not only doing business in compliance with applicable legislation, but going above and beyond the call of duty in the patriotic spirit of bettering the nation.

EFL's governance framework is based on the following principles:

- Appropriate composition and size of the Board, with each member bringing in expertise in their respective domains;
- Availability of information to the members of the Board and its sub-committees to enable them to discharge their fiduciary duties;
- Timely disclosure of material, operational and financial information to the stakeholders;
- Systems and processes designed to support effective internal control; and
- Proper business conduct by the Board, executive management and employees.

At EFL, these guiding principles –– EFL's ethos –– have steered us into this era of new-found achievement and profitability we know today, and they will continue to define our organisation's success moving forward.

Through both internal reflection and external comparison to best practices around the world, the Board will remain effective, informed, and independent in 2019 and beyond.

The fuel hedging consultant, Mr Jeff Roberts conducting the presentation to the EFL Board and Management on the fuel and FX hedging framework that was implemented by EFL in May 2018.

EFL'S GOVERNANCE FRAMEWORK

BOARD OF DIRECTORS

The Board composition as at 31st December 2018 was as follows, together with the number of Board Meetings attended.

Board Members

DIRECTOR		NO. OF BOARD MEETINGS ATTENDED
Daksesh Patel	Board Chairman	9
Gardiner Whiteside	Deputy Chairman	12
David Kolitagane	Director	12
Kamal Gounder	Director	8
Alipate Naiorosui	Director	12
Hasmukh Patel	Director	12

APPOINTMENT OF THE LINE MINISTER

EFL welcomed the appointment of Honourable Jone Usamate, as the Minister for Infrastructure, Transport, Disaster Management and Meteorological Services following the 2018 general elections. The partnership between Government and EFL is the cornerstone of our organisation's success, and as such, we look forward to working intimately with Minister Usamate and his team over the next four-year term.

RISK MANAGEMENT

EFL's risk management framework allows us to take proactive action in managing the inherent risks in the energy sector. The framework, action-oriented as opposed to reactionary, identifies business improvement opportunities to reduce risk across EFL's mandate to deliver clean and affordable energy. EFL employees are required to prepare proactive plans that identify and mitigate risks in their scope of work. The framework acknowledges that all employees have a role to play in risk mitigation, and EFL seeks to cultivate a culture where employees are comfortable reporting issues, hazards and risks as they see them. It is only through a coordinated and open approach that EFL can successfully implement its risk action plans progressively throughout the financial year.

In 2018, EFL management progressed the implementation of risk mitigation strategies to address those 20 most critical areas identified in a comprehensive risk-review workshop, conducted in May 2018. The workshop was undertaken jointly by the risk consultants from Marsh Ltd, the executive management team and Unit leaders.

INTERNAL AUDIT

The Internal Audit Department continuously monitors the effectiveness of internal controls with the objective of providing the Audit and Finance Sub-committee and the Board with an independent, objective and reasonable assurance of the adequacy and effectiveness of EFL's risk management practices, internal controls and governance processes.

EFL's Internal Audit Department report directly to the Chief Executive Officer on a daily basis. The department also has direct access to the Chairman of the Audit and Finance Sub-committee. The Department's work regularly involves coordination with external auditors, which support the delivery of independent and objective assurance to the Board, the Audit and Finance Sub-committee and the executive management on the systems of internal control deployed within EFL.

The Internal Audit Department's key role is to provide objective, independent assurance and review services to promote transparency, accountability, efficiency and effectiveness throughout EFL's activities. The Department creates audit reports that thoroughly evaluate the organisation's operations, with an eye to add value and highlight inefficiencies. The internal audit reports are the cornerstone of EFL's consistently-disciplined approach, as they provide a systematic evaluation that improves risk management, control and governance processes.

The Department abides by a strict set of policies that guide the preparation of audit reports in accordance with EFL's Approved Internal Audit and Risk Management Charter, as reviewed and approved by the Board in 2014. The 2018 Annual Internal Audit Plan contains a strategic risk component that analyses core business processes, and other specific requests, based on discussions with executive management. A core business process may comprise of several associated sub-processes. The key business processes are subject to internal audit on a rotational basis, as identified and prioritised by executive management.

In 2018, the Audit and Finance Sub-committee met on a monthly basis to review the reports submitted by the Department. Any and all significant audit observations and follow-up actions were reported directly to the Sub-committee.

The Central Share Registery Limited (CSRL) Chairperson, Dr. Nur Bano Ali, Director CSRL, CEO, South Pacific Stock Exchange, Mrs Krishika Narayan, EFL CEO, Mr Hasmukh Patel and CFO, Mr Bobby Naimawi signing the "Trust Deed" at EFL Head office in Suva.

The EFL Chairman, Mr Daksesh Patel and the Attorney General and Honourable Minister for Public Enterprises, Mr Aiyaz Sayed-Khaiyum unveiled the plaque on 16th April 2018 after the announcement of EFL as a Limited Liability Company.

The Attorney General and Honourable Minister for Public Enterprises, Mr Aiyaz Sayed-Khaiyum after distributing the "Share Certificates" to the EFL Electricity domestic account holders at Rups mall in Nakasi.

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CHAIRMAN'S REPORT

DAKSESH PATEL / EFL CHAIRMAN

2018 represented the dawn of a new era for our organisation, as our successful corporatisation marked the end of our journey as the Fiji Electricity Authority, and the start of the newly-corporatised entity, Energy Fiji Limited. Our proud organisational history as FEA is what laid the foundation for EFL's ongoing work to power the lives of the Fijian people. Now, as we build upon the progress of the past and enter into this new chapter, we are committed to ensuring that it is a chapter defined by both corporate achievement and visionary inclusivity.

The single most defining aspect of our corporatisation has been the Fijian Government's offer of 5% of its shareholding interest to the Fijian people –– free of charge –– giving ordinary Fijians the opportunity to gain financially from the growth of EFL, a billion-dollar asset enterprise. As of 31 December 2018, a total of 35,736 EFL customers had become shareholders of EFL, with low-income households receiving 250 share parcels and unsubsidised customers receiving 150 share parcels –– an intentional move to distribute equity where it's most needed. This remarkable achievement, combined with our historic progress in electrifying rural communities throughout Fiji, has made 2018 the most inclusive year in our history. Now more than ever, EFL is a company of, by, and for the Fijian people.

New Opportunities through Proven Fundamentals

Following corporatisation, EFL remains wholly committed to its basic corporate fundamentals. Our chief priority remains our future-facing investment strategy, balancing prudent financial management and thoughtful reinvestment to meet a growing need for clean energy through the expansion and upgrade of Fiji's energy infrastructure.

Our consistent profitability is driving an ambitious agenda to further enhance our networks of energy infrastructure, which includes a $155 million upgrading of aging assets, the $2.5 billion implementation of the 10-year Power Development Plan, and, among a litany of other development, the refurbishment of the Monasavu Hydro-Electric Scheme, which has been in service for more than 36 years, at an estimated cost of $100 million.

EFL's government guarantee facility, as approved by Parliament, is an allocation of $202 million for onshore borrowing and US$50 million for offshore borrowings. Essentially, this means that EFL can borrow up to these respective amounts domestically and internationally over the next three-year period. Cabinet has also approved an extension of the Government guarantee facility until the end of December 2020. As of the end of 2018, EFL has utilised around $92.5 million of this facility.

EFL has made some impressive strides in achieving financial austerity, as the entirety of the ANZ loan facility is now secured via debt mortgage over the assets of EFL and is no longer secured via the government guarantee facility.

EFL conducted a review of its 10-Year Power Development Plan (PDP) in 2017, with a follow-up review due in May 2019. The plan outlines a load forecasting and power-generation plan for the Viti Levu, Vanua Levu, Taveuni and Ovalau power systems, together with the development of associated network assets and the investment strategy for the augmentation of the 132kV and 33kV transmission networks. This total investment across the generation, transmission and distribution sectors is estimated to be around $2.5 billion.

EFL expects to fund the development of the transmission and distribution network at around $870 million over the next 10 years. Concurrently, we expect substantial investment from the private sector into the power generating sector of the industry through Independent Power Producers (IPPs), who then sell energy back to EFL via long-term Power Purchase Agreements. Private sector engagement is critical, as it will be no small task for EFL to implement the PDP alone –– particularly the plans to reinforce the transmission network, given the prevailing electricity tariff rates.

EFL was determined to have satisfactorily met all debt covenants imposed by its lenders, ANZ Bank and FNPF in 2018. A total of $22.9 million of repayment in loans and bonds was executed in 2018. EFL's debt portfolio stood at $277.52 million as of 31 December 2018, with a mandatory repayment time-line that varies from 10-15 years.

EFL plans to execute $270 million in capital expenditures over the next three years, $80 million in 2019, $120 million in 2020 and $70 million in 2021.

The projected capital expenditure of $80 million in 2019 is projected to cover distribution reinforcement projects, urban reticulation and rural electrification projects, the purchase of electricity meters and motor vehicles, the upgrading of the Monasavu Hydro-Electric Scheme. The 33kv sub-transmission network development at Naikabula, 132kV tower replacements, equipment and system upgrades to enhance power supply security and reliability through greater automation, and the procurement of 10MW diesel generating set for the Vuda power station, new equipment for the 5MW solar farm at Nadi and the new 132kV transmission network from Virara, Ba to Kurunubu, Ba, among other capital projects.

The successful implementation of this programme of capital expenditure depends heavily on tariff rates that are reflective of market realities, thereby enabling EFL to achieve the financial sustainability necessary to fund the full implementation of the Optimum Power Development Plan.

EFL plans to develop the following renewable energy schemes in participation with the private sector:

• Biomass - Waste to Energy Plants;
• Solar Projects
• Potential Hydro Projects.

FUNDING RENEWABLE POWER GENERATION PROJECTS

Energy Fiji Limited is now a fully-corporatised entity, putting ourselves in our strongest-ever position to fulfil our mandate of powering Fijian prosperity. It is the dawn of a new era for EFL, an era defined by financial discipline, bold innovation, transparent management and, above all else, visionary inclusivity in supplying the cleanest and most affordable energy possible to the Fijian people.

A key pillar of EFL's Power Development Plan is a commitment to the cultivation of clean, renewable sources of energy. We believe it's not enough to simply make energy affordable, but how we generate energy matters; it has to be responsible, it has to be sustainable, and it has to benefit all Fijians equally. That is why we are harnessing the wind, sun, our mountains and our rivers to power Fiji with the cleanest, renewable energy possible.

Fiji is one of the first two countries in the world, together with the Marshall Islands, to revise its Nationally Determined Commitments under the Paris Agreement in support of a zero-carbon future by 2050. While Fiji's own contribution to global warming may be negligible, Fiji has chosen to lead by example in this important global campaign, and that commitment will take considerable investment in clean, renewable energy development to deliver.

Funding the development of renewable energy power plants requires the expertise, innovation and financial resources of the private sector. EFL is actively negotiating with private sector partners to determine an appropriate feed-in tariff rate (varies between technologies) that creates a strong business case for renewable energy investment. EFL's commitment towards renewable energy development also includes a significant financial investment of around $870 million towards its transmission and distribution network which will be partially funded through EFL's surplus cash and long-term borrowings from commercial banks and other financial institutions.

Power generation projects determined to be bankable will be funded via long-term borrowings from commercial banks and financial institutions. Any borrowings raised by EFL will require government guarantee or debenture mortgage as security. Throughout the determination of the various sources and levels of investment, EFL will remain mindful that all borrowings to fund capital project must not exceed the gearing level of 45%.

PROGRESS ON RENEWABLE ENERGY PROJECTS

In 2018, some of our most impressive achievements in the renewable energy space were made possible by Viti Renewable Pte Limited (VRL), a joint venture between the 100%-EFL-owned subsidiary company, Fiji Renewables Pte Limited (FRL) and Sunergise Pte Limited. VRL is leading the development of a 5MW Solar Farm at Qeleloa in Nadi, with an initial Environmental Impact Assessment (EIA) and project design both already completed in 2018. In 2019, the tender for the construction of the project will be carried out.

Meanwhile, FRL will spearhead the development of renewable energy in Fiji and across the Pacific, in support of Government's commitment to achieve 99% of all energy requirements from renewable energy sources by 2030. We're extremely proud of the ambition behind that commitment, as we strive to set the Fijian energy sector on a sustainable, future-focussed path.

EMPOWERING LAND-OWNING COMMUNITIES

EFL is proud of the deep and endearing partnerships we've forged with the landowning communities with whom we work. In 2018, the Land Affairs Unit had another busy year working intimately with landowning communities to ensure the responsible and profitable development of land assets for the following projects:

- The Qaliwana and Upper Wailoa Diversion Development Scheme is a proposed renewable energy project within EFL's hydro-electric power generation portfolio. In 2018, the Land Affairs unit completed the valuation for the permanent structure sites as well as the catchment area for the proposed hydro-electric scheme's development. The site valuation is a pre-requisite for the feasibility studies, which are expected to be completed in early 2020. Land acquisition will proceed thereafter.

- Three potential solar project sites in Western Viti Levu are currently being explored for development. The Land Affairs Unit has conducted land valuation exercises for all three sites in 2018. One site is located in Tavua, while the other two are located in Ba. After a comprehensive review, at the directive of EFL management, the Land Affairs Unit has commenced negotiations with landowners for the lease and development of the project sites. The sales and purchase agreements for the three sites are expected to be signed with the landowners by the second quarter of 2019.

- The Namosi hydro-electric scheme is currently under development through an IPP model by Hydro VL Ltd. The scheme consists of three separate sites, the Waivaka (5MW), Wainikoroiluva (15MW) and Wainikovu (12MW). Together, these sites have a combined total output of 32MW. EFL has obtained consent and offer letters from iTLTB for two of the proposed sites and remains in negotiations with iTLTB and landowners for the third site, with an expected finalization time-line of Q2 2019.

- To address increasing energy demands in north-western Viti Levu, EFL is developing a new 132kV transmission line from Virara to Rarawai in Ba, which will significantly enhance the capacity of the VLIS electricity network grid. Work to survey and peg the proposed monopole and lattice tower sites as well as the Virara 132kV switching station site and the Koronobu 132/33kV substation site have been completed. The Land Affairs Unit is currently acquiring the land for the proposed sites by obtaining the necessary wayleaves and agreements for section along the transmission line route. Construction on the project is expected to commence in the third/fourth quarter of 2019.

- An agreement of lease has been secured by EFL for the construction of a 5MW solar PV plant in Qeleloa in Nadi. Following the completion of a cadastral survey in 2018, drawings have been vetted by iTLTB and are awaiting necessary approval from the Director of Town and Country Planning before the issuance of the registered lease to EFL. An initial EIA has also been completed for the site, and that assessment has been submitted to the Department of Environment for endorsement.

It will take visionary leadership, prudent partnerships, savvy problem-solving and steady investment to deliver on our commitment to shift the Fijian economy to run, almost entirely, on renewable energy. In 2018, EFL made serious progress in laying the groundwork for that ambitious effort. In partnership with forward-looking leadership from the Fijian Government, EFL is transforming Fiji into a case study for energy efficiency, independence and sustainability, all for the benefit of Fiji's people, Fiji's economy and Fiji's future.

Looking to the Future

EFL 2026: PLANNING FOR THE YEARS AHEAD

In 2017, EFL successfully conducted a review of its 10-Year Power Development Plan, or PDP, which is intended to guide EFL's progress through 2026. The next review of the PDP will be carried out in May 2019.

The PDP is EFL's guide to the growing demand of electricity and whether the existing assets can meet the growth of electricity in the coming years. The PDP sets out load forecasting and power generation plans for power systems throughout Viti Levu, Vanua Levu, Taveuni and Ovalau. In response to increasing demands for energy, the PDP maps out the additional network assets and investment required to augment the 132kV and 33kV transmission networks. That total investment is projected to be $2.5 billion through 2026, of which EFL expects to fund $870 million.

EFL's financial performance over the next three years will determine how the organisaiton balances that spending commitment. In line with our most recent achievements, we plan to achieve profitability of at least $70 million annually to support the funding of our capital development plan. In fact, we have even higher ambitions. We expect profits to increase, we expect our shareholders to benefit and we expect to see our growing funding commitment be complemented by an influx of private sector investment as more IPPs come on board to sell electricity through long-term PPAs.

Borrowing funds will remain a last resort with exception of projects considered bankable, with attractive returns and manageable risks. Only when we have no other options on the table will EFL consider taking out additional loans to fund our capital development plans. Up until this point, our expanding profits have been a growing source of our internal funding requirements, and we expect that trend to continue moving forward.

There are some factors outside of our control that can negatively impact the implementation of the PDP; namely, tariff rates, extreme weather events and volatility in the global fuel prices. Climate change ranks as an extreme challenge among those external shocks. Changing weather patterns, rising sea level and severe weather events threaten development in all its forms, and the energy sector is no different. Not only is EFL in the midst of a massive programme of resilience-building across our network, we're also the engine behind Fiji's historic commitment to decarbonise and set an example to the rest of the world.

In spite of these challenges, we retain every confidence in EFL's ability to deliver increasing profits that fund our future development ambitions. We have a convincing track record in overcoming adversity, and we're especially motivated by the over-arching importance of our mandate in powering the lives of the Fijian people. We see it as our patriotic duty to plan carefully for the future and put in the extra time and effort where necessary to keep our growth on course. Because powering Fijian progress is more than just a job; it's why we do what we do. Every family that can keep the lights on, every student that can study into the night, every business that can keep its doors open in the evening is another victory for EFL, and more importantly, another victory for Fiji.

THE NEW ERA OF CORPORATISATION

The corporitisation has brought about some significant changes for our organisation, and not in name only. We've seen Energy Fiji Limited transform into a fully-corporatized entity, and EFL's domestic customers were given the incredible opportunity to become shareholders in the company for the first time, all at zero cost to them. This unprecedented step towards financial ownership for the Fijian people will pave the way for a new level of accountability and transparency, and literally put the company's profits into the pockets of Fijian families. I commend the Fijian Government for taking the even bolder step of offering low-income households with parcels of 250 shares in EFL, as opposed to the parcels of 150 shares offered to other domestic customers. This was a critical step in financial inclusion, and we look forward to growing our company, and our profits, alongside the tens of thousands of new shareholders in our company.

A TEAM EFFORT, A TEAM SUCCESS

EFL manages a network that stretches across the country with over $1 billion in assets. But our most valuable asset isn't composed of power poles and cables; our greatest asset is, far and away, **our people.** From our CEO, Mr Hasmukh Patel, to our Board of Directors, to our staff in offices around the nation, to our maintenance teams in cities, rural communities and maritime regions, our people are on the frontlines of powering Fijian prosperity, and they have my total and sincere gratitude. Together, we made 2018 a complete success, and we all have a cause to celebrate EFL's achievements.

When disaster strikes in Fiji, the Fijian people know they can count on EFL to do absolutely everything within our control to get power back online, restoring that feeling of safety and security that only reliable electricity companies can provide. We'll continue to work day and night until the job's done –– not only in moments of crisis, but whenever necessary –– to keep the lights on in Fijian households, and to expand our grid to bring the life-changing benefits of electricity to more of our people.

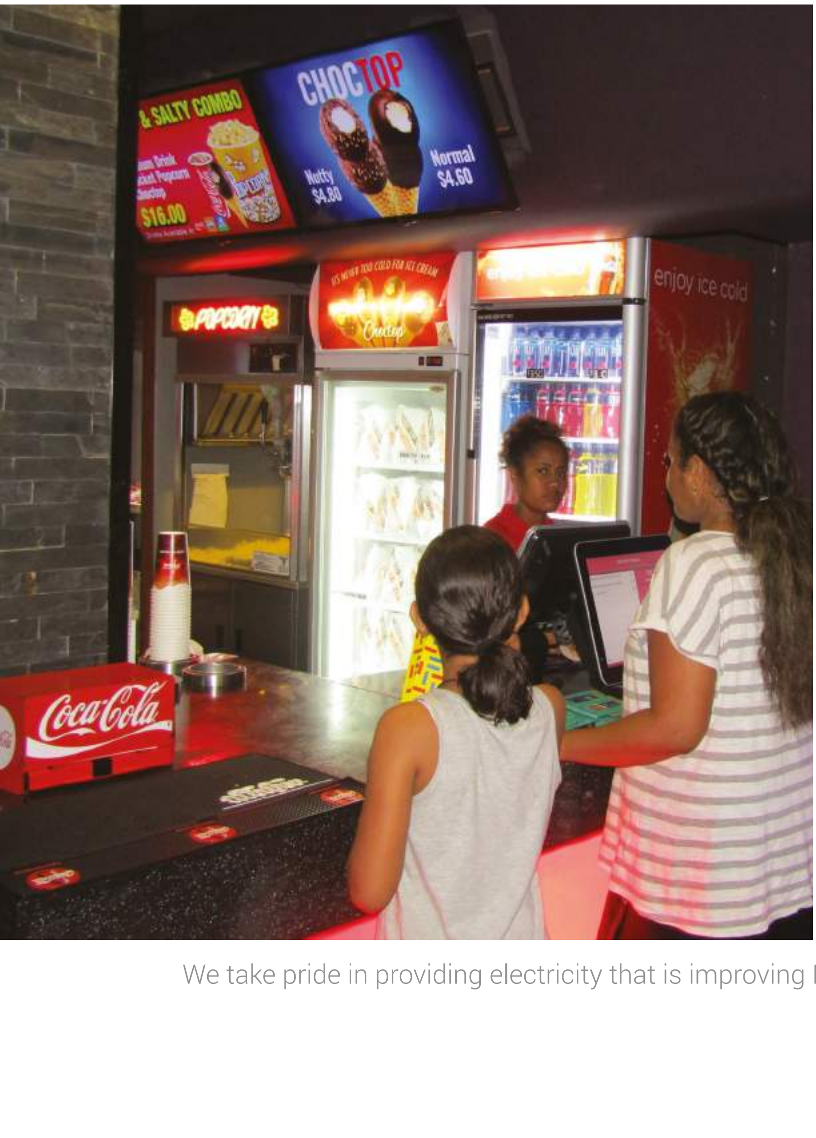
Of course, none of our progress would be possible without the unwavering support of the Fijian Government. I'm deeply grateful for the visionary leadership of our Honourable Prime Minister, which has led to the unprecedented economic prosperity that has fuelled EFL's growth. I thank his Honourable Cabinet Ministers, particularly the Honourable Attorney-General, Aiyaz Sayed-Khaiyum, and the former Minister for Infrastructure and Transport, Parveen Bala for their constant support and sincere interest in EFL's progress and success.

I'm also grateful to the Permanent Secretaries and other key government officials for their support of our Honourable Prime Minister's agenda for Fijian progress. And I thank the Reserve Bank of Fiji, the Fijian Competition and Consumer Commission, the Fiji Revenue and Customs Service and the executives from the various unions with whom we work for their continued support and cooperation.

But above all else, I'd like to thank our customers. Our work energising homes, roads, schools and hospitals across the country is solely in support of your well being. Your interests are at the very centre of every decision we make, and we will continue to innovate, invest and improve our services on your behalf. Thank you for allowing us to serve you.

Looking to the future, EFL will continue to share our success as widely as possible by delivering value for our shareholders and by offering our customers a high level of service in the energy sector that is on par with what can be found in more developed economies. Throughout all of our work, sustainability will remain at the heart of our leadership, whether it is growing access to renewable energy, strengthening our resilience to climate change, solidifying our partnerships with landowning communities or setting our organization up for long-term financial success.

The Attorney-General and the Honourable Minister for Public Enterprises, Mr Aiyaz Sayed-Khaiyum with EFL Head Office employees after the announcement of the performance pay for the financial year 2017 at the EFL Head Office in Suva.



We take pride in providing electricity that is improving Fijian lives and well being.

02

KEY PERFORMANCE INDICATORS

The EFL Board developed 10 Key Performance Indicators (KPIs) in 2018 to allow Government to accurately measure the performance of the EFL Board. The KPIs were included as part of the EFLs Statement of Corporate Intent (SCI) for 2018. The actual achievement of the KPIs is detailed below:

1. Meeting Lenders' Requirements

GOAL: Ensure that EFL Comply with the debt covenants set by lenders subject to the key assumptions for 2018 becoming a reality. **OUTCOME:** EFL recorded an after-tax profit of $63.9 million in 2018, enabling us to comply with all financial covenants signed with our lenders, ANZ Bank and FNPF.

2. Meeting Statutory Obligations

Fully comply with the following statutory requirements:

• **GOAL:** Submission of the 2019 to 2021 Corporate Plan, SCI and EIRP by 30 September 2018. **OUTCOME:** Submitted on 30 September 2018.
• **GOAL:** Submission of the half year report for 2018 financial year by 1 August 2018. **OUTCOME:** Submitted on 31 July 2018.
• **GOAL:** Submission of the draft un-audited financial accounts for 2017 by 31 January 2018. **OUTCOME:** Submitted on 31 January 2018.
• **GOAL:** Submission of the annual report and audited financial accounts for 2017 by 31 May 2018. **OUTCOME:** Submitted on 31 May 2018.

3. Satisfying Customers

GOAL: Ensure that the customer satisfaction level for 2018 as per the Corporate KPI is achieved. **OUTCOME:** Achieved, as per the Corporate KPI for 2018.

4. Purchasing Power from Independent Producers

GOAL: Sign a Power Purchase Agreement (PPA) with an Independent Power Producer (IPP) by 31 December 2018 to develop at least one new IPP plant.**OUTCOME:** EFL signed a PPA with Viti Renewables Pte Limited for the development of a 5MW Solar farm in Nadi.

5. Completing Actions for Divestment

GOAL: Implement all EFL action items as per the agreed timetable with the Ministry of Economy regarding the divestment of EFL. **OUTCOME:** EFL provided all the information on time as required by the Ministry.

6. Advancing the Lower Ba hydro project and Qaliwana/Upper Wailoa Diversion Hydro Project

GOAL: Make a firm recommendation on the way forward for the development of lower Ba hydro project and Qaliwana/Upper Wailoa diversion hydro project once the European Investment Bank (EIB) completes the detailed feasibility studies. **OUTCOME:** EIB will complete their detailed feasible studies by end of 2020 on both projects.

7. New 132kV Transmission Network from Virara, Ba to Koronubu, Ba

GOAL: Ensure that the new 132kV Transmission Network from Virara, Ba to Koronubu, Ba progresses according to the project schedule for 2018.
OUTCOME: Project progressed according to the work schedule for 2018.

8. Refurbishment of the Monasavu Hydro-Electric Scheme

GOAL: Execute the Monasavu hydro-electric scheme half-life refurbishment programme according to the project schedule for 2018. **OUTCOME:** Project progressed according to the work schedule for 2018.

9. Development of the Naboro Waste-to-Energy

GOAL: Make a firm recommendation on the way forward for the development of the Naboro waste-to-energy project. **OUTCOME:** Limited progress was achieved by GIMCO Korea Ltd in appointing Korea International Cooperation Agency as their technical partner. The EFL Board therefore cancelled the MOU with GIMCO of Korea.

10. Upgrading of Ageing Power System Assets

GOAL: Ensure that the Implementation of the upgrading of the ageing power system assets in EFL progresses according to the project schedule for 2018.
OUTCOME: Upgrading work progressed according to the work schedule for 2018.

EFL has taken on number of new development projects Fiji wide to increase the reliabity and security of power supply to its customers.

03

CHIEF EXECUTIVE OFFICER'S REPORT

HASMUKH PATEL / EFL CHIEF EXECUTIVE OFFICER

It's hard to imagine a better start for our newly-corporatised entity, Energy Fiji Limited, than a record third-straight year of over $70 million in gross profits for the company. After taxes, our net profit for 2018 stands at $63.9 million, a figure that keeps us well on track to deliver on our ambitious agenda to raise quality and access to affordable energy for the Fijian people. But what should make us all most proud in 2018 is that this year was an historic year for the electrification of rural communities across the country. EFL spent a record $16.4 million to electrify rural communities, developing 86 rural electrification schemes for the benefit of over 2,600 Fijian households. For EFL, it's not about the dollars and cents of that investment, it's about the immense good we've done by empowering Fijians from rural pockets of the country by literally powering their wellbeing.

EFL's Progress In A Growing Fijian Economy

Fiji's increasingly-dynamic economy charted its ninth-straight year of growth in 2018, and EFL enjoyed continued success alongside this record economic expansion. We recorded an after-profit tax of $63.9 million in 2018, equating to a return on shareholder funds of 7.94%.

Our growth in profits were largely owed to our success in meeting the growing energy needs of a rapidly-modernising Fijian economy. EFL's efforts to expand our grid and raise the reliability of our power supply are helping energise Fiji's unprecedented national progress and rising demand for clean and affordable power for Fijian families and Fijian businesses. With a steady increase in customer demand of around 4% a year since 2016, EFL is undergoing a process of modernisation itself, both internally and externally; we've adopted new management practices to complement our historic infrastructure development, a two-pronged approach that will increase reliability and security of power supply to our customers.

An integral part of this year's success can be attributed to the prudent management of the Monasavu and Nadarivatu hydro-electric schemes, which have continued to supply clean and reliable energy to power the lives of the Fijian people. Above-average rainfall across the nation this year led to some seriously impressive performance across our energy generation network.

Typically, we can expect around 400 million units of electricity generation a year from the Wailoa hydro-power station. In 2018, the station surpassed expectations, delivering 434 million units of energy, up 14% from last year.

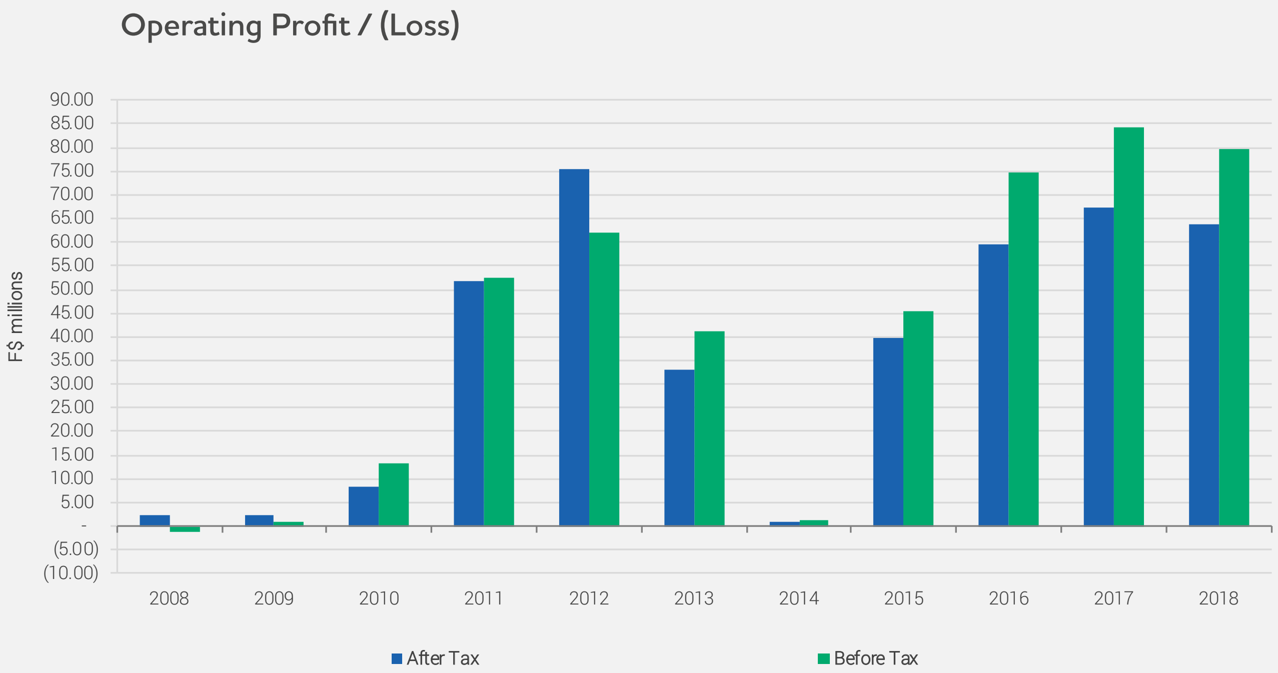
For the Nadarivatu hydro-electric scheme, annual long-term output should be around 100 million units. But in 2018 –– for the first time since 2012 –– the station exceeded its long-term average output by generating some 109 million units, up over 26% from 2017.

In so many ways, EFL made history in 2018. Our historic streak in profits, our strengthened commitment to rural electrification, and the impressive performance of our power generation assets have marked an incredibly exciting start to our post-corporatisation era. But best of all, the benefits of success are being shared more widely than ever before, thanks to the visionary leadership of the Fijian Government who has offered 5% of its non-voting shares in EFL, free of charge, to our domestic electricity customers. As a result of that landmark decision, thousands of Fijians now have far more to gain from EFL's success than just greater access to reliable energy; they stand to financially gain as our organisation continues to do well throughout the coming years.

OUR GROWTH BY THE NUMBERS

EFL's balance sheet remains in a strong position in 2018, owing to our consistent profitable performance over the past three years. Our gearing ratio, as measured by debt to debt plus capital plus reserves, excluding cash in hand, stood at 25.63% as of 31 December 2018. That is down from 28.37% at the end of 2017, with both years well within the industry standard maximum of 45%.

Our low gearing level in 2018 is owed primarily to the profits we recorded in 2018 that resulted in an increase to the shareholder value and the reduction in our debt level by $20 million compared to 2017. This accomplishment came about without EFL having to default on any of its debt covenants with ANZ or FNPF. As the sovereign guarantor for EFL's loans, the Fijian Government suffered zero exposure as a result of this achievement. Our positive gearing level will grant EFL the flexibility to take out future loans, where necessary, to fund the implementation of its long-term Power Development Plan. EFL has never defaulted on its loan repayments in the past and shows that the Company is financially strong and sustainable.



At EFL, we look to shareholder value, asset value and the total amount of our loans and bonds as the key benchmarks to assess our performance. EFL's shareholder value stood at $805.1 million at the end of 2018, up from $751.2 million at the end of last year. EFL's total asset value rose to $1.4 billion by the end of 2018, up from around $1.3 billion in 2017. Finally, our total loans and bonds amounted to $277.5 million at the end of 2018, down by $20 million from the previous year.

This year, the EFL Board, for the first time in its history, has adopted a proactive measure to reduce the risks of rising international fuel prices and the volatility of currency exchange market by endorsing the hedging of fuel and foreign currency. Much like other sectors in the Fijian economy, EFL has long been left exposed to variability in the movements of industrial diesel oil and heavy fuel oil prices, which are determined by the Brent and West Texas Intermediate crude oil global market prices and US Dollar exchange rate. EFL's fuel hedging team, together with a professional hedging consultant, now constantly and carefully monitor fuel prices and foreign exchange rates on a daily basis, and holds weekly meetings with the Risk Management Committee to take appropriate action if and when required. As fuel is consistently our largest cost, volatility in the markets can carry serious consequences, and EFL's new proactive approach marks an important step in reducing that risk to our business and introducing a new level of stability and certainty in the energy sector.

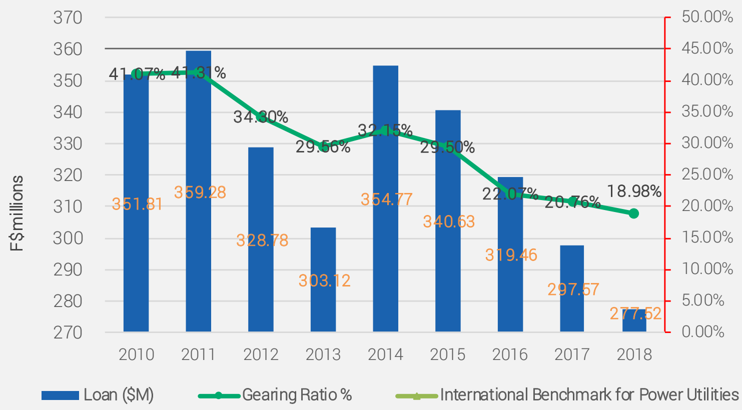
CAPITAL EXPENDITURES & FUNDING

In recognition of the present and future energy demands of the Fijian people, we are aggressively investing in the expansion of EFL's national electricity grid. There are still Fijians waiting to access the enormous benefits of electric power, and our capital expenditures include unprecedented funding to bring those communities online. But looking to the future, as Fiji's position in the Pacific and in the international arena grows further, our nations needs to be ready with a network of energy infrastructure that can support new investments that spark new development.

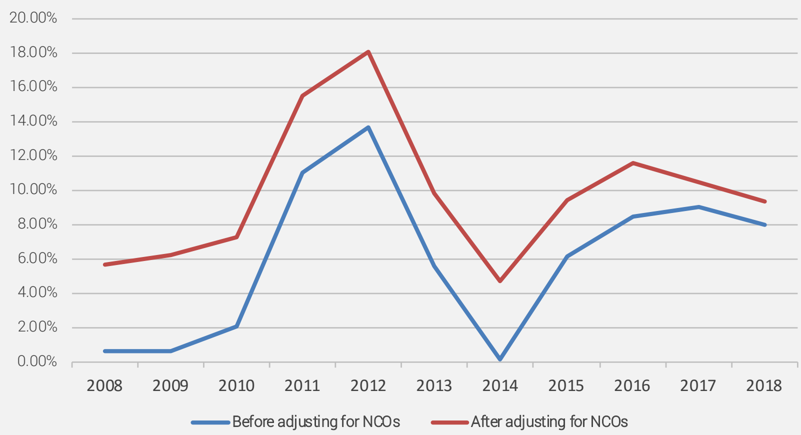
EFL's capital expenditures totalled approximately $62 million in 2018, up from $47 million in 2017.

That $62 million total capital expenditure includes the purchase of vehicles, the improvement of power system protection infrastructure, projects for rural electrification and power-system reinforcement, the procurement of a 10MW heavy diesel fuel generator set for the Vuda power station, upgrading works of the old 33kV cable in Hibiscus Park, the purchase of electricity meters and inspection equipment, the upgrade of the transformers at the Vatuwaqa zone substations and the Debua zone substation, and the upgrade of various ageing assets.

Loans and Gearing (Including Cash)



Return on Shareholders Funds to Account for NCO



EFL is proud to note that our capital expenditures in 2018 were funded almost entirely by internal cash flows ($59 million), with only one $2.9 million expenditure drawn down from the approved loan to ANZ to fund the new 132kV transmission line from Koronobu to Virara in Ba.

Despite a rise in capital expenditure, EFL's rising profits have led to significant progress in reducing debt levels, with our total debt portfolio falling from nearly $300.0 million in 2017 to $277.5 million in 2018. EFL has paid all mandatory loan repayments throughout the year, paying $15.2 million to ANZ Bank, $4.8 million to FNPF and $40,000 to the Suva City Council. Throughout 2018, we maintained our average cost of borrowing. EFL's commitment to financial austerity maintained its average cost of borrowing at around 4% per annum, along with a steady interest rate on EFL's credit facility.

PRODUCTION OF ELECTRICITY

Among Pacific Island countries, Fiji is blessed with natural advantages that give us remarkable natural energy potential. We have a mountainous geography, and powerful rivers that flow from the highlands to the sea. We have wind potential, and large tracks of land well-suited for solar power generation.

EFL is leveraging these geographic advantages to produce a responsible mix of renewable energy projects across the country, using tailor-suited solutions where they best fit. By taking this customised and diversified approach, Fiji is both gaining greater energy independence and reducing the carbon footprint of our energy sector.

POWER GENERATION MIX

Through our diversified renewable energy portfolio, EFL is walking the talk when it comes to climate mitigation. We're setting an example to the world in renewable energy production, showing how a small island nation can produce its power in a sustainable manner that protects our environment and that powers unprecedented economic growth.

In 2018, we produced over half (54.86%) of our energy requirements from hydro-power, 0.25% from wind power, and 3.87% from Independent Power Producers (IPPs), namely Tropik Wood Industries Limited, Fiji Sugar Corporation and Nabou Green Energy. Compared to last year, our energy mix was cleaner and more diversified, as our reliance on diesel fuel fell from 48.72% in 2017 to 41.02% in 2018 of our total energy generation mix.

In total, EFL's renewable power stations generated 569.26 million units of electricity (55.11%), thermal power stations generated 423.74 million units (41.02%) and Independent Power Producers (IPPs) generated 39.94 million units (3.87%).

Due to high rainfall across the country in 2018, many of our renewable energy assets have proven more productive than ever.

HYDRO GENERATION

- **Wailoa Power Station**

  Typically, we expect around 400 million units of electricity generation annually from the Wailoa hydro power station. In 2018, the station generated 434 million units as compared to 381 million units in 2017.

- **Nadarivatu Hydro-power Station**

  The annual long-term average output of Nadarivatu is 100 million units. In 2018, the station generated around 109 million units, up from 86 million units in 2017. This is the highest ever recorded energy generation from the Nadarivatu hydro-power station.

- **Wainikasou Hydro-power Station**

  The annual long-term average output for Wainikasou is 26 million units. In 2018, the station generated some 21.7 million units, compared to 20.9 million units in 2017.

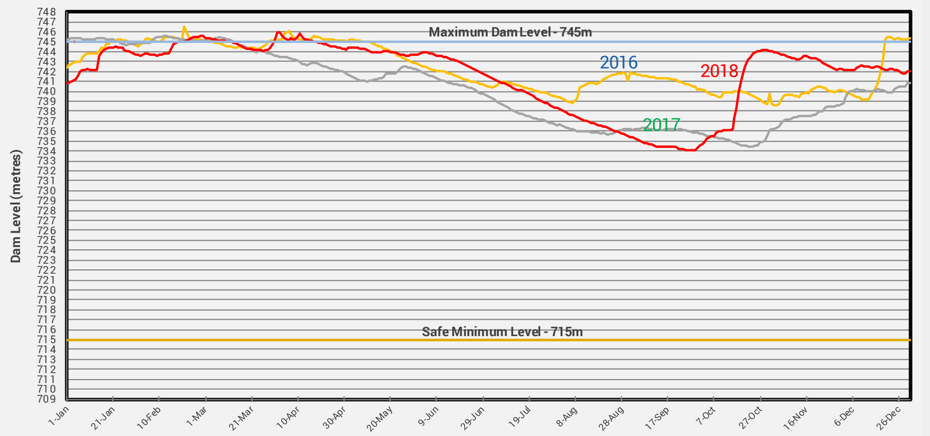
- **Nagado Hydro-power Station**

  The annual long-term average output for Nagado is 12 million units. The station has been shut down since July 2016 after generating 3.3 million units that year. It generated no power in 2018. The shutdown was due to low water pressure in the pipeline from the Vaturu dam to the Nagado power station. EFL is working closely with Water Authority of Fiji to repair and restore the power station.

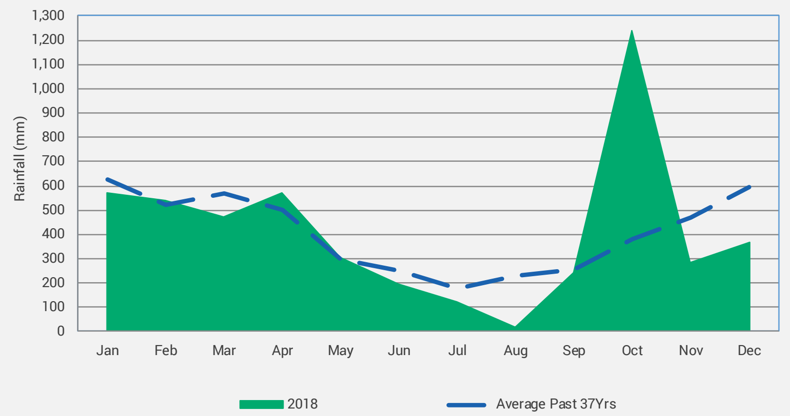
- **Monasavu Dam**

  At the beginning of 2018, the dam levels at Monasavu sat at around 740 metres above mean sea level, 25 metres above the minimum safe operating level of 715 metres. Above-average rainfall during the rainy season resulted in the dam spilling for the periods of 18 Feb - 12 March and 31 March - 17 April. By the end of the year, water level stood at 742 metres above sea level. Water level at the dam generally depend heavily on external factors, but the weather was on our side in 2018, making it an extremely positive year for the dam and the energy systems it supports.

Monasavu Dam Storage Level



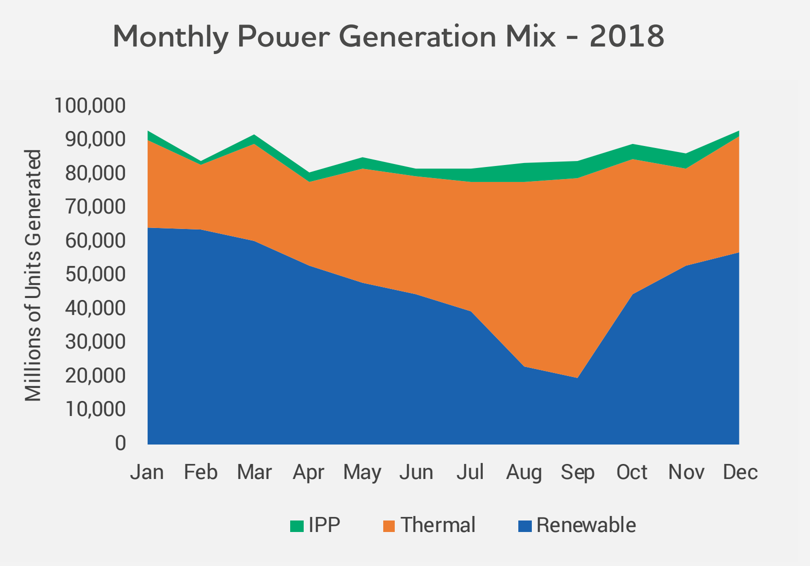
2018 Rainfall Compared to Past Years

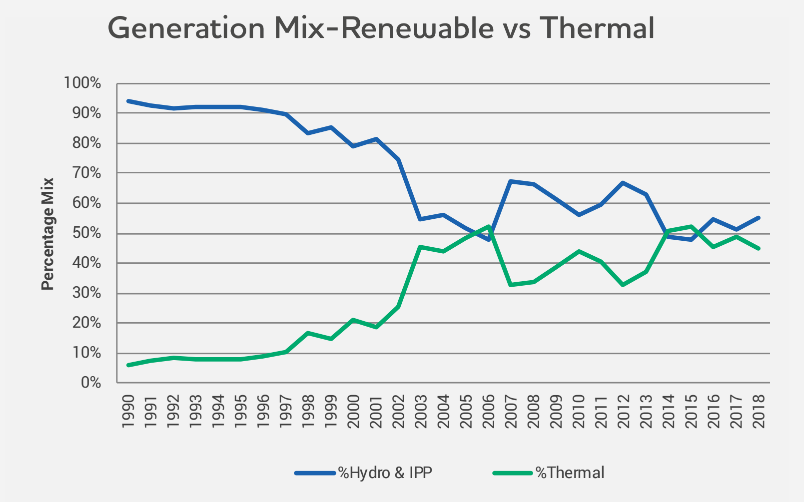


BUTONI WIND FARM

The Butoni wind farm generated 2.6 million units of electricity in 2018, saving around $0.8M in fuel costs for EFL. Our work to repair and upgrade wind turbines lead to an increase of 500,000 units compared to 2017.

Since its opening in June of 2007, the Butoni wind farm has harnessed the power of the wind to generate 54.74 million units of energy, sparing us from burning 11,497 tonnes of diesel fuel, equal to 35,505 tonnes of harmful carbon emissions.





THERMAL GENERATION

Our thermal power stations continue to play an absolutely critical role as part of our energy mix, generating over 40% of our energy requirements in 2018. As customer demand has been steadily increasing, our major thermal power stations in Kinoya, Vuda and Labasa have stepped up to the mark of meeting customer needs, generating 423.7 million units in 2018. While total generation was down from 2017, this is a result of the increased generation at our hydro-power stations due to good rainfall.

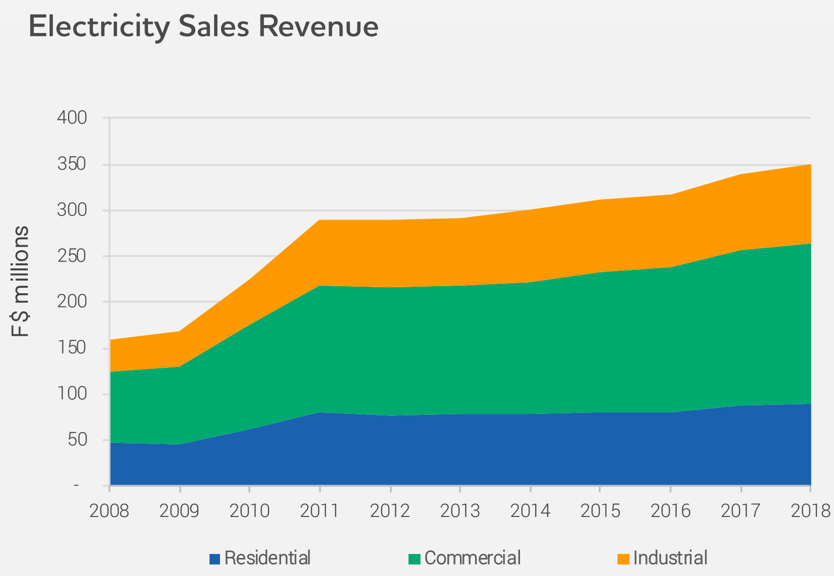
POWER GENERATION MIX

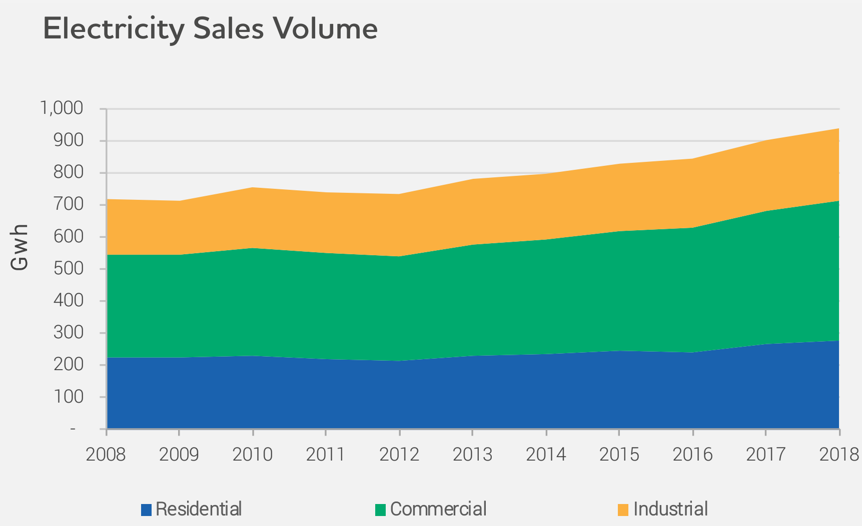
2018's power-generation mix was 54.86% hydro, 41.02% industrial diesel oil and heavy fuel oil and 0.25% wind. The remaining 3.87% was provided by the Independent Power Producers (IPPs), namely Tropik Wood Industries Limited (TWIL), Fiji Sugar Corporation (FSC) and Nabou Green Energy Ltd. In 2017, 48.74% was generated from hydro, 48.72% from industrial diesel oil and heavy fuel oil and 0.21% from wind, with the remaining 2.33% from Independent Power Producers.

In 2018, EFL's renewable power stations generated 569.26 million units of electricity (55.11%), thermal power stations generated 423.74 million units (41.02%) and Independent Power Producers (IPPs) generated 39.94 million units (3.87%).

Reliable Power: A Comfort to Families and a Cornerstone of Development

Access to reliable electric power supply is recognised as a key pillar of national development –– particularly for Fiji, as our nation positions itself as a global hub of economic activity. But at the end of the day, it's about more than economic development; reliable power is a comfort to thousands of Fijian families, and a potentially life-saving resource in times of crisis.





At EFL, we're constantly exploring new strategies to improve the reliability and security of our power supply. That is significant and steady investment is required to boost resilience across the entire national grid out of recognition of the worsening impacts of climate change.

During 2018, EFL achieved an system average interruption frequency index (SAIFI) of 4.74, well under our target of 10 for the year. Furthermore, we achieved a system average interruption duration index (SAIDI) for controllable power outages of 300 minutes, below our target of 500 minutes for the year.

EFL also quickly and carefully investigated faults on its network, as identified, and highlighted recommendations for improvement. Immediate action was taken by the relevant taskforce within EFL to rectify these issues and improve general power supply reliability.

Power supply interruptions are largely dependent on severe weather events and other external disruptions. The leading causes of power interruption in 2018 were major maintenance and extension works, heavy rain, lightning storms, motor vehicle accidents that damaged power poles, faults on power line hardware, overgrown vegetation clashing with power lines, third-party damage to EFL underground cables, bushfires and vandalism of EFL assets. Despite these external challenges, EFL achieved high reliability, in part, because of our commitment to develop climate-resilient infrastructure and our rapid and regular maintenance of the national power grid.

EFL has now successfully replaced 80% of our aging and outdated electrical protection relays with more modern and reliable numerical protection relays. That critical work will continue into next year to ensure that the grid is properly equipped to serve a growing population with growing demand for reliable energy.

The Fijian economy is rapidly evolving and EFL is keeping pace with the evolution towards a digitalized economy. We've continued investment to reinforce the power system to ensure greater reliability and security of Fiji's power supply, in line with international benchmarks for power utilities of similar size and orientation.

Allowing aging assets to go without upgrading and repair creates unacceptably high costs over the long term, especially given that some of our power distribution systems have been in service for more than 33 years. We're proactively carrying out upgrade and repair works across the national grid to ensure our assets are fully capable of servicing energy demands and are protected against catastrophic failures. We're carrying out live-line maintenance of power lines at all voltage levels, managing growing vegetation, and deploying appropriate technology to detect and repair defects and restore power in extreme instances. We also wholly replace assets, where necessary, in order to ensure that our grid has the capacity to consistently meet the nation's energy needs.

EFL's implementation of the 10-Year Power Development Plan, prepared in 2017, remained on track throughout 2018. This year, the development of the 33kV sub-transmission network from Vuda to Naikabula and the establishment of a 33kV/11kV zone substation was approved. Procurement and construction for the project is expected to begin in 2019.

Further, the establishment of a new 132kV Transmission Network from Virara in Ba to Koronubu, Ba at a cost of around $50M to cater for the increasing demand of electricity in the North West of Viti Levu is progressing according to plan. This project when commissioned will support Government's Tax Free Zone initiative for commercial development between the corridor from Korovou to Ba. The project is expected to be completed in 2020.

One of our greatest victories during the year was the progress we made in electrifying rural Fijian communities, as Government's $16.36 million allocation towards rural electrification schemes brought power to 2,400 households in rural pockets of the country. We spent an additional $6.04 million on 57 general extension projects for commercial and industrial customers, helping start and expand Fijian businesses. Further, approximately $530,000 was utilised for five distribution power system reinforcement projects, and $390,000 spent for 19 contract jobs at the request of our customers.

LAND ACQUISITION FOR RENEWAL ENERGY PROJECTS

EFL's Land Affairs Unit had a busy year in 2018, continuing momentum from the year prior by engaging in extensive consultations to acquire land for the following renewable energy projects:

1. Qaliwana and Upper Wailoa Diversion Hydro Scheme

The Qaliwana and upper Wailoa diversion hydro scheme is a potential renewable energy project that would help boost the hydro-electric power generation capabilities in Fiji. As such, EFL's Land Affairs Unit completed the valuation of lands for the permanent structure sites as well as the catchment area for the proposed hydro-electric scheme development. Land valuation for the proposed scheme will help in the feasibility studies, which are expected to be completed in early 2020 with land acquisition to follow.

2. Potential Solar Project Sites in Western Viti Levu

In 2018, EFL's Land Affairs Unit carried out land valuation exercises for three potential solar photovoltaic plant sites in the north-western region of Viti Levu. The potential sites include two sites in the Ba district and one site in the Tavua district. After a thorough and well-informed deliberation from EFL's Board and management, it was decided that the Unit should commence negotiations with the land owners for purchase of the identified sites; sales and purchase agreements for which are expected to be signed with land owners by the second quarter of 2019.

3. Namosi Hydroelectric Scheme

The Namosi hydro-electric power scheme is a project being developed under an independent power producer (IPP) model by Hydro VL Ltd. The scheme consists of three separate sites with a combined total installed output of 32MW, namely: Waivaka (5MW); Wainikoroiluva (15MW); and Wainikovu (12MW). EFL has obtained consent and offer letters from iTLTB for two of the proposed sites and is in negotiations with iTLTB and landowners for the third site, which is expected to be finalised by the second quarter of 2019.

4. Development of 132kV Transmission Network from Virara Settlement to Rarawai, Ba

Due to increasing energy demands in the north-western region of Viti Levu, EFL is embarking on the development of a 132kV transmission line from Virara to Rarawai in Ba, further enhancing our Viti Levu interconnected system (VLIS) power network grid. Survey and pegging of all proposed monopole and lattice tower sites have been completed, along with necessary preparations being made to the Virara 132kV switching station site and Koronubu 132/33kV substation site. The land affairs team is in the process of acquiring the proposed sites and has proceeded to obtain all necessary wayleave agreements for the transmission line route. The project construction will commence in the third quarter of 2019.

5. Construction of a 5MW Solar PV Plant at Qeleloa in Nadi

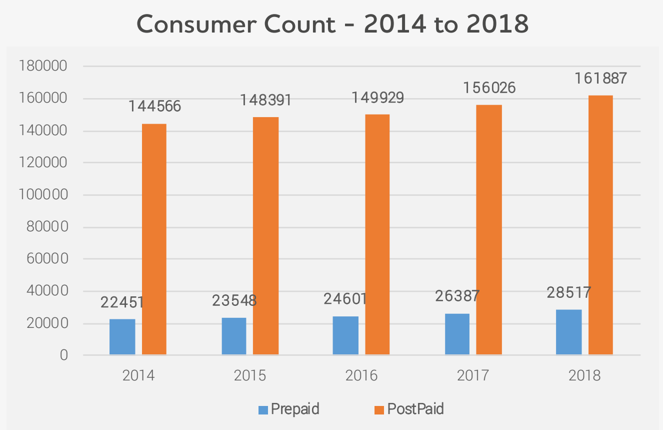
EFL currently holds an agreement for lease for the proposed site of the 5MW Qeleloa solar farm. A cadastral survey for the site was completed in 2018, with drawings vetted by iTLTB, and we are now awaiting the necessary approval and subsequent lease issuance from the Department of Town and Country Planning. An initial Environmental Impact Assessment has also been completed for the site and has been submitted to the Department of Environment for their endorsement.

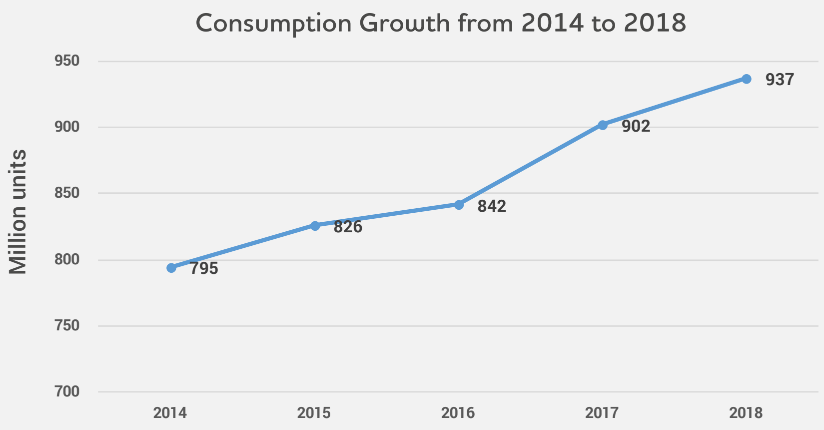
Energising a Record Number of Fijians

As Fiji enters an unprecedented decade of economic growth, and with more Fijians enjoying a higher standard of living and a thriving business environment, our nation's demand for energy is booming.

Thanks to our forward planning and prudent management, EFL stands ready to meet these growing needs. In 2018, our total number of customers rose by 4.38% to 190,404 –– up significantly from the 182,413 customers from exactly one year prior.

Years	Prepaid	Postpaid	Consumer Count	Increase In Consumer Base	% Growth
2014	22,451	144,566	167,017	-	-
2015	23,548	148,391	171,939	4,922	2.95%
2016	24,601	149,929	174,530	2,591	1.51%
2017	26,387	156,026	182,413	7,883	4.52%
2018	28,517	161,887	190,404	7,991	4.38%





This record-breaking customer base is made up of 28,517 prepay customers and 161,887 post-pay customers, compared to 26,387 prepay and 156,026 post-pay customers in 2017. This isn't some one-off phenomenon, either; the chart to the left depicts the growing trend of EFL's customer base for the past five years.

A further breakdown of these customers reveals that EFL's client base is as dynamic as the Fijian economy; in 2018, we had 108 large-scale industrial customers, 18,818 commercial customers and 171,478 domestic customers (including private residences, places of worship, other institutions and street lights). The year-over-year change was mainly attributed to domestic and commercial customer growth.

Our growing customer base runs parallel to a growing national demand for energy; 2018 saw a 3.88% across-the-board increase in demand, expanding from 902 million units in 2017 to 937 million units in 2018. This represented a 3.96% increase in domestic demand, a 5.49% increase in commercial demand, and a 0.77% increase in industrial demand.

SPREADING THE BENEFITS OF ELECTRICITY TO LOW-INCOME FIJIAN FAMILIES

The Fijian Government has committed itself to assisting low-income households access the tremendous personal and economic benefits of electric power and, through EFL, actively subsidises electricity costs for families with a combined household income of $30,000 or less. This allows residential customers to save 49% on the first 100units of electricity usage per month at a rate of 15.90 cents per unit VAT exclusive price (VEP), resulting in a cost to customers of only 17.20 cents per unit (VEP).

For primary and secondary schools, a step-up subsidy is in place, where the first 200 units consumed in a month are subsidized at a rate of 12.51 cents per unit (VEP), resulting in a total cost of only 20.59 cents per unit (VEP). Units beyond 200 are charged the full commercial tariff of 33.10 cents per unit (VEP). A total of 651 schools benefitted from this subsidy in 2018.

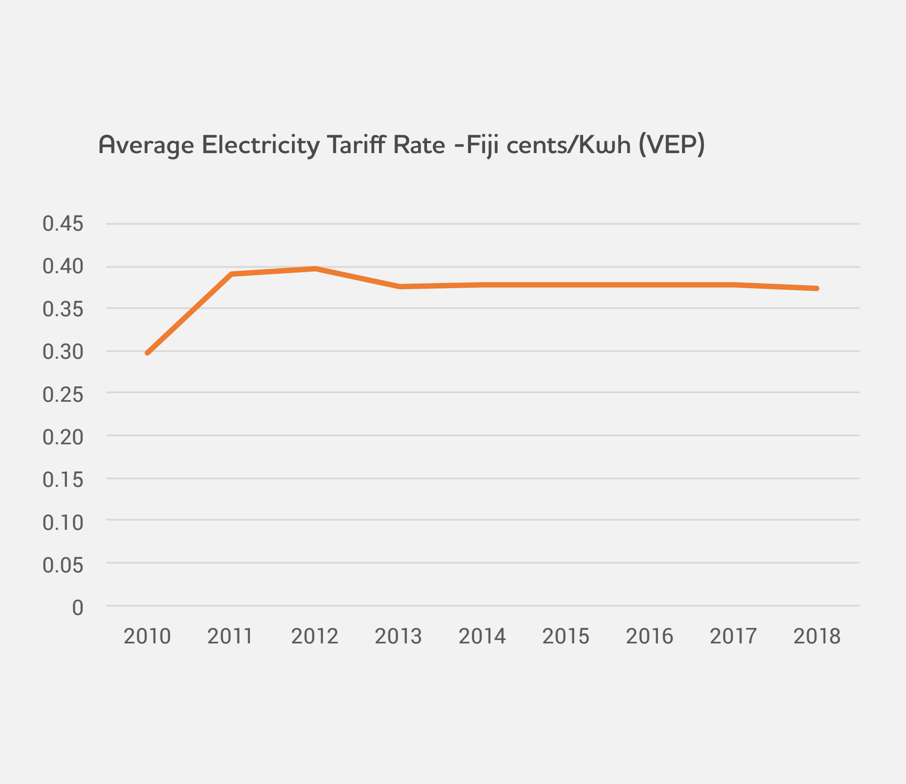
A newly-restructured subsidy scheme was introduced in August 2017 and has since been aggressively publicised to eligible families, including during the company's free share offering. This campaign resulted in a huge increase of 16,742 subsidised customers in 2018, meaning an impressive 29,778 Fijians households now have access to highly-affordable electricity.

DEMAND-SIDE MANAGEMENT

To ensure that our customers are billed fairly and correctly, it is critical that EFL's electricity meters are functioning accurately; that's why we're undergoing an ambitious meter recalibration project. This initiative is targeted at Fiji's larger energy consumers and is carried out in batches of 150 customers each year including 2018.

We are also regularly scanning prepay customers' meters and pro-actively recommending corrective measures when and where appropriate. In addition, to help customers become more responsible and efficient in their use of energy, technical advice and billing data is made available upon request.

EFL's reactive energy policy was strictly enforced in 2018, with penalties imposed on those customers who used excessive reactive energy, failing to comply with the power factor requirements as stipulated under the Electricity Act. Year-over-year excessive reactive power usage by customers increased by 16.09% in 2018 as compared to 2017.



CONSUMER SECURITY DEPOSIT

Based on changes in our customers' consumption patterns, a review of their consumer security deposits are carried out periodically to ensure that sufficient deposits are held as security by EFL. Customers currently have the option to either pay their consumer security deposit in cash or provide a bank guarantee.

CUSTOMER ENGAGEMENT IN A DIGITAL ECONOMY

The nation's rapid embrace of technology is bringing new levels of convenience to the lives of the Fijian people and modernising our economy. In the same vein, spearheaded by Government's digital transformation initiative, EFL is committed to harnessing the benefits of the technological revolution for our customers.

We commenced the use of our SMS texting platform to alert customers of unplanned power outages and remind them of their overdue electricity bills.

Mindful of Fiji's global leadership in the climate change arena, and the general environmental consciousness of our company and the Fijian people, EFL is working to go green with paperless e-billing. The "Noqu EFL" portal also allows customers to monitor and manage their account activity online.

We introduced EFTPOS (Electronic Funds Transfer at Point of Sale) capabilities at three of our customer care offices in 2017, allowing ANZ, Westpac and BSP customers to pay in-person with their credit and debit cards. This payment method is currently being utilised by our Head Office in Suva , the Namoli House cashier in Lautoka and at our cashier in Labasa.

INFORMATION TECHNOLOGY

We're also utilising Fiji's ongoing digital transformation to reshape how EFL operates internally. By doing so, we are ensuring that the company is run as efficiently and reliably as possible to adapt to the changing needs of a dynamic and disruptive 21st century economy.

In line with this goal, in 2018, EFL embarked on a number of major initiatives to implement innovative solutions using information technology to improve company performance, reduce operating costs and mitigate business risks. The year's projects included:

- The upgrade of EFL's data network infrastructure to ensure a reliable and stable IT environment;
- The upgrade of EFL's server infrastructure to increase computing and storage capacity to meet the growing demands of business applications and growth of electronic data; and
- The commissioning of a new uninterruptable power supply to ensure heightened reliability for EFL's primary data centre.

In 2018, EFL's computer network saw an activity uptime of 99.918% which is above the target set for the year.

CUSTOMER CARE CENTRES

To handle in-person customer inquiries, EFL has a total of seven customer care centres located throughout Fiji's Central, Western and Northern divisions. By visiting a centre, EFL customers have access to free assistance for any non-billing, electricity-related services.

In 2018, after EFL's Government-led corporatisation, an additional eighteen temporary care centres were made available for customers to visit and submit their non-voting share registration forms and also make enquiries on any related issue, the locations of which were publicised on EFL's website, in the Fiji Sun, over the radio, and on both the Fijian Government's and EFL's Facebook pages. Seven temporary centres were located in the Central Division, six in the Western Division and five in the Northern Division.

A total of 215,674 customer visits were made to our permanent and temporary care centres in 2018, a remarkable 68.5% increase from the year prior.

EFL customer care experts also took part in Government roadshows, including those organised by the Ministry of iTaukei affairs, to educate the public on a wide range of topics, including shareholding, electricity subsidies, safety, and new mobile bill pay services.

CUSTOMER SATISFACTION SURVEY

Each year, we put together a scorecard to measure the collective success of our customer service, both for residential and commercial/industrial customers. Our results are based on surveys that are distributed in December's bill mailings, and which are either mailed back to our customer care centre or dropped in collection boxes at MH / Max Val-u. After survey forms are collected at the end of January these are then processed and audited by external auditors. In 2018, our target was to improve satisfaction ratings to 91% for residential customers and 89% for commercial/industrial customers which was achieved.

CONTACT CENTRE

2018 was an eventful year for EFL's customer engagement. Over the year, we saw the bad (adverse weather conditions and an active cyclone season which resulted in power outages), and the good (a ground-breaking initiative by the Fijian Government which granted EFL's domestic customers free shares in the company for the first time). With offices in Suva and Vuda open 24 hours a day, seven days a week, EFL's contact centre were available to help Fijians with their electricity needs through it all, simply by dialling "132-333."

Over the course of the year, our contact centre deftly managed flows of information from hundreds of thousands of customers ranging a diverse field of topics, including questions about free EFL shares, Walesi, the revised 2017 electricity subsidy, review of consumer security deposits, disconnection and reconnection of electricity accounts, prepay customer issues, e-billing facilities, new connections, the "Noqu EFL" portal, and planned and unplanned power outages. In total, we received 539,913 calls during the year, or an average of 44,993 calls each month –– an increase of 17.42% from 2017.

Following Government's announcement of its free share initiative on 16 April 2018, the contact centre experienced a notable influx in call volume from customers looking to take advantage of this opportunity to share in EFL's profits; this uptick was particularly evident in May. To cater for this surge in inquiries, we dedicated a new toll-free line, "1333", specifically to answering these questions.

When it comes to customer service, EFL's measure of success is based on timeliness; our benchmark is that 80% of total calls to be answered within 20 seconds. Even with 2018's sizable increase in calls, our GoS for 2018 was 86% of the total calls answered within the 20 second mark, with only 6.2% of calls abandoned.

Customer Calls 2016 - 2018

Contact Centre Activity	2016	2017	2018
Total Calls Received	491,124	459,815	539,913
Grade of Service (GoS)	83.5%	91.4%	86.0%
Calls Abandoned	8.6%	4.3%	6.2%

FINANCIAL FLEXIBILITY THROUGH PREPAY

Fijians living in our most rural communities often don't have access to the same payment methods that too many of us take for granted; for them, the ability to post-pay their monthly bills may be difficult or impossible. Meanwhile, these customers still deserve the same access to electricity that is enjoyed by the rest of the country. That's why EFL is constantly seeking financially-innovative solutions that ensure all Fijians are able to keep the lights on. Our prepay system is one such solution, granting rural customers the freedom to pay for their electricity when it is needed simply by visiting their local vendor to pay for tokens and then inserting the tokens in their EFL-installed prepay metres, or, alternatively, paying using their mobile phones. We were proud to serve a total of 28,517 rural customers on prepay meters in 2018 –– 2,130 more than the year prior.

As we modernise our billing system, moving from point of sale machines to SMS pay-by-text options, only two of the previous machines have yet to be phased out at the end of 2018. This transformation, initiated in 2016, allows prepay customers to purchase digital electricity tokens from the comfort of their homes, simply by using either the Vodafone M-PAiSA or Digicel mobile wallet platforms and sending us an SMS text. EFL also has 33 vendors across the Central, Western and Northern divisions that give customers without phones access to our online Syntel prepayment system.

To accompany this digital evolution and ensure a smooth transition, EFL engaged prepay customers in an awareness and education campaign that guided them through the new process.

A CLOSER CUSTOMER CONNECTION

At EFL, we're constantly striving to keep our customers ahead of the curve when it comes to new developments in the energy sector. That's why, in 2018, we continued our efforts to raise awareness on energy safety and savings through a nation-wide series of presentations that were conducted in schools and communities. We maximise exposure of our safety messages by printing them on electricity bills and bill inserts. SMS texting was also utilised to send courtesy bill reminders to customers two days before the reading and disconnection date. EFL's Facebook page and website added to our communications mix to actively inform our customers of any planned and unplanned power outages.

Leveraging our Gentrack platform, EFL continued to build out our paperless e-billing system, allowing customers to sign up to receive their monthly bill statements via email. All digital account management and oversight is centralised on the "Noqu EFL" portal, which grants customers the ability to monitor their electricity usage online and compare month-to-month rates, adding a new level of convenience and cultivating electrical literacy.

Our easy-to-use "913" emergency hotline was also available for Fijians to call for help in case of dangerous power-related emergencies. 11,576 total calls were received in 2018, 4,386 of which were determined to be genuine emergencies and which were dealt with appropriately.

In line with our overall customer focus strategy to remain easily accessible to our customers whenever they need, EFL also introduced mobile short code "5333" to its customers. The launch this easy-to-remember, four-digit number ensures that our customers will be able to get in touch with EFL in a more expedient manner, operating 24 hours a day, seven days a week. By dialling 5-3-3-3, mobile users can lodge complaints and inquiries, manage their billing, and alert us of outages. Already covering the vast majority of Fijian mobile users, connectivity is currently offered through Vodafone, Digicel and Ink at normal mobile-to-mobile rates, with EFL actively exploring partnerships with other telecommunication networks.

EFL also introduced a customer information package that is now given to new customers, including educational pamphlets about safety, savings and the energy industry as a whole. Prepay customers get an additional two pamphlets which details the process to top up their electricity meter through M-PAiSA or Digicel's mobile wallet.

Listed below are the 10 Pamphlets of 2018's Information Campaign:

1. "A world of savings begins from home", brochure
2. Power saving tips
3. Safety switch information brochure
4. Protect your homes from electrical fire
5. The danger of pole burning
6. Trees and power lines don't mix, brochure
7. "What you need to know", brochure (domestic and commercial)
8. General information brochure
9. "Know your electricity bill", brochure
10. Consumer responsibility flyer

HARNESSING FIJI'S SUN: NEW SOLAR PROJECTS

1. Qeleloa 5MW Solar Farm

A Power Purchase Agreement (PPA) was signed between EFL and Viti Renewables Limited (a joint venture company formed by Fiji Renewables Limited and Sunergise) to supply energy from a 5MW solar farm to be developed at Qeleloa, Nadi. This will be the first utility-scale solar photovoltaic plant to be brought on to the Viti Levu interconnected system (VLIS), and it is expected to be completed by July 2020.

2. Development of 3 x 5MW Solar PV plants in Viti Levu

EFL is negotiating a Financial Advisory Services Agreement (FASA) with the International Financial Corporation (IFC) to secure expertise for the design and implementation of a public-private partnership for the development of three separate 5MW solar photovoltaic (PV) plants. IFC's solar experts are armed with vast global experience, which is crucial for EFL to secure internationally-competitive bidders that can navigate the financial and technical complexities of solar power projects. These systems are expected to be commissioned with small energy storage systems, ensuring the appropriate fault ride through capability to maintain power system stability within EFL's larger energy grid.

3. Solar Project in Taveuni

A memorandum of understanding has been signed between the Korean International Corporation Agency (KOICA) and the Fijian Government's Ministry of Economy (MoE) to establish a 1.0MW Solar Plant in Mua, Taveuni. This project is part of EFL's broader climate resilient renewable energy development initiatives, which are aimed at growing renewable energy use in Fiji. The project is fully funded by KOICA's grant of US$3.0 million, and its feasibility study was completed in 2018, with expected completion to be delivered by early 2021. Under the Fijian Government's rural electrification initiative, EFL is also in the process of extending the electricity grid in Taveuni, with expected completion by the third quarter of 2020.

4. MOU Signed with Australia's Energy Estate

EFL signed a memorandum of understanding with Australia-based company Energy Estate for the potential development of solar photovoltaic projects, both with and without energy storage systems, to be installed within Fiji and the Pacific region.

132kV TRANSMISSION NETWORK DEVELOPMENT PROJECT, VIRARA - KORONUBU, BA

As part of our expansion of national grid, we have commenced with the development of a new 132kV transmission network from Virara to Koronubu, Ba. This will enable EFL to meet the growing demand of electricity in north-western Viti Levu. The estimated cost of the project is $50 million and will be completed by the second/third quarter of 2020.

EXPANSION OF VUDA POWER STATION

We are expanding the Vuda power station capacity with the addition of a 10MW HFO genset. This generator will ensure increased power reliability to western Viti Levu and enable the Monasavu generator maintenance works that are scheduled to begin in August 2019. These generators need to be kept in good condition through regular maintenance, as they are at the core of our nation's hydro power capacity. The total cost of this project is around $20 million, and it is expected to be completed by 31 July 2019.

The newly installed 33kV/11kV transformers at the Vatuwaqa zone substation to meet the growing energy demand in the central division. The EFL technicians carrying out monthly routine checks at the Vatuwaqa Zone substation .

TRANSMISSION NETWORK DEVELOPMENT PROJECTS

1. Thanks to the assistance from the European Investment Bank (EIB), EFL has undertaken a comprehensive study aimed at identifying innovative new ways to improve reliability and security of Viti Levu's power supply. EIB has completed their study of the 132kV transmission network development necessary to evacuate power from Monasavu/Nadarivatu Hydro projects and to cater for the new renewable generation project such as the Lower Ba/Qaliwana and Upper Wailoa diversion Hydro projects. EIB will be submitting their final report in 2019.

2. A new 132kV/33kV substation in western Suva will be required to augment / support the existing 33kV/11kV Hibiscus Park substation. This will be required to capture additional hydro power from the 32MW Namosi hydro development, which is currently under development.

3. A 36km 132kV single circuit (constructed on double circuit structures) transmission line connecting the Namosi hydro development project and the proposed 132/33kV substation in western Suva will need to be constructed.

MONASAVU HYDROELECTRIC SCHEME HALF-LIFE REFURBISHMENT

Work on the Monasavu hydro-electric scheme half-life refurbishment project, which commenced in 2013, continued through 2018. As of the end of the year, the project's total expenditure stood at around $58 million which was all funded by EFL from its internal cash.

UPGRADING AND EXPANDING OUR TRANSMISSION NETWORK

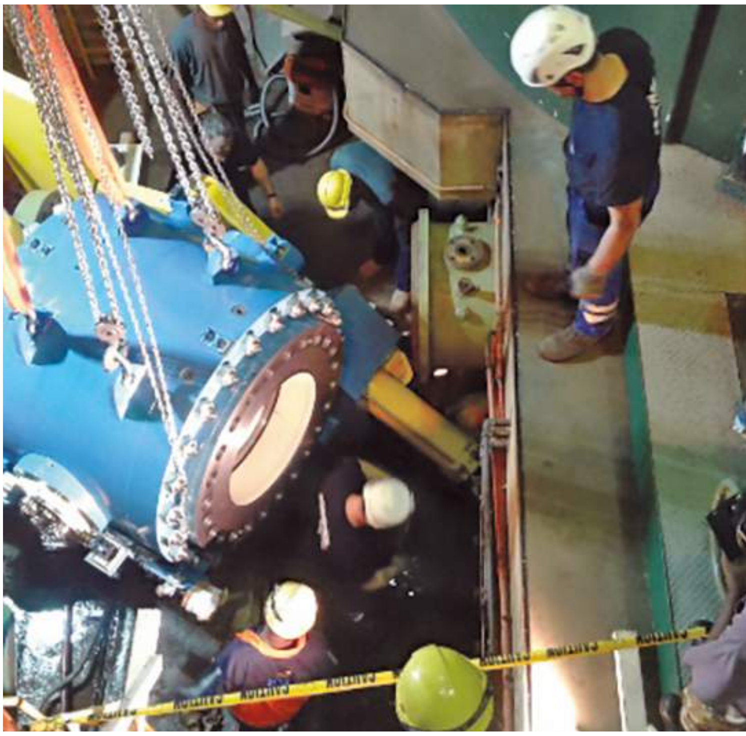
The electrification of the Korovou-Rakiraki corridor, a $19 million project that was jointly funded by EFL and the Fijian Government, was completed in 2018.

2018 also saw the upgrade of the 132kV Mimic panel at the Cunningham Road substation. The 132kV Mimic panel at Vuda substation is scheduled to be upgraded in 2019.

Replacement works for all 132kV disconnector/isolator/earth switches in EFL's power system continued, with a further five units replaced throughout the year. While the ambitious disconnector replacement project has faced obstacles (such as difficulties in obtaining the necessary outages to execute the works), it is expected to be completed by 2021.

EFL completed rust refurbishment work on 110 lattice steel towers along the 132kV transmission line, a revitalisation project that commenced in 2016 and came in at a cost of $16.5 million. Work on an additional 51 towers is expected to commence in 2019. The entire rust refurbishment project is expected to be completed by 2024 at a cost of $37.5 million.

Work also commenced to replace the aged 132kV/33kV transformers at the Cunningham Road and Vuda zone substations and carry out related switch-yard upgrading works. This project is expected to be completed by 2021 at a cost of $36.2 million.



Work in progress on the installation of the Main Inlet Valve (MIV) at the Wailoa Hydro Power Station, EFL's most strategic asset that was commissioned in 1983. The total expenditure incurred as at December 2018 for the Monasavu Hydro-Electric Scheme half-life refurbishment project was around $58M. This was internally funded by EFL from it's internal cash.

ZONE STATION UPGRADING

Work continued on nationwide upgrades to EFL's infrastructure network, increasing the capacity of substations and laying the groundwork to meet Fiji's growing demand for energy.

The 33kV/11kV transformers at the Vatuwaqa zone substation were upgraded, and the failed 33kV/11kV transformer at the Deuba zone substation was effectively replaced.

Work commenced to upgrade the 2 x 33kV/11kV transformers at Sawani zone substation. This project is expected to be completed in 2019 at a cost of $4.3 million.

The 11kV switchboard that was damaged during flooding at the Natadola substation was replaced in 2018, and work is currently underway to replace the flood-damaged 33kV switchboard.

Tenders were also called for the upgrade of the 33kV/11kV transformers at Rarawai zone substation. This project will be completed in 2020.

All across the nation, EFL is upgrading its infrastructure network and increasing our capacity, effectively laying the groundwork to meet Fiji's growing demand for clean and affordable energy.

EFL replaced the 11kV switchboard that was damaged during flooding at the Natadola substation in 2018.

Our EFL Family

A NEW VOICE FOR OUR EMPLOYEES

For the first time ever, EFL carried out a company-wide employee survey, in which members of the EFL family were given the opportunity to share their views and suggestions. This was a good opportunity for EFL to better understand the needs of the employees.

A total of 787 employees participated in the survey.

Thanks to our employees' feedback, the following have been identified as key focus areas for the next three years:

1. Training: Upskill leaders at all levels.
2. Team-building: Focus on creating and sustaining high-performing teams at all levels.
3. Improve Internal communications within certain departments of EFL.
4. Incentives: Regularly reassess the company's recognition programmes to ensure that exceptional work is rewarded.
5. Pay and promotions: Regularly reassess remuneration and career opportunities/business succession planning.
6. Collaboration: Introduce two new organisational development strategies – a monthly, two-hour leadership forum and a cross-functional team – to create a positive, energetic culture across EFL, enhance employee engagement, break through silos and give executives a better pulse on their workforce.

The responses have been categorized and will be actioned accordingly in 2019.

PACIFIC LEADERSHIP: SOLOMON DELEGATION VISIT TO EFL

A delegation from the Solomon Islands (representing Solomon Power, Solomon Ports and Solomon Post) made a visit to EFL's head office in Suva on Tuesday, 16 October 2018. The delegation spent some three hours shadowing our HRSBA to learn from our success story and replicate EFL's success in their own country.

GROWING THE EFL FAMILY: APPRENTICESHIP PROGRAMME

The EFL family has welcomed new apprentices to its ever-growing family. With the recruitment and upskilling of new class of apprentices, the company is ensuring that we will continue to fulfil our guiding vision of energising our nation in the generation ahead.

The 2018 class of apprentices represents each of Fiji's three major regions:
1. 12 in the Central Division;
2. 12 in the Western Division; and
3. 10 in the Northern Division.

Various teams from throughout EFL collaborate to ensure that all apprenticeships are well-rounded and align with other company objectives, including the cultivation of a safer and healthier workforce. At the end of their three-year term, all apprentices will be eligible to attain the formal qualifications to become a line mechanic.

"With the recruitment and upskilling of new class of apprentices, the company is ensuring that we will continue to fulfil our guiding vision of energising our nation in the generation ahead."

TRAINING & DEVELOPMENT

Growing Human Capital

EFL recognises that training and development is an investment not only in our people, but in our company's future. We are therefore committed to the robust career development of all our staff, allowing them to fully tap into their talents, skills and abilities to better serve themselves, EFL, and our customers.

In 2018, EFL recruited 34 apprentices and 49 trainee line mechanics. 6,083 existing EFL employees underwent training in various areas, including induction, management, occupational health and safety, fire drills and employment relations.

The principal aim of EFL's training policy is to link staff development and training to our broader corporate goals and objectives and align them within the company's succession planning, in addition to progressing the individual career goals of our staff. We take a holistic approach to staff development, including training that immediately arms staff with necessary skills, in addition to more forward-facing activities that enable staff members to prepare for future opportunities.

Leading Fiji: Training Grants Scheme Marks Record Achievement

Under the national "Method A" grants scheme, EFL achieved a score of 100% for the year 2018 representing the highest-ever grants assessment score achieved by the company, and it is the highest overall score in Fiji. EFL has become the first Fijian organisation since the inception of the Levy and Grants Scheme in 1973 to claim 100% Grant for the year 2018 amounting to $390,156.27.

See below for a three-year comparison of the grants scheme:

	2016	2017	2018
Points Awarded	99.96%	99.12%	100%
Grants Payment	$248,065.45	$247,000.00	$390,156.27

Training for the Future

The training team worked tirelessly to ensure all trainings for 2018 were recorded in each employee's personal database, an initiative that EFL embarked on last year, led by our innovation team. This programme has been designed for EFL to track our work, increase accountability, share and explore new ideas, and develop new innovation projects.

Thanks to these efforts, EFL is now armed with a new arsenal of statistics, and they're already impressive: A total of 6,083 EFL employees attended 257 training courses in 2018, for a total of 31,565.75 training hours.

In collaboration with Pacific Power Association and the Japan International Cooperation Agency (JICA), EFL is also engaged in providing extensive external training, not only to organizations in Fiji, but to other Pacific Island countries, including Nauru and the Solomon Islands. We conducted 25 various technical training sessions for external organizations in 2018, bringing in $82,676.50 of total revenue.

Leaders in Education: EFL/USP Partnership

EFL and the University of the South Pacific (USP) signed a memorandum of understanding that allows USP Bachelor of Engineering students to gain valuable work experience in EFL, thereby fulfilling the programme's work requirements. After the completion of their studies, these students then join the Fijian workforce in EFL as Graduate Engineers.

EFL will continue to partner with the region's leading academic institutions, including Fiji National University (FNU), USP (including its Pacific Technical and Further Education division), and the University of Fiji, giving Fijian students the opportunity to meet their respective programme requirements. There are currently 41 students from Fijian universities on attachment with EFL, gaining valuable workplace experience within Fiji's largest utility provider.

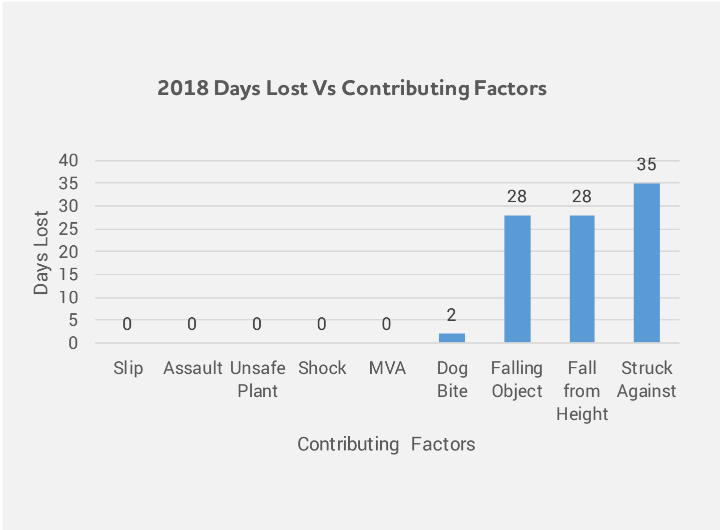
The EFL Meter Reader serving a customer in a rural area.

HEALTH AND SAFETY

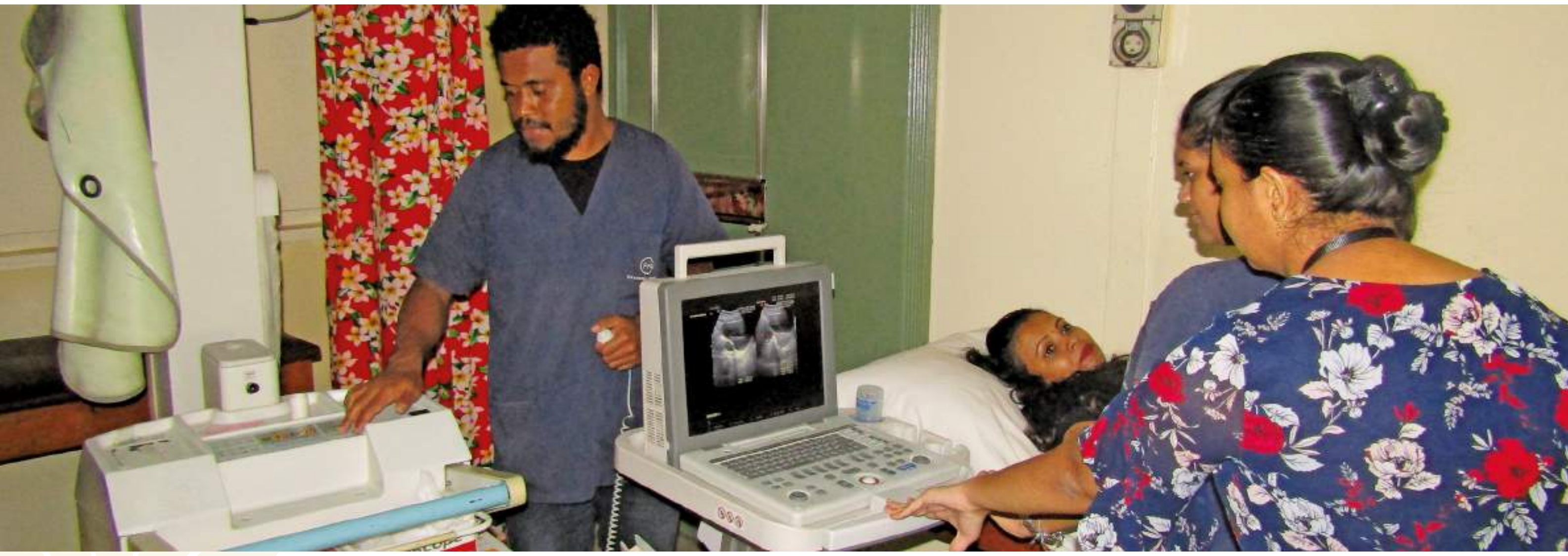
At EFL, we constantly strive to cultivate a safer, healthier electrical industry, both for the benefit of our staff and within the communities we operate. We treat this as our nationwide duty of care, actively adhering to safety standards to prevent injuries and ailments whenever our staff are performing operational activities that could foresee-ably affect the well being of themselves or those around them.

One objective for 2018 was the development of a Health and Safety strategic paper that would identify areas for improvement in the current system by highlighting Health and Safety issues to be addressed. To progress this objective as efficiently as possible, we looked back at our past years' performance and focused on existing incident analysis reports.

While EFL's health and safety performance in 2018 has been good, when it comes to the well-being of the Fijian people, there will always remain room for further improvement. Over the course of the year, we experienced five workplace accidents leading to injuries, resulting in a total of 93 days spent by injured employees recovering at home. Workplace accidents can have a lasting impact on both injured employees and their families, therefore, EFL, ensures every employee understands his/her safety obligation.



We carried out a thorough review of our past three years of accident records to identify the most common accident category and better inform which areas should be our focus for improvement. In terms of severity, motor vehicle accidents (MVA) were the worst affected, followed by falling from heights. EFL experienced a total of 28 driver-initiated motor vehicle accidents in 2018, resulting in a total repair cost of $122,443. To remedy this problem, a comprehensive, 10-Point vehicle accident prevention plan was developed, with the plan's roll-out currently underway.



Reliable electric power supply is a critical pillar of development, a comfort to thousands of Fijian families and a potential life saving resource in times of crisis. Trainee medical graduate attending to patient at Valelevu hospital in Nasinu.

EFL also conducted a safety leadership training programme for all Team and Unit Leaders to educate them of their roles regarding "health and safety responsibilities". In addition, to gain broader ownership of our health and safety programmes throughout the company's workforce, we engaged employees through a grassroots worker participation programme, where 312 safety visits and audits were made to the field to listen to and subsequently address any issues raised by our employees. Two health and safety road-shows were also conducted to ensure staff were kept current on relevant activities and statistics.

Through all of this wide-reaching work and reassessment, the objective is to align the company to its vision of 'safe production, zero injury',

COMMERCIAL DIVISION

EFL's Commercial Division comprises of two major operational units –– the Supply Chain Unit and the Regulatory Unit –– with a combined workforce of over 80 team members.

Supply Chain Unit

In 2018, the Supply Chain Unit has continued its ongoing focus on optimizing performance in critical operational areas, including the procurement of goods and services, inventory management, fleet management and property services.

This was achieved by implementing specifically-catered action plans for the following key strategic objectives, designated to provide improved outputs to EFL's internal and external customers:

- FASTER: Increase speed of delivery of goods and services.
- BETTER: Improve quality of goods and services.
- MORE AFFORDABLE: Reduce costs of providing goods and services.

Supply Chain Unit 2018 Performance Outcomes

Given the corporate and aligned divisional objectives, the following primary outcomes were achieved in 2018:

i) Procurement of Goods & Services:

- The Supply Chain Unit played a critical role in driving the tendering and procurement processes, preparing and negotiating contracts, and other project oversight that helped EFL meet its key performance indicators for core strategic business areas.

- The Unit also contributed towards the successful commissioning and completion of a total of 127 projects for the government's rural electrification projects across Fiji as well as a number of upgrading/reinforcement projects on the transmission network.

- In terms of the actual average tender turnaround time (for tenders valued between $10,000 and $100,000), 6 weeks was accomplished for the year against a target of six weeks.

- Initially aiming to achieve $1.5 million in financial savings through procurement and tender negotiations, which is already an ambitious target. The supply chain achieved an all around savings of $1,503,290 in 2018.

ii) Sound Inventory Management, Vigilance and Best Practices:

- The Unit implemented sound inventory management and adhered to industry best practices, achieving a normal operating inventory stock-holding level (not including fuel and engine spares) of $10.94 million against a target of $11 million.

- Our stock turn target (improvement of stock utilization rates) of 6% was exceeded, with 8.8% stock turn achieved. This indicates that EFL's stock items were managed and turned over efficiently throughout the year, contributing to significant savings in EFL's working capital.

- The year's target for minimising stock-take variance –– a goal of 0.001% –– was also exceeded, with the achieved variance recorded at 0.0001%.

iii) Fleet & Property Services:

- While the year's target for corporate fleet accidents wasn't met, our fleet teams are working closely with their colleagues in health and safety to further reduce driving risks through specific training programmes, including driver attitude training and specialised vehicle training.

- To further increase the safety of our drivers, fatigue monitoring systems were installed in further 50 of EFL's vehicles. The technology monitors driving behaviour for signs of fatigue, triggering warning alarms if the driver is exhibiting symptoms of tired driving and alerting their supervisor for help.

- All EFL property, including depots and power stations, benefited from constant monitoring and monthly maintenance throughout the year, ensuring well-serviced buildings and optimal asset upkeep.

Regulatory Unit

EFL's Regulatory Unit is made up of 70 team members who are tasked with overseeing and enforcing compliance of the regulations outlined in the Electricity Act. Its other functions include (but are not limited) to the following:

- Registration and licensing of electricians and electrical contractors.

- Licensing of electrical generation equipment, including licensing of new Independent Power Producers (IPPs).

- Ensuring industry compliance, in accordance with the Electricity Act and AS/NZS Wiring Rules.

- Electrical testing of imported electrical appliances and fittings used in Fiji, upon request.

- Investigation of electrical accidents and thereafter submission of independent reports on electrocution incidents to resident magistrates.

- Testing of electricity meters to ensure compliance (within plus or minus 2.5%).

The Achievements of this Unit for the year 2018 were as follows:

i) Exceeded new connections target

- 2018 saw a total of 8,586 new connections, well exceeding the Unit's target of 7,000 new connections for the year. This total comprised of 7,067 domestic connections and 1,519 commercial and industrial connections.

ii) Exceeded meter testing target

- 10,432 meters were tested in 2018, surpassing the Unit's target of 10,000. 5,820 of these were on single phase meters, 4,323 were on prepayment meters and 289 were on commercial meters.

iii) Achieved and exceeded targets for rapid power line fault fixes

- The Unit set ambitious targets to fix 90% of urban power line faults within three hours and 90% of rural faults within four hours. Those targets were achieved and exceeded in 2018, with 94% for rural customers and 90% for urban customers seeing faults remedied within their respective target windows.

iv) Launched public safety campaign

- Electrical safety presentations were conducted throughout communities and schools in Fiji. Several new public awareness videos and advertisements were also broadcast nationwide to educate Fijians about the dangers of electrocution and how to avoid them.

v) Heightened standards for electrician and contractor licenses

- The Regulatory Unit launched an awareness campaign to advise the Fijian public about the importance of engaging only valid license holders for both registered electricians and electrical contractors, with information made available on EFL's website and also advertised six monthly in the Fiji Sun.

- Concurrently, the Unit placed a new emphasis on maintaining and updating its records and licensing requirements to ensure that Fijian households are only serviced by well-regulated professionals. This push for updated records resulted in the removal of hundreds of outdated, unpaid and unqualified licenses.

vi) Supported ongoing transfer of EFL regulatory functions

- In alignment with EFL's commitment on transparency and accountability, the Unit continued to support the planned transfer of EFL's regulatory functions through close collaboration with the Ministry of Public Enterprises and regular consultations with the Fijian Competition and Consumer Commission.

04

LIFE AFTER ELECTRICITY

EFL workers go above and beyond, working rain or shine, and often through the night, to ensure that the power supply to our homes and businesses is not disrupted.

In 2018, EFL incurred approximately $22.07 million in non-commercial obligation costs, enabling thousands of low-income Fijian families to access affordable electric power and enjoy the benefits of life after electricity. Because of our commitment, more Fijians have access to electricity than at any point in our nation's history. We will continue to be driven by EFL's vision of energising our nation –– our entire nation –– with clean, affordable, and reliable power in the months and years ahead.

Electricity isn't just about keeping the lights on; having an affordable and reliable source of power is a cornerstone of any nation's economic development. Electricity allows new businesses to take foot, and helps existing ones to operate more efficiently. From the fisherman in Bua who can now store his catch for days thanks to the humming electricity of a new ice plant, to the woman in Nadi who is able to set up her produce stand in the early morning hours under the glow of a new street-light, to the textile manufacturer in Suva who is able to out-price overseas competitors because of his access to the most affordable electricity in the Pacific –– Fiji's unbroken decade of economic growth has largely been fuelled by our ever-expanding power grid.

It's not just our businesses that benefit from a life with electricity; EFL's power is a source of comfort, of enjoyment, and of security to the many thousands of Fijian families we service. In times of crisis, it is a life-saving resource. For every new community and household that was brought onto the grid in 2018, Fiji's future quite literally became a little bit brighter.

That's why EFL workers go above and beyond, working rain or shine, and often through the night, to ensure that the power supply to our homes and businesses is not disrupted. But we're not stopping here: With ever-changing conditions to both the global markets and global climate, we at EFL are constantly seeking new and innovative ways to improve the reliability and security of our power supply. That is being achieved by generally boosting resilience across our entire national grid in response to the worsening impacts of climate change.

It's also why we are so wholly committed to bringing the life-changing benefits of electric power to low-income Fijian families who might otherwise be ignored as commercially unviable. Because of this commitment to social responsibility, EFL incurs significant non-commercial obligation (NCO) costs each year supplying subsidized electricity to rural Viti Levu, and to the whole of Vanua Levu, Taveuni and Ovalau. In 2018, EFL incurred approximately $22.07 million in NCO costs in enabling low-income families to afford access to electric power.

EFL spent a total of $23.32 million on the construction of new rural electrification schemes, grid extensions for commercial and industrial projects, power-system reinforcement works and contract jobs. Of this amount, $16.36 million was for the construction of 86 rural electrification projects, $6.04 million was for 57 general extension projects for commercial and industrial customers and $0.39 million was utilised for 19 contract jobs. A total of $0.53 million was authorized for five distribution power system reinforcement projects.

The results speak for themselves; thanks to these initiatives, more Fijians have access to electricity than at any point in our nation's history. We will continue to be driven by EFL's vision of energising our nation –– our entire nation –– with clean, affordable, and reliable power in the months and years ahead.


Cash
McDonald's DRIVE-THRU

VISION

'Energising our Nation'

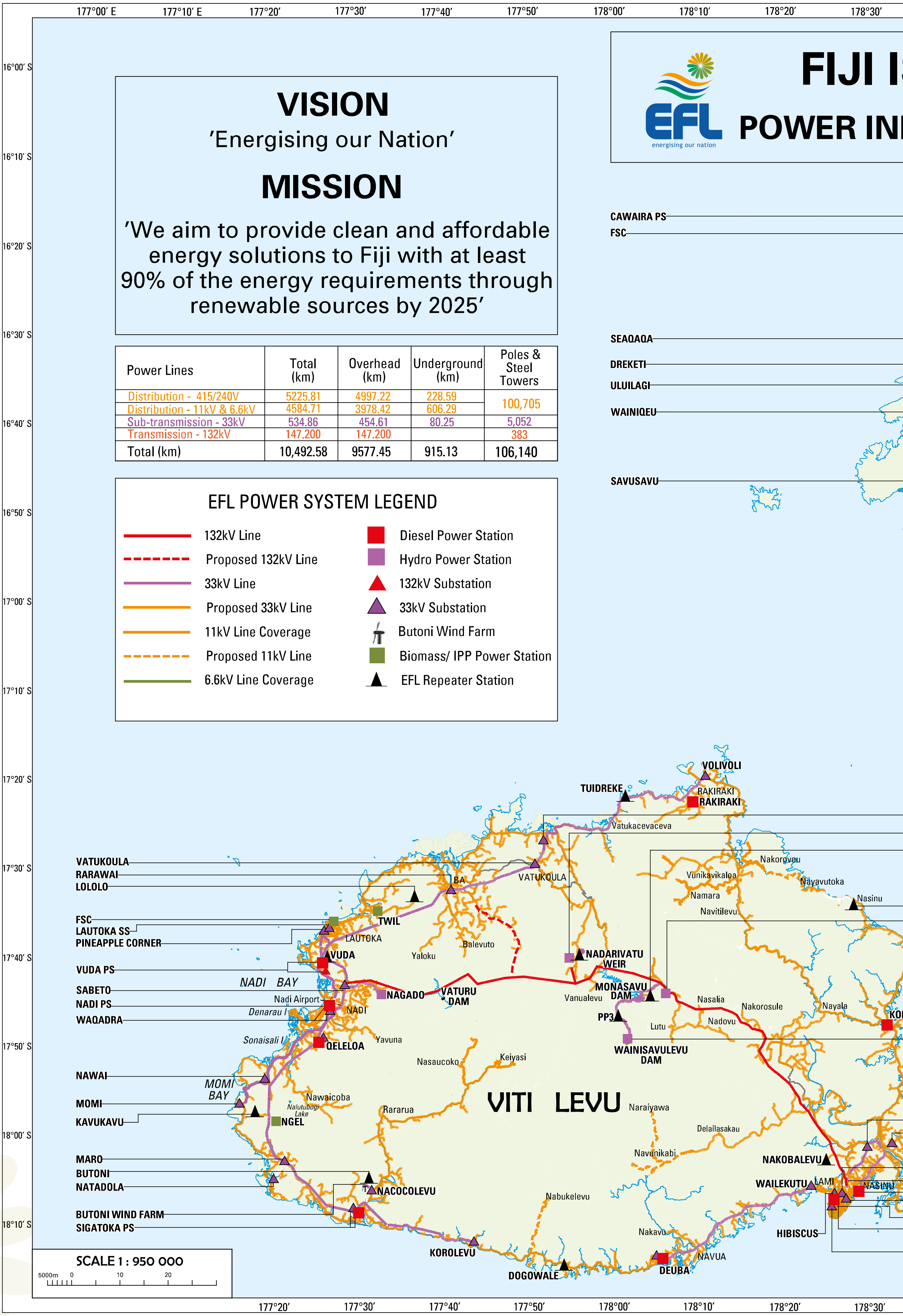
MISSION

'We aim to provide clean and affordable energy solutions to Fiji with at least 90% of the energy requirements through renewable sources by 2025'

Power Lines	Total (km)	Overhead (km)	Underground (km)	Poles & Steel Towers
Distribution - 415/240V	5225.81	4997.22	228.59	100,705
Distribution - 11kV & 6.6kV	4584.71	3978.42	606.29	
Sub-transmission - 33kV	534.86	454.61	80.25	5,052
Transmission - 132kV	147.200	147.200		383
Total (km)	10,492.58	9577.45	915.13	106,140

EFL POWER SYSTEM LEGEND

- 132kV Line
- Proposed 132kV Line
- 33kV Line
- Proposed 33kV Line
- 11kV Line Coverage
- Proposed 11kV Line
- 6.6kV Line Coverage
- Diesel Power Station
- Hydro Power Station
- 132kV Substation
- 33kV Substation
- Butoni Wind Farm
- Biomass/ IPP Power Station
- EFL Repeater Station



SLANDS
FRASTRUCTURE
178°40′
178°50′
179°00′
179°10′
179°20′
179°30′
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Seaqaqa
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RABI I
Vesidrua
Nabavatu
VANUA
Dogoru
LEVU
DELAIKORO
Batiri
Batirilagi
Voloca
Korotasere
NATEWA
Nabalebale
Levuka
KIOA I
STRAIT
Welagi
Nakasa
Dreketi
SAVUSAVU BAY
Nukubalavu
Navava
SOMOSOMO
WAIYEVO PS
Tavuki
Devo Peak
SOMOSOMO
TAVEUNI I
WAINUNU BAY
NABOUWALU
TAVUA
NADARIVATU
TALADRAU
NASINU
WAILOA
Qoma I
Cawatara
LEVUKA PS
Lovoni
Bureta
TOKOU
Ovalau I
ROVOU
Moturiki I
WAINIKASOU
SAWANI
NAUSORI
KOMO PARK
CUNNINGHAM
KINOYA
VATUWAQA
KNOLLY SS
ROKOBILI
SUVA SS
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May 2019

EFL is committed to constantly find ways to innovate and upgrade our existing energy infrastructure in providing efficient reliability of electricity to customers.

Audited Financial Statements for the year ended 31 December 2018

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Director's Report for the year ended 31 December 2018

In accordance with a resolution of the Board of Directors, the directors of Energy Fiji Limited ("the Company") present their report together with the financial statements of the Company for the year ended 31 December 2018.

1 DIRECTORS

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

Daksesh Patel (Chairman)
Gardiner Henry Whiteside (Deputy Chairman)
Alipate Naiorosui
David Kolitagane
Kamal Goundar
Hasmukh Patel (Ex-officio Member)

2 PRINCIPAL ACTIVITIES

The principal activities of the Company are the generation, transmission, distribution and sale of electricity on Viti Levu, Vanua Levu, Ovalau and Taveuni as governed by the Electricity Act and Regulations.

3 TRADING RESULTS

The profit after income tax of the Company attributable to the members of the Company for the year ended 31 December 2018 was $63.9 million (2017: $67.4 million).

4 The Directors declared and paid $Nil dividends during the year ended 31 December 2018.

5 BAD DEBTS AND ALLOWANCE FOR IMPAIRMENT LOSS

The directors took reasonable steps before the company's financial statements were made out to ascertain that all known bad debts were written off and adequate allowance was made for impairment loss.

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 amount of the allowance for impairment loss, inadequate to any substantial extent.

6 CURRENT AND NON-CURRENT ASSETS

The directors took reasonable steps before the Company's financial statements were made out to ascertain that the assets of the Company were shown in the accounting records at a value equal to or below the value that would be expected to be raised in the ordinary courses of business.

At the date of this report, the directors are not aware of any circumstance which would render the values attributable to the assets in the financial statements misleading.

7 SIGNIFICANT EVENTS DURING THE YEAR

a) On 16 April 2018 the Hon. Attorney-General and Minister for Economy, Civil Service and Communications, Mr Aiyaz Sayed-Khaiyum made the announcement of the corporatisation of FEA to a limited liability company called Energy Fiji Limited. As a public company limited by shares, Energy Fiji Limited is harnessing the expertise, innovation and efficiency of the private sector like never before. Now, the Fijian people will be served by a competitive and customer-focused energy provider that is fully capable of meeting the country's growing need for clean and renewable energy.

EFL is putting the Fijian people at the very centre of Fiji's energy sector. As part of that commitment, the Fijian Government offered 5% non-voting shares in EFL to domestic electricity customers completely free of charge, giving Fijians the chance to become shareholders in a billion-dollar asset company.

b) During the first half of the year EFL was hit by two tropical cyclones namely Tropical Cyclone Josie and Tropical Cyclone Keni which affected the operations of EFL and damaged EFLs transmission and distribution structure costing EFL $2.02M in repair costs to bring these assets back in operating conditions.

c) The EFL Board endorsed the implementation of the Fuel and Foreign Currency hedging for EFL effective from 1st May 2018, to mitigate against the risks of rising fuel prices and the appreciation of USD against the FJD as EFL is exposed to variability in movements of IDO and HFO Diesel prices (which are based on Brent/WTI Crude Oil global market prices) and foreign exchange rates (in particular FJD/USD).

Director's Report for the year ended 31 December 2018 (cont'd)

8 RELATED PARTY TRANSACTIONS

In the opinion of the directors all related party transactions have been adequately recorded in the books of the Company and reflected in the attached financial statements.

9 OTHER CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report of financial statements which render any amounts stated in the financial statements misleading.

10 UNUSUAL TRANSACTIONS

The results of the Company's operations during the financial year have not, in the opinion of the directors, been substantially affected by any item, transaction or event of a material and unusual nature other than those disclose in the financial statements.

11 EVENTS SUBSEQUENT TO BALANCE DATE

EFL has early redeemed its three high interest bonds amounting to $29.25M that was due to expire in 2020 and 2022 respectively. $29M Bond is for FNPF at a coupon rate of 6.83% p.a. This was early redeemed on 1st January 2019. Further, EFL has also early redeemed $0.25M of the LICI Bond at a coupon rate of 6.8% p.a on 5th January 2019.

There were no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

12 GOING CONCERN

The Directors consider that the company will continue as a going concern. The directors believe that the basis of preparation of financial statements is appropriate and the Company will be able to continue its operations for at least 12 months from the date of signing this report.

13 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 directors shown in the financial statements or received as the fixed salary of a full-time employee of the Company or of a related corporation) by reason of a contract made by the Company 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.

For and on behalf of the board and in accordance with a resolution of the board of directors.

Dated this 23 day of May 2019.

Daksesh Patel
CHAIRMAN

Gardiner Whiteside
DEPUTY CHAIRMAN

Director's Declaration for the year ended 31 December 2018

The declaration by directors is required by the Companies Act, 2015.

The directors of the Company have made a resolution that declares:

a) In the opinion of the directors, the financial statements of the Company for the financial year ended 31 December 2018:

i. comply with the International Financial Reporting Standards and give a true and fair view of the financial position of the Company as at 31 December 2018 and of the performance and cash flows of the Company for the year ended 31 December 2018; and

ii. have been prepared in accordance with the provisions of the Electricity Act and Companies Act, 2015.

b) The directors have received independence declaration by auditors as required by Section 395 of the Companies Act, 2015; and

c) At the date of this declaration, in the opinion of the directors, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

For and on behalf of the board and in accordance with a resolution of the board of directors.

Dated this 29 day of March 2019.

Daksesh Patel
CHAIRMAN

Gardiner Whiteside
DEPUTY CHAIRMAN

Independence Declaration for the year ended 31 December 2018

Auditors Independence Declaration Under Section 395 Of The Companies Act 2015

To: The Directors of Energy Fiji Limited

As required under Section 395 of the Companies Act 2015, I declare that to the best of my knowledge and belief, in relation to the audit for the year ended 31 December 2018 and up to the date of this report there have been:

i) no contraventions of the Auditor independence requirements as set out in the Companies Act 2015 in relation to the audit; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Ajay Nand
AUDITOR GENERAL

Suva, Fiji
24 May, 2019

Independent Auditor's Report

To the Members of Energy Fiji Limited

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of Energy Fiji Limited (the Company), which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISA). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Fiji and I have fulfilled other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Management and Directors for the Financial Statements

The management and directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs Electricity Act and the Companies Act 2015 and for such internal control as the management and directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management and directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management and directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The management and directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with ISA, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report
To the Members of Energy Fiji Limited
Report on the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of the management's and directors' use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the management and directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2015 and the Public Enterprise Act 1996, in my opinion:

a) proper books of account have been kept by the Company, so far as it appears from my examination of those books,

b) the accompanying financial statements:

   a. are in agreement with the books of account; and

   b. to the best of my information and according to the explanations given to me, give the information required by the Fiji Companies Act 2015 and the Public Enterprise Act 1996 in the manner so required.

Ajay Nand
AUDITOR GENERAL

Suva, Fiji
24 May, 2019

Statement Of Comprehensive Income
For The Year Ended 31 December 2018

	Notes	2018 $'000	2017 $'000
Revenue - electricity sales	5	349,497	340,223
Other operating revenue	5	12,660	10,933
Total revenue		**362,157**	**351,156**
Impairment loss on trade and other receivables		(47)	-
Personnel costs		(23,669)	(23,912)
Fuel costs		(130,357)	(121,873)
Electricity purchases		(23,003)	(18,546)
Lease and rent expenses		(1,761)	(1,731)
Depreciation on property, plant and equipment		(40,799)	(39,496)
Amortisation of intangible assets		(397)	(131)
Other operating expenses		(50,526)	(48,940)
Total expenses		**(270,559)**	**(254,629)**
Profit before finance costs, cyclone restoration costs and income tax		**91,598**	**96,527**
Finance Cost:			
Finance Cost		(12,355)	(13,283)
Finance income		2,483	2,191
Unrealised foreign exchange gain / (loss),net		95	(199)
Profit before cyclone restoration costs and income tax		**81,821**	**85,236**
Cyclone Winston/Keni/Josie - restoration costs		(2,020)	(1,067)
Profit before income tax	6	**79,801**	**84,169**
Income tax expense	7(a)	(15,886)	(16,779)
Profit after income tax		**63,915**	**67,390**
Other comprehensive income/(loss)			
Items that will or may be reclassified to profit or loss:			
Cash flow hedges	3	(10,204)	-
Total comprehensive income for the year		**53,711**	**67,390**

The above statement of comprehensive income has been prepared in accordance with the International Financial Reporting Standards (IFRS) and should be read in conjunction with the accompanying notes.

Statement Of Financial Position
As at 31 December 2018

	Notes	2018 $'000	2017 $'000
CAPITAL AND RESERVES			
Share Capital	23	750,000	-
Retained profits		65,287	656,082
Capital contribution		-	95,199
Hedging Reserves	24	(10,204)	-
TOTAL CAPITAL AND RESERVES		**805,083**	**751,281**
Represented by:			
CURRENT ASSETS			
Cash on hand and at bank		154,580	98,349
Short term deposits	8(a)	39,953	60,000
Receivables and prepayments	9	59,513	38,612
Derivative financial asset	3.1(a)	1,313	-
Inventories	10	43,038	37,646
Current tax assets	7(d)	1,257	-
TOTAL CURRENT ASSETS		**299,654**	**234,607**
NON-CURRENT ASSETS	11		
Property, plant and equipment	12	1,079,992	1,054,898
Intangible assets	7(b)	1,604	2,001
Deferred tax assets		140	198
TOTAL NON-CURRENT ASSETS		**1,081,736**	**1,057,097**
TOTAL ASSETS		**1,381,390**	**1,291,704**
CURRENT LIABILITIES			
Trade and other payables	13	29,857	22,083
Derivative financial liability	3.1(a)	9,394	-
Employee benefit liability	14	3,109	2,942
Interest bearing borrowings	15	52,237	21,961
Current tax liabilities	7(d)	-	3,056
TOTAL CURRENT LIABILITIES		**94,597**	**50,042**
NON-CURRENT LIABILITIES			
Trade and other payables	13	97,025	99,418
Interest bearing borrowings	15	225,282	275,605
Deferred income	16	104,370	65,292
Deferred tax liabilities	7(c)	55,033	50,066
TOTAL NON-CURRENT LIABILITIES		**481,710**	**490,381**
TOTAL LIABILITIES		**576,307**	**540,423**
NET ASSETS		**805,083**	**751,281**

The above statement of financial position has been prepared in accordance with the International Financial Reporting Standards (IFRS) and should be read in conjunction with the accompanying notes.

For and on behalf of the board and in accordance with a resolution of the board of directors.

Daksesh Patel
CHAIRMAN

Gardiner Whiteside
DEPUTY CHAIRMAN

Statement Of Cash Flows
For The Year Ended 31 December 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		360,144	346,383
Payments to suppliers and employees		(235,477)	(222,341)
Interest received		2,304	2,312
Interest paid		(12,566)	(13,586)
1% Transitional tax paid		-	(2,440)
Tax Payment/Withholding taxes paid		(15,197)	(17,187)
Net cash flows provided by operating activities		**99,208**	**93,141**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(61,653)	(47,035)
Payment for intangible assets		-	(1,462)
Proceeds for rural electrification, net		17,971	27,391
Proceeds from refundable contribution for general extension, net		383	8,502
Proceeds from disposal of property, plant and equipment		304	164
Net cash flows used in investing activities		**(42,995)**	**(12,440)**
Cash flows from financing activities			
Repayment of bonds and loans		(22,898)	(21,859)
Proceeds from borrowings - local		2,850	-
Dividend		-	(20,000)
Net cash flows used in financing activities		**(20,048)**	**(41,859)**
Net increase in cash and cash equivalents		**36,165**	**38,842**
Effect of IFRS 9 adjustment - allowance for impairment loss, nett		(49)	-
Effect of exchange rate movement on cash and cash equivalents		68	41
Cash and cash equivalents - at the beginning of the year		158,349	119,466
Cash and cash equivalents - at the end of the year	8	**194,533**	**158,349**

The above statement of cash flows has been prepared in accordance with the International Financial Reporting Standards (IFRS) and should be read in conjunction with the accompanying notes.

Statement Of Changes In Equity
For The Year Ended 31 December 2018

	Share Capital $'000	Hedging Reserves $'000	Capital Contributions $'000	Retained Profits $'000	Total $'000
Balance as at 1 January 2017	**-**	**-**	**95,175**	**611,132**	**706,307**
Capital contribution relating to 2006 transferred from General Extension Refundable Deposit	-	-	24	-	24
Total comprehensive income					
Profit for the year	-	-	-	67,390	67,390
1% Transitional tax on undistributed profits (Pre-2014)	-	-	-	(2,440)	(2,440)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**64,950**	**64,950**
Transactions with members of the entity					
Dividend payout	-	-	-	(20,000)	(20,000)
Total transactions with members of the entity	**-**	**-**	**-**	**(20,000)**	**(20,000)**
Balance as at 31 December 2017	**-**	**-**	**95,199**	**656,082**	**751,281**
Impact of adjustment on initial application of IFRS 9 (net of tax) on 1 January 2018	-	-	-	91	91
Adjusted balance as at 1 January 2018	**-**	**-**	**95,199**	**656,173**	**751,372**
Transfer of capital contribution and retained earnings to share capital after the corporatisation	**750,000**	**-**	**(95,199)**	**(654,801)**	**-**
Total comprehensive income					
Profit for the year	-	-	-	63,915	63,915
Other comprehensive loss for the year	-	(10,204)	-	-	(10,204)
Total comprehensive income for the year	**-**	**(10,204)**	**-**	**63,915**	**53,711**
Transactions with members of the entity	-	-	-	-	-
Dividend payout	-	-	-	-	-
Total transactions with members of the entity					
Balance as at 31 December 2018	**750,000**	**(10,204)**	**-**	**65,287**	**805,083**

The above statement of changes in equity has been prepared in accordance with the International Financial Reporting Standards (IFRS) and should be read in conjunction with the accompanying notes.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

1. GENERAL INFORMATION

a) Corporate Information

Energy Fiji Limited (the Company) is a limited liability Company incorporated and domiciled in Fiji.
The registered office and principal place of business is 2 Marlow Street, Suva, Fiji Islands.

b) Principal Activities

The principal activities of the Company are the generation, transmission, distribution and sale of electricity on Viti Levu, Vanua Levu, Ovalau and Taveuni as governed by the Electricity Act and Regulations.

There were no significant changes in the nature of these activities during the financial year.

c) Statement of Compliance

The financial statements have been prepared in accordance with the Electricity Act 1966 (Cap 180) and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB) and in compliance with the requirements of the Companies Act, 2015.

Issue of Financial Statements

The financial statements were approved for issue by the Company's Board of Directors at its meeting held on 29 March 2019.

d) Functional and Presentation Currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency').

The Company operates in Fiji and hence, the financial statements are presented in Fiji Dollars, which is the Company's functional and presentation currency.

e) Basis of Accounting

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of IFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are critical to the financial statements are disclosed in Note 4.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

1. GENERAL INFORMATION (CONT'D)

f) Changes in Accounting Policies

New standards, interpretations and amendments effective from 1 January 2018

New standards impacting the Company that has been adopted in the annual financial statements for the year ended 31 December 2018, and which has given rise to changes in the Company's accounting policies are:

- IFRS 9 Financial Instruments (IFRS 9); and
- IFRS 15 Revenue from Contracts with Customers (IFRS 15)

Details of the impact of these two standards have been presented below.

Other new and amended standards and interpretations issued by the IASB that will apply for the first time in the annual financial statements are not expected to impact the Company as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

A IFRS 9 - Financial Instruments

The Company has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement.

The nature and effects of the key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarised below.

As a result of the adoption of IFRS 9, the Company adopted consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income. Previously, the Company's approach was to include the impairment of trade receivables in other operating expenses.

Additionally, the Company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

i) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see Note 2(1).

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies for financial liabilities.

ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39 refer Note 2(1).

iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  - The determination of the business model within which a financial asset is held; and
  - If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on the asset had not increased significantly since its initial recognition.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

1. GENERAL INFORMATION (CONT'D)

A IFRS 9 - Financial Instruments (cont'd)

iii) Transition (cont'd)

The following table summarises the impact, net of tax, of transition to IFRS 9 on retained earnings at 1 January 2018.

Retained earnings	Impact of adopting IFRS 9 as at 1 January 2018 $'000
Closing balance under IAS 39 (31 December 2017)	656,082
Impact of expected credit loss assessment under IFRS 9	114
Related tax	(23)
Opening balance under IFRS 9 (1 January 2018)	**656,173**

iv) Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018.

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying Amount under IAS 39 $,000	New carrying Amount under IFRS 9 $,000
Receivables	Loans and receivables	Amortised cost	34,592	34,777
Cash at bank	Loans and receivables	Amortised cost	98,349	98,349
Short term deposit	Held to maturity	Amortised cost	60,000	59,929
Total financial assets			192,941	193,055
Financial liabilities				
Trade and other payables	Other financial liabilities	Other financial liabilities	(121,501)	(121,501)
Interest bearing borrowings	Other financial liabilities	Other financial liabilities	(297,566)	(297,566)
Total financial liabilities			**(419,067)**	**(419,067)**

The Company's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 2(l). The application of these policies resulted in the reclassifications set out in the table above and further explained below.

a. Debt securities that were previously classified as held-to-maturity are now classified at amortised cost. The Company intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. An increase of $71,168 in the allowance for impairment was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

b. Receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. A decrease of $185,640 in the allowance for impairment was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

c. Cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. No allowance for impairment was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

1. GENERAL INFORMATION (CONT'D)

iii) Transition (cont'd)
The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

Financial assets Amortised cost	IAS 39 carrying amount at 31 December 2017 $,000	Re-measurement $,000	IFRS 9 carrying amount at 1 January 2018 $,000
Cash and cash equivalents:			
Brought forward: Loans and receivables	98,349	-	98,349
Re-measurement			
Amortised cost	-	-	98,349
Receivables:			
Brought forward: Loans and receivables	34,592	-	-
Re-measurement	-	185	
Carried forward: Amortised cost	-	-	34,777
Short term deposits:			
Brought forward: Held-to-maturity	60,000	-	-
Re-measurement	-	(71)	-
Carried forward: Amortised cost	-	-	59,929
Total amortised cost	**94,592**	**114**	**193,055**

B IFRS 15 - Revenue from Contracts with Customers

The Company adopted IFRS 15 Revenue from Contracts with Customers issued in May 2014 with a date of initial application of 1 January 2018. As a result, the Company has changed its accounting policy for revenue recognition as detailed below.

The Company applied IFRS 15 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 - Revenue and IAS 11 - Construction contracts. There was no quantitative impact of the changes in accounting policies from the adoption of IFRS 15.

New standards, interpretations and amendments not yet effective

The Company has progressed its projects dealing with the implementation of the key new accounting standard and is able to provide the following information regarding their likely impact:

IFRS 16 - Leases

Adoption of IFRS 16 will result in the Company recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Company does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The directors have decided it will apply the modified retrospective adoption method in IFRS 16, and, therefore, will only recognise leases on balance sheet as at 1 January 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date.

Instead of recognising an operating expense for its operating lease payments, the Company will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by the amount of its current operating lease cost.

IFRIC 23 Uncertainty over Income Tax Positions

IFRIC 23 clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Company are stated to assist in a general understanding of these financial statements. The accounting policies adopted are consistent with those of the previous year except as stated otherwise.

(a) Bond instruments

Bonds issued are recorded at cost which reflects the face value of these instruments. Transaction costs on the issue of bond instruments are capitalised and amortised to the statement of comprehensive income over the maturity life of the bond instruments. Transaction costs are the costs that are incurred directly in connection with the issue of those bond instruments and which would not have been incurred had those instruments not been issued.

(b) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(c) Borrowing costs

The borrowing costs that are directly attributable to major capital expenditures and projects under construction are capitalized as part of the cost of these assets. Other borrowing costs are recognized as an expense in the year in which they are incurred.

The government guarantee fees on loans drawdown specifically for capital projects are capitalised. Other guarantee fees paid are expensed.

(d) Refundable and non-refundable capital contributions

A 100% refundable capital contribution represents the cost of the extension, received from the developer or a prospective consumer. The cost of the extension is the estimated cost incurred from the Company's nearest mains supply point capable of providing the assessed load required. The developer or a prospective consumer applying for a general extension provides a 100% refundable capital contribution in relation to the cost of the extension which is credited to trade and other payables and is refunded to the customer over a period of 5 and 8 years. This is in accordance with the determination by the Fijian Competition and Consumer Commission (FCCC).

Non-refundable capital contributions are treated as deferred revenue which are brought to income upon completion of project.

(e) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise of cash on hand, cash in banks, short term deposits held with banks with an original maturity term of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings under current liabilities in the statement of financial position.

(f) Comparative figures

Where necessary, amounts relating to prior years have been reclassified to facilitate comparison and achieve consistency in disclosure with current year amounts.

(g) Deferred income

Government grant in aid and assets acquired at no cost to the Company are capitalised and systematically recognised as other income on the basis of the expected lives of the assets to which the grants relate.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Employee benefits

i) Annual leave

Provision for annual leave represents the amount which the Company has a present obligation to pay for employees' services provided up to the balance date. The provision has been calculated on the current wage and salary rate.

ii) Performance pay

The Company maintains a Performance Management System which is used to remunerate employees based on the achievement of certain Key Performance Indicators (KPIs). These KPIs are established based on predetermined objectives of the Company. The liability is measured at the wage or salary rates prevailing during the year.

(i) Foreign currency translation

Transactions denominated in a foreign currency are translated to Fiji currency at the exchange rate at the date of the transaction.

Foreign currency receivables and payables at balance date are translated to Fiji currency at exchange rates prevailing at balance date.

All gains and losses arising there-from (realised and unrealised) are brought to account in determining the profit or loss for the year.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average cost principle and includes expenditure incurred in acquiring the stock and bringing it to its existing condition and location. Consumables are valued at cost plus the associated delivery charges.

Provision for inventory obsolescence are raised based on a review of inventories. Inventories considered obsolete are written off in the year in which they are identified.

(k) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs to sell, an appropriate value model is used.

An assessment is made at each reporting date for non-financial assets as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Financial instruments

i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Classification and subsequent measurement

Financial assets – policy applicable from 1 January 2018
On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment – Policy applicable from 1 January 2018

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and,
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Financial instruments (cont'd)

Financial assets: Business model assessment – Policy applicable from 1 January 2018 (cont'd)

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Company recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and,
- terms that limit the Company's claim to cash flows from specified assets (e.g. nonrecourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Financial assets – policy applicable before 1 January 2018

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available for sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit and loss
- Loans and receivables
- Held-to-maturity investments
- Available for sale (AFS) financial assets

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Financial instruments (cont'd)

Financial assets at value through profit and loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. The Company has not designated any financial assets at fair value through profit or loss.

Loans and receivables

This category is the most relevant to the Company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to receivables. Refer to Note 9.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss.

AFS financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. The Company holds no AFS financial assets at reporting date.

iii) Modification of financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (1(m)(iv))) and a new financial asset is recognised at fair value.

Policy applicable from 1 January 2018

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Policy applicable before 1 January 2018

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Financial instruments (cont'd)

iv) Derecognition of financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from assets have expired ;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either

(a) the Company has transferred substantially all the risks and rewards of the asset, or

(b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

vi) Impairment of financial assets - Policy applicable from 1 January 2018
Financial instruments:

The Company recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12 month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and,
- other debt securities and cash at bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECL as it does not include significant financing component.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be Baa3 or higher per rating agency Moody's or BBB- or higher per rating agency Standards & Poor's.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (cont'd)

vi) Impairment of financial assets (cont'd)
Policy applicable from 1 January 2018
Financial instruments:

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs:

Trade receivables

The Company uses a provision matrix to determine the lifetime expected credit losses. It is based on the Company's historical observed default rates, and is adjusted by a forward-looking estimate that includes the probability of a worsening economic environment within the next year. At each reporting date, the Company updates the observed default history and forward-looking estimates.

Debt securities including cash at bank

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets:

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 30 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position:

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off:

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income or adequate customer deposits that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

Impairment of financial assets

The Company assess, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact of the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Where estimated useful lives or recoverable values have diminished due to technological change, market conditions or dynamics, amortisation is accelerated.

(n) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lease. All other leases are classified as operating leases. The Company has various crown lands, native lands and premises under operating lease arrangements.

The Company, the Monasavu landowners and the iTaukei Land Trust Board (iTLTB) in 2005 signed an agreement to lease approximately 23,000 acres of the Monasavu catchment area for a period of 99 years in return for specified payments. These lease commitments are disclosed in Note 18.

Company as Lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

(o) Payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

(p) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the item. Cost of leasehold land includes initial premium payment or price paid to acquire leasehold land including acquisition costs.

Additions

While expenditure on assets with a value of less than $300 is generally not capitalised, physical control is maintained over all items regardless of cost.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Property, plant and equipment (cont'd)

Depreciation rates

Depreciation is calculated using the straight line method to write off the cost of each asset over their estimated useful lives as follows:

	Rates
Leasehold land	0.50% - 1.25%
Buildings - concrete	1.25%
Buildings - others	1.25%
Hydro Assets - dams	1.33% - 2.50%
Hydro Assets - tunnels	1.33% - 2.44%
Hydro Assets - plant and machinery	2.50% - 3.00%
Thermal assets	4.00% - 7.00%
Transmission	2.50%
Communication system and control	2.86%
Reticulation	4.00%
Wind mill	5.00%
Furniture and fittings	7.00% - 24.00%
Motor vehicles	20.00%
Computers	33.30%

Other fixed assets except for capital spares, are depreciated when they are brought into service.

Freehold land is not depreciated. Leasehold land is amortised over the remaining lease period.

Capital spares

Capital spares represent items held primarily for use in thermal stations in the event of a breakdown. In recognition of the increased risk of obsolescence over a protracted period, capital spares are amortised in line with the depreciation rates applicable to the related plant and machinery. Capital spares are reported as part of Company's fixed assets.

Disposals

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the statement of comprehensive income.

Repairs and maintenance

Repairs and maintenance is charged to the statement of comprehensive income during the financial period in which it is incurred. The cost of major renovations are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

(q) Provisions

Provisions are recognised:

- When the Company has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources will be required to settle the obligation; and
- The amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

(r) Rounding off amounts

Amounts in the financial statements have been rounded off to the nearest thousand dollars unless specifically stated to be otherwise.

(s) Dividend distribution

Dividend distribution to the Government of Fiji is recognised as a liability in the financial statements in the period in which the dividends are declared by the Company.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Finance income and finance costs

The Company's finance income and finance costs include:
- interest income on term deposits;
- interest expense on borrowings; and
- impairment losses (and reversals) on investments in debt securities carried at amortised cost.

Interest income or expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(u) Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

(v) Revenue Recognition

The Company applied IFRS 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. There was no quantitative impact of the changes in accounting policies from the adoption of IFRS 15.

Policy Applicable from 1 January 2018

The Company recognises revenue from services to customers at an amount that reflects the consideration to which it expects to be entitled in exchange for services. Revenue is recognised at an amount that reflects the consideration that the Company is expected to be entitled to in exchange for transferring services to a customer, using a five-step model for each revenue stream as prescribed in IFRS 15. The five-step model is as follows:

- Identification of the contract;
- Identification of separate performance obligations for each good or service;
- Determination of the transaction price;
- Allocation of the price to performance obligations; and
- Recognition of revenue.

Revenue recognition with respect to the Company's specific business activities are as follows:

Electricity Income
Electricity income is recorded in the statement of comprehensive income on an accrual basis.

Interest Income
Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

All other income is recorded in the statement of comprehensive income on an accrual basis.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Revenue Recognition (cont'd)
Policy Applicable before 1 January 2018

Revenue is recognised when the significant risks and rewards have been transferred to the customer, recovery of the consideration is probable, and there is no continuing management involvement with the services and the amount of revenue can be measured reliably.

(w) Fuel Hedging

During the year EFL implemented a fuel and foreign currency hedging programme. The primary objective of the programme is to mitigate volatility on earnings arising from fluctuations in the global fuel price as well as movements in foreign exchange rates, both factors which are outside the control of EFL.

The Company manages these risk exposures using various financial instruments. The Board has determined hedging limits for financial risks and these are documented in the Commodity Risk Management and Hedging Policy. Transactions entered into are to be carried out within these guidelines. Implementation of this policy is delegated toRisk Management Committee, who have flexibility to act within the bounds of the authorised policy limits. Group policy is to not enter, issue or hold derivative financial instruments for speculative trading purposes. Compliance with the policy is monitored on an ongoing basis through regular reporting to the Board.

(x) Taxation

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Current tax for the current and prior years is recognised as a liability or asset to the extent that it is unpaid or refundable.

Deferred tax

Deferred tax is accounted for using the liability method on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset and liability giving rise to them are realised or settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation Authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(y) Value Added Tax (VAT)

Revenues, expenses, assets and liabilities are recognised net of the amount of Value Added Tax (VAT), except:

i) where the amount of VAT incurred is not recoverable from the taxation Authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii) for trade receivables and trade payables which are recognised inclusive of VAT.

The net amount of VAT recoverable from, or payable to, the taxation Authority is included as part of receivables or payables.

The VAT component of cash flows arising from operating and investing activities which are recoverable from or payable to the taxation Authority is classified as operating cash flows.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

3. RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(a) Market risk

Market risk is the risk that changes in market prices, such as fuel prices, foreign exchange rates and interest rates, will affect the Company's cash flows and profits. The objective of market risk management is to manage and control market exposures, within tolerances.

The Company enters into derivatives to manage market risks relating to fuel prices and foreign exchange rates. Derivatives are recognised at fair value on an ongoing basis. On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company assesses, both at the inception of the hedge relationship and on an ongoing basis, whether the hedging instruments are expected to be "highly effective".

Hedges of highly probable forecast transactions which are exposed to variations in cash flows that could ultimately affect profit or loss are called cash flow hedges. Changes in the fair value of derivatives designated as cash flow hedges are recognised directly in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss. Cumulative gains and losses in other comprehensive income, including those relating to discontinued hedges, are recognised in profit or loss in the periods in which the hedged item will affect profit or loss.

The following table summarises the Derivative Financial Assets and Liabilities of the company related to the Company's forward foreign exchange and fuel hedging contracts as at reporting date.

	31-Dec-18 $'000	31-Dec-17 $'000
Current assets		
Forward foreign exchange contracts - cash flow hedges	1,037	-
Fuel hedging contracts - cash flow hedges	276	-
Total derivative financial asset	**1,313**	**-**
Current liabilities		
Forward foreign exchange contracts - cash flow hedges	99	-
Fuel hedging contracts - cash flow hedges	9,295	-
Total derivative financial liability	**9,394**	**-**

(i) Foreign exchange risk

The Company procures a significant portion of its supplies from overseas and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US, AU and NZ dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Management has set up a policy to require the Company to manage its foreign exchange risk against its functional currency, in this case the Fiji dollar. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency other than the Fiji dollar.

To protect against exchange rate movements, the Company uses forward exchange contracts and option contracts to purchase US dollars to hedge highly probable forecasted fuel purchases for the ensuing financial periods. The contracts are timed to mature when the fuel bills are expected to be settled. Realised gains or losses on these contracts arise due to differences between the actual spot rates on settlement, the forward rates of the derivative contracts and the cost of option premiums paid.

	31-Dec-18 $'000	31-Dec-17 $'000
Foreign exchange hedging gains/(losses) recognised in fuel cost	2,136	-

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

3. RISK MANAGEMENT

3.1 Financial risk factors (cont'd)

The weighted average contract rates of hedge accounted foreign currency derivatives outstanding as at reporting date are set out below:

	Weighted Average Hedge Rate	Notional Amount US$'000
FJDUSD Forwards	0.4626	6,300
AUDUSD Options	0.7227	13,700

Forward exchange contracts are initially recognised at fair value on the date a derivative contract is entered into and are subsequently restated to their fair value at each reporting date.

(ii) Price risk

The Company does not have investments in equity securities and hence is not exposed to equity securities price risk. However, the Company is exposed to commodity price risk as it purchases fuel through a local agent from offshore. The volatility on international fuel prices and its impact on the Company's profitability is given below considering two scenarios based on price, quantity mix, demand growth and hydro availability.

	Average Fuel Price (F$/Metric Tonne)	Consumption (Metric Tonne)	Fuel costs $'000
31 December 2018 (Actual)	1,425.59	91,441	130,357
Fuel price-Increase by 10%	1,568.15	91,441	143,393
Fuel Price-Decrease by 10%	1,283.03	91,441	117,321

Based on the above, if fuel price increase or decrease by 10%, the fuel costs to the Company would increase or decrease by $13.04 million annually. The above sensitivity calculation is based on the 2018 fuel consumption levels.

The Company's fuel price risk management strategy aims to provide EFL with protection against sudden and significant increases in fuel prices while ensuring that the Company is not competitively disadvantaged in the event of a substantial decrease in the price of fuel.

The Company's risk management policy is to hedge anticipated IDO and HFO fuel consumption subject to limits determined by the Board. This exposure is managed by using the ICE Brent crude commodity swaps, option contracts and other fuel related derivatives. These contracts are designated as hedges of price risk on specific volumes of future IDO and HFO fuel consumption. The Company considers Brent crude to be a separately identifiable and measurable component of Singapore IDO and HFO. The price of Brent crude is highly correlated with the price of Singapore IDO and HFO.

Realised gains or losses on fuel hedging contracts arises due to differences between the actual fuel prices on settlement, the forward rates of derivative contracts and the cost of option premiums paid.

	31-Dec-18 $'000	31-Dec-17 $'000
Brent crude heding gains/(losses) recognised in fuel cost	(2,026)	-

The weighted average contract rates of hedge accounted fuel derivatives outstanding as at reporting date are set out below:

	Weighted Average Hedge Strike Rate US$/bbl	Notional Amount Barrels
Brent Swap	73.69	199,000
Brent Option	72.28	160,000

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

3. RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(iii) Interest rate risk

The Company has significant interest-bearing assets in the form of short-term cash deposits. These are at fixed interest rates hence there are no interest rate risks during the period of investment. For re-investment of short and long term cash deposits, the Company negotiates an appropriate interest rate with the banks and invests with the bank which offers the highest interest return.

Given the fixed nature of interest rates described above, the Company has a high level of certainty over the impact on cash flows arising from interest income. Accordingly, the Company does not require simulations to be performed over the impact on net profits arising from changes in interest rates.

All debts of the Company raised through bond issues bear fixed interest rates. Therefore, the Company is not exposed to interest rate risk.

The Company is not exposed to interest rate risk from its borrowings from Suva City Council, as it borrows funds at fixed interest rates.

In relation to the borrowings from other commercial banks, the Company to a certain extent is not exposed to interest rate risk as these borrowed funds are at fixed interest rates, for the agreed term. Thereafter, the interest rates are re-negotiated and new interest rates are agreed upon. The risk is managed closely within the approved policy parameters.

The Company did not enter into any interest swap contracts during the year.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counter party to a financial instrument fails to meet its contractual obligations and arises principally from receivables from customers, investment in debt securities, and cash and call deposits.

The carrying amount of financial assets represents the maximum credit exposure.

The Company has no significant concentrations of credit risk. The Company has policies in place to ensure services are made to customers with an appropriate credit history. The Company does not have any policies that limit the amount of credit exposure to any one customer or group of customers.

Expected credit loss assessment for receivables as at 1 January 2018 and 31 December 2018

The Company uses an allowance matrix to measure the ECLs of Receivables from individual customers, which comprise a large number of balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

The following table provides information about the exposure to credit risk and ECLs for receivables from individual customers as at 31 December 2018:

31 December 2018	Weighted-average loss rate	Gross carrying amount $'000	Loss allowance $'000	Credit impaired
Current – 30 days past due	0.45%	21,324	95	No
31 – 60 days past due	13.73%	555	76	No
More than 60 days past due	20.15%	1,658	334	Yes
		23,537	**505**	
Other debtors	0.04%	12,928	6	No
		36,465	**511**	

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

3. RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(b) Credit Risk (cont'd)

Loss rates are based on actual credit loss experience over the past two years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast GDP growth rates or inflation rates.

The movement in the allowance for impairment in respect of trade receivables and other receivables during the year is disclosed in note 9. Comparative amounts for 2018 represent the allowance account for impairment losses under IAS 39.

Impairment on other receivables has been measured on the 12 month expected loss basis.

Cash at bank and on hand

The Company held cash at bank of $154,579,511 at 31 December 2018 (2017: $98,348,808). The cash is held with a bank, which is rated Aa3 based on Moody's ratings.

Impairment on cash at bank and on hand has been measured on the 12 month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash at bank and on hand have low credit risk based on the external credit ratings of the counterparties.

Debt investment securities

The Company held debt investment securities of $40,000,000 at 31 December 2018 (2017: $60,000,000). The debt investment securities are held with banks which are rated Aa3 to B3 based on Moody's ratings. In relation to debt investment securities held with banks the Company monitors changes in credit risk by tracking published external credit ratings but when external credit ratings are not available or published, the Company monitors changes in credit risk by reviewing available press and regulatory information.

Impairment on debt investment securities held with banks has been measured on the 12 month expected loss basis and reflects the short maturities of the exposures. The Company considers that its debt investment securities held with banks have low credit risk based on the external credit ratings of the counterparties.

On initial application of IFRS 9, the Company recognised an impairment allowance of $71,168 against debt investment securities as at 1 January 2018. During 2018, there was a reversal of $23,723 in this impairment allowance.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to ensure availability of funding. The Company monitors liquidity through rolling forecasts of the Company's cash flow position on daily basis. Overall, the Company does not see liquidity risk as high given that a reasonable portion of revenues are billed and collected.

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed in the table are based on the contractual undiscounted cash flows.

(d) Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The carrying values of financial liabilities and financial assets and provisions are estimated to approximate their fair values.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

3. RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

Financial assets:	Less than one year $'000	2 to 5 years $'000	More than 5 years $'000	Total $'000
Short term deposits (Note 8(a)	39,953	-	-	39,953
Receivables (Note 9)	59,513	-	-	59,513
Derivative financial asset (Note 3.1(a))	1,313	-	-	1,313
Total	**100,779**	**-**	**-**	**100,779**

Financial liabilities:	Less than one year $'000	2 to 5 years $'000	More than 5 years $'000	Total $'000
Trade and other payables (Note 13)	29,857	39,458	57,567	126,882
Bonds payable (Note 15)	29,250	8,000	-	37,250
Interest bearing borrowings (Note 15)	22,987	95,133	122,149	240,269
Derivative financial liability (Note 3.1(a))	9,394	-	-	9,394
Total	**91,488**	**142,591**	**179,716**	**413,795**

3.2 Other risk

(i) Regulatory risk

The Company's profitability can be significantly impacted by regulatory agencies established which govern and control the electricity sector in Fiji. Specifically, fuel surcharges, regulatory fees and electricity tariffs are regulated by the Fijian Competition and Consumer Commission (FCCC).

(ii) Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, and fraud. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial crisis. The Company cannot eliminate all operational risk, but through a control framework and by monitoring and responding to potential risks, the Company is able to manage risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment procedures.

(iii) Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 31 December 2018 and 2017 were as follows:	31-Dec-18 $'000	31-Dec-17 $'000
Total borrowings (Note 15)	277,519	297,566
Less: Cash and cash equivalents (Note 8)	(194,533)	(158,349)
Net debt	82,986	139,217
Total capital and reserves	805,083	751,281
Total capital (total capital and reserves plus net debt)	888,069	890,498
Gearing ratio (net debt / total capital and reserves plus net debt)	9.34%	15.63%

The decrease in the gearing ratio during the year resulted from the repayments of loans net amounting to $22.90M in 2018.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

4. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

In application of the Company's accounting policies, which are described in Note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

The critical judgements and assumptions made in applying the accounting policies of the Company have been disclosed under following notes to the financial statements:

Note 2 (j) – Allowance for inventory obsolescence
Note 2 (p) – Property, plant and equipment
Note 2 (l) – Allowance for impairment on receivables
Note 2(w) - Fuel Hedging

5. OPERATING REVENUE	2018 $'000	2017 $'000
ELECTRICITY SALES		
Commercial	173,423	169,460
Industrial	86,191	83,662
Domestic	85,314	82,611
Others	4,569	4,490
Total electricity sales	**349,497**	**340,223**
OTHER OPERATING REVENUE		
Bad debts recovered	15	16
Contract sales	1,240	4,293
Deferred income	1,780	1,611
Gain on disposal of plant and equipment	304	161
Lease rental - fibre optic	494	494
Power pole rentals	603	603
Rentals - others	8	13
Realised exchange gain, net	1,892	794
Sales and commissions	3,989	1,085
Service and licence fees	2,235	1,786
Training revenue	76	77
Reversal of impairment loss on other investments	24	-
Total other operating revenue	**12,660**	**10,933**
Total revenue	**362,157**	**351,156**

6. PROFIT BEFORE INCOME TAX

Profit before income tax has been determined after charging the following expenses:		
Allowance for impairment loss on trade and other receivables	47	56
Auditor's remuneration for auditing services	46	44
Professional fees for other services	503	538
Directors' fees	41	39
Depreciation on property, plant and equipment	40,799	39,496
Amortisation of intangible assets	397	131
Personnel costs	23,669	23,912

The electricity used internally by the Company in all its locations Fiji wide has been included as cost of producing electricity and therefore is not shown separately as electricity cost and revenue.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

7. a) INCOME TAX EXPENSE	2018 $'000	2017 $'000
The prima facie income tax on the pre-tax profit reconciles to the income tax expense as follows:		
Profit before income tax	79,801	84,169
Prima facie income tax payable at 20%	15,960	16,834
Tax effect of amounts which are not taxable in calculating taxable income:		
- Employee taxation scheme	(6)	(44)
- Amortisation of grant	(356)	(322)
- Tax effect of non - deductible items	288	311
Income tax expense attributable to profit	**15,886**	**16,779**
Income tax expense comprises movements in:		
Deferred tax assets	58	(41)
Deferred tax liabilities	4,967	4,722
Current tax liabilities	10,861	12,098
	15,886	**16,779**

b) DEFERRED TAX ASSET

The deferred tax assets consist of the following deductible temporary differences at future tax rates:

Allowance for impairment loss on accounts receivable and other financial assets	140	140
Unrealised exchange losses	-	58
	140	**198**

c) DEFERRED TAX LIABILITY

The deferred tax liabilities consist of the following taxable temporary differences at future tax rates:

Difference in carrying value of property, plant and equipment for accounting and income tax purpose	55,007	49,904
Unrealized exchange gain	26	162
	55,033	**50,066**

d) CURRENT TAX ASSETS/(LIABILITIES)

Movement during the year were as follows:

Balance at the beginning of the year	(3,056)	(8,145)
Income tax paid	14,958	16,916
Tax liability for the current year	(10,861)	(12,098)
IFRS 9 Adjustment	(23)	-
Resident Interest Withholding Tax deducted at source	239	271
Balance at the end of the year	**1,257**	**(3,056)**

8. CASH AND CASH EQUIVALENTS

Short term deposits (a)	39,953	60,000
Cash at bank and on hand - EFL operation	45,951	39,661
USD bank account - off-shore	3,032	1,123
Project bank account - on-shore (b)	70,833	57,565
USD fuel payment bank account	17,567	-
USD hedge settlement bank account	17,197	-
Total cash and cash equivalents	**194,533**	**158,349**

(a) The short term deposit's amounting to $20M is held with Westpac Banking Corporation (WBC) and $20M is held with Home Finance Company Limited (HFC). The short term deposits has a maturity of three months or less from the date of inception. Accordingly, this deposit has been considered as cash and cash equivalents for the purpose of the statement of cash flows.

(b) The on-shore project bank account is in respect to funds committed to projects that are still in Work-in-Progress (WIP) or are yet to commence as at year end.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

9. RECEIVABLES AND PREPAYMENTS	2018 $'000	2017 $'000
Electricity debtors (a)	33,236	33,960
Other debtors (c)	22,452	1,332
Prepayments and deposits	4,336	4,020
	60,024	**39,312**
Allowance for doubtful debts		
- Electricity debtors	(505)	(700)
- Other debtors	(6)	-
Total receivables and prepayments (net)	**59,513**	**38,612**

(a) Electricity debtors include receivable from Government of Fiji amounting to $3.31M (2017: $3.88M).

(b) The terms of trade for electricity debtors are 14 days from the date of billing.

(c) Other debtors includes $21M receivable from the Government of Fiji in relation to Rural Electrification Projects.

Movements in the allowance for impairment loss of electricity debtors and other debtors are as follows:

	2018	2017
Balance as at 1 January	700	765
Adjustment on initial application of IFRS 9	(186)	-
Impairment loss during the year	47	56
Bad debts written off against provision	(50)	(121)
Balance as at 31 December	**511**	**700**

As at 31 December, the ageing analysis of trade receivables is, as follows:

	Current (F$'000)	30 Days (F$'000)	60 Days (F$'000)	Over 60 Days (F$'000)	Total (F$'000)
2018	31,023	555	202	1,456	**33,236**
2017	26,079	5,597	874	1,410	**33,960**

The maximum exposure to credit risk at the reporting date is the fair value of each classes of receivables mentioned above less electricity deposits. The Company generally obtains security deposits in the form of bank guarantees and cash deposits from all electricity customers which is estimated based on two months electricity consumptions. The total carrying amount of security deposits in relation to the above trade receivables carried by the Company is $44M (2017: $42M). The rest are secured through bank guarantees maintained by the Company. A portion of this security deposit is refunded to customers on a daily basis.

10. INVENTORIES

	2018	2017
Consumables - at cost	42,441	36,182
Goods in transit	597	1,464
Total inventories	**43,038**	**37,646**

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

11. PROPERTY, PLANT AND EQUIPMENT	2018 $'000	2017 $'000
Freehold land		
At cost	**28,943**	**28,943**
Leasehold land		
At cost	14,693	14,693
Accumulated depreciation	(2,363)	(2,208)
	12,330	**12,485**
Buildings and improvements		
At cost	89,293	86,824
Accumulated depreciation	(21,640)	(20,497)
	67,653	**66,327**
Dam, tunnels, water conductor		
At cost	553,056	546,812
Accumulated depreciation	(95,478)	(85,210)
	457,578	**461,602**
Plant, equipment and transmission assets		
At cost	692,932	636,881
Accumulated depreciation	(286,297)	(262,200)
	406,635	**374,681**
Furniture and fittings		
At cost	31,512	29,954
Accumulated depreciation	(21,194)	(19,804)
	10,318	**10,150**
Wind mill		
At cost	34,393	34,393
Accumulated depreciation	(19,774)	(18,045)
	14,619	**16,348**
Motor vehicles		
At cost	25,624	21,011
Accumulated depreciation	(18,668)	(16,877)
	6,956	**4,134**
Capital spares		
At cost	**4,027**	**4,343**
Capital works in progress		
- Rural and Urban Reticulation Project	37,612	25,567
- Switchgear Upgrade (Labasa, Hibiscus Park & Suva Substation)	1,124	12,518
- 10MW HFO Genset Vuda P/S	3,067	-
- Tavua Volivoli Grid Extension Project	-	12,438
- 33kV Underground Cabling Project	3,281	7,879
- Main Inlet Valve (MIV) Wailoa Power Station	-	8,676
- Generator Rehabilitation Project at Wailoa	8,467	-
- Ageing Assets	3,533	-
- Virara Project	2,134	-
- 25MVA Transformer Upgrade & Replacement at Kinoya Power Station	3,999	2,344
- Others	7,716	6,463
	70,933	**75,885**
Total		
- At cost	1,545,406	1,479,739
- Accumulated depreciation	(465,414)	(424,841)
Closing net book value	**1,079,992**	**1,054,898**

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year is set out as follows:

	Freehold land $'000	Leasehold land $'000	Buildings & improvements $'000	Dam, tunnels and water conductor $'000	Plant, equipment & transmission assets $'000	Furniture & fittings $'000	Wind mill $'000	Motor vehicles $'000	Capital spares $'000	Capital work in progress $'000	Total $'000
Balance as at 1 January 2017	28,943	12,278	62,913	459,731	369,589	10,522	18,081	2,661	4,490	65,454	**1,034,662**
Additions	-	-	-	-	-	10,522	-	-	156	59,657	**59,813**
Disposals	-	-	-	-	-	(3)	-	-	-	-	**(3)**
Transfers	-	359	4,558	11,973	28,716	919	-	2,701	(78)	(49,226)	**(78)**
Depreciation charge	-	(152)	(1,144)	(10,102)	(23,624)	(1,288)	(1,733)	(1,228)	(225)	-	**(39,496)**
Balance as at 31 December 2017	**28,943**	**12,485**	**66,327**	**461,602**	**374,681**	**10,150**	**16,348**	**4,134**	**4,343**	**75,885**	**1,054,898**
Additions	-	-	-	-	-	1,558	-	-		64,419	**65,977**
Transfers	-	-	2,469	6,243	56,052		-	4,612	(89)	(69,371)	**(84)**
Depreciation charge	-	(155)	(1,143)	(10,267)	(24,098)	(1,390)	(1,729)	(1,790)	(227)	-	**(40,799)**
Balance as at 31 December 2018	**28,943**	**12,330**	**67,653**	**457,578**	**406,635**	**10,318**	**14,619**	**6,956**	**4,027**	**70,933**	**1,079,992**

a) Government intends to transfer all of EFL's freehold land to Assets Fiji Limited (AFL), a registered company that is wholly owned by Government. AFL will then subsequently lease back the freehold land to EFL. This is anticipated to occur at the completion of the divestment of up to 44% shares to institutional investors.

b) Certain property, plant and equipment forming part of the Company's Power Infrastructure System are not insured for various risks including risk of losses arising from fire, cyclone, flooding, business interruption and others as the cost of insurance is significant.

c) In accordance with security arrangements in respect to secured borrowings from ANZ Bank, as discussed in Note 15 of the financial statements, property, plant and equipment have been pledged as security.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

12. INTANGIBLE ASSETS	2018 $'000	2017 $'000
Software License		
Gross carrying amount:		
Balance as at 1 January	7,952	6,490
Additions	-	1,462
Balance as at 31 December	**7,952**	**7,952**
Accumulated amortisation:		
Balance as at 1 January	(5,951)	(5,820)
Amortisation for the year	(397)	(131)
Balance as at 31 December	**(6,348)**	**(5,951)**
Net book amount	**1,604**	**2,001**

Software license are made up of the Company's Financial Management Information System, Payroll System, Billing System and other specialized Energy Monitoring Information System. The software license has been valued at cost and amortised by an impairment charge over its remaining life to arrive at the carrying amounts.

13. TRADE AND OTHER PAYABLES

	2018 $'000	2017 $'000
Current		
Trade creditors	14,313	4,393
Other creditors and accruals	8,091	12,444
VAT payable	505	2,630
Accrued interest	674	676
Customer security deposits	1,423	1,662
General extension refundable deposits	4,851	278
Total current trade and other payables	**29,857**	**22,083**
Non-Current		
Customer security deposits	42,224	40,671
General extension refundable deposits	54,801	58,747
Total non-current trade and other payables	**97,025**	**99,418**

The customer security deposits relates to the mandatory cash deposit which is equivalent to two months electricity consumptions in accordance with the Electricity Act. This is refunded to the customer when the electricity account is permanently closed. The general extension refundable deposits are the capital contribution from prospective customers or developer for the supply of electricity from the Company's nearest grid in accordance with the General Extension Policy. The amount is refunded to the customer over a period of 5 and 8 years.

14. EMPLOYEE BENEFIT LIABILITY

	2018 $'000	2017 $'000
Annual leave	1,102	1,027
Performance pay	2,007	1,915
Total employee benefit liability	**3,109**	**2,942**
Balance as at 1 January	2,942	2,649
Additional employee benefit liability provided during the year, net of payments	167	293
Carrying Amount as at 31 December	**3,109**	**2,942**
Employee numbers		
Number of full-time equivalent employees as at 31st December	805	772

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

15. INTEREST BEARING BORROWINGS	2018 $'000	2017 $'000
Current		
Bonds (a)	29,250	-
Term Loans - ANZ Bank (b)	17,974	17,114
Term Loan - Suva City Council (c)	50	48
Term Loans - FNPF (d)	4,963	4,799
Total current interest bearing borrowings	**52,237**	**21,961**
Non-Current		
Bonds (a)	8,000	37,250
Term Loans - ANZ Bank (b)	162,079	178,137
Term Loan - Suva City Council (c)	4,955	5,005
Term Loans - FNPF (d)	50,248	55,213
Total non-current interest bearing borrowings	**225,282**	**275,605**
Total interest bearing borrowings	**277,519**	**297,566**

(a) Bonds

The Reserve Bank of Fiji offers, manages and carries out registry services on behalf of the Company. The Company's bonds are issued in competitive tenders. The bonds are recorded at cost which reflects the face value of the bonds.

The maturing terms of the bonds range from 1 to 5 years, whilst the interest rates vary from 6.80% to 7.19% per annum. The bonds are guaranteed by the Government of Fiji.

(b) Term loans - ANZ Bank

The interest bearing borrowings from ANZ Bank are at competitive rates and are repayable on monthly instalments. The term loans from ANZ Bank are secured by:

(i) First registered mortgage debenture over all assets and undertakings including capital and unpaid premiums.

(ii) International Swaps and derivatives association, Inc. (ISDA) 2002 Master Agreement.

During the year, the Company refinanced its USD foreign currency loan amounting to USD10.2M into FJD.

(c) Term loan - Suva City Council

The term loan from Suva City Council (SCC) is subject to interest at fixed rate of 3% per annum and is unsecured. The loan is repayable over a period of 87 years in equal instalments of $200,000 on 25th July each year until July 2065.

(d) Term loan - FNPF

The interest bearing borrowings from FNPF are at an agreed interest rate ranging from 3.25% to 3.85% and are repayable on monthly instalments. The term loans from FNPF are secured by the guarantee given by the Government of Fiji.

Reconciliation of movement of liabilities to cash flows from financing activities.

Balance at 1 January 2018	297,567	
Changes from financing cash flows		
Repayment of borrowings	(22,898)	
Proceeds from borrowings	2,850	
Total changes from financing cash flows	**(20,048)**	
Other changes – liability related		
Interest expense	12,355	
Interest paid	(12,566)	
Net movement in accrued interest	188	
Total liability related other changes	-	
Balance at 31 December 2018	**277,519**	

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

16.DEFERRED INCOME	2018 $'000	2017 $'000
EEC Grant In Aid		
EEC Grant in Aid	12,330	12,330
Less: accumulated amortisation	(9,674)	(9,192)
Closing balance - 31 December	**2,656**	**3,138**
Government Grant For Rural Electrification		
Government Grant for Rural Electrification (a)	87,852	48,761
Less: accumulated amortisation	(7,333)	(6,916)
Closing balance - 31 December	**80,519**	**41,845**
Australian Grant Cyclone Winston – Vehicle		
Australian Grant Cyclone Winston – Vehicle	140	140
Less: accumulated amortisation	(73)	(45)
Closing balance - 31 December	**67**	**95**
Government Grant - Somosomo Hydro		
Govt. Grant - Somosomo Hydro	14,642	14,642
Less: accumulated amortisation	(673)	(337)
Closing balance - 31 December	**13,969**	**14,305**
Government Grant - Waiyevo Taveuni		
Govt. Grant - Waiyevo Taveuni	6,296	6,296
Less: accumulated amortisation	(723)	(387)
Closing balance - 31 December	**5,573**	**5,909**
75% Non - Refundable Capital Contribution		
75% no-refundable capital contribution	1,767	-
Less: accumulated amortisation	(181)	-
Closing balance - 31 December	**1,586**	-
Total deferred income (net)	**104,370**	**65,292**

(a) In 2018, the Company received $18.1M and $21M was receivable in the form of capital grant (as part of non-refundable contribution) from the Government of Fiji to assist in rural electrification scheme.

Reconciliation of the carrying amounts of deferred income at the beginning and end of the current financial year is set out as follows:

	75% Non-Refundable Capital Contribution	EEC Grant In Aid $'000	Government Grant For Rural Electrification $'000	Australian Grant Cyclone Winston Vehicle $'000	Govt.Grant Somosomo Hydro $'000	Govt.Grant Waiyevo Taveuni $'000	Total $'000
Balance as at 31 December 2017	-	**3,138**	**41,845**	**95**	**14,305**	**5,909**	**65,292**
Additions	1,767	-	39,091	-	-	-	40,858
Transfers from/(to)	-	-	-	-	-	-	-
Amortisation charge	(181)	(482)	(417)	(28)	(336)	(336)	**(1,780)**
Balance as at 31 December 2018	**1,586**	**2,656**	**80,519**	**67**	**13,969**	**5,573**	**104,370**

17. CONTINGENT LIABILITIES

(a) Miscellaneous claims

No provision has been recorded in the financial statements for unsecured contingent liabilities mainly in respect of sundry court actions against the Company. The Company estimates such liability, if any, to be immaterial.

(b) Contingent liabilities exist with respect to the following:

Letter of credit	9,212	-
Litigation claims - others	772	649
	9,984	**649**

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

18. COMMITMENTS	2018 $'000	2017 $'000

Estimated amounts of lease expenditure committed at balance date but not provided for in the financial statements:

(a) Operating lease expenditure commitments

Native and Crown leasehold land and other premises		
Later than one year	1,604	1,578
Later than one year but not later than five years	5,876	5,834
Later than five years	103,599	103,857
Total operating lease expenditure commitments	**111,079**	**111,269**

The Native and Crown leasehold land includes the lease obtained for the Monasavu land. The settlement signed with Monasavu land owners and the iTaukei Land Trust Board commits EFL to the following future payments:

Later than one year	840	840
Later than one year but not later than five years	3,360	3,360
Later than five years	64,680	65,520

(b) Operating lease revenue commitments

Operating leases contracted for the rental of fibre optic and power poles by the Company with the lessees are receivable as follows:

Later than one year	1,089	1,089
Later than one year but not later than five years	-	1,089
Total operating lease revenue commitments	**1,089**	**2,178**

(c) The Energy Fiji Limited (EFL) has a commitment with Pernix (Fiji) Limited (PFL) whereby the PFL operates and maintains Kinoya and Vuda Power Stations at contractually determined rates for the Company. The power produced at these two Diesel Power Stations is directly connected with the main power grid of the EFL. Pernix. PFL's contract with EFL will expire on 26 May 2028.

(d) The Company also has commitment with various other Independent Power Producers (IPPs) for purchase of energy.

19. CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure contracted for at balance date but not otherwise provided for in the financial statements.	**31,371**	**18,098**
Projects approved by the Board but not contracted for at balance date	**166,692**	**165,049**

Capital expenditure commitments are in respect to the following projects:

Meter & Metering Accessories, New Meter Connections/Regulatory & Test Bench, New Fire Alarm System, Purchase of 5T electrical hoist for Levuka P/S, Upgrade of Wailoa fire protection system to NZ4541 standard, Sprinkler System - Vuda P/S 10MW Oil Cube, Distribution & System Reinforcement , EFL Capital Contribution for subdivision projects (25% as per FCCC Determination), 50% FEA Contribution for Keiyasi Settlement, DRC WAN Resilience upgrade, Motor Vehicle Purchase , Monasavu Half Life project, Wainiqeu Hydro Station 11kV Switchgears & Control upgrade, Upgrade of Vuda G1 & G2 MCC panel & Amot control panels , Upgrade of 6 x 1.6MW Genset Remote Radiators / Kinoya G8 and G9 Turbocharger / Kinoya Cat G1 to G4 Control & Automation System, Transformer upgrade , EFL Backbone Communication Network Upgrade, Radio Link upgrade (RT & SCADA), New 11kV feeder from Komo Park substation to Walu Bay/ Port area , Pacific Lumber feeder upgrade, Virara to Koronubu project, Koronubu 132/33kV Substation and 33kV Network Integration , Install an Obemiyer Rubber Dam at Monasavu Dam Spillway, Replacement of 1x 1.6 @ Deuba & 2x700 / 2x1MW at Levuka, Central 6.6kV to 11kV Network Migration, Telecom tower upgrade, Transmission- 132kV tower replacement, 33kV Cunningham - Hibiscus Park cable , 33kV Outdoor CB's, Fibre-Optic Installation Taveuni & Knolly , 33kV Cabling Denarau / Knolly Street & Hibiscus Park-Suva Sub, Aged Asset, Wailoa Half Life, System Protection upgrades, PDP - 33kV Sub-Transmission Network Development - Naikabula , Purchase of 10MW diesel generating sets for Vuda P/S, Solar Farm.

20. EVENTS SUBSEQUENT TO BALANCE DATE

EFL has early redeemed its three high interest bonds amounting to $29.25M that will be expiring in 2020 and 2022 respectively. $29M bond is for FNPF at a coupon rate of 6.83% p.a. This was early redeemed on 1st January 2019. Further, EFL has also early redeemed $0.25M of the LICI Bond at a coupon rate of 6.8% p.a on 5th January 2019.

There were no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

21. SIGNIFICANT EVENTS DURING THE YEAR

a) On 16 April 2018 the Hon. Minister of Public Enterprises, Mr Aiyaz Sayed-Khaiyum made the announcement of corporatisation of FEA to a limited liability company called Energy Fiji Limited. As a public company limited by shares, Energy Fiji Limited is harnessing the expertise, innovation and efficiency of the private sector like never before. Now, the Fijian people will be served by a competitive and customer-focused energy provider that is fully capable of meeting our country's growing need for clean and renewable energy.

EFL is putting the Fijian people at the very centre of Fiji's energy sector. As part of that commitment, the Fijian Government offered 5% non-voting shares in EFL to domestic electricity customers completely free of charge giving Fijians the chance to become shareholders in a billion-dollar asset company.

b) During the first half of the year EFL was hit by two tropical cyclones namely Tropical Cyclone Josie and Tropical Cyclone Keni which affected the operations of EFL and damaged EFLs transmission and distribution structure costing EFL $2.02M in repair costs to bring these assets back in operating conditions.

c) The EFL Board endorsed the implementation of the Fuel and Foreign Currency hedging for EFL effective from 1st May 2018, to mitigate against the risks of rising fuel prices and the appreciation of USD against the FJD as EFL is exposed to variability in movements of IDO and HFO Diesel prices (which are based on Brent/WTI Crude Oil global market prices) and foreign exchange rates (in particular FJD/USD).

22. RELATED PARTY TRANSACTIONS

a) Energy Fiji Limited (EFL) is a public company limited by shares and is registered under the Companies Act 2015. EFLs transactions with the Government of Fiji during the year are as follows:

	2018 $'000	2017 $'000
Government guarantee fee expensed during the year	723	1,139

The Government of Fiji also provides guarantees on the bonds issued by RBF for the Company. As at balance date, the Company had borrowed funds amounting to $92.5 million under this guarantee.

(b) Directors

The names of persons who were directors of the Company during the year 2018 are as follows:

Daksesh Patel (Chairman)
Gardiner Henry Whiteside (Deputy Chairman)
Alipate Naiorosui
David Kolitagane
Kamal Goundar
Hasmukh Patel (Ex-officio Member)

The directors fees paid during the year were $40,500

(c) Key Management Compensation

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

During the year, the Chief Executive Officer and Executive Management Group were identified as the key management personnels.

The aggregate remuneration and compensation paid to key management personnel, for the financial year ended 31 December 2018 and 2017 were:

Salary, performance pay and allowances	1,715	1,646
Superannuation	172	165
Other benefits	3	4
Total	**1,890**	**1,815**

(d) During the year, the Company supplied electricity to the Government of Fiji, other Government owned entities, directors, related entities and executives at normal commercial rates, terms and conditions.

(e) Receivable/payable to related parties have been disclosed in respective notes to the financial statements.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2018

23. SHARE CAPITAL

	2018 $'000	2017 $'000
Issued and paid up 500,000,000 shares	750,000	-

As at 31 December 2017 retained profits were $656,082,000 and capital contributions amounted to $95,199,000, in light of the corporatisation of Fiji Electricity Authority to Energy Fiji Limited, the Government as shareholders used the 31 December 2017 figures as a basis (amongst other things) to derive share capital amounting to $750,000,000.

During the formation of Energy Fiji Limited in April 2018 as a Limited Liability Company, the entire $750M was transferred to the Fiji Government as the only Shareholder at that time.

The $750M share capital is made up of 500,000,000 shares. Out of the 500,000,000 shares, 95% (475,000,000 shares) was approved to be retained by Government and 5% (25,000,000 shares) to be issued to the Non-Voting Shareholders (domestic customers) of EFL. Out of the 25,000,000 shares approved for the 5% non-voting shareholders, 6,935,800 shares were issued as at 31 December 2018. The balance of 18,064,200 shares will be transferred to a trustee in 2019 who will be managing the issue of these shares to the existing customers/future customers of EFL.

24. RESERVES

Hedge reserve

The hedge reserve is used to recognise the effective portion of changes in the fair value of cash flow hedging instruments. If the hedging instrument no longer meets the criteria for hedge accounting, is expired or sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in the hedge reserve remains there until the forecast transaction is recognised in profit or loss.

Hedging reserves	(10,204)	-

Generation Statistics

Years	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Units Generated Wailoa Hydro Mwh	436,081	382,963	424,818	466,765	420,195	314,341	320,875	384,451	381,527	433,970
Units Generated Wainiqeu Hydro Mwh	63	898	1,968	1,027	2,056	983	834	718	448	129
Units Generated Wainikasou Hydro Mwh	16,058	19,238	19,404	18,721	5,935	15,027	19,895	21,258	20,912	21,712
Units Generated Nagado Hydro Mwh	7,990	10,520	10,279	8,856	611	3,080	11,357	3,296	-	-
Units Generated Nadarivatu Hydro Mwh				29,892	98,600	67,537	52,988	85,765	86,075	108,739
Units Generated Somosomo Hydro Mwh									2,227	2,159
Total Generated Hydro Mwh	460,192	413,619	456,469	525,261	527,397	400,968	405,949	495,488	491,189	566,709
Units Generated in VLIS Diesels Mwh	153,990	236,356	211,767	94,215	94,425	230,957	227,042	83,283	116,470	69,136
Units Generated Diesel Others Mwh	43,670	52,537	44,453	48,187	46,971	49,605	47,258	49,615	50,609	54,866
Units Generated HFO Kinoya & Vuda	112,264	126,237	83,540	128,881	183,359	173,477	206,122	291,609	323,879	299,739
Total Generated Thermal Mwh	309,924	415,130	339,760	271,283	324,755	454,039	480,422	424,507	490,958	423,741
Unit Generated from Butoni Wind Farm	7,211	6,420	4,977	6,809	5,348	4,269	5,674	3,632	2,083	2,558
Total Generated Wind & Solar Mwh	7,211	6,420	4,977	6,809	5,348	4,269	5,674	3,632	2,083	2,558
Total EFL Generation (Mwh)	777,327	835,169	801,206	803,353	857,500	859,276	892,045	923,628	984,230	993,009
Generation - Independent Power Producers	20,555	19,800	35,975	38,902	14,719	32,513	22,350	10,580	23,483	39,939
Total Generation	**797,882**	**854,969**	**837,181**	**842,255**	**872,219**	**891,789**	**914,395**	**934,208**	**1,007,713**	**1,032,947**
Made up of										
Total VLIS Generation (Mwh)	733,594	781,734	754,785	754,139	808,473	808,687	843,953	873,294	930,945	935,855
Total Other Generation (Mwh)	43,733	53,435	46,421	49,214	49,027	50,589	48,091	50,334	53,285	57,154
Station Auxilliary usage Mwh	9,050	9,268	8,952	8,343	9,196	10,130	8,106	11,281	11,873	12,139
Auxilliaries as % of Generation	1.16%	1.11%	1.12%	1.04%	1.07%	1.18%	0.91%	1.22%	1.21%	1.22%
% contribution from Hydro	59.20%	49.53%	56.97%	65.38%	61.50%	46.66%	45.51%	53.65%	49.91%	57.07%
% contribution from Thermal	39.87%	49.71%	42.41%	33.77%	37.87%	52.84%	53.86%	45.96%	49.88%	42.67%
% contribution from Wind & Solar	0.93%	0.77%	0.62%	0.85%	0.62%	0.50%	0.64%	0.39%	0.21%	0.26%
% increase / (decrease) in Hydro Generation	-7.05%	-10.12%	10.36%	15.07%	0.41%	-23.97%	1.24%	22.1%	-0.9%	15.4%
% increase / (decrease) in Thermal VLIS Generation	19.09%	36.18%	-18.56%	-24.45%	24.51%	45.59%	7.10%	-13.5%	17.5%	-16.2%
% increase / (decrease) in Total Thermal Generation	14.90%	33.95%	-18.16%	-20.15%	19.71%	39.81%	5.81%	-12%	16%	-14%
% increase / (decrease) in Total Generation	1.03%	7.44%	-4.07%	0.27%	6.74%	0.21%	3.81%	4%	7%	1%
Maximum Dam Level (AMSL)	742	739	743	747	743	736	742	747	746	746
Minimum Dam level (AMSL)	723	727	735	731	730	724	734	739	734	734

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