fea
energising our nation

LIGHTING THE WAY TO A **BETTER FIJI**

ANNUAL REPORT 2017


"We take pride in providing the energy that is improving Fijian lives and well-being."

Contents

About Us

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

The Board Members of the Authority are appointed by the Government. The Chief Executive Officer is an ex-officio Member of the Board and is responsible to the Members for the Authority's management and for the execution of its policies. The powers, functions and duties of the Authority under the Electricity Act are for the basic purpose of providing and maintaining a power supply that is financially viable, economically sound and consistent with the required standards of safety, security and quality. A uniform tariff rate is charged for electricity used by each consumer group. The tariffs are determined according to government policy and are designed to meet specified targets while achieving a reasonable rate of return for the Shareholder.

The Authority 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. The Authority is also governed by the requirements under the Public Enterprises Act.

Our Vision

Energising our Nation

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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.

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Our Values

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

Letter to the Minister

The Honourable Minister for Infrastructure and Transport
Level 4, Nasilivata House
Ratu Mara Road
Samabula, Suva

28 June 2018

Dear Minister,

In accordance with Section 25 of the Electricity Act Cap 180, I am pleased to present our Annual Report for 2017.

This year's report incorporates a comprehensive summary of FEA's operations and activities, along with the ultimate measure of performance: our Financial Statements for the year, ending 31 December 2017.

Honourable Minister, the numbers make it clear: FEA is strong, we are growing, and we aren't stopping here.

2017 was a year for the history books: we marked our highest-ever before-tax profit, totalling $84.2 million. This impressive performance can be attributed to several key factors: the prudent decision-making of our corporate leadership, our expansion into new parts of Fiji and increased sales, and overall economic prosperity, the hard work and dedication of all members of our FEA family, and the unyielding support of the Fijian Government.

On behalf of all members of the Authority, I thank Government for this support. FEA looks forward to continuing to work together to build on the progress and prosperity that we experienced in 2017, not only in 2018, but in the many exciting years to come.

Together, we will continue to grow, to innovate, and to bring the benefits of electricity to more Fijians than ever before. Together, we will continue to energise our nation.

Sincerely,

Daksesh Patel, Chairman

Members of the Authority

Daksesh Patel
Chairman

Gardiner Whiteside
Deputy Chairman

Paul Bayly
Member

Alipate Naiorosui
Member

Kamal Goundar
Member

Hasmukh Patel
Ex-Officio Member

Executive Management Team

Hasmukh Patel
Chief Executive Officer

Bobby Naimawi
Chief Financial Officer/
Board Secretary

Eparama Tawake
General Manager
Generation

Jitendra V. Kumar
General Manager
Network

Om Dutt Sharma
General Manager
System Planning
& Control

Tuvitu Delairewa
General Manager
Commercial

Annabel Ducia
General Manager
Customer Services

Randhir Charan
Acting General
Manager
Human Resources

Umesh Chandra
Chief Information
Officer

Corporate Governance

The Board of Directors ("The Board") is committed to maintaining high standards of corporate governance by establishing a sound and effective governance framework for the management and conduct of FEA's business. Our governance practices comply with statutory requirements and assist staff to deliver on the expectations of the stakeholders by promoting accountability, transparency, integrity and stewardship across the Authority.

The corporate governance framework of FEA ensures that we make timely disclosures and share accurate information regarding our financials and performance, as well as disclosures related to the leadership and governance at FEA. We believe that an active, well-informed and independent board is necessary to ensure the highest standards of corporate governance. At FEA, the Board is at the forefront of our corporate governance practice. The Board oversees the Management's functions and protects the long-term interests of our stakeholders.

As at December 31, 2017, the Board is comprised of six members, of which three members are independent directors. An independent director is nominated as the chairperson of each of the Board Sub-Committees, namely Major Projects Sub-Committee, Audit & Finance Sub-Committee, Human Resources Sub-Committee and Board Tender Sub-Committee.

The FEA Chairman Mr. Daksesh Patel, the Attorney-General and Honourable Minister for Economy, Mr. Aiyaz Sayed-Khaiyum, the Honorable Prime Minister, Josaia Voreqe Bainimarama, Mr. YP Reddy (Ex-Board Member) and the Honourable Minister for Infrastructure & Transport, Mr. Parveen Bala cutting cake during the Golden Jubilee celebration of FEA at the Grand Pacific Hotel, in Suva.

As at 31st of December 2017, the Board composition was as follows together with the number of Board Meetings attended.

Board Members

DIRECTOR		NO. OF BOARD MEETINGS ATTENDED
Daksesh Patel	Board Chairman	11
Gardiner Whiteside	Deputy Chairman	12
Paul Bayly	Member - Permanent Secretary for Infrastructure and Transport (Resigned November 2017)	11
David Kolitagane	Member - Acting Permanent Secretary for Infrastructure and Transport (Joined December 2017)	1
Kamal Gounder	Member - Ministry of Economy	11
Alipate Naiorosui	Member - Private Sector	11
Hasmukh Patel	Ex-Officio Member - Chief Executive Officer	12

BOARD OF DIRECTORS

The principal role of the Board is to determine the Authority's strategic direction to ensure the long term sustainability of the Authority and to cater for the energy requirements of the nation. The Board has a balanced mix of skills, knowledge and experience necessary to govern the Authority and to meet the challenges that the Authority faces. The Government as the sole shareholder ensures that the Board membership represents an appropriate balance between Directors with experience and knowledge of the Authority and Directors with an external perspective. The Shareholder ensures that the Board composition will result in effective discussions and decision making.

APPOINTMENT

The Authority welcomed the appointment of its new Acting Permanent Secretary for Infrastructure and Transport Mr David Kolitagane in December 2017 into the Board after the resignation of Mr Paul Bayly at the end of November 2017.

BOARD SUB-COMMITTEES

The following Sub-Committees of the Board assisted the Board in advisory functions:

MAJOR PROJECTS SUB-COMMITTEE

The key role of the Sub-Committee is to assist the Board in fulfilling its responsibilities by overseeing the delivery of any major infrastructure projects being constructed by the Authority in a timely, efficient and cost effective manner including making decisions in relation to the project as and when required.

AUDIT & FINANCE SUB-COMMITTEE

The key role of the Sub-Committee is to oversee the financial performance of the Authority, the Internal Audit function by providing assurance on the effectiveness of the Authority's internal control processes and oversee the financial reporting as well as discuss risk management practices.

HR SUB-COMMITTEE

The Sub-Committee is responsible for overseeing the compliance of corporate governance in relation to Human Resource matters. It provides advice to the Board regarding the development, implementation and effectiveness of Human Resource Policies and Strategies and Occupational Health & Safety Management.

TENDER SUB-COMMITTEE

The Sub-Committee is responsible for overseeing the compliance and good governance in relation to the evaluation and award of tenders valued above $700k and make recommendations to the Board for their consideration and approval.

POLICY BASED CORPORATE GOVERNANCE

The Authority has also adopted a policy based on corporate governance to ensure that all employees are committed to the principles of corporate governance standards consistent with best practice, hence, the following policies were implemented to strengthen corporate governance in FEA: 1) Whistleblower Policy, 2) Gifts Policy, and 3) Anti-Money Laundering Policy.

FEA Director Mr.Kamal Gounder, Fiji Electricity Authority CEO Mr.Hasmukh Patel, FEA Chairman Mr.Daksesh Patel, Attorney-General and Minister for Economy Mr. Aiyaz Sayed-Khaiyum, FEA Deputy Chairman Mr. Gardiner Whiteside, Permanent Secretary for Public Enterprises Mr. David Kolitagane, and FEA CFO Mr. Bobby Naimawi during the handing over of the $20M Dividend cheque payment to Government. For the first time in its history, FEA paid a Dividend of $20M to the Government of Fiji.


Recharge
Here

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Chairman's Report

DAKSESH PATEL / FEA CHAIRMAN

2017 was a remarkable year for the Fiji Electricity Authority. *We achieved a record-breaking before-tax profit. We expanded into thousands more Fijian homes and businesses, exceeding our own projections. We completed our recovery from Tropical Cyclone Winston — the strongest storm to ever strike the Southern Hemisphere — rebuilding Fiji's energy industry to be stronger, more sustainable, and more resilient than ever before. And we laid the foundation for a successful 2018, a year when FEA will mark the beginning of a new era with our planned corporatisation.*

Investing in Fiji's Energy Future

FEA is committed to constantly finding ways to innovate and upgrade our existing energy infrastructure–something that is accomplished through prudent financial management and thoughtful reinvestment.

Maintaining our profitability will be key to our ambitious plans for further upgrades that are planned for the years to come, including upgrading around $155 million in aging assets, implementing our 10-Year Power Development Plan at a total cost of around $2.5 billion, and specifically, funding the refurbishment of Monasavu Hydro Plant, which has been in service for more than 35 years, at an estimated cost of of around $100 million.

In December 2017, the Parliament approved a reduction in the onshore component of FEA's Government Guarantee (GG) facility from $404 million to around $202 million, while the offshore component of US$50 million remains unchanged. This means that FEA can utilise a maximum of FJ$202 million for onshore borrowings and US$50 million for offshore

borrowings from this facility over the next three years. In view of FEA's huge capital expenditure plan, however, the Cabinet has also approved the extension of the Government Guarantee facility of FJ$202 million and US$50 million until the end of December 2020. FEA has used around $97.3 million of this facility as at the end of 2017.

FEA carried out a review of its 10-year Power Development Plan (PDP) in 2017. The plan contains the load forecasting and power-generation planning for the Viti Levu, Vanua Levu, Taveuni and Ovalau power systems together with the associated network assets to be developed and the investment plan required for the development and augmentation of the 132kV and 33kV transmission networks. The total investment required in the generation, transmission, and distribution sectors is estimated at around $2.5 billion.

FEA is expected to fund the cost of the development of the transmission and distribution network of around $870 million over the next ten years. The private sector is expected to invest substantially in the power-generation sector as Independent Power Producers (IPPs) and sell the electricity to FEA via long-term Power Purchase Agreements. It will be a significant challenge for FEA to implement this PDP, particularly the reinforcement of the transmission network, at the prevailing electricity tariff rates.

FEA satisfactorily met all debt covenants imposed by its lenders, ANZ Bank and FNPF, in 2017. A total of $21.86 million of Loans and Bonds repayment was executed in 2017. FEA had a total debt portfolio of approximately $297.6 million as at 31st December 2017. This debt has to be serviced and repaid over the next 10-15 years.

FEA plans capital expenditures of $365 million over the next three years which is made up of $165 million for 2018, $100 million for 2019, and $100 million for 2020.

The projected capital expenditure for 2018 of $165 million is to cover, among other things, distribution system reinforcement projects, urban reticulation and rural electrification projects; the refurbishment of turbines and upgrade of governors and control panels at Wailoa Power Station; upgrade of the Wainiqeu Hydro Power Station's 11kV Switchgears and control; installation of a new 415V distribution/ changeover board for Monasavu Central Power Station; tower replacement; and equipment and system upgrades throughout the country for the protection, security, automation and reliability of power supply.

Our success is one that other developing and small island nations can emulate; and we aim to continue to pioneer a model for others to follow as we move into 2018 and beyond.

The key to fulfilling this plan is to have an electricity tariff rate in place that gives FEA the capability to borrow to fund its Optimum Power Development plan and also ensure its own financial sustainability in the medium and long term.

BECOMING A GLOBAL LEADER IN RESILIENCE

As a small island economy, Fiji faces two external challenges that can dramatically impact FEA's financial performance: severe weather events and the global fuel prices. While these factors are outside of our control, we are working to make Fiji's energy industry as resilient and sustainable as possible.

By investing in renewable energy, our profitability will be insulated from the effects of volatile swings in fuel prices (a factor that increased FEA's 2017 expenses by $32 million). And by building a stronger and more resilient industry, we will be able to protect our industry from worsening storms like 2016's Category 5 Tropical Cyclone Winston — that are a result of a changing climate. 2017's record before-tax profit is testament to our ability to bounce back from even the most severe storms. For FEA to incur an unbudgeted cost of $30 million in 2016 and to recover from this cost without

any pass through to our customers and then record a historical profit in 2017 is a huge achievement that all members of our FEA family should be proud of.

Our success is one that other developing and small island nations can emulate; and we aim to continue to pioneer a model for others to follow as we move into 2018 and beyond.

PROGRESS ON RENEWABLE ENERGY PROJECTS

It is FEA's mission to provide clean and affordable energy solutions to Fiji, with at least 90% of the energy requirements coming from green, renewable sources by 2025.

As FEA looks to a future of clean and sustainable energy, tapping into our natural resources is a key. By harnessing the power of water through hydropower schemes, and of sun through expanded solar PV projects, we are making the most of Fiji's tropical climate to create affordable energy for some of the most deep-rural areas of our country.

A big highlight in 2017 was the establishment of a 100%-owned subsidiary company of the FEA, the Fiji Renewables Pte Limited, that will now be responsible for the development of renewable energy in Fiji and the Pacific. Through Fiji Renewables Pte Limited, the FEA will be ready to meet our commitment of achieving 99 percent of all energy requirements from renewable sources by 2030 and we are very proud of our work to realise that commitment and put the Fijian energy sector on the path of sustainable development.

For 2017, FEA established a Memorandum of Understanding (MoU) with the Fiji Meteorological Service—a partnership that will see mutual benefit through the sharing of hydrological data like rainfall and runoff figures, allowing us to improve data collection for future economic feasibility studies. This will further supplement the technical assistance arrangement that we currently share with the European Investment Bank, which also allows us to more accurately determine economic viability of expanding our generation of hydropower to new areas. Positive performance from our existing hydro schemes in Monasavu and Nadarivatu helped fuel FEA's overall financial success in 2017.

FEA's Land Affairs Unit had a busy year in 2017, as they engaged in extensive consultations to acquire land for the new 132kV Transmission Network from Virara settlement to Rarawai. They also identified parcels of land in Tavua, Ba, Lautoka, Nadi and Sigatoka for the potential development of up to 25MW solar PV for Viti Levu. A joint venture with Sunergise Fiji Limited signed for the establishment of a 5MW solar PV at Qeleloa in Nadi.

The years ahead will be ambitious in the development and expansion of all of our renewable energy sources. FEA is dedicated to generate at least 99% of all of Fiji's energy requirements through renewables by 2030 a target that we are committed to achieving through continued visionary leadership, prudent partnerships, and assistance from our forward-thinking Government. The global spotlight that was gained through Fiji's COP23 presidency has set a high bar for us to live up to; FEA looks forward to meeting and exceeding these expectations as we move into the future.

FEA 2026: PLANNING FOR THE DECADE AHEAD

FEA carried out a review of its 10 Year Power Development Plan, or PDP, ending in 2026. The PDP contains load forecasting and power generation planning for power systems throughout Viti Levu, Vanua Levu, Taveuni and Ovalau, and maps out the necessary associated network assets and investments that are required for the augmentation of the 132kV and 33kV transmission networks. The total investment required through 2026 stands at an estimated $2.5 billion, of which FEA expects to fund $870 million.

Our financial performance over the next three years will be critical in determining how we fund these commitments. We plan to achieve a profitability of at least $60 million a year to fund our three-year capital expenditure plan, and we expect that this will be driven by a continued growth in profitability in the coming years. We also anticipate an influx of private sector investment in the power generation sector as more Independent Power Producers (IPPs) come on board to sell electricity to FEA through long-term Power Purchase Agreements.

We maintain the stance that borrowing is our last resort and will only be considered when no other options are available. We plan to emulate our 2017 approach of internal funding through expanded profits where at all possible, as it served us incredibly well this year.

While many of the factors that will affect the implementation of our PDP are outside of our control—namely, tariff rates, weather events, and fuel prices—we are confident that, on our current path, we will continue to find the same success that we witnessed in 2017. Because while the next decade poses challenges, FEA has proven its ability to overcome obstacles and adversity. With these challenges comes opportunity, and this is what ultimately motivates us in our dedication to lighting the way to a better Fiji.

A TEAM EFFORT, A TEAM SUCCESS

Without a doubt, our most valuable asset is our people. I thank our CEO, Mr. Hasmukh Patel, and all of FEA's Board Members for their invaluable guidance and constructive support throughout the year. I also extend my heartfelt thanks and appreciation to my colleagues in the Executive Management team, and to all the employees of our organisation and other external service providers for their role in driving 2017 to a success. This was truly a group effort, and it is a win that should be celebrated by all members of our FEA family.

And of course, none of our progress would have been possible without the unwavering support of the Fijian Government. I am grateful for the visionary leadership of our Honourable Prime Minister, which has led to the overall economic prosperity that has fuelled FEA's growth. I thank his Cabinet Ministers, Permanent Secretaries and other Government officials. And I thank the Reserve Bank of Fiji, the Fijian Competition & Consumer Commission, the Fiji Revenue & Customs Service and the executives of unions for their continued support and collaboration.

Each of these partners helped FEA to rise above the challenges that we faced in 2017, and each played a part in ending the year with a historic profit.

I look forward to continuing this group effort and building upon 2017's success in the years to come.

Looking to the Future

PREPARING FOR CORPORATISATION

The FEA is preparing for a partial privatisation to attract a suitable and strategic partner to meet Fiji's growing energy needs. In order to identify a partner that is credible, technically competent and financially sound, the Ministry of Public Enterprises has appointed the accounting firm of Ernst & Young and the legal firm of Squire Patton Boggs to undertake this exercise as Transaction Advisors. The Ministry of Public Enterprises has also been working jointly with FEA and these Transaction Advisors to prepare for the corporatisation of FEA. Next year, we anticipate the partial divestment will take place, where 49% of the Government's shares in FEA will be made available for sale.

TOGETHER INTO A BRIGHTER ENERGY FUTURE

In closing, I'd like to convey my sincere appreciation and thanks to the FEA Board Members for their support and invaluable contributions throughout 2017. Together, we make up a very capable team of leadership, each of us bringing our own skills, experiences and knowledge to the table, while remaining focussed on our larger strategic goals and objectives.

I would like to thank the Cabinet, particularly the Honourable Attorney-General and Minister for Public Enterprises, Mr. Aiyaz Sayed-Khaiyum, and the Minister for Infrastructure and Transport, Mr. Parveen Bala. Your support towards the FEA is critical for our success and we share your commitment to helping more Fijians enjoy the great benefits of affordable and reliable electric power.

I would like to thank the management team and all of our employees for their dedication to the FEA this year. The strength of your commitment to the FEA and to the Fijian people is matched by the commitment of the FEA Board to every one of you. We are a team, we all deserve to share in the success of the Authority and we all have a critical role to play in taking the FEA into an even more successful future.

Most importantly, I would like thank our valued customers. It is you who we strive every day to serve. You are at the very centre of every decision the FEA makes and you will continue to see an even wider range of even better services from the Authority every year. Thank you, again, for allowing us to serve you.

One of the great challenges facing the energy sector in Fiji will be adapting to the worsening impacts of climate change, the rising seas, the severe weather events and changing weather patterns. We are already in the midst of a programme to rapidly boost the resilience of our national grid to climate impacts so that we can continue to serve the Fijian people in the face of a changing climate. That work can and must continue.

In the years ahead, FEA will share its success with all of our company's stakeholders, from Government, to investors, to our customers. We will maintain our commitment to the values and principles that have carried us to 50 years of success in Fiji, as we look to the future and prepare for the visionary undertaking of our corporatisation next year.

02

Key Performance Indicators

The FEA Board developed ten (10) Key Performance Indicators (KPIs) for 2017 to enable Government to measure the performance of the FEA Board. The KPIs were included as part of the FEA's Statement of Corporate Intent (SCI) for 2017. The actual achievement of the KPIs is detailed below:

1. Meeting Lenders' Requirements

GOAL: Ensure that FEA comply with the debt covenants set by lenders subject to the key assumptions for 2017 becoming a reality. **OUTCOME:** FEA recorded an after-tax profit of $67.3 M in 2017, which has enabled us to comply with all financial covenants signed with our lenders, ANZ Band and FNPF.

2. Meeting Statuatory Obligations

Fully comply with the following statutory requirements:

- **GOAL:** Submission of the 2018 to 2020 Corporate Plan, SCI and EIRP by 30th September 2017. **OUTCOME:** Submitted on 29th September, 2017.
- **GOAL:** Submission of the half year report for 2017 financial year by 1st August 2017. **OUTCOME:** Submitted on 31st July 2017.
- **GOAL:** Submission of the draft un-audited financial accounts for 2016 by 31st January 2017. **OUTCOME:** Submitted on 31st January 2017.
- **GOAL:** Submission of the draft 2016 annual report by 31st March 2017. **OUTCOME:** Submitted on 31st March 2017.
- **GOAL:** Submission of the annual report and audited financial accounts for 2016 by 31st May 2017. **OUTCOME:** Submitted on 31st May 2017.

3. Satisfying Customers

GOAL: Ensure that the Customer Satisfaction Level for 2017 as per the Corporate KPI is achieved. **OUTCOME:** As per the Corporate KPI for 2017.

4. ## Purchasing Power from Independent Producers

GOAL: Sign a Power Purchase Agreement with an Independent Power Producer (IPP) by 31st December 2017 to develop at least one new IPP plant. **OUTCOME:** FEA signed a Power Purchase Agreement with Hydro VL Pty Ltd to buy Energy from the 3 Hydro Power Stations that they will develop in Namosi Province.

5. ## Completing Actions for Divestment

GOAL: Implement all FEA Action Items as per the Agreed Timetable with the Ministry of Public Enterprise regarding the divestment of FEA. **OUTCOME:** FEA provided all the information "on-time as" required by the Ministry.

6. ## Advancing the Lower Ba Hydro Project

GOAL: Make a firm recommendation on the way forward for the development of Lower Ba Hydro once EIB and FEA complete the detailed feasibility studies in 2017. **OUTCOME:** In Progress.

7. ## Extending the Korovou-Tavua Line

GOAL: Ensure that the extension of the transmission line from Korovou to Tavua, which is jointly funded by Government and FEA, progresses according to the project schedule for 2017. **OUTCOME:** Project progressed according to the work schedule for 2017.

8. ## Refurbishing the Monasavu Hydro Plant

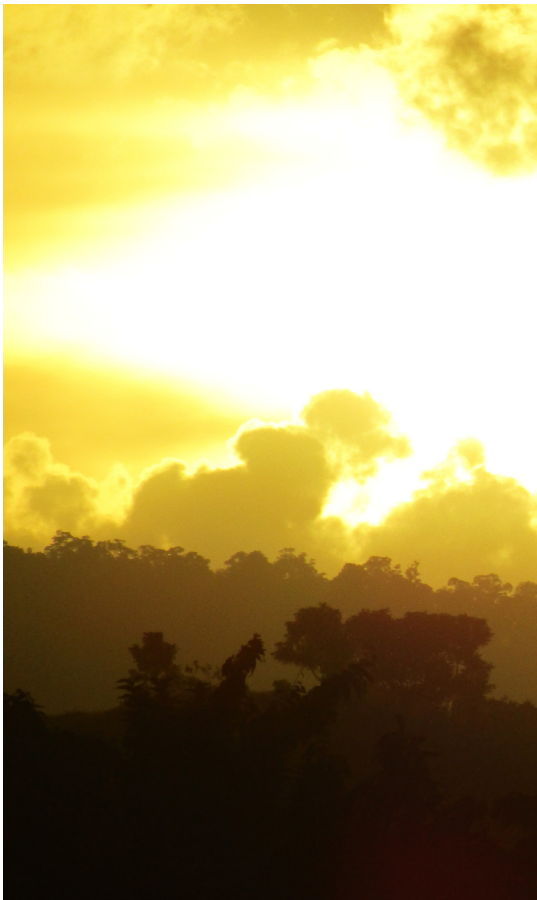
GOAL: Execute the Monasavu Hydro Power Scheme Half Life Refurbishment Program according to the project schedule for 2017. **OUTCOME:** Project progressed according to the work schedule for 2017.

9. ## Developing the Qaliwana Upper Wailoa Diversion Hydro

GOAL: Make a firm recommendation on the way forward for the Qaliwana Upper Wailoa Diversion Hydro. **OUTCOME:** EIB has agreed to carry out full feasability studies for this project. Once the feasability is completed, then steps will be taken to develop the project accordingly.

10. ## Upgrading Ageing Assets

GOAL: Ensure that the Implementation of the upgrading of the ageing assets in FEA progresses according to the project schedule for 2017. **OUTCOME:** Project progressed according to the work schedule for 2017.



03

Chief Executive Officer's Report

HASMUKH PATEL / FEA CHIEF EXECUTIVE OFFICER

While FEA marked many accomplishments in 2017, we will not sit on our laurels. Instead, we will continue to build upon our progress, moving full speed ahead, as we enter into an exciting new chapter as a corporatised body in 2018.

FEA's Progress in a Growing Economy

Alongside a growing Fijian economy, the FEA's success continued into 2017 with the Authority earning an after-tax profit of $67.4 million for the year, up over 13% from 2016's after-tax profit of $59.6 million. That profit equates to a Return on Shareholder Funds (ROSF) of 8.97%.

Our increased profits this year were largely owed to the fact that more Fijians and Fijian businesses are using more electric power. That growth has been driven by rising demand for energy in a growing Fijian economy and the FEA's work to grow the national electricity grid and expand our service offerings to the Fijian people. The FEA has also taken on a number of new management practices that supported new development projects and increased the reliability and security of power supply for our customers.

In 2016, we were very proud to have recorded a significant profit despite the ongoing recovery from the devastation of Tropical Cyclone Winston. The profits recorded in 2017 also include a one-off cost of $1.1 million relating to cyclone recovery, compared to the $30.1 million incurred by FEA in 2016. That reduction in costs associated with Cyclone Winston was offset by an increase in fuel costs,

as the 2016 price of $826 VEP per metric tonne rose to $1,012 VEP per metric tonne, raising total fuel costs to the Authority by about $32 million in 2017. There was also an increase in IPP costs by $6.2 million in 2017 compared to last year.

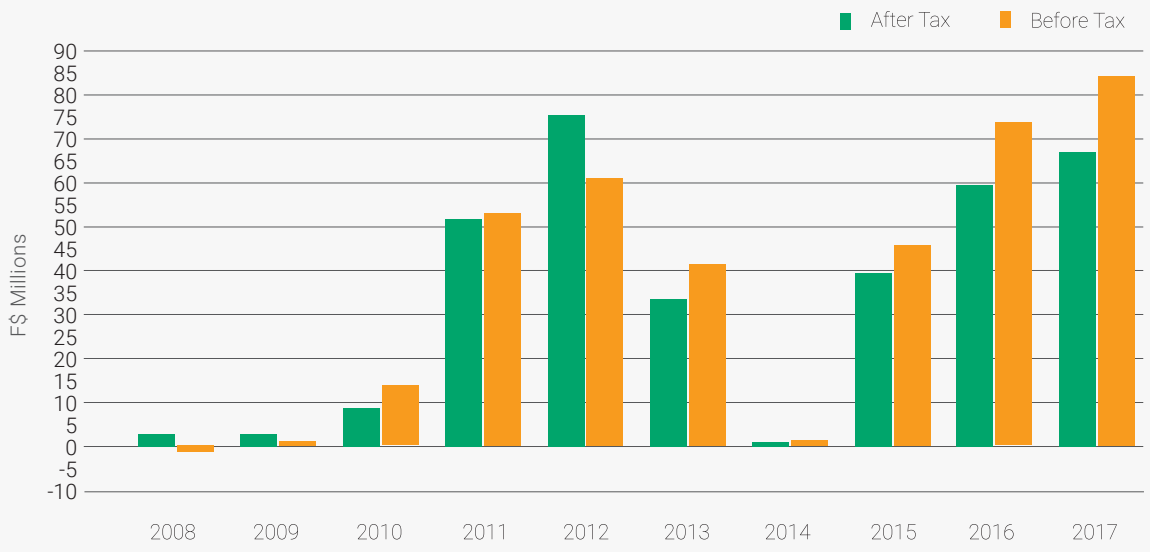
FEA's progress is undeniable; and we are distributing the fruits of that progress with our shareholders. For the first time in the 51-year history of the FEA, we delivered an unprecedented dividend pay-out to the Fijian Government in 2017 totalling $20 million.

OUR GROWTH BY THE NUMBERS

FEA's balance sheet for 2017 remains in a strong position as a result of our consecutive years of profitable performance in 2016 and 2017. Our gearing ratio, as measured by debt to debt plus capital and reserves, excluding cash in hand, was 15.63% as at 31 December 2017, down from 22.07% at the end of 2016. In both years, FEA was well within the industry benchmark of a maximum 45%.

Our low gearing level in 2017 is owed primarily to the profits recorded by FEA this year that led to an increase in shareholder value and a reduction in our debt level by $21.85 million compared

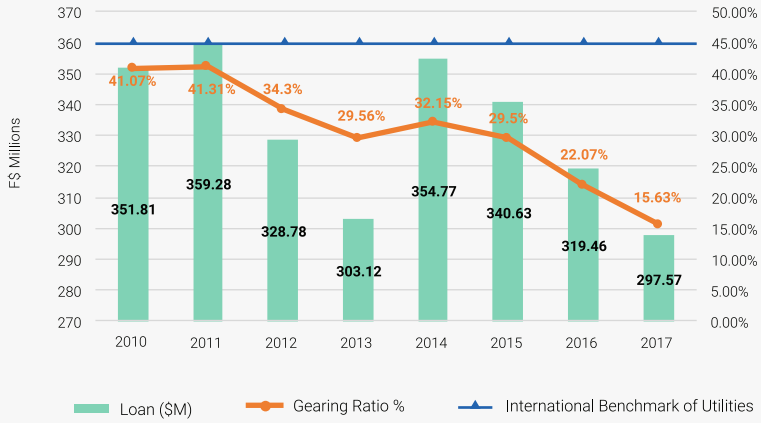
Operating Profit / (Loss)



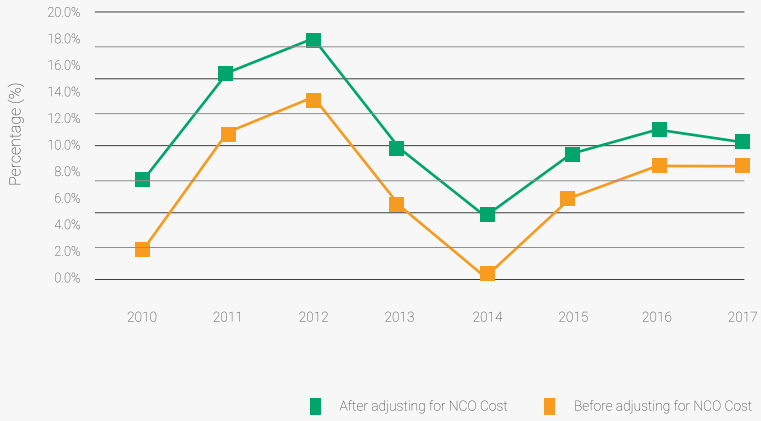
to 2016. This was achieved without the Authority defaulting on any of its debt covenants signed with lenders, ANZ Bank and FNPF, or defaulting on its loan repayments. This achievement ensured that the Fijian Government, being the sovereign guarantor of FEA's loans, was not exposed. Our positive gearing level will grant us greater opportunities to borrow in the future, particularly in funding our long-term Power Development Plan.

The shareholder value of FEA was $751.2 million at the end of 2017, compared to $706.3 million at the end of 2016. FEA's total asset value rose from $1.22 billion in 2016 to $1.29 billion at the end of 2017, with our total loans and bonds amounting to $298 million as at 31 December 2017, down by $21.9 million compared to 2016.

Loans Stats



Return on Shareholder Funds to Account for NCO



CAPITAL EXPENDITURES & FUNDING

FEA capital expenditure totalled approximately $47 million for the end of December 2017, compared to $63.1 million for the year 2016. Among the priorities for the $47 million expenditure were the upgrade of the Gentrack billing system, the improvement of power system protection infrastructure, projects for rural electrification and power-system reinforcement, the migration of the Central Network from 6.6kV to 11kV, and the construction of a 33kV transmission line and substation for Momi Resort, a 33kV line and substations to serve customers in the Rakiraki-Korovou Corridor and laying of 33kV cables from Waqadra to Denarau.

FEA funded the entire $47 million from its internal cash flows, with no external borrowing in 2017.

FEA had a total debt portfolio of around $297.6 million as at 31 December 2017, compared to $319.5 million as at end of 2016. The reduction in debt level is due to the mandatory loan repayments made during the year. During the year, FEA paid $17.2 million to ANZ Bank, $4.6 million to FNPF and a further $47,000 to Suva City Council as its mandatory loan repayments. FEA's average cost of borrowing increased to 4.4% per annum in 2017 from 3.9% per annum in 2016 as a result of the increase in the interest rate for ANZ loans from 2.7% per annum to 3.8% per annum that were refinanced in 2017.

PRODUCTION OF ELECTRICITY

HYDRO GENERATION

- **Wailoa Power Station**
  Typically, some 400 million units of electricity generation is expected annually from the Wailoa Hydro Power Station. In 2017, the station generated 381 million units as compared to 384 million units in 2016. The decrease in generation was due to below-average rainfall recorded in the Monasavu catchment area.
- **Nadarivatu Hydro Power Station**
  The annual long-term average output of Nadarivatu is 100 million units. In 2017, the station generated some 86 million units, compared to 85 million units in 2016. The increase was due to increased rainfall recorded during the year.

- **Wainikasou Hydro Power Station**

  The annual long-term average output for Wainikasou is 26 million units. In 2017, the station generated some 20.9 million units, compared to 21.2 million units in 2016. The decrease was due to below-average rainfall recorded in the Wainisavulevu catchment.

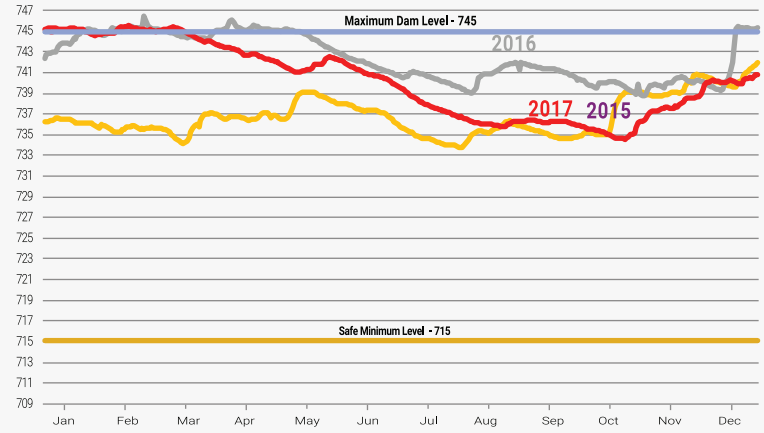
- **Nagado Hydro Power Station**

  The annual long-term average output for Nagado is 12 million units that year. The station shut down in July 2016 after generating 3.3 million units that year, and it generated no power in 2017. The shutdown was due to low water pressure in the pipeline from the Vaturu Dam to the Nagado Power Station.

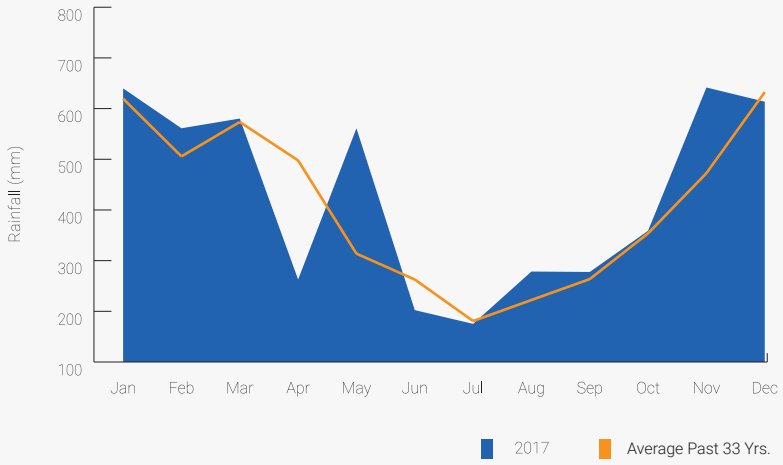
- **Monasavu Dam Storage Level**

  At the beginning of January 2017, the dam level had reached 745.28 metres above mean sea level (AMSL), which was 30.28 metres above the minimum safe operating level of 715 metres, and the dam was spilling. At the end of December 2017, the water level was 740.83 meters above sea level, which was 25.83 metres above the minimum safe operating level. Total rainfall received at the Monasavu dam in 2017 was 4,516 mm as compared with 6,055 mm in 2016. The decrease was due to below-average rainfall received in the months of March, April, June, July, August, September, October and December. The lowest-ever rainfall recorded was 3,540 mm in 2004.

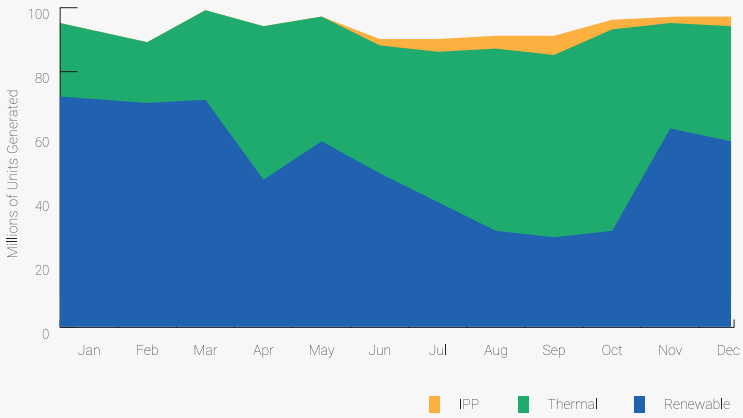
Monasavu Dam Storage Level



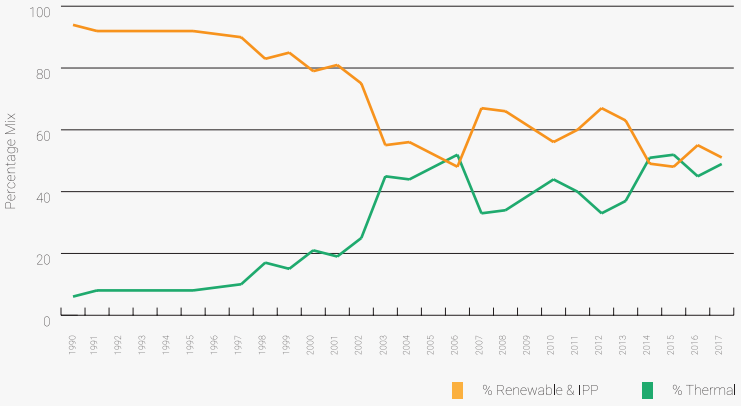
2017 Rainfall Compared to Past Years



Monthly Power Generation Mix 2017



Power Generation Mix-Renewable vs Thermal



THERMAL GENERATION

FEA generated 48.72% of its energy requirements from its thermal power stations in 2017 to meet the ever-growing demand for electricity in Fiji. Customer demand has been growing at an average of around 4% per annum over the last three years. The major power stations—Kinoya, Vuda and Labasa—performed according to expectations and contributed significantly towards meeting the growth in customer demand. The total energy generated from the Industrial Diesel Oil (IDO) and Heavy Fuel Oil (HFO) power stations for 2017 was 490.96 million units, compared to 424.50 million units in 2016. The increase in thermal generation was due to decreased generation from the hydro power stations to cater for the increase in demand for electricity.

BUTONI WIND FARM

Butoni Wind Farm generated 2 million units of electricity in 2017, which is equivalent to a fuel-cost saving of around $0.6M.

Since beginning operations in June 2007, the Butoni Wind Farm has generated 54.4 million units, with savings of FJ$19.63M in diesel fuel (11,432 tonnes), US$11.33M in foreign exchange, and 35,505 tonnes of CO2 emissions.

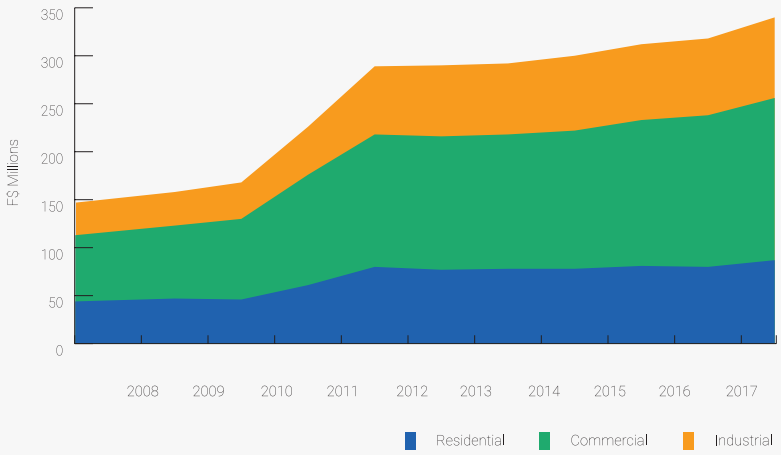
The poor performance of the Butoni Wind Farm was due to a lightning strike at the farm in February 2017. This lightning strike affected 10 wind turbines and made them unusable, out of this 36 wind turbines. The spare parts were ordered but did not arrive until January 2018.

POWER GENERATION MIX

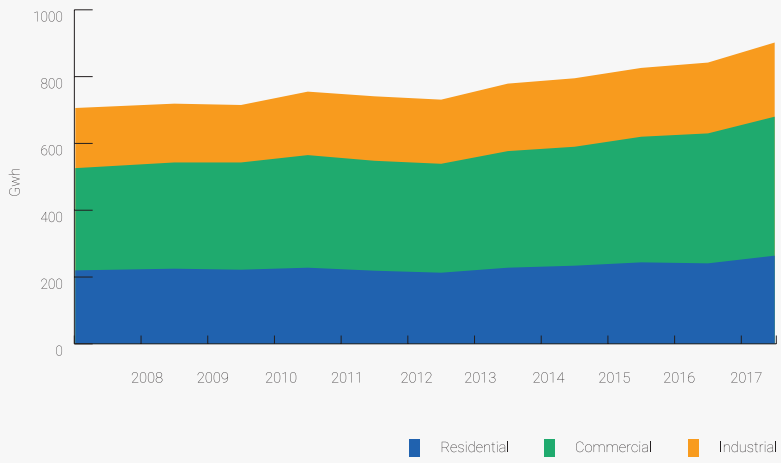
The power-generation mix for 2017 was 48.74% hydro, 48.72% industrial diesel oil and heavy fuel oil and 0.21% wind, with the remaining 2.33% provided by the Independent Power Producers (IPPs), namely Tropik Wood Industries Limited (TWIL), Fiji Sugar Corporation (FSC) and Nabou Green Energy Ltd. In 2016, 53.05% was generated from hydro, 45.45% from industrial diesel oil and heavy fuel oil and 0.39% from wind, with the remaining 1.11% from TWIL and FSC.

In 2017, the FEA renewable-power stations generated 492.56 million units of electricity (48.95%), thermal power stations generated 490.96 million units (48.72%) and Independent Power Producers (IPPs) generated 23.48 million units (2.33%).

Electricity Sales Revenue



Electricity Sales Volume



Improving the Reliability of our Power Supply

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. We at the FEA are constantly seeking new ways to improve the reliability and security of our power supply, and generally boost resilience across our entire national grid in response to the worsening impacts of climate change.

In 2017 the FEA achieved a system average interruption frequency index (SAIFI) for customer's power supply of 3, well under our target of 13 for the year. In total, we achieved a system average interruption duration index (SAIDI) for unplanned power outages of 242 minutes against our target of keeping the index below 650 minutes.

Of course, power supply interruptions can depend heavily on severe weather conditions and other external factors. However, we also attribute our high reliability to our commitment to the development of resilient infrastructure and to the regular maintenance of our national grid.

In 2017, we continued the upgrade of our monitoring, protection and control infrastructure to improve the reliability of our power systems. That included the implementation of a Special Electrical Protection Scheme in the Central region and at the Wailoa Power Station. FEA also completed the design of a similar Special Electrical Protection System for the Viti Levu Interconnected system.

FEA has now successfully replaced 80% of aged and outdated electrical protection relays with modern numerical protection relays, and that critical work will continue into next year to ensure our grid is properly equipped to serve our growing nation.

The principal reasons for power interruptions in 2017 were: major maintenance and extension works; heavy rain, lightning and storms; motor vehicles colliding with power poles; faults on power-line hardware; overgrown vegetation or trees clashing with power lines; third-party damage to FEA underground cables; bushfires; and vandalism on the FEA overhead power network.

FEA continues to invest in the reinforcement of its power system in order to ensure that the reliability and security of Fiji's power supply is in line with international benchmarks for power utilities of similar size and type.

Furthermore, the power network urgently requires upgrading and refurbishment as it ages, and most of the FEA power distribution systems have been in service for more than 32 years. FEA has proactively incorporated these upgrades and repair works into its development plan.

Current initiatives include live-line maintenance of power lines at all voltage levels, an effective vegetation management program, use of appropriate technology to detect and repair defects and equipment to assist in quickly restoring power, ensuring that

capacity is available to meet the demand for electricity at all times, and the replacement of ageing assets on an ongoing basis.

Power Research & Development Consultants Ltd of India were engaged to prepare a ten-year Power Development Plan for the years 2017 to 2026. The firm conducted studies covering mainly Load Forecasting, Generation Planning, and Network Planning for Viti Levu, Vanua Levu, Ovalau and Taveuni and submitted its final report to FEA on 30 May 2017.

FEA spent a total of $38.52 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, $22.1 million was for the construction of 104 rural electrification projects, $10.3 million was for 82 general extension projects for commercial and industrial customers and $1.03 million was utilised for 33 contract jobs. A total of $5.09 million was authorised for 18 distribution power-system reinforcement projects.

Energising More Fijians

As the Fijian economy has grown, the Fijian people have continued to achieve higher standards of living all around the country. They are finding better, higher-paying jobs, and more are accessing our national electricity grid and increasingly demanding more electric power.

The FEA, as always, stands ready to meet the growing needs of ordinary Fijians and Fijian businesses, and in 2017 we increased the total number of customers by 4.52%, from 174,530 in December 2016 to 182,413 in December 2017.

Our customer numbers for 2017 are made up of 100 Industrial Customers, 18,092 Commercial Customers and 164,221 Domestic and Institutional Customers. The increase in customer numbers in 2017 was mainly in the domestic and commercial sectors.

We saw an overall increase in the demand for electricity in 2017 of 7.15%, growing from 841.8 million units in 2016 to 902.0 million units this year. The electricity demand increased by 9.45% for domestic customers, 6.92% in the commercial sector and 4.97% in the industrial (maximum demand) sector. We attribute growth in the commercial and industrial sectors to the continued growth of the Fijian economy.

ELECTRICITY SUBSIDY FOR LOW-INCOME FIJIAN FAMILIES

The Fijian Government has committed itself to assisting low-income Fijians access the tremendous benefits of electric power and, through the FEA, Government subsidises the cost of electricity for Fijian families with an annual household combined income of $30,000 and below.

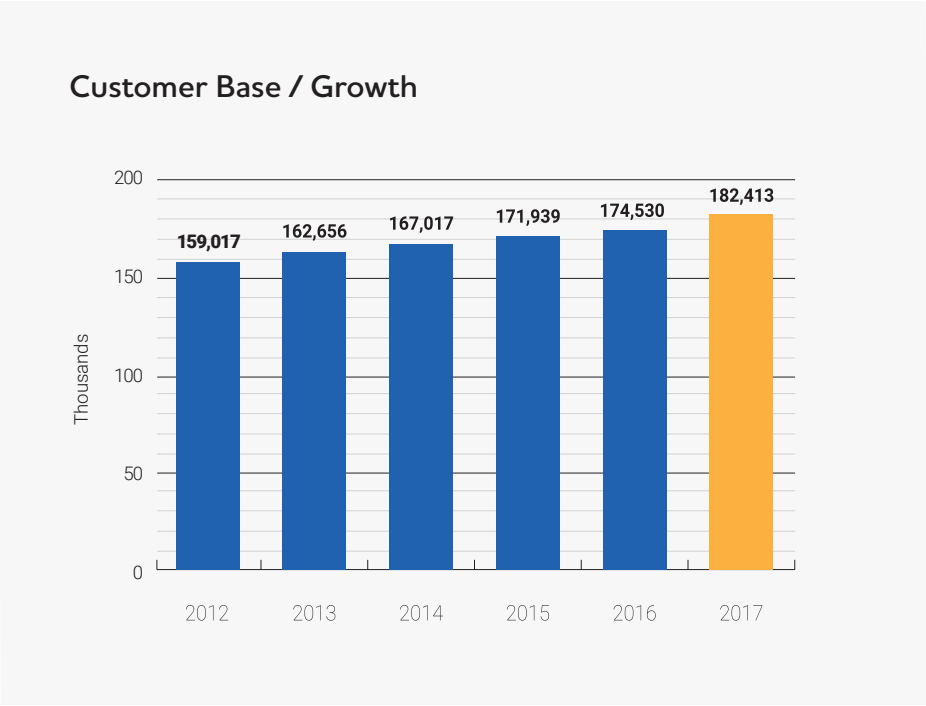
The subsidy programme was restructured in the 2017-2018 National Budget, and eligible families now receive a subsidy for around half the cost of the first 100 kilowatt-hours of electricity usage per month. Prior to the restructure, the monthly cap to receive the subsidy was 95 kilowatt-hours per month.

The restructured subsidy was implemented on 1 August 2017 for residential customers, and power usage in that month was considered for the subsidy at a rate of 15.9 cents per unit (VEP), which was then paid by Government as a subsidy, resulting in a cost to customers of 17.20 cents per unit (VEP).

Due to the restructure, the total number of customers benefitting from the subsidy increased from 11,000 customers in 2016 to 13,036 customers by the end of 2017.

In primary and secondary schools, a step-up subsidy is in place where the first 200 units consumed in a month are subsidised and units beyond 200 are charged the full

commercial tariff of 33.10 cents per unit (VEP). Schools are charged a subsidised electricity tariff of 20.59 cents per unit (VEP) for the first 200 units each month. A total of 537 schools benefitted from this subsidy in 2017.



DEMAND-SIDE MANAGEMENT

Managing accurate usage of electric power is critically important to ensure our customers are billed fairly and consistently. It also informs our employees to help our customers become more energy efficient.

In 2017, the FEA connected 6,618 new meters to the national grid, against our target of 5,000. Of those newly connected meters, 4,922 were domestic connections and 1,696 were commercial connections.

FEA also installed 599 new electricity meters in Taveuni, and then connected these customers onto the national FEA grid in December of 2017.

FEA carried out meter recalibration of its fifth batch of top 150 customers in 2017 and upgraded six two-transformer-fed installations to summation CT metering to ensure that the meters were functioning properly and recording the correct consumption of energy.

FEA carried out the level 1 work through audit at the Pearl Resort and submitted a report with our recommendations.

A total of 11,008 electricity meters were tested by FEA in 2017 against a target of 10,500. Of those meters, 9,416 were single phase meters, 1,363 were prepay meters and 229 were three phase meters.

We completed the removal of all old electricity meters as part of our ongoing work to ensure our metering systems are up-to-date and effective. This removal programme was scheduled for completion in 2016, but due to the severe impact of Tropical Cyclone Winston, the project was completed in 2017, with 2,834 old meters removed and replaced.

To help customers become more responsible and efficient in their use of energy, technical advice and billing data is available to all customers upon request.

FEA's reactive energy policy was strictly enforced during 2017 with penalties imposed on those customers who used excessive reactive energy and who failed to comply with the power factor requirements as stipulated under the Electricity Act. Excessive reactive power usage among customers increased by 4.76% in 2017 when compared to previous year. In response, the top 420 customers in this category were scanned, and those customers whose installations recorded a power factor of less than 0.85 received letters advising them to rectify their low power factor within three months' time.

CONSUMER SECURITY DEPOSIT

The review of the consumer security deposit is ongoing based on changes we are reviewing in consumption patterns. Customers have the option to pay the required consumer security deposit either in cash or by providing a Bank Guarantee.

CUSTOMER ENGAGEMENT IN A DIGITAL ECONOMY

At FEA, we are leveraging technological tools to give our customers more and better ways to reach out and resolve any questions or concerns they may have. As more Fijians are coming online and purchasing smartphones, we are making sure that the FEA has a strong and helpful presence in the digital space our customers are using to communicate.

We signed an SMS texting agreement in March 2017 that allows us to directly text our customers before planned power outages and during unplanned power outages to give Fijians the peace of mind that we are working to get their power supply back up and running. We've also begun sending SMS text messages to remind FEA customers who have overdue bill payments. For the first time, customers are also receiving automated phone announcements during unplanned power outages as well.

We launched the FEA Facebook Page in March 2017 as well, creating an online space where FEA customers can provide us with feedback and where FEA can provide regular information on the issues that matter to our customers.

We upgraded our billing system to automatically e-mail customers their bills, and we've already seen a dramatic decrease in costs associated with billing and the environmental impact by reducing the amount of paper used for billing.

Through that upgrade we also launched the "Noqu FEA Portal", a self-service application that FEA customers can access on their mobile phones to view their FEA bill statements and other related information.

We introduced ANZ EFTPOS (Electronic Funds Transfer at Point of Sale) facilities in three cashiers in 2017 to allow ANZ, Westpac and BSP customers to pay with their credit and debit cards. The EFTPOS facilities are now available in the Suva Head Office, (as at 29 September 2017), the Namoli House cashier in Lautoka (as at 3 October 2017) and at the Labasa cashier (as at 6 October 2017).

INFORMATION TECHNOLOGY

The Information Technology (IT) Division is tasked with delivering a strategic advantage to the FEA by identifying new trends in information technology that the FEA can leverage to achieve our business objectives. In order to maximise the effectiveness of our IT Team, the FEA is continually modernising our IT infrastructure and keeping abreast of advancements in technology to support the evolving needs of staff, customers and other stakeholders.

A strong IT system uptime of 99.951% was achieved in 2017, ensuring reliability, high-availability and nearly continuous operation of IT services, in line with international best practice.

The IT Division embarked on a number of major projects to improve business efficiency, reduce operating costs and assist in mitigating business risks. Those projects included:

- An upgrade to FEA's core application, the Customer Information and Billing System;
- The launch of an Online Customer Self-Service Portal;

- The implementation of monitoring tools to enhance the performance and reliability of data networks;
- The phased replacement of aging data network infrastructure; and
- General improvements to the customer interaction experience by better utilising social media and mobile texting platforms.

CUSTOMER CARE CENTRES

A total of 127,980 customer visits were made to our Customer Care Centres that we have made available in the Central, Northern and Western divisions. Most customers who visited our centres made enquiries on the announced restructure of electricity subsidy in the 2017-2018 National Budget. Other enquires were regarding new installation requests, reconnection of power supply, bill amounts, due payments, complaints of power outages, broken consumer service mains and credit-balance refunds.

A new Customer Care office was officially opened in Ba Town in August 2017 to serve customers in Ba, Tavua and Rakiraki. FEA customers in these regions now have far more convenient access to a facility where they can provide feedback and seek assistance from FEA. All payments can still be accepted through the MH-Max Value in Ba and other mode of payments e.g. internet banking, M-PAiSA, Digicel, Bred Bank, ANZ, BSP, Westpac and HFC.

In May 2017, a new queue management system was installed in the customer care office at Namoli house in Lautoka. This automatic numbering system allows for more efficient processing of customers and also measures service and waiting times for the reference of the customer care team.

The customer service team carried out a programme of customer service awareness for rural electricity village projects before the commissioning of electricity supply in December 2017. Another special awareness programme was also organised for specified prepay customers on how M-PAiSA and Digicel Mobile money can be used to purchase electricity tokens. The sessions also educated customers on the new revised electricity subsidy structure.

Customer Visits 2017

Central	49,005
North	5,837
West	73,138
Total	**127,980**

CONTACT CENTRES

The FEA Contact Centre is the first resource available to customers to answer any questions they may have and resolve issues quickly and effectively. The centre can be contacted on line 132 333, and operates 24 hours a day, seven days a week. The main contact centre location is in Suva, which closes at 9:00 pm each day. Afterwards, calls are then received by contact centre staff in Vuda.

The beginning of 2017 saw a large increase in the number of customer calls as a result of adverse weather conditions throughout the country. As a result, there were blackouts in Viti Levu in the Central and Western divisions.

Customer Calls 2014-2017

CONTACT CENTRE	2014	2015	2016	2017
Total Calls Received	377,445	402,021	491,124	459,815
Percentage Change		6.51%	22.16%	-6.37%

FEA measures its success in responsive customer service by assessing the percentage of calls that are answered within the first 20 seconds of the call being placed. Even with the high volume of calls in the beginning of the year, in 2017, we answered 91.7% of all calls received within the first 20 seconds, with only 8.3% of calls abandoned.

The Contact Centre managed numerous flows of information to customers, including the revised regulatory fees and ancillary charges, the revised 2017 electricity subsidy, the continuous review of the consumer security deposits, disconnection and reconnection of electricity accounts, prepay customer issues, e-billing facilities, "Noqu FEA Portal" enquires, and planned and unplanned power outages. In total, we received 459,815 calls during the year, or an average of 38,317 calls each month.

Because of the steps FEA has taken to increase communication with consumers using other mediums, the total calls received in 2017 was 6% lower than 2016.

We increased communication with customers during unplanned power outages by sending SMS text messages to customers, providing regular Facebook updates and sending automated announcements on phone systems.

Our emergency number, 913, was also available to all Fijians in emergency power situations that represent a threat to their wellbeing or the wellbeing of others. Of the 15,604 calls received, 4,444 were determined to be genuine emergencies.

For the 2017 Customer Services Survey, six survey questions were prepared and survey forms were sent out to customers with their electricity bills in the month of December 2017. Customer Service Survey Forms were also available at all Customer Service Centres, all prepay Vendor locations and FEA payment agents.

The results of the Customer Services Survey have been analysed, and FEA achieved an overall improvement in customer satisfaction for domestic customers and commercial/ industrial customers in 2017. But we aren't going to rest on our laurels, and we are taking steps to address those areas of concern that were raised by customers and continuing to closely monitor customer satisfaction.

PRE-PAY CUSTOMERS

Fijians in rural areas of the country oftentimes face difficulties in accessing reliable electric power, but the FEA is constantly seeking new innovative solutions in bringing these Fijians the security of power they deserve. We were proud to serve a total of 26,387 rural customers on prepay metres in 2017, 1,786 more than the year prior.

FEA now has 33 vendors in the Central, Western and Northern divisions that grant pre-pay customers access to the online Syntel prepayment vending system. We have been in the process of phasing out Point-of-Sale since 2016 to offer SMS options that allow pre-pay customers to purchase electricity tokens from Vodafone M-PAiSA and the Digicel Mobile Wallet platforms. Using these networks, pre-pay customers can purchase electricity tokens simply by sending an SMS from their mobile phones.

As at the end of 2017, 5 Point-of-Sale machines remained operational, and these will be phased out next year. We also carried out awareness events for pre-pay customers on how to utilise their mobile phones to purchase electricity tokens.

PRODUCT AWARENESS

FEA has always kept its customers abreast of developments in the energy sector and of new services as they are made available. In 2017, we continued our efforts to raise awareness on energy saving tips and on general electrical safety via presentations that were conducted in schools and in communities.

We utilised our billing network to maximise exposure of safety messages by printing messages on electricity bills and bill inserts. We made visits to prospective rural customers in villages and settlements to complete customer documentation, provide information on energy conservation and electrical safety.

UPGRADING AND EXPANDING OUR TRANSMISSION NETWORK

Fiji is a nation of nearly 130 populated islands, and in growing our national electricity grid, FEA recognises the unique geographical challenges facing the Fijian people in accessing electricity. As always, our work is about bringing as many people as possible onto the national grid, regardless of their socioeconomic status or where they may reside in the country.

For a full picture of the work being carried out by the FEA to electrify rural and remote areas of Fiji, please see the section of this annual report "Life After Electricity."

In line with expanding our national grid, we have commenced with the development of the 132kV Transmission Network from Virara to Koronobu, Ba, to meet the growing demand of electricity in the north-western region of Viti Levu. In total, it is estimated the project will cost around $50 million, with expected completion by early 2020.

The project involves the construction of a new 30km 132kV single-circuit transmission line between Virara Settlement and Rarawai, Ba, the construction of a new 132kV switching station at Virara; a 132kV/33kV substation at Rarawai; and the extension of the 33kV links from the new substation to the existing 33kV/11kV substation at Rarawai. When completed, this project will enable the evacuation of power from Wailoa and Nadarivatu hydro power stations to Ba and the 33kV interconnected system in the Western Division. The transfer capacity will be up to 50 MVA to cater for future development to meet increasing national demand for power.

In order to evacuate power from the hydro power stations to Ba and the 33kV interconnected system, the new transmission line needs to be built and commissioned by early 2020. Currently, the single 33kV existing line from Vuda to Rarawai has a limited transfer capacity of 10 MW (95% of which will be used up when the demand on the new 33kV line from Tavua to Volivoli increases over the next two to three years).

The route of the transmission line follows the Koronobu Road. The route was determined in 2014 because it granted easy access from public roads for maintenance and inspection purposes.

The land along the transmission line route is typically low-lying and almost flat for the first 12 km route from Rarawai. Steel pole structures have been considered for this section of the line. The land is generally used for sugarcane farming, with approximately 6 km of the route lying along the Fiji Sugar Corporation tram line. For some parts of the network, the new line will follow the existing 11kV distribution line route. The remaining 18 km of the route line is hilly, with the land mainly being used for grazing and pine plantation. Steel lattice towers are being considered for this section of the line. Extensive community engagement, along with consultations with landowners, has been undertaken for the transmission line route as the project progresses in its final design stages.

Once completed, the project will allow the transfer of power from the Wailoa and Nadarivatu hydro power stations to the Western Division to meet the growing demand for power between Ba and Korovou and reduce losses on the existing lines between Vuda and Rakiraki.

Our key progress indicators will be the length of the transmission lines constructed, the equipment installed in the switching station at Virara and the substation in Rarawai, the reduction of thermal generation output at Vuda, the power delivered through the new transmission line and the on-time completion of the project within budget. The implementation process will be monitored through adherence to commencement timelines, regular disbursements, consultations with suppliers, the timely submission of quarterly progress and environmental monitoring and annual audit reports.

We take extreme caution to reduce environmental impacts with every development project pursued by FEA, taking great measures to protect the natural beauty that Fiji is known for around the world. The most significant environmental impacts from this project are the acquisition and maintenance of the right of way, the clearing of some vegetation from sites, and the construction of access roads, tower pads and substations. To minimise these impacts, all vegetation clearance through pine and other forestry areas has been carried out with careful guidance from Fiji Pine Limited and the landowning communities.

Work continued in 2017 on the electrification of the Korovou-Rakiraki corridor. The 11kV grid between Waimecia and Nayavu was commissioned in December 2017. On completion of the entire project, which is jointly funded by FEA and the Fijian Government, it is expected to cost around $19 million.

Power Research & Development Consultants Ltd also conducted studies for the Optimal Control & Operation of FEA's Hydro, Diesel, Wind and IPP (Biomass) grid-connected power generation system of Viti Levu. The studies covered mainly operational planning and optimal load scheduling of generation, dispatch procedure, management of system security constraints, review of system recovery procedures, and deviation-settlement mechanisms for the safe, secure and optimal operation of Viti Levu Integrated Power System.

The Power Grid Corporation of India Limited and HLKJacob were engaged for the design and project management of a 132kV Transmission Line from Virara to Koronubu, Ba, a 132kV Switching Station at Virara Settlement and a 132kV/33kV Substation at Koronubu, Ba. The peer review of the draft design for civil, structural and high-voltage engineering will be undertaken prior to the commencement of this project.

MONASAVU HYDRO SCHEME HALF-LIFE REFURBISHMENT

Work continued on the Monasavu Hydro Electric Scheme Half-Life Refurbishment Project in 2017 which commenced in 2012. Works completed in 2017 amounted to around $17.5 million.

FEA installed new 132kV circuit breakers to replace the old circuit breakers on the Wailoa-Cunningham 132kV transmission line and on the transmission line to Nadarivatu at the Wailoa and Vuda substations at a total cost of $300,000.

We replaced 132kV disconnector/isolator/earth switches at the Cunningham Road substation and Wailoa substation at a total cost of $700,000 and replaced 99% of the 132kV porcelain insulators at the Wailoa Switchyard at a total cost of around $180,000.

Oil leaks were repaired on the two 132kV/33kV transformers at the Cunningham Road substation.

FEA also completed rust refurbishment work on 37 out of 110 lattice steel towers along the 132kV transmission line and replaced 132kV insulators on a total of 10 transmission towers. The total cost of this exercise is estimated to be around $12 million. This exercise will be completed in 2019.

Upgrading of FEA infrastructure across the nation to increase the capacity of substations and lay the groundwork to meet growing energy demand around Fiji.

ZONE STATION UPGRADING

2017 saw widespread upgrading of FEA infrastructure across the nation to increase the capacity of substations and lay the groundwork to meet growing energy demand around Fiji.

In 2017, a second 33kV/11kV transformer was commissioned at the Wailekutu substation and the Suva Substation 11kV bus was upgraded to 2000Amps.

Tenders were called for the upgrade of 11kV switchgear at the Kinoya power station to 40kA fault rating. Work on this project will be carried out in 2018-2019. A tender was awarded for the replacement of a 11kV switchboard that was damaged during flooding at the Natadola substation. The project will be executed in 2018.

Tenders were also awarded for the upgrading of power transformers at the Vatuwaqa and Deuba zone substations. Installation and commissioning work on these projects will be carried out in 2018.

Lastly, tenders were called for an additional 132kV/33kV transformer at the Vuda substation, an additional 33kV/11kV transformer at the Pineapple Corner substation and the upgrading of 33kV/11kV transformers at Sawani substation. Installation and commissioning work on these projects will be carried out in 2018-2019.

Our FEA Family

CELEBRATING 50 YEARS — GOLDEN ANNIVERSARY

2016 marked the 50th year the FEA has had the privilege of serving the Fijian people. However, due to the impact of severe Tropical Cyclone Winston in February 2016, the FEA's 50-year Golden Jubilee celebration was delayed until 2017. Our golden jubilee celebration was a wonderful celebration that brought together all the members of the FEA family to look back on the FEA's proud legacy in Fiji.

ONE-OFF SPECIAL BONUS PAYMENT

This year FEA paid the first one-off special bonus in history to its hard-working staff, with $1.5 million being shared equally across the board. Every staff member received an equal pay-out regardless of rank or position, in recognition of their contribution to the Authority's success in 2016. In announcing the pay-out, the Honourable Attorney-General, Mr. Aiyaz Sayed-Khaiyum, applauded the FEA's success in 2016 even after sustaining damages caused by TC Winston.

TRAINING & DEVELOPMENT

FEA's Training Centre is dedicated to cultivating partnerships with various institutions. It is this collaboration that allows our FEA family to both learn from and share our knowledge with others. The Authority's distinctive training programs are always striving to provide exceptional development opportunities to both our customers and staff.

And it's not just here in Fiji, either; we are also helping to spread Fiji's industrial expertise with our Pacific Island neighbours through a collaboration with Pacific Power Association (PPA).

FEA has been providing work attachment and training to the neighbouring Pacific Island Electricity Utilities in technical and non-technical areas. In 2017, FEA provided work attachment and training for the Nauru Electricity Utility. The training team was able to conduct and facilitate a total of 252 Training Courses in 2017 with a total number of 33,006 training hours.

The Authority continues to engage students on practical programmes from our local tertiary institutions Fiji National University (FNU), University of the South Pacific (USP) and University of Fiji (UoF) as part of their graduation requirements. This is an opportunity for the Authority to ensure that these attaches receive the relevant practical training and development in-house in preparation for employment opportunities.

Following the repeal of the ENI Decree in October 2016, FEA conducted Employment Relations Promulgation (ERP) training for 164 employees that went over the new ERP features in detail.

INCREASING THE PRODUCTIVITY OF OUR WORKFORCE

Since 2000, the FEA has dramatically streamlined the ways we serve the Fijian people, leading to significant improvements in our overall productivity. While the number of our customers has continued to grow year after year, we have met their needs with a smaller and more competitive workforce. Over the past 17 years, our customer base has grown by 55% and now stands at 182,413, while our staff has decreased by 19% and now stands at 772.

During that same period, from 2000 - 2017, we have also increased electricity generation output by approximately 93%, from 523 GWh to 1,007GWh; we have increased the route length of power lines and underground cables by approximately 43% from 7,124 km to 10,197 km; and the total value of our assets has grown by around 173% from $473 million to a total asset value in 2017 of $1.29 billion.

That translates to an increase of 93% to our customer-to-employee ratio; a 139% increase in electricity generation per employee, an increase of 78% in route length of power lines and cabling per employee; and an overall asset value increase of around 240% per employee.

So on an individual basis, each employee of the FEA is serving far more of our customers in 2017 than at any other time in the Authority's history. Our workforce is more efficient, more competitive and more capable of meeting the growing energy demands of the Fijian people, and we are fully committed to training, incentivising and empowering our staff to deliver even more effective services moving forward.

CORPORATE FUN DAY

The FEA staff came together to celebrate the Corporate Fun Day in 2017, as this fun day was not held in 2016 due to TC Winston. It was a wonderful chance for the FEA family to have fun together and enjoy some quality entertainment. It was due to the dedicated work of our Human Resources (HR) team that this celebration was able to take place alongside our 50-year Golden Jubilee celebration.

HEALTH AND SAFETY

Health and safety have always been at the centre of the FEA's commitment to its staff and the people of Fiji, and we are constantly striving to keep our work in health and safety at an exceptionally high level. It is our responsibility to our staff to make sure they are working in a safe and secure environment every day, and when incidents do occur they are handled swiftly, safely and effectively.

We met that great responsibility again in 2017, recording one of our lowest-ever levels of incidents. We experienced five workplace incidents that led to injuries in 2017, resulting in a total of 11 days lost to injury for our staff.

Driver Initiated Motor Vehicle Accident costs reduced by 61% this year, dropping from $209,554 in 2016 to $89,359 in 2017. That significant drop was a result of FEA's accident prevention effort, which included the installation of a vehicle tracking system in all FEA vehicles, a review of FEA Fleet Policy manual and the subsequent training of all FEA drivers on the reviewed policy.

We carried out two Health and Safety Roadshow programmes in 2017, where two-hour awareness programmes that highlighted trends and patterns in FEA's Health and Safety and Fleet performance were conducted at all FEA locations. The awareness programmes identified key areas of improvement based on FEA's past accident history.

The Health and Safety Team also conducted a total of 311 field visits and met with field teams to discuss health and safety-related issues. Safety audits were also carried out twice at all major FEA locations.

In line with FEA's decision to adopt the Fiji Business Excellence Awards framework, the Health and Safety team saw this as an opportunity to embed excellence in our business processes, leading to significant improvements in our overall health and safety performance.

FEA's safety vision statement is "Safe Production, Zero Injury," which is our guiding principle for all of our work in the arena of health and safety, and we will continue to do everything necessary to create a workplace environment free of injury and incident.

EXCELLENCE IN FIJI AND BEYOND

We are very proud that this year, Health and Safety Officer Central Mohammed Siraz Hassan was awarded the Bronze Award at the Fiji Human Resources Institute Award night in the Young HR Practitioner Award Category during its annual award night on 29 May 2017.

We were also proud to have been awarded the Prize Award at the Fiji Business Excellence Awards Night hosted by the Fiji National University.

For the first time, FEA sent a team to participate in the 2017 Asia Productivity Quality Organisation in Manila, Philippines. That team, "Team Rhizome", performed exceptionally well, taking home the Gold Award and the Overall Most Productive Team Award. To have done so well on the first year of competition was a phenomenal feat and it has set a very high standard for the FEA's achievement on the regional and international stage.

SUPPLY CHAIN UNIT

The Supply Chain Unit is operated by 25 team members. The Supply Chain Unit maintained its focus on improving the procurement of goods and services, inventory management and fleet and property services in 2017.

The unit optimises FEA's performance by pursuing the following key objectives:

- Increase the speed that goods and services are delivered and rendered to internal and external customers;
- Improve the quality of goods and services rendered to internal and external customers; and
- Reduce costs or providing goods and services rendered to internal and external customers.

When measured against the Corporate Plan objectives and related divisional key performance indicators, the Supply Chain Unit produced some notable achievements as at 31 December 2017.

In procuring goods and services, FEA achieved an actual average tender turnaround time of 4.97 weeks (for tenders greater than $10,000 and less than $100,000) against a target of six weeks for the year. A corporate savings of $1.39 million was also achieved through procurement/tender negotiations and other supply chain efficiency cost initiatives.

The Supply Chain Unit played a critical role in ensuring timeliness of tendering, contract preparation, negotiations and the procurement of project materials that helped realise corporate KPIs for the Network and the Generation SBAs. The Unit also contributed towards completion of a total of 70 projects for the Government's rural electrification project across Fiji and a number of upgrading projects on the transmission network.

Overall, the Unit implemented sound inventory management and adhered to industry best practices, achieving a normal operating inventory stockholding level (not including fuel

and engine spares) of $10.98 million against a target of $11.0 million. The stock-turns KPI was achieved at 7.3% against a target of greater than 6%, indicating that FEA's stock items were managed efficiently and stock was turn over regularly.

"Team Rhizome" performed exceptionally well, taking home the Gold Award and the Overall Most Productive Team Award.

FLEET MANAGEMENT

The Corporate Fleet Accidents KPI target was achieved in 2017 as well, registering a total below 20 accidents. The Fleet Team together with the Health and Safety team were able to reduce driving risks through defensive driving training sessions, and specialist vehicle training sessions.

In 2017, 30 new fatigue monitoring units were installed on Network, Generation and regulatory vehicles. This, in combination with the vehicle monitoring systems installed in 2015, assists in reducing vehicle accidents, maintaining safe speeds and highlighting over speeding breaches, abuse of vehicle usage and management of fuel efficiency.

FEA also ensured that all FEA properties were well maintained and building services contracts were executed monthly throughout the year.

REGULATORY UNIT

The Regulatory Unit is operated by 52 team members. The FEA Regulatory Unit is tasked with regulating and enforcing compliance with the Electricity Act for all stakeholders in the energy sector.

Its functions include the registration and licensing of electricians and electrical contractors; the licensing of electrical generation equipment and retailers, including licensing of new independent power producers; ensuring industry compliance in accordance with the Electricity Act and AS/NZS wiring standards; electrical testing of imported electrical appliance and fittings used in Fiji; investigating and submitting independent reports on electrocution incidents to the Resident Magistrate; and testing electricity meters to ensure compliance.

The Regulatory Unit recorded the following major achievements in 2017:

The inspection regulatory team, which was established at the Tavua Depot in 2016, has met the increasing demand from customers located in Ba, Tavua and Rakiraki.

A new electricity meter test bench was installed at Kinoya, and the previously installed meter test bench at the Navutu Depot in Lautoka continues to bring about efficiencies in meter-testing and saves transportation costs of bringing meters to Suva for testing, as was previously the case.

The total number of registered licenced electricians in 2017 stood at 2,069, while 1,197 had their licenses validated after the required renewal fees were paid up. FEA also regularly advised the public on the importance of engaging only licensed electrical contractors via a direct customer contact publication on the FEA website and through advertisements in the newspaper.

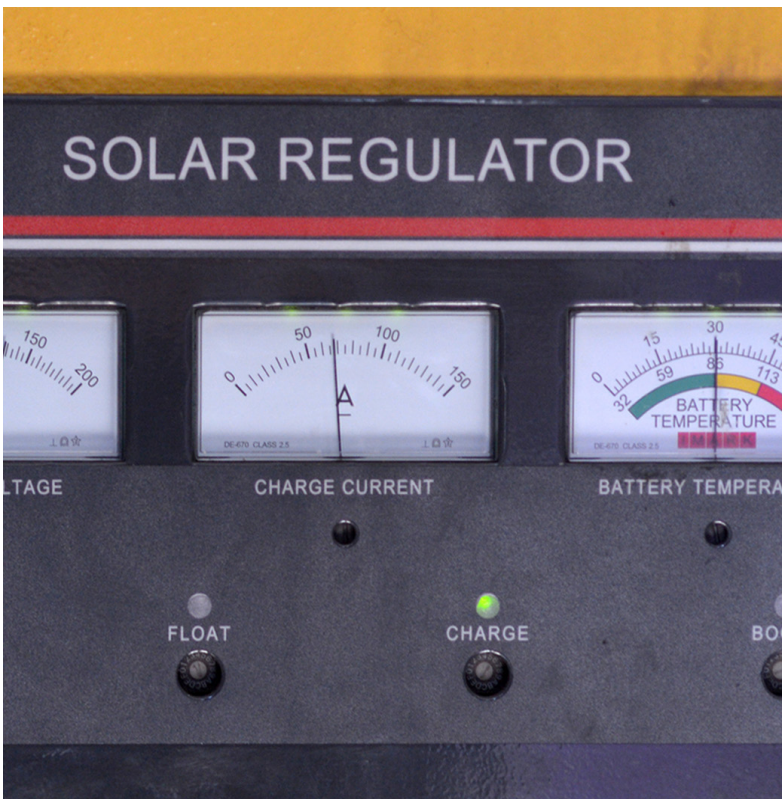
In 2017, we targeted repairing 90% of power line faults in urban areas within three hours, and within four hours for rural areas. We are very pleased to have exceeded that target, meeting our target repair windows 94% of the time in rural areas and 91% of the time in urban areas.

FEA carried out four safety awareness presentations to audiences from various communities, villages and schools in the Central and Western divisions to raise general safety awareness on electricity usage.

FEA continued its support towards the transfer of regulatory functions to the Ministry of Public Enterprises in 2017. FEA provided relevant policy and operational information to the Ministry and its consultants, FEA also worked closely with the Fijian Competition and Consumer Commission who are accommodating the transfer of regulatory roles and functions.

Generation Statistics (excluding independent power producers)

YEARS	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Units Generated Wailoa Hydro Mwh	462,986	436,081	382,963	424,818	466,765	420,195	314,341	320,875	384,451	381,527
Units Generated Wainiqeu Hydro Mwh	688	63	898	1,968	1,027	2,056	983	834	718	448
Units Generated Wainikasou Hydro Mwh	18,420	16,058	19,238	19,404	18,721	5,935	15,027	19,895	21,258	20,912
Units Generated Nagado Hydro Mwh	12,996	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
Units Generated Somosomo										2,227
Total Generated Hydro MWh	495,090	460,192	413,619	456,469	525,261	527,397	400,968	405,949	495,488	491,189
Units Generated in VLIS Diesels MWh	162,760	153,990	236,356	211,767	94,215	94,425	230,957	227,042	83,283	116,470
Units Generated Diesel Others MWh	46,178	43,670	52,537	44,453	48,187	46,971	49,605	47,258	49,615	50,609
Units Generated HFO Kinoya & Vuda	60,807	112,264	126,237	83,540	128,881	183,359	173,477	206,122	291,609	323,879
Total Generated Thermal MWh	269,745	309,924	415,130	339,760	271,283	324,755	454,039	480,422	424,507	490,958
Unit Generated from Butoni Wind Farm	4,604	7,211	6,420	4,977	6,809	5,348	4,269	5,674	3,632	2,083
Total Generated Wind & Solar MWh	4,604	7,211	6,420	4,977	6,809	5,348	4,269	5,674	3,632	2,083
Total FEA Generation (MWh)	769,439	777,327	835,169	801,206	803,353	857,500	859,276	892,045	923,628	984,230
Units Supplied - Independent Producers	27,419	20,555	19,800	35,975	38,902	14,719	32,513	22,350	10,580	23,483
Total Generation	796,858	797,882	854,969	837,181	842,255	872,219	891,789	914,395	934,208	1,007,713
Made up of										
Total VLIS Generation (MWh)	722,573	733,594	781,734	754,785	754,139	808,473	808,687	843,953	873,294	930,945
Total Other Generation (MWh)	46,866	43,733	53,435	46,421	49,214	49,027	50,589	48,091	50,334	53,285
Station Auxilliary usage MWh	9,139	9,050	9,268	8,952	8,343	9,196	10,130	8,106	11,281	11,873
Auxilliaries as % of Generation	1.19%	1.16%	1.11%	1.12%	1.04%	1.07%	1.18%	0.91%	1.22%	1.21%
% contribution from Hydro	64.34%	59.20%	49.53%	56.97%	65.38%	61.50%	46.66%	45.51%	53.65%	49.91%
% contribution from Thermal	35.06%	39.87%	49.71%	42.41%	33.77%	37.87%	52.84%	53.86%	45.96%	49.88%
% contribution from Wind & Solar	0.60%	0.93%	0.77%	0.62%	0.85%	0.62%	0.50%	0.64%	0.39%	0.21%
% increase / (decrease) in Hydro Generation	-2.63%	-7.05%	-10.12%	10.36%	15.07%	0.41%	-23.97%	1.24%	22.1%	-0.9%
% increase / (decrease) in Thermal VLIS Generation	4.35%	19.09%	36.18%	-18.56%	-24.45%	24.51%	45.59%	7.10%	-13.5%	17.5%
% increase / (decrease) in Total Thermal Generation	5.37%	14.90%	33.95%	-18.16%	-20.15%	19.71%	39.81%	5.81%	-12%	16%
% increase / (decrease) in Total Generation	0.21%	1.03%	7.44%	-4.07%	0.27%	6.74%	0.21%	3.81%	4%	7%
Maximum Dam Level (AMSL)	746	742	739	743	747	743	736	742	747	746
Minimum Dam level (AMSL)	728	723	727	735	731	730	724	734	739	734


SOLAR REGULATOR
CHARGE CURRENT
BATTERY TEMPERATURE
FLOAT
CHARGE

04

Life after Electricity

We at FEA consider each new customer who is empowered with the benefits of electricity to be an accomplishment.

Every additional home that's safer because of the warm glow of light, every additional child who is able to stay up late to study and pursue their dream, every additional Fijian in deep-rural area that is able to gather around a television to cheer on our rugby teams—these are the accomplishments that motivate and inspire us every day.

In 2017, FEA incurred approximately $13.4 million in NCO costs in enabling low-income families to afford access to electric power,

As a part of our commitment to bring the life-changing benefits of electric power to low-income Fijians, the FEA incurs significant non-commercial obligations (NCO) costs each year supplying subsidised electricity to rural Viti Levu, and to the whole of Vanua Levu and Ovalau. In 2017, FEA incurred approximately $13.4 million in NCO costs in enabling low-income families to afford access to electric power, and that is a commitment we will continue to meet in the years ahead.

In total, FEA spent $22.1 million for the construction of 104 rural electrification extension projects, with a total of 70 schemes being commissioned in 2017, benefitting 3,314 households.

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)
Distribution - 415/240V	5090.61	4867.27	223.34
Distribution - 11kV & 6.6kV	4424.76	3831.34	593.43
Sub-transmission - 33kV	534.86	454.61	80.25
Transmission - 132kV	147.200	147.200	
Total (km)	10,197.43	9,300.42	897.02

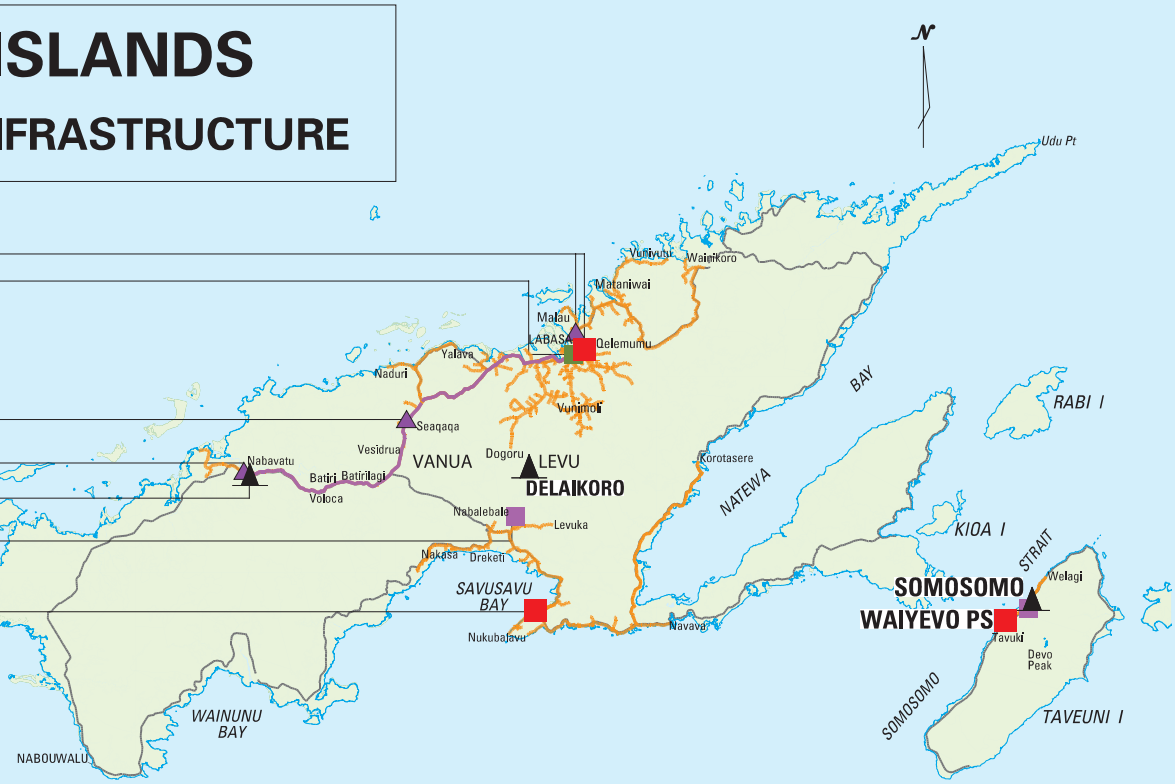
FEA POWER SYSTEM LEGEND

- 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
- FEA Repeater Station

FIJI I

POWER IN

ISLANDS
NFRASTRUCTURE



TAVUA
NADARIVATU
TUIDREKE
VOLIVOLI
RAKIRAKI
NADARIVATU WEIR
MONASAVU DAM
TALADRAU
NASINU
WAILOA
LEVUKA PS
TOKOU
KOROVOU
WAINIKASOU
SAWANI
NAUSORI
KOMO PARK
CUNNINGHAM
KINOYA
VATUWAQA
ROKOBILI
SUVA SS

SOUTH PACIFIC OCEAN

SCALE 1 : 1 950 000
5000m 0 10 20 30km

STATEMENT BY MEMBERS OF THE AUTHORITY
FOR THE YEAR ENDED 31 DECEMBER 2017
FIJI ELECTRICITY AUTHORITY

In accordance with a resolution of the Members of the Fiji Electricity Authority ("the Authority"), in the opinion of the Members:

1. the financial statements and accompanying notes show a true and fair view of the financial position, results of operations, changes in capital and reserves and cash flows of the Fiji Electricity Authority as at and for the year ended 31 December 2017;

2. the statements have been prepared in accordance with the provisions of the Electricity Act 1966 (Cap 180) and International Financial Reporting Standards.

3. the basis of preparation of the financial statements and the classification and carrying amounts of assets and liabilities as stated in these financial statements are appropriate;

4. at the date of this statement there are reasonable grounds to believe that the Authority will be able to pay its debts as and when they fall due; and

5 all related party transactions have been adequately recorded in the books of the Authority

Daksesh Patel
CHAIRMAN
23rd MAY 2018, Suva

Gardiner Whiteside
DEPUTY CHAIRMAN
23rd MAY 2018, Suva

STATEMENT BY MEMBERS OF THE AUTHORITY
FOR THE YEAR ENDED 31 DECEMBER 2017
FIJI ELECTRICITY AUTHORITY

In accordance with a resolution of the Members of the Fiji Electricity Authority ("the Authority"), in the opinion of the Members:

1. the financial statements and accompanying notes show a true and fair view of the financial position, results of operations, changes in capital and reserves and cash flows of the Fiji Electricity Authority as at and for the year ended 31 December 2017;

2. the statements have been prepared in accordance with the provisions of the Electricity Act 1966 (Cap 180) and International Financial Reporting Standards;

3. the basis of preparation of the financial statements and the classification and carrying amounts of assets and liabilities as stated in these financial statements are appropriate;

4. at the date of this statement there are reasonable grounds to believe that the Authority will be able to pay its debts as and when they fall due; and

5. all related party transactions have been adequately recorded in the books of the Authority.

Daksesh Patel
CHAIRMAN

2018, Suva

Gardiner Whiteside
DEPUTY CHAIRMAN

2018, Suva

*(DRAFT)*INDEPENDENT AUDITOR'S REPORT

FIJI ELECTRICITY AUTHORITY

Opinion

I have audited the financial statements of Fiji Electricity Authority (the Authority), which comprise the statement of financial position as at 31 December 2017 the statement of comprehensive income, statement of changes in capital and reserves 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 Authority as at 31 December 2017, 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 Authority 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 is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, Electricity Act, 1966 and Public Enterprise Act, 1996 and for such internal control as the management determines 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, management is responsible for assessing the Authority'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 intend to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Authority'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 Authority's internal control.

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

- 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 Authority'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 Authority 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 Public Enterprise Act, 1996 and the Electricity Act, 1966, in my opinion:

a) proper books of account have been kept by the Authority, 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 Public Enterprise Act, 1996 and the Electricity Act, 1966 in the manner so required.

Ajay Nand
AUDITOR-GENERAL

Suva, Fiji
___ May, 2018

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017
FIJI ELECTRICITY AUTHORITY

	Notes	2017 $'000	2016 $'000
Revenue - electricity sales	4	340,223	317,835
Other operating revenue	5	10,933	10,550
Total revenue		**351,156**	**328,385**
Personnel costs		(23,912)	(21,723)
Fuel costs		(121,873)	(89,849)
Electricity purchases		(18,546)	(12,262)
Lease and rent expenses		(1,731)	(1,620)
Depreciation on property, plant and equipment		(39,496)	(39,268)
Amortisation of intangible assets		(131)	(112)
Other operating expenses		(48,940)	(48,041)
Total expenses		**(254,629)**	**(212,875)**
Profit before finance costs, cyclone restoration costs and income tax		**96,527**	**115,510**
Finance Cost:			
Finance cost		(13,283)	(12,911)
Interest income		2,191	1,404
Unrealised foreign exchange gain/(loss), net		(199)	716
Profit before cyclone restoration costs and income tax		**85,236**	**104,719**
Cyclone Winston - restoration costs		(1,067)	(30,066)
Profit before income tax	6	**84,169**	**74,653**
Income tax expense	7(a)	(16,779)	(15,055)
Profit after income tax		**67,390**	**59,598**
Other comprehensive income		-	-
Total comprehensive income for the year		**67,390**	**59,598**

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 2017
FIJI ELECTRICITY AUTHORITY

	Notes	2017 $'000	2016 $'000
CAPITAL AND RESERVES			
Retained profits		656,082	611,132
Capital contribution		95,199	95,175
		751,281	**706,307**
Represented by:			
CURRENT ASSETS			
Cash on hand and at bank		98,349	59,466
Short term deposits	8(a)	60,000	60,000
Receivables and prepayments	9	38,612	36,459
Inventories	10	37,646	32,362
		234,607	**188,287**
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,054,898	1,034,662
Intangible assets	12	2,001	670
Deferred tax assets	7(b)	198	157
		1,057,097	**1,035,489**
TOTAL ASSETS		**1,291,704**	**1,223,776**
CURRENT LIABILITIES			
Trade and other payables	13	22,083	27,616
Employee benefit liability	14	2,942	2,649
Interest bearing borrowings	15	21,961	24,540
Current tax liabilities	7(d)	3,056	8,145
		50,042	**62,950**
NON-CURRENT LIABILITIES			
Trade and other payables	13	99,418	89,386
Interest bearing borrowings	15	275,605	294,919
Deferred income	16	65,292	24,870
Deferred tax liabilities	7(c)	50,066	45,344
		490,381	**454,519**
TOTAL LIABILITIES		**540,423**	**517,469**
NET ASSETS		**751,281**	**706,307**

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.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017
FIJI ELECTRICITY AUTHORITY

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		346,383	328,637
Payments to suppliers and employees		(222,341)	(212,561)
Interest received		2,312	1,312
Interest paid		(13,586)	(13,109)
1% Transitional tax paid		(2,440)	(465)
Insurance proceeds for business interruption		-	5
Tax Payment/Withholding taxes paid		(17,187)	(123)
Net cash flows provided by operating activities		**93,141**	**103,696**
Cash flows from investing activities			
Proceeds from term deposit		-	12,468
Acquisition of property, plant and equipment		(47,035)	(63,117)
Payment for intangible assets		(1,462)	-
Proceeds for rural electrification, net		27,391	18,324
Proceeds from refundable contribution for general extension, net		8,502	11,114
Proceeds from disposal of property, plant and equipment		164	143
Net cash flows used in investing activities		**(12,440)**	**(21,068)**
Cash flows from financing activities			
Repayment of bonds and loans		(21,859)	(24,674)
Proceeds from borrowings - local		-	3,883
Dividend		(20,000)	-
Net cash flows used in financing activities		**(41,859)**	**(20,791)**
Net increase in cash and cash equivalents		38,842	61,837
Effect of exchange rate movement on cash and cash equivalents		41	286
Cash and cash equivalents - at the beginning of the year		119,466	57,343
Cash and cash equivalents - at the end of the year	8	**158,349**	**119,466**

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 CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2017
FIJI ELECTRICITY AUTHORITY

	Capital Contributions	Retained Profits	Total
	$'000	$'000	$'000
Balance as at 1 January 2016	95,175	551,999	647,174
Total comprehensive income for the year	-	59,598	59,598
1% Transitional tax on undistributed profits (2014 and 2015)	-	(465)	(465)
Balance as at 31 December 2016	**95,175**	**611,132**	**706,307**
Capital contribution relating to 2006 transferred from General Extention Refundable Deposit	24	-	24
Total comprehensive income for the year	-	67,390	67,390
1% Transitional tax on undistributed profits (Pre-2014)	-	(2,440)	(2,440)
Dividend payout	-	(20,000)	(20,000)
Balance as at 31 December 2017	**95,199**	**656,082**	**751,281**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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).

Issue of Financial Statements

The financial statements were approved for issue by the Authority's Board of Directors at its meeting held on 10th May 2018 2018.

Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. 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 3.

Functional and Presentation Currency

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

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

Amendments to standards and annual improvements effective from 1 January 2017

A number of amendments to standards and annual improvements are effective for the first time for periods beginning on (or after) 1 January 2017. None of the amendments have a material effect on the Authority's annual financial statements.

Amendments which are relevant to the entity are summarised below:

IAS 7: Amendment - Disclosure Initiative

These amendments are effective from 1 January 2017 and aim to improve information about an entity's debt, including movements in that debt. Disclosures are required to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

IAS 12: Amendment - Recognition of Deferred Tax Assets for Unrealised Losses

The amendment to IAS 12 is effective from 1 January 2017 and clarifies the accounting for deferred tax assets related to debt instruments measured at fair value but are not deemed to be impaired. Deductible temporary differences arise from unrealised losses on debt instruments measured at fair value. This is regardless of whether the instrument is recovered through sale, or by holding it to maturity. Therefore, entities are required to recognise deferred taxes for temporary differences from unrealised losses of debt instruments measured at fair value if other recognition criteria for deferred taxes is met.

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

New standards, amendments, annual improvements and interpretation that have been issued but are not mandatorily effective as at 31 December 2017

Certain new standards, amendments, annual improvements and interpretation which are not yet mandatorily effective and have not been adopted early in these financial statements, will or may have an effect on the Authority's future financial statements. The Authority intends to adopt these standards, amendments, annual improvements and interpretation if applicable, when they become effective.

Amendments which are applicable to the entity are:

IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration

IFRIC interpretation 22 is effective from 1 January 2018 and addresses how to determine the date of transaction for the purpose of determining the spot exchange rate used to translate foreign currency transactions on initial recognition in circumstances when an entity pays or receives some or all of the foreign currency in advance of the recognition of the related asset, expense or income.

IFRS 9 - Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The Authority is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Authority is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16 - Leases

IFRS 16 Leases, which supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with IAS 17. Under IFRS 16, leases are recorded on the balance sheet by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

IFRS 16 applies to annual periods commencing on or after 1 January 2019. Earlier adoption is permitted, but only IFRS 15 Revenue from Contracts with Customers is also adopted. The Authority is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) **Allowance for doubtful debts**

The Authority establishes an allowance for any doubtful debts based on a review of all outstanding amounts at year-end. Bad debts are written off during the period in which they are identified.

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

(b) 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.

(c) 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 Authority has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(d) 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.

(e) 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 Authority'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 over the assets estimated useful life.

(f) 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.

(g) Comparative figures

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

(h) Deferred income

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

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

(i) Employee benefits

i) Annual leave

Provision for annual leave represents the amount which the Authority 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 Authority 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 Authority. The liability is measured at the wage or salary rates prevailing during the year.

(j) 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.

(k) 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.

(l) Impairment of non-financial assets

The Authority 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 Authority 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 Authority 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.

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

(m) Financial instruments - initial recognition and subsequent measurement

i) Financial assets

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 Authority commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:
- Financial assets at value through profit and loss
- Loans and receivables
- Held-to-maturity investments
- Available for sale (AFS) financial assets

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 Authority has not designated any financial assets at fair value through profit or loss.

Loans and receivables

This category is the most relevant to the Authority. 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 profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to receivables and prepayments. For more, information on 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 Authority 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 Authority holds no AFS financial assets at reporting date.

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

(m) **Financial instruments - initial recognition and subsequent measurement (Cont'd)**

i) Financial assets (cont'd)

Derecognition

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 Authority's statement of financial position) when:

- The rights to receive cash flows from assets have expired ;

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

Impairment of financial assets

The Authority assesses, 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 on 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.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Authority's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Authority that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit and loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Authority has not designated any financial liability at fair value through profit or loss.

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

(m) Financial instruments - initial recognition and subsequent measurement (Cont'd)

ii) Financial liabilities (cont'd)

Loans and borrowings

This is the category most relevant to the Authority. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 costs in the statement of profit or loss.

This category generally applies to the interest-bearing loans and borrowings.

Financial guarantee contracts

Financial guarantee contracts issued by the Authority are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(n) 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 Authority, 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.

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

(o) **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 Authority has various crown lands, native lands and premises under operating lease arrangements.

The Authority, 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.

Authority as Lessor

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

(p) **Payables**

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

(q) **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.

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 Authority'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.

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

(q) Property, plant and equipment (Cont'd)

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 Authority. Major renovations are depreciated over the remaining useful life of the related asset.

(r) Provisions

Provisions are recognised:

- When the Authority 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.

(s) Revenue recognition

Electricity income

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

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

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

(t) Rounding off amounts

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

(u) 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 Authority.

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

(v) **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 Authority 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 Authority 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.

Transitional Tax

Under Section 143(7) of the Income Tax Act 2015, Transitional Tax of 1% is applicable on any undistributed net profit after tax for the 2015 and prior tax years.

(w) **Segment information**

The Authority is not required to report segment information as it is not applicable to the nature of the Authority's operations. Whilst electricity revenue is distinguished by key operating segments, this is done purely for information purposes. The Authority has only one product in electricity, and costs associated with this product are totally common to all operating segments, and it is not possible nor practical to attempt to allocate costs across the operating segments. The Authority's power generating and distribution systems are operated on a fully integrated basis.

(x) **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.

2. RISK MANAGEMENT

2.1 Financial risk factors

The Authority'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 Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Authority's financial performance. The Authority does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Authority's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

(a) Market risk

(i) Foreign exchange risk

The Authority 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 Authority 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. For significant settlements, the Authority is required to seek quotations from recognised banks and use the most favorable exchange rate for purposes of the settlement.

As at year end, liabilities denominated in foreign currencies are not significant and hence changes in the foreign currencies by 10% (increase or decrease) is not expected to have significant impact on the net profit and equity balances currently reflected in the financial statements.

As at 31 December 2017, the Authority has foreign currency loan of USD10.3 million (2016: USD11.0 million). Subsequent to balance date on 23 January 2018, the loan has been converted to FJD.

The Authority enters into forward foreign exchange contracts on a selective basis to manage its exposure to foreign exchange rate risk.

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. There were no outstanding forward foreign exchange contracts as at 31 December 2017.

(ii) Price risk

The Authority does not have investments in equity securities and hence is not exposed to equity securities price risk. However, the Authority 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 Authority'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 2017 (Actual)	1,155.48	105,474	121,873
Fuel price-Increase by 10%	1,271.02	105,474	134,060
Fuel Price-Decrease by 10%	1,039.93	105,474	109,686

Based on the above, if fuel price increase or decrease by 10%, the fuel costs to the Authority would increase or decrease by $12.19 million annually. The above sensitivity calculation is based on the 2017 fuel consumption levels.

(iii) Interest rate risk

The Authority 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 Authority 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 Authority has a high level of certainty over the impact on cash flows arising from interest income. Accordingly, the Authority does not require simulations to be performed over the impact on net profits arising from changes in interest rates.

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

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

2. RISK MANAGEMENT (CONT'D)

2.1 Financial risk factors (Cont'd)

(b) Credit risk

Credit risk arises from deposits with banks, as well as credit exposures to customers, including outstanding receivables. For deposits with banks, only reputable parties with known sound financial standing are accepted. Trade accounts receivable consist of a large number of customers, residential, industrial and commercial. The Authority does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Authority's maximum exposure to credit risk.

(c) Liquidity risk

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

The table below analyses the Authority'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.

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.

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))	60,000	-	-	60,000
Receivables and prepayments (Note 9)	38,612	-	-	38,612
Total	**98,612**	**-**	**-**	**98,612**

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)	22,083	32,411	67,007	121,501
Bonds payable (Note 15)	-	29,250	8,000	37,250
Interest bearing borrowings (Note 15)	21,961	97,743	140,612	260,316
Total	**44,044**	**159,404**	**215,619**	**419,067**

2.2 Other risk

(i) Regulatory risk

The Authority'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 Authority cannot eliminate all operational risk, but through a control framework and by monitoring and responding to potential risks, the Authority 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 Authority's objectives when managing capital are to safeguard the Authority'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 Authority 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 and held to maturity financial assets. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

2. RISK MANAGEMENT (CONT'D)

2.2 Other risk (Cont'd)

(iii) Capital Risk Management (Cont'd)

The gearing ratios at 31 December 2017 and 2016 were as follows:	31-Dec-17 $'000	31-Dec-16 $'000
Total borrowings (Note 15)	297,566	319,459
Less: Cash and cash equivalents (Note 8)	(158,349)	(119,466)
Net debt	139,217	199,993
Total capital and reserves	751,281	706,307
Total capital (total capital and reserves plus net debt)	890,498	906,300
Gearing ratio (net debt / total capital and reserves plus net debt)	15.63%	22.07%

The decrease in the gearing ratio during the year resulted from the repayments of loans amounting to $21.85M in 2017.

3. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

Estimates and assumptions 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.

Critical accounting estimates, judgements and assumptions

The Authority makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of property, plant and equipment

The Authority assesses whether there are any indicators of impairment for all property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment and when there are indicators that the carrying amount may not be recoverable, reasonable provision for impairment is created. As at balance date, no provision for impairment has been made as the Authority reasonably believes that no indicators for impairment exist.

(b) Depreciation / amortization of property, plant and equipment and intangible assets

In relation to property, plant and equipment and intangible assets, the management apply judgement to determine the depreciation/amortization period based on the expected useful lives of the respective assets. Where estimated useful lives or recoverable values have diminished due to physical conditions or market conditions, depreciation/amortization is accelerated. The management's assessment of useful lives or recoverable amount involves making a judgement, at the particular point in time, about inherent uncertain future outcomes of events or conditions. Accordingly, subsequent events may result in outcomes that are significantly different from assessment.

The management reasonably believes that current estimates of useful lives of property, plant and equipment and intangible assets are reasonable at balance date.

(c) Impairment of accounts receivable

Impairment of accounts receivable balances is assessed at an individual level and impairment tests are performed on a more specific basis. All receivable balances relating to the closed customer accounts are estimated to have been impaired and are accordingly provided for.

(d) Provision for stock obsolescence

Provision for stock obsolescence is assessed and raised on a specific basis based on a review of inventories. Inventories considered obsolete or un-serviceable are written off in the year in which they are identified.

(e) Customer Security Deposits and General Extention Refundable Deposits

The customer security deposits and general extention refundable deposits are classified as Current and Non Current Liability based on regular assessment by the Authority, taking into consideration the history of refunds. Refer Note 13.

(f) Deferred tax liabilities

Deferred tax liability is mainly recognised on taxable temporary differences over accounting and tax carrying amounts in respect of property, plant and equipment, computer software, and unrealised exchange gain and is measured at the tax rates that are expected to apply in the period in which the liability is expected to be settled. The management's decision in recording its deferred tax liability requires significant judgement about inherent uncertain future outcomes of events or conditions. Accordingly, subsequent events may result in outcomes that may be different from the assessment.

		2017 $'000	2016 $'000
4.	OPERATING REVENUE		
	ELECTRICITY SALES		
	Commercial	169,460	157,525
	Industrial	83,662	80,336
	Domestic	82,611	75,688
	Others	4,490	4,286
	Total electricity sales	**340,223**	**317,835**
5.	OTHER OPERATING REVENUE		
	Bad debts recovered	16	14
	Business interruption insurance claims received	-	5
	Contract sales	4,293	6,013
	Deferred income	1,611	873
	Gain/(Loss) on disposal of plant and equipment	161	(719)
	Lease rental - fibre optic	494	494
	Power pole rentals	603	584
	Rentals	13	17
	Realised exchange gain, net	794	957
	Sales and commissions	1,085	622
	Service and licence fees	1,786	1,623
	Training revenue	77	67
	Total other operating revenue	**10,933**	**10,550**
	Total revenue	**351,156**	**328,385**
6.	PROFIT BEFORE INCOME TAX		
	Profit before income tax has been determined after charging the following expenses:		
	Allowance for doubtful debts, net	56	450
	Auditor's remuneration for auditing services	44	38
	Professional fees for other services	538	517
	Directors' fees	39	38
	Depreciation on property, plant and equipment	39,496	39,268
	Amortisation of intangible assets	131	112
	Insurance	8,220	8,509
	Personnel costs	23,912	21,723

		2017 $'000	2016 $'000
7.	**a) INCOME TAX EXPENSE**		
	The prima facie income tax on the pre-tax profit reconciles to the income tax expense as follows:		
	Profit before income tax	84,169	74,653
	Prima facie income tax payable at 20%	16,834	14,931
	Tax effect of amounts which are not taxable in calculating taxable income:		
	- Employee taxation scheme	(44)	(26)
	- Amortisation of grant	(322)	(175)
	- Tax effect of non deductable items	311	325
	Income tax expense attributable to profit	**16,779**	**15,055**
	Income tax expense comprises movements in:		
	Deferred tax assets	(41)	1,853
	Deferred tax liabilities	4,722	4,626
	Current tax liabilities	12,098	8,576
		16,779	**15,055**
	b) DEFERRED TAX ASSET		
	The deferred tax assets consist of the following deductible temporary differences at future tax rates:		
	Provision for doubtful debts	140	153
	Unrealised exchange losses	58	4
		198	**157**
	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	49,904	45,198
	Unrealized exchange gain	162	146
		50,066	**45,344**
	d) CURRENT TAX LIABILITIES/(ASSETS)		
	Movement during the year were as follows:		
	Balance at the beginning of the year	8,145	(308)
	Income tax paid	(16,916)	-
	Tax liability for the current year	12,098	8,576
	Resident Interest Withholding Tax deducted at source	(271)	(123)
	Balance at the end of the year	**3,056**	**8,145**
8.	**CASH AND CASH EQUIVALENTS**		
	Short term deposits (a)	60,000	60,000
	Cash at bank and on hand - FEA operation	39,661	8,722
	USD project bank account - off-shore (b)	1,123	1,424
	Project bank account - on-shore (b)	57,565	49,320
	Total cash and cash equivalents	**158,349**	**119,466**

(a) The short term deposit's amounting to $30M is held with Westpac Banking Corporation (WBC) and $30M 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 off-shore and on-shore project bank accounts are in respect to funds committed to projects that are still Work-in-Progress (WIP) or are yet to be commenced as at year end.

9. RECEIVABLES AND PREPAYMENTS

	2017 $'000	2016 $'000
Electricity debtors (a)	33,960	32,205
Other debtors	1,332	841
Prepayments and deposits	4,020	4,178
	39,312	37,224
Allowance for doubtful debts		
- Electricity debtors	(700)	(765)
Total receivables and prepayments (net)	**38,612**	**36,459**

(a) Electricity debtors include receivable from Government of Fiji amounting to $3.88M (2016: $3.45M).

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

(c) Electricity debtors that are less than 3 months past due are not considered impaired. As at 31 December 2017, electricity debtors of $32.55M (2016: $31.16M) were not considered impaired.

As of 31 December 2017, the amount of electricity debtors impaired was $0.7M (2016: $0.77M) net off deposits held. The individual receivables are mainly customers, who have defaulted in payments. It was assessed that a portion of the receivables are expected to be recovered.

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

Balance as at 1 January	765	478
Amounts allowed/(recovered) during the year, net	56	450
Bad debts written off	(121)	(163)
Balance as at 31 December	700	765

The creation and releasing of provision for impaired receivables has been included in "other operating expenses" in the statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering the debt.

The other classes within receivables and prepayments do not contain impaired assets.

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

	Current	30 Days	60 Days	Over 60 Days	Total
	(F$'000)	(F$'000)	(F$'000)	(F$'000)	(F$'000)
2017	26,079	5,597	874	1,410	**33,960**
2016	24,749	5,260	1,147	1,049	**32,205**

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 Authority 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 Authority is $42M (2016: $41M). The rest are secured through bank guarantees maintained by the Authority amounting to $20,340,973. A portion of this security deposit is refunded to customers on a daily basis.

10. INVENTORIES

Consumables - at cost	36,182	31,628
Goods in transit	1,464	734
Total inventories	**37,646**	**32,362**

	2017 $'000	2016 $'000
11. PROPERTY, PLANT AND EQUIPMENT		
Freehold land		
At cost	**28,943**	**28,943**
Leasehold land		
At cost	14,693	14,333
Accumulated depreciation	(2,208)	(2,055)
	12,485	**12,278**
Buildings and improvements		
At cost	86,824	82,267
Accumulated depreciation	(20,497)	(19,354)
	66,327	**62,913**
Dam, tunnels, water conductor		
At cost	546,812	534,839
Accumulated depreciation	(85,210)	(75,108)
	461,602	**459,731**
Plant, equipment and transmission assets		
At cost	636,881	608,165
Accumulated depreciation	(262,200)	(238,576)
	374,681	**369,589**
Furniture and fittings		
At cost	29,954	29,037
Accumulated depreciation	(19,804)	(18,515)
	10,150	**10,522**
Wind mill		
At cost	34,393	34,393
Accumulated depreciation	(18,045)	(16,312)
	16,348	**18,081**
Motor vehicles		
At cost	21,011	18,830
Accumulated depreciation	(16,877)	(16,169)
	4,134	**2,661**
Capital spares		
At cost	**4,343**	**4,490**
Capital works in progress		
- Rural and Urban Reticulation Project	25,567	11,151
-Switchgear Upgrade (Labasa, Hibiscus Park & Suva Substation)	12,518	11,363
-Momi Bay Project	-	9,079
-Tavua Volivoli Grid Extension Project	12,438	10,210
-33kV Underground Cabling Project	7,879	7,701
-Main Inlet Valve (MIV) Wailoa Power Station	8,676	4,515
-Establishment of Taveuni Power Station	-	3,612
-25MVA Transformer Upgrade & Replacement at Kinoya Power Station	2,344	2,132
- Others	6,463	5,691
	75,885	**65,454**
Total		
- At cost	1,479,739	1,420,751
- Accumulated depreciation	(424,841)	(386,089)
Closing net book value	**1,054,898**	**1,034,662**

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	Leasehold land	Buildings & improvements	Dam, tunnels and water conductor	Plant, equipment & transmission assets	Furniture & fittings	Wind mill	Motor vehicles	Capital spares	Capital work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January 2016	**28,943**	**12,053**	**63,975**	**471,923**	**372,349**	**11,197**	**19,820**	**1,942**	**4,430**	**43,116**	**1,029,748**
Additions	-	-	-	-	-	-	-	-	575	44,751	**45,326**
Disposals	-	-	-	(828)	-	(1)	-	(33)	-	-	**(862)**
Transfers	-	373	-	-	21,069	723	-	1,846	(282)	(22,413)	**1,316**
Adjustments to plant and equipment	-	-	-	(1,598)	-	-	-	-	-	-	**(1,598)**
Depreciation charge	-	(148)	(1,062)	(9,766)	(23,829)	(1,397)	(1,739)	(1,094)	(233)	-	**(39,268)**
Balance as at 31 December 2016	**28,943**	**12,278**	**62,913**	**459,731**	**369,589**	**10,522**	**18,081**	**2,661**	**4,490**	**65,454**	**1,034,662**
Additions	-	-	-	-	-	-	-	-	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**

a) During the year, the total borrowing costs of $0.24M were capitalised for Tavua Korovou Electrification Project.

b) Certain property, plant and equipment forming part of the Authority'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, as discussed in Note 15 of the financial statements, property, plant and equipment have been pledged as security.

d) Property, plant and equipment includes assets with an approximate cost of $113m which has zero written down value and still in use by the Authority.

		2017 $'000	2016 $'000
12.	**INTANGIBLE ASSETS**		
	Software License		
	Gross carrying amount:		
	Balance as at 1 January	6,490	6,490
	Additions	1,462	-
	Balance as at 31 December	**7,952**	**6,490**
	Accumulated amortisation:		
	Balance as at 1 January	(5,820)	(5,708)
	Amortisation for the year	(131)	(112)
	Balance as at 31 December	**(5,951)**	**(5,820)**
	Net book amount	**2,001**	**670**

Software license are made up of the Authority'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**		
	Current		
	Trade creditors	4,393	2,461
	Other creditors and accruals	12,444	21,238
	VAT payable	2,630	1,011
	Accrued interest	676	742
	Customer security deposits	1,662	1,868
	General extension refundable deposits	278	296
	Total current trade and other payables	**22,083**	**27,616**
	Non-Current		
	Customer security deposits	40,671	39,135
	General extension refundable deposits	58,747	50,251
	Total non-current trade and other payables	**99,418**	**89,386**

The fair value of trade and other payables equals their carrying amount, as the impact of discounting is not significant. 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 Authority'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**		
	Annual leave	1,027	1,135
	Performance pay	1,915	1,514
	Total employee benefit liability	**2,942**	**2,649**
	Balance as at 1 January	2,649	2,465
	Additional employee benefit liability provided during the year, net of payments	293	184
	Carrying Amount as at 31 December	**2,942**	**2,649**
	Employee numbers		
	Number of full-time equivalent employees as at 31st December	772	756

		2017 $'000	2016 $'000
15.	**INTEREST BEARING BORROWINGS**		
	Current		
	Term loans - ANZ Bank (b)	17,114	19,852
	Term loan - Suva City Council (c)	48	47
	Term Loans - FNPF (d)	4,799	4,641
	Total current interest bearing borrowings	**21,961**	**24,540**
	Non-Current		
	Bonds (a)	37,250	37,250
	Term loans - ANZ Bank (b)	178,137	192,603
	Term loan - Suva City Council (c)	5,005	5,053
	Term Loans - FNPF (d)	55,213	60,013
	Total non-current interest bearing borrowings	**275,605**	**294,919**
	Total interest bearing borrowings	**297,566**	**319,459**

(a) Bonds

The Reserve Bank of Fiji offers, manages and carries out registry services on behalf of the Authority. The Authority'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 3 to 6 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 of $2,040,315. 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.

Subsequent to balance date, the Authority 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 of $560,349. The term loans from FNPF are secured by the guarantee given by the Government of Fiji.

	2017	2016
	$'000	$'000

16. DEFERRED INCOME

EEC Grant In Aid		
EEC Grant in Aid	12,330	12,330
Less: accumulated amortisation	(9,192)	(8,709)
Closing balance - 31 December	**3,138**	**3,621**
Government Grant For Rural Electrification		
Government Grant for Rural Electrification (a)	48,761	27,666
Less: accumulated amortisation	(6,916)	(6,540)
Closing balance - 31 December	**41,845**	**21,126**
Australian Grant Cyclone Winston - Vehicle		
Australian Grant Cyclone Winston - Vehicle	140	140
Less: accumulated amortisation	(45)	(17)
Closing balance - 31 December	**95**	**123**
Government Grant - Somosomo Hydro		
Govt. Grant - Somosomo Hydro	14,642	-
Less: accumulated amortisation	(337)	-
Closing balance - 31 December	**14,305**	**-**
Government Grant - Waiyevo Taveuni		
Govt. Grant - Waiyevo Taveuni	6,296	-
Less: accumulated amortisation	(387)	-
Closing balance - 31 December	**5,909**	**-**
Total deferred income (net)	**65,292**	**24,870**

(a) In 2017, the Authority received $27.4M in the form of capital grant (as part of non-refundable contribution) from the Government of Fiji to assist in rural electrification scheme. In respect to this funding from the Government of Fiji, majority of the capital works are in progress.

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

	EEC Grant In Aid	Government Grant For Rural Electrification	Australian Grant Cyclone Winston Vehicle	Govt.Grant Somosomo Hydro	Govt. Grant Waiyevo Taveuni	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 31 December 2016	3,621	21,126	123	-	-	24,870
Additions	-	27,391	-	14,642	-	42,033
Transfers from / (to)	-	(6,296)	-	-	6,296	-
Amortisation charge	(483)	(376)	(28)	(337)	(387)	(1,611)
Balance as at 31 December 2017	3,138	41,845	95	14,305	5,909	65,292

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 Authority. The Authority estimates such liability, if any, to be immaterial.

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

Letter of credit	-	14
Litigation claims - others	649	636
	649	**650**

18. COMMITMENTS

	2017	2016
	$'000	$'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	1,578	1,730
Later than one year but not later than five years	5,834	6,458
Later than five years	103,857	123,432
Total operating lease expenditure commitments	**111,269**	**131,620**

The Native and Crown leasehold land includes the lease obtained for Monasavu land. The settlement signed with Monasavu land owners and the iTaukei Land Trust Board commits FEA 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	65,520	66,360

(b) Operating lease revenue commitments

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

Later than one year	1,089	973
Later than one year but not later than five years	1,089	973
Total operating lease revenue commitments	**2,178**	**1,946**

(c) Fiji Electricity Authority (FEA) 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 Authority. The power produced at these two diesel Power Stations is directly connected with the main power grid of the Fiji Electricity Authority.

(d) The Authority 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.	**18,098**	**22,098**
Projects approved by the Board but not contracted for at balance date	**165,049**	**112,476**

The Capital expenditures for 2018 of $18M and $165 million comprises of the refurbishment of Turbines & Governor (MIV), Upgrade of Vuda G1 & G2 MCC panel & Amot control panels, Wainiqeu Hydro Station 11kV Switchgears & Control Upgrade, Install & Commission new 415V distribution/changeover board for Monasavu Central Power Station, Excitation System/11kV CB/MCC Panel/DC System/Aux Transformer 11kV/415V & 415V Switchgear, Control & Protection system, Purchase of 5T electrical hoist for Deuba, Sigatoka & Nadi power stations, Purchase of 2 x 10MW HFO generating sets for Vuda PS, Upgrade G1,G4,G5,G6,G7,G8, G9 /PLC/Remote Radiator &Turbocharger-Labasa/Old & New Kinoya/Sigatoka/Deuba, Distribution System Reinforcement, Urban & Reticulation, FEA Contribution of Power Grid to Keiyasi Settlement, Central 6.6kV to 11kV Network Migration, System Protection Upgrades, 11kV Feeder Upgrade - Pacific Lumber Feeder, New 11kV Feeder from Komo Park Substation to Walu Bay & Port area, Implementation of Power Development Plan, Transformer Upgrade , Substation Security & Protection, Replacement of Aged Assets, Develop New Repeater - Wainibuka , Network Upgrade/Radio/Microwave/SCADA Network Separation / Taveuni Hydro SCADA Automation Project, Tower Replacement of 132kV Transmission line, purchase of new and replacement vehicles, Switchgear Upgrade at Natadola/Wailoa/Voivoi, Grid Extention for Rural Electrification Projects.

20. EVENTS OCCURRING AFTER BALANCE DATE

a) A wholly owned subsidiary company of FEA called Fiji Renewables Pte Limited was established on 17th January 2018. The company will be responsible for any interest of FEA in the development of renewable energy projects in Fiji and the Pacific.

b) FEA refinanced its USD foreign currency loan with a balance of US$10.29M as at 31 December 2017 into a Fijian Dollar loan in January 2018.

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 Authority, the results of those operations, or the state of affairs of the Authority in future financial years.

21. SIGNIFICANT EVENTS DURING THE YEAR

During the year:

a) FEA paid a dividend of $20 million to the Government of Fiji.

b) The Fijian Competition and Consumer Commission (FCCC) submitted the final authorisation of the Fiji Electricity Authority Capital Infrastructure Consumer Deposit which is effective from 15th December 2017. The Capital Infrastructure Consumer Deposit covers the Residential, Commercial and Industrial customer grid extension cost.

c) The Government of Fiji continued with the exercise of the partial diverstment of its investment in FEA. To this effect, the Electricty Act 2017 (2017 Act) was passed in Parliament in March 2017. This will come into effect on a date to be set by the Minister responsible for the 2017 Act. Furthermore, Government made progress towards corporatization of FEA into public company limited by shares, which is intended to be completed in 2018. Subsequently, it is evvisaged that Government will make an offer of up to 5% of its ownership in the corporatized FEA to domestic account holders in the form of Non-voting shares.

d) FEA refinanced the entire loan portfolio of ANZ Bank on 2nd November 2017. The three years fixed interest period of these loans expired on 3rd March 2017. In addition, FEA raised a new loan of $50M with ANZ Bank to fund the construction of the new 132kV Transmission Network from Virara, Ba to Koronubu, Ba.

e) FEA and Sunergise(Fiji) Limited signed a Joint Venture Agreement on 20th December 2017 for the development of a 5MW Solar PV at Qeleloa in Nadi.

f) The Independent Power Producer (IPP), Nabou Green Energy located at Nabou Sigatoka, commissioned its 12MW biomass plant in July 2017 and commenced sale of energy to FEA.

22. PRINCIPAL ACTIVITIES AND PRINCIPAL PLACE OF BUSINESS

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

The address of Fiji Electricity Authority's registered office and principal place of business is 2 Marlow Street, Suva, Fiji Islands.

23. RELATED PARTY TRANSACTIONS

a) The Authority is a statutory body constituted by an Act of Parliament and the transactions with the Government of Fiji during the year are as follows:

	2017	2016
	$'000	$'000
Government guarantee fee expensed during the year	1,139	2,088

i) The Government of Fiji provides guarantees on the bonds issued by RBF for the Authority. As at balance date, the Authority had borrowed funds amounting to $97.3 million under this guarantee.

ii) The Government of Fiji also provides grants for rural electrification schemes and subsidies on behalf of customers.

23. RELATED PARTY TRANSACTIONS (CONT'D)

b) Directors

The names of persons who were directors of the Authority during the year 2017 are as follows:

Daksesh Patel (Chairman)
Gardiner Henry Whiteside (Deputy Chairman)
Alipate Naiorosui
Paul Bayly (Resigned, November 2017)
David Kolitagane (Joined, November 2017)
Kamal Goundar
Hasmukh Patel (Ex-officio Member)

The directors fees paid during the year were $39,313

(c) Key Management Compensation

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

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 2017 and 2016 were:

Salary, performance pay and allowances	1,646	1,558
Superannuation	165	157
Other benefits	4	16
Total	1,815	1,731

(d) During the year, the Authority 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.

24 Change in the Name

Effective from 16 April 2018, the Authority's name has been chnaged from Fiji Electrcity Authority to Energy Fiji Limited. This was offcially announced by Attorney General and Minister for Public Enterprises on 16 April 2018.

Notes

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FIJI ELECTRICITY AUTHORITY

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