Fiji Ports Corporation Limited

ANNUAL REPORT

2018

FIJI PORTS

Gateway to Future Development

An estimated 95% of all imports and exports pass through our Ports of Entry, with the total value of 2018 imports being in the vicinity of FJ$507.2 million[i].

These imports drive the future development of the nation and contribute to the economic well-being of the 884,887[ii] citizens of Fiji.

Our imports help to build homes and businesses, improve health and education services, and increase the quality of farm produce. They provide vehicles and fuel, and help construct roads, so people can participate in economic, social, sporting and religious activities and contribute to Fiji's continuing development as a modern, vibrant nation.

Our tourism figures continue to grow, with 880,814[iii] tourists contributing FJ$1,944.2 million[iv] to the economy in 2018. Fiji is a destination of choice. Tourists are assured of a safe and culturally unique experience.

Fiji Ports is providing the Gateway to Future Development for sustainable growth, for the benefit of all Fijians.

i. Bureau of Statistics, forecast.
ii. 2017 Census.
iii. 2018 Budget Address Summary forecast figures for 2018.
iv. Ibid.


CMA CGM
CMA CGM
HAMBURG SÜD
MAERSK
MAERSK
MAERSK
AERSK
CAI
CAI
PIL
BEACON
CHINA SHIPPING
PIL
PIL
HAMBURG

FIJI PORTS

Company Profile

Fiji Ports Corporation Limited (FPCL) is a commercial port management company that operates the two main ports of entry into Fiji – Kings Wharf, Suva and the Queens Wharf, Lautoka. FPCL also operates Levuka Wharf, Ovalau.

The Company oversees the operations and International Ship and Port Facility Security (ISPS) requirements for Fiji's secondary ports of Malau Wharf, Labasa, Vanua Levu (owned by Fiji Sugar Corporation); Rotuma Port, Rotuma (owned by Rotuma Council); Wairiki Wharf, Nabouwalu, Vanua Levu (owned by Tropik Wood Industries Ltd), and Vuda, Viti Levu (owned by multinational oil companies).

FPCL also oversees and operates a range of port facilities, including local interisland, and fishing, and local and international barge port facilities located at Mua-i-Walu 1 and 2, Walu Bay, Suva, and in Lautoka, adjacent to the Queens Wharf, through the provision of Ports infrastructure and related services, delivered in a manner that meets safety and security standards in the maritime industry.

Given Fiji's strategic location in the centre of the South Pacific, these Ports continue to face an ever increasing demand on services. FPCL's overall operational objective is to progressively upgrade all Port facilities and services in ways that will bring benefit to clients, stakeholders and customers, while improving productivity and efficiency levels.

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Fiji Ports Corporation Limited

VISION

To be the maritime gateway in the Pacific region through facilitating waterborne transport, trade and commerce.

MISSION

To develop, maintain and improve key seaport and ship repair facilities to enhance the economic growth and prosperity of Fiji.

OUR VALUES

Professionalism
Commercial Stewardship
Strategic Innovation
Progressive Leadership
Corporate Citizenship
Employees' Well-Being,
Diversity

OUR CORPORATE CULTURE

Our working environment is defined by openness and maximising the benefits – often unrecorded and unseen – that flow from having a positive workplace.

Chairman's Message

A Guiding Compass

Shaheen Ali
Chairman

Retained Earnings
29%

Liquidity
5.5 to 8

Profitability
6%

It gives me great pleasure to present the 2018 Annual Report for the Fiji Ports Corporation Limited (FPCL) and its subsidiary company, Fiji Ships and Heavy Industries Limited (FSHIL).

Strong Financial Performance

I am pleased to report that the Fiji Ports Corporation Limited Group (Group) performance for the 2018 Financial Year maintains an upward trajectory, with a Net Profit After Tax (NPAT) of $28.04 million. This represents a 6% increase compared to the reported NPAT of $26.35 million for 2017.

The Group total revenue increased by 4% for the 2018 Financial Year, compared to 2017, and there was also an increase in other service income. The increased port efficiencies led to a reduction in dockage hours, which increased the dockage revenue and core marine service revenue.

The prudent cash management strategy has significantly increased the Net Interest earnings by 233%, in comparison with 2017. This was mainly achieved through creating a new Interest Bearing Account of $15 million and increasing the amount on fixed term deposit to $37 million, with interest rates favourable to the Group.

In addition, the Group recorded zero external borrowings and a current liquidity ratio of 8. The impressive performance follows the dividend payment of $15.23 million to the shareholders for the 2017 Financial Year.

Total Expenses have increased, which was attributed to the increase in employee expenses following the first two phases of the Job Evaluation Exercise, and provision for the third phase. Other increases have been recorded in property expenses and operating expenses.

Successful Transition

The successful transition to Public Private Partnership (PPP) by FPCL in 2013, has proven an astute decision, one that is in keeping with the Fijian Government's commitment to encouraging investment in Fiji, while retaining significant Fijian ownership of the Company.

The Board is also cognisant of the crucial role played by FPCL in promoting and facilitating international trade. Therefore, it is essential that FPCL focuses on its core business to ensure that Fiji continues on its journey to sustainable growth and development.

It is also incumbent upon us as Directors, to act in the best interest of the Company, with full regard for FPCL, as both a commercial maritime entity of national significance and one that functions as an essential link within the regional and global supply chains.

The Board supports FPCL in its drive to develop as an effective, efficient Landlord Port, responsible for Port Planning, with services that can be benchmarked against the world's best.

"In addition, the Group recorded zero external borrowings and a current liquidity ratio of 8. The impressive performance follows the dividend payment of $15.23 million to the shareholders for the 2017 Financial Year."

Integrated Planning

In recognition of the importance of long-term and integrated planning, the Board and Management of FPCL have formulated the 5-Year Strategic Plan, 2019–2023.

The Plan sets out strategies to achieve the vision, which is, 'To be the maritime gateway in the Pacific Region through facilitating waterborne transport, trade and commerce'.

We are cognisant of the space constraints at the Suva and Lautoka Ports. Whilst the close proximity of the city to the port is an advantage in promoting the tourism and cruise vessel industries, with easily accessible linkages between the port and the city, this can also create challenges for the day-to-day operations of the ports. The Board together with the Management is looking at sites for relocating the Suva cargo, fishing and shipbuilding operations.

The Board supports FPCL efforts to forecast the future requirements of FPCL's infrastructure, yard and equipment needs. This will determine our ability to connect to the global logistics network directly.

> To fulfil our vision, 'To be the maritime gateway in the Pacific Region through facilitating waterborne transport, trade and commerce. FPCL is ready to address key challenges and take the optimum advantage of favourable circumstances.

It will impact our capacity to reap the benefits of opportunities for growth. The importance of reliable logistics remains key to the nation's continued economic development.

Climate Change Mitigation

As Hon. Prime Minister Josaia Voreqe Bainimarama, President of the COP23 (23rd Conference of the Parties to the United Nations Framework Convention on Climate Change - UNFCCC), handed over his presidency at the COP24 in Katowice, Poland, he reiterated Fiji's total and absolute commitment to climate change action that is at the core of Government's national policies and its medium and long-term development plans.

Fiji is one of the first two nations to commit to reaching net zero emissions by mid-century. Fiji is the 11th nation to have submitted its Low Emission Development Strategy to the UN, in line with Article 4 of the Paris Agreement.

The FPCL Board acknowledges a major area of focus of this comprehensive strategy is the energy sector and the reduction in carbon emissions in land and maritime transport. As such, the Board and management remain committed to seeking and implementing ways to reduce our carbon footprint and reducing greenhouse gas emissions in our operations.

We also applaud the inclusion of wetlands in Government's Low Emissions Development Strategy. Fiji is the first Small Island Developing State to do so, as this involves the preservation and restoration of our mangroves.

Not only do mangroves contribute to the overall emissions reduction effort, an estimated 75% of commercially caught fish either spend time in mangroves at some stage of their development, or depend on food chains that can be traced back to the mangroves. Mangroves also stabilise our shores and protect them from erosion, contributing to the well-being of coastal communities.

Strengthened Relationships

FPCL welcomes the opportunities to strengthen international and regional relationships and participate in the formulation and implementation of international regulations and controls to protect and promote the role of Ports, as the interface between the sea-going vessels and the land-based stakeholders in the international and national supply chains.

FPCL has strengthened its relationships with key stakeholders, such as the Maritime Safety Authority of Fiji (MSAF), Fiji Revenue and Customs Services (FRCS) and Biosecurity Authority of Fiji (BAF). These relationships ensure continued cooperation and communication to provide the best service possible to our international, regional and local customers. FPCL also continues to disseminate information and exchange knowledge with all other essential stakeholders, such as shipping lines and their agents, importers, exporters and cruise line operators.

The Board recognises that global economic trends will always be a challenge for FPCL, as too are changes within the industry that require technological and operational innovation for greater energy efficiency and economic competitiveness.

The arrival of the Majestic Princess on her maiden voyage to Fiji, at 330metres, the longest vessel to visit our shores.

> We also applaud the inclusion of wetlands in Government's Low Emissions Development Strategy. Fiji is the first Small Island Developing State to do so, as this involves the preservation and restoration of our mangroves.

With innovation and automation, the latest intelligent IT systems and the latest cargo handling equipment can be utilised by Ports to meet the growing needs of shipping lines.

By leveraging the essential cooperation between the public and private sectors, smaller Ports can take advantage of technological advances to create 'Smart' systems, which are no longer the exclusive preserve of large, green-field ports.

For example, electronic systems can be used to track container and vehicle movements to remedy congestion or adverse impacts upon normal processes at a reasonable cost.

Strongly Positioned

While FPCL's core business centres on servicing national and regional business and public needs, Fiji is strongly positioned to provide transshipment to other Pacific Island States and Territories, while catering to the growing cruise ship industry visiting our ports.

Our future ability to attract larger vessels more frequently, with a commensurate increase in import arrivals to facilitate increased transshipment services to other destinations, will require significant infrastructure advancement to enable the delivery of such services.

> The continued support of my fellow Directors through the year has been invaluable, and I greatly appreciate their combined experience and business acumen, as we navigate the challenges and opportunities presented by the industry.

The close proximity of the Port of Suva to Suva city helps promote the tourism and cruise vessel industries.

To achieve these goals and keep our promise to be the gateway to Fiji's future, the FPCL Board and Management will continue to work assiduously to maintain the balance between our environmental stewardship, social responsibilities and economic role. We strongly believe that by proactively planning for a future, which will provide the best for all Fijians, FPCL will also continue building a resilient and adaptable company that will benefit our shareholders, our staff and management and our customers.

I wish to thank the Chief Executive Officer and the Executive Management for their leadership. Thank you to all the staff of FPCL, subsidiary FSHIL and associate company FPTL, for your hard work, commitment and dedication throughout the 2018 financial year.

The continued support of my fellow Directors through the year has been invaluable, and I greatly appreciate their combined experience and business acumen, as we navigate the challenges and opportunities presented by the industry.

I wish to also thank the Fijian Government and, specifically, the Attorney-General and the Minister for Economy, the Ministry of Economy and the Public Enterprise Department, for their continued support, and we look forward to this continuing into the future.

Shaheen Ali
Chairman

CEO's Report
Planning for the Future

Vajira Piyasena
Chief Executive Officer

Return on Invested Capital
38.3% to **36.0%**

Net Interest Income
233%

Pilotage Market Share
13%

The 2018 Financial Year has been another successful year for Fiji Ports Corporation Limited (FPCL) in preparation for the implementation of the Strategic Plan to establish a solid foundation for growth and development.

It is the fifth year since the inauguration of the Public Private Partnership (PPP) in which FPCL has fulfilled its role as the provider of port services.

During the year under review, FPCL has been deliberating upon strategic initiatives that are most efficient and effective, to take the Company forward as the 'Gateway to the Pacific' and the 'Gateway to the Future' in terms of growth and development, not only of the Company but for its shareholders, as well as for all citizens of Fiji.

Important Role

Fiji Ports handles approximately 95% of all imports and exports to Fiji. This establishes the important role of the company to the nation's development.

FPCL is aware that in order to continue facilitating the economic development of the nation, while meeting the demands of a developing and increasingly sophisticated supply chain, we need to address the challenges faced by our Ports and logistic partners, and at the same time meet the needs of our shareholders and key stakeholders in the various industry sectors.

Internationally and regionally, we face major challenges from growth in trade, as well as the consequences of increasing urbanisation, and the changing condition of traffic in general. Ensuring adequate future capacity and reconciling the interests of the various parties involved are at the forefront of our agenda.

Planning for the Future

An overarching 5-Year Strategic Plan 2019–2023, was developed by the Australian consultancy company, Cardno Limited, a regional provider of a wide range of services including strategic planning and infrastructure development, which are pertinent to the future development of FPCL and subsidiary company, Fiji Ships & Heavy Industries Limited (FSHIL).

The Strategic Plan incorporates a comprehensive set of strategic objectives to be achieved in the areas of finance, infrastructure, resource management, etc., and is essentially cascaded down and reflected in the KPIs of management, department heads and staff.

Infrastructure Rehabilitation

FPCL undertook a comprehensive condition assessment of Lautoka Wharf and the exercise entrusted us to engage in a realistic and achievable planning partnership with the consultants in 2018.

Other secondary level progress included the renovation of the Harbour Master's Office which was completed in June 2018, streamlining the Port Control and Harbour Master's Office functions.

Following the assessment submitted by our contracted Engineering Consultants, the immediate need for maintenance works to the damaged pile and cracked beams at Mua-i-Walu 1 Jetty was highlighted. A non-budget project was executed because of its high priority and completed successfully by the contractor. This resulted in the restoration of the load limit that was earlier restricted.

An insurance-funded project to repair damages to link spans at the Kings Wharf in Suva, was also awarded, executed and completed by the contactor in mid-2018.

> In order to fulfil the future demands on our operational capacity and storage space in our multi-purpose Ports of Entry, FPCL is aware that a major investment in infrastructure development will become essential for the on-going economic and social well-being of the nation.

The Lautoka Wharf Ramp Rehabilitation Project was successfully completed in August 2018. Through this project, the width of the ramp was doubled to facilitate traffic from the new section to the old one. Rehabilitation work has also been completed at the Lautoka Local Wharf and our Engineering Department has a full rehabilitation work plan that is ongoing into the next financial year.

Long-Term Solutions

FPCL recognises that these projects are part of the first phase of the planned short-term solutions to extend the viability of the wharves for a conservative estimate of five to 10 years, while long-term solutions would provide for the next 25 years.

ISPS Code Audit by the US Coast Guards and NZ Maritime at the Port of Suva.

By implementing this two-pronged approach, FPCL is committed to addressing these issues in the most cost-effective manner, while maintaining all necessary safety and security codes for all Port users and FPCL employees to the highest international standards.

In order to fulfil the future demands on our operational capacity and storage space in our multipurpose Ports of Entry, FPCL is aware that a major investment in infrastructure development will become essential for the ongoing economic and social well-being of the nation.

Energy Management Plan

The implementation of the FPCL Energy Management Plan is expected to lead to improvement in areas of importance to FPCL, including profitable operations, conservation of our local environment and a trial installation of solar panels as of the overall FPCL Greenhouse Gas Abatement Green Port Initiative.

Port Security

FPCL is pleased to report that with the successful International Ships and Ports Security (ISPS) Code assessments conducted by the US Coast Guard and again by the Maritime Safety Authority of Fiji (MSAF) at the Ports of Suva and Lautoka, the Company continues to meet the ISPS Code requirements that are essential to our ability to facilitate international trade through our Ports of Entry.

I am also pleased to report the successful Port Security-Ship Security Table Top Exercises facilitated by the FPCL Security Department. Such exercises test the ship's security and the receiving Port Authority in case of various potential scenarios. They test the Emergency Response Plan of the Port State, the deployment and interoperability of local authorities to assist the Port State's evacuation plan.

One of these exercises was carried out on cruise liner *Majestic Princess* at the request of the owners, Princess Cruises, and the Australian High Commission, and another on *Voyager of the Seas*, at the request of owners Royal Caribbean International Ltd.

Key stakeholders participating in these exercises, at the invitation of FPCL,

FPCL was represented at the IAPH 2018 World Conference in Baku by

Submission to the Parliamentary Standing Committee on Social Affairs.

included the Ministry of Defence and National Security; MSAF; the Republic of Fiji Military Forces; Fiji Revenue and Customs Service; Fiji Naval Forces; Fiji Police Force, the National Fire Authority and the Ministry of Health.

FPCL is also represented at important Government Border Security Committees such as the Counter Terrorist Officers Group; the National Maritime Security Strategy Committee and the National Security and Defense Council Border Security.

World Port Conference

Participation at international conferences ensures that FPCL remains abreast of developments within the maritime sector, while forging and strengthening international relationships.

In this regard, I was honoured to accept the invitation to attend the International Association of Ports and Harbors (IAPH) 2018 World Conference in Baku, Azerbaijan, along with Board Director Mr Vijay Maharaj.

With the overarching theme of 'Ports of the Future:

> "As a Company that is committed to creating a business environment that is fair, transparent and free of corruption, it was only fitting that FPCL signed the Memorandum of Understanding with the Fiji Independent Commission against Corruption (FICAC)."

MOU Signing with FICAC on Corporate Integrity Pledge.

Building Hubs, Accelerating Connectivity', the four-day conference agenda included high-level discussions on the contribution of free trade zones to domestic economies and those of neighbouring economies. Also included in the discussions were the concepts of Smart Ports and Green Ports in the 21st Century, and the emergence of transport corridors such as the One Belt, One Road Initiative proposed by China.

Transport Forum

Closer to home, it was also an honour to be invited as a guest speaker to the Ministry of Infrastructure's 15th National Transport Consultative Forum at the Novotel Convention Centre in Lami. I am also appreciative of the opportunity to address the Forum on 'Promoting Tourism through Accessible and Efficient Transport Services,' as cruise tourism is increasing in Fiji, with immediate economic benefit to the local community as well as contributing to our growing national economy.

Parliamentary Submissions

FPCL also welcomed the opportunity to clarify the extent of the Company's role and responsibilities, as well as items in the 2016 Annual Report, to the Standing Committee on Social Affairs and to the Standing Committee on Foreign Affairs.

Corporate Integrity Pledge

As a Company that is committed to creating a business environment that is fair, transparent and free of corruption, it was only fitting that FPCL signed the Memorandum of Understanding with the Fiji Independent Commission Against Corruption (FICAC). This signifies FPCL's commitment to adopting and upholding the anti-corruption principles, as outlined in the Corporate Integrity Pledge, of promoting transparency and accountability; strengthening internal systems; complying with laws relating to fighting corruption and supporting FICAC's anti-corruption initiatives.

Profitability and Balance Sheet

I am pleased to report that the Group Balance Sheet remains strong, with a sound cash balance. The Group holds $37 million in term deposits and has an impressive liquidity ratio of 8.8.

Fiji Ships & Heavy Industries Limited

Fiji Ships & Heavy Industries Limited, a subsidiary of FPCL, recorded a profit of $1.3 million for the 2018 Financial Year. With a healthy cash flow balance of $2.9 million, a term deposit of $1 million and a low gearing of 0.11, the balance sheet remains strong.

Milestone Achievement

During the year, FSHIL was awarded the ISO 9001:2015 certification for the provision of services related to ship repair works, ship repair services, slipway facilities and heavy industry services.

The prestigious certification is granted for meeting or exceeding rigorous international standards in quality management. The audit process and certification was conducted by Sri Lanka Standard Institution.

I wish to congratulate the FSHIL Operations Manager and his workforce for this milestone achievement, as it strengthens the Company's commitment to meeting and maintaining recognised, world-class standards of business and operational excellence.

Acknowledgements

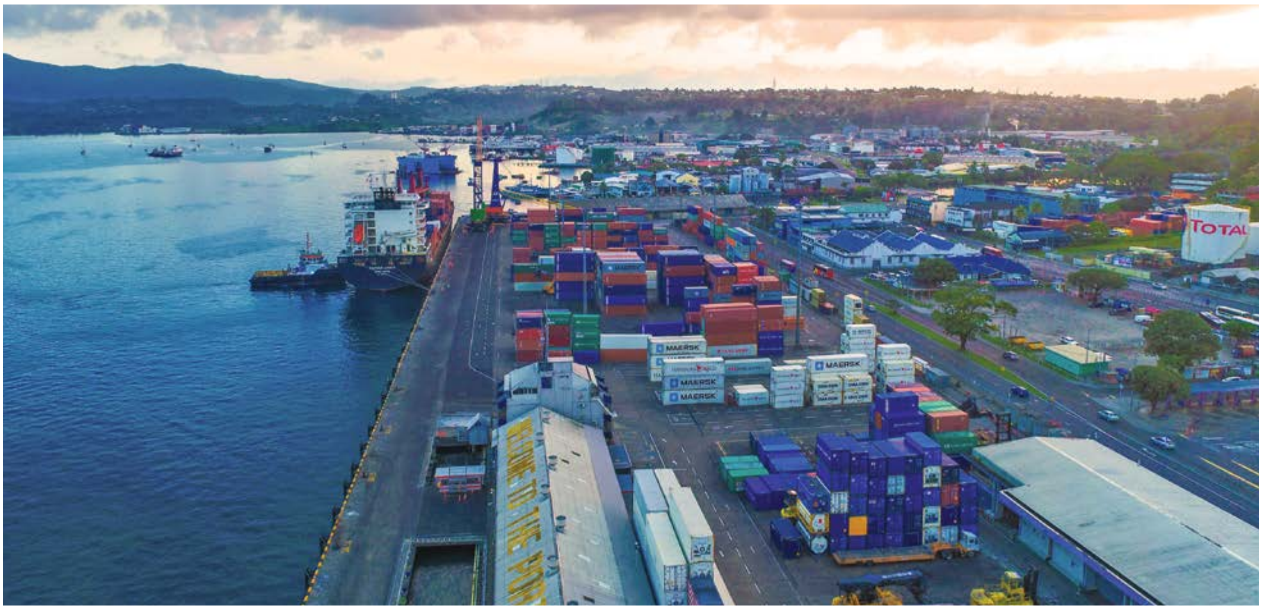
I wish to offer my thanks and appreciation to our Chairman and the Board of Directors. Their abiding commitment to FPCL and its staff, their incomparable leadership and guidance has been invaluable during 2018, as we conclude what has been another exciting and inspiring year.

To the Executive management team, department heads, supervisors and all employees, my sincere thanks to you all. Your continued efforts contribute to the success of the Company. I am also extremely grateful for your dedication and hard work.

I wish to take this opportunity to express my gratitude to our colleagues at the Ministry of Public Enterprises and the Ministry of Finance for your enduring support.

With your continuing support, FPCL looks forward to implementing the plans to take the Company through the 21st Century and into the future, for the benefit of our key stakeholders, our valued customers, and the people of Fiji.

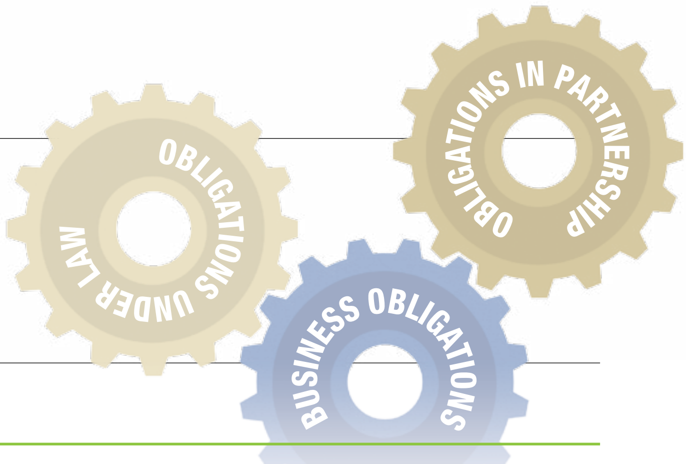
Vajira Piyasena
Chief Executive Officer



FPCL looks forward to implementing the plans to take the Company through the 21st Century and into the future.

Corporate Profile

A Better Fiji Ports under Law



Fiji Ports Corporation Ltd has successfully transitioned from operating as a 'process-based' organisation and has matured in its new role as the Landlord/Port Regulator with an increased focus on the development of port facilities.

FPCL continues to work towards meeting expectations as a 'supervisory body for standards relating to Ports of Entry and other local ports throughout Fiji'. As such, growing trade through Fiji's Ports in a sustainable manner that will optimise returns that remain vital to FPCL, moving forward.

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Obligation under Law

Fiji Ports Corporation Limited has significant and growing international and national obligations under law and treaties. The principal legislation by which FPCL is governed is the Sea Ports Management Act 2005. As a partially Government-owned commercial company, Fiji Ports also has broad responsibilities under the Public Enterprise Act 1996. FPCL's objectives and responsibilities under the Sea Ports Management Act 2005 are as follows:

- To effectively manage sea ports in Fiji;
- To create or enhance opportunities in the provision of port services;
- To manage operation and regulatory responsibilities that include:
  a. To manage the processes, on behalf of the Minister, of declaring of new ports and approaches to ports;
  b. Be responsible for management of Fiji's Ports;
  c. Taking of action in the event of an emergency;
  d. Acquiring land required for Port operations:
  e. To levy charges for provision of its services;
  f. Detail vessels in breach of Fiji law;
  g. Exempt, reduce or refund, any vessels for dues and rates;
  h. Take a lien, and after 21 days (or for perishables after 21 hours) sell goods in relation to charges;
  i. Take a lien and after 21 days over vessels in relation to charges;
  j. Prosecute offences of evasion of due or rate or charges;
  k. License persons to access ports for commercial purposes;
  l. Chair meetings of Stakeholders on Ports issues;
  m. Removal of derelict and dangerous vessels;
  n. Make rules regulating the use and operation of ports and approaches to ports, and the conduct of persons within ports and approaches to ports, and fine for breach of those rules.

Business Obligations

Fiji Ports Corporation Limited operates as a port Landlord and Regulator.

Strategically situated in the 'centre' of the South Pacific region, Fiji Ports is critical to the local interisland and regional sea transport industry. Further to the transfer of Ports Terminal Limited (PTL), now Fiji Ports Terminal Limited (FPTL), Fiji Ports relinquished freight and storage operations to the associate company, but continues to operate cruise and other vessel operations of the Kings Wharf, Suva and the Queens Wharf, Lautoka.

Fiji Ports maintains ownership and operation of Levuka Wharf, Ovalau, and oversees the operations and ISPS requirements for the following ports:

- Malau Wharf Labasa, Vanua Levu (owned by Fiji Sugar Corporation);
- Rotuma Port, Rotuma (owned by Rotuma Council);
- Wairiki Wharf, Vanua Levu (owned by Tropic Wood Industries Ltd) and
- Vuda, Viti Levu (owned by oil companies).

> Issues under the heavily regulated global cruise industry is a continuing responsibility for FPCL, given the number of cruise ships in our ports continues to increase each year.

FPCL continues to oversee and operate port facilities located at Mua-i-Walu I and II, Walu Bay, Suva, and Local Wharf at Lautoka, through the provision of ports infrastructure and related services to ensure industry safety and security, and maintains its head office located at Mua-i-Walu House, Walu Bay, Suva, Fiji.

Obligations in Partnership

FPCL works with the Maritime Safety Authority of Fiji (MSAF) with respect to the obligation of ports in Fiji under the International Maritime Organisation (IMO) including Ports State Control, ILO/ IMO requirements for port reception facilities (discharge of sewerage and rubbish) and Code of Practice on Security in Ports. Issues under the heavily regulated global cruise industry is a continuing responsibility for FPCL, given the number of cruise ships in our ports continues to increase each year. Any country whose ports, or waters, are visited by cruise ships has authority to examine and take measures to ensure compliance with relevant laws, regulations and international treaties. The cruise industry is subject to the International Ship and Port Facility Security Code (ISPS Code), which requires that access to ships and port facilities be tightly controlled.

Our People's Obligations

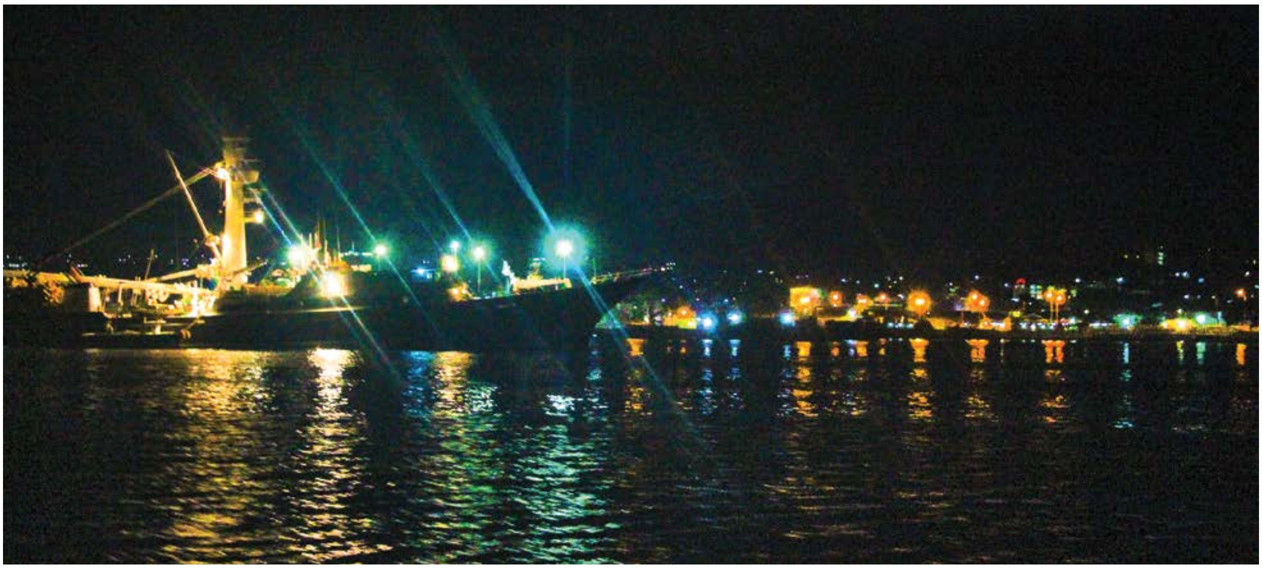
Fiji Ports' Board, Management and Senior staff are committed to:

- Adopting leading planning principles and management systems;
- Working cooperatively to ensure safe and secure port environments;
- Providing world-class infrastructure;
- Behaving, at all times, in concert with FPCL's Corporate Values; and
- At all times adhering to FPCL's Corporate Values.

Obligations to the Community & our Environment

In addition to carrying out its corporate obligations, FPCL works to maintain its commitment to the community, through social activities, with direct and indirect benefit to the broader community and to those in need. Of importance to the Corporation is its role in environmental protection. Where possible the Corporation's staff and management generate stakeholder awareness regarding land and sea pollution as part of their daily activities and duties.

The growth of the mining industry in Fiji brings new responsibilities. Carrying solid bulk cargoes involves serious risks, which must be managed carefully to safeguard the crew and the ship. These risks include reduced ship stability, and even capsizing, due to cargo liquefaction; fire or explosion due to chemical hazard; and damage to ship structures due to poor loading procedures.



FPCL continues to oversee and operate port facilities, through the provision of infrastructure and related services, to ensure safety and security.

Board of Directors
Helping to Build a Better Fiji

Government Representatives


Shaheen Ali
Chairman


Tupoutua'h Baravilala
Director


Vilash Chand
Director


Vijay Maharaj
Director

Fiji National Provident Fund Representatives


Tevita Kuruvakadua
Director


Sashi Singh
Director


Sanjay Kaba
Director

Aitken Spence PLC Representatives


J.M.S. Brito
Director


Iqram Cuttilan
Director

Corporate Governance

Our Fundamental Principles

The purpose of Corporate Governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company.

Good Governance is a fundamental principle of Fiji Ports Corporation Limited (FPCL). The Board of FPCL is aware of the responsibilities of setting the company's strategic aims, providing leadership to put them into effect, supervising the management of the business and reporting to Shareholders on their stewardship.

For Corporate Governance, the Board of FPCL sets the values of the company, and this is distinguished from the day-to-day operational management of the company by Executive Management.

Role of the Board

The Board is appointed by the Shareholders in accordance with the provisions of the Shareholders Agreement:

(i) Responsible for FPCL's commercial policy and direction.

(ii) Ensuring that FPCL achieves its principal objective:

(a) to operate as a successful business and, to this end, to be as profitable and efficient as comparable businesses which are not owned by the Shareholders.

(b) to achieve through the application of the key principles of the port reform and their elements.

Function of the Board

The main functions of the Board are:

- To provide stewardship over FPCL's financial affairs, protect its financial position and ensure meeting of its debts as and when they fall due;
- To lead the development of and approve an ongoing five-year Strategic Plan for FPCL which includes:
  - general and specific goals;
  - analysis of risks and opportunities for FPCL;
  - financial forecasts and projections;
- Approving an annual budget to FPCL and comparing actual results against budget on a monthly basis;
- Approving a clearly defined division of responsibilities between the Board and the Chief Executive Officer (CEO);
- Approving specific delegations of authority to the CEO and other levels of management;
- Appointment of the CEO and approving employment terms and conditions for senior management personnel (being all management who report directly to the Chief Executive Officer);
- Approving key performance indicators for the CEO and senior management personnel;
- Ensuring adequate succession plans for the CEO and senior management personnel;
- Determining that FPCL has sound financial and operational reporting systems and internal controls;
- Establishing policies to ensure that FPCL complies with all applicable laws, industry regulations and any major ongoing contractual obligations;
- Determining that FPCL has sound systems to regularly monitor all relevant laws, industry regulations and major contractual obligations;
- Determining that the annual financial statements of FPCL are prepared in conformity with the provisions of the Sea Port Management Act and International Financial Reporting Standards;
- Appointment of an external auditor after considering the recommendation of the Audit, Finance and Risk Management subcommittee appointment of internal auditors.

Reviewing the balance of skills and competence of Board members and making recommendation to the Minister with respect to proposed new Board appointments.

> Good Governance is a fundamental principle of Fiji Ports Corporation Limited (FPCL). The Board of FPCL is aware of the responsibilities of setting the company's strategic aims, providing leadership to put them into effect...

Director	Number of meetings entitled to attend	Number of meetings attended
Shaheen Ali	2	2
Vijay Maharaj	2	2
Vilash Chand	2	1
Tupoutua'h Baravilala	2	2
Tevita Kuruvakadua	2	1
Sashi Singh	2	2
Sanjay Kaba	2	1
J.M.S. Brito	2	2
Iqram Cuttilan	2	2

Sub-committee	Meeting chaired by	Number of meetings held
Finance, Audit & Risk Management	Vilash Chand	2
Human Resources	Vijay Maharaj	2
Infrastructure	Sashi Singh	2

The purpose of Corporate Governance is to faciliate effective, entrepreneurial and prudent management.

Executive Management Team

The Driving Force

Vajira Piyasena

Chief Executive Officer

MBA, MSc, PG Dip Management (Prod & Tech), PG Dip international Affairs, PG Dip Business (Quality & Ops Mgmt), CEng (MIE) (Ind)I Eng, FIMarEST (UK), FRINA (UK),FCILT (UK), CQP FCQI (UK), CMgr FCMI (UK), Marine Eng. (Class 1) DoT UK

Following a multi-disciplined international career spanning more than 30 years as a maritime professional, an academic and a management consultant, Vajira Piyasena joined Fiji Ports Corporation Ltd (FPCL) in 2011 as the CEO to head the then state-owned entity and its two subsidiary companies, Ports Terminal Ltd (PTL) and Fiji Ships & Heavy Industries (FSHIL). With the privatisation of PTL in 2013, after a successful Public Private Partnership and subsequent divestment of FPCL in 2015, he was responsible for providing strategic and transformational leadership to the organisation at a time of unprecedented change.

Qualified in UK as a Marine Chief Engineer in 1987, Vajira had a seagoing career serving with major international shipping companies. In the area of the maritime industry, his expertise extends to international shipping, marine engineering, maritime education and training, ship repairs and ship building and maritime safety. As the co-founder of a consultancy company established to provide services primarily to the maritime industry, he has worked with over 100 companies in projects comprising of developing integrated management systems, policy development, corporate restructuring and international business development.

His research work includes developing a 'Productivity-based Engineering Model for Port Development Policy Analysis and Implications' focused on the government Port Development Policy and competitive effectiveness in productivity to develop Port of Colombo, Sri Lanka, as Hub Port in the South Asia Region.

He has received Executive Training from Harvard Business School and Goizueta Business School. In addition, he is also a member of the MBA Advisory Committee of the University of the South Pacific and a Member of the Panel of Review for the Fiji Business Excellence Award.

Roshan Abeyesundere

Chief Finance Officer

MBA (NZ), FCMA(UK), FCPA(AU), MCIM(UK), CGMA

Appointed as CFO in 2017, Roshan Abeyesundere is a strategic commercial finance leader who has significant international exposure.

He is passionate about enhancing value in organisations by focusing and improving key business processors and value drivers. He is a former Group Accountant of New Zealand Post Group.

At New Zealand Post, he worked as a Commercial Manager for six years, designing and implementing new revenue-generating projects.

For four years he was CFO of Dispute Resolution Services Limited, responsible for leading finance, IT, risk, property, commercial and administration functions in five major cities in New Zealand.

Mr Abeyesundere has extensive experience in commercial projects design, negotiation and implementation; he has provided leadership to change management and business strategy development initiatives in many organisations to enhance shareholder value.

He brings with him hands-on experience in business continuity planning, risk and knowledge management.

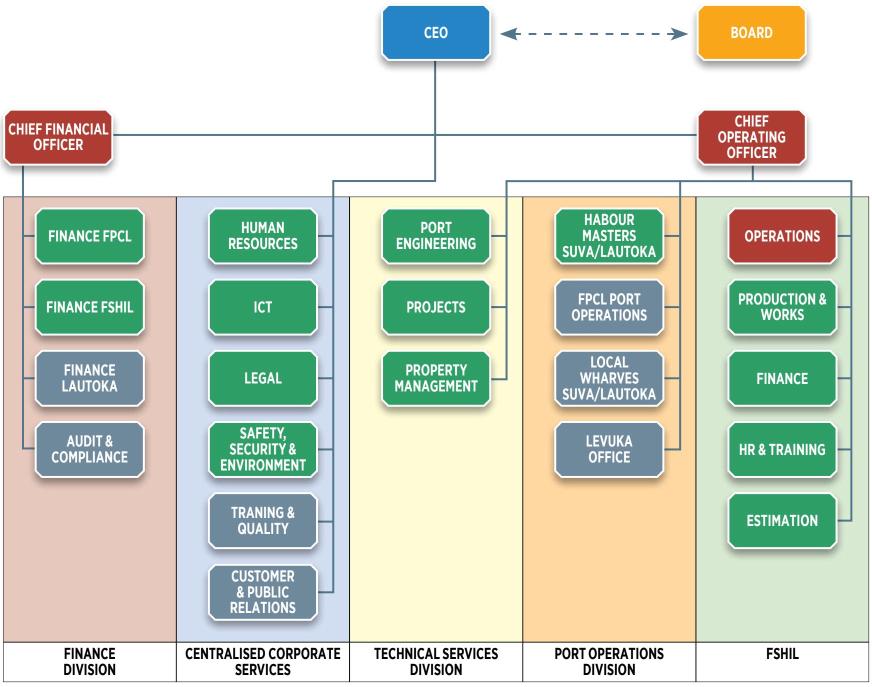
Captain Laisiasa Gonewai

Acting Chief Operating Officer

Master Mariner Class 2 FG COC (NZ)

Appointed as Acting Chief Operating Officer, February 2017, Captain Gonewai has been the Harbour Master for the Port of Suva since 2014. His qualifications include: Gazetted Marine Surveyor (MSAF); Certificate of Competency for Class 1 Mates and Class 2 Masters, FC COC (NZ Maritime College), and Certified Marine Deck Examiner. He has more than 25 years' experience in the domestic and international maritime industry.

Organisation Structure
The Foundation



FPCL is headed by the Chief Executive Officer, who oversees operations carried out by the Corporation's two Divisions, Finance and Operations, under the leadership of their respective executive managers, the Chief Financial Officer (CFO) and the (Acting) Chief Operating Officer (COO).

Finance Division

Governed by the Finance Policy and Procedures Manual, positioned in the centre of all business activities, and responsible for all FPCL Group financial activities, including:

- Financial reporting;
- Stock control and asset management;
- Payroll processing;
- Credit management;
- Accounts payable and internal controls;
- Operating and capital budget preparation;
- Financial planning;
- Tariff negotiations;
- Investment analysis; and
- Financials of subsidiary company, Fiji Ships & Heavy Industries Ltd.

Responsible for Departments:
- Compliance;
- Risk; and
- IT.

Operations Division

Includes:

Port Operations
- Supporting the working operations of the Ports;
- Working with port service providers to provide customer service delivery in an efficient operating environment.

Managing:
- Harbour Masters;
- Pilots;
- Docking;
- Mooring;
- Tug operations;
- Security;
- Emergency preparedness; and
- Local wharves.

Technical services
Responsible for:
- Engineering;
- Ports infrastructure and maintenance; and
- Property management.

Corporate Services
Including:
- Human Resources;
- Customer and Public Relations;
- Legal;
- Training; and
- Health, Safety and the Environment.

Fiji Ships & Heavy Industries Ltd (FSHIL)

FPCL subsidiary company FSHIL operates as a commercial, self-funded company, specialising in ship repairs and heavy industry services.

2018 Highlights
The Year in Review

Group NPAT of $28.04 million, representing a 6% increase over the 2017 NPAT of $26.35 million

A Total Dividend of $15.23 million was paid for 2017 in 2018

Implementation of Job Evaluation Exercise Phase II has positioned FPCL to ensure that all employees are paid on the Upper Quartile of the PWC Market Fixed Renumeration

Implementation of the FPCL Energy Management Plan

FPCL subsidiary FSHIL reported a profit of $1.3 milllion

Successful refurbishment and return to service of the FSHIL 1000 tonne slipway

Accreditation of ISO 9001:2015 awarded to FSHIL

FSHIL continues drive to expand regional reach, reconnecting with Samoa after a 30-year lapse

Removal of sunken vessel m.v. *Southern Phoenix* in progress

Port Operations
Linking the Supply Chain

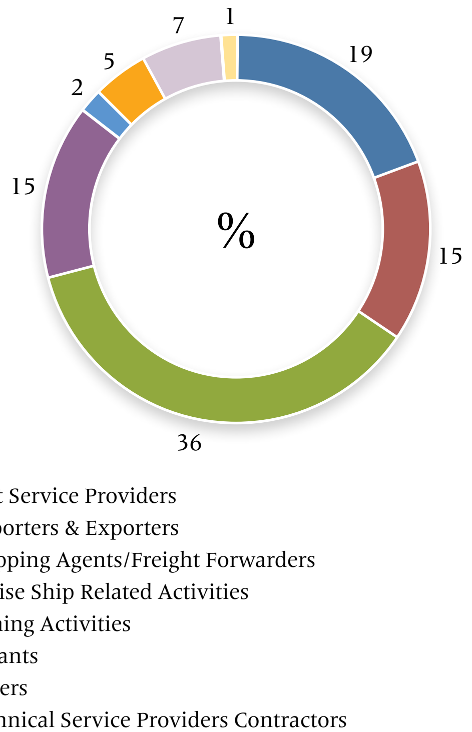
The efficient management of Port Operations is vital as it maintains the effective and crucial connection between sea and land transport that supports business growth and economic development throughout the nation.

Our Port Operations cover a wide range of activities that include the Harbour Master's Office, Piloting Movements, Tug Boat Movements, the Ports of Suva and Lautoka, operations at the Port of Levuka, the Local Wharf infrastructure management and all Ports' security.

No. of PUL issued by Categories – 2018

Category	No.
Port Service Providers	142
Importers & Exporters	75
Shipping Agents/Freight Forwarders	59
Cruise Ship Related Activities	57
Fishing Activities	26
Tenants	18
Others	7
Technical Service Providers Contractors	5

Port Users by Categories - 2018



The 2018 port user groups have remained relatively steady in comparison with the 2017 figures, with the increase of 3% for shipping agents being the largest change, followed by the 2% decrease in fishing activities. The other port users have remained the same or show an increase or decrease of only 1%.

Vessel Calls by Type for all Fiji Ports: 2016–2018

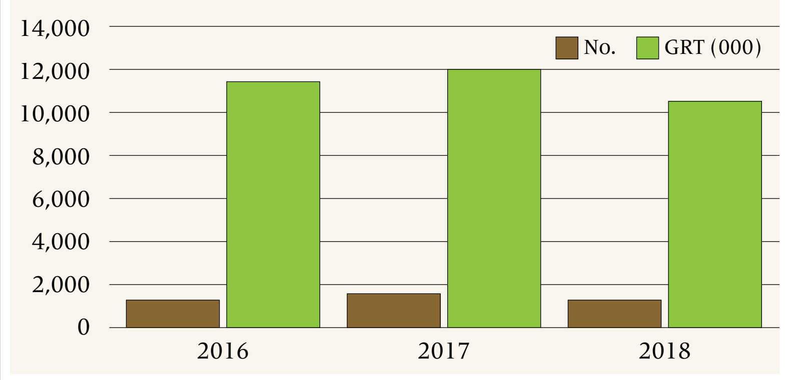
	Dry Bulk	Liquid Bulk	Fishing	Cruise Liner	LOLO	RORO/LOLO	Car Carrier	Other	Total
2016	32	263	840	81	407	47	26	80	1,776
2017	45	309	1,072	92	496	44	24	73	2,155
2018	34	298	898	64	440	47	29	67	1,877

Total Throughput	2016	2017	2018
Total Foreign Import	2,687,014	3,012,496	1,720,275
Total Foreign Export	1,774,148	2,190,808	1,744,750
Total Local Import/Export	216,292	435,149	-
Total Import & Export	4,677,454	5,638,453	3,465,025

Overall, there was a decrease of 278 vessel arrivals at all Ports of Entry, with only car carrier vessels showing an increase of five vessel calls and RORO/LOLO showing an increase of three vessel calls for the year.

The Port of Suva

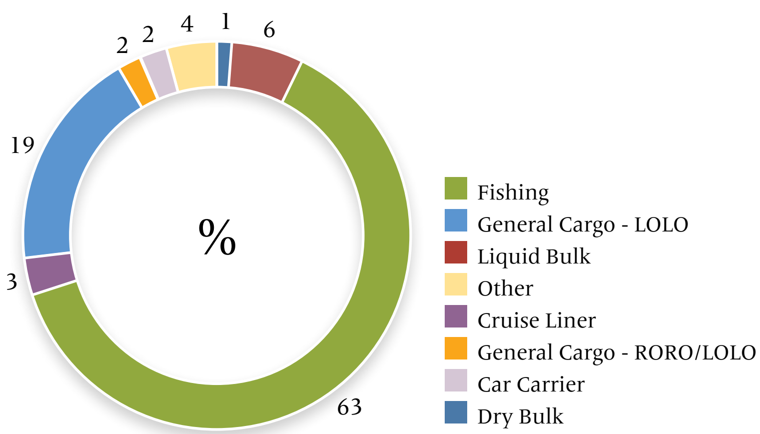
Vessel Calls for Port of Suva 2016–2018



Vessel Calls for Port Suva 2016–2018			
	2016	**2017**	**2018**
No.	1,275	1,477	1,298
GRT (000)	11,417	11,948	10,516

Port of Suva by Category – 2018		
Category	**No.**	**GRT (000)**
Dry Bulk	14	267
Liquid Bulk	78	1,558
Fishing	820	210
Cruise Liner	41	3,157
General Cargo - LOLO	238	3,223
General Cargo - RORO/LOLO	24	415
Car Carrier	29	1,405
Other	54	281

Port of Suva Vessel Calls by Category – 2018



Removal of MV Southern Phoenix

Salvage operations to remove the sunken MV *Southern Phoenix* from its location in Suva Harbour, in front of the Handicraft Centre, commenced in November 2018, and should be completed within the following three months.

The removal of the wreck is a collaborative effort between FPCL, the Maritime Safety Authority of Fiji (MSAF), and the vessel owner, Cruz Holdings Limited.

The Australian company Pacific Towing Limited (PNG), has been engaged for the removal of the remaining cargo on board the vessel, along with the 88-metre-long, 4,285 DWT cargo vessel.

Suva Harbour Master's Office Refurbishment

In November 2017, the Suva Harbour Master's Office in the Tower building relocated to Shed 3 while renovations took place. These were completed, with the Harbour Master's Office staff reoccupying the newly refurbished office in the Tower in July 2018.

Pilot and Tourist Lounges

After the temporary Harbour Master's Office in Shed 3 was vacated, work began in November 2018 to revamp the space, to house the pilot lounge on the first floor and a tourist lounge on the ground floor. This was expected to be completed by early 2019.

Piloting Movements

Five years ago, FPCL obtained 40% of pilotage revenue whereas Sea Pilots (Fiji) Ltd took 60%, over the last three years, and as predicted, FPCL has gradually increased its percentage share of the piloting allocation.

In 2018, FPCL received 81% of the pilot allocation, compared with the 19% allocated to outsourcing services providers or contractors.

	Month	Total No. Of Vessels Piloted	Allocation – FPCL	Allocation – Sea Pilot (Fiji) Ltd (SPL)
1	Jan	42	33	9
2	Feb	38	29	9
3	Mar	37	32	5
4	Apr	32	26	6
5	May	38	30	8
6	Jun	44	37	7
7	Jul	34	26	8
8	Aug	33	25	8
9	Sep	40	33	7
10	Oct	45	38	7
11	Nov	35	27	8
12	Dec	34	30	4
	TOTAL	452	366	86

FPCL - 81% SPL - 19%

> Five years ago, FPCL obtained 40% of pilotage revenue whereas Sea Pilots (Fiji) Ltd took 60%, over the last three years, and as predicted, FPCL has gradually increased its percentage share of the piloting allocation.

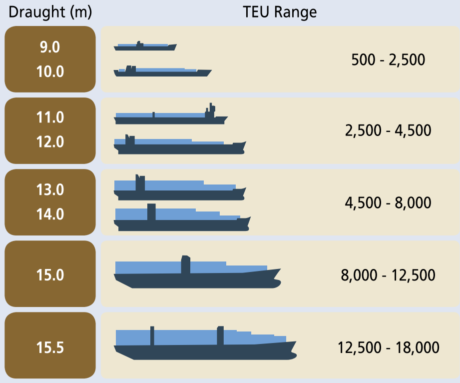
This remarkable increase in pilot revenue for 2018 can be attributed in part to the recruitment of a Class 1 pilot to be permanently based in Lautoka and the re-engagement of a veteran pilot who has vast experience in piloting throughout Fiji waters.

Piloting by FPCL in other declared ports, including Wairiki (woodchips), Galoa (bauxite) and Denarau (cruise liners), also contributed to the increased piloting revenue, with the Pilot Team working to attain licences to perform piloting duties in other ports.

Robust Piloting Division

The FPCL initiative to attract and retain suitably qualified pilots with improved salary and entitlement packages is creating a robust Piloting Division. Three years ago, there were only two pilots based in Lautoka and four in Suva. In 2018, there was an increase, with three pilots now based in Lautoka and seven in Suva.

Increasing Size of Ocean Going Vessels - Impact to Ports

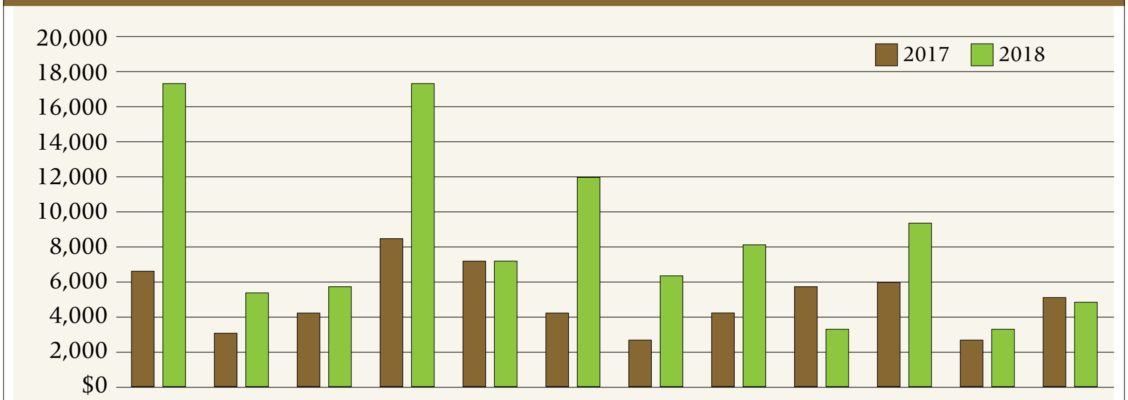


Mega vessel size may rise to 22,000 TEUs in the near future (21,100 TEUs end 2017)

Key impacts from mega vessels include:

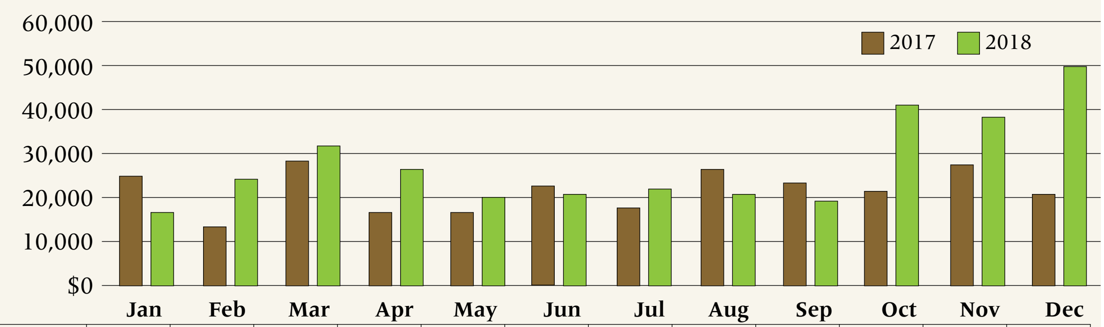
- Fewer calls
- Demand for deeper draft & port facilities upgrade
- Preference on higher performing ports
- Requirement on connectivity, whether the ports provides enough feeder routes

Pilot Boat Revenue Suva 2017–2018



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017	6,540	2,943	4,251	8,502	7,194	4,251	2,616	4,251	5,559	5,886	2,616	4,905
2018	17,215	5,232	5,559	17,331	7,194	11,831	6,213	8,175	3,270	9,156	3,270	4,822

Pilot Boat Revenue Lautoka 2017–2018



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017	25,155	13,415	28,509	16,770	16,231	22,640	17,609	26,832	23,478	21,801	27,671	20,963
2018	16,770	24,317	31,718	26,334	20,041	20,963	21,966	20,963	19,286	41,087	38,571	49,833

Calibre of Pilots

The calibre of the FPCL pilots was endorsed when Lautoka-based Senior Port Pilot Captain Mosese Cirikisuva received the 'Pilot of the Year Award' at the MSAF Awards Night.

Pilots Attaining their Licences for other Ports

Pilot	Port	Class
1	Lautoka	3
2	Savusavu & Malau	3
3	Lautoka	2
4	Suva	3

Tug Services

The purchase of three Voith Schneider Propeller Tugs by our contracted service provider, South Sea Towage Ltd, provides better tug services and ease of manoeuvring of vessels by pilots in terms of berthing and unberthing.

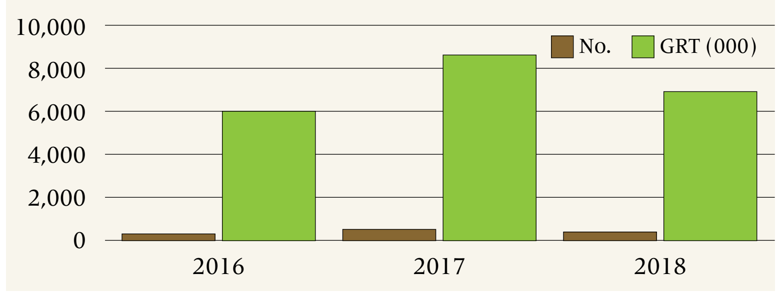
Pollution

Pollution within the harbour continues to be a concern for FPCL. Several reminders have been issued to members of the public and all port users that FPCL does not and will not condone any form of pollution within the waters of any Fiji Port. In 2018, pollution or infringement fines collected totalled $117,026.

Senior Port Pilot Captain Mosese Cirikisuva (R) receives the Pilot of the Year Award at the MSAF Awards Night.

The Port of Lautoka

Vessel Calls for Lautoka Port 2016–2018



Port of Lautoka by Category–2018

Category	No.	GRT (000)
Dry Bulk	10	223
Liquid Bulk	167	1,868
Fishing	0	0
Cruise Liner	23	1,681
General Cargo - LOLO	202	2,609
General Cargo - RORO/LOLO	23	548
Car Carrier	0	0
Other	13	11

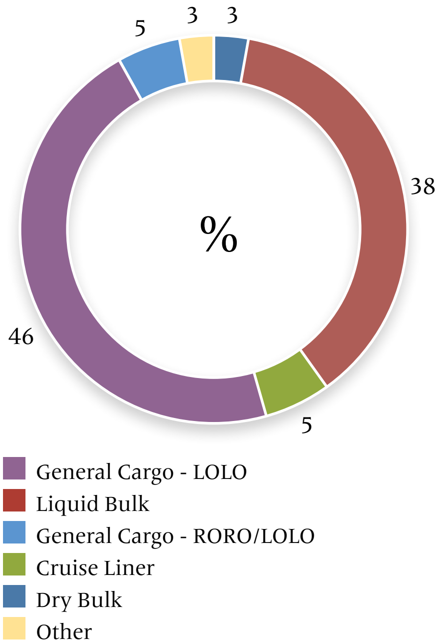
Port of Lautoka Vessel Movements and Vessel GRT for 2016, 2017 & 2018

Year	No. of Vessels	GRT (000)
2016	380	6,106
2017	500	8,647
2018	438	6,940

Notes:

1. *There was an increase of 41.7% in vessels' GRT in 2017, compared with the previous year, 2016. In 2018, there was a decline in GRT by 19.7%, due to the cancellation of visits by cruise liners because of the arrival of Cyclone Josie, followed closely by Cyclone Keni.*
2. *The number of visiting vessels increased by 31.6%, from 2016 to 2017, while there was a decline in vessel arrivals of 12.4% in 2018. This is attributable to cruise vessel cancellations and also to larger GRT vessels replacing smaller GRT vessels.*

Port of Lautoka Vessel Calls by Category – 2018



The Port of Lautoka.

YEAR	PASS	LOLO	RORO/LOLO	DRY BULK	LIQUID BULK	FISHING	NAVAL	OTHERS	TOTAL
2016	27	172	23	12	131	14	0	1	380
2017	38	225	22	18	178	7	4	8	500
2018	23	202	23	10	167	0	0	13	438

Notes:

- *Passenger vessel arrivals decreased by 15% over the last three years, while container vessels increased by 13%, oil and gas tankers increased by 20%, and notably, there was a 100% decline in fishing vessels.*
- *For the period 2017–2018, passenger vessels recorded a decline of 16 calls, equivalent to a 41% decrease.*
- *The other types of vessels showed very little increase.*

Lautoka Piloting Movements

2016	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Port Pilot	35	41	38	43	36	37	40	33	39	40	37	30
Sea Pilot	34	35	36	38	40	38	33	45	43	45	38	60
Total	**69**	**76**	**74**	**81**	**76**	**75**	**73**	**78**	**82**	**85**	**75**	**90**

2017	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Port Pilot	44	41	47	49	40	45	44	45	55	51	51	45
Sea Pilot	46	50	53	58	43	33	46	45	49	54	36	60
Total	**90**	**91**	**100**	**107**	**83**	**78**	**90**	**90**	**104**	**105**	**87**	**105**

2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Port Pilot	42	53	65	45	50	51	45	47	55	86	60	64
Sea Pilot	38	27	44	36	38	32	35	43	36	20	14	6
Total	**80**	**80**	**109**	**81**	**88**	**83**	**80**	**90**	**91**	**106**	**74**	**70**

Lautoka Port.

Note:

- *There was a notable increase in the Port Pilot attendance for the months of October to December 2018, compared with the same three-month period in 2017.*

Lautoka Tug Movements 2016–2018

Year	Tug Movements
2016	840
2017	1018
2018	897
TOTAL	**2755**

Note:

- *As per the FPCL Tug Regulation 2009, all vessels of 3000GRT and above shall engage a tug and all Medium Range Tankers mooring at Vuda Oil Terminal are to engage two tugs.*

Monthly Pilot Boat *Senibiau* Runs for 2016, 2017, 2018

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2016	17	20	27	32	15	17	20	13	17	21	20	17
2017	29	18	33	20	19	27	24	31	29	31	33	22
2018	24	33	34	25	23	30	30	21	29	51	46	55

Notes:

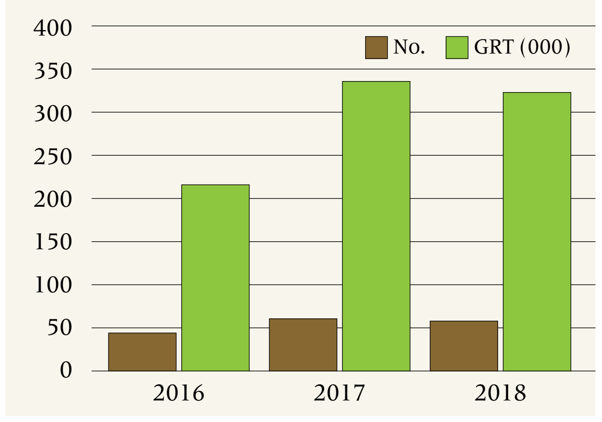
- *In the final months of 2018, the pilot boat runs almost doubled, due to the retirement of a senior Sea Pilot employee.*
- *Pilot boat runs have increased to 165 over the last three years, which is a 69% increase. Also, there has been an increase of 85 runs in 2018, or 33%, compared with 2017.*
- *At Lautoka, the pilot boat usually charges shipping agents $900 for a run from the wharf to Navula pilot station, as it is a distance of 27 nautical miles.*

Port of Wairiki

Year	Vessel#	Vessel GRT (000)
2016	3	109,566
2017	7	275,958
2018	6	236,860

Port of Malau

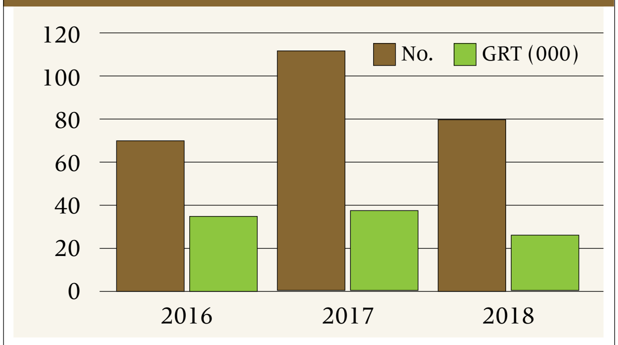
Vessel Calls for Port of Malau 2016–2018



Vessel Calls for Port of Malau 2016–2018	2016	2017	2018
No.	47	59	57
GRT (000)	216	338	326

Port of Levuka

Vessel Calls for Port of Levuka 2016–2018



Vessel Calls for Port of Levuka 2016–2018	2016	2017	2018
No.	71	112	78
GRT (000)	36	37	26

FPCL Board Chairman, Mr Shaheen Ali, reviews the effectiveness of traffic management strategies at Port Muaiwalu 2 with Enforcement Officer Captain Pauliasi Vakaloloma.

Port Mua-i-Walu

FPCL worked closely with the Fiji Roads Authority (FRA), the Land Transport Authority (LTA), the Fiji Police Force and the Suva City Council (SCC) to address traffic and pedestrian congestion on and around Port Mua-i-Walu 2.

Strategies were introduced during the peak holiday seasons, December 2017 to January 2018, December 2018 to January 2019, to complement control measures already implemented by FPCL. Officers from FRA, SCC, and LTA were deployed daily during this period to control traffic, while police officers assisted FPCL staff in directing and controlling crowds in and outside the area of operations. Implemented strategies included:

- Re-routing traffic at Tofua Street through Matua Street, to ease congestion and improve traffic flow;
- Only ticket-holding passengers or those with documentation to send or receive cargo allowed access to the wharf area;
- All others to wait in the waiting shed area, outside the wharf security boundaries;
- Ship operators are required to submit arrival and departure schedules at least 48 hours in advance, to assist FPCL in making the appropriate arrangements with relevant stakeholders.

Number of vessels at Port Mua-i-Walu 1 and Port Mua-i-Walu 2

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Fishing Foreign	71	41	68	84	90	45	64	70	53	63	44	46	739
Fishing Local	64	96	81	67	72	100	82	67	47	63	68	46	853
RORO	44	28	32	30	31	35	33	23	36	33	33	29	387
Conventional	24	14	17	16	14	12	10	17	9	23	12	15	183
Others	14	26	28	39	30	26	34	28	30	43	18	23	339
M2 Foreign	-	-	-	5	2	-	-	-	-	-	-	-	7
Total	217	205	226	241	239	218	223	205	175	225	175	159	2,508

Security – Safeguarding our Borders

Detecting security threats and taking preventative measures against security incidents affecting ships or port facilities used in international trade is one of the key responsibilities of the Security Unit under the International Ship and Port Security (ISPS) Code.

FPCL plans to implement continuous security improvements, combined with the support and cooperation of the entire port community, to help facilitate the achievement of ISPS compliance.

The focus of 2018 for the Security Department was the consolidation of the changes that took place within the last three months of 2017 and the first two months of 2018. These included:

- The changing of security procedures and the implementation of security measures at Mua-i-Walu 1, to curb the criminal activities that were prevalent within the area;
- A changeover of security procedures for Mua-i-Walu 2, in relation to the changing operating procedures for the wharf;
- Following the security evaluation report conducted by the US Coast Guard in 2016, and to strengthen the access procedures and cargo handling procedures, consolidation training in ISPS compliance and duties at the Port took place for our contracted security company, Guard Force;
- The continuation of security reassessments within Suva and Lautoka Ports, due to the infrastructure upgrade conducted at both major Ports;
- The completion of the upgrade for Fiji Ports communications system to enable all major centres (Suva, Lautoka and Levuka) to communicate with each other on VHF and UHF radios. This is also a backup service during natural disasters and emergencies;
- The continued partnership for harbour patrols by FPCL, the Fiji Navy and the Fiji Police Force, giving a greater area of responsibility for the Security Department to cover the whole demarcated, regulated Port area;
- The continued monitoring of the two major Ports on CCTV, ensuring compliance to the ISPS code;
- The continued upgrade for both major ports' public address systems for the purpose of addressing Port Users on matters relating to safety and emergencies;
- The conducting of the ISPS Code security assessment by the US Coast Guard at both Suva and Lautoka Port Facilities, and passing the ISPS Audit;
- MSAF also conducted an ISPS Code audit for Suva and Lautoka Ports;
- The continuation of ISPS security drills and tabletop exercises to strengthen our ISPS Code compliance in conjunction with FPCL Security staff and MSAF, Fiji Customs and Revenue Services, FPCL Security Contractors, and the Defence Ministry partners.

The Senior Port Facility Security Officer (SPFSO) continues the task of implementing security exercises within Suva Port and the continued implementation and review of the contents of the Port Facility Security Plan in order to meet ISPS Code compliance, to the satisfaction of MSAF, for all Port Facility Compliant certification.

Additional duties include the following:

- Conducting an initial, comprehensive security survey of Port facilities, taking into account relevant port facility security assessments.
- Ensuring that the current Port Facility Security Plan is further developed and strictly maintained.
- Implementing and exercising the Port Facility Security Plan by undertaking regular security checks in all sections of FPCL designated Port facilities.
- Increasing security awareness and vigilance of all Port personnel.
- Coordinating all relevant Company-related activities with security services.
- Conducting training and awareness programmess for all licensed Port users intending to conduct commercial operations/business activities at FPCL designated Ports. The training required under FPCL's Security Policy now requires all persons seeking access to Ports to conduct business to be familiar with OHS and Safety Laws, and understand user requirements under the ISPS Code. Access to Ports is provided only to Port users who have attended awareness training sessions.

Border Security Committee Representation

As FPCL is a member of important Border Security Committees, the SPFSO represented the Company at the following Government committees;

a. CTOG (Counter Terrorist Officers Group);

b. National Maritime Security Strategy (NMSS);

c. National Security and Defense Council Border Security, and

d. Attended border security workshops throughout the year with border security partners from Government, foreign government representatives and NGOs.

Safety and Security Training Programme

Apart from standard in-house training sessions for FPCL employees, FPCL's security officers continue to provide Security and Safety Awareness training for Port users. In 2018, the Unit provided training for well over 1,000 Port users in Suva alone, with more applying to take advantage of the instruction. Much of this training is carried out at the Company's level 2 training facility at Mua-i-Walu House and is undertaken in groups of between 20 to 60 people. This specialist training is conducted in programmes that can require up to three sessions a day, including weekends. Fiji Ports also continues to provide Outreach Training Programmes to accommodate companies that are unable to release their employees to attend the Mua-i-Walu House training sessions.

Security Unit Initiatives

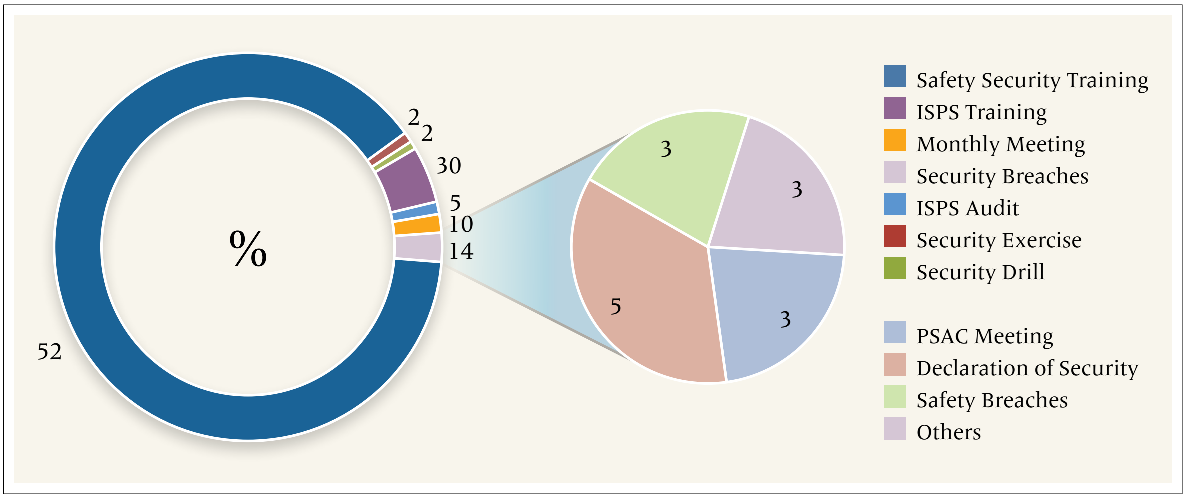
Notable amongst safety and security initiatives undertaken across the designated Ports during the year were the following:

- The current reassessment of performance by the contracted security company in accordance with their Security Standard Operating Procedures.
- Updated Safety and Security training programmes and additional schedules undertaken for Port users and stakeholders.
- Conducting of Maritime Security Guard training and Maritime Security Awareness Training by the Security Department.
- Introduction and issuance of new ID Cards for Port users, with follow up campaigns.
- Continual engagement with the United States Coast Guard to conduct follow-up external security audits at both the Suva and Lautoka Ports
- Continued enhancement of all safety and security requirements across all FPCL designated Ports, including new energy-efficient, external lighting and signage upgrades.
- Enhancement and enforcement of safety security requirements on the wharves, including the use of Personal Protective Equipment and reflector vests.
- Continued extension and enforcement of a No Smoking policy at all FPCL designated Ports.
- Continued collaboration with MSAF on training sessions for key staff to utilise oil spill equipment and the introduction of emergency drills to ensure continuity amongst first responders.

Lautoka Security Highlights

- Continual, weekly, safety security training for Port users.
- Enhancement and enforcement of safety security requirements on the wharf, including the use of PPE and reflector vests.
- Implementation of the No Phones Rule while driving in the Port area.
- Continuous, effective relationship building and communication of all aspects of awareness to all Port users.
- Meeting all safety requirements.
- Meeting all ISPS requirements.
- A minimum of security breach and safety incidents.
- Hazard identification carried out and reported to various relevant departments and stakeholders.
- Continued awareness on all Port requirements.

Lautoka Security Activity Highlights 2018



Technical Services

Maintaining Infrastructure

The Technical Services Division provides the technical support that is essential to maintaining FPCL's critical role in the global supply chain. As FPCL is a Landlord Port, the Technical Services Division is responsible for all FPCL engineering, the development and maintenance of the Company's designated Ports and for the management of FPCL's considerable property assets, leased back from Assets Fiji Limited.

Engineering Department

The Engineering Department continues to provide project management and contract administration services that build public confidence in the Company's services.

The department ensures that it provides professional and cost effective project management, contract administration and engineering services to all FPCL's ports of entry, following established laws, regulations and policies.

The Engineering Department is responsible for a wide range of services including:

- Development and regulation of port design guidelines;
- Management, design and construction of FPCL's capital improvement programme, and
- Providing contract administration for Fiji Port's operations.

In 2018, major projects were undertaken by the department and were completed in a timely manner.

> The Engineering Department ensures that it provides professional and cost effective project management, contract administration and engineering services to all FPCL's ports of entry, following established laws, regulations and policies.

Engineering Highlights

Harbour Master's Office Renovation

The project to renovate the Harbour Master's Office began in 2017 and was completed in June 2018. The Harbour Master's Office is now occupied.

Energy Management Plan

FPCL uses energy in the form of electricity, and both diesel and petrol energy play an important role in powering and enabling our operations. The implementation of the FPCL Energy Management Plan is expected to lead to improvement in the following areas of importance to FPCL:

- Profitable operations
- Care for our local environment
- Greenhouse gas abatement.

This prompted FPCL to purchase a new incinerator that reduced emission level to fall in line with our Green Port Initiatives. The incinerator has been purchased, and is being shipped to Fiji.

Port of Mua-i-Walu 1 Repairs

FPCL engaged a local engineering consultancy company to submit a structural assessment that highlighted the immediate need for maintenance works to the damaged pile and cracked beams at Port of Mua-i-Walu 1. This was a non-budget project that was executed because of its high priority. It was completed successfully and the load restriction has been increased back to 15 tonnes. A precautionary seven tonnes load restriction had been in place until the repairs were completed.

Broken Link Spans

Link spans at the Kings Wharf in Suva were damaged due to operational activities by terminal operators. This is an insurance-funded project and was successfully executed and completed in mid-2018.

Lautoka Local Wharf Deck Rehabilitation

Rehabilitation of the damaged Lautoka Local wharf deck slab was carried out and construction monitoring was done by external consultants.

Additional work to this project at the local wharf was the fabrication of steel covers over expansion gaps. The project was successfully executed and has been completed.

Lautoka Queens Wharf Ramp Rehabilitation

The Queens Wharf Ramp Rehabilitation Project was completed in August 2018.

Kings Wharf Yard Steel Drain Cover Replacement

The supply and installation of steel drain covers project on Kings Wharf was awarded to a reputable contractor and work commenced in December 2017.

The project was successfully executed and the contractor has officially handed over the additional steel covers that will be used for replacement works in the future. Completion time was delayed due to necessary prioritising of the terminal operations schedule.

Ongoing Projects

Ongoing projects for the Engineering Department include:

1. Lautoka Yards 3 & 4 upgrade;
2. Mua-i-Walu 2 – deck overlay;
3. Construction of incinerator building;
4. Mua-i-Walu House structural analysis; and
5. Green Port Initiative – solar panels installation trial

Dredging

The FPCL Dredging Plan ensures that sufficient draft is maintained in the harbours of our Ports of Entry. To date, monitoring of the seabed levels at both Suva and Lautoka harbours reveals there is sufficient draft for the safe arrival and departure of the largest vessels that frequent our Ports.

Lautoka Local Wharf deck rehabilitation.

Port of Mua-i-Walu 1 repair and inspection.

> The Company conducts regular audits to ensure that FPCL's tenants adhere to the Litter, Environment and Safety Decrees and Acts that are in place, as all FPCL tenants are obligated to comply with these Decrees and Acts.

Property

Managing our Assets

The Property Department manages all issues pertaining to the Company's tenants, located across the three main Ports of Suva, Lautoka and Levuka.

The department safeguards the exercising of cultural and environmental stewardship in a manner that is conducive to the protection of Fiji's heritage and environment.

The Company conducts regular audits to ensure that FPCL's tenants adhere to the Litter, Environment and Safety Decrees and Acts that are in place, as all FPCL tenants are obligated to comply with these Decrees and Acts.

The majority of FPCL's tenants comprise of fishing, fish processing and engineering companies, shipping agents, container storage and Fiji's only bitumen supplier.

Revenue from Properties

The rental income from FPCL assets in 2018 over the three main Ports of Suva, Lautoka and Levuka totalled $985,335 from 71 tenancies. While tenancies in Levuka remained steady at four, Suva showed an increase of two and Lautoka, an increase of eight. There were also six terminated tenancies, bringing the total to 71, compared with 65 in 2017.

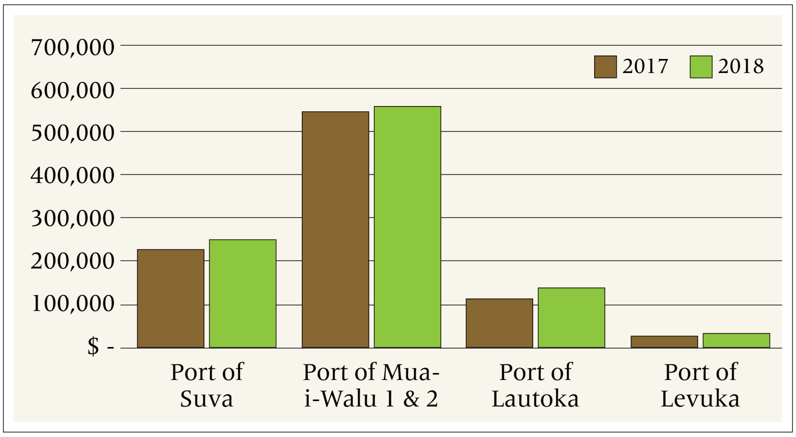
Tenancy Variances for 2018

	Suva	Lautoka	Levuka	Total
New Tenancies	1	8	-	9
Renewals	4	4	1	9
Relinquished	0	1	-	1
Terminated	0	6	-	6

FPCL's Rental Income for 2017 and 2018

Port	No. of Tenancies 2018	Rental Income – 2017	Rental Income – 2018
Suva	47	$781,997	$831,637
Lautoka	20	$112,250	$134,815
Levuka	4	$17,383	$18,882
TOTAL	71	$911,630	$985,334

Tenancy Income Comparison 2017–2018



	Port of Suva	Port of Mua-i-Walu 1& 2	Port of Lautoka	Port of Levuka	Total
2017	$228,795	$553,202	$112,250	$17,383	$911,630
2018	$254,831	$576,806	$134,815	$18,882	$985,334

Corporate Services
The Human Factor

Human Resources

Our people

The Human Resources Department oversees the most important component necessary for FPCL to prosper as a successful business, that is, a productive, thriving workforce. The role of the Department is to support people in the effective performance of their roles within the Company and encourage their professional and personal development. The Department is central to a productive workplace, the appropriate building of teams and inspiring employee empowerment.

Job Evaluation Exercise (JEE) Phase II

The implementation of Phase II of the JEE was carried out in 2018, ensuring that all employees, whose band level moves up to another level, are paid on the Upper Quartile of 80% of the PwC Market Fixed Remuneration.

Recruitment policies

FPCL continues to engage women in what is traditionally a male-dominated field.

The department has initiated the recruitment of suitable personnel to critical positions to ensure the achievement of strategic goals, as clearly defined in the 5 Years Strategic Goals from 2019. The department is actively engaged in realigning the Organisation Structure to meet the requirements as outlined in FPCL 5 Years Strategic Plan.

Competent Staff

Selected staff participated in Competency Assessments to ascertain their competency levels in relation to their current positions. This assessment ensures that FPCL has engaged a competent workforce. Where there are any competency gaps, FPCL provides the knowledge enhancement necessary to support these staff members in their current roles.

Training in Brief

While our main challenge is to continue to maximise our return on the levy paid to the Fiji National University, our primary objective is to ensure that we provide the right training to our staff.

This will ensure that FPCL employees are well equipped with the up-to-date knowledge, skills and information needed to continue the transformation of the Company, going forward into the future.

The Company's commitment to the capacity building of all staff at all levels was clearly demonstrated in 2018, with actual training expenditure in 2018 being $219,612, compared with the $132,382 training investment expenditure in 2017.

Best Practices

Learning best practices was one of the main objectives for FPCL. To achieve this we have to send our employees overseas on a short-term attachment and training.

The following staff attended overseas training:

1. 4 Port Pilots attended the Elements of Marine Pilotage training in Malaysia;
2. Chief Executive Officer attended the 4th Maritime Silk Road Port International Cooperation Forum in Ningbo, China;
3. Human Capital Services Officer attended the Leadership training in China;
4. Senior Port Facility Security Officer and other port facility security staff attended the Port Facility Security Attachment at the Port of Auckland, New Zealand, and
5. 2 Port Pilots attended the New Zealand Maritime Pilots Association Conference.

Employees by Contract

	Directorate & Executive Management	Port Operations	Technical Services	Corporate Services
Contract Staff	5	48	6	30
Support Staff	1	46	21	3

Succession Planning

FPCL continues to upskill junior staff to enable them to be ready to take up any Supervisory role in the future. This is part of FPCL Succession Planning. Sixteen FPCL employees, identified as leaders and future leaders, attended the Making the Transition to Supervision programme conducted by USP Pacific TAFE. They were accompanied by another eight employees from our associate company, Fiji Ports Terminal Limited.

Financial Literacy

To ensure that all staff are financially literate, FPCL engaged FNPF, HFC Bank and Unit Trust of Fiji to conduct financial literacy training for staff.

Pilot Training

Having a robust Port Pilot Training Plan is essential to ensure business continuity and to dominate the market share.

From 2017 to 2018, FPCL engaged three trainee pilots. By the end of 2018, all three had attained their Class 3 Pilot License for Suva. One of the pilots also attained his Class 3 for Lautoka and another has attained his Class 3 for Savusavu Port.

Quality Circles

The Fiji National University National Training and Productivity Centre conducted a two-day, quality information seminar for 20 FPCL staff, aimed at improving productivity throughout the Company. FPCL sees quality circles as an important mechanism for information sharing and benchmarking, with input from successful productivity practitioners.

Absenteeism and Values Workshop

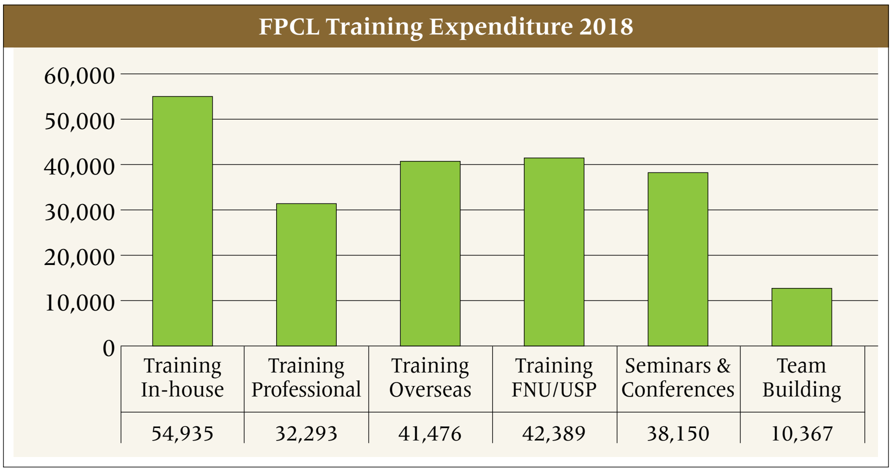
Conducted for FPCL staff in two sessions, one at Suva the other at Lautoka, by a member of the Training Panel of the Confederation of Indian Industry, the workshop emphasised customer service and the impact absenteeism has on productivity levels and one's colleagues.

Building Team Spirit

The HR Department is responsible for organising team-building events for the rest of the FPCL staff, but in 2018, they led the way by participating in river rafting activities in the Namosi interior. A four-day team bonding event was also held for FPCL staff from around the country, at the Crusoe Retreat.

Gala Night

The FPCL Annual Gala was taken to the next level, thanks to the support of the FPCL Board of Directors and Executive Management. A family weekend retreat was held at the Pearl of the South Pacific Resort in Pacific Harbour, with a Sports Day and Kids' Activities on Saturday, before the Gala dinner on Saturday night.



Company	Total No. of Employees Attended Training
FPCL	156
FPTL	144
FSHIL	73

Health, Safety & Environment

Environmental Stewardship

FPCL remains committed to working with the marine sector in the interests of mitigation against the impact of climate change, and supports the regional endorsement of low-carbon, maritime transportation, as a cornerstone of the sustainable development goals of Pacific Island Countries and Territories.

The Company is aware of its responsibility to care for our precious marine environment, to provide for the future development and well-being of Fiji and all its citizens.

Works to remove the derelict vessel *m.v. Southern Phoenix* began late in 2018 and were expected to be completed by February 2019. Wreck removal was being carried out in a collaboration between FPCL, FPTL, MSAF, and vessel owner.

An Australian salvage company has been engaged to remove the 88 metre, 4,285 DWT vessel, as well as any cargo remaining on board.

Oil Spill Workshop

FPCL employees attended a three-day, Oil Spill Command Workshop, conducted by the New Zealand Maritime Authority, at Mua-i-Walu House. In his address to open the workshop, the Deputy Permanent Secretary for Transport commended the relevant authorities, including FPCL and FPTL, for their part in the rapid response to the *m.v. Southern Phoenix* emergency in 2017.

National Spill Contingency Plan

Fiji has developed and is implementing the National Spill Contingency Plan 2015 and the National Marine Response Strategy 2018–2022 has been finalised by MSAF.

> "The Company is aware of its responsibility to care for our precious marine environment, to provide for the future development and well-being of Fiji and all its citizens."

Sea Container Hygiene System (SCHS)

The Port of Lautoka successfully hosted a trial test of the SCHS, conducted by the Pacific Horticultural and Agricultural Market Access Program (PHAMA), and attended by representatives from FPCL, FPTL, Biosecurity of Fiji and shipping agents and companies.

SCHS is a long-term strategy developed to manage biosecurity risks associated with sea containers at the port of loading, create faster movement of containers at the wharf, increase revenue by reducing the cost of exporting containers and deliver direct savings to the exporter.

OHS Policy

The FPCL Occupational Health & Safety (OHS) policy has been developed to meet the nation's legal requirements and the principles of the Health and Safety at Work Act (HASAWA) 1996, which also incorporates all other regulations that are issued to carry out the intent of this legislation. This policy was to be reviewed and updated before the end of January 2019.

Participants of the Oil Spill Command Workshop conducted by the NZ Maritime Authority.

Specific policies and procedures, such as the No Smoking Policy, have also been created to meet our OHS policy. Smoking is prohibited on all FPCL premises and facilities, for the health and safety of everyone. As well as the risk of fire or explosions in and around some facilities, there is the damage to the health of active and passive smokers, and also littering issues that impact the environment.

OHS Manual

The OHS Manual and relevant Safe Operational Procedures (SOPs) are in place. There is also a process in place to ensure that all SOPs are continuously reviewed and updated by the OHS department and relevant stakeholders. These documented processes and procedures are integral to the organisation's operations and development as the manual clearly documents items such as emergency plans, the handling of dangerous goods, permit systems and fumigation procedures, for example.

OHS Signage

In collaboration with the Properties and Engineering departments demarcated walkways, driveways, parking areas and OHS signage are maintained to better protect our staff and visitors against any possible dangers that may be unnoticed. Such installations help reduce the possibility of industrial incidents and accidents.

OHS signage at Port of Mua-i-Walu 2.

FPCL OHS Statistics

2018	OHS Incidents	Occupational Injuries	Occupational Deaths	OHS Breaches	OHS Induction
January	3	-	-	6	-
February	-	1	-	4	87
March	2	-	-	1	73
April	1	-	-	2	33
May	1	-	-	3	36
June	1	-	-	-	-
July	-	-	-	-	-
August	1	1	-	1	1
September	1	1	-	-	2
October	12	3	-	-	4
November	6	-	-	-	2
December	3	-	-	-	42
TOTAL	31	6	Nil	17	280

Regular Fire Warden Training is an essential part of the FPCL safety preparedness.

OHS Committees

FPCL has established OHS committees comprising staff from various departments in Suva and Lautoka. There is also an OHS representative at Port of Levuka. The establishment of the committee adheres to OHS regulations.

Committee members are trained in conducting workplace inspections and assisting in incident/ accident investigations; they make recommendations and continuously consult in regard to OHS matters.

The OHS Department and OHS Committee members are committed to ensuring the safety and occupational health of all employees of the company and to ensure that our business activities do not pose an unacceptable threat to the environment. This is accomplished through regular meetings and consultation with our stakeholders.

Fire Wardens & First Aiders

Fire wardens and first aiders are well trained in basic skills to address fire incidents and first aid matters, respectively. Both groups receive regular refresher training, to better maintain or increase their skills and knowledge in the responsibility they hold.

More than 25 FPCL fire wardens have undergone training with the National Fire Authority during 2018. Their skills are tested with regular fire drills at the different buildings and sections of the workplace, with favourable reports on their vigilance and instantaneous responses. Similarly, first aiders are ready to respond to any work-related incidents where first aid attention to injury is required.

Tsunami Drills

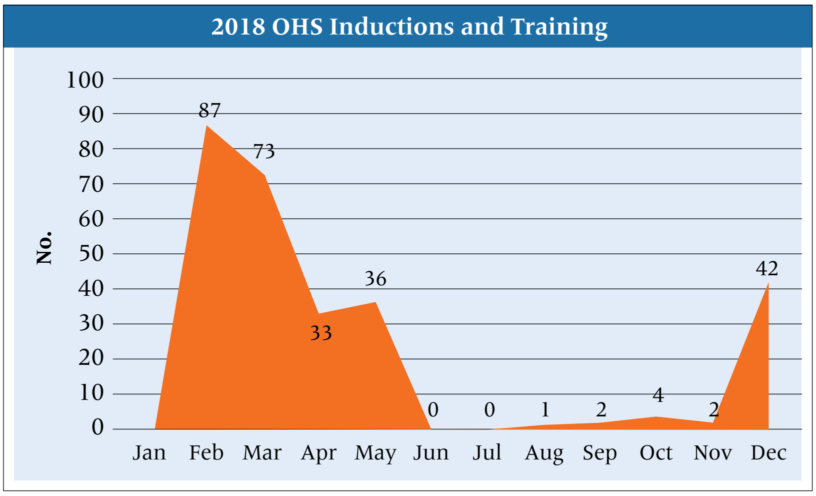
Tsunami drills were held during the year for FPCL employees at Mua-i-Walu House, to raise levels of preparedness and practise evacuation procedures in the case of a tsunami warning.

New employee and contractor inductions are a vital process that must be completed and assessed, before permission to work is granted. This ensures that they have the necessary understanding of the introductory information about the company, such as the working environment, the organisational framework, high risks and hazardous areas, policies, and other general, relevant information about FPCL is effectively communicated, using an interactive approach.

'No inductions; No start' is a policy where all new workers, contractors, and Port users must undergo induction training prior to starting their work on our facilities. In 2018, there were more inductions during the first and last quarters of the year. This is due to Port users having to undergo the induction process before renewing their Port user licences, ready for the new year.

Online OHS Training

This year, FPCL has subscribed to Safetyhub, an Australian website, which facilitates health and safety trainings via the various video messages they produce. FPCL will begin incorporating Safetyhub online video training into the OHS programmes next year, in order to stay abreast of OHS training at an international level.



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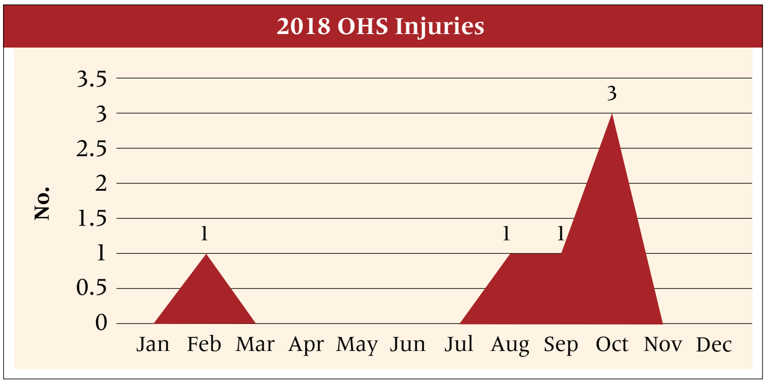
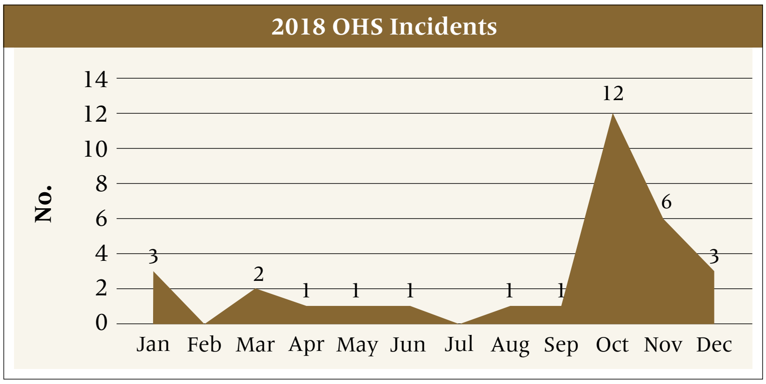
FPCL staff during the International Maritime Dangerous Goods course, organised by the Fiji Maritime Academy.

Personal Protective Equipment

Personal Protective Equipment (PPE) is a requirement for all workers conducting their duties at the wharf. Mandatory PPE includes helmets, reflector vests, and safety shoes. Flip-flops or similar shoes that expose the feet are not allowed. If required, additional PPE is issued to workers for day-to-day work, according to their various job descriptions.

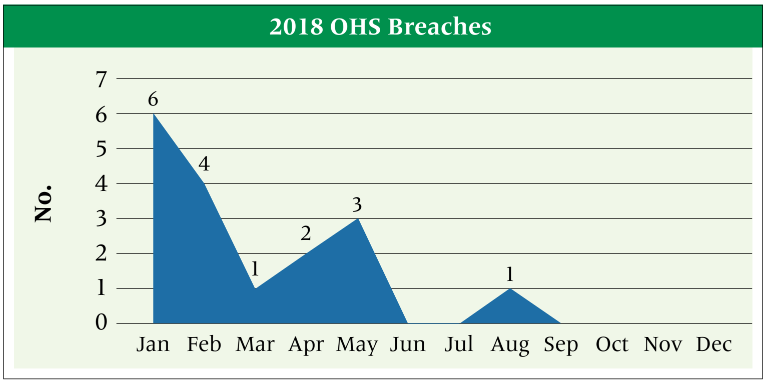
To help prevent any disease or degeneration of their eyes, workers exposed to working long hours in the sunlight are now issued with sunglasses that are coated with a protective layer to block out ultraviolet (UV) light.





As can be expected, the increase in incidents shows a corresponding rise in injuries over the year. To date, any injured workers have fully recovered and have been able to return to work. Medical advice and reports are followed to assist our injured workers to recover. During recovery, they may be assigned light duties until they are declared fit to resume their usual daily tasks.

Incidents appear to increase over the months and the trend line indicates that this trend might continue to grow in the future. Alternatively, the graph also indicates that the incident reporting mechanism is effective, with people no longer remaining silent and failing to report incidents. The peak, end of year season, also contributes to increased incidents during that period.



It is satisfying to see that our workers understand the risks of breaching OHS policies and practices, which leads to serious fines, and therefore have improved over the year. OHS awareness is maintained through training, inspections, consultation and communication to better maintain a low or zero practice of breaching OHS policies and procedures.

Handling Dangerous Goods

Twenty shore-based personnel from FPCL and associate company, FPTL, attended a four-day course on International Maritime Dangerous Goods (IMDG) Code, organised by the Fiji Maritime Academy.

The course enabled participants to contribute to the preparation and execution of the safe carriage of dangerous goods and marine pollutants by sea, and to understand the legal implications of, and correctly apply or verify compliance with, International Maritime Organization and local regulations.

OHS Initiatives

The handling and storage of hazardous or flammable substances and working in potentially dangerous conditions is part of the FPCL work environment, just as it is at any port around the world. Currently in our emergency procedures, the Fiji National Fire Authority is contacted in the case of fires and other such emergencies.

FPCL plans to train an in-house emergency response team, comprising of Company employees, capable of carrying out first responder rescue activities, for example, in cases of workers needing to be evacuated from confined spaces, or hanging from anchorage points, due to falling, when working at heights on vessels.

The OHS Department is introducing a greener process for dispersing documentation and information. Rather than printing multiple copies of information booklets, these will be stored and accessible online.

In the same way, anyone needing, for example, a hot work permit to be completed, can access it online, print it from their own office, and complete the form prior to getting the appropriate checks and approvals.

To reduce smells and vermin, garbage bins with garbage bags inside and proper, fitted lids, are to be introduced on the wharves.

At the Port of Levuka, where three FPCL staff members are employed, our most recent audit in December 2018 revealed the need for a public address system, and a fire alarm system to be mounted on all FPCL buildings.

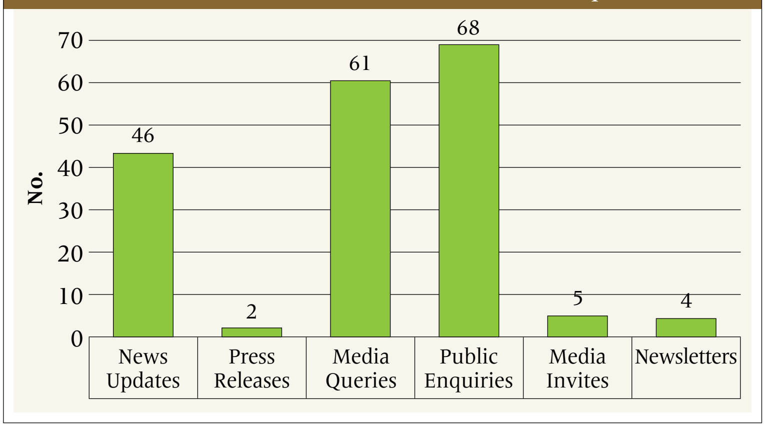
FPCL provides clients with information to address enquiries.

Public Relations and Customer Service – Talking to the Community

The Public Relations Department plays an important role in shaping and maintaining the image and reputation of FPCL. It deliberates plans and sustains the effort to institute and maintain mutual understanding between the Company and the public.

The Department not only deals with Communications, but is also responsible for and manages other vital sections in the Company, such as Customer Service, Donation and Sponsorships, Event Planning and ensuring that our Corporate Social Responsibilities are realised.

Media and Communications Summary



Media and Communication

FPCL has become a regular contributor to the weekly Shipping News of the two major print media outlets, raising awareness of the Company's roles and responsibilities, highlighting achievements and providing an insight into the services rendered to the general public, with particular reference to the works carried out by our subsidiary company, Fiji Ships & Heavy Industries Ltd. Awareness was also raised on other platforms, including radio, television, the Company website and social media, especially highlighting the various initiatives of FPCL's work in giving back to the community.

The Department took ownership of the newsletter production, minimising cost in the process.

FPCL also accessed social media to maximise the Company's presence, promoting its activities and disseminating relevant information.

FPCL continually works to improve services at all Ports of Entry.

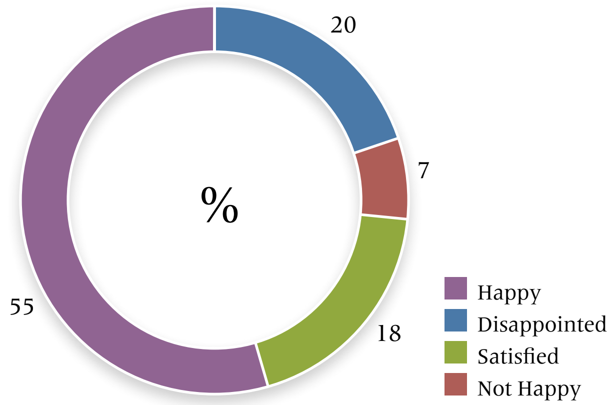
Customer Service

The Department continues to interact with the customers and stakeholders to provide them with information to address enquiries regarding the services provided, as well as to emphasise FPCL's role and responsibilities.

In addition, it deals with and helps resolve any customer complaints received.

Apart from the Customer Feedback Machines in Suva and Lautoka, surveys were carried out in order to improve our services to the customers. Forms were distributed to the customers and relevant stakeholders in order to gauge our performance. Through the survey, areas of concern were addressed accordingly.

Customer Feedback Results



World Maritime Day

FPCL and subsidiary FSHIL joined with maritime industry stakeholders to celebrate the World Maritime Day, with the theme, Our Heritage; Better Shipping for a Better Future. The occasion also marked the 70th anniversary of the establishment of the International Maritime Organization.

Social Obligations

FPCL continues to commit itself to its Corporate Citizenship Values by supporting worthy causes and initiating events to give back to the wider community.

In partnership with our subsidiary company, FSHIL, another successful Pinktober Charity Drive was staged to raise funds for the Fiji Cancer Society. The Company participated in the Fiji Cancer Society's Bushells Morning Tea, and contributed to the annual appeal for the Fiji Society for the Blind and the Save the Children Fiji Organisation.

FPCL also contributed towards other charity events and offered continued support at events such as the annual Charity Golf Tournament, organised by the Fiji Ship Owners and Agents Association, to raise funds for the Fiji Children's Overseas Treatment Trust Fund. FPCL also continued to make donations to assist non-profit organisations and the less fortunate in our society.

In keeping with our concern for the state of our environment, two campaigns were organised to clean up the harbour and foreshore areas surrounding the Port facilities. These campaigns were supported by our stakeholders in the maritime industry.

Finance Division

Balancing Risks and Returns

FPCL has had a commendable 2018 financial year, engendering successful revenue results with stronger profits, making possible the payment of substantial dividends to its shareholders.

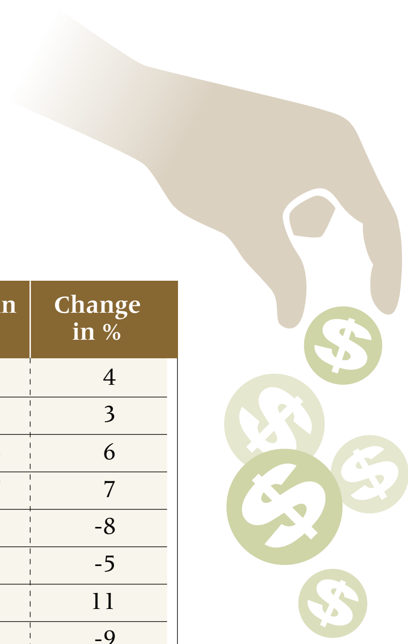
The Company is continuously striding towards being on par with the current regulatory framework and as such, engaged Ernst & Young to conduct an assessment of the impact of new International Financial Reporting Standards (IFRS) and to provide assistance in implementing the impact of these accounting standards on the accounting operations of Fiji Ports Corporation Limited and Fiji Ships and Heavy Industries Limited. There were three new standards – 'IFRS 15 Revenue from Contracts with Customers', 'IFRS 9 Financial Instruments,' and 'IFRS 16 Leases'. The Fiji Ports Group has successful adopted and implemented the impact of these accounting standards in its accounting system and in its 2018 Consolidated Financial Statement, where a few figures of comparative period, the 2017 financial year, were restated in order to comply with the new International Financial Reporting Standards.

In conjunction with the growing organisational capacity, the company has set up a centralised Procurement Unit. The Procurement Coordinator, with the assistance of Executive Management and the heads of departments, has developed a Procurement Procedure and Policy Manual. This manual provides a detailed guideline on the procurement processes and standardises the course for finding capable suppliers or partners who can help deliver a competitive product, reducing cost and helping increase the cash flow for the business. An Internal Audit was performed on procurement processes and the Tender Cycle, and the recommendations are in the process of being implemented.

With a prime focus on the 5-Year Strategic Plan (2019–2023), the new role of Project Accountant was created and filled in 2018. The Project Accountant is to be a key person in the Finance Division to work on the 5-Year Strategic Plan, to monitor the progress of its implementation, while working in conjunction with various departments of the organisation in identifying key business development areas and making strides towards realising FPCL's core value of commercial stewardship.

A detailed analysis was performed by the Finance team on the Maritime Transport Decree (MTD) Tariff, against longstanding FPCL tariff charges, to assess and determine associated risks, costs and benefits. Based on the positive result obtained in favour of the MTD tariffs, and its consistency based on the charges laid out by other agencies, Management made a decision to implement MTD charges, with effect from 1st January 2019.

An External Audit of the Financial Statement is conducted each year to obtain a true and fair audit opinion of the Consolidated Financial statement. Fiji Ports Corporation Limited has continually obtained an Unqualified Audit Opinion and aims to maintain such opinions in the future. There were no audit issues or findings noted in FPCL's 2018 External Audit of Financial Statement.



Summary of Accounts

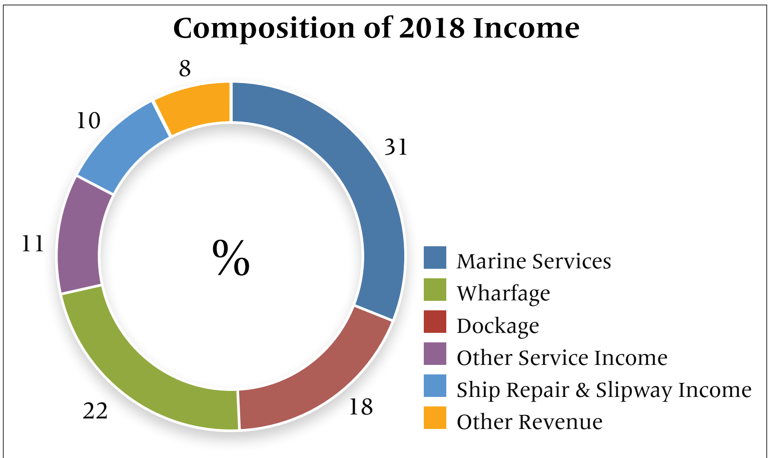
FPCL Accounts	Year 2018 (000)	Year 2017 (000)	Change in (000)	Change in %
Consolidated Group Income	60,422	58,181	2,241	4
Holding Group Income	59,556	57,605	1,951	3
Group Profits	28,041	26,345	1,696	6
Holding Company Profits	27,065	25,378	1,687	7
Share of Profits in Associate	5,325	5,818	(493)	-8
Dividend Paid in Respect to Prior Year	15,227	16,082	(855)	-5
Group Shareholders Equity	130,279	117,464	12,815	11
Group Total Liabilities	19,490	21,463	(1,973)	-9

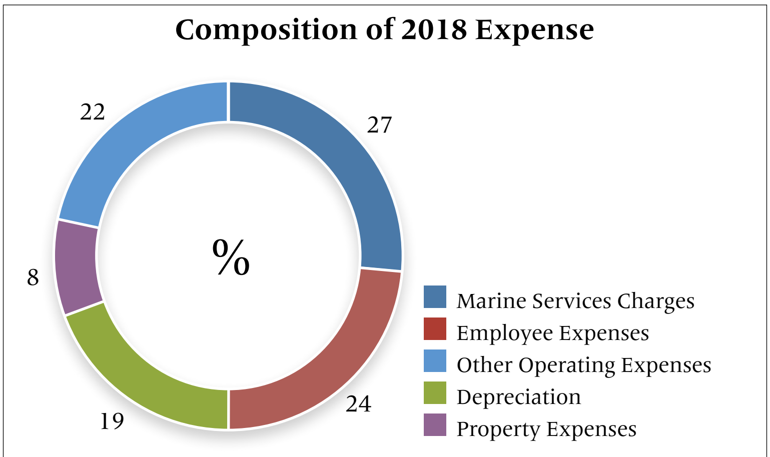
Consolidated Income Comparision 2018 against 2017

Group Income Category	2018 $(000)	2017 $(000)	% Change Over 2017
Marine Services	19,018	19,535	-3
Dockage	10,947	12,180	-10
Wharfage	13,195	12,650	4
Other Service Income & Licence Fees	6,426	5,999	7
Ship Repair & Slipway Income	6,231	6,272	-1
Other Revenue	4,605	1,545	198
TOTAL OPERATING INCOME	**60,422**	**58,181**	**4**

Consolidated Expenses Comparision 2018 against 2017

Group Expenses Category	2018 $(000')	2017 $(000)	% Change Over 2017
Marine Services charges	9,002	9,185	-2
Employee Expenses	8,031	7,479	7
Depreciation	6,379	6,722	-5
Property Expenses	2,900	2,191	32
Other Operating Expenses	7,428	7,327	1
TOTAL EXPENSE	**33,740**	**32,904**	**3**





FPCL – 2018 Profit and Loss Summary

The reported NPAT marginally increased by 7%, which is mainly attributed to the gain on sale of assets in June 2018, increased cargo throughput and the increase in interest income from term deposits and interest bearing deposit.

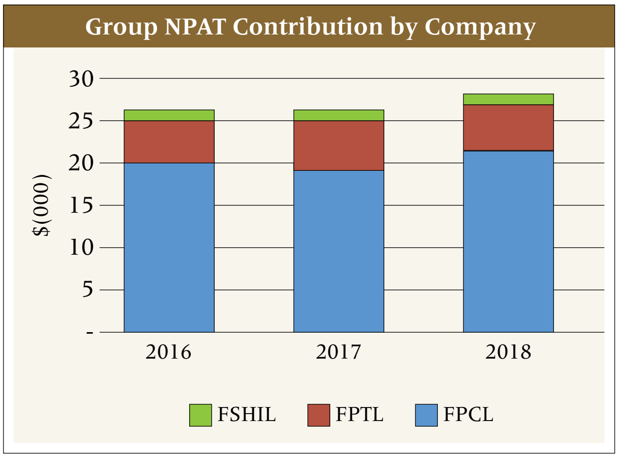
Total income, including finance income, indicated an increase of 5% in comparison with the 2017 total income. This is mainly due to:

- The transfer of assets to FPTL in June 2018 realised a gain on sale of $3m.
- Finance Interest income has significantly increased by 222% in comparison with 2017, due to the prudent cash management process implemented by Management, via the increased Term Deposit by $15m and the placement of the new Interest Bearing Deposit of $15m.
- Wharfage income has increased by 4%, due to the increase in import and export volumes and cargo throughput. The increase is directly related to Fiji's economic activity, such as growth in the construction industry and GDP growth.
- There was an increase in other income, which was attributed to the increase in the commission rate from tug services, the increase in rental income from properties and one-off insurance proceeds received for damaged wharf infrastructure.
- However, Dockage income and Marine Service income has decreased by 6%, due to the decrease in the number of bigger GRT vessels visiting the Ports, when compared with the 2017 financial year. The first quarter of 2018 was significantly affected by Cyclones Josie, Keni and Gita, which resulted in the cancellation of some vessels. Moreover, dockage hours have decreased due to the increase in port efficiency in handling cargos.

Group NPAT Contribution by Company

Year	2016 $(000)	2017 $(000)	2018 $(000)
FPCL	19,883	19,318	21,383
FPTL	5,349	5,818	5,325
FSHIL	1,024	1,209	1,333
TOTAL	**26,256**	**26,345**	**28,041**

Note: *FPCL results are exclusive of dividend received from FSHIL and FPTL.*



Total expenses, including finance costs, have increased by 4% when compared with 2017, which is mainly attributed to:

- Employee benefits expenses increased by 12%. The Job Evaluation Salary Increment, Phases 2 and 3 provisions, are booked in the accounts, as an increase in staff base salary is anticipated based on the Job Evaluation Exercise performed by PwC, and competency assessment performed by Maxumise – our external Human Capital Management consultancy partner. The increase in staff base salary would have an impact on other staff benefits such as FNPF employer contribution, bonus, annual leave, sick leave, long service leave and retirement benefits. The Job Evaluation Implementation for Phase 2 was completed in May 2018, while Phase 3 was expected to be completed in early 2019.
- Property expense has increased by 32% due to a number of major burst water pipes at Kings and Queens Wharves during 2018. Management is in the process of developing an effective monitoring mechanism and the installation of new water pipes, to eliminate burst mains and control water charges. Moreover, the Company incurred major, one-off repair works for the demolition of the damaged wharf areas and replacing them with precast, prestressed, deck and repair works, at Kings Wharf and Walu Bay Wharf, respectively.
- Operating expenses have increased by 5% due to the high consultancy cost incurred for the assessment and preparation of documents such as the 5-Year Strategic Plan Document, Tender assessments and preparation of contracts for the Vessel Traffic Management System, Lautoka Wharf Condition Assessment and Navigational Simulation, Dredging of Lautoka Wharf, amongst others, and for professional legal consultancy. Moreover, major crane repair and maintenance cost was incurred on shore cranes, Mika, Roba and Amigo.
- However, the increase in total expenses was partially offset by the following:
  - Marine services charges have reduced by 3% due to the decrease in the number of bigger GRT vessels visiting the port, and thus, fewer tug services were required. Moreover, the third party pilotage cost has reduced, as most pilotage services were handled by FPCL Pilots.
  - Depreciation expenses have reduced by 5% mainly due to the sale of shore cranes Mika and Roba to FPTL, which had high depreciation charges.

FPCL Group Profit & Loss Summary for 2018 & 2017

Group Income Category	2018 $(000's)	2017 $(000's)	% Change Over 2017
Operating Income	55,817	56,636	-1
Other Income	4,605	1,545	198
TOTAL INCOME	60,422	58,181	4
Operating Expense	(27,361)	(26,182)	5
EBITDA	33,061	31,999	3
Depreciation	(6,379)	(6,722)	-5
EBIT(Loss)/Profit	26,682	25,277	6
Net Interest	1,760	529	233
Share of Profit in Associate	5,325	5,818	-8
Net Profit Before Tax (NPBT)	33,767	31,624	7
Income Tax	(5,726)	(5,279)	8
NPAT	28,041	26,345	6

Balance Sheet Extract (Consolidated 2018–2017)

Accounts	2018 $(000)	2017 $(000)
Cash at Bank	23,408	27,464
Trade Receivables (Current & Non-Current)	11,204	3,873
Financial assets	37,000	22,000
Fixed Assets	55,135	63,012
Total Assets	149,769	138,927
Trade Creditors & Other Payables	4,303	7,080
Total Liabilities	19,490	21,463
Shared Capital	73,155	73,155
Retained Earnings	57,124	44,309

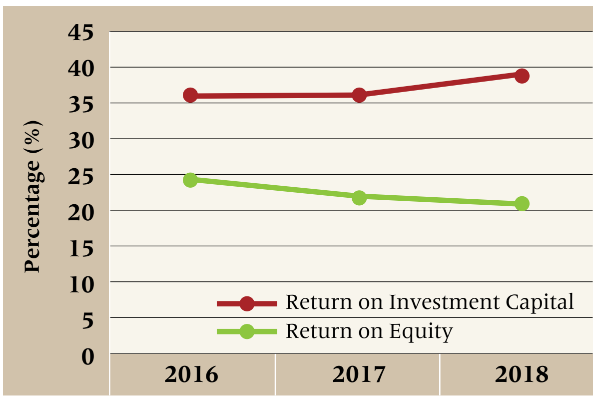
Group Key Performance Indicators

Ratio	2018	2017	2016
EBIT/Total Income	44.16%	43.45%	47.12%
Return on Invested Capital	38.33%	36.01%	35.89%
Return on Equity	21.52%	22.43%	24.28%
Current Liquidity Ratio	8	5.49	4.75

The strong financial results are reflected in the KPIs with the Group reporting an impressive Returns of Invested Capital of 38.33% and current liquidity ratio of 8.

> Net Finance (interest) income has significantly increased by 233% in the 2018 financial year when compared with 2017, due to the prudent cash management processes implemented by management...

FPCL Group ROE and RIC



The Balance Sheet remains strong with a healthy cash balance, (including the interest bearing deposit), of $20.5 million and a Term Deposit of $36 million, with no loan or borrowings, even after the dividend payment of $15.23 million to the shareholders. The Company has an impressive current liquidity ratio of 8.

Financial Results and Group Commentary

The financial performance for the Fiji Ports Group 2018 reflects a consistent and resilient outcome. This year being the fifth full year of operations after the 2013 partial divestment of shares and transfer of the control of previously subsidiary, now associate, company FPTL. Group Net Profit After Tax (NPAT) of $28.04m represents a 6% increase from the 2017 reported NPAT of $26.35. This is mainly attributed to the increase in cargo throughput, gain on sale of assets in June 2018, and the increase in interest income from term deposits and the interest bearing deposit.

The Group operating revenue showed an increase of 4% over 2017. This is largely due to the increase in cargo throughput (wharfage income), and the gain on sale of assets in June 2018. There was also an increase in other service income such as commission on tug services, rental income and one-off insurance proceeds for wharf damages. However, the increase was partially reduced due to the decline in the number of bigger GRT vessels and dockage hours, affecting core marine service revenue and dockage revenue. Moreover, there was a breakdown of the 500t and 1000t slipways in the first half of 2018, which led to major revenue losses of over $400k for subsidiary company, FSHIL. The slipway was fully booked, but the breakdowns caused major backlogs and customers opted for other ship repair service providers.

Net Finance (interest) income has significantly increased by 233% in the 2018 financial year when compared with 2017, due to the prudent cash management processes implemented by management, via the increased Term Deposit to $37 million with great interest rates and the placement of the new Interest Bearing Deposit of $15 million.

The share of profits from associate company, FPTL, has declined by 8% when compared with the 2017 financial year, which is also attributed to the increase in depreciation charges, due to procurement of three reach stackers, one empty handler and two shore cranes. Moreover, there is an increase in the cost of tyres, spare parts and fuel for machinery, and the cost to perform major overhaul repairs on TL05 and TL06, to be sent for use at the Lautoka Port.

Total expenses have increased by 3%, which is attributed to the increase in employee expenses (JEE second phase payouts and booking of provision for Phase 3),

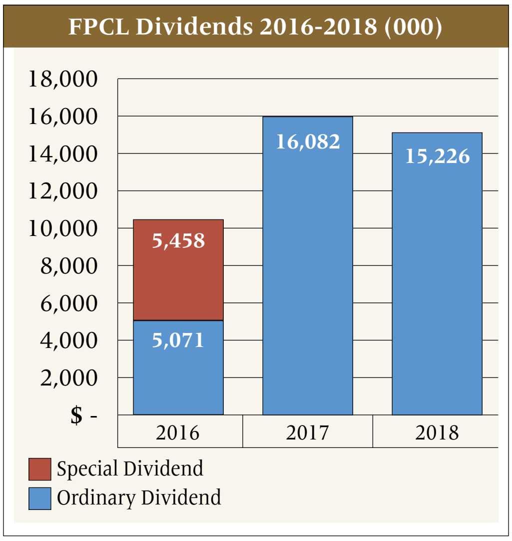
The multi-purpose Port of Lautoka will play a strategic role in FPCL's future development.

FPCL Dividends 2016-2018

Dividends	2016 $(000)	2017 $(000)	2018 $(000)
Ordinary Dividend	5,071	16,082	15,226
Special Dividend	5,458	-	-
TOTAL	10,529	16,082	15,226

2018 Dividend Payout

In 2018, the total dividend paid by FPCL in respect of the prior year's (2017) profitability, amounted to $15,226,505. This represents a 5% decrease from the prior year.



increase in repair and maintenance costs for damaged wharf areas, higher water charges, as the result of major waterpipes that burst at Kings and Queens Wharves, increased cost for shore crane repairs and high consultancy incurred for assessment and preparation of documents such as the 5-Year Strategic Plan Document, Tender Assessments and preparation of contracts for the Vessel Traffic Management System, the Lautoka Wharf Condition Assessment and Navigational Simulation, Dredging of Lautoka Wharf, and for professional legal consultancy. However, the increase in expenses was partially offset by subsidiary FSHIL's lower production costs, due to the breakdown of slipways, whereby fewer vessels were uphauled.

The Balance Sheet remains strong, with a sound cash balance, (including the Interest bearing deposit), of $23.41 million with zero external borrowings, even after the dividend payment of $15.23 million to shareholders. The group holds $37 million in term deposits and has recorded an impressive current liquidity ratio at 8.

Risk Management & Compliance Unit

Ensuring Good Governance

Risk management applies to, and is practised in accordance with, accepted Risk Management Principles as a part of all of FPCL's activities, including developing strategic plans, preparing operational plans and capital budgets, completing detailed project approval requests, designing and managing project plans, and operating FPCL's facilities including wharves and Ports. As a critical service provider, FPCL actively engages in this process as a commitment to ensure a robust approach is maintained towards providing a greater understanding of risk management practices at all departmental levels. The following risk management principles are in practice:

- Risk Management Policy – provides the mandate for implementing a standardised ERM framework throughout FPCL and its subsidiary company, Fiji Ships & Heavy Industries Limited. It also outlines roles and responsibilities for the Board, Executive Management and staff, who are critical for the risk management framework to work effectively within the organisation.
- Risk Management Framework – implementation of the risk management framework and control systems provides reasonable assurance that strategic and business objectives for the company are achieved and its resources are effectively used to ensure business success, continuing financial strength and continuous quality improvement within the organisation.
- Standard Operating Procedure (SOP) – comprehensive SOP's are in place to set out FPCL's approach to risk and the management of risk in fulfilment of its overall objectives. This is to ensure commitment to risk management at all levels and every effort is made by staff to manage risk appropriately.

The Board, supported by the Finance, Audit & Risk Management Sub-committee, management and dedicated risk management employees, are committed to identifying and mitigating different types of enterprise risks, which FPCL has managed and is currently exposed to:

- Regulatory Risks;
- Reputational Risks;
- Financial Risks;
- Environmental Risks including Health and Safety;
- Strategic Risk; and
- Operational Risk.

Compliance

As part of the compliance function, the Company has carried out departmental reviews, with the participation of key stakeholders, to review areas of non-compliance and the outcomes related to each review were documented in the form of action plans.

This saw the items identified being assigned to the respective divisions with an appropriate timeline for implementation. In a similar manner, regular compliance checks and investigations were also carried out in order to achieve continual improvement, with a view to strengthening internal control mechanisms within the organisation. Investigations related to non-compliance and breach of Company policies and procedures were reported to the Executive Management and also to the Board Finance Audit & Risk Management Sub-committee.

The Company further explored opportunities to develop a comprehensive Business Continuity and Recovery Plan, in order to cope with the effects of an emergency or crisis such as cyclones, earthquakes, floods, fire, or power interruptions etc. Moreover, this was included as part of the 2016–2018 Strategic Goals, which will ensure business continuity, disaster recovery, risk management, and crisis/emergency management all feeding into over-arching organisational resilience strategies. As a result, wider conversations were held with key stakeholders and Insurance Brokers, where this initiative is being explored with them.

Legal and Insurance

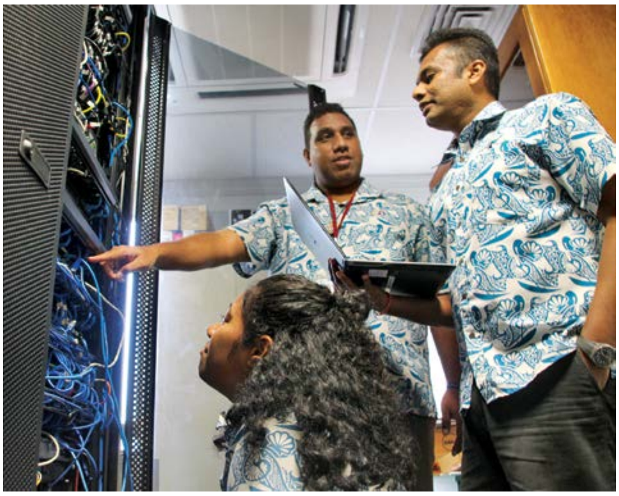
On a regular basis, management has presented to the Board and the Finance, Audit & Risk Management Subcommittee on specific updates related to each case, including pending or potential litigation and exposures that could pose significant risks to FPCL and FSHIL. In view of this, management presented these updates to ensure that the Finance, Audit & Risk Management Subcommittee remains fully informed of litigation and other legal issues.

In order to deal with some of the litigation issues, management continuously involved relevant Department Heads to identify and monitor issues such as allegations of errors, omissions, violations of law, damages, inappropriate employment practices, or cases of personal injury to FPCL staff and other Port users.

This is to ensure that Department Heads are also aware of risks associated with litigation and other legal matters, so that they have the required capacity to assess the effect in a consistent and inclusive manner to manage potential exposures.

This has resulted in some of the emerging cases being concluded, rather than be subject to prolonged court cases, which also saves the costs of defending or proceeding with legal actions.

While management dealt appropriately with some of these issues, there are cases that are more structurally complex, involve higher-risk counterparties, or are sensitive in nature and that need to be settled through lawsuits. Management has determined that FPCL does not have the required expertise to deal with these issues and as such, has engaged reputable law firms to examine material exposures and associated liabilities and their impact on the organisation.



The ICT Department provides secure IT infrastructure while minimising costs.

ICT Strategy

The Information Technology Department (ICT) ensures that the efficiency and effectiveness of FPCL's functions and operations is enhanced through the strategic use of information technology.

The Department continues to plan, operate and support the Company's IT infrastructure, enabling business users to carry out their roles efficiently, productively and securely.

With the appointment of qualified and experienced individual to the position of ICT Manager towards the end of the year, a Strategic Plan was formulated and implemented to deliver enhanced IT Infrastructure, Border Security, Monitoring and Response. The Department focuses on meeting multiple business and technical requirements, provide a secure IT infrastructure and in the process, minimising costs.

Major projects to be implemented for the first quarter of 2019 includes hardware infrastructure upgrade, an Internet bandwidth upgrade and meeting room communication systems, wireless presentation gateway, corporate Wi-Fi blanket, hardware refresh and enhanced IT Helpdesk solution. The reorganisation of ICT department workspace has also been prioritised.

ICT Strategic Plan Formulation – Dec 2018 (2019–2022 inclusive)

Challenge 1: Deliver enhanced IT Border Security infrastructure, monitoring and response	2019				2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Reduce Insider Threat																
Educate staff on security risks	■	■			■	■			■	■			■	■		
Ensure up-to-date client antivirus	■															
Review and secure guest internet access		■	■													
Locate and secure vulnerable network nodes/connections			■	■												
Reduce Cyber Threat Footprint																
Secure website forms			■	■	■											
Test for SQL injection vulnerability				■	■	■										
Ensure patch management		■	■													
Ensure server antivirus is active and up to date	■	■														
Ensure offline backups		■	■													
Regular IT audits			■	■	■	■										
Strengthened security at Internet gateway				■	■											
Optimum Performing Inventory																
Maintain hardware life-cycle			■	■	■											
Proactive Reporting on Systems																
Deploy reporting tools for up-to-date periodic reports		■	■	■	■	■										
Embrace Current Technologies to Maximise Uptime and Production																
SaaS and Iaas implementations			■	■	■	■										

Challenge 2: Enhanced organisation-wide IT policies and procedures	2019				2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Identify relevant ICT policies																
Develop policies																
Obtain endorsement																
Implement policies																
Periodic review and implementation checks																

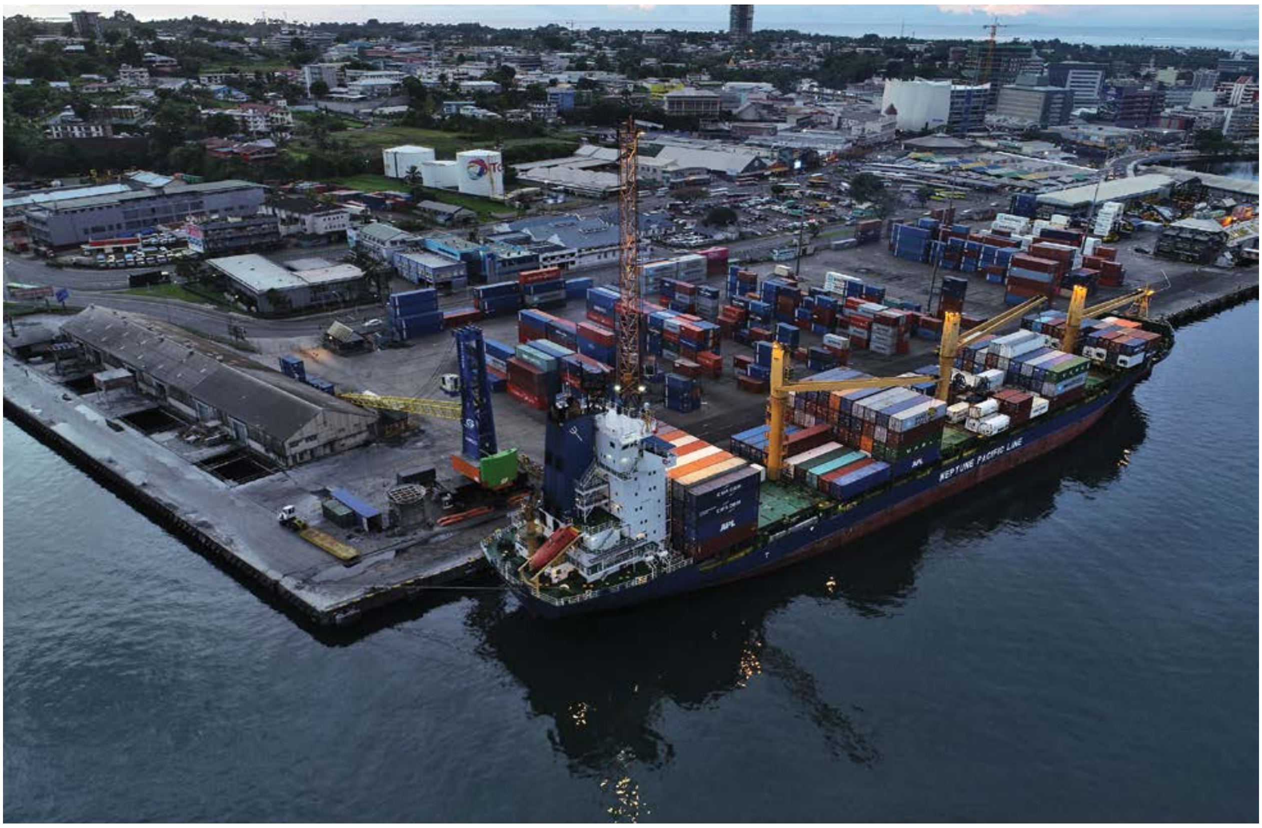
Challenge 3: Deliver Core IT Trainings	2019				2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Develop training portals for in house trainings																
Core security standards and awareness programmes																

Challenge 4: Embed professional services automation system and processes	2019				2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Automated work flow																
Identification of workflows for automation																
Design automated process flows and implementation																
Identification and development of application for mobility																
Virtual meetings/video conferencing enabling telecommuting																
Review infrastructure for teleconferencing																
Implement videoconferencing facilities																

Challenge 5: Create a Smart Port Facility	2019				2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Implement VTMS (Vessel Tracking Management System)																
Assess needs and requirements for Smart Port																
Introduce technologies like blockchain and artificial intelligence																

Challenge 6: Revitalise our Corporate Identity, both internally and externally	2019				2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Strengthen our corporate identity																
Review social media branding																
Review digital branding (letter heads, email signatures, business cards, etc.)																
Review website user experience and user interface designs																
Develop internal presentation templates																
Develop social media skillset with Public Relations																

Challenge 7: Unification of Systems	2019				2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Full integration of all ICT applications																
Single sign-on																
Anytime, anywhere access to Fiji Ports infrastructure to authenticated users																



The Port of Suva.

Challenge 8: Adhere to International Best Practice	2019				2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
International Standard Compliance – Information Security Management																
International Standard Compliance – Information Technology Service Management																
International Standard Compliance – Business Continuty																

Prerequisites for Strategic Plan Implementation

Major Projects for 1st Quarter of 2019

1. Current Hardware Infrastructure upgrade
   - Internet bandwidth upgrade
   - Office, meeting rooms, cable tidy-up
   - Wireless presentation gateway
   - Corporate Wi-fi blanket
   - Hardware refresh
   - IT Helpdesk solution

Other Projects

- ICT department workspace reorganisation

Fiji Ships & Heavy Industries Limited

Serving the Region

Financial Performance

Fiji Ships & Heavy Industries Limited, a subsidiary of FPCL, has recorded a net profit of $1.3 million for the 2018 Financial Year.

The balance sheet remains strong, with healthy cash flow balance of $2.9 million, a term deposit of $1 million and a low gearing of 0.12.

> The dividend paid in 2018, with respect to the 2017 financial year, increased by 18%, due to the higher income generated by project-based works in 2017.

Total income exhibited a decrease by $86k, or 1.3%, compared with 2017. This was due to the slipway breakdown in the first half of the year.

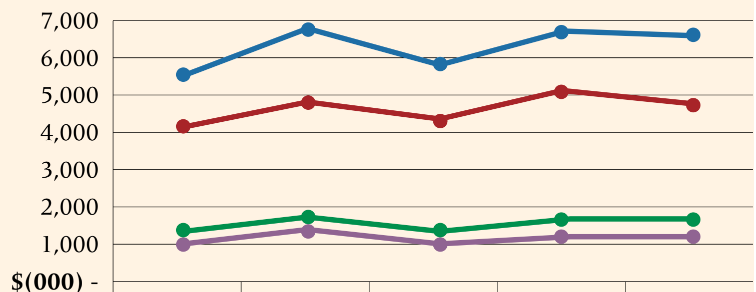
As fewer vessels were uphauled because of the breakdown, expenses decreased by $223k or 4.39% compared with 2017, mainly attributed to the resulting lower production costs. Also, for 500t project work, the vessel owner purchased steel plates not available in Fiji from China.

Due to the ageing of the three slipways, there were increases in repair and maintenance.

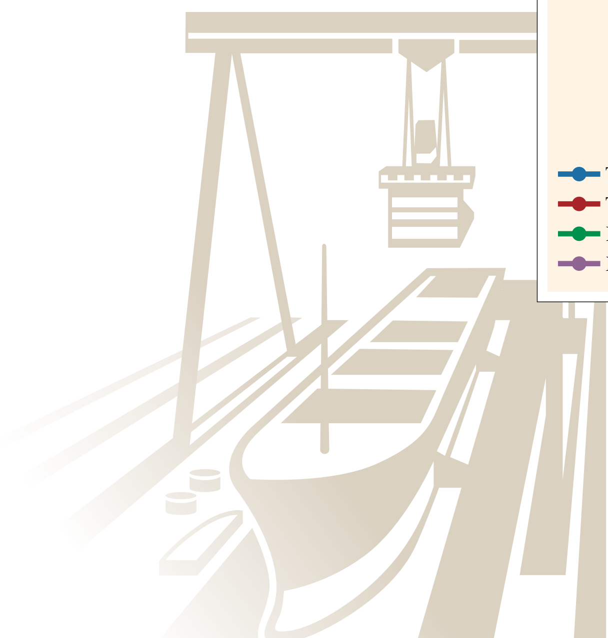
The dividend paid in 2018, with respect to the 2017 financial year, increased by 18%, due to the higher income generated by project-based works in 2017.

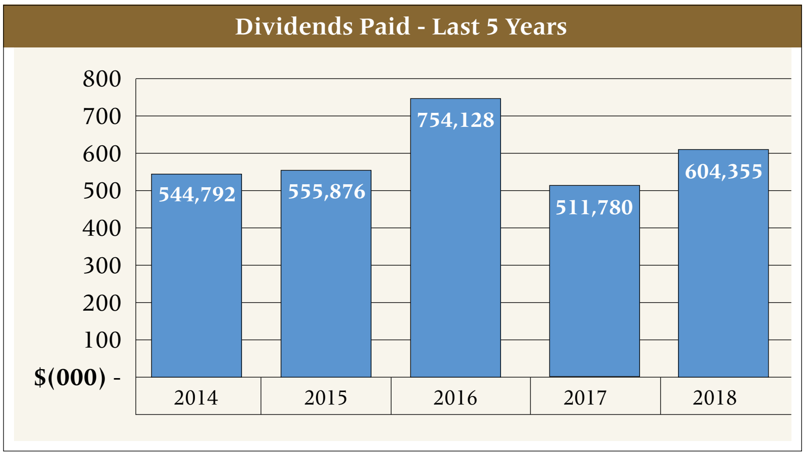
The dividend paid in 2017, with respect to the 2016 financial year, declined by 32%. This reflected the impact and aftermath of Tropical Cyclone Winston, with continued wet weather, power cuts, and low numbers of vessel using our services during that period.

Income Statement Comparison for Last 5 Years



	2014	2015	2016	2017	2018
Total Income	5,564	6,751	5,747	6,634	6,548
Total Expenses	4,121	4,848	4,452	5,081	4,858
EBIT	1,446	1,902	1,296	1,538	1,689
NPAT	1,106	1,508	1,024	1,209	1,333





Return on Investment

Compared with 2017, the Return on Investment, the Return on Assets and the Return on Equity ratios have improved in 2018, as the result of the strong Incomes and the increase in NPAT.

The Lady Samoa on the slipway.

Strategic Goals

Our strategic goals are:

- To build on strategic partnerships to improve upon quality and responsiveness;
- To modernise infrastructure; and
- To maximise shareholder returns, while meeting our major shareholder's expectations, and supporting our mission to 'Develop, maintain and improve key ship repair facilities to enhance the economic growth and prosperity of Fiji.'

Client Base

Our client base continues to include our Pacific Island neighbours, such as Kiribati, Vanuatu, Tonga, Solomon Islands, Tuvalu, Marshall Islands, and for the first time in 30 years, Samoa, as well as Fiji-based and -owned vessels.

Regional Vessels Serviced

Amongst the regional vessels benefitting from the FSHIL slipway and repair and maintenance service were *m.v. Tongiaki*, an inter-island vessel belonging to the Friendly Island Shipping Agency, a wholly owned public enterprise of the Government of Tonga.

Also at FSHIL for repairs from Tonga were the *m.v. Onemato*, a vessel belonging to Eua Sea Transport Council in Nuku'alofa, and the Interlink Shipping vessel, m.v. Westerland.

After a lapse of 30 years, FSHIL once more saw a vessel from Samoa on the slipway, with the arrival of the Samoan Government vessel, *Lady Samoa III*.

From Vanuatu, the *l.c.t. Kalyara* underwent a major overhaul, followed by three more vessels on the FSHIL slipways: *f.v. Faimanu*, *l.c. Tiwi Trader* and police boat *r.v.s. Tukoro*.

Steelworks for Tiko's

The Lycianda, a well-known feature of the Suva Harbour, spent time on the FSHIL slipway for steelworks on the underwater hull. Better known as Tiko's Floating Restaurant, the Lycianda was one of the Blue Lagoon vessels built in the 1980s by the Government Shipyard, the forerunner of FSHIL.

Auditors from the Sri Lankan Standards Institution conduct the quality systems audit at FSHIL.

The milestone achievement of ISO 9001:2015 certification assures FSHIL clients that the Company is ambitious, reliable and motivated, with high quality products.

ISO 9001:2015 Certification

In 2018, Fiji Ships & Heavy Industries Limited (FSHIL) was awarded the ISO 9001:2015 certification for the provision of services related to ship repair works, ship repair services, slipway facilities and heavy industry services.

The prestigious certification, the latest iteration of the world's leading quality assurance standard, ISO 9001:2015, is granted for meeting or exceeding rigorous international standards in quality management.

Evaluation criteria include a strong customer focus, motivation and involvement by top management, a focus on internal processes and continual improvement.

The milestone achievement of ISO 9001:2015 certification assures FSHIL clients that the Company is ambitious, reliable and motivated, with high-quality products.

Internal Quality Auditor Training

FSHIL was able to host a workshop for 35 internal auditors from four companies on Internal Auditing for ISO 9001:2015 Quality Training. The training, conducted by facilitators from the Sri Lanka Standards Institution, was an initial key to improving the quality and effectiveness of the whole internal audit function of the participating companies.

Slipway Refurbishment

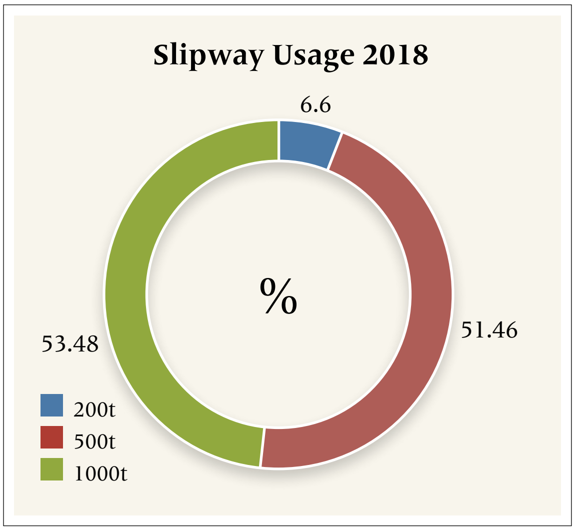
Repair works of larger vessels experienced delay when the 1000 tonne slipway underwent refurbishment. Repair works included removal and replacement of the worn-out cradle rails; removal and renewal of the defective diagonal and cross 'C' channel brace; replacement of worn-out and damaged wheels and brackets; and the realignment of the cradles to the existing rails.

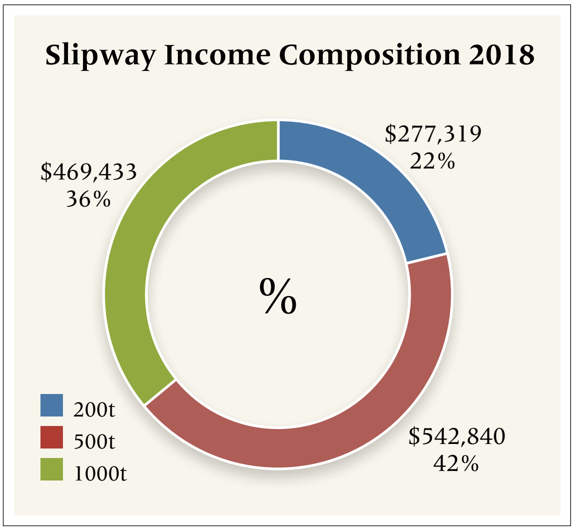
Slipways

FSHIL facilities include 3 dry docks. These are:

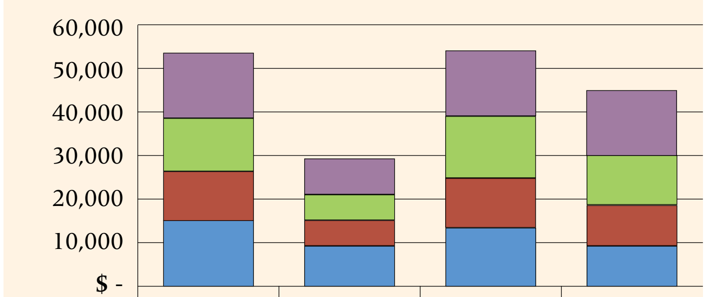
- 200 tonne slipway (to be upgraded to 500 tonne for 46 metre vessels with 11 metre beams)
- 500 tonne slipway (46 metre vessels with 11 metre beams)
- 1000 tonne slipway (65 metre vessels with 13 metre beams)

FSHIL's core function is the slipping of marine vessels, the carrying out of ship repairs and maintenance, heavy industrial and engineering work.





Income per Vessel per Income Category



	Slipway	Steel	Engineering/ Electrical	Water Blasting/ Painting
2018	$15,436	$8,455	$14,796	$15,588
2017	$12,615	$6,098	$13,405	$11,190
2016	$11,035	$6,625	$10,770	$9,223
2015	$14,990	$9,720	$13,172	$9,164

Heavy Industries

FSHIL undertakes steel, engineering, electrical, timber and technical works. We have the capacity for steel fabrication up to 300 tonnes, making it possible for FSHIL to design multipurpose, roll-on, roll-off vessels, specifically for interisland trade and transport. The design includes a bulbous bow, in response to the need for vessels to be able to navigate through the often-narrow passageways found in the coral reefs encircling many of the Pacific Islands.

Steel

This includes steel and aluminum ship construction and repairs, industrial fabrication and heavy machinery welding.

Engineering

Engineering includes general pipework, machining and turning stern gear servicing, installation and repair of deck machinery, valve and pump repairs.

Electrical

This includes marine electrical services, industrial electrical services, servicing and repair of electrical generators and motors, auto electrical services, including marine, industrial and heavy mobiles, and the rewinding of generators and motors.

Timber

Timber includes ship repair outfitting, wooden boat building, machining and installation of timber decking, marine and industrial painting, fibreglassing, building construction, office renovation and furniture making.

Technical

This includes ship designing, ship calculations, conducting of inclining experiments, compiling of visibility data, hull ultrasonic gauging and general estimating.

Fibreglass Boat Manufacture

FSHIL manufactures two sizes of fibreglass boat using the WR 23D and 23SR hull designs, with redesigned internal structures, which meet the compliance and approval of the Maritime Safety Authority of Fiji (MSAF).

All FSHIL fibreglass boats are fitted with grabbers, in case of capsizing, and are equipped with a Safety of Life at Sea compliant kit of oars and rowlocks, flares, life jackets and a first aid kit. Each boat must also pass a swamp test conducted by MSAF officials, in compliance with ISO 12217-2 Boat Building Standards of the International Classification Society (IACS) of which Fiji is a member.

Our People

FSHIL is committed to acquiring, retaining and developing the right people with the right skills, and prides itself on having a stable, professional and well-qualified workforce that adheres to national and international codes of Occupational Health and Safety.

Departments

The FSHIL Functional and Operational Departments and Sections consist of:

Steel - Ship Repairs and Heavy Engineering Works

Slipways - Dry Docking

Engineering - Fitting, Machining, Electrical and Plumbing

Production - Projects and Quality Control

Painting - Painting and Water Blasting

Estimating - Estimating and Planning

Stores - Purchasing, Inventory Control and Transport

Finance - Accounts and Financial Management

Administration - Human Resources, Central Registry, Property and Security

Specialised Services

FSHIL also offers other specialised services that include:

- Vessel conversion, upgrading and reconstruction
- Diving services
- Berthing
- Garbage disposal
- Three-tonne crane hire
- Pontoon hire
- Gangway hire

Training

At FSHIL, we regard our employees as the heart of the Company, who have contributed to its development and growth, from inception to date.

We recognise that the training and development of our staff is fundamental to the ongoing improvement of our operational performance and the achievement of our strategic goals.

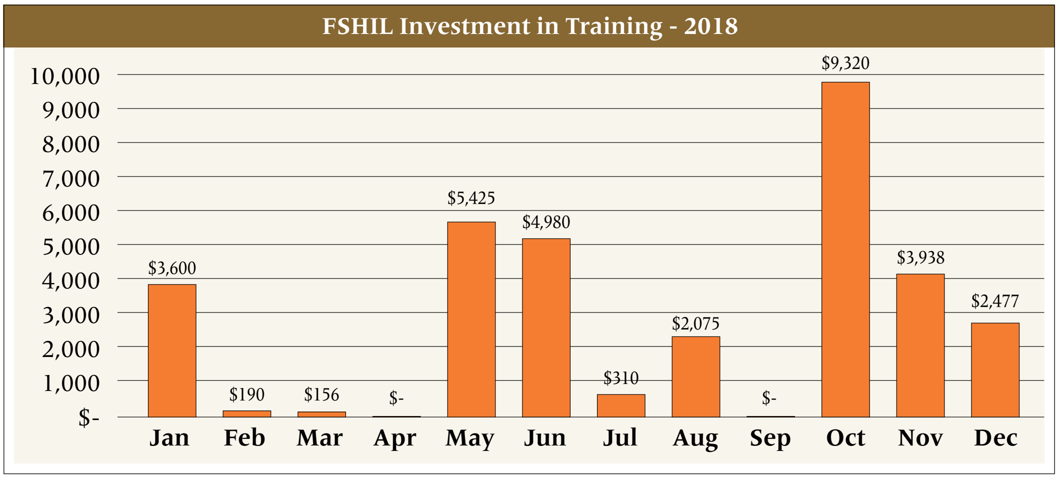
We believe in empowering our people by investing in their development, and the Company supports our people in attaining academic and practical tertiary professional qualifications from local and overseas educational institutions.

A systematic approach to identifying training needs was maintained through the year by administering and reviewing the Training Needs Survey and through the continual and effective analysis of Performance Assessments in order to identify skills and knowledge transfer needs.

The Training budget allocation for 2018 was $41,000, of which $31,120 was utilised. The Grant Claimable for 2018 will be realised in 2019, while the 2017 Grant Claimable received in 2018 totalled $20,621.

Our investment in training recognises the imperative need to maintain standards of service delivery for customer satisfaction with a skilled and professional workforce and to support our staff in their professional development, for their personal growth as well as for the benefit of FSHIL.

> "We believe in empowering our people by investing in their development, and the Company supports our people in attaining academic and practical tertiary professional qualifications from local and overseas educational institutions."



Here at FSHIL, we are also committed to strengthening the industry within the region. We provide practical work experience attachments to students from neighbouring Pacific Island nations who are studying for maritime-related trade qualifications at tertiary institutions in Fiji. The exposure and skills gained through this initiative benefit FSHIL, Fiji and the region.

Protecting the Environment

FSHIL has introduced control measures to manage ships' biofouling, to minimise the transfer of invasive aquatic species. The Company's water recycling system captures, filters and recycles the water used in operating the company's 40kpsi water blaster. The process means that FSHIL is not discharging paint or chemical-laden water into the surrounding marine environment. This is of vital importance as our business and the livelihoods of our team depend upon the continued health of the marine environment. FSHIL is also protecting the trees already growing in our areas of operation, and has initiated a 'Greener Gardens' project, to contribute to the reduction of noise, pollutants and carbon emissions.

Corporate Social Responsibility

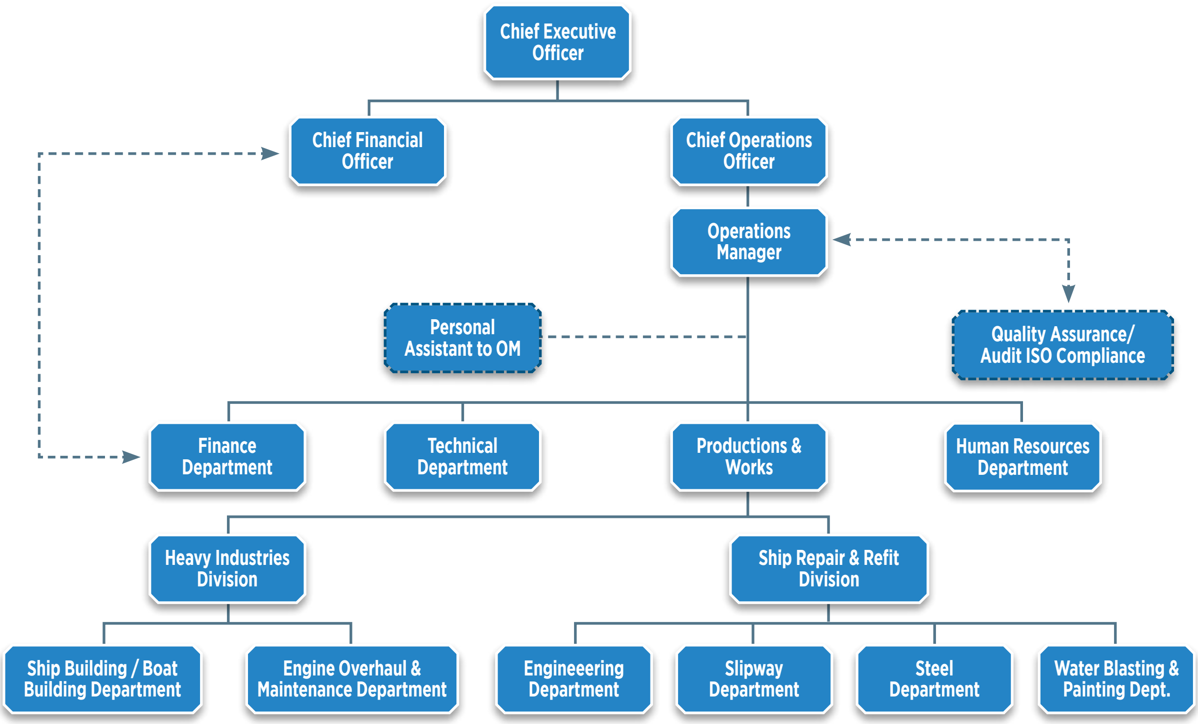
FSHIL also supports worthy causes within the wider community, often in partnership with our parent company, FPCL. These efforts include fundraising and the distribution of materials for cyclone relief, assistance to families who have lost homes through fire, supporting children's homes, such as Dilkusha and St Christopher's, and fundraising for the annual Pinktober cancer awareness initiative.

An employee of FSHIL attends to the green initiative project.

Customer Focus

At FSHIL, we strive to promote and maintain a customer-focussed business culture that will continue to reinforce the trusted reputation the Company has established through a consistent track record of reliability, quality and on-time delivery, and so to meet our customers' needs in a manner that exceeds their expectations.

Fiji Ships & Heavy Industries Limited Organisation Chart



Connecting Fiji Ports to the World

Our Services Impacts the Nation's Future Development

Development

Green Energy

Construction

Recreation

Health

Tourism

Fiji Ports Corporation Limited

Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

Contents

Directors' Report

For the Year ended 31 December 2018

In accordance with a resolution of the Board, the Directors present their report on the consolidated entity consisting of Fiji Ports Corporation Limited ('the Holding Company') and its subsidiary (collectively 'the Group') as at 31 December 2018. Financial comparisons used in this report are of results for the year ended 31 December 2018 compared with the year ended 31 December 2017.

The historical financial information included in this Directors' Report has been extracted from the audited Financial Statements accompanying this Directors' Report.

Information in this Directors' Report is provided to enable shareholders to make an informed assessment of the operations, financial position, performance and other aspects of the Holding Company and the Group, and whether the Holding Company and the Group are a going concern.

Principal activity

The principal activity of the Holding Company is providing and managing the port infrastructure and services within declared ports. The principal activity of the subsidiary trading as 'Fiji Ships and Heavy Industries Limited' is the provision of ship repair and slipway services. There has been no significant change in these activities during the year.

Review and results of operations

The operating Group profit for the year was $28,041,359 (2017: $26,345,307) after providing for income tax expense of $5,725,731 (2017: $5,278,875). The operating profit for the Holding Company for the year was $27,065,479 (2017: $25,377,509) after providing for income tax expense of $5,369,473 (2017: $4,949,859).

Our values

At Fiji Ports Corporation Limited and its subsidiary, we have six key values that are the core of our business, as listed below:

- Professionalism - We are guided by the highest level of honesty and integrity in everything we do and will always demonstrate fair, open, honest and ethical business practices. We aim to treat our people, customers and stakeholders with respect. Our people and our conduct is a measurement of high standards of professional integrity;
- Commercial Stewardship - We will manage our business and activities in a commercial manner and ensure that competitive and compensatory financial returns provide for a long and prosperous future for the Organisation. We will commit to being accountable to effective business planning, and reward our people for achieving success;
- Strategic Innovation - Through our people and our development strategy, we will challenge the status quo of the maritime transportation and logistic sector and become recognised leaders in the industry by being responsive to the changing needs of maritime and industrial sectors, and by bringing value to our customers through being an effective link in the supply chain;
- Progressive Leadership - We will promote a proactive and creative environment that supports a work culture of collaboration and teamwork, and aim to develop leaders who enthusiastically embrace achievement and innovation. We will encourage the continuous learning, training and development of our people. We will always try to do better;
- Corporate Citizenship - We will integrate corporate citizenship and social responsibility into every aspect of our operations. We recognise that it is a privilege to share the marine and land assets of Fiji Ports with the community, and the people in the various associated regions, and that we have a responsibility to the community to communicate openly with residents, participate in, and support development, and ensure that our actions protect the environment and Fiji culture; and
- Employees Well-Being Diversity - As a company we hold advancing the health, safety and well-being of our workforce as an absolute priority. It's a commitment that encompasses the environments in which employees work, and the communities in which they live. We aim to be a leader in diversity, aiming always to be non-discriminatory with respect to culture, race, sex or age, and consequently providing a fair and accepting workplace.

Directors' Report *Continued*

For the Year ended 31 December 2018

Our strategy

Our strategy is focused on driving shareholder value through sustaining profitability whilst enhancing longer-term operational capabilities. It has 14 key strategic objectives as stated below:

- Oversee and drive support for the 15-year Fiji Ports Development Plan;
- Develop and maintain relationships with government officials, especially those involved in transportation, environmental, security policy and funding decisions;
- Ensure adequate insurance coverage on all key strategic FPCL resources, including personnel and operating risks;
- Identify investment options including development of properties, other projects through joint ventures, PPPs etc.;
- Prioritize projects that diversify FPCL's income and support base;
- Implement a Clean Air Action Plan and promote FPCL's 'Green' policies to stakeholders and tenants;
- Develop plan for the removal of all derelict vessels in the Port boundary;
- Develop Port Emergency Operations Contingency Plan;
- Improve the capability of Ports to prevent or detect an event, to respond to an incident, mitigate its effects on both the Port and the community, and resume critical operations;
- Develop a Port Security Management System aligned with standards;
- Develop marketing collateral and maintain an online presence to promote FPCL's business development activities;
- Increase company's reputation within the maritime industry through participation in trade fairs and exhibitions in coordination with the Ministry of Trade, Trade Pasifika Exhibitions, workshops, conferences, and functions for stakeholders;
- Drive Productivity through Innovation and Training; and
- Ensure Fiji Ports' properties and facilities meet current and future operational needs, and ensure FPCL infrastructure and capabilities are measurable and aligned with the highest business excellence standards.

Our priorities this year

In Financial year 2018, we have been progressively working towards delivering results for our key priorities as identified within our Strategy.

These key priorities were:

- Implementation of Phase 2 of the Job Evaluation Exercise which was successfully completed;
- Tender was awarded to acquire a Vessel Traffic Management System;
- Engagement of Cardno Australia to facilitate 5-year strategic plan;
- Conducting assessments and reviewing options for the rehabilitation of the Lautoka Wharf;
- Engaged Cardno Australia as our consultant to gather their opinion on the general upgrade of the wharf structures of Suva and Lautoka ports;
- Renovation of the Harbour Master's Office at Suva Port;
- Initiated priority repair works at Mua-i-Walu 1;
- Ramp rehabilitation at Lautoka Wharf;
- Purchased a new incinerator for Suva Port;
- Tender was awarded for the installation of Ticketing Access Control System at Mua-i-Walu 2 to improve access and compliance to international standards;
- Tender was awarded for upgrade works of Harbour pilots cruise passenger lounge;
- A procurement unit was formed and its functions are/were centralised; and
- Continue to build internal capacity amidst challenge in recruiting unfilled positions.

Directors' Report *Continued*

For the Year ended 31 December 2018

Key statistics

	Group	Company
Number of employees	263	163
Dividend per share	$0.21	$0.21
Total Income	$60,421,556	$59,556,348
Net Assets	$130,279,071	$124,294,889

The future

Major future strategies of the Group are:

- Initiate and deliver results for the key deliverables as outlined in the 5-year strategic plan.;
- Extend the Job Evaluation Exercise (JEE) to the next phase – competency assessment and change management;
- Upgrade Navision 2016 that incorporates Electronic Fund Transfer (EFT) for vendor payments;
- Initiate a tariff review for local wharves;
- Upgrade pilot boats to meet the international standards;
- Installation of Vessel Traffic Management System;
- Renovation of Sunny Brooke building;
- Procure vehicle and cargo scanning equipment to enhance the security at our facilities;
- Lautoka Yard 3 and 4 development programme;
- Implement a Clean Air Action Plan and promote FPCL's 'Green' policies to stakeholders;
- Investigate and develop an Asset management System and/or Computerised Maintenance; and
- Position systems in place that electronically capture the revenue streams and consolidate the information to the Financial Management System (Navision)

Dividends

On 11th September 2018, the Directors resolved to pay a Dividend of twenty-one cents per share ($0.21) for the 2017 financial year. Dividends paid out during the year were as follows:

Dividend	Date resolved	Date paid	Dividend per share	Total dividends
Final Dividend	11/09/2018	6/11/2018	$ 0.21	$ 15,226,505

<u>Significant changes in the state of affairs</u>

There were no significant changes in the state of affairs of the Holding Company and the Group during the year ended 31 December 2018.

<u>Events occurring after the end of the financial year</u>

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year, that, in their opinion, has significantly affected, or may significantly affect in the future years, the Holding Company's and the Group's operations and the expected results of those operations or the state of the Holding Company's and the Group's affairs.

Directors' Report *Continued*

For the Year ended 31 December 2018

Details of Directors and Executives

Directors of the Holding Company and the Group during the financial year and up to the date of this report were:

- Shaheen Ali (Chairman)	Reappointed 18th November 2018
- Vijay Maharaj (Director)	Reappointed 3rd July 2018
- Vilash Chand (Director)	Reappointed 3rd July 2018
- Tupoutua'h Baravilala (Director)	Reappointed 28th April 2018
- Tevita Kuruvakadua (Director)	Appointed 16th November 2015
- Sanjay Kaba (Director)	Served till 27th November 2018
- Sashi Singh (Director)	Appointed 16th November 2015
- Joseph Brito (Director)	Appointed 16th November 2015
- Iqram Cuttilan (Director)	Appointed 1st July 2017

None of the directors had shareholding in the company as at 31 December 2018.

Board and Board Sub-Committee meeting attendance

Details of the number of meetings held by the Board and its committees during the financial year ended 31 December 2018, and attendance by Board members, are set out below:

Directors	Board		Committees					
			Board Finance Audit, Risk and Management Subcommittee		Board HR Sub Committee		Board Technical and Infrastructure Development Subcommittee	
	A	B	A	B	A	B	A	B
Mr Shaheen Ali	2	2					2	1
Mr Vijay Maharaj	2	2			1			
Mr Vilash Chand	2	1	2	1	1	1	2	2
Ms Tupoutua'h Baravilala	2	2						
Mr Tevita Kuruvakadua	2	1	2	1				
Mr Sashi Singh	2	2			1	1	2	2
Mr Sanjay Kaba	2	1					2	1
Mr J.M.S. Brito	2	2						
Mr Iqram Cuttilan	2	2			1	1	2	2

Column A: number of meetings held while being a member
Column B: number of meetings attended

Auditor independence

The Directors have obtained an independence declaration from the Company's auditor, Ernst & Young. A copy of the auditor's independence declaration is set out in the Auditor's Independence Declaration to the Directors of Fiji Ports Corporation (Fiji) Limited on page 7.

For and on behalf of the Board of Directors and in accordance with a resolution of the Directors.

Dated this 22 day of March 2019.

Shaheen Ali
....
Director

....
Director

Directors' Declaration

For the Year ended 31 December 2018

This Directors' Declaration is required by the Companies Act 2015.

The Directors of Fiji Ports Corporation Limited ("the Holding Company") and its subsidiary (collectively "the Group") have made a resolution that declared:

a) in the Directors' opinion, the financial statements and notes of the Holding Company and the Group for the financial year ended 31 December 2018:

   i) give a true and fair view of the financial position of the Holding Company and the Group as at 31 December 2018 and of the performance of the Holding Company and the Group for the year ended 31 December 2018.

   ii) have been made out in accordance with the Holding Company and the Group of Companies Act 2015.

b) they have received declarations as required by section 395 of the Companies Act 2015.

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

For and on behalf of the Board of Directors and in accordance with a resolution of the Directors.

Dated this 22 day of March 2019.

....
Director Director

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working world

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Auditor's Independence Declaration to the Directors of Fiji Ports Corporation Limited

As lead auditor for the audit of Fiji Ports Corporation Limited ("the Holding Company") and its subsidiary (collectively "the Group") for the financial year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the Companies Act 2015 in relation to the audit; and

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

This declaration is in respect of Fiji Ports Corporation Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young
Chartered Accountants

Sikeli Tuinamuana
Partner
Suva, Fiji
2019

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Independent Auditor's Report

To the members of Fiji Ports Corporation Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fiji Ports Corporation Limited ('the Holding Company') and its subsidiary (collectively 'the Group'), which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Holding Company and the Group 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 our audit of the financial statements in Fiji and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and management for the Financial Statements

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

In preparing the financial statements, the Directors and management are responsible for assessing the Holding Company's and the Group'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 Directors and management either intend to liquidate the Holding Company and the Group or to cease operations, or have no realistic alternative but to do so.

The Directors and management are responsible for overseeing the Holding Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our 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 and 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.

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Independent Auditor's Report *continued*

Auditor's Responsibilities for the Audit of the Financial Statements *continued*

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We 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 our 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 the Holding Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors and management.
- Conclude on the appropriateness of the Directors' and management's use of the 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 Holding Company's and the Group's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Holding Company and the Group to cease to continue as a going concerns; and
- 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.

We communicate with the Directors and management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors and management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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Independent Auditor's Report *continued*

Report on Other Legal and Regulatory Requirements

In our opinion, the consolidated financial statements have been prepared in accordance with the requirements of the Companies Act 2015 in all material respects, and;

a. we have been given all information, explanations and assistance necessary for the conduct of the audit; and

b. the Holding Company and the Group has kept financial records sufficient to enable the financial statements to be prepared and audited.

Ernst & Young

Ernst & Young
Chartered Accountants

Sikeli Tuinamuana
Partner
Suva, Fiji
2019

Consolidated Statement of Comprehensive Income

For the Year ended 31 December 2018

	Notes	Group 2018 $	Group 2017* $	Company 2018 $	Company 2017* $
Operating revenue	2(a)	55,816,679	56,636,254	49,585,436	50,364,086
Other revenue	2(b)	4,604,877	1,544,524	9,970,912	7,241,320
Total income		60,421,556	58,180,778	59,556,348	57,605,406
Depreciation		(6,379,223)	(6,721,754)	(5,762,259)	(6,093,058)
Employee benefit expenses	3(a)	(8,031,031)	(7,478,817)	(5,896,476)	(5,271,693)
Property expenses	3(b)	(2,899,713)	(2,191,418)	(2,899,713)	(2,191,418)
Marine service charges	3(c)	(9,001,745)	(9,184,981)	(9,001,745)	(9,184,981)
Operating expenses	3(d)	(7,428,165)	(7,326,743)	(5,321,847)	(5,081,648)
Total expenses		(33,739,877)	(32,903,713)	(28,882,040)	(27,822,798)
Profit from operations		**26,681,679**	**25,277,065**	**30,674,308**	**29,782,608**
Finance income	3(e)	1,762,243	531,129	1,762,891	546,662
Finance costs	3(f)	(2,247)	(1,902)	(2,247)	(1,902)
Share of profit in associate	20	5,325,415	5,817,890	-	-
Profit before income tax		**33,767,090**	**31,624,182**	**32,434,952**	**30,327,368**
Income tax expense	4	(5,725,731)	(5,278,875)	(5,369,473)	(4,949,859)
Net profit for the year		**28,041,359**	**26,345,307**	**27,065,479**	**25,377,509**
Total comprehensive income for the year, net of tax		**28,041,359**	**26,345,307**	**27,065,479**	**25,377,509**

* Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made as described in note 28.

The accompanying notes form an integral part of this Statement of Comprehensive Income.

Consolidated Statement of Changes in Equity

For the Year ended 31 December 2018

	Notes	Group 2018 $	Group 2017* $	Company 2018 $	Company 2017* $
Share capital					
As at 1 January		73,154,852	73,154,852	73,154,852	73,154,852
At 31 December	18(a)	73,154,852	73,154,852	73,154,852	73,154,852
Retained earnings					
As at 1 January		44,309,365	34,046,256	39,301,063	30,005,752
Operating profit after income tax		28,041,359	26,345,307	27,065,479	25,377,509
Dividends	18(b)	(15,226,505)	(16,082,198)	(15,226,505)	(16,082,198)
At 31 December		57,124,219	44,309,365	51,140,037	39,301,063
Total shareholders' equity		**130,279,071**	**117,464,217**	**124,294,889**	**112,455,915**

* Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made as described in note 28.

The accompanying notes form an integral part of this Statement of Changes in Equity.

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	Group 2018 $	Group 2017* $	Company 2018 $	Company 2017* $
Assets					
Current assets					
Cash and cash equivalents	16	23,408,479	27,464,203	20,498,183	24,138,004
Trade and other receivables	5	4,434,032	3,873,049	3,268,870	2,536,003
Financial assets	6	37,000,000	22,000,000	36,000,000	21,000,000
Inventories	7	1,422,285	1,543,393	1,235,589	1,366,081
Other assets	8	1,804,923	1,088,895	1,150,570	946,691
Loan to subsidiary	19(e)	-	-	125,076	120,190
Loan to associate company	19(f)	-	405,906	-	405,906
Income tax asset		21,910	435,647	21,910	384,936
Total current assets		**68,091,629**	**56,811,093**	**62,300,198**	**50,897,811**
Non-current assets					
Trade and other receivables	5	6,769,883	-	6,769,883	-
Property, plant and equipment	9	55,068,961	62,900,388	48,722,216	57,325,684
Intangible asset	11	631	1,992	-	-
Right of use asset	10	44,624	64,582	44,624	64,582
Investment property	12	20,396	44,854	20,396	44,854
Loan to subsidiary	19(e)	-	-	974,577	1,099,642
Loan to associate company	19(f)	-	1,165,105	-	1,165,105
Investment in subsidiary		-	-	6,660,000	6,660,000
Investment in associate company	20	12,042,619	11,795,602	8,950,230	8,950,230
Deferred tax assets	4	7,730,364	6,143,452	7,597,674	6,034,555
Total non-current assets		**81,677,478**	**82,115,975**	**79,739,600**	**81,344,652**
Total assets		**149,769,107**	**138,927,068**	**142,039,798**	**132,242,463**
Liabilities and equity					
Current liabilities					
Trade and other payables	13	4,302,554	7,080,134	3,594,939	6,441,587
Lease liability	17	19,233	18,480	19,233	18,480
Provisions	14	3,294,028	2,485,758	3,294,028	2,485,758
Employee benefit liability	15	886,386	762,991	782,633	671,334
Income tax liability		6,934	-	-	-
Total current liabilities		**8,509,135**	**10,347,363**	**7,690,833**	**9,617,159**
Non-current liabilities					
Deferred income	24	10,523,246	10,747,543	9,619,316	9,824,346
Lease liability	17	26,868	46,102	26,868	46,102
Employee benefit liability	15	430,787	321,843	407,892	298,941
Total non-current liabilities		**10,980,901**	**11,115,488**	**10,054,076**	**10,169,389**
Total liabilities		**19,490,036**	**21,462,851**	**17,744,909**	**19,786,548**
Net assets		**130,279,071**	**117,464,217**	**124,294,889**	**112,455,915**
Shareholders' equity					
Share capital	18(a)	73,154,852	73,154,852	73,154,852	73,154,852
Retained earnings		57,124,219	44,309,365	51,140,037	39,301,063
Total shareholders' equity		**130,279,071**	**117,464,217**	**124,294,889**	**112,455,915**

* Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made as described in note 28.

The accompanying notes form an integral part of this Statement of Financial Position.

Consolidated Statement of Cash Flows

For the Year ended 31 December 2018

	Notes	Group 2018 $	Group 2017* $	Company 2018 $	Company 2017* $
Operating Activities					
Receipts from customers		57,217,341	57,231,557	50,490,935	51,336,734
Payments to suppliers and employees		(27,815,437)	(23,641,592)	(23,137,314)	(19,679,918)
Interest paid		(2,247)	(1,902)	(2,247)	(1,902)
Interest received		958,284	481,163	987,890	515,473
Income tax paid		(7,292,987)	(6,016,239)	(6,922,111)	(5,610,230)
Income tax refund		401,014	81,043	352,546	-
Dividend income received		-	-	5,682,753	6,058,799
Net cash provided by Operating Activities		**23,465,968**	**28,134,030**	**27,452,452**	**32,618,956**
Investing Activities					
Acquisition of property, plant and equipment		(3,620,858)	(2,133,279)	(2,233,220)	(1,697,841)
Proceeds from sale of property, plant and equipment		1,767,583	55,963	1,767,583	55,963
Placement of Term deposits		(23,000,000)	(15,000,000)	(22,000,000)	(14,000,000)
Redemption of Term deposits		8,000,000	3,000,000	7,000,000	2,000,000
Dividend from investment in associate		5,078,398	5,547,019	-	-
Proceeds from repayment of borrowings by related parties		1,669,072	390,018	1,789,251	505,492
Net cash (used in) Investing Activities		**(10,105,805)**	**(8,140,279)**	**(13,676,386)**	**(13,136,386)**
Financing Activities					
Payment of special and final dividends	18 (b)	(17,397,407)	(16,470,918)	(17,397,407)	(16,470,918)
Repayment of lease on right of use asset		(18,480)	(11,916)	(18,480)	(11,916)
Net cash (used in) Financing Activities		**(17,415,887)**	**(16,482,834)**	**(17,415,887)**	**(16,482,834)**
Net increase/(decrease) in cash and cash equivalents		**(4,055,724)**	**3,510,917**	**(3,639,821)**	**2,999,736**
Cash and cash equivalents at the beginning of the year		27,464,203	23,953,286	24,138,004	21,138,268
Cash and cash equivalents at the end of the year	16	**23,408,479**	**27,464,203**	**20,498,183**	**24,138,004**

* Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made as described in note 28.

The accompanying notes form an integral part of this Statement of Cash Flows.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2018

1.0 Corporate Information

Fiji Ports Corporation Limited was incorporated under the Fiji Companies Act and is domiciled in Fiji. Until 12 November 2015, Fiji Ports Corporation Limited was a Government owned entity incorporated as a Government Commercial Company under the Public Enterprises Act of 1996. The Minister for Public Enterprises, via a gazette on 13 November 2015, declared Fiji Ports Corporation Limited ("the Holding Company") and Fiji Ships and Heavy Industries Limited (collectively "the Group") a Re-organisation Enterprise under the Public Enterprise Act 1996. This facilitated the changes under the privatisation and divestment initiative of the Government.

The registered office of the Holding Company is located at Muaiwalu House, Walu Bay. The principal place of business is Suva Kings Wharf, Port of Suva, Fiji.

The consolidated financial statements of the Holding Company and the Group for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 22 March 2019.

1.1 Basis of preparation

The consolidated financial statements of the Group have been drawn up in accordance with the provisions of the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared primarily on the basis of historical costs and except where specifically stated, do not take into account current valuations of non-current assets.

The consolidated financial statements provide comparative information in respect of the previous financial year. Where necessary, comparative information has been reclassified to achieve consistency in disclosure with the current financial year amounts and other disclosures. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

The accounting policies have been consistently applied, and except where there is a change in accounting policy, are consistent with those of the previous year.

1.2 Principles of consolidation

The Group financial statements consolidate the financial statements of the Holding Company and its subsidiary and are drawn up to 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements - The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

1.2 Principles of consolidation *continued*

The financial statements of the subsidiary are prepared for the same reporting year as the parent company, using consistent accounting policies.

From 1 August 2013, Fiji Ports Terminal Limited was assessed to be an associate company and is accounted for using equity accounting.

1.3 Significant accounting judgments, estimates and assumptions

The preparation of the Holding Company's and the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments
In the process of applying the Holding Company's and the Group's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Estimations and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustments to the carrying amount of assets and liabilities within the next financial year.

Impairment of non-financial assets
The Holding Company and the Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Provision for expected credit losses (ECL) of trade receivables
The Holding Company and the Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is initially based on the Holding Company and the Group's historical observed default rates. The Holding Company and the Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Holding Company and the Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 5.

Performance obligations
The performance obligation from provision of port related services, which are detailed in note 2(a), is satisfied upon provision of these services and payment is generally due within 30 to 90 days from delivery. In the event of sale of assets, performance obligation is satisfied when the buyer obtains control of the asset.

Methods, inputs and assumptions used in allocating transaction price to performance obligation is determined after considering factors identified in note 1.4(z).

1.4 Summary of significant accounting policies

(a) Functional and presentation currency

These financial statements are presented in Fiji dollars ("FJD"), which is the Holding Company's and the Group's functional currency. Except as indicated, financial information presented in FJD has been rounded to the nearest dollar.

(b) Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance date. All differences are taken to the statement of comprehensive income. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates when the fair value is determined.

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

1.4 Summary of significant accounting policies *continued*

(c) Revenue recognition

Income comprising sales revenue from providing port services and managing port infrastructure is brought to account on an accrual basis as services are provided. Details of revenue recognition criteria is outlined in note 1.4(z).

The following specific recognition criteria must also be met for the subsidiary (Fiji Ships and Heavy Industries Limited) before revenue is recognised:

Slipway charges
Some slipping charges are received in advance. The revenue is recognised in the statement of comprehensive income when the vessels actually come on the slipway.

Ship repair charges
Revenue is recognised when work on the vessel has been performed. Billing is performed/done upon completion of work on stages.

(d) Expense recognition

All expenses are recognised in the statement of comprehensive income on an accrual basis.

(e) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such costs includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria is met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Depreciation is calculated on a straight line basis over the useful life of the asset as follows:

Wharves	5%-20%
Buildings	5%-20%
Motor vehicles and motorised equipment	10% - 33%
Plant and equipment	10% - 33%
Office equipment	10% - 33%
Furniture and fittings	10% - 33%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of comprehensive income in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

(f) Impairment of non-financial assets

The Holding Company and the Group 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 Holding Company and the Group 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 groups 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.

For assets, an assignment is made at each reporting date 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 Holding Company and the Group makes an estimate of 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 a reversal is recognised in the statement of comprehensive income.

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

1.4 Summary of significant accounting policies *continued*

(g) Taxes

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

Deferred income tax
Deferred income tax is provided, using the liability method, on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences:

- where the deferred income tax liability arises from goodwill amortisation or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that it is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes related to the same taxable entity and the same taxation authority.

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

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(h) Cash and cash equivalents

Cash and cash equivalents comprises of cash at bank and in hand and short term deposits with an original maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

1.4 Summary of significant accounting policies *continued*

(i) Financial assets

Initial recognition and measurement
Financial assets within the scope of IFRS 9 are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit and loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Holding Company and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Holding Company and the Group has applied the practical expedient, the Holding Company and the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Holding Company and the Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 Holding Company and the Group commits to purchase or sell the asset.

Subsequent measurement
Financial assets at amortised cost
This category is the most relevant to the Holding Company and the Group. The Holding Company and the Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Holding Company and the Group's financial assets at amortised cost includes trade receivables, and loan to subsidiary and associate companies.

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 when:

- The rights to receive cash flows from the asset have expired or
- The Holding Company and the Group 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 Group and the Holding Company has transferred substantially all the risks and rewards of the asset, or (b) the Holding Company and the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Holding Company and the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Holding Company and the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Holding Company and the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Holding Company and the Group has retained.

Impairment of financial assets
Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions (note 1.3)

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

1.4 Summary of significant accounting policies *continued*

(i) Financial assets *continued*

Impairment of financial assets continued

The Holding Company and the Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Holding Company and the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Holding Company and the Group applies a simplified approach in calculating ECLs. Therefore, the Holding Company and the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Holding Company and the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first-out principle. The cost of the inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(k) Trade and other receivables

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are initially recognised at original invoice (inclusive of VAT where applicable).

(l) Other assets

Other assets include insurance and other prepayments, Energy Fiji Limited and other deposits, and VAT receivable.

(m) Investment property

Investment property is stated at cost less depreciation and impairment losses. When an item of property, plant and equipment becomes an investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item and its fair value is recognised directly in equity if it is gain. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised in the statement of comprehensive income immediately.

(n) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in statement of comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets for the Holding Company and the Group are assessed to be finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is renewed at least at each financial year end. Changes in the expected useful life or expected pattern of consumption in future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

1.4 Summary of significant accounting policies *continued*

(o) Trade and other payables

Liabilities for trade payables and other amounts are carried at cost (inclusive of VAT where applicable) which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the entity. Amounts payable that have been denominated in foreign currencies have been translated to local currency using the rates of exchange ruling at the end of the financial year.

(p) Employee entitlements

Provisions are made for wages and salaries, incentive payments, annual and long service leave estimated to be payable to employees at balance date on the basis of statutory and contractual requirements.

(q) Deferred income

An unconditional grant related to assets is recognised in statement of comprehensive income as other income when the grant becomes receivable.

Other grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant and are then recognised in the statement of comprehensive income as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in the statement of comprehensive income on a systematic basis in the same periods in which the expenses are recognised.

(r) Provisions

Provisions are recognised when the Holding Company and the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. Where the Holding Company and the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when reimbursement is virtually certain. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

(s) Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IFRS 9 are classified at initial recognition, as loans and borrowings or payables, as appropriate. All financial liabilities are recognised initially at net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement
The measurement of financial liabilities is described below:

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (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.

(t) Dividend distribution

Dividends are recorded in the Holding Company's and the Group's financial statements in the year in which they are paid. Dividends paid during the year are subject to the provisions of the Fiji Income Tax Act 2015.

(u) Leased assets

Previously, the Company determined at contract inception whether an arrangement is or contains a lease. Under IFRS 16, the Company assesses whether a contract is or contains lease based on definition of a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use.

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

1.4 Summary of significant accounting policies *continued*

(u) Leased assets *continued*

Holding Company and the Group as a lessee
Leases classified as operating leases
Under IFRS 16, the Company recognises right-of-use assets and lease liabilities i.e. these leases are on-balance sheet.

Rights-of-use assets are measured at either:

- their carrying amounts as if IFRS 16 had been applied since the commencements date, discounted using lessee's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of prepaid or accrued lease payments.

The Company applied the second approach.
The Company used the following practical expedients when applying IFRS 16 to lease previously classified as operating leases under IAS 17:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- adjusted the right-of-use assets by the amount of onerous contract provision immediately before the date of initial application, as an alternative to an impairment review;
- applied the exemption not to recognise the right-of-use assets and liabilities for leases with less than 12 months of lease term; - excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Leases previously classified as finance leases
For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 July 2017 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date. The Company had no finance leases under IAS 17.

Holding Company and the Group as a lessor
The Holding Company and the Group as a lessor classifies each lease as an operating lease or a finance lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

Upon lease commencement, the Company recognises assets held under a finance lease as a receivable at an amount equal to the net investment in the lease. The Company recognises finance income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment.

For leases classified as operating lease, the Company was not required to make any adjustments on transition to IFRS 16, except for a sub-lease. The Company had accounted for its leases in accordance with IFRS 16 from date of initial application.

(v) Comparative figures

Where necessary, comparative information has been re-classified to achieve consistency in disclosure with current financial year amounts.

(w) Segment information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products and services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environment.

(a) Industry segment
The Holding Company and the Group operates predominantly in the shipping industry.

(b) Geographical segment
The Holding Company and the Group operates predominantly in Fiji and has therefore one geographical area for reporting purposes.

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

1.4 Summary of significant accounting policies *continued*

(x) Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'share of profit in associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(y) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(z) Revenue from contracts with customers

The Group is in the business of providing and managing the port infrastructure and services within declared ports, as well as provision of ship repair and slipway services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangement because it typically controls the goods or services before transferring them to the customer.

Sale of equipment

Revenue from sale of equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The normal credit term is 30 to 90 days upon delivery.

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

1.4 Summary of significant accounting policies *continued*

(z) Revenue from contracts with customers *continued*

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

IFRS 15 requires that an entity considers the effects of all of the following in determining the transaction price:

- Variable consideration
- Constraining estimates of variable consideration
- The existence of a significant financing component in the contract - Non-cash consideration
- Consideration payable to a customer

The Group did not incur any consideration payable to a customer. Consideration payable to a customer includes cash amounts that an entity pays, or expects to pay, to the customer. The consideration payable to a customer is accounted for as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity.

(aa) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

1.5 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Holding Company and the Group applied IFRS 15, IFRS 9 and IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

The Holding Company and the Group early adopted IFRS 16.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Holding Company and the Group adopted IFRS 15 using the full retrospective method of adoption.

Based on the Company's assessment, the Company is not impacted by the application of IFRS 15 as there are no complex revenue contracts maintained.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018 and adjusting the comparative information for the period beginning 1 January 2017.

The nature of these adjustments are described below:

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

1.5 Changes in accounting policies and disclosures *continued*

New and amended standards and interpretations *continued*

IFRS 9 Financial Instruments continued

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

The adoption of IFRS 9 has had an immaterial impact on the Group's financial assets and liabilities.

The following table shows clasisfication of financial assets under IAS 39 to the new classification required under IFRS 9 on 1 January 2017:

	Note	Original classification under IAS 39	New classification under IFRS 9
Financial assets			
Cash and cash equivalents	15	Loans and receivables	Amortised cost
Trade and other receivables	5	Loans and receivables	Amortised cost
Held-to-maturity investments	6	Term deposits	Amortised cost
Financial liabilities			
Trade and other payables	13	Other financial liabilities	Other financial liabilities

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces 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 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

On transition to IFRS 16, the Group recognised an additional $76,498 of right-of-use assets and lease liabilities.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 1 January 2018. The weighted average rate applied is 4%.

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

		Notes	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
2	**REVENUE**					
(a)	**Operating revenue**					
	Dockage		10,947,155	12,179,990	10,947,155	12,179,990
	Licence fees		232,502	234,680	232,502	234,680
	Marine services		19,017,994	19,535,214	19,017,994	19,535,214
	Other service income		6,192,355	5,764,645	6,192,355	5,764,645
	Ship repair and heavy industries		4,113,407	4,382,796	-	-
	Slipway		2,117,836	1,889,372	-	-
	Wharfage		13,195,430	12,649,557	13,195,430	12,649,557
			55,816,679	56,636,254	49,585,436	50,364,086
(b)	**Other revenue**					
	Release of deferred income		224,297	224,297	205,030	205,030
	Dividend income		-	-	5,682,753	6,058,799
	Gain on sale of assets		3,001,604	-	3,001,604	-
	Management fees		72,000	72,000	72,000	72,000
	Doubtful debt recovered		-	95,214	-	-
	Other income		65,179	44,055	-	-
	Rent income		1,241,797	1,108,958	1,009,525	905,491
			4,604,877	1,544,524	9,970,912	7,241,320
3	**EXPENSES**					
(a)	**Employee benefit expenses**					
	Allowances		246,932	223,106	41,726	27,833
	Annual leave		226,990	226,016	169,256	168,776
	FNPF and FNU levy		748,330	687,203	573,414	508,878
	Fringe benefit tax		46,032	66,054	27,619	51,521
	Long service leave		35,137	54,541	32,416	47,533
	Medical expenses		310,717	305,074	239,710	231,227
	Retirement benefit		112,183	101,550	112,183	101,550
	Salaries and wages		5,440,893	5,160,825	3,994,713	3,620,552
	Sick leave		216,829	137,862	162,734	90,986
	Staff incentive pay		325,403	299,551	273,594	248,020
	Staff welfare		118,019	75,962	98,017	66,088
	Staff training		203,566	141,073	171,094	108,729
			8,031,031	7,478,817	5,896,476	5,271,693
(b)	**Property expenses**					
	Cleaning and sanitation		191,212	163,353	191,212	163,353
	Electricity		792,356	803,208	792,356	803,208
	Property rates		120,706	102,415	120,706	102,415
	Repairs and maintenance		729,819	567,296	729,819	567,296
	Water		1,015,096	522,686	1,015,096	522,686
	Mini assets replacement cost		50,524	32,460	50,524	32,460
			2,899,713	2,191,418	2,899,713	2,191,418
(c)	**Marine service charges**					
	Tug/pilot/lines boat hire		8,263,132	7,645,332	8,263,132	7,645,332
	Dredging		-	(178)	-	(178)
	Linesman hire		164,433	182,774	164,433	182,774
	Pilotage service - external		99,380	880,363	99,380	880,363
	Security hire		474,800	476,690	474,800	476,690
			9,001,745	9,184,981	9,001,745	9,184,981

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

		Notes	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
3	**EXPENSES** *continued*					
(d)	**Operating expenses**					
	Advertising and publicity expense		106,447	126,677	95,608	89,707
	Auditors' remuneration		91,282	55,395	58,492	47,745
	Direct material cost		804,353	826,389	-	-
	Directors fees		60,500	66,916	60,500	66,916
	Doubtful debts		120,561	666,763	39,322	404,405
	Insurance expense		1,587,103	1,423,811	1,442,386	1,285,295
	Loss on disposal of asset		-	80,975	-	80,975
	Professional legal fees		139,089	45,110	123,057	33,940
	Repairs and maintenance - cranes		1,151,606	1,401,483	1,151,606	1,401,483
	Repairs and maintenance - others		626,069	556,934	181,114	177,199
	Other expenses		2,741,155	2,076,290	2,169,762	1,493,983
			7,428,165	7,326,743	5,321,847	5,081,648
(e)	**Finance income**					
	Interest income on term deposits and inter-company loans		1,762,243	531,129	1,762,891	546,662
(f)	**Finance costs**					
	Interest charges on borrowings		2,247	1,902	2,247	1,902
4	**INCOME TAX**					
	The major components of income tax expenses for the years ended 31 December 2018 and 2017 are:					
	Operating profit before tax		33,767,090	31,624,182	32,434,952	30,327,368
	Prima facie tax thereon at 20%		6,753,418	6,324,836	6,486,990	6,065,474
	Under-provision from prior years		(5,265)	42,566	(6,025)	38,301
	Adjustment to statement of tax account		1,506	-	622	-
	Restatement of deferred tax balances		(30,082)	(89)	(27,891)	-
	Tax effect of items treated as non-deductible difference		(993,846)	(1,088,438)	(1,084,223)	(1,153,916)
	Income tax expense reported in the statement of comprehensive income		5,725,731	5,278,875	5,369,473	4,949,859
	<u>Deferred tax assets</u>					
	Reflected in the statement of financial position as follows:					
	Deferred tax assets		7,730,364	6,143,452	7,597,674	6,034,555
	Net deferred tax assets at 31 December relates to the following:					
	Deferred tax assets					
	Doubtful debts		192,224	168,111	123,504	115,639
	Employee entitlements		263,434	216,968	238,105	194,056
	Legal claims		18,752	20,752	18,752	20,752
	Decelerated depreciation for tax purposes		7,255,954	5,737,621	7,217,313	5,704,108
			7,730,364	6,143,452	7,597,674	6,034,555

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

		Notes	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
5	**TRADE AND OTHER RECEIVABLES**					
	Current					
	Trade receivables		2,566,982	3,228,932	1,686,378	2,594,664
	Less: Provision for doubtful debts		(725,042)	(604,481)	(554,512)	(515,191)
			1,841,940	2,624,451	1,131,866	2,079,473
	Staff advances		14,218	274	14,218	274
	Shore crane sale receivables		804,343	-	804,343	-
	Other receivables		1,943,886	1,259,508	1,310,678	291,843
	Receivable from associate [note 19(d)]		2,713	161,884	2,713	161,884
	Receivable from subsidiary [note 19(d)]		-	-	5,052	2,529
	Provision for doubtful on accrued income		(173,068)	(173,068)	-	-
			4,434,032	3,873,049	3,268,870	2,536,003
	Non-Current					
	Shore crane sale receivables		6,769,883	-	6,769,883	-
	Total trade and other receivables		**11,203,915**	**3,873,049**	**10,038,753**	**2,536,003**

For terms and condition relating to related party receivables, refer to Note 19.
Trade receivables are non-interest bearing and are generally on terms of 30 days.

Movement in the provision for impairment of receivables were as follows:

	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
Balance at 1 January	777,549	380,210	515,191	111,928
Additional provision	348,723	492,553	165,052	403,263
Unused amount reversed	(228,162)	(95,214)	(125,731)	-
Balance at 31 December	**898,110**	**777,549**	**554,512**	**515,191**

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

	Year	Total	Neither past due nor impaired	30 - 60 days	60 - 90 days	>90 days
		$	$	$	$	$
Group	2018	2,566,982	1,460,074	423,555	168,813	514,540
	2017	3,228,932	1,319,719	351,374	43,157	1,514,682
Company	2018	1,686,378	898,166	393,664	133,806	260,742
	2017	2,594,664	869,708	335,064	(23,873)	1,413,765

		Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
6	**FINANCIAL ASSETS**				
	Term deposits - held to maturity	37,000,000	22,000,000	36,000,000	21,000,000
7	**INVENTORIES**				
	Parts	947,009	495,775	760,313	318,463
	Goods in transit	475,276	1,047,618	475,276	1,047,618
		1,422,285	**1,543,393**	**1,235,589**	**1,366,081**
8	**OTHER ASSETS**				
	Prepayments	1,198,485	593,197	585,601	495,939
	Provision for doubtful debts	(63,006)	(63,006)	(63,006)	(63,006)
		1,135,479	530,191	522,595	432,933
	Deposits	469,802	456,680	424,431	411,734
	VAT receivable	199,642	102,024	203,544	102,024
		1,804,923	**1,088,895**	**1,150,570**	**946,691**

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

	Notes	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
9 PROPERTY, PLANT AND EQUIPMENT					
Land					
Cost:					
At 1 January		16,944,157	16,944,157	15,980,821	15,980,821
At 31 December		16,944,157	16,944,157	15,980,821	15,980,821
Depreciation, impairment and amortisation					
At 1 January		479,369	242,988	427,146	222,116
Depreciation charge for the year		212,213	236,381	205,030	205,030
At 31 December		691,582	479,369	632,176	427,146
Net book value		16,252,575	16,464,788	15,348,645	15,553,675
Building					
Cost:					
At 1 January		14,547,156	14,714,890	9,997,999	10,165,733
Additions		71,096	3,650	-	3,650
Transfers		271,623	235,305	271,623	235,305
Disposals		(3,571)	(406,689)	(3,571)	(406,689)
At 31 December		14,886,304	14,547,156	10,266,051	9,997,999
Depreciation and impairment					
At 1 January		10,265,327	10,125,672	8,358,770	8,453,036
Depreciation charge for the year		466,771	458,665	223,090	224,744
Disposals		(3,213)	(319,010)	(3,213)	(319,010)
At 31 December		10,728,885	10,265,327	8,578,647	8,358,770
Net book value		4,157,419	4,281,829	1,687,404	1,639,229
Wharves					
Cost:					
At 1 January		91,380,532	91,227,669	91,380,532	91,227,669
Additions		9,633	98,996	9,633	98,996
Transfers		933,375	53,867	933,375	53,867
At 31 December		92,323,540	91,380,532	92,323,540	91,380,532
Depreciation and impairment					
At 1 January		60,957,469	56,697,150	60,957,469	56,697,150
Depreciation charge for the year		4,284,399	4,260,319	4,284,399	4,260,319
At 31 December		65,241,868	60,957,469	65,241,868	60,957,469
Net book value		27,081,672	30,423,063	27,081,672	30,423,063
Plant and equipment					
Cost:					
At 1 January		10,002,347	9,547,998	3,094,332	2,763,676
Additions		547,382	454,349	208,082	330,656
Transfers		108,733	-	56,021	-
At 31 December		10,658,462	10,002,347	3,358,435	3,094,332
Depreciation and impairment					
At 1 January		7,805,012	7,325,881	2,513,841	2,311,642
Depreciation charge for the year		533,392	479,131	222,210	202,199
At 31 December		8,338,404	7,805,012	2,736,051	2,513,841
Net book value		2,320,058	2,197,335	622,384	580,491

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

	Notes	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
9 PROPERTY, PLANT AND EQUIPMENT *continued*					
Furniture and fittings					
Cost:					
At 1 January		329,835	288,702	210,820	187,548
Additions		34,076	41,133	13,954	23,272
At 31 December		363,911	329,835	224,774	210,820
Depreciation and impairment					
At 1 January		245,778	208,680	174,937	160,162
Depreciation charge for the year		37,287	37,098	15,103	14,775
At 31 December		283,065	245,778	190,040	174,937
Net book value		80,846	84,057	34,734	35,883
Motor vehicles					
Cost:					
At 1 January		581,487	575,281	398,182	391,976
Additions		59,633	153,945	59,633	153,945
Disposals		-	(147,739)	-	(147,739)
At 31 December		641,120	581,487	457,815	398,182
Depreciation and impairment					
At 1 January		309,767	295,098	126,462	144,682
Depreciation charge for the year		84,970	113,151	84,970	80,262
Disposals		-	(98,482)	-	(98,482)
At 31 December		394,737	309,767	211,432	126,462
Net book value		246,383	271,720	246,383	271,720
Cranes					
Cost:					
At 1 January		19,203,329	19,203,329	19,203,329	19,203,329
Disposals		(12,365,064)	-	(12,365,064)	-
At 31 December		6,838,265	19,203,329	6,838,265	19,203,329
Depreciation and impairment					
At 1 January		11,254,726	10,327,346	11,254,726	10,327,346
Depreciation charge for the year		566,732	927,380	566,732	927,380
Disposals		(7,323,600)	-	(7,323,600)	-
At 31 December		4,497,858	11,254,726	4,497,858	11,254,726
Net book value		2,340,407	7,948,603	2,340,407	7,948,603
Office equipment and software					
Cost:					
At 1 January		2,132,176	2,005,111	1,966,452	1,844,294
Additions		68,201	127,065	58,056	122,158
At 31 December		2,200,377	2,132,176	2,024,508	1,966,452
Depreciation and impairment					
At 1 January		1,842,747	1,689,841	1,735,255	1,612,269
Depreciation charge for the year		147,682	152,906	116,309	122,986
At 31 December		1,990,429	1,842,747	1,851,564	1,735,255
Net book value		209,948	289,429	172,944	231,197

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

		Notes	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
9	**PROPERTY, PLANT AND EQUIPMENT** *continued*					
	Work in progress					
	At 1 January		939,564	195,651	641,823	186,888
	Additions		2,804,062	1,308,900	1,857,081	1,019,923
	Transfers		(1,313,731)	(289,172)	(1,261,019)	(289,172)
	Reversed		(50,242)	(275,815)	(50,242)	(275,816)
	At 31 December		2,379,653	939,564	1,187,643	641,823
	Net written down value at 31 December		55,068,961	62,900,388	48,722,216	57,325,684

As part of the share divestment agreement signed on 5th November 2015, the Group during the financial year 2018 transferred $963,336 worth of interests in two pieces of land recorded under Property, Plant and Equipment to a Government owned holding company ("Assets Fiji Limited") for $nil consideration. Both land pieces were required by the Group for its operational use. Thus, it was assigned to the Group from Assets Fiji Limited in form of Government grant. The opening balances of the statement of financial position and changes in equity were restated to effect these asset transfers on the date on which the share divestment agreement was signed.

As at 31 December 2018, the Group is yet to transfer 7 land titles of written down value $5,199,318 to Assets Fiji Limited.

		$	$	$	$
10	**RIGHT OF USE ASSET**				
	Cost				
	At 1 January	76,498	76,498	76,498	-
	Additions	-	-	-	76,498
	At 31 December	76,498	76,498	76,498	76,498
	Accumulated depreciation				
	At 1 January	11,916	-	11,916	-
	Depreciation charge for the year	19,958	11,916	19,958	11,916
	At 31 December	31,874	11,916	31,874	11,916
	Net book value at 31 December	44,624	64,582	44,624	64,582

As part of new IFRS accounting standard (IFRS 16 Leases), the Holding Company was required to re-classify and Engineering Truck as "right of use" asset via lease liability and re-measure it at Net Present Value. This asset was previously treated as operating lease with ANZ Bank and any repayment made was recorded as finance lease expenses. Right to Use Asset is depreciated over its useful life of 48 years (from May 2017), while Lease liability would amortised through monthly lease repayment (after subtracting associated interest cost). The opening balances of the statement of financial position and changes in equity were restated to effect this transaction.

Information on depreciation charge, interest expense and total cash outflow for leases are disclosed in note 10 above, note 17 and the statement of cash flows.

		$	$	$	$
11	**INTANGIBLE ASSET**				
	Cost				
	At 1 January	45,349	45,349	-	-
	At 31 December	45,349	45,349	-	-
	Accumulated depreciation				
	At 1 January	43,357	41,997	-	-
	Depreciation charge for the year	1,361	1,360	-	-
	At 31 December	44,718	43,357	-	-
	Net book value at 31 December	631	1,992	-	-

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

		Notes	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
12	**INVESTMENT PROPERTY**					
	Cost					
	At 1 January		588,835	588,835	588,835	588,835
	At 31 December		588,835	588,835	588,835	588,835
	Accumulated depreciation					
	At 1 January		543,981	500,534	543,981	500,534
	Depreciation charge for the year		24,458	43,447	24,458	43,447
	At 31 December		568,439	543,981	568,439	543,981
	Net book value at 31 December		20,396	44,854	20,396	44,854
13	**TRADE AND OTHER PAYABLES**					
	Trade creditors		730,330	947,243	560,183	784,191
	Payable to subsidiary [Note 19(d)]		-	-	2,977	48,327
	Payable to associate [Note 19(d)]		9,396	-	9,396	-
	VAT payable		-	27,670	-	-
	Sundry creditors		3,562,828	3,934,319	3,022,383	3,438,167
	Dividend payable		-	2,170,902	-	2,170,902
			4,302,554	7,080,134	3,594,939	6,441,587
14	**PROVISIONS**					
a)	**Legal Claims**					
	At 1 January		103,760	103,760	103,760	103,760
	Utilised during the year		(10,000)	-	(10,000)	-
	At 31 December		93,760	103,760	93,760	103,760

Provision for legal claim at balance date represents the legal claims brought against the Holding company and the Group by former employees. The provision is reflected in the statement of comprehensive income as an administrative expense. The Directors are of the opinion that the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as at 31 December 2018.

		$	$	$	$
b)	**Rental Income External**				
	At 31 December	3,006,092	2,051,586	3,006,092	2,051,586

Provision for rental income represents rental income (less property expenses) received by the Holding Company for the year 2018 that will be remitted to a Government's asset holding company ("Assets Fiji Limited"). The net rental income received are from properties that have or will be transferred to Assets Fiji Limited as part of the share divestment agreements signed on 5 November 2015. The Directors are of the opinion that the outcome of these rental income remittance will not give rise to any significant loss beyond the amounts provided as at 31 December 2018.

		$	$	$	$
c)	**Job Evaluation Exercise**				
	At 31 December	194,176	330,412	194,176	330,412

Provision for job evaluation exercise at balance date presents the expected overall increase in staff salary due to Job Evaluation Exercise.

Total Provision as at 31 December	3,294,028	2,485,758	3,294,028	2,485,758

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

		Notes	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
15	**EMPLOYEE BENEFIT LIABILITY**					
	At 1 January		1,084,834	1,011,579	970,275	901,690
	Arising during the year		971,806	652,109	893,809	577,607
	Utilised/reversed during the year		(739,467)	(578,854)	(673,559)	(509,022)
	At 31 December		1,317,173	1,084,834	1,190,525	970,275
	Analysis of employee benefit liability					
	Current		886,386	762,991	782,633	671,334
	Non-current		430,787	321,843	407,892	298,941
			1,317,173	1,084,834	1,190,525	970,275

16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks net of bank overdraft. Cash and cash equivalents included in the statement of cash flows comprise the following amounts:

			$	$	$	$
	Cash on hand		4,580	4,580	3,580	3,580
	Cash at bank		23,403,899	27,459,623	20,494,603	24,134,424
			23,408,479	27,464,203	20,498,183	24,138,004
17	**LEASE LIABILITY**					
	Beginning of the year		64,582	76,498	64,582	76,498
	Lease repayments		(20,728)	(13,818)	(20,728)	(13,818)
	Interest charged		2,247	1,902	2,247	1,902
	End of the year		46,101	64,582	46,101	64,582
	Comprising:					
	Current		19,233	18,480	19,233	18,480
	Non-current		26,868	46,102	26,868	46,102
			46,101	64,582	46,101	64,582
18	**SHARE CAPITAL**					
	a) Issued and paid up capital					
	73,154,852 ordinary shares		73,154,852	73,154,852	73,154,852	73,154,852

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company.

		$	$	$	$
b) Dividends					
At 1 January 2018/2017		2,170,902	2,559,622	2,170,902	2,559,622
Add: dividends declared during the year		15,226,505	16,082,198	15,226,505	16,082,198
Less: special dividend paid to Government of Fiji from sale of land and building proceeds		(574,475)	-	(574,475)	-
Less: special dividend paid to Government of Fiji from Fiji Ports Terminal Limited loan repayment proceeds		(1,596,427)	(388,720)	(1,596,427)	(388,720)
Less: dividends paid during the year		(15,226,505)	(16,082,198)	(15,226,505)	(16,082,198)
At 31 December 2018/2017 *		-	2,170,902	-	2,170,902

* This dividend payable amount is reflected in Trade and Other Payables (Note 13).

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

19 RELATED PARTY TRANSACTIONS

Directors

The names of persons who were directors of Fiji Ports Corporation Limited and its subsidiary at any time during the reporting period were as follows:

Shaheen Ali (Chairman)	Reappointed 18th November 2018
Vijay Maharaj (Director)	Reappointed 3rd July 2018
Vilash Chand (Director)	Reappointed 3rd July 2018
Tupou Baravilala (Director)	Reappointed 28th April 2018
Tevita Kuruvakadua (Director)	Appointed 16th November 2015
Sanjay Kaba (Director)	Served till 27th November 2018
Sashi Singh (Director)	Appointed 16th November 2015
Joseph Brito (Director)	Appointed 16th November 2015
Iqram Cuttilan (Director)	Appointed 1st July 2017

Key Management Personnel

Key Management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly, including any director (whether executive or otherwise) of that entity.

During the financial year the following persons were identified as key management personnel, with the greatest authority and responsibility for the planning, directing and controlling the activities of the company:

Name	Title
Vajira Piyasena	Chief Executive Officer
Roshan Abeyesundere	Chief Financial Officer

Identity of related parties

The Holding Company has a related party relationship with its subsidiary, Fiji Ships and Heavy Industries Limited (100% equity interest) and its associate, Fiji Ports Terminal Limited (49% equity interest).

Transactions with related parties

All transactions with related parties are made on normal commercial terms and conditions. The following transactions were carried out with related parties:

		Notes	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
(a)	**Key management personnel compensation**					
	Directors					
	Short-term benefits		60,500	66,916	60,500	66,916
	Management					
	Short-term benefits		665,950	600,344	602,712	537,106

The aggregate compensation of the key management personnel comprises only of salary and short term benefits.

		Notes	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
(b)	**Sales of goods and services**					
	Management fees income from associate		72,000	72,000	72,000	72,000
	Rental income from associate		2,447,071	2,447,071	2,447,071	2,447,071
	Sale of services to associate		83,436	228,146	83,436	228,146
(c)	**Purchases of goods and services**					
	Purchase of services from subsidiary		-	-	107,499	261,929

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

	Notes	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
19 RELATED PARTY TRANSACTIONS *continued*					
(d) Receivable from/(payable to) subsidiary/associate					
Fiji Ports Terminal Limited	*Associate*	(6,683)	161,884	(6,683)	161,884
Fiji Ships and Heavy Industries Limited	*Subsidiary*	-	-	2,075	(45,798)
		(6,683)	161,884	(4,608)	116,086
Disclosed as:					
Receivable from associate (Note 5)		2,713	161,884	2,713	161,884
Payable to associate (Note 13)		(9,396)	-	(9,396)	-
Receivable from subsidiary (Note 5)		-	-	5,052	2,529
Payable to subsidiary (Note 13)		-	-	(2,977)	(48,327)
		(6,683)	161,884	(4,608)	116,086
(e) Loan to subsidiary					
Beginning of the year		-	-	1,219,832	1,335,308
Loan repayments received		-	-	(166,785)	(166,786)
Interest charged		-	-	46,606	51,310
End of the year		-	-	1,099,653	1,219,832
Comprising:					
Current		-	-	125,076	120,190
Non-current		-	-	974,577	1,099,642
		-	-	1,099,653	1,219,832

The loan to the Subsidiary Company is unsecured and based on approval from the Board of the Holding Company, subject to interest at the fixed rate of 4.0% per annum. This is repayable by monthly installments of $13,899. The repayment schedule is reviewed annually.

	$	$	$	$
(f) Loan to associate				
Beginning of the year	1,571,011	1,961,027	1,571,011	1,961,027
Loan repayments received	(1,622,465)	(461,358)	(1,622,465)	(461,358)
Interest charged	51,454	71,342	51,454	71,342
	-	1,571,011	-	1,571,011
Comprising:				
Current	-	405,906	-	405,906
Non-current	-	1,165,105	-	1,165,105
	-	1,571,011	-	1,571,011

The loan to Fiji Ports Terminal Limited ($4,000,000) was unsecured and subject to interest at the fixed rate of 4.0% per annum. This was repayable by monthly installments of $38,447 per month. In December 2018, the outstanding loan balance was fully repaid by the associate company.

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

	Notes	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
19 RELATED PARTY TRANSACTIONS *continued*					
(g) Receivable from associate - for sale of Shore Cranes					
Beginning of the year		-	-	-	-
Arising during the year		8,767,334	-	8,767,334	-
Payments received during the year		(1,193,108)	-	(1,193,108)	-
		7,574,226	-	7,574,226	-

Shore crane Mika and Roba were sold to FPTL on 1 June 2018. Repayment is on monthly basis on the term of 10 years effective from date of shore crane transfer. Repayment is on interest-free term.

	$	$	$	$
(h) Other related parties				
Fiji National Provident Fund - member contribution	675,092	621,009	522,820	465,373

20 INVESTMENT IN AN ASSOCIATE

The Group has a 49% interest in Fiji Ports Terminal Limited at balance date, which is involved in terminal operations including stevedoring at the Ports of Suva and Lautoka. The Group's interest in Fiji Ports Terminal Limited is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in Fiji Ports Terminal Limited.

	Company 2018 $	Company 2017 $
Current assets	11,587,146	15,333,784
Non-current assets	16,610,688	6,576,404
Current liabilities	(3,197,470)	(3,117,998)
Non-current liabilities	(8,042,117)	(2,338,059)
Equity	**16,958,247**	**16,454,131**
Proportion of the Group's ownership	49%	49%
	8,309,541	8,062,524
Goodwill	3,733,078	3,733,078
Carrying amount of the investment	**12,042,619**	**11,795,602**
Revenue	37,580,985	36,510,210
Operating expenses	(23,872,578)	(21,413,195)
Finance costs	(51,454)	(71,342)
Finance income	27,469	29,499
Profit before tax	**13,684,422**	**15,055,172**
Income tax expense	(2,816,228)	(3,181,927)
Profit for the year	10,868,194	11,873,245
Group's share of profit for the year	**5,325,415**	**5,817,890**

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

		Notes	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
21	**CAPITAL COMMITMENTS**					
	Capital expenditure:					
	- approved by the Board and committed		1,901,516	1,822,510	1,122,973	1,008,947
22	**RENTAL INCOME COMMITMENTS**					
	Not later than one year		907,849	459,437	907,849	459,437
	Later than one year but not later than five years		791,165	774,125	791,165	774,125
	Later than five years		4,551,316	4,642,377	4,551,316	4,642,377
			6,250,330	5,875,939	6,250,330	5,875,939
23	**CONTINGENT LIABILITIES**					
	Guarantee given on behalf of the subsidiary company		800,000	800,000	800,000	800,000
	Bank guarantee for HM Customs and FEA bonds		83,900	83,900	83,900	83,900
	Bank guarantee for Ministry of Primary Industries		7,000	7,000	-	-
			890,900	890,900	883,900	883,900

24 DEFERRED INCOME

Deferred income represents assets assigned to the Group to use in its operations by the Government of Fiji through Assets Fiji Limited. The assets assigned to the Group are based on conditions that these would only be used for the operating activities of the Group.

	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
Opening balance	10,747,543	10,971,840	9,824,346	10,029,376
Less: Amortisation charges during the year	(224,297)	(224,297)	(205,030)	(205,030)
Closing balance	10,523,246	10,747,543	9,619,316	9,824,346
Movement in the accumulated amortisation are as follows:				
As at 1 January	467,285	242,988	427,146	222,116
Amortisation charge for the year	224,297	224,297	205,030	205,030
As at 31 December	691,582	467,285	632,176	427,146

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal financial liabilities comprises interest bearing borrowings, trade payables and other accruals. The financial liabilities are the result of the Group's operations. The Group has various financial assets such as trade receivables and cash, which also arise directly from its operations.

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

Risk management is carried out by finance executives and management of controlled entities of the Group. Management and finance executives identify, and evaluate financial risks in close co-operation with the Group's operating units. The Board provides direction for overall risk management covering specific areas, such as mitigating credit risks, and investment of excess liquidity.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Political climate

The Group operates in Fiji and changes to governments and the policies they implement affect economic situation and ultimately the revenues of the group. To address this, the Group reviews its pricing and product range regularly and responds to change in policies appropriately.

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

(a) Market risk *continued*

(ii) Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

(iii) Interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2018	**2017**
	$	**$**
Fixed rate instruments		
Financial assets (term deposits and Interest bearing deposits)	52,000,000	52,000,000
Financial liabilities	-	-
	22,000,000	22,000,000

Fair value sensitivity analysis for fixed instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect the statement of comprehensive income.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that services are provided to customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any one customer or group of customers. Credit levels accorded to customers are regularly reviewed to reduce the exposure to risk of bad debts.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

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

		Carrying amount	
	Notes	**2018**	**2017**
		$	**$**
Cash and cash equivalents	16	23,408,479	27,464,203
Trade and other receivables	5	4,434,032	3,873,049
Held-to-maturity investments	6	37,000,000	22,000,000
		64,842,511	53,337,252

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash, marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 December 2018	On demand	< 1 year	1 to 5 years	> 5 years	Total
	$	$	$	$	$
Trade and other payables	-	4,302,554	-	-	4,302,554
	-	4,302,554	-	-	4,302,554

31 December 2017	On demand	< 1 year	1 to 5 years	> 5 years	Total
	$	$	$	$	$
Trade and other payables	-	5,880,708	1,199,426	-	7,080,134
	-	5,880,708	1,199,426	-	7,080,134

(d) Capital risk management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group's objectives when obtaining and managing capital are to safeguard the Group's ability to continue as a going concern and provide shareholders with a consistent level of returns and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as debt divided by total capital. Debt is calculated as total borrowing (including 'current and non- current borrowing' as shown in the Group statement of financial position). Total capital is calculated as 'equity' as shown in the Group statement of financial position plus debt.

	Notes	Carrying amount 2018	2017
		$	$
Interest bearing borrowings		-	-
Debt		-	-
Equity			
Capital and debt		130,279,071	117,464,217
		130,279,071	117,464,217
Gearing ratio		0%	0%

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

26 EVENTS SUBSEQUENT TO BALANCE DATE

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

27 PRINCIPAL ACTIVITIES

The principal activity of the Holding Company is providing and managing the port infrastructure and services within declared ports. The principal activity of the subsidiary trading as "Fiji Ships and Heavy Industries Limited" is the provision of ship repair and slipway services. There has been no significant change in these activities during the year.

28 RESTATEMENT OF 2017 FINANCIAL STATEMENT

As part of the share divestment agreement signed on 5 November 2015, the Group during the financial year 2018 transferred $963,336 worth of interests in two pieces of land recorded under Property, Plant and Equipment to a Government owned holding company ("Assets Fiji Limited") for $nil consideration. Both land pieces were required by the Group for its operational use. Thus, it was assigned to the Group from Assets Fiji Limited in form of Government grant. Moreover, as part of new IFRS accounting standard (IFRS 16 Leases), holding company ("FPCL") was required to re-classify and recognise 3 Tonne Engineering Truck as "RIGHT OF USE" asset via lease liability and re-measured at Net Present Value. The opening balances of the statement of financial position and changes in equity were restated to effect these asset transfers on the date on which the share divestment agreement was signed and recognition of Right of Use asset.

		Group	
	2017 Restated	**2017 Previously reported**	**2017 Increase/ (decrease)**
	$	**$**	**$**
Statement of financial position			
Retained earnings	44,309,365	45,259,610	(950,245)
Total equity	117,464,217	118,414,462	(950,245)
Property, plant and equipment	62,900,388	62,927,436	(27,048)
Right of use asset	64,582	-	64,582
Total non-current assets	82,115,975	82,078,441	37,534
Total assets	138,927,068	138,889,534	37,534
Lease liability	18,480	-	18,480
Total current liabilities	10,347,363	10,328,883	18,480
Lease liability	46,102	-	46,102
Deferred income	10,747,543	9,824,346	923,197
Total non-current liabilities	11,115,488	10,146,189	969,299
Total liabilities	21,462,851	20,475,072	987,779
Statement of changes in equity			
Retained earnings	44,309,365	45,259,610	(950,245)
Total equity	117,464,217	118,414,462	(950,245)
Statement of comprehensive income			
Other revenue	1,544,524	1,525,257	19,267
Total income	58,180,778	58,161,511	19,267
Depreciation	(6,721,754)	(6,690,570)	31,184
Operating expenses	(7,326,743)	(7,340,562)	(13,819)
Total expenses	(32,903,713)	(32,886,348)	17,365
Profit from operations	25,277,065	25,275,163	1,902
Finance costs	(1,902)	-	1,902
Profit before income tax	31,624,182	31,624,182	-
Net profit for the year	26,345,307	26,345,307	-

Notes to the Consolidated Financial Statements *(Cont'd)*

For the Year ended 31 December 2018

28 RESTATEMENT OF 2017 FINANCIAL STATEMENT *continued*

	2017 Restated $	Group 2017 Previously reported $	2017 Increase/ (decrease) $
Statement of cash flows			
Operating Activities			
Payments to suppliers and employees	(23,641,592)	(23,655,410)	(13,818)
Interest paid	(1,902)	-	1,902
Net cash provided by operating activities	28,134,030	28,122,114	(11,916)
Financing Activities			
Repayment of lease on right of use asset	(11,916)	-	11,916
Net cash used in Financing Activities	(16,482,834)	(16,470,918)	11,916
Cash and cash equivalents at the end of the year	27,464,203	27,464,203	-
Statement of financial position			
Retained earnings 3	9,301,063	39,301,063	-
Total equity	112,455,915	112,455,915	-
Right of use asset	64,582	-	64,582
Total non-current assets	81,344,652	81,280,070	64,582
Total assets	132,242,463	132,177,881	64,582
Lease liability	18,480	-	18,480
Total current liabilities	9,617,159	9,598,679	18,480
Lease liability	46,102	-	46,102
Total non-current liabilities	10,169,389	10,123,287	6,102
Total liabilities	19,786,548	19,721,966	64,582
Statement of changes in equity			
Retained earnings	39,301,063	39,301,063	-
Total equity	112,455,915	112,455,915	-
Statement of comprehensive income			
Total income	57,605,406	57,605,406	-
Depreciation	(6,093,058)	(6,081,142)	11,916
Operating expenses	(5,081,648)	(5,095,466)	(13,818)
Total expenses	(27,822,798)	(27,824,700)	(1,902)
Profit from operations	29,782,608	29,780,706	1,902
Finance costs	(1,902)	-	1,902
Profit before income tax	30,327,368	30,327,368	-
Net profit for the year	25,377,509	25,377,509	-
Statement of cash flows			
Operating Activities			
Payments to suppliers and employees	(19,679,918)	(19,693,736)	(13,818)
Interest paid	(1,902)	-	1,902
Net cash provided by operating activities	32,618,956	32,607,040	(11,916)
Financing Activities			
Repayment of lease on right of use asset	(11,916)	-	11,916
Net cash used in Financing Activities	(16,482,834)	(16,470,918)	11,916
Cash and cash equivalents at the end of the year	24,138,004	24,138,004	-

Fiji Ports
Cargo & Vessel Statistics

Foreign Vessels (excluding Fishing)

Year	Nos	GRT	100GRT/HRS
2009	865	9,936,397	1,631,796
2010	836	9,922,208	1,941,675
2011	739	9,180,823	2,288,756
2012	719	8,636,293	2,313,947
2013	952	14,636,282	3,205,089
2014	926	15,929,778	2,952,331
2015	900	14,546,797	3,245,154
2016	936	17,637,430	3,559,033
2017	1,083	20,974,320	4,040,687
2018	979	17,654,116	3,655,158

2016 Foreign Vessels (excluding Fishing)

Vessel Type	Nos	GRT	100GRT/HRS
Cruise	81	6,710,691	819,613
Dry Bulk	32	733,502	670,088
Liquid Bulk	263	3,044,724	479,635
LOLO	407	4,545,076	1,180,001
LOLO/RORO	47	790,210	120,736
Car Carrier	26	1,364,598	145,683
Others	80	448,629	143,276
Total	**936**	**17,637,430**	**3,559,033**

2017 Foreign Vessels (excluding Fishing)

Vessel Type	Nos	GRT	100GRT/HRS
Cruise	92	7,788,188	821,927
Dry Bulk	45	1,090,650	699,849
Liquid Bulk	309	3,492,014	557,823
LOLO	496	6,285,380	1,562,496
LOLO/RORO	44	773,673	127,527
Car Carrier	24	1,265,394	93,358
Others	73	279,021	177,707
Total	**1,083**	**20,974,320**	**4,040,687**

2018 Foreign Vessels (excluding Fishing)

Vessel Type	Nos	GRT	100GRT/HRS
Cruise	64	4,837,799	496,315
Dry Bulk	34	821,172	549,915
Liquid Bulk	298	3,657,892	645,839
LOLO	440	5,831,296	1,444,402
LOLO/RORO	47	808,998	143,735
Car Carrier	29	1.404,504	167,848
Others	67	292,455	207,104
Total	**979**	**17,654,116**	**3,655,158**

Local Vessels 2016

Vessel Type	Nos	GRT	100GRT/HRS
RORO/Passenger	346	1,454,175	407,133
Conventional	254	58,024	57,841
Fishing/Others	2,035	347,688	263,567
Total	**2,635**	**1,859,887**	**728,541**

Local Vessels 2017

Vessel Type	Nos	GRT	100GRT/HRS
RORO/Passenger	368	1,293,096	405,831
Conventional	295	98,299	64,924
Fishing/Others	2,036	373,195	311,520
Total	**2,699**	**1,764,590**	**782,275**

Local Vessels 2018

Vessel Type	Nos	GRT	100GRT/HRS
RORO/Passenger	392	1,419,547	2,785,878
Conventional	183	45,508	223,755
Fishing/Others	1,980	494,605	1,573,862
Total	**2,555**	**1,959,659**	**4,583,495**

Cargo Throughput 2016

Vessel Type	Import	Export	Total
Break Bulk	70,924	9,359	80,283
Dry Bulk	391,768	245,977	637,745
Liquid Bulk	808,030	624,570	1,432,600
MV Bulk	245,070	58,350	303,420
Total Foreign Cargo	1,515,792	938,256	2,454,048
Total Local Cargo	97,494	118,798	216,292
Total Cargo Fiji	**1,613,286**	**1,057,054**	**2,670,340**

Cargo Throughput 2017

Vessel Type	Import	Export	Total
Break Bulk	67,592	9,665	77,257
Dry Bulk	439,092	369,341	808,433
Liquid Bulk	817,812	205,802	1,023,614
MV Bulk	151,148	3,177	154,325
Total Foreign Cargo	1,475,643	587,986	2,063,629
Total Local Cargo	147,007	288,142	435,149
Total Cargo Fiji	**1,622,650**	**876,128**	**2,498,778**

Cargo Throughput 2018

Vessel Type	Import	Export	Total
Break Bulk	89,924	5,841	95,765
Dry Bulk	287,221	392,248	679,469
Liquid Bulk	460,144	191,811	651,955
MV Bulk	178,557	1,703	180,260
Total Foreign Cargo	1,015,846	591,603	1,607,449
Total Local Cargo	113,727	163,478	277,205
Total Cargo Fiji	**1,406,041**	**755,081**	**1,884,654**

Containerised Cargo 2016

Type	Laden	Empty	TEUs
20Ft	69,926	35,600	105,526
40Ft	15,578	9,347	49,850
Total	**85,504**	**44,947**	**155,376**

Containerised Cargo 2017

Type	Laden	Empty	TEUs
20Ft	75,569	42,858	118,427
40Ft	16,887	11,269	56,312
Total	**92,456**	**54,127**	**174,739**

Containerised Cargo 2018

Type	Laden	Empty	TEUs
20Ft	77,512	43,219	120,731
40Ft	17,476	12,653	60,258
Total	**94,988**	**55,872**	**180,989**

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