AIRPORTS FIJI LIMITED

Annual Report 2016

Our Vision, Mission and Values

Our Vision

To be the world's leading small international airport and air traffic management service provider whilst protecting our heritage.

Our Mission

To ensure world class airports and air traffic management facilities and services in the Fiji islands that are managed in a safe, secure and efficient manner that meets ICAO standards, exceeds customer expectations and provide a fair return on Shareholder's funds.

Our Values

These core values are equally important in the pursuit of our corporate goals:

- Our People
- Stakeholders
- Teamwork
- Innovation
- Accountability

COVER:
An artist impression of what Nadi International Airport will look like once the colour and theming is completed. The Nadi Airport Terminal Modernization Project came to a practical completion in April, 2017. This is the next phase of the project.

Contents

About Airports Fiji Limited

Who We Are

Airports Fiji Limited (AFL) is a fully Government owned Commercial Company (GCC) that was established on 12 April 1999 under the Public Enterprise Act, 1996. It was formed following the reorganization of the Civil Aviation Authority of Fiji (CAAF).

The Company reports to the Attorney General and Minister for Economy, Public Enterprises, Civil Service & Communications for its commercial performance and Civil Aviation policy matters.

AFL owns and operates Nadi International Airport and manages Nausori Airport and 13 other domestic outer island airports on behalf of the Government.

AFL also provides Air Traffic Management (ATM) services in the Nadi Flight Information Region (Nadi FIR). This includes the air space of Fiji, Tuvalu, New Caledonia, Kiribati and Vanuatu, covering an area of 6.0 million square kilometres.

Our Business

Airports Fiji Limited's core responsibilities are to:

- Efficiently and in a regulatory compliant manner carry out international, domestic and outer island airport operations.
- Efficiently and in a regulatory compliant manner carry out Air Traffic Management in the Nadi Flight Information Region and Fiji's airspace.
- Provide world class duty free shopping experiences to our passengers.
- Provide reasonable returns to our shareholder in line with its level of investment.
- Continually invest and develop our ATM facilities, terminal and airfield pavement infrastructure to world class standards.

Nadi International Airport is the main international airport and Fiji's gateway to the world. It handles 97% of international visitors to Fiji annually, 86% of which are tourists. The airport handles up to 38 international and 58 domestic flights a day equating to around 34,926 commercial aircraft movements annually with 40,487 over-flights per year. Nadi International Airport generates 96% of AFL's total revenue and 100% of its profits.

The total international passenger movements in 2016 for Nadi International Airport were 1,784,601 whilst the total domestic passengers were 262,875.

Nausori Airport is the second international airport and domestic hub in Fiji. It handled 61,274 international passengers and 245,413 domestic passengers in 2016.

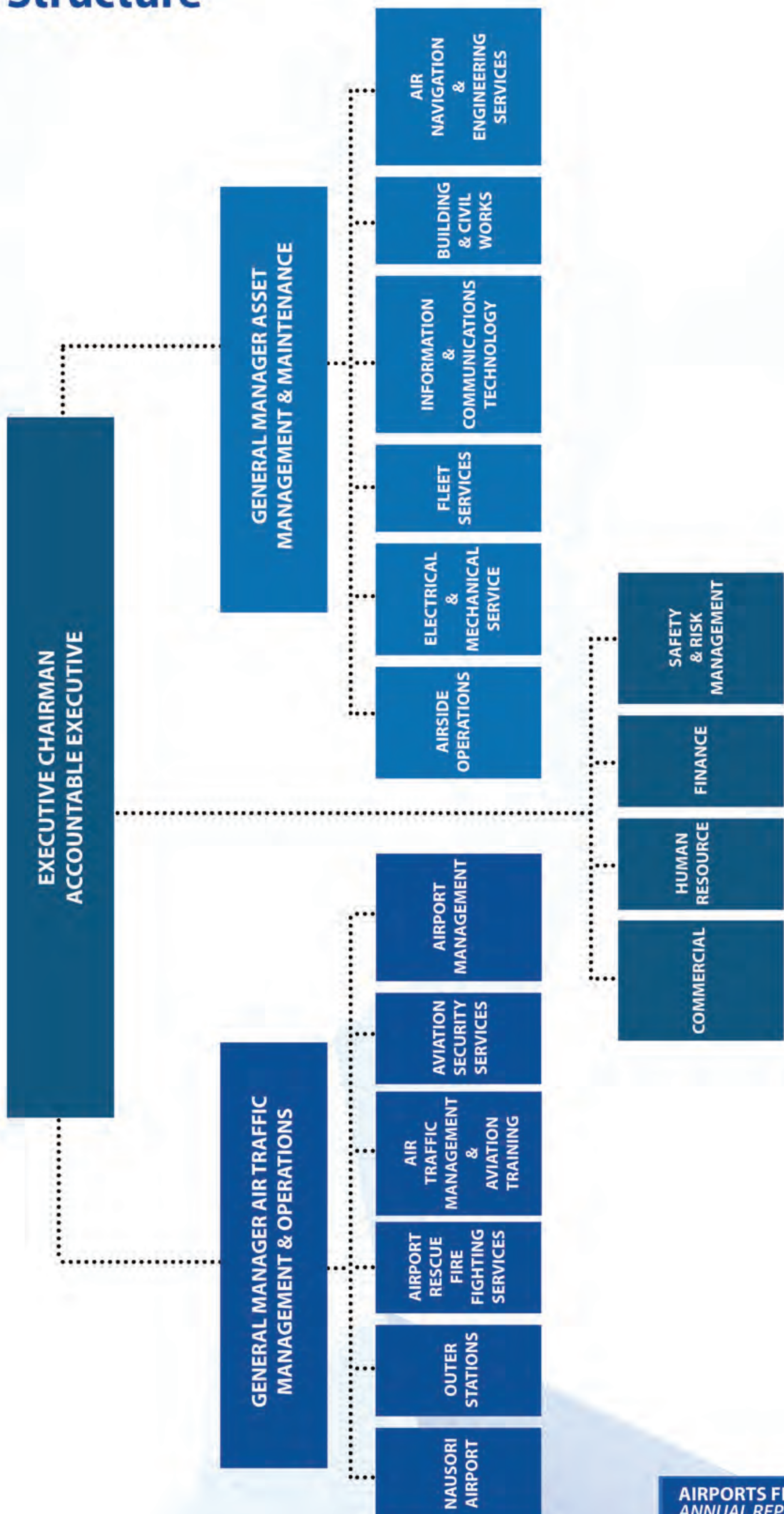
The 13 outer island airports are operated on a non-commercial basis supported by an annual capital grant provided by the Government, pursuant to the provisions of the Public Enterprise Act of 1996. Total passenger movements at these airports in 2016 were 196,007 whilst aircraft movement were approximately 13,044.

Our Customers and Partners

Our customers and partners include our employees, passengers, the airlines, aviation regulators, the aviation industry as a whole, general public, tenants, service suppliers, transport operators, tourism operators and government agencies.

We cooperate with the Government on two fronts: Commercial returns and in terms of aviation policy, border control and safety regulations under the Civil Aviation Authority of Fiji (CAAF).

Our Structure



Letter to the Minister

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July 1, 2017

The Honourable Aiyaz Sayed-Khaiyum

Attorney-General and Minister for Economy, Public Enterprises, Civil Service & Communications
Level 7, Suvavou House
Victoria Parade
Suva

Dear Honorable Minister

Airports Fiji Limited Annual Report for 2016

On behalf of the Directors of Airports Fiji Limited (AFL), I am pleased to present the Company's Annual Report as required under Section 103 of the Public Enterprise Act, 1996.

The Report incorporates the Company's operational achievements and audited accounts for the year ending December 2016.

In 2016 AFL recorded a net operating profit before tax of $65,859,901. A non-operating (non-cash) loss on disposal of old terminal assets due to the Nadi Airport Terminal Modernization Project (NATMP) was recorded in the sum of $3,702,157.

Works on NATMP, arguably one of the most complex projects undertaken in Fiji's history reached practical completion in April 2017. Other capital projects and improvements to service delivery projects are progressing well. Our airports are headed for excellence in end to end passenger experience.

Notably Nadi International Airport became the 1st Airport in the South Pacific to achieve Airports Council International (ACI) Level 1 carbon accreditation. We are humbled to have contributed in some way to the Honourable Prime Minister's presidency of the COP23 and the fight against climate change.

Having declared $30 million dividends last year for the financial year 2015 and 2016 (interim), AFL is working hard to further improve the dividend returns to Government as our shareholder.

On behalf of the Board of Directors and Management, I take this opportunity to thank you and the Government for its on-going support, and look forward to this continuing in 2017 and beyond.

Faiz Khan
Executive Chairman

Year 2016 in Review

Airports Fiji Ltd declared a dividend of $30 million to the Government for the financial year 2015 and 2016 (interim).

At a Glance: **Key Financial Figures**

Movements from 2015 to 2016		2016 Total Numbers
Total international arrival and departure passenger movements		
↑ 85,305	4%	1,992,616
Total aircraft movement (Tonnes)		
↑ 82,894	9%	1,023,197 tonnes
Operating Revenue		
↑ 24.6 million	27%	$116 million
Operating Expenditure		
↑ 5.7 million	12%	$50.84 million
Net Operating Profit before Tax		
↑ 19.82 million	43%	$65.86 million
Shareholders fund		
↑ 19.5 million	11%	$202.65 million

Return on Shareholders fund before social obligation

25.86% (2016)
15.37% (2015)

Executive Chairman's Report

"Whilst profits contribute to the balance sheet, the sustainability of the balance sheet and our business in a capital intensive environment depends on how well money is spent on capital expenditure."

TC Winston - Quick Recovery

It is only appropriate that I start with a commentary on the impact of the most devastating cyclone in Fiji's history that battered our islands on 20th February 2016 - Category 5 Tropical Cyclone Winston. Its impact posed challenges to operations at all our airports. Koro and Vanuabalavu terminals were brought to the ground and significant damages were experienced at other airports.

We cannot imagine the pain and suffering that the Fijian people living in Koro and Vanuabalavu went through. Despite the fact that Koro and Vanuabalavu airports have the frequency of around 1 flight a week, we made it our priority to re-build these terminals. Despite the logistical challenges due to isolation the new terminals were built within a year after TC Winston devastation. This was AFL's very small way of saying we care and we hope your lives get back to normal as quickly as possible. This was also AFL's way of participating in the Government's vision of an inclusive approach to society; those living outside of mainstream Fiji are not forgotten.

Nadi International Airport is the lifeline of the Fijian economy with 97% of travel into and out of Fiji through Nadi. In the immediate aftermath of TC Winston within 20 hours our team managed to get our operations back up and running. This was despite the extensive damages and debris. The quick resumption of flights allowed people the ability to leave or get to Fiji with ease.

Repairs to extensive damages suffered at Nadi and all other airports were also fixed within a year.

AFL contributed $909,126 as its further support to the Fijian people through the Prime Minister's National Disaster Relief and Rehabilitation Fund. Out of this amount $250,000 was in cash contributions and the balance of $659,126 was in waiver of all fees and charges to aircraft bringing in relief supplies to Fiji. Through this waiver we showed the world our appreciation for their thoughtfulness in times of our needs.

The good often goes unnoticed. It is in difficult and challenging times that the character and resolve of an organization and its people are showcased. I would like to thank the hardworking and persistent staff of AFL for shining during this challenging year 2016 by bringing operations and services to normalcy post TC Winston without many noticing.

Profits, Revenue and Expenditure

In 2016 AFL recorded operating profits before tax of $65.86 million compared to $46.04 million in 2015 (including net interest income), an increase of $19.82 million or 43%. The 2016 EBITDA was $78.66 million compared to $58.21 million in 2015. The 2017 EBITDA is expected to grow to $95 million.

Total revenue in 2016 grew to $118.05 million from $92.55 million in 2015, an increase of 28%. Total operating expenditure in 2016 was $50.84 million compared to $45.88 million in 2015 an increase of $5.69 million or 12%. The increase in operating expenditure was largely attributable to a change in certain expenditure items to leasing options, and one-off items. Despite this the expenditure grew at a much lower pace than revenue and increased after a fall in the last 5 preceding years where we restructured our cost structures to make them efficient.

The Balance Sheet

Whilst the profitability of a company is important the company's financial strength is measured through its balance sheet.

The total shareholder's fund grew to $202.65 million in 2016 compared to $183.2 million in 2015, an increase of 19.5 million despite declaring $30 million in dividends. The shareholder's fund as recorded in our books is not a reflection of the business value of the company but an accounting book value. The enterprise business value of AFL over the last 3 years has grown significantly.

Our Interest Cover Ratio (ICR) stood at 48.3 in 2016 compared to 72.9 in 2015. This means that for every dollar of interest we paid on borrowings we had 48.3 times profits. Our undertaking to financier requires the ICR to be at a minimum 5 times. Our gearing ratio of debt to EBITDA stood at 1.11 times, showing significant excess borrowing capacity to undertake other major projects in the coming years at Nausori, Vanua Levu and outer island airports.

We have zero Government guarantees on our borrowings depicting a mindset that we must not burden the Government any further than the hundreds of millions Government has invested in setting up AFL over the last century.

Despite declaring record dividends and undertaking major capital works, our cash position at the end of 2016 stood at \$74.04 million compared to \$60.16 million in 2015. In business cash position is very important. Whilst profits contribute to the balance sheet, the sustainability of the balance sheet and our business in a capital intensive environment depends on how well money is spent on capital expenditure.

For 365 days of the year a lot of hard work goes in by team AFL to focus on its priorities, one of which is getting value for money for our capital and operational expenditures. This in turn is driven to improve our operational, safety, security and passenger service experiences.

We stretch our dollar spent more than most, resulting in cash being freed up for other projects, healthy cash flow position, excess borrowing capacity, lower ongoing depreciation expense, and an overall healthy balance sheet.

Our approach augers well for our shareholder with around 30% of total revenues being declared in dividends since 2014 in return for the Government's century old hundreds of millions of dollars of investment.

Our approach also augers well for our airline stakeholders who will enjoy cost reasonableness in the long term as our assets are not over capitalized. The fact that our current aircraft turnaround fees and charges are the lowest in the Pacific region, Australia and New Zealand; and one of the lowest in the world is further attraction to the airlines for Fiji as a destination.

An aerial view of the Labasa runway.

Need for Aviation Infrastructure Development for Fiji

Aviation represents an essential lifeline to develop tourism and trade in various parts of Fiji that are often quite isolated from one another and the rest of the world. The economic impact of aviation infrastructure development is exponential. Air transportation is a catalyst to our sustainable development.

Fiji is faced with many natural disasters - a successful aviation infrastructure that supports air transport is essential. For example, during TC Winston the access of various affected areas through aircraft made relief efforts easier and more qualitative.

In the past, developments of the airport infrastructure were compromised due to lack of money or foresight. We cannot change the past but have control over the present and the future. AFL has ambitious yet achievable plans to develop Nadi, Nausori, Vanua Levu, and all the outer island airports within the next 7 years.

Nadi Airport Terminal Modernization Project (NATMP)

NATMP is arguably the most complicated project undertaken in Fijian history. Upgrading 3 different buildings and many other small add-ons built over the last 70 years at different points in time without a masterplan, whilst continuing the operations at one of the most critical national assets was no mean feat.

The structural integrity of the buildings was lost in many places but this was only discovered when the walls and ceilings were opened. In some areas multiple ceilings and walls were found on top of or behind each other, respectively as work was carried out. Design had to continually evolve with the discovery of the unknown latent conditions in grounds, walls and ceilings.

One of the biggest challenges on the project was the extent of asbestos removal we had to undertake. TC Winston damages further contributed to the extent. We had to bring specialist consultants from New Zealand to undertake the works. This came at a significant cost. However, if there was asbestos exposure into the terminal that could have resulted in closure of this most strategic Fijian asset for a long period of time. The economic loss to the country would be hundreds of millions. The risk was too high and required commensurate attention and care. Asbestos removal was done at night under strict guidelines and supervision so that the specialist working in their white suits did not cause a public alarm. They successfully went through their work without getting noticed.

Safety of people working on the project and the passengers traveling through the operational airport that was made a construction site could not be compromised. We went through the entire project without any serious injuries. The contractor HawkinsPBS have to be applauded for their professionalism and approach to safety.

There were umpteenth challenges encountered on the project and it is impossible to describe them all. On a project of this size with so many moving parts such challenges had to be continually resolved. Our job was to keep the train on the tracks. We managed to break the camel's back in 2016.

Whilst we managed what we had in our control, in hindsight we also got lucky when TC Winston did not go directly over Nadi as was forecasted at one time. TC Winston hit Fiji at the peak of NATMP construction works. With the contractor having cash flow challenges on this complex project at the time a more devastating impact of the cyclone on NATMP would have provided the contractor with a reason to exit due to frustration of the contract. That would have inevitably resulted in doubling of the NATMP construction costs with a new contractor or re-trading with the existing contractor. If that happened, people would not have understood. We got lucky.

In early 2013 when the project was in its planning phase with around 60% of scope and design completed our external QS had submitted a budget of $134 million using airport construction benchmark. At 100% this equated to roughly $223 million. However, at AFL we don't set budgets without testing the market through competitive rigor. So we decided to completely ignore this budget and bury it without publishing it for "would be bidders". If the budget was published it would have prejudiced the bidders.

When all the contracts with consultants and contractors, including a base contract sum of $80 million with the main contractor, was entered through rigorous competitive tender processes the overall base contract costs at the end of 2014 stood at $101 million.

Even when the base contract sum of $101 million was achieved, the Board was in no position to set an accurate contingency budget for variations and changes in scope due to the nature of the project, in particular its unknowns and latent conditions. The risk of setting a high yet meaningless contingency budget was that it would have been spent early on putting a burden on the overall cost to complete. Under AFL's philosophy of "we do not spend because there is a budget set but because there is a need to" we were not interested in setting a high budget for contingencies with unknown risks built in it to be able to claim the simplistic executive fame of "we delivered the project under the budget".

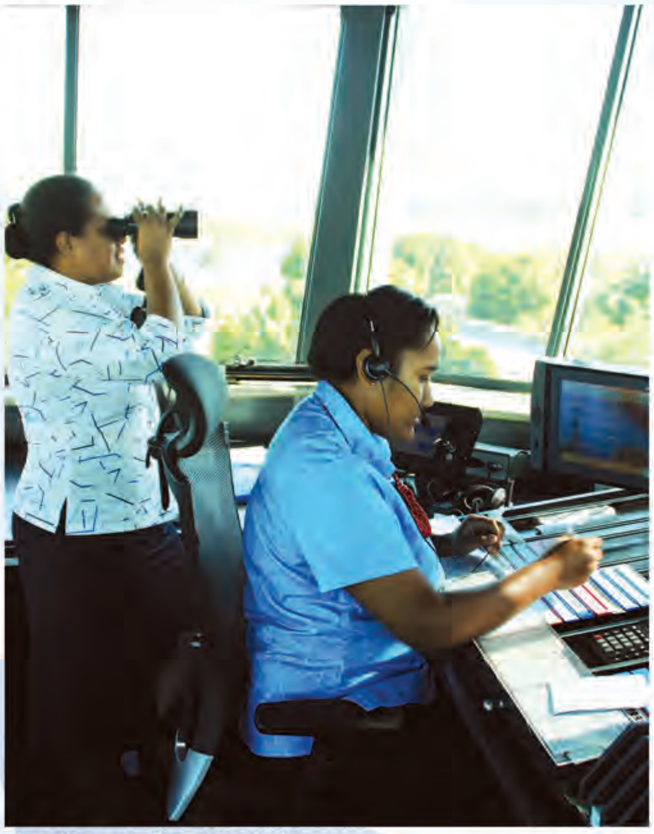
Instead we made an informed decision to establish a base contract sum and commercial terms through competitive rigor; and then assess variations and changes in scope through a further rigorous assessment process. We added further layers of checks and balances over and above the QS and the Superintendent under the contract. For each of the 1200 or so variations and changes in scope a document folder depicting the cost incurred and why, is kept.

It is to be further noted that the approach taken for the services was to upgrade them with a view to future proofing. For example, if electrical transformers were not originally scoped but were a long term requirement they were added into the scope; LED lights were introduced with a view to saving energy and supporting climate change; fire protection and mechanical services were enhanced, etc.

After 2 years and 9 months of construction to reach practical completion of NATMP; after about 1200 variations to the contract; dozens of significant changes in scope to building, civil, electrical and services; facing the many unknowns and latent conditions; adding further staging of works due to operational constraints; and cost of prolongation to the contractor - we will close NATMP at around $132 million. In other words the cost of the significant variations, changes in scope, latent conditions and prolongation came to $31 million.

If we understand the mindset of budgets particularly for unknowns, construction over various old buildings built over the last 70 years without a master plan, asbestos, latent conditions, constructing whilst operating one of the key strategic assets for the Fijian economy, the complexities over NATMP, etc this was a great achievement.

The strategies and approach taken by the Board to manage the cost and qualitative outcomes of NATMP, and the ongoing monitoring of it to close the project at $132 million was a success. It would have been easy to spend over $220 million on this project if it was not managed well, and worst still have construction issues cause delays to flights or impact on operations of this critical asset for the Fijian economy.



Air traffic controllers at the Nadi tower.

The iconic...Nadi International Airport Terminal

To further give credence to the above statement, after the project was complete we undertook an independent study to benchmark the 28,000 square meters of terminal upgrade at Nadi with actual results of 10 Australian airport terminal upgrades. The result of this study was that an airport terminal upgrade of this size in Australia would cost an estimated $241 million with a high range of $289 million.

Many people have worked hard to make this project a success. Representatives of the contractor, consultants and AFL worked tirelessly. Many were completely exhausted after 2 years 9 months of main construction works and longer if design phase is included. Many left mid-way through the project due to the toll it took on them or for pursuing other interests. The project was tough at best of times. But we managed through great leaderships and composure in the various teams. It is difficult to describe in words the trials and tribulations of this project on many and their families.

All who have contributed to NATMP whether the painters, tilers or project managers - you will forever be the legends of the modern new Nadi International Airport. You have built the platform upon which bigger and better things will come in the future. A job well done! I simply say thank you.

Once the construction is completed we will undertake theming works for Nadi International Airport terminal. Nadi International Airport is an icon of the entire Pacific. It will even compete against airports in other more developed countries. That is a proud achievement for all Fijians.

Outer Island Airport Developments

In addition to building new terminals in Koro and Vanuabalavu, we finalized terms of engagement with a contractor to build a sealed Rotuma runway. Rotuma project has been talked about for the last 4 decades. We will undertake and complete this project by around the first quarter of 2018. The budget set after base contract rigor through competition is $13 million with $2.3 million given in grants by the Government and the balance $10.7 million being AFL's contribution as a Government Owned entity.

Rotuma is around 600 km isolated from mainland Fiji. It is closer to Tuvalu than to Fiji. This isolation provides challenges of transporting people by air and sea; and restricts trade and economy. After successfully resealing of the runway, bigger aircraft such as the ATR 72s will be able to fly into Rotuma. The distance of 600 km that appears 60,000 km at present will appear 60 km after the upgrades.

Similar isolation challenges are faced in other outer island airports. We plan to develop most of the outer island airports within the next 7 years.

Such infrastructure developments have no business case for AFL. They are undertaken under the Government's vision of inclusiveness and long term approach for the entire nation.

We have also engaged consultants for the development of Matei runway to accommodate larger ATRs. Land acquisition is on the critical path. Runway lights for night landing in Labasa are also being done in the next year.

Currently AFL is highly subsidizing aircraft operations at these outer island airports as part of our social responsibility. However, the domestic fees and charges are due for a review from the beginning of 2018 to have some measure of equity as between the airlines and AFL.

End to End Passenger Experience

With the successful infrastructure upgrades and improvement in capacity of our people our ultimate objective is to improve and enhance end to end passenger experience. This will be achieved on land-side through terminal upgrades, improvement in facilities and processing times. In airside this will be achieved through increasing capacity and on-time-performances.

The ease with which passengers will check-in and board their flights allows them to enjoy our duty free shopping and other facilities with free wifi etc.

The ease with which passengers clear immigration and border control upon their arrival will ensure that our tourists get to their resorts early and enjoy their holidays.

Our airports are the first and last impression of Fiji for people traveling to our shores. We are making their experience a memorable one so that they come back.

However, with so many stakeholders operating our airports – AFL, the ground handler ATS, airlines, Customs, Immigration, Aviation Security, Biosecurity, Health, Police - it is critical that we collaborate. Finger pointing has never achieved anything and we need to move away from blame game to working collaboratively together to identify problems and finding solutions. Thus a Collaborative Operations Group (COG) has been set-up for this very purpose.

In 2016 we notably became the first airport in the South Pacific to achieve carbon accreditation certificate from ACI for our efforts to conserve energy in the pursuit of saving the climate. This goes in line with our Prime Minister's presidency of COP 23 and the fight against climate change.

More is covered in the operations review.

Safety and Security

Safety and security are paramount pillars of AFL. They are the number 1 priorities. Air traffic controllers, security officers, fire fighters, airside officers and safety officers must meet ICAO standards and be issued with ASOL licenses by CAAF. Through technological advancements in aviation safety, airfield maintenance and upgrades in a couple of years' time we will have facilities comparable to any developed nation in the world.

Our training academy not only supports AFL staff but caters for students from our Pacific neighbours - from Vanuatu, Tuvalu, Kiribati, Wallis and Futuna, New Caledonia, Tonga, Samoa, Solomon Islands, Nauru, Cook Islands and Niue. The training is provided at a fraction of what it costs elsewhere. For the countries whose upper airspace we manage we are providing more training at even cheaper costs.

More details are covered in the operations review.

With Gratitude

I would like to thank our Minister, the Attorney General and Minister for Public Enterprises. Our Minister is intimately involved with all things AFL. He has been driving and supporting NATMP, Rotuma, Nausori, Vanua Levu and other projects in the Fijian aviation industry. We thank you for your guidance and support.

I would also like to thank director Xavier Riyaz Khan for his invaluable contributions to the Board until his resignation in early 2017. To my fellow directors Geoffrey Shaw, Ratu Wiliame Katonivere and Xavier Riyaz Khan (for the entire 2016) your relentless efforts during challenging times of undertaking difficult projects and delivering them successfully are an inspiration to all at AFL. Your persistence, critique, agreements or disagreements were essential in our major achievements and milestones throughout the year. You are ever ready to contribute, in addition to the monthly Board meetings. Thank you.

I thank the brutally good staff of AFL who have contributed immensely to our successes in 2016. We work persistently hard 365 days of the year.

There are 4 times we celebrate our achievements:

1. When we notably achieve an improvement in service delivery to our stakeholders;
2. When we successfully complete infrastructure upgrades - big or small;
3. When we reward your performances and;
4. When we achieve our shareholder Government's objectives.

Our staff are excelling in all departments. With continuous improvement and growth we are headed for excellence.

Our management motto of "Team work and delivery through effective communication and understanding of roles" is now superseded by "Understanding priorities - critical thinking".

What we learn does not get replaced but we continually look at ways to build upon it. These achievements would not be possible without your immense efforts and teamwork.

Thank you all!

Faiz Khan
Executive Chairman

Operations Review

The Attorney General and Minister for Public Enterprises Honourable Aiyaz Sayed-Khaiyum after announcing the staff bonus pay in December 2016.

Our People

We value our people.

Five of our staff took on managerial roles during the year, a show of confidence in the growth of our people. With that we also ensured capacity building and succession planning was taking place consistently. The role of HR was being transformed from a traditionally administrative one to a more strategic and dynamic component of our business.

2016 saw the introduction of the Health and Wellness initiative to encourage our staff to take part in any form of physical activity. This is one of the initiatives taken to ensure that while work is important it is also vital to look after our wellbeing.

We had two large groups of recruitments for Air Traffic Controllers and Aeronautical Technical Officers amongst other recruitments. We proudly say that we are blind when it comes to gender and other biased issues. AFL is an equal opportunity employer and an employer of choice. At AFL, staff get a range of incentives and performance based initiatives to drive our staff towards excellence.

Our new motto for management is "Understanding priorities - critical thinking". We embrace whatever we learnt in the past and grow.

Commercial & Operational Support

The Nadi Airport terminal upgrades were undertaken to enhance traveller experience by providing seamless processing in arrivals and departures. The upgrades are part of AFL's strategic plans to continuously improve end to end passenger experience and to make your facilities and processes world class.

Nadi International Airport is the first and last impression of the country. Passengers getting off the aircraft are welcomed by the sweet melody of the local boys from Sabeto village singing to the tunes of the *ukulele*.

If you have travelled to Fiji prior to the upgrades you will be pleasantly surprised at the total transformation. All of the spaces have become larger creating a sense of openness and happiness. You will find a bigger immigration holding area with more immigration counters. Passengers can now connect to the free wifi on arrival.

Whilst waiting for your bags in our newly upgraded and spacious baggage hall passengers can enjoy their duty free shopping at Tappoos and Prouds or exchange currencies at Westpac.

Another unique airport experience is our staff on the ground who will assist you in lifting your bags off your trolleys and putting them on the security screens. We are perhaps the only country in the world that provides this service, a truly warm Fijian welcome.

The introduction of our rental car outlets in a conveniently central location outside arrivals came online in January. You now have options to choose from our international brands like AVIS, Budget, Europcars, Hertz Rentals and from our local companies Bula Car Rentals, Satellite Rentals and Carpenters Rentals.

Vodafone and Digicel provide options for sims and data for those who want to remain connected. For a quick coffee or convenience items Cuppabula is the place to go. Our arrivals concourse area features our inbound tour operators such as ATS Pacific/ TTF, Rosie Holidays, Pacific Destinationz, Tour Managers, South Sea Cruises, Musket Cove and Fiji Airways for all your travel needs.

All of these improvements and better processing through stakeholder collaboration are designed to give passengers seamless entry into Fiji.

When departing our shores passengers will experience our brand new departures passenger drop off area with two lanes. The brand new high ceiling modern departures terminal with additional counters for faster passenger processing was opened in August. This was a milestone achievement in the NATMP.

Another add on feature in the departures terminal is our self-check-in kiosks which will be introduced later in 2017. After the check in process the Fiji Market is available for any last minute souvenirs. Kokonui and Burger King will soon provide options for food and beverage on landside. It will be an ideal place to see off your friends or visitors over coffee or a quick meal. Free wifi is also available in our departures terminal.

Faster processing times at departures security screening and immigration, give passengers more time to spend shopping at our world renowned duty free outlets Tappoos and Prouds. There are also specialty shops such as Rip Curl, WH Smith, Jewellery Galleria and Nike.

We now have a non-denominational prayer room and a smoking lounge to meet the modern travellers' wishes and a dedicated kid's play area for those with little ones.

Air New Zealand's stylish and elegant VIP lounge has set a new standard for its Koru Club at Nadi Airport. Fiji Airways is carrying out fit outs for their VIP lounge expected to open in 2017.

The Bula Bar Bistro/ Gloria Jeans and Burger King are available in our departures lounge for those wishing to have a meal or beverage before boarding your flight.

Improvements in passenger throughput are being realized at the new arrivals and departures immigration area.

The upgrades have enabled us to have additional passenger processing lines. This together with our investment in technological advancements has resulted in passengers spending less time in queues.

The Nadi International Airport terminal upgrade has been done with one focus in mind – Enhancing our Passenger Experience.

Enhancing Air Safety

Safety is our top priority.

Air Traffic control is the single coordination point for all air to ground operations. As part of the Automatic Dependent Surveillance – Bravo (ADS-B) roll out progression, AFL has in place air situation displays for enhancing performance of our air traffic controllers. The air situational displays for aerodrome and approach was made available to our controllers in 2014/2015 whereas for domestic air space it was made available in 2016.

Implementation of the ADS-B will transition us from air traffic controllers to air traffic enablers. Full ADS-B training for air traffic controllers rolls out in 2018 with works undertaken now to prepare our controllers for simulator training.

On-going improvements to the modern air traffic management tools combined with the fully implemented ADS-B system will ensure more efficient air traffic management and conflict detection. The overarching objective is improvement in safety.

We have a Safety Data Coordinator to build a safety database. The Coordinator continually reviews our Safety Performance Targets under our Safety Management System for all departments.

A significant achievement is our continuous certification by the Civil Aviation Authority of Fiji (CAAF) for our 15 aerodromes. These certifications were the Air Traffic Service Provider (ATSP), the Aviation Maintenance Organization (AMO), the Aeronautical Information Service Provider (AISP) and the Aviation Training Institute (ATI).

AFL's fire tenders are also being replaced over the next 5 years.

AFL is committed to serving all stakeholders in the coming year with continuous improvements to safety standards.

Aerial view of the Kadavu runway.

Security

Security is of paramount importance to the aviation industry.

Our aviation security continues to play an integral role in safeguarding operations at our airports.

Significant investments in acquiring brand new security equipment has been carried out as part of the NATMP which include brand new x-ray machines, walk through metal detectors and hand held metal detectors.

Six new dual view x-ray machines were implemented as part of the airport upgrades. These modern machines enable detailed passenger screening with clearer images. The screens are able to identify threats and at the same time enhance passenger screening.

Four lines for security screening in our brand new departures immigration area provide a seamless flow for our passengers. It has increased the throughput to approximately a thousand passengers per hour compared to 600 per hour in the old terminal.

Other technological advancements such as smart CCTV cameras have been rolled out throughout the airport terminals.

While the process is seamless our security checks are being enhanced through these modern facilities.

Environmental Management

Nadi International Airport has become the first airport in the South Pacific to receive Level 1 Airport Carbon Accreditation by the Airports Council International (ACI) and International Civil Aviation Organization (ICAO).

This achievement has put Nadi International Airport on the global map. A significant milestone for our country as our Prime Minister heads the COP23 to fight Climate Change.

Our Environment Officer, Triza Deeptimala represented us in Doha, Qatar to proudly collect the certificate during the ACI -Asia Pacific Regional Assembly in April 2017.

Air Navigation Services

ICAO is leading a worldwide drive to update the aviation system with new technologies and to move towards an integrated and interoperable global air navigation system.

We are modernizing the airspace and air navigation systems to improve the efficiency of air traffic movements, allow more accurate navigation, reduce reliance on ground based systems, improve communications and to increase availability of information for effective decision making.

In this regard AFL has prepared a Fiji Air Navigation Service Plan (FANSP) to provide clear direction on the safe, cohesive, efficient and collaborative management of our airspace and air navigation system over the next decade. This will result in reducing operating costs and improving aviation safety.

In 2016 we embarked on projects to enhance the Air Traffic Management Centre (ATMC) Voice Communication System and the VHF Radio, the Voice over IP (VOIP) technology, the performance based communication surveillance monitoring system (PBCS) and the Nadi and Nausori ILS/DME system. All of these are significant investments in our infrastructure. These major projects will be carried out in 2017 and 2018.

Our goal is to implement surveillance control commencing in 2018. The system improvements and adaptations were conducted by ADACEL, our supplier of the ATM Aurora system. Another achievement in 2016 was the successful adoption of the reduced contract rate of ADS-C equipped aircraft from 24 minutes to 14 minutes. This is highly beneficial for the current ADS equipped aircraft operating within the Nadi Flight Information Region (FIR) and for the future implementation of surveillance.

The Aviation Training Institute continues to support capacity building. In addition the institute conducted Aeronautical Station Operators Licence (ASOL) courses for Fiji Airways and Air Terminal Services. The institute continues to attract regional countries and in 2016 conducted courses for air traffic personnel from our neighbouring Pacific Island countries.

Triza Deeptimala receiving the Airport Carbon Accreditation certificate on behalf of AFL in Doha, Qatar.

Airports

Nadi Airport

The challenges provided by the Nadi International Airport upgrades meant working closely and collaborating with our airport stakeholders. This led to the formation of an Operational Forum to ensure airport operators were maintaining service delivery to our passengers. In 2017 this progressed into a more focused Collaborative Operations Group (COG).

On customer service, guest relations officer Manasa Malani was named the Fijian Host of the Year 2016. Manasa works with other AFL staff to enhance customer experience.

This is the third time that AFL has received the Fijian Host of the Year award.

Nausori Airport

Nausori became the Post Cyclone Winston DISMAC hub with Australian and New Zealand military personnel setting up camp at the Pyrmont and Northern Air hangars.

Over 150 personnel were lodged at the two facilities assisting in the delivery of emergency supplies to remote islands around the country.

Nausori accommodated military aircraft such as the C130 Hercules and the first ever operation of the C17 Globemaster which frequented the airport with emergency supplies. These rations were then taken by military helicopters to some of the most severely affected areas.

Outer Stations

AFL's outer stations are scattered around Fiji from the furthest to the North in Rotuma to the furthest in the South in Ono-i-Lau. Other airports in Lau include Moala, Lakeba, Cicia and Vanua Balavu. In Vanua Levu we have Labasa, Savusavu, Matei along with airports in Koro, Gau, Bureta and Kadavu.

Koro and Vanua Balavu terminals were re-built following significant damages during TC Winston. The two airports now have brand new facilities with future upgrades and refurbishment plans for the other 11 outer island stations over the next 7 years

Rotuma

Our Rotuma Airport is located near Else'e village in the district of Malhaha with a total of 4 staff looking after the operations on the island.

The biggest news for the people of Rotuma is the runway extension. The project is being carried out after decades of waiting. It will improve the frequency and capacity of flights which are currently restricted to weather conditions and 5 seats on the load limited Twin Otter aircraft.

The runway extension will allow Fiji Link to fly its larger ATR 72 aircraft into Rotuma which will mean greater frequency and more seats. The opportunities for development and economic growth for Rotuma will be enormous. This project has been made possible through the vision of our government.

The Rotuma Runway Extension project has been awarded to China Railway No.5 Engineering Group. The company has provided employment opportunities for the people on the island.

Rotuma is 600km from Nadi and this will be another challenging project for AFL considering the isolation from the mainland.

We are optimistic that the residents of Rotuma will witness an ATR touchdown in 2018.

The C17 Globemaster aircraft at Nausori International Airport delivering emergency relief supplies.

Labasa

There has been a surge in the number of flights to Labasa with Fiji Link's three ATR flights and Northern Air's two Bandeirante flights on a daily basis.

We envisage a refurbishment plan to be implemented that will improve the overall look of the Labasa Terminal whilst improving passenger comfort.

Matei

Our plans are to upgrade the Matei runway in Taveuni so that the airport can handle ATR aircraft. This major runway upgrade will provide greater connectivity for the people of Taveuni and for tourists who frequent the garden island.

Savusavu and Vanua Levu

The geography of the area that surrounds Savusavu Airport is its greatest limitation with regards to introducing bigger size aircraft to the town.

The Government's vision is to construct a major Airport in the North to support tourism stakeholders in Savusavu and elsewhere. AFL in working in partnership with Fiji Link has identified two possible sites and given to the Government for consideration.

Savusavu continues to provide the Twin Otter and Islander with a safe operating environment.


An aerial view of the Savusavu runway.


Our Koro and Vanua Balavu terminals were rebuilt after being significantly damaged by TC Winston.

Rotuma Runway Extension project ground breaking ceremony.

AFL Executive Chairman Faiz Khan and the 7 District Chiefs of Rotuma laying the foundation.

Our staff in Rotuma.

The contingent were accorded a traditional Mamasa ceremony.

Team AFL with the 7 District Chiefs after laying the foundation to mark the ground breaking ceremony.

Key Statistics - Passenger and Aircraft Statistics

Year	2012	2013	2014	2015	2016
Passenger Movements					
International Arrivals	816,022	829,285	844,366	913,620	939,275
International Departures	776,489	839,858	843,117	913,586	949,650
Transits & Transfers	48,918	59,678	87,756	80,105	103,691
Total Int'l Passengers	**1,641,429**	**1,728,821**	**1,775,239**	**1,907,311**	**1,992,616**
Domestic Arrivals	220,243	282,381	292,734	326,668	355,742
Domestic Departures	218,015	283,787	291,409	326,104	349,146
Total Domestic Passengers	**438,258**	**566,168**	**584,143**	**652,772**	**704,888**
Total Passenger Movements	**2,079,687**	**2,294,989**	**2,359,382**	**2,560,083**	**2,697,504**
Growth % on Total Pax	-3.9%	10.4%	2.8%	8.5%	5.4%
Growth % on International Pax	1.4%	5.3%	2.7%	7.4%	4.5%
Aircraft Movements					
Int'l aircraft Landing	10,999	11,352	12,522	13,847	14,908
	2.8%	3.2%	10.3%	10.6%	7.7%
Domestic aircraft Landing	32,238	32,018	36,578	39,733	47,099
	-8.9%	-0.7%	14.2%	8.6%	18.5%
Other	35,172	35,010	42,591	35,599	35,500
	35.8%	-0.5%	21.7%	-16.4%	-0.3%
Total aircraft landings	**78,409**	**78,380**	**91,691**	**89,179**	**97,507**
Growth%	8.9%	0.0%	17.0%	-2.7%	9.3%
MCTOW (Maximum Certified Take-Off Weight)					
International MCTOW	672,584	678,524	680,251	734,417	802,990
	-2%	1%	0%	8%	9%
Domestic MCTOW (Nadi/ Nausori)	136,544	148,027	152,361	154,987	169,884
	-8%	8%	3%	2%	10%
Regional Airport MCTOW	37,321	45,126	43,097	50,899	50,323
	-12%	21%	-4%	18%	-1%
Total MCTOW	**846,449**	**871,677**	**875,709**	**940,303**	**1,023,197**
Growth%	-3.7%	3.0%	0.5%	7.4%	8.8%
Air Navigation Service Units					
Air Navigation Service Units	2,984,252	3,155,313	3,192,107	3,488,516	3,808,559
Growth%	2.8%	5.7%	1.2%	9.3%	9.2%

Total Passenger Movement

Total International Passengers

Total Domestics Passengers

Total Aircraft Movement (Tonnage)

International Aircraft Movement (Tonnage)

Domestic Aircraft Movement (Tonnage)

Corporate Governance

Our staff in their new corporate uniforms at the brand new Departures Terminal at Nadi International Airport.

Board of Directors

Faiz Khan
Executive Chairman

Geoffrey Shaw
Director

Ratu Wiliame Katonivere
Director

Management Team

Faiz Khan
Executive Chairman

Isei Tudreu
General Manager Air Traffic Management & Operations

Sanjana Mishra
Senior Financial Accountant / Board Secretary

Renny Anand
Manager Human Resources

Waqa Taukei
Manager Electrical & Mechanical Services

Semi Banuve
Acting Manager Aviation Rescue Fire Fighting Services

Josaia Lacanikaibau
Manager Airport Security Services

Apenisa Nagatalevu
Manager Airside Operations

Vincent Kumar
Manager Nausori Airport

Vula Seru
Manager Outer Stations

Joe Gray
Manager Airport Landside Operations & Customer Services

Sunia Korosigasiga
Manager Safety & Risk Management

Ivan Wong
ATM Co-Head of Operations

Amit Singh
ATM Co-Head of Operations (Support)

Kelepi Dainaki
Manager Air Navigation Engineering Services

Dhanjay Kumar
Manager Fleet Services

Ashveen Nandan
Manager Information & Communications Technology

Shalend Kumar
Manager Commercial

Rohit Prasad
Senior Management Accountant

Shameer Khan
Operations Co-ordinator Building & Civil Works

Corporate Governance Practices

Role of the Board

The Board is responsible for charting the Company's strategic direction, setting objectives for infrastructure upgrades, developing a fair framework for human resources, setting clear goals and mechanisms to monitor performance.

Amongst its responsibilities, the Board also reviews the yearly business plan, corporate plan, operating and capital budgets and non-budgeted capital expenditure.

Many of the plans implemented over the last couple of years have seen a remarkable turnaround in profits, cash flows and capital project deliveries.

Composition of the Board

As at 31st December 2016 the Board is compromised of the Executive Chairman Faiz Khan and three non-executive independent directors: Mr Geoffrey Shaw, Mr Xavier Riyaz Khan and Ratu Wiliame Katonivere. The Ministry for Public Enterprises appoints the directors. Under the articles of AFL the maximum number of directors are seven unless otherwise specified by the Ministry of Public Enterprise.

The Executive Chairman in his role continues to exercise his powers through checks and balances as a CEO would. For example, he has a limit of budgeted expenditure of $100,000 like most CEOs of companies this size, he sits on the management side and seeks critiquing comments from other independent directors during Board deliberations, he reports and keeps the independent Board of directors informed of all major and strategic matters, he held 9 Board meetings last year, etc.

Directors Code of Conduct

The establishment of a Corporate Code of Conduct and Ethics is designed to promote honest and ethical conduct, including ethical handling of conflicts of interest; full, fair, accurate, timely and understandable disclosure in the Company's periodic reports, and compliance with applicable Governmental rules and regulations. The Board periodically reviews and assesses the adequacy of the Code of Ethics and implements any modification as necessary.

Duties of Directors

The role of the Directors is defined in sections 32 and 57 of the Public Enterprise Act. The key responsibility of the directors is provided under section 43 that states:

• The principal objective of every Government Commercial Company (GCC) is to operate as a successful business, and to this end, to be as profitable and efficient as comparable businesses that are not owned by the state.

The principal objective of every GCC is to be achieved through the application of the key principles of public enterprise reforms.

The Board of Directors is also bound by section 6.13 of the Articles of the Company, and the individual terms of their respective contract letters.

Our brand new Departures passenger drop off area at Nadi International Airport.

Statutory Duties of the Board

In addition, the Board of Directors of AFL, collectively and individually, has agreed on the fulfillment of the following duties towards the Company:

- To exercise the care and diligence of a reasonable person;
- To exercise their power and discharge their duties in good faith and for a proper purpose;
- To refrain from improper use of their position for personal gain, and
- To refrain from making use of inside information for personal gain.

Fiduciary Duties of Directors

The Directors of AFL also owe the following fiduciary duties to the Company. These fiduciary duties form the Code of Ethics of AFL.

A fiduciary relationship imposes an obligation of utmost good faith on the directors by putting the interests of the Company first, and the AFL Directors have pledged to uphold this principle at all times.

The fiduciary duties of the directors have the following four dimensions:

- To act in good faith in the best interests of the company;
- To exercise powers for a proper purpose;
- To retain discretion,
- To avoid conflict of interest.

Board Meetings

The Board held 9 regular meetings during the financial year ended 31 December 2016. The regular business of the Board during its meetings covers corporate governance, financial performance and risk management, business investments and strategic matters.

Director's Remuneration

As per section 5.6 of the Company's Articles of Association, the Minister for Public Enterprise retains the ultimate authority to determine the remuneration and benefits given to the directors of the Company.

A total fee of $48,053 was paid to the directors for their services during the year in accordance with the remuneration and benefits determined by the Minister of Public Enterprise.

A further sum of $15,777 was paid for other expenses, mainly for travel and accommodation that were incurred during the course of their duties. Directors were also covered under the Directors and Officers Insurance Policy.

The NATMP provided many unknowns and latent conditions.

During the construction of the new Air NZ VIP Lounge.

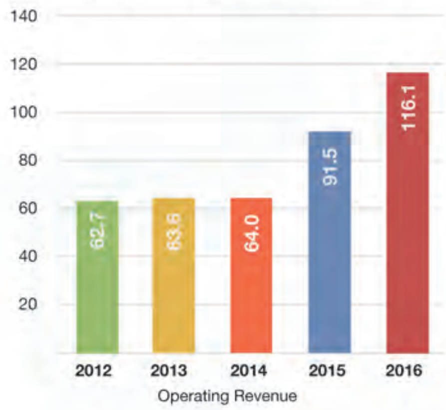
Key Performantce Indicators

Year	2012	2013	2014	2015	2016
Operating Revenue ($m)	62.7	63.6	64.0	91.5	116.1
Operating Expenses (Including depreciation) ($m)	48.4	47.7	46.3	45.9	50.8
EBIT ($m)	14.3	15.9	17.6	45.7	65.3
Cash from Operations ($m)	19.4	20.0	26.7	42.8	68.5
Return on Assets (%)	5.7	6.5	7.1	9.9	16.4
Return on Equity (%)	7.3	7.7	8.5	13.7	24.4
Debt/Equity ratio (%)	4.9	0.9	4.1	25.3	31.6
Current Ratio (Times)	2.3	5.3	3.9	6.4	4.2
Interest Cover (Times)	30.9	226.4	1326.2	72.9	48.3
Total Int'l Passengers (million)	1.7	1.7	1.8	1.9	2.0
Capital Investment ($m)	5.8	7.5	8.4	66.6	46.8
Dividends ($m)	5.0	5.0	10.0	15.0	30.0

Financial Trend Analysis to December 2016

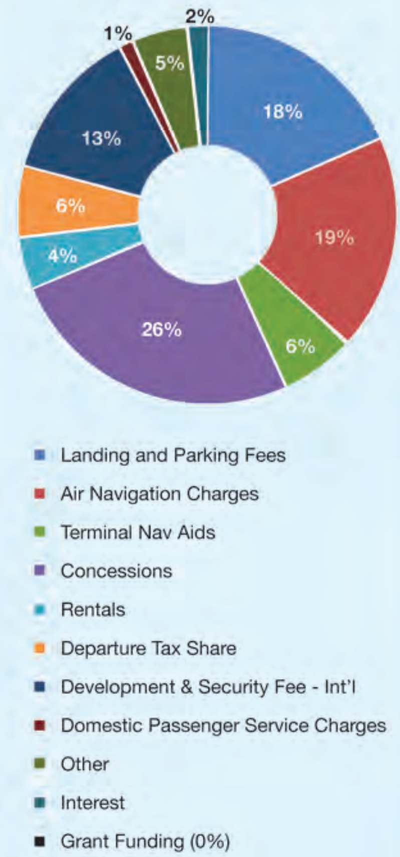
Year	2012 $m	2013 $m	2014 $m	2015 $m	2016 $m
INCOME STATEMENT					
Total Revenue	63.0	63.8	64.4	92.6	118.1
Total Expenses excluding Depreciation & Interest	36.1	35.0	33.9	48.5	43.1
Depreciation	12.2	12.7	12.4	11.5	11.4
Interest & Bank Charges	0.5	0.1	0.0	0.6	1.4
Income Tax Expense	2.9	3.1	3.3	6.7	12.7
NPAT	11.3	12.9	14.7	25.1	49.5
Dividends Paid	5.0	5.0	10.0	15.0	30.0
BALANCE SHEET					
Total Assets	196.4	197.4	206.8	253.3	301.9
Total liabilities	41.9	29.8	33.8	70.1	99.2
Net assets/shareholders equity	154.5	167.6	173.1	183.2	202.6
REVENUE					
Landing and Parking Fees	11.9	12.1	11.9	18.2	21.6
Air Navigation Charges	10.3	11.0	11.1	19.2	21.9
Terminal Nav Aids	3.3	3.3	3.3	5.0	7.5
Concessions	12.7	12.4	12.9	18.5	30.1
Rentals	4.3	4.0	4.0	4.2	5.2
Departure Tax Share	6.2	5.8	5.9	6.5	7.2
Development & Security Fee - Int'l	7.3	7.6	7.8	12.6	15.5
Domestic Passenger Service Charge	0.8	1.2	1.2	1.4	1.5
Other	5.5	5.9	5.5	5.7	5.6
Grant Funding	0.4	0.3	0.3	0.2	0.1
Interest	0.3	0.2	0.4	1.0	1.9
Total	**63.0**	**63.8**	**64.4**	**92.6**	**118.1**
EXPENSE					
Salaries	14.1	14.3	14.2	15.5	16.2
Contract Cost	3.3	4.1	4.3	4.6	4.6
Operating Cost	13.3	12.2	11.3	10.3	13.8
Administration cost	5.5	4.3	4.1	4.0	4.8
Depreciation	12.2	12.7	12.4	11.5	11.4
Interest	0.5	0.1	0.0	0.6	1.4
Loss on Disposal of old terminal assets - NATMP - non-cash/non-operational				14.2	3.7
Total	**48.8**	**47.8**	**46.3**	**60.7**	**55.9**

Operating Revenue (FJ$, mil)

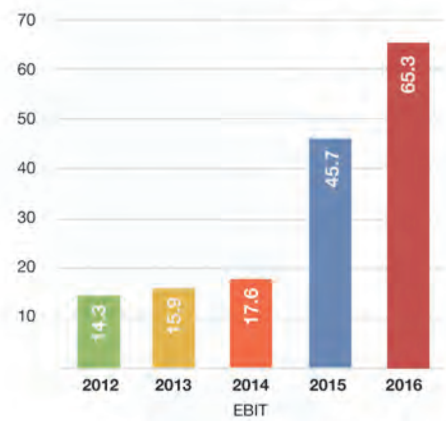


Operating Expenses (FJ$, mil)

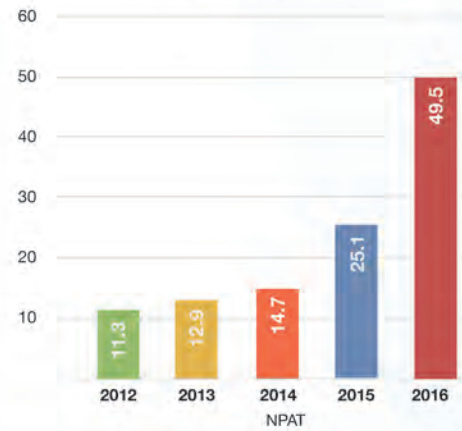
2016 Revenue Composition



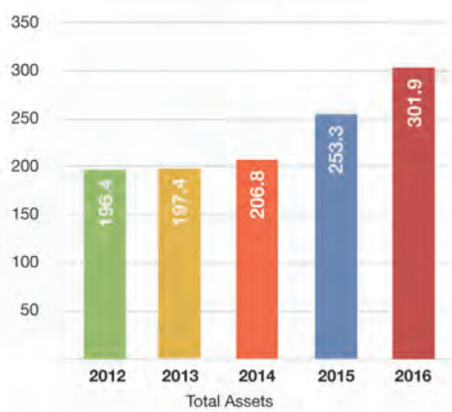
EBIT (FJ$, mil)



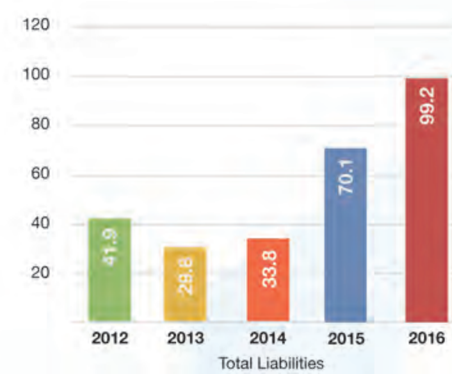
NPAT (FJ$, mil)



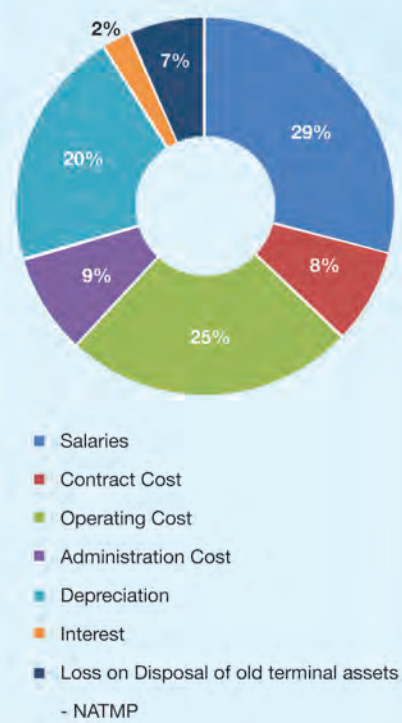
Assets (FJ$, mil)



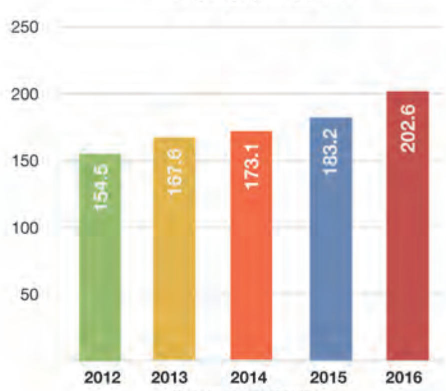
Liabilities (FJ$, mil)



2016 Expense Composition



Equity (FJ$, mil)




AIRPORTS FIJI
LIMITED


DQ-FJG
BOEING 737-800
FLIGHT CATERING
FIJI

Financial Statements
For the Year Ended 31 December 2016

Our brand new departures passenger drop off area at Nadi International Airport.

Contents

Director's Report

For the Year Ended 31 December 2016

In accordance with a resolution of the Board of Directors, the Directors herewith submit the statement of financial position of Airports Fiji Limited ("the Company") as at 31 December 2016 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and report as follows:

Directors

The Directors of the Company in office during the year and up to the date of this report were:
Mr. Faiz Khan (Executive Chairman)
Mr. Xavier Riyaz Khan
Mr. Geoffrey N. Shaw
Ratu Wiliame Katonivere

State of Affairs

In the opinion of the Directors, the accompanying statement of financial position gives a true and fair view of the state of affairs of the Company as at 31 December 2016 and the accompanying statement of profit or loss other comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results of the Company for the year then ended.

Principal Activity

The principal activities of the Company during the financial year included provision of air navigation services, the operation and management of the Nadi International Airport and other airports throughout Fiji.

Trading Results

The net profit of the Company for the year was $49,466,323 (2015: $25,113,802) after taking into account an income tax expense of $12,691,421 (2015: $6,719,800).

Dividend

During the year, the Directors declared and paid dividends of $0.3250 per share amounting to $30,000,000 (2015: $0.1625 per share amounting to $15,000,000).

Current Assets

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

At the date of this report, the Directors are not aware of any circumstances which would render the values attributable to the current assets in the financial statements to be misleading.

Going Concern

The Directors consider the Company to be a going concern. The Directors believe that the basis of preparation of the financial statement is appropriate and the Company will be able to continue in operation for at least 12 months from the date of this report.

Director's Report (continued)

For the Year Ended 31 December 2016

Receivables

The Directors took reasonable steps before the financial statements were made out to ascertain that all known bad debts were written off and adequate allowance was made for impairment losses.

At the date of this report, the Directors are not aware of any circumstances which would render the above assessment inadequate to any substantial extent.

Related Party Transactions

All related party transactions have been adequately recorded in the financial statements.

Other Circumstances

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amounts stated in the accounts to be misleading.

Unusual Circumstances

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

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of the 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 Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Dated at Nadi this 5th day of May 2017.

Signed in accordance with a resolution of the Board of Directors.

Director

Director

Statement by Directors

For the Year Ended 31 December 2016

In the opinion of the Directors of Airports Fiji Limited:

(a) the accompanying statement of profit or loss and other comprehensive income of the Company is drawn up so as to give a true and fair view of the results of the Company for the year ended 31 December 2016;

(b) the accompanying statement of changes in equity of the Company is drawn up so as to give a true and fair view of the changes in equity of the Company for the year ended 31 December 2016;

(c) the accompanying statement of financial position of the Company is drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2016;

(d) the accompanying statement of cash flows of the Company is drawn up so as to give a true and fair view of the cash flows of the Company for the year ended 31 December 2016;

(e) all related party transactions have been adequately recorded in the books of the Company;

(f) at the date of this statement, there are reasonable grounds to believe the Company will be able to pay its debts as and when they fall due; and

(g) the financial statements have been prepared in accordance with the Companies Act 2015.

Dated at Nadi this 5th day of May 2017.

Signed in accordance with a resolution of the Board of Directors.

Director

Director

Independent Auditor's Report

For the Year Ended 31 December 2016

REPUBLIC OF FIJI
OFFICE OF THE AUDITOR GENERAL

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Excellence in Public Sector Auditing

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of Airports Fiji Limited, which comprise the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of Airports Fiji Limited as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Responsibilities of the Management and Directors for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, Companies Act, 2015 and the Public Enterprise Act, 1996 and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

b) the accompanying financial statements:

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

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

Ajay Nand
AUDITOR GENERAL

Suva, Fiji
10 May, 2017

Statement of Profit or Loss and other Comprehensive Income

For the Year Ended 31 December 2016

	Notes	2016 $	2015 $
Revenue	4 (a)	111,216,194	86,249,220
Other income	4 (b)	4,907,329	5,279,125
Other expenses	5	(20,474,312)	(19,700,202)
Operating expenses	6	(14,174,228)	(10,705,752)
Personnel expenses	7	(16,195,860)	(15,476,617)
Operating profit		**65,279,123**	**45,645,774**
Loss on demolition of old terminal assets due to Nadi Airport Terminal Modernization Project	15	(3,702,157)	(14,210,651)
Finance income	8 (a)	1,931,088	1,024,326
Finance costs	8 (b)	(1,350,310)	(625,847)
Profit before income tax		**62,157,744**	**31,833,602**
Income tax expense	9 (a)	(12,691,421)	(6,719,800)
Profit for the year		**49,466,323**	**25,113,802**
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		**49,466,323**	**25,113,802**

The notes on pages 37 to 63 are an integral part of these financial statements.

Statement of Changes in Equity

For the Year Ended 31 December 2016

	Share Capital	Capital Contribution	Retained Earnings	Total
	$	$	$	$
Balance at 1 January 2015	92,300,180	4,941,361	75,816,931	173,058,472
Total comprehensive income for the year				
Profit for the year	-	-	25,113,802	25,113,802
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	25,113,802	25,113,802
Transactions with owners of the Company				
Dividends declared and paid	-	-	(15,000,000)	(15,000,000)
Total transactions with owners recognised directly in equity	-	-	(15,000,000)	(15,000,000)
Balance at 31 December 2015	**92,300,180**	**4,941,361**	**85,930,733**	**183,172,274**
Balance at 1 January 2016	92,300,180	4,941,361	85,930,733	183,172,274
Total comprehensive income for the year				
Profit for the year	-	-	49,466,323	49,466,323
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	49,466,323	49,466,323
Transactions with owners of the Company				
Dividends declared and paid	-	-	(30,000,000)	(30,000,000)
Capital contribution (refer Note 25(d) and note 2(a))	-	10,140	-	10,140
Total transactions with owners recognised directly in equity	-	10,140	(30,000,000)	(29,989,860)
Balance at 31 December 2016	**92,300,180**	**4,951,501**	**105,397,056**	**202,648,737**

The notes on pages 37 to 63 are an integral part of these financial statements..

Statement of Financial Position

As at 31 December 2016

	Notes	2016 $	2015 $
Current assets			
Cash on hand and at bank	10	16,345,000	17,997,002
Trade receivables	11	13,516,678	12,697,168
Inventories	12	758,282	658,832
Other receivables and prepayments	13	4,456,864	2,439,101
Term deposits	14	57,700,246	42,161,600
Total current assets		**92,777,070**	**75,953,703**
Non-current assets			
Property, plant and equipment	15	200,384,246	168,381,765
Investment property	16	8,709,302	8,969,645
Total non-current assets		**209,093,548**	**177,351,410**
Total assets		**301,870,618**	**253,305,113**
Current liabilities			
Bank overdraft	10	1,744,399	3,869,201
Trade and other payables	17	9,755,310	6,063,776
Loans and borrowings	18	3,384,505	-
Employee benefits	19	756,061	777,462
Deferred income	20	669,422	669,422
Government grants	21	-	133,333
Current tax liability	9 (d)	5,999,480	314,832
Total current liabilities		**22,309,177**	**11,828,026**
Non-current liabilities			
Loans and borrowings	18	62,352,370	42,495,659
Deferred income	20	11,212,372	11,881,794
Deferred tax liability	9 (c)	3,347,962	3,927,360
Total non-current liabilities		**76,912,704**	**58,304,813**
Total Liabilities		**99,221,881**	**70,132,839**
Net assets		**202,648,737**	**183,172,274**
Shareholder's equity			
Share capital	22 (b)	92,300,180	92,300,180
Retained earnings		105,397,056	85,930,733
Capital contribution	2 (a)	4,951,501	4,941,361
Total shareholder's equity		**202,648,737**	**183,172,274**

Signed for and on behalf of the Board of Directors.

Director

Director

The notes on pages 37 to 63 are an integral part of these financial statements.

Statement of Cash Flows

For the Year Ended 31 December 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Profit for the year		49,466,323	25,113,802
Adjustments			
Depreciation	5	11,436,058	11,538,560
Deferred income and government grants	4(b)	(802,755)	(913,866)
Net exchange gain		-	(111)
Loss on demolition of property, plant and equipment		3,702,157	14,077,347
Amortised financing cost	18	79,449	79,449
Income tax expense	9(a)	12,691,421	6,719,800
Interest expense	8(b)	1,270,861	546,398
		77,843,514	**57,161,379**
Adjustments to changes in working capital			
Increase in trade receivables		(819,510)	(4,399,124)
Increase in other receivables and prepayments		(2,017,763)	(23,274)
Increase in inventories		(99,450)	(77,980)
Increase / (decrease) in trade and other payables		3,691,688	(729,189)
(Decrease) / increase in employee benefits		(21,401)	74,924
Finance income classified as investing activities		(1,172,730)	(562,413)
Cash generated from operating activities		77,404,348	51,444,323
Income tax refunds received	9 (d)	-	194,538
Income tax and interest WHT paid	9 (d)	(7,586,171)	(8,287,505)
Interest paid		(1,270,861)	(546,398)
Net cash from operating activities		**68,547,316**	**42,804,958**
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		-	164,478
Investment in term deposits		(15,538,646)	(20,799,990)
Acquisition of plant and equipment		(46,880,507)	(6,335,860)
Interest received on term deposits		1,172,730	562,413
Net cash used in investing activities		**(61,246,423)**	**(26,408,959)**
Cash flow from financing activities			
Proceeds from borrowings		23,161,767	-
Repayment of loans and borrowings		-	(658,404)
Receipt of government grants		10,140	-
Dividends paid		(30,000,000)	(15,000,000)
Net cash used in financing activities		**(6,828,093)**	**(15,658,404)**
Net increase in cash and cash equivalents		472,800	737,595
Cash and cash equivalents at the beginning of the year		14,127,801	13,390,206
Cash and cash equivalents at end of year	10	**14,600,601**	**14,127,801**
Material non-cash investing activity	29		

The notes on pages 37 to 63 are an integral part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2016

1 Reporting Entity

Airports Fiji Limited (the "Company") is a private Company domiciled in the Republic of Fiji. The registered office is located at AFL Compound, Nadi Airport, Republic of Fiji.

The principal activities of the Company during the financial year included provision of air navigation services, the operation and management of the Nadi International Airport and other airports throughout Fiji.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and the Companies Act 2015 except as stated below.

Accounting for Government Grants

During the year ended 31 December 2012 the Company changed its accounting policy for government grants, including restatement of prior periods, to comply with a circular that was issued by the Ministry of Public Enterprises & Tourism on 14 March 2013. This circular cited Cabinet decision No.357 of 2012 that required all government grants or special funding to state owned enterprises received from 2010 to be treated as a capital contribution.

This accounting treatment is not in compliance with International Accounting Standard (IAS) 20 *Accounting for Government Grants and Disclosure of Government Assistance* which requires government grants provided for the purchase or construction of assets to be recognized initially as deferred income and then recognized in profit or loss as other income on a systematic basis over the useful life of the related asset. Government grants that compensate the Company for expenses incurred are required to be recognized in profit or loss as other income on a systematic basis in the same period that the expenses are recognized.

The non compliance with IAS 20 relates to government grants received after 1 January 2010. The accounting for government grants received prior to 1 January 2010 continues materially to comply with IAS 20.

In March 2016, the Directors were issued with a circular from the Ministry of Public Enterprises & Tourism who confirmed that all Government grants received after 9th March 2016 need to be accounted for in accordance with the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. In the opinion of the Directors, the accounting treatment adopted is appropriate in view of the requirements of the respective circulars cited above and when considering the respective financial impact of the differences to net profit and financial position from applying IAS 20 for all periods. Had the Company complied with IAS 20 the impact would be as follows:

2 Basis of Preparation (continued)

(a) Statement of compliance (continued)

	2016	2015
Statement of comprehensive income	**$**	**$**
	Increase / (decrease)	Increase / (decrease)
Profit	256,002	256,002
Statement of financial position		
Capital contribution	(4,951,501)	(4,941,361)
Retained earnings	1,312,504	1,056,502
Government grants liability	3,638,997	3,884,859

The financial statements were authorised for issue by the Board of Directors on 5th May 2017.

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis.

(c) Functional and presentation currency

The financial statements are presented in Fiji dollars, rounded to the nearest dollar, which is the Company's functional currency.

(d) Use of estimates and judgements

In preparing these financial statements in conformity with IFRS, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have an effect on the amounts recognised in the financial statements is included in the following notes:

- Note 2 (a) - accounting for government grant
- Note 3 (n) - lease classification
- Note 3 (j) - recoverability of trade receivables
- Note 3 (j) - impairment of property, plant and equipment
- Note 3 (m)(ii) - useful life of property, plant and equipment

3 Significant accounting policies

(a) Foreign currency transactions

Transactions in foreign currencies are translated to Fiji dollars at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Fiji dollars at the reporting date and differences are recognised profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

(b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Landing and parking fees, air navigation charges, airport security and development fee, departure tax share, terminal navigation charges, car park charges and passenger service charges are recognised as revenue when the relevant service has been provided.

Rental income and concessions

Rental income and concessions is recognised on a straight line basis over the applicable lease terms. Concession income is recognised on an accrual basis based on the actual or estimated concession data.

(c) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except for items recognised in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

3 Significant accounting policies (continued)

(c) Income tax (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

(d) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are declared by the Board of Directors.

(e) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and bank overdraft and are recognised in profit or loss using the effective interest method.

3 Significant accounting policies (continued)

(f) Investment property

Investment property is measured at cost less accumulated depreciation and impairment.

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

Land	- Term of lease
Buildings and improvements	- Shorter of 40 years and term of land lease

(g) Government grants and deferred income

Government grants in respect of assets that were received before 1 January 2010 are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant, and are then recognised in profit or loss as other income on a systematic basis over the useful life of the related asset. Grants received prior to 1 January 2010 that compensate the Company for expenses incurred were recognised in profit or loss as other income on a systematic basis in the same period that the expenses are recognised.

For all government grants received subsequent to 1 January 2010 the recognition is based on the circular which was distributed by Ministry of Public Enterprises and Tourism on 14 March 2013. As per cabinet decision No. 357 of 2012 all government grants or special funding to state owned enterprises received after 2010 is required to be treated as a capital contribution rather than revenue. All government grants received from 2010 have been recorded as a capital contribution in equity by the Company (Refer note 2 (a)).

Deferred income represents the housing estate transferred from the Civil Aviation Authority of Fiji to AFL by order of the Government. This deferred income is recognised in profit or loss over the useful life of the housing estate.

(h) Value Added Tax

Revenues, 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 value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

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.

3 Significant accounting policies (continued)

(i) Financial instruments

(i) Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

<u>Loans and receivables</u>

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

<u>Cash and cash equivalents</u>

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

<u>Held to maturity financial assets</u>

If the Company has the positive intent and ability to hold term deposits to maturity then such financial assets are classified as held to maturity. These assets are initially recognised at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. Held to maturity investments comprise term deposits.

3 Significant accounting policies (continued)

(i) Financial instruments (continued)

(ii) Non-derivative financial liabilities

The Company initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings and trade and other payables.

(iii) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(j) Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise and indications that a debtor will enter bankruptcy.

The Company considers evidence of impairment for receivables at a specific asset level.

3 Significant accounting policies (continued)

(j) Impairment (continued)

In assessing impairment the Company uses historical information of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss with respect to a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

3 Significant accounting policies (continued)

(k) Trade payables, provisions and other payables

Trade and other payables are stated at cost. A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect 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.

(l) Borrowings

Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss.

(m) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and any accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised in profit and loss.

(i) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(ii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over the estimated useful life of the asset, and is recognised in profit or loss.

The estimated useful lives of the Company's assets for the current and comparative period are as follows:

• Leasehold Land	Term of lease
• Infrastructure	13 - 73 years
• Buildings and improvements	40 years
• Plant and equipment	4 - 25 years
• Motor vehicles	6 years
• Office furniture and fittings	8 years and replacement basis

3 Significant accounting policies (continued)

(m) Property, plant and equipment (continued)

(ii) Depreciation (continued)

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

(n) Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

(o) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories and other cost incurred in bringing them to their existing location and condition. A provision for inventory obsolescence is recorded based on a review of inventories. Inventories considered obsolete or not in usable condition are written off in the period in which they are identified.

(p) Employee benefits

Defined contribution plan

Contributions are paid to the Fiji National Provident Fund or nominated superannuation funds on behalf of employees to secure retirement benefits. Costs are included in profit or loss as the services are rendered by employees.

Wages and salaries and annual leave

Liabilities for wages and salaries expected to be settled within 12 months of the reporting date are recognised in other payables on the statement of financial position. Annual leave with respect to employees' services up to the reporting date, measured at the amounts expected to be paid when the liabilities are settled, are accrued for under employee benefits.

3 Significant accounting policies (continued)

(q) Comparative figures

Comparative figures have been amended where necessary, for changes in presentation in the current year.

(r) Standards issued but not yet effective

A number of new standards and amendments to the standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however the Company has not early adopted the following new or amended standards in preparing these financial statements.

Disclosure initiative (Amendments to IAS 7)

These amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non- cash changes. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The standard will provide a single source of requirements for accounting for all contracts with customers (except for some specific exceptions, such as lease contracts, insurance contracts and financial instruments) and will replace all current accounting pronouncements on revenue. New revenue disclosures are also introduced.

IFRS 9 Financial Instruments

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The standard partly replaces IAS 39 and introduces requirements for classifying and measuring financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 16 Leases

IFRS 16 introduces a single, on balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. The standard is effective for annual periods beginning or after 1 January 2019, with early adoption permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Company has not yet performed a preliminary assessment of the potential impact of adoption of the above amendments and new standards on these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2016

		2016	2015
4	**Revenue and other income**	**($)**	**($)**
(a)	**Revenue**		
	Air navigation charges	21,861,368	19,177,733
	Airport security and development fee	15,501,047	12,572,586
	Concessions	30,079,278	18,533,359
	Domestic passenger service charge	1,468,823	1,353,511
	Landing and parking fees - domestic	818,452	683,160
	Landing and parking fees - international	20,820,207	17,523,418
	Departure tax share	7,157,730	6,485,374
	Rental - offices and warehouses	4,102,211	3,178,929
	Rental - check-in-counter	1,125,301	1,070,219
	Terminal navigation aid charges	7,487,663	4,997,708
	Car park charges	794,114	673,223
		111,216,194	**86,249,220**
(b)	**Other income**		
	Electricity recharge	2,038,382	1,983,998
	Gain on disposal of property, plant and equipment	-	133,304
	Deferred income and government grants	802,755	913,866
	Other income	2,066,192	2,247,957
		4,907,329	**5,279,125**
5	**Other expenses**		
	Auditors' remuneration	25,194	18,522
	Bad debts	-	15,258
	Board expenses	15,777	50,045
	Contract costs	4,580,841	4,567,397
	Depreciation - investment property	260,343	260,384
	Depreciation - property, plant and equipment	11,175,715	11,278,176
	Directors' remuneration	48,053	48,053
	Insurance	3,402	(26,139)
	Doubtful debts expense / (reversed)	2,112,864	1,945,671
	Land rental	725,784	703,047
	Sundry cost and supplies	1,276,377	470,631
	Travel and accommodation	249,962	369,157
		20,474,312	**19,700,202**

	2016 ($)	2015 ($)
6 Operating expenses		
Meteorological costs	550,459	521,739
Post and telecommunications	1,054,253	958,006
Utilities	5,414,423	5,029,468
Other costs	3,494,512	2,596,262
Repairs and maintenance	3,660,581	1,600,277
	14,174,228	**10,705,752**
7 Personnel expenses		
Wages and salaries	14,372,156	13,669,201
Key management compensation - wages and salaries	142,500	203,108
Key management compensation - FNPF	14,250	17,662
Contribution to Fiji National Provident Fund	1,359,189	1,292,059
FNU Levy	137,992	145,052
Other employee benefits	169,773	149,535
	16,195,860	**15,476,617**

As part of compensation for the services provided by the Executive Chairman, the Board of Directors have approved a compensation amount of $450,000 payable to Tropik Woods Limited. This has been accrued and included in operating expenses and is subject to approval from the Government.

8 Finance income and costs	**2016 ($)**	**2015 ($)**
(a) Finance income		
Interest income	1,931,088	1,024,215
Net foreign exchange gain	-	111
	1,931,088	**1,024,326**
(b) Finance costs		
Interest expense	1,270,861	546,398
Amortised financing cost	79,449	79,449
	1,350,310	**625,847**

9 Income tax	**2016 $**	**2015 $**
(a) Income tax expense recognised in profit or loss		
Current tax expense		
Current year	13,563,803	8,051,207
(Under) / Overprovision of income tax in prior years	(292,984)	55,800
	13,270,819	**8,107,007**

Notes to the Financial Statements

For the Year Ended 31 December 2016

	2016	2015
9 Income Tax (continued)	**($)**	**($)**
(a) Income tax expense recognised in profit or loss (continued)		
<u>Deferred tax benefit</u>		
Origination and reversal of temporary differences	(987,422)	(1,387,054)
Under / (over) provision of deferred tax in prior years	408,024	(153)
	(579,398)	(1,387,207)
Income tax expense	**12,691,421**	**6,719,800**
(b) Reconciliation of effective tax		
Profit before income tax	62,157,744	31,833,602
Prima facie income tax expense at 20% (2015: 20%)	12,431,549	6,366,720
Effect of permanent differences	144,831	(104,566)
Under provision in prior years	115,041	55,646
Transitional tax	-	402,000
	12,691,421	**6,719,800**
(c) Recognised deferred tax assets / (liability)		
Trade receivables	34,779	34,098
Inventories	2,175	2,175
Employee benefits	151,212	155,492
Unrealised exchange gain	-	(22)
Property, plant and equipment	(3,536,128)	(4,119,103)
	(3,347,962)	**(3,927,360)**

Movement in temporary differences during the year

	1 January 2016 $	Recognised in profit and loss $	31 December 2016 $
Trade receivables	34,098	681	34,779
Inventories	2,175	-	2,175
Employee benefits	155,492	(4,280)	151,212
Unrealised exchange gain	(22)	22	-
Property, plant and equipment	(4,119,103)	582,975	(3,536,128)
	(3,927,360)	**(579,398)**	**(3,347,962)**

9 Income tax (continued)

(c) Recognised deferred tax assets / (liability) (continued)

Movement in temporary differences during the year (continued)

	1 January 2015 $	Recognised in profit and loss $	31 December 2015 $
Trade receivables	477,251	(443,153)	34,098
Inventories	2,175	-	2,175
Employee benefits	140,508	14,984	155,492
Unrealised exchange gain	(21,020)	20,998	(22)
Property, plant and equipment	(5,913,481)	1,794,378	(4,119,103)
	(5,314,567)	**(1,387,207)**	**(3,927,360)**

(d) Current tax liability

	2016 ($)	2015 ($)
Balance 1 January	314,832	300,792
Current tax expense	13,563,803	7,649,207
Transitional dividend tax	-	402,000
Interest withholding tax paid	(183,822)	-
Refunds received	-	194,538
(Over) / under provision in prior years	(292,984)	55,800
Payments made during the year	(7,402,349)	(8,287,505)
	5,999,480	**314,832**

10 Cash and cash equivalents

	2016 ($)	2015 ($)
Cash on hand	1,170	1,170
Cash at bank	16,343,830	17,995,832
Cash and cash equivalents in the statement of financial position	16,345,000	17,997,002
Bank overdraft	(1,744,399)	(3,869,201)
Cash and cash equivalents in the statement of cash flows	**14,600,601**	**14,127,801**

The Company has an overdraft limit of $5,000,000 (2015: $5,000,000) and interest is charged at the rate of 2.24% (2015: 2.24%)

Notes to the Financial Statements

For the Year Ended 31 December 2016

	2016	2015
11 Trade receivables	**($)**	**($)**
Trade receivables	13,690,571	12,867,659
Provision for doubtful debts	(173,893)	(170,491)
	13,516,678	**12,697,168**
Allowance for impairment		
At 1 January	170,491	2,223,575
Charge / (release) for the year	3,402	(2,053,084)
At 31 December	**173,893**	**170,491**
12 Inventories		
Fuel	6,854	4,630
Electrical	191,223	208,408
Telecom	571,078	456,667
Provision for obsolescence	(10,873)	(10,873)
	758,282	**658,832**
13 Other receivables and prepayments		
Prepayments	1,200,603	404,836
Insurance receivable	791,177	-
Deposits	1,151,217	1,151,037
Other receivables	758,358	465,679
VAT receivable	555,509	417,549
	4,456,864	**2,439,101**
14 Term deposits	**57,700,246**	**42,161,600**

The term deposits have an average maturity of 1 year (2015: 1 year) and an average interest rate of 4.11% (2015: 3.96%).

15. Property, plant and equipment

	Leasehold land and Buildings	Plant and equipment	Infrastrcuture	Motor Vehicles	Work in progress	Total
	$	$	$	$	$	$
Cost						
At 1 January 2015	67,219,837	65,722,866	96,227,088	9,838,315	25,038,487	264,046,593
Additions	-	289,156	-	932,965	44,564,733	45,786,854
Disposals	(13,031,140)	(2,039,002)	-	(314,023)	-	(15,384,165)
Transfers	59,980,215	6,580,349	-	-	(66,560,564)	-
At 31 December 2015	114,168,912	70,553,369	96,227,088	10,457,257	3,042,656	294,449,282
Additions	51,595	413,078	-	970,256	45,445,578	46,880,507
Disposals	(4,850,702)	(73,851)	-	(50,396)	-	(4,974,949)
Transfers	37,244,805	1,212,757	52,530	-	(38,510,092)	-
At 31 December 2016	146,614,610	72,105,353	96,279,618	11,377,117	9,978,142	336,354,840
Depreciation and impairment:						
At 1 January 2015	12,585,703	45,609,420	48,818,989	8,948,744	-	115,962,856
Depreciation charge for the year	5,562,769	4,773,989	4,463,279	349,135	-	15,149,172
Disposals	(2,820,489)	(1,909,997)	-	(314,025)	-	(5,044,511)
At 31 December 2015	15,327,983	48,473,412	53,282,268	8,983,854	-	126,067,517
Depreciation charge for the year	3,176,357	4,482,745	3,063,336	453,277	-	11,175,715
Disposals	(1,148,545)	(73,698)	-	(50,395)	-	(1,272,638)
At 31 December 2016	17,355,795	52,882,459	56,345,604	9,386,736	-	135,970,594
Net book value:						
At 31 December 2015	98,840,929	22,079,957	42,944,820	1,473,403	3,042,656	168,381,765
At 31 December 2016	129,258,815	19,222,894	39,934,014	1,990,381	9,978,142	200,384,246

In 2015, disposals of leasehold land and buildings and plant and equipment via demolition occurred as a result of the new terminal project at the Nadi Airport. The total loss as a result of the demolition in 2015 was $14,210,651, which is comprised of $10,339,655 being the net book value of the assets demolished and $3,870,996 in additional depreciation provided on the assets that will be demolished in 2016. A further disposal of $3,702,157 was recorded in the current year.

Notes to the Financial Statements

For the Year Ended 31 December 2016

	2016	2015
16 Investment property	**($)**	**($)**
Cost		
Balance at 1 January	10,447,346	10,445,259
Additions	-	2,087
Balance 31 December	10,447,346	10,447,346
Accumulated depreciation		
Balance at 1 January	(1,477,701)	(1,217,317)
Depreciation expense	(260,343)	(260,384)
Balance 31 December	(1,738,044)	(1,477,701)
Net book value	8,709,302	8,969,645

During 2016, investment property rentals of $818,082 (2015: $784,329) were included in "revenue" as part of "rental - offices and warehouses". Maintenance expense, included in "operating expenses", was $9,975 (2015: $29,849).

No valuation of the investment property has been carried out.

	2016	2015
	($)	**($)**
17 Trade and other payables		
Trade payables	3,232,941	554,210
Land rental	2,975,000	2,535,106
Advance deposits	1,231,980	1,114,212
Income received in advance	142,528	25,361
Other payables	2,172,861	1,834,887
	9,755,310	6,063,776
18 Loans and borrowings		
Bank loans	65,736,875	42,495,659
	65,736,875	42,495,659
Classified as follows:		-
Current	3,384,505	
Non-current	62,352,370	42,495,659
	65,736,875	42,495,659

18 Loans and borrowings (continued)

(i) Bank loans

In 2014, the Company obtained a $85m loan facility from Westpac Banking Corporation Limited (the Bank) for the Nadi Airport Terminal Modernisation Project ("the Project"), out of which $23,161,530 was drawn during the year (2015: $39,453,082). The loan is amortised over a notional term of 12 years ending on 31 December 2026, with interest-only repayments during the term of the availability period and thereafter, monthly repayments, including principal and interest to fully repay the loan over the notional term. Availability period is the period commencing at Financial Close and ending the earlier of 3 months post practical completion or 30 June 2017 (2015: 31 March 2017). The monthly payment amount will be determined by the Bank at the end of the availability period. Management have obtained a confirmation from the Bank, should the Company continue at a variable interest of 2.24% and a facility term of 12 years, the monthly repayment will be $673,709. Based on this the disclosure between current and non current has been made as the Directors have not determined as at the date of signing of these financial statements the Company's selection of variable or fixed interest rate. A variable interest rate of 2.24% (2015: 2.24%) is charged on the loan facility. Upfront transaction costs of $956,230 are offset against the carrying amount of the loan. In prior year and during the year $79,449 (2015: $79,449) of this amount was amortised to profit or loss, as interest expense. Amortisation is calculated over the term of the loan using the effective interest method.

The loan is secured by:

(i) Registered first fixed & floating charge by Airports Fiji Limited over all its assets and undertakings including uncalled and called but unpaid capital;

(ii) Registered first mortgage # 765062 by Airports Fiji Limited over Crown Lease No. 3469; and

(iii) Negative pledge between Airports Fiji Limited and Westpac Banking Corporation.

19 Employee benefits

	2016 ($)	2015 ($)
Annual leave		
Balance at 1 January	777,462	702,538
Charge to profit or loss	718,071	774,913
Utilised during the year	(739,472)	(699,989)
Balance at 31 December	756,061	777,462

Notes to the Financial Statements

20 Deferred income

	2016 ($)	2015 ($)
Housing Estate		
Balance at 1 January	12,551,216	13,220,638
Recognised in profit or loss	(669,422)	(669,422)
Balance at 31 December	11,881,794	12,551,216
Current	669,422	669,422
Non-current	11,212,372	11,881,794
	11,881,794	12,551,216

The above represents the housing estate transferred from Civil Aviation Authority of Fiji to AFL by order of the government. This deferred income is recognised in profit or loss over the useful life of the housing estate.

21 Government grants

	2016	2015
Balance at 1 January	133,333	377,777
Recognised in profit or loss	(133,333)	(244,444)
Balance at 31 December	-	133,333
Current	-	133,333
	-	133,333

Government grants represent cash contributions by the government for the maintenance of outer station airports

22 Share capital

	2016 ($)	2015 ($)
(a) Authorised capital		
100,000,000 ordinary shares	100,000,000	100,000,000
(b) Issued and paid up capital		
92,300,180 ordinary shares	92,300,180	92,300,180

Shares of the Company have no par value.

(c) Dividends

Dividends declared and paid by the Company are as follows:

	2016 ($)	2015 ($)
$0.3250 per share (2015: $0.1625)	30,000,000	15,000,000

23 Commitments

(a) Operating lease commitments - company as lessee

The Company has entered into various lease agreements with iTaukei Land Trust Board for the lease of land for its various airports and airstrips. The terms of the leases are from 75 to 99 years. Under these agreements, rentals are payable as follows:

	2016 ($)	2015 ($)
Less than one year	660,851	666,189
Between one and five years	2,643,404	2,664,756
Over five years	25,490,635	26,180,732
	28,794,890	**29,511,677**

The annual rent recognised in profit or loss for the year was $660,851 (2015: $666,189).

(b) Operating lease commitments - company as lessor

The Company leases various commercial outlets at its airports under concession agreements. Rental income is generally based on the higher of a percentage of gross sales of the concessionaire or a minimum guarantee.

Minimum lease payments under the Concession agreement are receivable as follows:

	2016 ($)	2015 ($)
Less than one year	25,646,740	25,646,740
Between one and five years	91,113,453	91,113,453
Over five years	15,660,060	41,306,800
	132,420,253	**158,066,993**

(c) Capital commitments

	2016 ($)	2015 ($)
Approved and committed	21,549,264	49,781,523

24 Contingent liabilities

The Company is vigorously defending several claims received from suppliers amounting to $1,062,352 (2015: $1,062,349). The Directors do not consider that these claims have merit and no provision has been recognised in these financial statements as the Directors do not consider it probable that a loss will arise.

The Company holds a Letter of Credit with Westpac Banking Corporation Limited amounting to $7 million at 31 December 2016 (2015: $7 million). This Letter of Credit has been obtained to fund the Nadi Airport Terminal Modernisation Project (the "Project") during instances when the Project costs are in excess of the Company's cash commitments.

25 Related parties

(a) Directors

The Directors who held office during the year were:

Mr. Faiz Khan (Executive Chairman)

Mr. Xavier Riyaz Khan

Mr. Geoffrey N. Shaw

	2016	2015
Ratu Wiliame Katonivere		
	($)	($)
Directors' remuneration:	48,053	48,053
Fees	15,777	50,045
Other benefits	63,830	98,098

(b) Indentity of related parties

The Company is a private enterprise wholly owned and controlled by the Government of Fiji. Government includes the government agencies and similar bodies whether local or national. Other related parties include government-related entities which are controlled, jointly controlled or significantly influenced by the Government of Fiji.

	2016	2015
(c) Amounts payable to related parties	($)	($)
iTaukei Land Trust Board (TLTB)	2,975,000	2,535,106
Fiji Meteorological Services	45,872	43,478

Amounts payable to related parties are unsecured, interest-free and repayable on demand.

(d) Transactions with related parties

During the year, the Company entered into various transactions with related parties. The aggregate value of major transactions with the related parties during the year is as follows:

	2016	2015
Fiji Government	($)	($)
iTaukei Land Trust Board (TLTB) - Land rental expense	725,784	703,047
Government grant received	10,140	-
Dividends paid	30,000,000	15,000,000
Fiji Meteorological Services		
Reimbursement of Meteorological office operating cost	550,459	521,739

25 Related parties (continued)

(d) Transactions with related parties (continued)	2016 ($)	2015 ($)
Civil Aviation Authority of Fiji (CAAF)		
Airport License & Inspection Fee	406,526	371,060
Fiji National Provident Fund		
Post employment benefit plan - Superannuation	1,373,439	1,309,721

(e) Transactions with 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 year the Executive Chairman and General Manager Air Traffic Management (2015: Executive Chairman, General Manager Air Traffic Management and General Manager Engineering and Infrastructure) were the executives identified as key management personnel, with the greatest authority and responsibility for the planning, directing and controlling the activities of the Company.

In addition to their salaries, the Company also provides non-cash benefits to key management personnel.

Transactions with key management personnel are on terms that are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to third parties at arm's length.

Key management personnel compensation (excluding Directors' remuneration as disclosed in Note 25 (a) above) is disclosed in Note 7.

26 Financial risk management

Overview

The Company has exposure to the following risks:

(i) Credit risk;

(ii) Liquidity risk; and

(iii) Market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

26 Financial risk management (continued)

Risk management framework

The Board of Directors have overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash at bank, trade receivable and investment in term deposits.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2016 ($)	2015 ($)
Cash at bank	16,343,830	17,995,832
Trade receivables	13,516,678	12,697,168
Term deposits	57,700,246	42,161,600
Other receivables (excluding prepayments)	3,256,261	2,034,265
	90,817,015	**74,888,865**

Trade receivables

The Company has agreements in place with its customers for the various types of revenue. These customers are mainly reputable airline companies both domestic and international using Fiji's airspace and duty free companies. These customers have been transacting with the Company for a number of years with minimal impairment loss recognised against these customers. The Company limits its exposure to credit risk from trade receivables by establishing payment period of 30 days.

The ageing of trade receivables at the reporting date that were not impaired was as follows:

	2016 ($)	2015 ($)
Less than 30 days, due not impaired	10,620,109	10,401,592
Past due 31 - 60 days	1,944,367	1,114,964
Past due 61 - 90 days	841,052	815,246
Past due more than 90 days	111,150	365,366
	13,516,678	**12,697,168**

26 Financial risk management (continued)

(i) Credit risk (continued)

The Company establishes a provision for doubtful debts that represents its estimate of incurred losses in respect of trade receivables (see Note 11).

Term deposits

Term deposits are placed with financial institutions with sound credit ratings to minimise credit exposure.

Cash at bank

Cash at bank are held with the major banks being ANZ, Westpac, BSP and Bred bank.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company's reputation.

The Company has access to a finance facility with a limit of $85 million with Westpac Banking Corporation Limited to fund the Nadi Airport Terminal Modernisation Project. The Company also maintains a bank overdraft facility with Westpac Banking Corporation Limited at a fixed rate of 2.24% to meet its liquidity requirements in the short and longer term.

Surplus cash is also invested in term deposits.

The following are the contractual maturities of financial liabilities:

31 December 2016	Carrying amount ($)	Contractual cash flows ($)	6 months or less ($)	6 - 12 months ($)	More than 1 year ($)
Bank overdraft	1,744,399	1,744,399	1,744,399	-	-
Trade and other payables	9,755,310	9,755,310	9,755,310	-	-
Loans and borrowings	65,736,875	74,493,295	740,401	4,042,254	69,710,640
	77,236,584	**85,993,004**	**12,240,110**	**4,042,254**	**69,710,640**
31 December 2015					
Bank overdraft	3,869,201	3,869,201	3,869,201	-	-
Trade and other payables	6,063,776	6,063,776	6,063,776	-	-
Loans and borrowings	42,495,659	49,536,006	484,409	489,732	48,561,866
	52,428,636	**59,468,983**	**10,417,386**	**489,732**	**48,561,866**

26 Financial risk management (continued)

(ii) Liquidity risk (continued)

The Company is required to make interest only payments till the end of the availability period and thereafter principal plus interest payments (refer 18 (i)). The principal amount to be paid will only be determined by the bank at the end of the availability period. The interest rate of 2.24% is subject to the Company's selection of variable rate and or fixed rate at the end of the availability period. For the purpose of calculating the contractual maturities, the rate for the duration of the loan has been assumed at 2.24%.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company'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.

Interest rate risk

Interest rate risk refers to the possibility that the fair value of future cash flows of financial instrument will fluctuate because of changes in market interest rates. The Company adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is on a fixed-rate basis over a period of time, and reviewed periodically with the Bank, taking into account assets with exposure to changes in interest rates. The Company also invests excess cash in term deposits to manage the risk of changes in market interest rate exposed to the Company due to loans and borrowings.

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

Fixed rate instruments		**2016 ($)**	**2015 ($)**
Term deposits	(i)	57,700,246	42,161,600
Loan from Westpac Banking Corporation	(ii)	65,736,875	43,369,602
Bank overdraft	(iii)	1,744,399	3,869,201

(i) The Company invests in term deposits for an average of 365 days at a fixed interest rate. As a result the Company does not have a significant exposure to interest rate risk in respect of these assets.

(ii) The Company is required to make interest only payments till the end of the availability period and thereafter principal plus interest payments (refer 18 (i)). The principal amount to be paid will only be determined by the bank at the end of the availability period. The interest rate of 2.24% is subject to the Company's selection of variable rate and or fixed rate at the end of the availability period. As a result the sensitivity analysis has not been disclosed.

(iii) Interest rate is fixed at 2.24% (2015: 2.24%)

26 Financial risk management (continued)

(iii) Market risk (continued)

Foreign currency risk

The Company is exposed to foreign currency risk as a result of transactions denominated in foreign currencies arising from normal trading activities. Where significant settlements are required to be done in currencies other than the Fiji dollar, the Company seeks quotations from recognised banks and uses the most favourable exchange rate for the purposes of the settlement. The Company does not have significant exposure to foreign currency risk.

27 Capital management

The Company's capital includes share capital and retained earnings.

The Company's policy is to maintain a strong capital base so as to maintain creditor confidence and to sustain future development of the business.

The Company is not subject to any externally imposed capital requirements. The Company's policies with respect to capital management are reviewed regularly by the Board of Directors.

There have been no material changes in the Company's management of capital during the year.

28 Fair value estimation

The carrying value of trade and other receivables, trade and other payables and loans and borrowings are assumed to approximate their fair values.

	2016 ($)	2015 ($)
29 Material non-cash investing activity		
Acquisition of property, plant and equipment through loan facility	-	39,453,081

In 2015 these amounts were paid directly to the suppliers by the Company's bankers and the amount added to the Company's loan account.

30 Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transactions or events of a material and unusual nature likely in the opinion of the directors of the Company, to effect significantly the operations of the Company, the results of these operations, or the state of affairs of the Company, in subsequent financial years.

Disclaimer

For the Year Ended 31 December 2016

The additional financial information presented on pages 65 to 66 is in accordance with the books and records of Airports Fiji Limited which have been subjected to the auditing procedures applied in our statutory audit of the Company for the year ended 31 December 2016. It will be appreciated that our statutory audit did not cover all details of the additional financial information. Accordingly, we do not express an opinion on such financial information and no warranty of accuracy or reliability is given.

In accordance with OAG policy, we advise that neither the OAG nor any member or employee of OAG undertakes responsibility arising in any way whatsoever to any person (other than the Company) in respect of such information, including any errors or omissions therein, arising through negligence or otherwise however caused.

Detailed profit and loss

For the Year Ended 31 December 2016

	2016 ($)	2015 ($)
Revenue		
Air navigation charges	21,861,368	19,177,733
Airport security and development fee	15,501,047	12,572,586
Concessions	30,079,278	18,533,359
Domestic passenger service charge	1,468,823	1,353,511
Landing and parking fees - domestic	818,452	683,160
Landing and parking fees - international	20,820,207	17,523,418
Departure tax share	7,157,730	6,485,374
Rental - offices and warehouses	4,102,211	3,178,929
Rental - check-in-counter	1,125,301	1,070,219
Terminal navigation aid charges	7,487,663	4,997,708
Electricity recharge	2,038,382	1,983,998
Gain on disposal of property, plant and equipment	-	133,304
Government grant	133,333	244,444
Deferred income	669,422	669,422
Identification card charges	150,433	185,455
Left luggage charges	86,024	100,418
Interest on term deposit	1,931,088	1,024,215
Sundry income	1,829,735	1,962,084
Car park charges	794,114	673,223
Unrealised exchange gain	-	111
Insurance proceeds	-	-
Total income	**118,054,611**	**92,552,671**

	2016 ($)	2015 ($)
Expenses		
Airport inspection and license fees	406,526	371,060
Auditors' remuneration	25,194	18,522
Bad debts	-	15,258
Bank charges	11,260	8,642
Board expenses	15,777	50,045
Consultancy	628,841	196,045
Contract costs	4,580,841	4,567,397
Depreciation	11,445,964	11,538,560
Directors' remuneration	48,053	48,053
Balance carried forward	**17,162,456**	**16,813,582**

The detailed profit and loss is to be read in conjunction with the disclaimer set out on page 64.

Notes to the Financial Statements

For the Year Ended 31 December 2016

	2016 ($)	2015 ($)
Balance brought forward	17,162,456	16,813,582
Doubtful debt recovered	3,402	(26,139)
Insurance	2,112,864	1,945,671
Interest	1,350,310	625,847
Land rental	725,784	703,047
Loss on disposal of property, plant and equipment	3,702,157	14,210,651
Meteorological costs	550,459	521,739
Other expenses	951,300	653,897
Post and telecommunications	1,054,253	958,006
Repairs and maintenance	3,660,581	1,600,277
Share of Air Traffic Management income	864,916	499,346
Sundry costs and supplies	1,266,471	470,631
Training and conference	100,398	218,613
Travel and accommodation	249,962	369,157
Utilities and services	5,414,423	5,029,468
Vehicle and fuel costs	531,271	648,659
Wages and salaries	16,195,860	15,476,617
Total expenditure	**55,896,867**	**60,719,069**
Operating profit before tax	**62,157,744**	**31,833,602**

The detailed profit and loss is to be read in conjunction with the disclaimer set out on page 64.








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