FIJI AIRPORTS

Annual Report 2017

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
- Accountability, Transparency, Responsibility and Ownership
- Sustainability
- Excellence in Customer Service
- Resilience

COVER:
An aerial view of the transformed Nadi International Airport from the passenger window of an aircraft.

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About Fiji Airports

Who We Are

Fiji Airports (FA) is a fully Government owned Commercial Company (GCC) previously known as Airports Fiji Limited (AFL). AFL was renamed to FA on 29 May 2018. The company 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).

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

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

FA 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.

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 42 international and 330 domestic flights (scheduled and non-scheduled) a day equating to around 48,910 commercial aircraft movements annually with 42,971 over-flights per year. Nadi International Airport generates 96% of FA total revenue and 100% of its profits.

The total international passenger movements in 2017 for Nadi International Airport were 2,009,878 whilst the total domestic passengers were 281,757.

Nausori Airport is the second international airport and domestic hub in Fiji. It handled 74,702 international passengers and 268,757 domestic passengers in 2017.

The 13 outer island airports are operated on a non-commercial basis, pursuant to the provisions of the Public Enterprise Act of 1996. Total passenger movements at these airports in 2017 were 215,844 whilst aircraft movements were approximately 11,806.

Our Business

Fiji Airports core responsibilities are to:

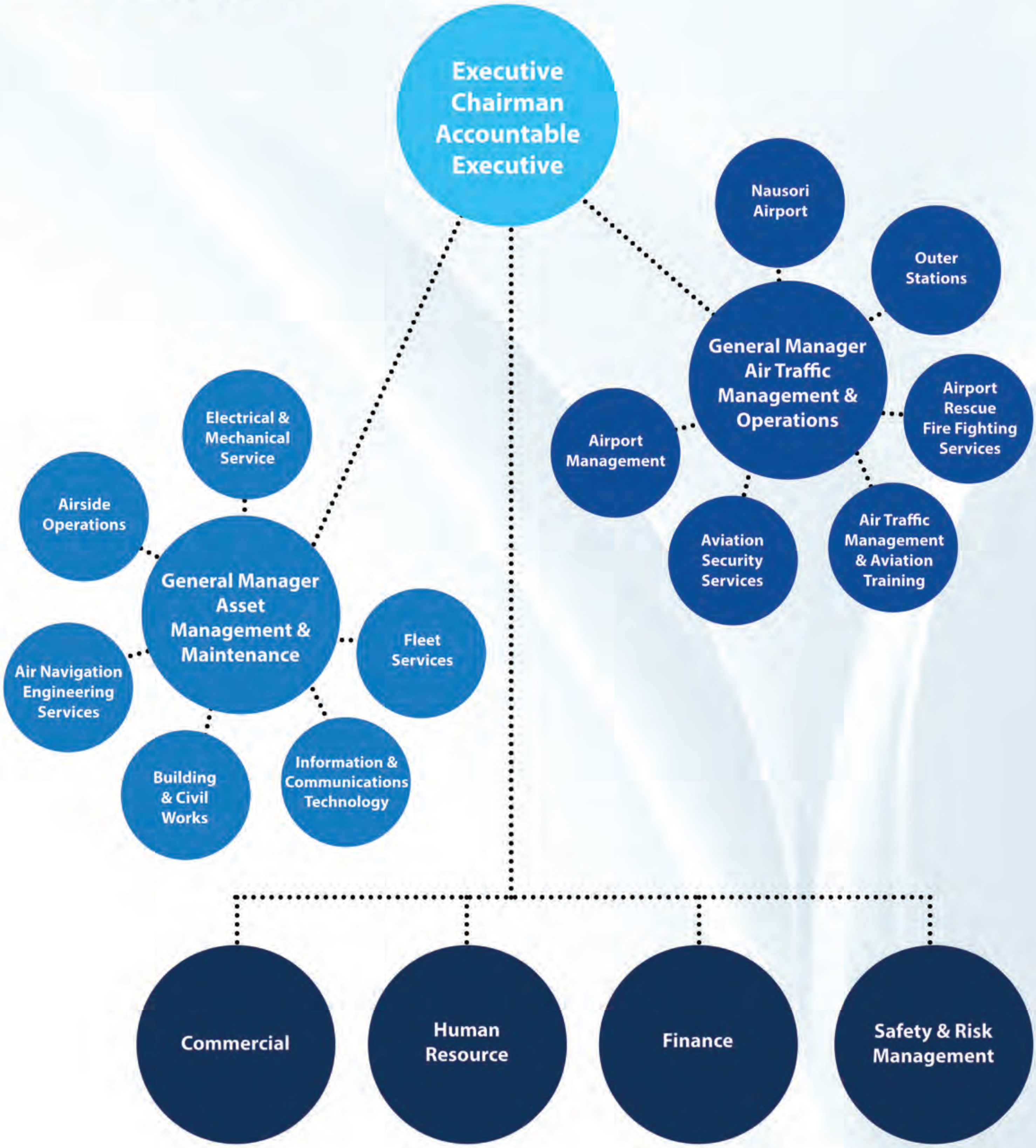
- Efficiently and in a regulatory compliant manner carry out international, domestic and outer island airport operations.
- Efficiently and in a regulatory compliant manner carry out Air Traffic Management in the Nadi Flight Information Region and Fiji's airspace.
- Provide world class duty free shopping 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.

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 30, 2018

The Honourable Aiyaz Sayed-Khaiyum

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

Dear Honourable Minister

Fiji Airports Annual Report for 2017

On behalf of the Directors of Fiji Airports (FA), 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 2017.

2017 has been another year of growth across the business with FA recording a net operating profit before tax of $80,186,413.

The Nadi Airport Terminal upgrades have been successfully completed with the official opening done by the Honourable Prime Minister Rear Admiral (Retired) Josaia Voreqe Bainimarama on 4 June 2018.

Nadi International Airport has been recognised as the 6th most improved airport in the world during the Skytrax 2018 World Airport Awards. This is a milestone achievement and we at Fiji Airports are proud to contribute to Government's visionary leadership.

Our focus now turns to Nausori Airport with our next major project being the Nausori Runway Extension. The Labasa Runway Lights project has been completed and the Rotuma Runway Upgrade is nearing completion. FA will develop the 13 Outer Island Airports as part of our 7 year development plan. There is no business case for these airports however it is our social obligation to carry out these infrastructure upgrades on behalf of the government.

Fiji Airports declared $45 million in dividends for the financial year 2017 and 2018 (interim). Despite this unprecedented dividend payout, the total shareholder's equity stands at $221,727,397.

On behalf of the Board of Directors, Management and Staff, I take this opportunity to thank you and the Government for its on-going support, and look forward to this continuing in 2018 and beyond.

Yours sincerely,

Faiz Khan
Executive Chairman

Year 2017 in Review

Fiji Airports declared a dividend of $45 million to the Government for the financial year 2016 and 2017 (interim).

At a Glance: **Key Financial Figures**

	Movements from 2016 to 2017		2017 Total Numbers
Total international arrival and departure passenger movements	91,964	5%	2.1 million
Total aircraft movement (Tonnes)	72,582	7%	1.1 million
Total Revenue	22.1 million	19%	$140.1 million
Operating Revenue	22.1 million	19%	$138.3 million
Operating Expenditure	7.25 million	14%	$58.1 million
Net Operating Profit before Tax	14.3 million	22%	80.2 million
Shareholders fund	19.1 million	9%	$221.7 million

Return on Shareholders fund before social obligation

30.23% (2017) 25.86% (2016)

Executive Chairman's Report

" I hope the facilities at Nadi International Airport put a joy and smile on peoples' faces every time they visit the airport. I hope the airport represents to them everything that is good about Fiji and everything that is promising about its future. "

Nadi International Airport – the pride of Fiji

We got internationally recognized. In 2017 Nadi was the Skytrax 6th most improved airport in the world! Wow! We never expected this. When we follow right processes and systems – the result usually takes care of itself.

As a matter of fact, with our heads buried in the sand for the most part of the last 5 years due to undertaking arguably one of the most challenging infrastructure projects in Fijian history, we had little time to spend in contemplating how the project will turn out. Today, as we walk around the terminal we do so with quiet smiles on our faces, depicting our deep sense of collective achievement.

We have even received congratulatory messages from our counterparts from around the region in Australia, New Zealand and the Pacific. I am told by a senior executive from Auckland Airport, that until last year Auckland treated Sydney and Brisbane as their competitors for a regional hub. Now they have included Nadi in the mix. We have lifted the bar to higher standards both in Fiji and internationally.

I hope the facilities at Nadi International Airport put a joy and smile on peoples' faces every time they visit the airport. I hope the airport represents to them everything that is good about Fiji and everything that is promising about its future.

We had to build whilst continuing to operate. That was our biggest challenge. Our second biggest challenge was to upgrade old buildings without proper drawings or master planning. 97% of air travel into and out of Fiji is through Nadi. A disaster on the project could have resulted in a disaster for the country.

The stakes were high. Due to the risks many senior management left in the past. The current team for the last 5 years, demonstrated courage, resilience, decision making capacity and entrepreneurial skills to deliver Nadi Airport Terminal Modernisation Project (NATMP).

I do not wish to repeat what I said in the last annual report and I encourage people to read the past 3 annual reports together with this one to fully understand the transformation that Fiji Airports has gone through in the last 5 years. However, I do re-emphasize that we closed NATMP scope at $129 million whereas an independent study that benchmarked 28,000 square meters of terminal and services upgrades we undertook at Nadi, against the actual results of 10 Australian airport terminal upgrades, showed that a similar upgrade in Australia would have cost an estimated $241 million to $289 million.

We recently undertook a further study through Airports Council International (ACI) - a body that is closely linked to ICAO and the aviation sector that specializes in benchmarking airport businesses globally. ACI found that Fiji Airports cost was USD $8 per pax compared to USD $14 per pax for other Pacific Island airports and the global average. They said and I quote:

"This highlights the very good overall cost competitiveness and cost management of FA in the region both in terms of operating and capital costs."

What does this mean for Fiji Airports and its stakeholders? Put simply if we can successfully deliver a project at $129 million when someone else would deliver at $289 million that allows us to deliver more projects without increasing our fees and charges.

Nadi International Airport - the pride of Fiji.

An aerial view of Nadi International Airport.

Fundamental values, habits and a sustainable business model

When we read this and the last 3 annual reports we will see a common value driven at Fiji Airports. 5 years ago we identified that we had an aging or obsolete terminal, pavement and air navigation assets. Some of our infrastructure was in a dilapidated state.

Nadi was the only airport that made profits (still is), but those profits were not enough to allow us to undertake the massive upgrades and up-keep of our assets to best industry practices. We had to restructure our revenue and costs, and that we did.

I can mention many attributes, values or habits that in-turn form the character or culture of my colleagues at Fiji Airports. Our character in turn translates into a sustainable business model. I discuss 4 habits that have led to our transformation.

1. Budgetary mindset v stretching the dollar for value

Early on we abandoned the budgetary mindset and adopted the approach to test every dollar we spend. We believe that a true re-structure is based on starting afresh without historical bias. Indeed such an approach comes through taking more risks, sleepless nights and hard work, but it has the potential to yield unprecedented results, due to greater sense of ownership.

2. Proactively driving progress

We have built a pursuit of proactively driving progress. It allows us to put aside the 8 to 5 type mentality that existed in the past, and focus on how to make things better. "Drive Progress" is a slogan we remind ourselves every day as it sits on our screen savers. It is our KPI.

Due to this pursuit, we have become a lean and mean machine. Whilst we ensure that governance procedures are always followed, there is no room for bureaucracy. Timely decisions to drive progress are one of the keys to our success.

3. Win / Win outcomes

We knew we had one chance with our revenue restructure with the Airport Development and Modernization Act allowing us to re-tender our retail spaces. As a result, rents in some of our tenancies have gone up by about 10 times (1,000%) of what tenants were paying prior to the revenue restructure that was undertaken through a competitive tender bidding process.

This would not have been possible if we simply looked at what was paid in the past and aimed at a typical percentage increase. On the other hand higher rents would not have been sustainable if we did not achieve win / win outcomes that benefited all.

We spent months talking to existing tenants and understanding the various businesses prior to compiling our tender documents. Using F&B outlets as an example, we made it a pre-requisite that to be successful the tenderers needed to put forward an international or local brand name.

Brand names bring with them a self-governing obligation of higher standards on the operators. At the same time we knew brand names would increase the turnover because people's propensity to spend would go up due to better offerings that people could easily identify themselves with. Through this approach, we saw the birth of a number of successful F&B business brands in Fiji, using Nadi International Airport as the launching pad. The F&B turnover went up by multi-folds compared to what it was in the past. The tenants were not only paying higher rents, but making more money.

Similarly, although we achieved increases in our air navigation fees and charges, our total turnaround cost remains 2 to 3 times lower than published charges for airports in Australia and New Zealand; and lower than most Pacific Island countries. The airlines now have better infrastructure, to in turn boost their on-time-performance and improve their service delivery to our common customers, the passengers.

We carried out a successful exercise of not just negotiating on numbers but understanding and recreating business models where there is something in it for everyone – a state of balance. The passengers, the concessionaires (tenants), the airlines, and we as the landlord are all happy because of the win/win outcomes.

4. Beginning with the end in mind

When we started off 5 years ago we knew what we wanted to achieve at the end of our restructure. We needed to build world class infrastructure. We needed money to support our network of airports in Nausori and outer-islands that were non-profit making; yet served an integral part of our shareholder Government's vision for connectivity and betterment of Fijian people living in isolated smaller islands.

We needed to lift our service delivery to world class standards. And we needed to declare dividends to our shareholder in line with its century old investment.

Taking all things into consideration, we needed to build a sustainable and responsible business. We can argue that we achieved everything we embarked upon 5 years ago. However, in my assessment we are sitting at about 65% out of 80%, of where we need to be; with 80% being the highest. The balance 20% denotes the room for improvement that will always exist at Fiji Airports as we have adopted a culture of continuous improvement and growth. Our challenge is to get up to 80% in the next couple of years.

Without the above habits, and many more I do not have the space allocation to expand upon here, we would not have achieved yet another record breaking financial year in 2017.

Our new Departures Terminal.

Profits, Revenue and Expenditure

In 2017 we made record breaking net operating profits before tax of $80.2 million compared to $65.86 million in 2016, an increase of 22%. The 2017 EBITDA stood at $94.2 million compared to $78.66 million in 2016. Please refer to the page titled "Key Financial Figures: At a Glance" for more financial data.

I note that in 2012 our total profit and loss cost as a percentage of revenue was 78%. In 2017 it was 43%! That is a phenomenal achievement because costs in most businesses generally tend to increase proportionately to revenue.

The Balance Sheet

The total shareholder's fund grew to $221.7 million in 2017, an increase of $19.1 million compared to 2016; despite declaring $45 million in dividends. In other words the increase in shareholder's fund would have been $45 million higher but for the dividends. We have declared a total of $100 million in dividends over the last 4 years. We are also forecasting to deliver $45 million in dividends every year over the next 4 years.

In 2017 we engaged Erasito Beca to carry out a fair market valuation of our assets. This report was finalized at the beginning of 2018. Our assets are now valued at $437.1 million compared to $233.8 million in our books in 2017, an increase of $203.3 million. The increase is attributable in a large part to the successful infrastructure projects we have delivered such as NATMP. The results of this exercise means that in 2018 financials, our shareholder's fund will increase by a whopping $203.3 million due to this exercise alone.

The shareholder's fund as recorded in our books now or after the fair market valuation of our assets is taken into account, is not a reflection of our business enterprise value. The business enterprise value of Fiji Airports has grown by multiple times in the last 5 years due to positive discounted present values of future cash flows.

Our interest cover ratio (ICR) stood at 43 times compared to our financial covenant requirement of 5 times. In 2017 we made 43 times profits compared to the interest we paid on our borrowings. Our gearing ratio of debt to EBITDA stood at 1.12 times, showing significant excess borrowing capacity.

We need to borrow large sums of monies to undertake other major projects in the pipeline. In April 2017 we reached practical completion of NATMP. However, in 2017 we commenced a further estimated $35 million worth of infrastructure upgrade projects in Instrument Landing System / Distant Measuring Equipment, ATMC Voice Communication System, Common Regional VPN Network, Adacel Aurora ATM Surveillance System Upgrade, ATM Taptool System, Labasa Runway Lights and Rotuma Runway Upgrade Project, etc. In 2018 we will be commencing the major Nausori Runway expansion project.

We see a significant capital injection in our air navigation system. As an Air Navigation Service Provider we need to upgrade our aging infrastructure to continue to provide safe air navigation in our Flight Information Region. The transition from procedural to surveillance based air navigation is a giant leap that Fiji Airports is taking in safer and more efficient air navigation.

The new Instrument Landing System (ISL) Localiser at Nadi Airport.

Our major challenge – Master Planning further development of Nadi

Nadi International Airport is the first and last impression of Fiji to our visitors. It processes on average 42 international jet flight movements a day; and in total 392 flight movements per day when domestic flights are taken into account. With the international growth forecasts of Fiji Airways based on a significant expansion of its fleet and routes over the next 5 years, Nadi needs to be able to cope with this growth.

Unfortunately, due to political interferences in the past, invaluable land belonging to Fiji Airports was given away for free to private businesses. To depict the gravity of this negligence, a number of parcels of land within the airport complex were given away only a few years ago in 2002! These parcels surrendered within the airport complex are land locked. Other parcels of land were given away that were earmarked for our future growth expansion.

Fiji Airports has to now buy back land at the current high market rates to ensure that we can cater for the traffic growth into the next 4 to 5 decades. A terminal 2 will need to be built in about 15 to 20 years' time. In the more immediate future, we need to expand our gate facilities to process more aircraft. Acquisition of land and delivering upon the master planning to cater for the future growth is our major challenge into the future.

Development of our non-profitable airports

In 2017 we made $2.4 million in operational losses in running Nausori and our 13 outer island airports. To put things in perspective, many of the outer island airports in our network, have gross revenue from landing fees of about $1,000 per annum! We will be approaching the local airlines to make the domestic fees and charges more equitable and win / win as between the airlines and Fiji Airports.

In 2017 we also spent $6.06 million in capital expenditure for the loss making airports in our network. Altogether $8.44 million was spent in 2017 in opex and capex for loss making airports in our network. As this is a contribution we undertake directly in line with our shareholder Government's vision of greater connectivity and development of Fijians in the isolated islands of Fiji, we could argue that this sum of $8.44 million should be treated as an addition to the $45 million dividends we declared in 2017 to denote a total dividend payout of $53.44 million.

Flight data officers assisting Oceanic control in the ATM Centre.

A panoramic view of the elegant Nadi International Airport Departures Terminal.

In years prior to 2016 Fiji Airports did not spend a single cent on capital expenditure for outer island airports. For decades prior to 2016 and from our incorporation (CAAF days) any capital expenditure was incurred based on national budget grants that were of small amounts, few and far in between. For this reason Rotuma runway expansion project was planned and delayed for the last 4 decades. Fiji Airports' drive on improving facilities at outer island airports has never been more focused.

Our regional role as a Pacific hub

Fiji Airports has strategized to host unprecedented number of ICAO and ACI seminars and workshops in Fiji. In addition to our focus on improving our infrastructure and service delivery through our people, in order to achieve a hub status, we need to play a more prominent role by bringing such seminars closer to the Pacific.

Being hosts comes at a financial cost but also allows us to take a leadership role in giving our people and our Pacific neighbors in the aviation industry a greater chance to build their capacity due to easier accessibility and lower costs.

With Gratitude

I would like to thank our Minister, the Attorney General and Minister for Public Enterprises. Without his drive and support NATMP would not have been possible. Our Minister is also behind the vision and drive for Rotuma and Nausori. Rotuma runway project is about to finish. Nausori runway project is about to start. Such projects will transform and improve the lives of Fijians in these areas.

I thank my fellow directors Geoffrey Shaw and Ratu Wiliame Katonivere. You have been steadfast in your resolve to deliver ambitious and high risk projects, that Fiji Airports is undertaking. Your constant approach to directorship with attributes of responsibility, accountability, transparency and sense of ownership have been the cornerstone of Fiji Airports' success. Even if you are on the other side of the globe where it is 2am, you are prepared to attend board meetings through video conferencing.

Finally, I thank my colleagues. You are simply splendid. You are a locally based team that has delivered some phenomenal results. I have seen people and departments grow tenfold in the last 5 years. Yet you continue to strive to make things better under our culture of continual improvement and growth. So much has been achieved. Yet so much more is to be done. And I am grateful that I have a team that will deliver upon future goals, working side by side.

Vinaka Vakalevu!

Faiz Khan
Executive Chairman

Operations Review

Our People

Finding the key ingredient to success is challenging. At Fiji Airports (FA), we believe in our pool of talented locals. This has been built on the foundation of empowering and growing locals and has been evident in our success over the last five years.

In 2017 our workforce was made up of 525 employees. The percentage of women has increased and now makes 20% of our total workforce. However in key departments like Air Traffic Management women make up more than 40% of staff numbers. We are blind when it comes to recruitment; there is no gender or ethnicity bias so long as people want to be part of our dynamic team; bring capacity and wish to develop and grow.

Senior executives are personally involved in the recruitment selection process.

Training and development is our focus. We encourage staff to attend seminars, workshops and trainings. This allows for continuous growth. A good example is the numerous ICAO and ACI seminars and workshops we either host or attend abroad. This exposes staff to new ideas, new trends and broadens their knowledge base. People who are identified as high performers are groomed into potential leadership roles. The growth of our people has resulted in promotions and pay rises. It's a two way relationship and is given because they are deserved. An energetic, enthusiastic and vibrant workforce produces greater results and improves productivity.

Gone are the days of doing what is required in your job description. If it needs to be done, it will be done and this has been our team approach.

Commercial

Whilst we continue to grow significantly our partners are also flourishing. This is a result of the modern Nadi International Airport where new experiences are being created. We live in an age where passengers want more at the airport – it is no longer just a transit point.

When we started with our revenue restructure there was a requirement for our tenants to bring world renowned and local brands to the airport. This has resulted in significant business growth for our partners. Yes, they are paying more but they are also making much more. This is the win-win that we proudly talk about.

The better and wider offerings by duty free outlets have provided passengers with a greater appetite to shop. A renowned brand like Chanel sitting alongside a local yet internationally acclaimed brand like Pure Fiji lures them to spend. People associate themselves with brands and our outlets have catered for this.

Similarly there is a balance in the selection of food and beverages. International fast food brand like Burger King alongside local brands like Bula Bar Bistro, KokoNui and international franchise Gloria Jeans provides passengers with the choice of picking and choosing what they fancy while they wait for their flights.

Key to the success of our partners is that during the tender process we ensured there were no duplications in product offering. We have Burger King as our fast food outlet and those who prefer gourmet food can opt for Bula Bar Bistro and KokoNui.

The Attorney General Hon. Aiyaz Sayed-Khaiyum with Fiji Airports staff after announcing the bonus pay in December 2017.

If you missed out on buying gifts for loved ones then the speciality retail outlets are conveniently located in the departure check-in hall (Fiji Market), and next to the departure gates (WH Smith, Nike, Rip Curl and Jewellery Galleria).

Nadi International Airport is able to cater for different types of travellers. Not all passengers have the same wants. Travellers who want peace and quiet can use the overflow lounge or the prayer room. The family oriented traveller has access to the children's play area in the departures lounge. Business class travellers have world class airline lounges by Fiji Airways and Air New Zealand.

"Soon to be introduced quiet lounge" at the ground floor next to the airline lounges, will complement these facilities that are available for passengers. You can grab a coffee or cocktail, catch up on work or just simply read a novel in a relaxing beach themed environment.

For those who come to the airport to bid farewell or greet passengers their needs have also been considered. For example our brand new car park and car parking system has self paying kiosks for peoples ease both at arrivals and departures.

Car park users simply pull a ticket and pay at the kiosk without having to queue at exit.

These enhancements and partnerships have resulted in creating an airport experience, Nadi has been internationally rated as the 6th most improved airport by Skytrax.

A passenger using the self check-in kiosk

Enhancing Air Safety

Safety remains our uppermost priority.

FA continues to enhance the safety culture in 2017 across our sphere of operations. The Air Traffic Management team is responsible for ensuring safe and efficient skies across six and a half million square kilometres of airspace.

The implementation of our Safety Management System under a just and open culture has encouraged teams and individuals to report safety concerns with the goal of improving our safety performance. We see it we report it - that's the culture we are creating. Risks are in all facets of operations – you identify it and fix it! We talk to and listen to our stakeholders. This enables us to create a proactive way of engaging and collaborating so that safety is not compromised.

Traffic is growing and so are customer expectations. FA is transforming its ATM system to align itself with global trends. To meet future demands we have invested in ADS Bravo which will feed into our newly acquired Surveillance system. Fiji will be the first country in the world to transit from a totally procedural system of air traffic control to a satellite based air traffic management system in domestic airspace. This is a giant leap we are taking.

This project has progressed with the signing of a contract with ADACEL. The benefit of this initiative to our stakeholder will be realised in the first quarter of 2019 with training commencing in the third quarter of 2018.

FA Aviation Academy has prepared a pool of qualified personnel to facilitate a seamless transition. This has been supplemented with the presence of a specialist in the field of Surveillance who will drive this initiative. We are modernising our domestic airspace to improve efficiency.

To complement surveillance control we are also modernising our domestic airspace and reviewing our Air Traffic Management procedures. We have developed Standard Instrument Departures (SID's) and Standard Arrivals (STAR's) which will enable pilots to experience Continuous Climb Operations (CCO) and Continuous Descent Operations (CDO). FA has also commenced with the implementation of Area Navigation (RNAV) Visual Approach (VA) for Runway 02 which will assist in reducing track miles for arrivals onto Runway 02 from the North and West of Nadi. We have also progressed the Required Navigation Performance – Authorisation Required (RNP-AR) approach to Runway 20 which provides further options for airlines to arrive safely at Nadi. These developments will bring significant fuel efficiencies, planning options and safety for our airline partners.

Our partnership with our regulator is equally important. The Civil Aviation Authority of Fiji (CAAF) has seen it fit to certify FA for the provision of Air Navigation Services and Airport Operations.

Fiji Airports fire fighters during a mock drill.

Security

We continually ensure that the security of our passengers and facilities is paramount by meeting international security requirements.

Security continues to evolve in our aviation environment that is susceptible to new threats. Significant investments have been made in acquiring equipment that will meet our security obligations.

We train our security staff through continuous training programmes. These are part of plans to constantly up skill our security personnel at various levels.

Environmental Management

We aim to attain Level 2 Airport Carbon Accreditation by 2020.

This will be achieved through our carbon reduction efforts at Nadi Airport. Our new Building Management System enables energy reduction.

As an airport operator we are taking steps to safeguard our environment. Last year we attained Level 1 certification and in the process became the first airport in the South Pacific to receive carbon accreditation.

FA is actively involved with the Mamanuca Environment Society, a non-government organization committed to protecting the pristine environment in the Mamanuca Islands.

As a sponsor our contribution towards their fight against climate change is gratifying. Through our small contribution we are helping to protect these beautiful islands. When passengers look out their window on approach to Nadi Airport their first glimpse are of our beautiful islands. Our goal is to continue to help protect the environment through this partnership with the Mamanuca Environment Society.

Air Navigation

The objective is to continue improving service delivery and modernising Communication Navigation and Surveillance/ Air Traffic Management (CNS/ATM) facilities.

Capacity building has been ongoing to ensure that the introduction of new systems is seamless.

The modernisation of our equipment was carried out through two major projects. These were the ATM Voice Communication System (VCS) and Very High Frequency (VHF) radio network and the Nadi Instrument Landing System (ILS) Distance Measuring Equipment (DME). Harris Communication is our supplier for the VCS and VHF radio project and Indra for the Nadi and Nausori ILS.

Air traffic controllers at the Nadi Tower.

The Antonov 124-100 aircraft at Nadi International Airport.

The installation and commissioning was completed at our nine VHF radio sites around the country at Nadi Tower, Loa, Nausori Tower, Monasavu, Delaikoro, Labasa, Savusavu, Matei and Rotuma. We will be able to talk to pilots wherever they may be flying around Fiji.

The Nadi ILS/DME which includes the Glide Path and Localiser has been installed with staff training completed. The next phase is the Site Acceptance Testing which will involve calibration flight and flight validation of the new Nadi ILS/DME in the first quarter of 2018. The Nausori ILS/DME installation will commence when the Nausori Airport runway extension is completed by 2021.

What does this mean? For the travelling public it means greater assurance of safer landing at either Nadi or Nausori during inclement weather.

The board has approved other major projects like the ICAO Common Regional VPN (CRV) network supplied by PCCWG and the upgrade of the Tower TAPTOOL supplied by Frequentis. This will ensure enhanced data management and future proofing of communications beyond 2018.

Airports

Nadi

The transformed Nadi International Airport was officially opened by the Prime Minister Rear Admiral (Retired) Josaia Voreqe Bainimarama on 4 June 2018.

This was the biggest event in our calendar. Dignitaries, stakeholders and invited guests joined Fiji Airports to celebrate this momentous occasion.

In 2017 we introduced the engagement of full time qualified nurses. The concept of having nurses has allowed us the ability to provide medical attention during emergencies at the airport. Lives have been saved because of this initiative. We hope we can continue to do more and our utmost best in this area.

We have received positive feedback from travellers who have commended our nurses for their professionalism and service.

The travelling public can depend on our guest relations officers for assistance. You can find them at our arrivals and departures information desk.

Our special service is the VIP facilitation on arrival and departure. The demand for this facilitation has steadily grown from the tourism industry and we are positioned to address this demand.

Our biggest challenge for Nadi is the acquisition of land for future growth of our airside and landside capacity.


VIP facilitation for our guests.

A Fiji Link flight touches down.

Nausori

Nausori Airport is the next major project for FA following the successful completion of the Nadi Airport Terminal Modernisation Project.

The Nausori Runway Upgrade project is earmarked for 2019. The lengthening of the runway will allow the Boeing 737 to operate on full load capacity out of Nausori. This project does not have a business case for FA.

We are supporting government's vision to develop the wider Tailevu to Deuba corridor and more immediately the Nausori region.

OUTER ISLAND AIRPORTS

The 13 outer island airports are scattered within the Fiji group. Maintaining these airports which are remotely located is a huge challenge. Whilst there are no business cases for these airports, FA continues to strategically plan developments for our outer island airports in line with governments vision to better connect people in isolated islands in Fiji under an inclusive Fiji.

Such developments will help improve air connectivity between Fijians living in remote areas to the mainland. They provide the engine for economic growth in these areas, such as tourism and agricultural sector.

Labasa

The runway lights installation has been completed. This will allow night landing into Labasa resulting in additional flights. Once the night flights commence the frequency of flights into Labasa will increase and passengers will have greater flexibility of choosing their flight times.

To cater for the increase in flight movement an upgraded fire truck was handed over to Labasa Airport.

Additional infrastructure upgrades will be carried out. The Labasa Airport terminal will be refurbished including the expansion of the apron and car park.

The refurbished fire truck at Labasa Airport.

Rotuma

The biggest project for the Outer Island Airports began in February 2017. The Rotuma Runway Upgrade is nearing completion. Fiji Link will be able to land its ATR's on Rotuma once the runway project is complete in 2018.

This will be a huge economic boost for Rotuma. Flights into the island will no longer be restricted by poor runway surface conditions.

The fully chip sealed runway will be available for use for mid-size aircraft such as the ATR. The increase in flight capacity from 5 seats per flight to 40 plus will have a positive impact on the Island's economy.

Included in the upgrade programme is the provision of a Fire Tender and a new Fire Station is being constructed to house the fire truck and the new fire recruits.

Savusavu

Domestic carriers Fiji Link and Northern Air operate daily into Savusavu. In addition charter flights are also available.

Current plans for the airport include the construction of a new Terminal facility.

A Northern Air Bandeirante aircraft with a Fiji Link ATR taxiing in the background.

Matei
Land acquisition needs to be finalised to allow for a runway extension to handle ATR flights.

Taveuni continues to be served by the 12 seater Twin Otters operated by Fiji Link and the Bandeirante by Northern Air.

There is high demand to this beautiful island which boasts some of Fiji's iconic tourist attractions.

Bureta
Bureta Airport is on the island of Levuka and is a short 15 minutes flight from Nausori Airport. There are daily flights to Bureta.

Plans are in the pipeline to carry out runway upgrade works for Bureta as part of the outer island runway upgrade projects.

Kadavu

Kadavu enjoys regular flights from Nadi which serves to provide timely connectivity for our tourists.

In addition there are weekly flights from Nausori by Fiji Link. Northern Air will soon commence flight operations after its recent approval to operate into Kadavu. This will increase connectivity to the island.

Ono-i-Lau
Government has allocated $300,000 to upgrade the Ono-i-Lau airstrip and terminal. Ono-i-Lau is the furthest island airport to the South East of Fiji.

Works will include the maintenance and repair of the existing fence and the demolition and building of the terminal.

A Fiji Airways A330-300 Airbus aircraft being pushed back in preparation for take-off.

Key Statistics - Passenger and Aircraft Statistics

Year	2013	2014	2015	2016	2017
Passenger Movements					
International Arrivals	829,285	844,366	913,620	939,275	967,826
International Departures	839,858	843,117	913,586	949,650	975,940
Transits & Transfers	59,678	87,756	80,105	103,691	140,814
Total Int'l Passengers	**1,728,821**	**1,775,239**	**1,907,311**	**1,992,616**	**2,084,580**
Domestic Arrivals	282,381	292,734	326,668	355,742	383,494
Domestic Departures	283,787	291,409	326,104	349,146	382,864
Total Domestic Passengers	**566,168**	**584,143**	**652,772**	**704,888**	**766,358**
Total Passenger Movements	**2,294,989**	**2,359,382**	**2,560,083**	**2,697,504**	**2,850,938**
Growth % on Total Pax	10.4%	2.8%	8.5%	5.4%	5.7%
Growth % on International Pax	5.3%	2.7%	7.4%	4.5%	4.6%
Aircraft Movements					
Int'l aircraft Landing	11,352	12,522	13,847	14,005	15,337
	3.2%	10.3%	10.6%	1.1%	9.5%
Domestic aircraft Landing	32,018	36,578	39,733	37,742	46,146
	-0.7%	14.2%	8.6%	-5.0%	22.3%
Other	35,010	42,591	35,599	27,167	39,004
	-0.5%	21.7%	-16.4%	-23.7%	43.6%
Total aircraft landings	**78,380**	**91,691**	**89,179**	**78,914**	**100,487**
Growth%	0.0%	17.0%	-2.7%	-11.5%	27.3%
MCTOW (Maximum Certified Take-Off Weight)					
International MCTOW	678,524	680,251	734,417	794,728	845,505
	1%	0%	8%	8%	6%
Domestic MCTOW (Nadi/ Nausori)	148,027	152,361	154,987	169,884	184,677
	8%	3%	2%	10%	9%
Regional Airport MCTOW	45,126	43,097	50,899	50,323	55,498
	21%	-4%	18%	-1%	10%
Total MCTOW	**871,677**	**875,709**	**940,303**	**1,014,935**	**1,085,680**
Growth%	3.0%	0.5%	7.4%	7.9%	7.0%
Air Navigation Service Units					
Air Navigation Service Units	3,155,313	3,192,107	3,488,516	3,808,559	4,001,455
Growth%	5.7%	1.2%	9.3%	9.2%	5.1%

Total Passenger Movement

Total International Passengers

Total Domestics Passengers

Total Aircraft Movement (Tonnage)

International Aircraft Movement (Tonnage)

Domestic Aircraft Movement (Tonnage)

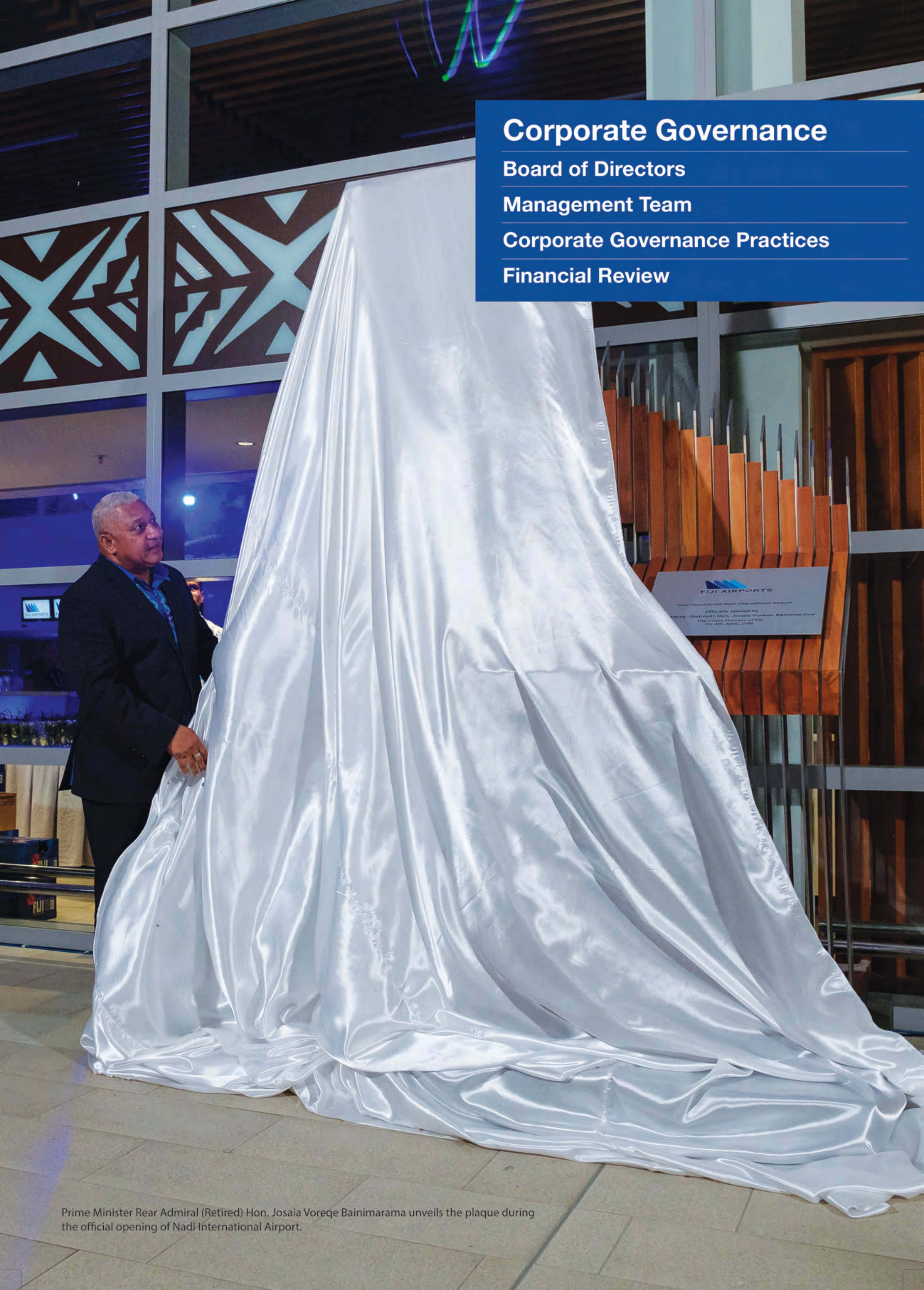
Corporate Governance

Board of Directors

Management Team

Corporate Governance Practices

Financial Review



Prime Minister Rear Admiral (Retired) Hon. Josaia Voreqe Bainimarama unveils the plaque during the official opening of 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

Shailendra Pandaram
Communications Navigation Surveillance/ Air Traffic Management Planning, Implementation and Training Specialist

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 2017 the Board is compromised of the Executive Chairman Mr Faiz Khan and two non-executive independent directors: Mr Geoffrey Shaw and Ratu Wiliame Katonivere. Mr Xavier Riaz Khan resigned on 28 March 2017. The Ministry for Public Enterprises appoints the directors. Under the articles of FA the minimum number of two directors forms a quorum; and 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.

Statutory Duties of the Board

In addition to the above, the Board of Directors of FA, collectively and individually, has agreed on the fulfilment 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 FA also owe the following fiduciary duties to the Company. These fiduciary duties form the Code of Ethics of FA.

A fiduciary relationship imposes an obligation of utmost good faith on the directors by putting the interests of the Company first, and the FA 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 2017. 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 $27,792 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 $44,853 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.

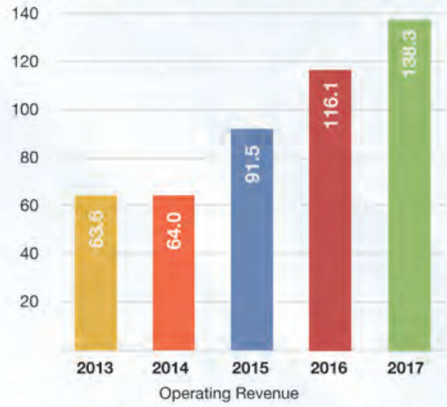
Key Performance Indicators

Year	2013	2014	2015	2016	2017
Operating Revenue ($m)	63.6	64.0	91.5	116.1	138.3
Operating Expenses (Including depreciation) ($m)	47.7	46.3	45.9	50.8	58.1
EBIT ($m)	15.9	17.6	45.7	65.3	80.2
EBITDA ($m)	28.8	30.4	58.2	78.7	94.2
Cash from Operations ($m)	20.0	26.8	42.8	68.5	66.9
Return on Assets (%)	6.5	7.1	9.9	16.4	19.4
Return on Equity (%)	7.7	8.5	13.7	24.4	29.0
Debt/Equity ratio (%)	0.9	4.1	25.3	31.6	31.9
Current Ratio (Times)	5.3	3.9	6.4	4.2	3.5
Interest Cover (Times)	226.4	1326.2	72.9	48.3	43.0
Total International Passenger Throughput (million)	1.7	1.8	1.9	2.0	2.1
Capital Investment ($m)	7.5	8.4	66.6	46.9	45.1
Dividends ($m)	5.0	10.0	15.0	30.0	45.0

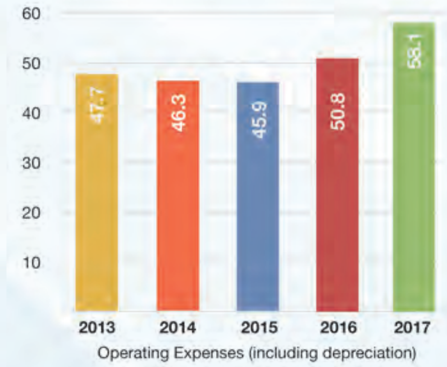
Financial Trend Analysis to December 2017

Year	2013 $m	2014 $m	2015 $m	2016 $m	2017 $m
INCOME STATEMENT					
Total Revenue	63.8	64.4	92.6	118.1	140.1
Total Expenses excluding Depreciation & Interest	35.0	33.9	48.5	43.1	45.9
Depreciation	12.7	12.4	11.5	11.4	12.2
Interest & Bank Charges	0.1	0.0	0.6	1.4	1.9
Income Tax Expense	3.1	3.3	6.7	12.7	15.9
NPAT	12.9	14.7	25.1	49.5	64.2
Dividends Paid	5.0	10.0	15.0	30.0	45.0
BALANCE SHEET					
Total Assets	197.4	206.8	253.3	301.9	331.7
Total liabilities	29.8	33.8	70.1	99.2	109.9
Net assets/shareholders equity	167.6	173.1	183.2	202.6	221.7
REVENUE					
Landing and Parking Fees	12.1	11.9	18.2	21.6	22.4
Air Navigation Charges	11.0	11.1	19.2	21.9	36.3
Terminal Nav Aids	3.3	3.3	5.0	5.8	6.5
Concessions	12.4	12.9	18.5	31.7	33.5
Rentals	4.0	4.0	4.2	5.2	6.1
Departure Tax Share	5.8	5.9	6.5	7.2	7.2
Development & Security Fee - Int'l	7.6	7.8	12.6	15.5	15.8
Domestic Passenger Service Charge	1.2	1.2	1.4	1.5	1.6
Other	5.9	5.5	5.7	5.6	8.7
Grant Funding	0.3	0.3	0.2	0.1	0.0
Interest	0.2	0.4	1.0	1.9	1.9
Total	**63.8**	**64.4**	**92.6**	**118.1**	**140.1**
EXPENSE					
Salaries	14.3	14.2	15.5	16.2	17.5
Contract Cost	4.1	4.3	4.6	4.6	5.3
Operating Cost	12.2	11.3	10.3	13.8	15.7
Administration cost	4.3	4.1	4.0	4.8	7.4
Depreciation	12.7	12.4	11.5	11.4	12.2
Interest	0.1	0.0	0.6	1.4	1.9
Loss on Disposal of old terminal assets - NATMP - non-cash/non-operational	0.0	0.0	14.2	3.7	0.0
Total	**47.8**	**46.3**	**60.7**	**55.9**	**60.0**

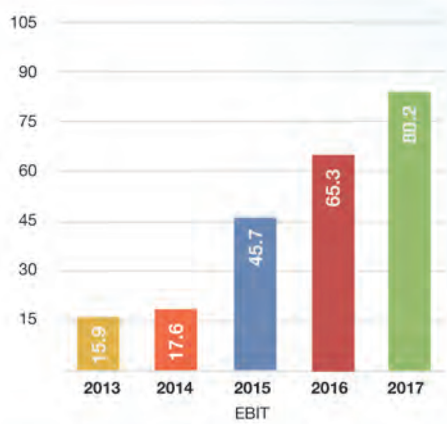
Operating Revenue (FJ$, mil)



Operating Expenses (FJ$, mil)

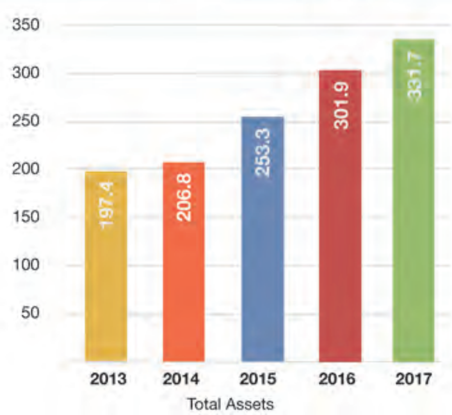


EBIT (FJ$, mil)

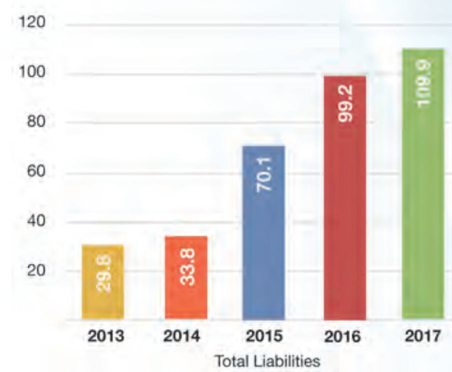


NPAT (FJ$, mil)

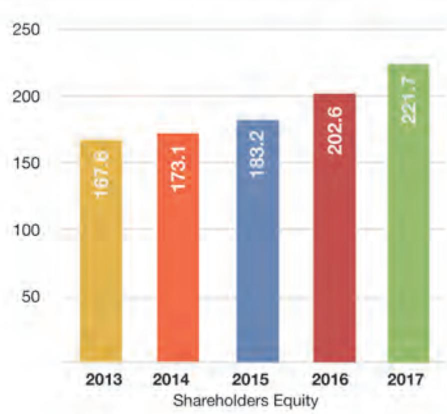
Assets (FJ$, mil)



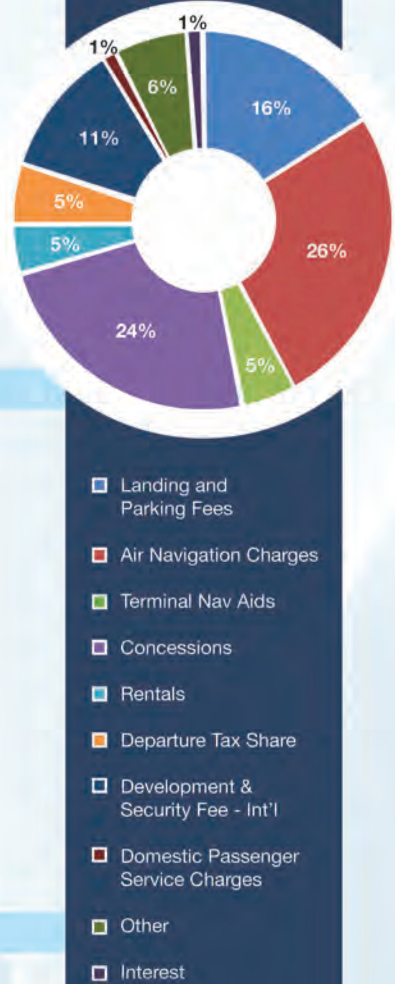
Liabilities (FJ$, mil)



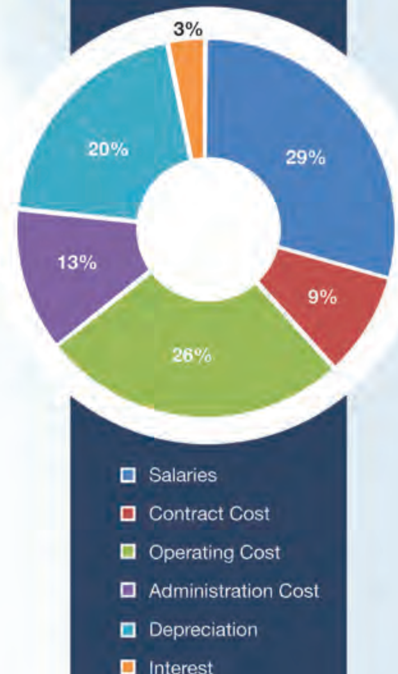
Equity (FJ$, mil)



2017 Revenue Composition



2017 Expense Composition



Fiji Airports' Renaming

Financial Statements

For the Year Ended 31 December 2017

Contents

Director's Report

For the Year Ended 31 December 2017

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 2017 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. 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 2017 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 Activities

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.

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

Trading Results

The net profit of the Company for the year was $64,239,987 (2016: $49,466,323) after taking into account an income tax expense of $15,946,426 (2016: $12,691,421).

Dividend

During the year, the Directors declared and paid dividends of $0.4875 per share amounting to $45,000,000 (2016: $0.3250 per share amounting to $30,000,000).

Current and Non-Current Assets

The Directors took reasonable steps before the Company's financial statements were made out to ascertain that the current and non-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 and non-current assets in the financial statements to be misleading.

Basis of Accounting - 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

Bad and Doubtful Debts
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
As at the date of this report:
(i) no charge on the assets of the Company has been given since the end of the financial year to secure the liabilities of any other person;
(ii) no contingent liabilities have arisen since the end of the financial year for which the Company could become liable; and
(iii) no contingent liabilities or other liabilities of the Company have become or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

As at the date of this report, the directors are not aware of any circumstances that have arisen, not otherwise dealt with in this report or the Company's financial statements, which would make adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

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

Directors' Benefits
Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit disclosed in the financial statements and/ or included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements or received as the fixed salary of a full-time employee of the Company or of a related corporation) by reason of contract made by the Company or by a related corporation with the director or with a firm of which he is a member, or with a company in which he has substantial financial interest.

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

Dated at Nadi this 25th day of May 2018.

Director **Director**

Director's Declaration
continued

The declaration by directors is required by the Companies Act 2015. The directors of the Company have made a resolution that declares:

a) In the opinion of the directors, the financial statements of the Company for the financial year ended 31 December 2017:
   i. comply with the International Financial Reporting Standards and give a true and fair view of the financial position of the Company as at 31 December 2017 and of the performance and cash flows of the Company for the year ended 31 December 2017; and
   ii. have been prepared in accordance with the Companies Act 2015.

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

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

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

Dated at Nadi this 25th day of May 2018.

Director **Director**

REPUBLIC OF FIJI
OFFICE OF THE AUDITOR GENERAL

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INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements of Airports Fiji Limited

Opinion

I have audited the financial statements of Airports Fiji Limited ("Company"), which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss and other 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 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Emphasis of Matter

I draw attention to Note 2 and Note 3 (g) of the financial statements which state that the Company in complying with the Circular issued on Cabinet Decision No.357 of 2012 for its accounting treatment of government grants after 1 January 2010, was not in compliance with International Accounting Standards (IAS) 20 Accounting for Government Grants and Disclosure of Government Assistance.

Responsibilities of the Management and Directors for the Financial Statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and the 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 and directors either intend to liquidate the Company or 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.

Independent Auditor's Report

For the Year ended 31 December 2017

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
4 June 2018

Statement of Profit or Loss and other Comprehensive Income

For the Year ended 31 December 2017

	Notes	2017 $	2016 $
Revenue	4 (a)	130,264,311	111,216,194
Other income	4 (b)	8,000,140	4,907,329
Other expenses	5	(21,407,262)	(20,474,312)
Operating expenses	6	(19,143,294)	(14,174,228)
Personnel expenses	7	(17,539,621)	(16,195,860)
Operating profit		**80,174,274**	**65,279,123**
Loss on demolition of old terminal assets due to Nadi Airport Terminal Modernization Project	15	-	(3,702,157)
Finance income	8 (a)	1,877,937	1,931,088
Finance costs	8 (b)	(1,865,798)	(1,350,310)
Profit before income tax		**80,186,413**	**62,157,744**
Income tax expense	9 (a)	(15,946,426)	(12,691,421)
Profit for the year		**64,239,987**	**49,466,323**
Total comprehensive income for the year, net of tax		**64,239,987**	**49,466,323**

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the Year ended 31 December 2017

	Share Capital	Capital Contribution	Retained Earnings	Total Earnings
	$	$	$	$
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 (Note 21(b))	-	-	(30,000,000)	(30,000,000)
Capital contribution (refer Note 24(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**
Balance at 1 January 2017	92,300,180	4,951,501	105,397,056	202,648,737
Total comprehensive income for the year				
Profit for the year	-	-	64,239,987	64,239,987
1% Transitional tax on undistributed pre 2014 profits	-	-	(161,327)	(161,327)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	64,078,660	64,078,660
Transactions with owners of the Company				
Dividends declared and paid (Note 21(b))	-	-	(45,000,000)	(45,000,000)
Total transactions with owners recognised directly in equity	-	-	(45,000,000)	(45,000,000)
Balance at 31 December 2017	**92,300,180**	**4,951,501**	**124,475,716**	**221,727,397**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Financial Position

For the Year ended 31 December 2017

	Notes	2017 $	2016 $
CURRENT ASSETS			
Cash on hand and at bank	10	55,210,940	16,345,000
Trade receivables	11	18,125,039	13,516,678
Inventories	12	483,298	758,282
Other receivables and prepayments	13	4,612,538	4,456,864
Term deposits	14	11,000,000	57,700,246
Total current assets		**89,431,815**	**92,777,070**
NON-CURRENT ASSETS			
Property, plant and equipment	15	233,790,792	200,384,246
Investment property	16	8,453,793	8,709,302
Total non-current assets		**242,244,585**	**209,093,548**
TOTAL ASSETS		**331,676,400**	**301,870,618**
CURRENT LIABILITIES			
Bank overdraft	10	-	1,744,399
Trade and other payables	17	10,961,908	9,755,310
Loans and borrowings	18	10,437,205	3,384,505
Employee benefits	19	844,057	756,061
Deferred income	20	669,422	669,422
Current tax liability	9 (d)	2,982,032	5,999,480
Total current liabilities		**25,894,624**	**22,309,177**
NON-CURRENT LIABILITIES			
Loans and borrowings	18	70,635,951	62,352,370
Deferred income	20	10,542,950	11,212,372
Deferred tax liability	9 (c)	2,875,478	3,347,962
Total non-current liabilities		**84,054,379**	**76,912,704**
TOTAL LIABILITITES		**109,949,003**	**99,221,881**
NET ASSETS		**221,727,397**	**202,648,737**
SHAREHOLDERS' EQUITY			
Share capital	21 (a)	92,300,180	92,300,180
Retained earnings		124,475,716	105,397,056
Capital contribution	2 (a)	4,951,501	4,951,501
TOTAL SHAREHOLDERS' EQUITY		**221,727,397**	**202,648,737**

The above statement of financial position should be read in conjunction with the accompanying notes.
For and on behalf of the board and in accordance with a resolution of the directors.

Director **Director**

Statement of Cashflows

For the Year ended 31 December 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		129,382,650	115,256,214
Payments to suppliers and employees		(43,682,769)	(37,851,866)
Cash generated from operations		85,699,881	77,404,348
Income tax and interest WHT paid	9 (d)	(19,436,358)	(7,586,171)
Transitional tax paid		(161,327)	-
Interest paid		(1,786,349)	(1,270,861)
Insurance proceeds		2,578,633	-
Net cash from operating activities		66,894,480	68,547,316
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		251,042	-
Proceeds from investment in / (withdrawal of) term deposits		46,700,246	(15,538,646)
Payment for property, plant and equipment		(45,075,861)	(46,880,507)
Interest received on term deposits		1,583,600	1,172,730
Net cash provided from / (used in) investing activities		3,459,027	(61,246,423)
Cash flow from financing activities			
Proceeds from borrowings		15,256,832	23,161,767
Receipt of government grants		-	10,140
Dividends paid		(45,000,000)	(30,000,000)
Net cash used in financing activities		(29,743,168)	(6,828,093)
Net increase in cash and cash equivalents		40,610,339	472,800
Cash and cash equivalents at the beginning of the year		14,600,601	14,127,801
Cash and cash equivalents at end of year	10	**55,210,940**	**14,600,601**

The above statement of cash flows should be read in conjunction with the accompanying notes..

Notes to the Financial Statements

For the Year ended 31 December 2017

NOTE 1. REPORTING ENTITY

Airports Fiji Limited (the "Company") is a government owned entity incorporated under the Companies Act and a government commercial company under the Public Enterprises Act of 1996, domiciled in Fiji. The registered office is located at AFL Compound, Nadi Airport, 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.

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

NOTE 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 was 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 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:

	2017	2016
	$	$
Statement of comprehensive income	Increase / (decrease)	Increase / (decrease)
Profit	256,002	256,002
Statement of financial position		
Capital contribution	(4,951,501)	(4,951,501)
Retained earnings	1,568,506	1,312,504
Deferred government grants	3,382,995	3,638,997

The financial statements were authorised for issue by the Board of Directors on 25th of May 2018.

NOTE 2. BASIS OF PREPARATION (CONT'D)

(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 grants
- Note 3 (0) - lease classification
- Note 3 (i) (i) - recoverability of trade receivables
- Note 3 (i) (ii)- impairment of property , plant and equipment
- Note 3 (n) (ii) - useful life of property, plant and equipment

NOTE 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 aid charges, car park charges and passenger service charges are recognised as revenue when the relevant service has been provided.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Revenue recognition (Cont'd)

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.

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.

Deferred tax

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.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 until 8 March 2016 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.

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

(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.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial instruments (Cont'd)

(i) Non-derivative financial assets (Cont'd)

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.

Loans and receivables

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.

Cash and cash equivalents

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.

Held to maturity financial assets

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.

(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.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

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.

(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.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Borrowings

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

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

(m) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their use , are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognised as an expense in the year in which they are incurred .

(n) 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

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

Profits and losses on disposals are determined by comparing the proceeds with the carrying amount and are taken into account in determining the results for the year .

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) 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.

(p) 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. Allowance 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.

(q) 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.

(r) Comparative figures

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

(s) Changes in accounting policies

Amendments to standards and annual improvements effective from 1 January 2017

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

Amendments which are relevant to the entity are summarised below:

IAS 7: Amendment - Disclosure Initiative

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

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Changes in accounting policies (Cont'd)

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

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

i) Amendments which is applicable to the entity is:

IAS 40: Amendment - Transfers of Investment Property

This amendment is effective from 1 January 2018 and clarifies that transfer of a property to, or from investment property is made when, and only when, there is a change in use.

ii) Annual improvements and interpretation applicable to the entity is:

IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration

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

iii) New Standards which are applicable to the entity are:

IFRS 9 - Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9.

The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The Company is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

IFRS 15 - Revenue from Contracts with Customers

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

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

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Changes in accounting policies (Cont'd)

IFRS 16 - Leases

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

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

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

NOTE 4. REVENUE AND OTHER INCOME		**2017**	**2016**
(a) Revenue			
Air navigation charges	$	36,343,278	21,861,368
Airport security and development fee (i)		15,836,809	15,501,047
Concessions		33,543,686	31,727,041
Domestic passenger service charge		1,617,344	1,468,823
Landing and parking fees - domestic		828,723	818,452
Landing and parking fees - international		21,604,849	20,820,207
Departure tax share		7,175,940	7,157,730
Rental - offices and warehouses		4,939,277	4,102,211
Rental - check-in-counter		1,182,033	1,125,301
Terminal navigation aid charges		6,479,075	5,839,900
Car park charges		713,297	794,114
		130,264,311	**111,216,194**

(i) Airport security and development fee also includes international passenger service charge income.

(b) Other income			
Electricity recharge		2,151,376	2,038,382
Gain on disposal of motor vehicles		251,042	-
Deferred income and government grants		669,422	802,755
Land rental - written back		2,950,050	-
Other income		1,978,250	2,066,192
	$	**8,000,140**	**4,907,329**

Notes to the Financial Statements (Cont'd)

For the Year ended 31 December 2017

NOTE 5. OTHER EXPENSES		2017	2016
Auditors' remuneration	$	23,945	25,194
Bad debts		124,050	-
Board expenses		44,852	15,777
Contract costs		5,324,127	4,580,841
Depreciation - investment property		260,899	260,343
Depreciation - property, plant and equipment		11,892,891	11,175,715
Directors' remuneration		27,792	48,053
Doubtful debts expense		213,450	3,402
Insurance		2,195,200	2,112,864
Land rental		197,577	725,784
Stock obsolescence		114,126	-
Sundry cost and supplies		592,058	1,276,377
Travel and accommodation		396,295	249,962
		21,407,262	**20,474,312**

NOTE 6. OPERATING EXPENSES

Meteorological costs	550,459	550,459
Post and telecommunications	1,061,422	1,054,253
Utilities	6,386,710	5,414,423
Other costs	6,110,923	3,494,512
Repairs and maintenance	5,033,780	3,660,581
	19,143,294	**14,174,228**

NOTE 7. PERSONAL EXPENSES

Wages and salaries	15,583,119	14,372,156
Contribution to Fiji National Provident Fund	1,434,318	1,359,189
Key management compensation - wages and salaries	155,499	142,500
Contribution to Fiji National Provident Fund	15,550	14,250
FNU Levy	165,228	137,992
Other employee benefits	185,907	169,773
	17,539,621	**16,195,860**

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 Industries Limited. This has been accrued and included in operating expenses and is subject to approval from the Government.

NOTE 8. FINANCE INCOME AND COSTS

(a) Finance income

Interest income		**1,877,937**	**1,931,088**

(b) Finance costs

Interest expense		1,786,349	1,270,861
Amortised financing cost		79,449	79,449
	$	**1,865,798**	**$1,350,310**

NOTE 9. INCOME TAX		2017	2016
(a) Income tax expense recognised in profit or loss			
Current tax expense			
Current year	$	16,547,257	13,563,803
Over provision of income tax in prior years		(128,347)	(292,984)
		16,418,910	**13,270,819**
Deferred tax benefit			
Origination and reversal of temporary differences		(472,484)	(987,422)
Over provision of deferred tax in prior years		-	408,024
		(472,484)	(579,398)
Income tax expense		**15,946,426**	**12,691,421**
(b) Reconciliation of effective tax			
Profit before income tax		80,186,413	62,157,744
Prima facie income tax expense at 20%		16,037,283	12,431,549
Effect of permanent differences		37,490	144,831
(Over)/Under provision in prior years		(128,347)	115,041
		15,946,426	**12,691,421**
(c) Recognised deferred tax liability, net			
Trade receivables		69,498	34,779
Inventories		25,000	2,175
Employee benefits		168,811	151,212
Property, plant and equipment		(3,138,787)	(3,536,128)
	$	**(2,875,478)**	**(3,347,962)**

Movement in temporary differences during the year

	1 January 2017 $	Recognised in profit or loss $	31 December 2016 $
Trade receivables	34,779	34,719	69,498
Inventories	2,175	22,825	25,000
Employee benefits	151,212	17,599	168,811
Property, plant and equipment	(3,536,128)	397,341	(3,138,787)
	(3,347,962)	**472,484**	**(2,875,478)**

NOTE 9. INCOME TAX (CONT'D)

(c) Recognised deferred tax liability (Cont'd)

Movement in temporary differences during the year (Cont' d)

	1 January 2016	Recognised in profit or 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)**

(d) Current tax liability

		2017	2016
Balance 1 January	$	5,999,480	314,832
Current tax expense		16,547,257	13,563,803
Interest withholding tax paid		(147,058)	(183,822)
Over provision in prior years		(128,347)	(292,984)
Payments made during the year		(19,289,300)	(7,402,349)
Balance 31 December		**2,982,032**	**5,999,480**

NOTE 10. CASH AND CASH EQUIVALENTS

Cash on hand	1,170	1,170
Cash at bank	55,209,770	16,343,830
Cash and cash equivalents in the statement of financial position	55,210,940	16,345,000
Bank overdraft	-	(1,744,399)
Cash and cash equivalents in the statement of cash flows	**55,210,940**	**14,600,601**

The Company had an overdraft limit of $Nil (2016: $5,000,000) and interest was charged at competitive rate.

NOTE 11. TRADE RECEIVABLES

Trade receivables		18,472,527	**13,690,571**
Impairment for doubtful debts		(347,488)	**(173,893)**
		18,125,039	**13,516,678**
Allowance for impairment			
At 1 January		173,893	170,491
Charge for the year		213,450	3,402
Other adjustment		(39,855)	-
At 31 December	$	**347,488**	**173,893**

Notes to the Financial Statements (Cont'd)

For the Year ended 31 December 2017

NOTE 12. INVENTORIES

		2017	2016
Fuel	$	25,264	6,854
Electrical		175,644	191,223
Telecom		407,389	571,078
		608,297	769,155
Less: allowance for inventory obsolescence		(124,999)	(10,873)
Total inventories, net		**483,298**	**758,282**

NOTE 13. OTHER RECEIVABLES AND PREPAYMENTS

Prepayments		2,378,327	1,200,603
Insurance receivable		-	791,177
Deposits		1,421,327	1,151,217
Other receivables		181,087	758,358
VAT receivable		631,797	555,509
		4,612,538	**4,456,864**

NOTE 14. TERM DEPOSITS	$	**11,000,000**	**57,700,246**

The term deposits have an average maturity of 1 year (2016: 1 year), and are at competitive interest rates.

NOTE 15. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Plant and equipment	Infrastrcuture	Motor Vehicles	Work in progress	Total
	$	$	$	$	$	$
Cost						
At 1 January 2016	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
Additions	-	517,256	-	813,051	45,997,014	47,327,321
Disposals	(121,347)	(275,565)	-	(694,416)	-	(1,091,328)
Transfers	35,315,074	1,999,708	4,453,590	-	(41,768,372)	-
Adjustments	(32,843)	(76,243)	1,645	(48,875)	(1,958,570)	(2,114,886)
At 31 December 2017	**181,775,494**	**74,270,509**	**100,734,853**	**11,446,877**	**12,248,214**	**380,475,947**
Depreciation and impairment:						
At 1 January 2016	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
Depreciation charge	3,964,393	4,245,340	3,052,437	630,721	-	11,892,891
Disposals	(29,418)	(269,112)	-	(631,157)	-	(929,687)
Adjustments	(837,649)	527,144	58,266	3,596	-	(248,643)
At 31 December 2017	**20,453,121**	**57,385,831**	**59,456,307**	**9,389,896**	**-**	**146,685,155**
Net book value:						
At 31 December 2017	**161,322,373**	**16,884,678**	**41,278,546**	**2,056,981**	**12,248,214**	**233,790,792**
At 31 December 2016	**129,258,815**	**19,222,894**	**39,934,014**	**1,990,381**	**9,978,142**	**200,384,246**

Disposal of $3,702,157 in 2016 related to disposals of buildings and plant and equipment via demolition occurred as a result of the new terminal project at the Nadi Airport. The terminal project separable portion 1 has been fully capitalised in May 2017.

Notes to the Financial Statements (Cont'd)

For the Year ended 31 December 2017

NOTE 16. INVESTMENT PROPERTY

		2017	2016
Cost			
Balance at 1 January	$	10,447,346	10,447,346
Additions		5,390	-
Balance at 31 December		10,452,736	10,447,346
Accumulated depreciation			
Balance at 1 January		(1,738,044)	(1,477,701)
Depreciation expense		(260,899)	(260,343)
Balance at 31 December		(1,998,943)	(1,738,044)
Net book value		**8,453,793**	**8,709,302**

During 2017, investment property rentals of $855,604 (2016: $818,082) were included in "revenue" as part of" rental - offices and warehouses". Maintenance expense, included in "operating expenses", was $Nil (2016: $9,975).

NOTE 17. TRADE AND OTHER PAYABLES

Trade payables	6,317,435	3,232,941
Land rental	-	2,975,000
Advance deposits	1,425,576	1,231,980
Income received in advance	86,964	142,528
Other payables	3,131,933	2,172,861
	10,961,908	**9,755,310**

NOTE 18. LOANS AND BORROWINGS

Bank loans			
Balance at 1 January		65,736,875	42,495,659
Drawdowns		15,256,832	23,161,767
Recognised in profit or loss		79,449	79,449
Balance at 31 December		81,073,156	65,736,875
Classified as follows:			
Current		10,437,205	3,384,505
Non-current		70,635,951	62,352,370
	$	**81,073,156**	**65,736,875**

(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 $15,256,596 was drawn during the year (2016: $23,161,530). 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 31 December 2017 (2016: 30 June 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 variable interest rates and a facility term of 12 years, the monthly repayment will be $869,767 (2016: $673,709).

NOTE 18. LOANS AND BORROWINGS (CONT'D)

(i) Bank loans (Cont'd)

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. Competitive interest rates 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 (2016: $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 and 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 provided by Airports Fiji Limited.

NOTE 19. EMPLOYEE BENEFITS		2017	2016
Annual leave			
Balance at 1 January	$	756,061	777,462
Charge to profit or loss		854,136	718,071
Utilised during the year		(766,140)	(739,472)
Balance at 31 December		**844,057**	**756,061**

NOTE 20. DEFERRED INCOME

	2017	2016
Housing Estate		
Balance at 1 January	11,881,794	12,551,216
Recognised in profit or loss	(669,422)	(669,422)
Balance at 31 December	**11,212,372**	**11,881,794**
Classified as follows:		
Current	669,422	669,422
Non-current	10,542,950	11,212,372
	11,212,372	**11,881,794**

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.

NOTE 21. SHARE CAPITAL

		2017	2016
(a) Issued and paid up capital			
92,300,180 ordinary shares		**92,300,180**	**92,300,180**
(b) Dividends			
Dividends declared and paid by the Company are as follows:			
$0.4875 per share (2016: $0.3250)	**$**	**45,000,000**	**30,000,000**

NOTE 22. 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:

		2017	2016
Less than one year	$	210,851	660,851
Between one and five years		843,404	2,643,404
Over five years		8,491,141	25,490,635
		9,545,396	**28,794,890**

(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 rental.

Minimum lease payments under the concession agreements are receivable as follows:

Less than one year		26,415,163	25,646,740
Between one and five years		102,999,554	91,113,453
Over five years		-	15,660,060
		129,414,717	**132,420,253**

(c) Capital commitments

Approved and committed		49,900,000	21,549,264
Approved but not committed		41,955,000	-
	$	**91,855,000**	**21,549,264**

Capital expenditure are primarily in respect of purchase of land for Nausori Airport Runway extension including upgrade to the runway at Nausori Airport and Rotuma Airport (2016: Capital expenditure was primarily in respect to Nadi Airport Terminal Modernization Project).

NOTE 23. CONTINGENT LIABILITIES

The Company is vigorously defending several claims received from suppliers amounting to $1,015,269 (2016: $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 $1,570,401 as at 31 December 2017 (2016: $7 million). This Letter of Credit has been obtained to fund the Instrument Landing System (ILS) / Distance Measuring Equipment (DME) together with related goods and services for the Nadi and Nausori Airport (2016: Nadi Airport Terminal Modernisation Project (the "Project")).

Notes to the Financial Statements (Cont'd)

For the Year ended 31 December 2017

NOTE 24. RELATED PARTIES

(a) Directors

The Directors who held office during the year were:
Mr. Faiz Khan (Executive Chairman)
Mr. Geoffrey N. Shaw
Ratu Wiliame Katonivere
Mr. Xavier Riyaz Khan - resigned 28 March 2017

		2017	2016
Directors' remuneration:			
Fees	$	27,792	48,053
Other benefits		44,853	15,777
		72,645	**63,830**

(b) Identity of related parties

The Company is a commercial 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.

(c) Amounts receivable / (payable) to related parties

	2017	2016
iTaukei Land Trust Board (TLTB)	-	(2,975,000)
Fiji Airways	10,305	3,537,126
Fiji Meteorological Services	(45,872)	(45,872)

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:

		2017	2016
Fiji Government			
iTaukei Land Trust Board (TLTB) - Land rental expense		197,577	725,784
Government grant received		-	10,140
Dividends paid		45,000,00	30,000,000
Fiji Airways			
Landing and parking and rental revenue		25,388,369	16,597,599
Fiji Meteorological Services			
Reimbursement of Meteorological office operating cost		550,459	550,459
Civil Aviation Authority of Fiji (CAAF)			
Airport License & Inspection Fee		382,718	406,526
Fiji National Provident Fund			
Post employment benefit plan - Superannuation	$	1,449,868	1,373,439

NOTE 24. RELATED PARTIES (CONT'D)

(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 and in 2016, the Executive Chairman and General Manager Air Traffic Management 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 24 (a) above) is disclosed in Note 7.

NOTE 25. FINANCIAL RISK MANAGEMENT

Overview

The Company has exposure to the following risks:
(i) Credit risk;
(ii) Liquidity risk;
(iii) Market risk; and
(iv) Operational 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.

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 documented in the Company's finance policy and procedures manual. Risk management is carried out by executive management. Executive management identifies, evaluates and monitors financial risks in close co- operation with the operating units.

(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 were as follows:

		2017	2016
Cash at bank	$	55,209,770	16,343,830
Trade receivables		18,125,039	13,516,678
Term deposits		11,000,000	57,700,246
Other receivables (excluding prepayments)		2,234,211	3,256,261
	$	**86,569,020**	**90,817,015**

NOTE 25. FINANCIAL RISK MANAGEMENT (CONT'D)

(i) Credit risk (Cont'd)

Trade receivables (cont'd)

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 stores. 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 were as follows:

		2017	2016
Less than 30 days, due not impaired	$	13,211,990	10,620,109
Past due 31 - 60 days		3,280,973	1,944,367
Past due 61 - 90 days		950,908	841,052
Past due more than 90 days		681,168	111,150
	$	**18,125,039**	**13,516,678**

The Company establishes an allowance 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, Bred bank and Home Finance Company Limited.

(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.

Surplus cash is also invested in term deposits.

NOTE 25. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) Liquidity risk (Cont'd)

The following are the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	More than 1 year
	$	$	$	$	$
31 December 2017					
Trade and other payables	10,961,908	10,961,908	10,961,908	-	-
Loans and borrowings	81,073,156	102,578,331	6,211,411	6,178,701	90,188,219
	92,035,064	**113,540,239**	**17,173,319**	**6,178,701**	**90,188,219**
31 December 2016					
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 borrowing	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**

The Company is required to make interest only payments till the end of the availability period and there after 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 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 the current rate.

(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

		2017	2016
Term deposits (i)	$	11,000,000	57,700,246
Loan from Westpac Banking Corporation (ii)		81,073,156	65,736,875
Bank overdraft (iii)	$	-	1,744,399

NOTE 25. FINANCIAL RISK MANAGEMENT (CONT'D)

(iii) Market Risk (Cont'd)

Interest rate risk (Cont'd)

Fixed rate instruments (Cont'd)

(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 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) Overdraft facility was available up to 31 December 2017.

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.

Regulatory risk

The Company's profitability can be impacted by regulatory agencies established which govern the business sector in Fiji. Specifically prices for aeronautical services and air navigation service fees are regulated by Fijian Competition and Consumer Commission.

The salaries and wages payable to workers are subject to relevant wages regulations and employment legislation.

(iv) Operational risk

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

NOTE 26. 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.

NOTE 27. FAIR VALUE ESTIMATION

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

NOTE 28. 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.

Additional Financial Information

For the Year ended 31 December 2017

DISCLAIMER

The additional financial information presented on page 63 does not form part of the statutory financial statements. The additional financial information 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 2017. Our statutory audit did not cover all details of the additional financial information. Accordingly, we do not express an opinion on the additional financial information and no warranty of accuracy and reliability is given.

We advise that neither the Office of the Auditor General nor any member or employee of the OAG undertakes responsibility arising in any way whatsoever to any person (other than the company) in respect of such information.

SUVA, FIJI 2018 **OFFICE OF THE AUDITOR GENERAL**

Additional Financial Information

Detailed Statement of Profit or Loss

For the Year ended 31st December 2017

		2017	2016
Revenue			
Air navigation charges	$	36,343,278	21,861,368
Airport security and development fee		15,836,809	15,501,047
Concessions		33,543,686	31,727,041
Domestic passenger service charge		1,617,344	1,468,823
Landing and parking fees - domestic		828,723	818,452
Landing and parking fees - international		21,604,849	20,820,207
Departure tax share		7,175,940	7,157,730
Rental - offices and warehouses		4,939,277	4,102,211
Rental - check-in-counter		1,182,033	1,125,301
Terminal navigation aid charges		6,479,075	5,839,900
Electricity recharge		2,151,376	2,038,382
Gain on disposal of motor vehicles		251,042	-
Government grant		-	133,333
Deferred income		669,422	669,422
Identification card charges		140,064	150,433
Land rent written back		2,950,050	-
Left luggage charges		114,321	86,024
Interest on term deposit		1,877,937	1,931,088
Sundry income		1,723,865	1,829,735
Car park charges		713,297	794,114
Total income		**140,142,388**	**118,054,611**
Expenses			
Airport inspection and license fees		382,718	406,526
Auditors' remuneration		23,945	25,194
Bad debts		124,050	-
Bank charges		14,971	11,260
Board expenses		44,852	15,777
Consultancy		1,016,283	628,841
Contract costs		5,324,127	4,580,841
Depreciation		12,153,790	11,445,964
Directors' remuneration		27,792	48,053
Doubtful debts		213,450	3,402
Insurance		2,195,200	2,112,864
Interest		1,865,798	1,350,310
Land rental		197,577	725,784
Loss on disposal of property, plant and equipment		108,325	3,702,157
Meteorological costs		550,459	550,459
Other expenses		891,576	951,300
Post and telecommunications		1,061,422	1,054,253
Repairs and maintenance		5,033,780	3,660,581
Share of Air Traffic Management income		2,803,114	864,916
Stock obsolescence		114,126	-
Sundry costs and supplies		592,058	1,266,471
Training and conference		120,200	100,398
Travel and accommodation		396,295	249,962
Utilities and services		6,386,710	5,414,423
Vehicle and fuel costs		773,736	531,271
Wages and salaries		17,539,621	16,195,860
Total expenditure		**59,955,975**	**55,896,867**
Operating profit before tax	**$**	**80,186,413**	**62,157,744**

Opening of Nadi International Airport


FIJI AIRWAYS
KIOSK CHECK-IN
FIJI AIRPORTS

FIJI AIRPORTS