AIRPORTS FIJI LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

AIRPORTS FIJI LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

Contents

DIRECTORS' REPORT

The Board of Directors present their report together with the Financial Statements of Airports Fiji Limited for the year ended 31 December 2012 and the auditors' report thereon.

Directors

The directors of the company in office at the date of this report are:

Mr. Faiz Khan

Mr. Samuela Tamani

State of affairs

In the opinion of the directors, the accompanying statement of financial position give a true and fair view of the state of affairs of the company as at 31 December 2012 and that the accompanying statement of comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results and cash flows for the company for the year then ended.

Principal Activity

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

Results

The net profit for the company for the year was $11,277,360 (2011: $12,478,126) after taking into account an income tax expense of $2,851,846 (2011 income tax benefit: $236,431).

Dividend

During the year, the directors declared and paid a dividend of $1,000,000 (2011: $1,000,000).

Reserves

The directors recommend that no amounts be transferred to reserves within the meaning of the Seventh Schedule of the Fiji Companies Act, 1983.

Events Subsequent to Balance Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Dated at Nadi this 10th day of June 2013

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

Director............................ Director............................

REPUBLIC OF FIJI

OFFICE OF THE AUDITOR GENERAL

8th Floor, Ratu Sukuna House,
MacArthur Street,
P. O. Box 2214,
Government Buildings,
Suva, Fiji Islands.

Telephone: (679) 330 9032
Fax: (679) 330 3812
Email: info@auditorgeneral.gov.fj
Website: http://www.oag.gov.fj

Excellence in Public Sector Auditing

AIRPORTS FIJI LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

INDEPENDENT AUDIT REPORT

I have audited the accompanying Financial Statements of Airports Fiji Limited, which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' and Management's Responsibility for the Financial Statements

The directors and management are responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting Standards, the requirements of the Fiji Companies Act 1983 and the Public Enterprise Act 1996. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these Financial Statements based on the audit. I have conducted the audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the Financial Statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Audit Opinion

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; and

(b) the accompanying Financial Statements which have been prepared in accordance with International Financial Reporting Standards:
   - (i) are in agreement with the books of account;
   - (ii) to the best of my information and according to the explanations given to me:
     - (a) give a true fair view of the state of affairs of the Company as at 31 December 2012 and of its financial performance, changes in equity and its cash flows of the year ended on that date; and
     - (b) give the information required by the Fiji Companies Act, 1983 in the manner so required.

I have obtained all the information and explanations, which to the best of my knowledge and belief, were necessary for the purposes of the audit.

Tevita Bolanavanua
AUDITOR GENERAL

AUDITOR GENERAL
FIJI

12 June 2013
Suva, Fiji

AIRPORTS FIJI LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012	2011 Restated*
		$	$
Revenue	2.1	57,258,139	54,406,116
Other income	2.2	5,426,719	5,367,309
		62,684,858	59,773,425
Administrative expenses	2.3	20,299,306	19,207,805
Operating expenses	2.4	13,996,780	14,360,586
Personnel expenses	2.5	14,082,001	13,608,577
		48,378,087	47,176,968
Profit from operations		14,306,771	12,596,457
Finance income	2.6	267,473	449,728
Finance expenses	2.7	445,038	804,490
Profit before income tax		14,129,206	12,241,695
Income tax (expense)/benefit	3	(2,851,846)	236,431
Net profit for the year		11,277,360	12,478,126
Other comprehensive income		-	-
Total comprehensive income, net of tax		11,277,360	12,478,126
Basic earnings per share (cents)	4	0.12	0.14

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 1.3 and Note 23.

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

AIRPORTS FIJI LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012	2011 Restated*
		$	$
Share Capital			
Balance at the beginning of the year		92,300,180	92,300,180
Movement during the year		-	-
Balance at the end of the year	12	92,300,180	92,300,180
Retained Earnings			
Balance at the beginning of the year		47,943,516	37,812,023
Changes in accounting policies and errors	22	-	(1,346,633)
Net profit for the year		11,277,360	12,478,126
		59,220,876	48,943,516
Dividends declared and paid	5	(1,000,000)	(1,000,000)
Balance at the end of the year		58,220,876	47,943,516
Capital Contribution			
Balance at the beginning of the year		2,858,139	1,763,169
Received during the year	17	1,148,020	434,783
Released from retained earnings	23	-	660,187
		4,006,159	2,858,139
Total Equity and Shares		154,527,215	143,101,835

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 1.3 and Note 23.

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

AIRPORTS FIJI LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012	2011 Restated*
Operating Activities		**$**	**$**
Profit before tax		14,129,206	12,241,695
Adjustment to reconcile profit before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment		12,221,399	11,712,656
Deferred income		(1,070,189)	(1,507,548)
Unrealised exchange loss		2,391	141,722
Movements in provisions		662,653	412,150
Movement in trade creditors for property, plant and equipment purchase		1,805,754	166,068
Unrealised exchange gain		(65,425)	(589)
Items classified as financing activity - interest expense		464,283	843,823
Items classified as investing activity - interest received		(267,473)	(449,728)
Working capital adjustments:			
(Increase) in trade receivables		(2,071,829)	(4,686,634)
(Increase) in inventories		(104,978)	(20,262)
Decrease/(increase) in prepayments and other assets		454,605	(708,036)
(Decrease) in trade and other creditors		(873,828)	(4,865,558)
Income tax paid		(5,778,612)	(3,361,026)
Gain on disposal of property, plant and equipment		(14,126)	(37,655)
Tax withheld at source		(65,119)	(145,668)
Net cash flows from operating activities		19,428,712	9,735,410
Investing Activities			
Proceeds from sale of property, plant and equipment		57,246	104,838
Acquisition of plant and equipment		(9,211,174)	(9,540,482)
Interest received		267,473	449,728
Receipt of government grants		1,148,020	434,782
Net cash flows used in investing activities		(7,738,435)	(8,551,134)
Financing Activities			
Repayment of borrowings		(5,498,448)	(5,700,382)
Payment of finance lease liabilities		(832,187)	2,339,086
Dividends paid		(1,000,000)	(1,000,000)
Interest paid		(464,283)	(843,823)
Net cash flows used in financing activities		(7,794,918)	(5,205,119)
Net increase/(decrease) in cash held		3,895,359	(4,020,843)
Cash at the beginning of the year		20,715,916	24,736,759
Cash at end of year	6	24,611,275	20,715,916

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 1.3 and Note 23.

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

1.1 Corporate Information

Airports Fiji Limited (the "Company") is a public company domiciled in the Republic of Fiji. The Financial Statements of the Company for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Directors on _______________. The registered office is located at AFL Compound, Nadi Airport, Republic of Fiji.

The principal activities of the Company are described in Note 25.

1.2 Basis of preparation

The financial statements have been prepared on a historical cost basis, except where stated. The Financial Statements are presented in Fijian dollars and all values are rounded to the nearest dollar except where otherwise indicated.

Statement of compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

1.3 Changes in accounting policy and disclosures

Changes in accounting policies

IAS 16 ***Property, Plant and Equipment***

The Company reassessed its accounting policy for property, plant and equipment with respect to measurement of certain classes of property, plant and equipment after initial recognition. As per report issued by KPMG on 16th October 2012, the Company was not depreciating certain classes of infrastructure which appears to relate to pre-current ownership (that is, 1999 and prior) based on the valuation report of Rolle Associates. These assets basically relate to Surface (concrete, Asphaltic concrete), Base course layer (crushed gravel, concrete), Sub base layer, Shoulders and Formation. These assets are located on leasehold land (crown lease). The non-depreciation of these components is due to the fact that they were considered to be identical in nature to the land. The upgrades that were carried out in 2006 and 2010 were being depreciated at the rate of 7.7%.

On 1 January 2012 the Company elected to change the method of accounting for infrastructure classified in property, plant and equipment. After initial recognition, the items that were not being depreciated as they were noted as being identical to land should be depreciated based on the number of years of lease term. Further details as to how this are disclosed is provided in Note 23.

IAS 20 ***Treatment of Government Grants***

The Company has assessed its accounting policy with regards to the recognition of government grants, based on the circular which was distributed by Ministry of Public Enterprises and Tourism on 14th March 2013. As per Cabinet decision No. 357 of 2012, that any recent government grant or special funding to State Owned Enterprises be treated as capital contribution rather than revenue. This requirement applies to any grant and/or special funding from the year 2010 onwards.

The Company elected to change its accounting policy to recognise government grants previously treated as deferred income to capital contribution, as it believes this policy is more consistent with the practice of all the State Owned Enterprises. Further details as to how this are disclosed is provided in Note 23.

Changes have been applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors,* resulting in the adjustment of prior year financial information.

1.3 Changes in accounting policy and disclosures (continued)

New and amended standards and interpretations (continued)

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new and amended IFRS as of 1 January 2012:

- IAS 12 Income Taxes (Amendment) - Deferred Taxes: Recovery of Underlying Assets
- IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements

The adoption of the standard or interpretation is described below:

IAS 12 Income Taxes (Amendment) - Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and has no effect on the company's financial position, performance or its disclosures.

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendments are effective for annual periods beginning on or after 1 July 2011. The company does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

1.4 Summary of significant accounting policies

a) Foreign currency translation

The Company’s Financial Statements are presented in Fijian dollars, which is also the company’s functional currency.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date and all differences are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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, 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 charges and passenger service charges are brought into account when the relevant service has been provided.

1.4 Summary of significant accounting policies (continued)

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

Rental income and concessions

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms. Concession income is recognised on an accrual basis based on the actual concession data.

c) ***Current income tax***

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

1.4 Summary of significant accounting policies (continued)

c) Taxes (continued)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- Where the value added tax 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; and
- Receivables and payables that are stated with the amount of value added tax included.

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

d) Financial instruments - initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable to transaction costs.

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

The Company’s financial assets include cash and short-term deposits, trade and other receivables and loan and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

1.4 Summary of significant accounting policies (continued)

d) Financial instruments - initial recognition and subsequent measurement (continued)

Financial assets at fair value through profit and loss (continued)

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance cost in the statement of comprehensive income.

The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Loans and receivables

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

Held-to-maturity investment

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs. The Company held term deposits amounting to $7,000,000 (2011: $7,000,000) as held-to-maturity investments during the years ended 31 December 2012 and 2011.

Available-for-sale financial investments

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; and
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

ii) Impairment of financial assets

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

1.4 Summary of significant accounting policies (continued)

d) Financial instruments - initial recognition and subsequent measurement (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

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

The Company's financial liabilities include trade and other payables and bank overdraft, loans and borrowings.

Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

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

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

1.4 Summary of significant accounting policies (continued)

d) Financial instruments - initial recognition and subsequent measurement (continued)

Financial liabilities at fair value through profit or loss (continued)

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

iii) Financial liabilities (continued)

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the statement of comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

iv) Offsetting of financial instruments

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

v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 21.

e) Property, plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

1.4 Summary of significant accounting policies (continued)

e) Property, plant and equipment (continued)

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

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

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

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

f) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

Company as a lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

g) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Finished goods and work in progress cost of direct materials and labour.
- Costs have been assigned to inventory quantities on hand at balance date using a weighted average basis.
- Provision for inventory obsolescence are raised based on a review of inventories. Inventories considered obsolete or not in usable condition are written off in the year in which they are identified.

1.4 Summary of significant accounting policies (continued)

h) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

i) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

j) Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

1.4 Summary of significant accounting policies (continued)

k) Employee entitlement

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

l) Trade and other payables

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

m) Comparative figures

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

n) Dividends

Dividends are recorded in the Company's Financial Statements in the period in which the Directors approve them.

o) Earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

1.5 Significant accounting judgments, estimates and assumptions

Judgments

The preparation of the Company’s Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Operating lease commitments - company as lessor

The Company has entered into commercial property leases. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset’s performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

1.5 Significant accounting judgments, estimates and assumptions (continued)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely and level of future taxable profits together with future tax planning strategies. Further details are contained in Note 3.

1.6 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial Statements are disclosed below. The company intends to adopt these standards, if applicable, when they become effective.

- IAS 1 Presentation of Items of Other Comprehensive Income (effective 1 January 2013)
- IAS 19 Employee Benefits (effective 1 January 2013)
- IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)

Annual Improvements May 2012

These improvements will not have an impact on the Company, but include:

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

These improvement are effective for annual periods beginning on or after 1 January 2013.

2. REVENUE AND EXPENSES

	2012 $	2011 $
2.1 Revenue		
Air navigation charges	10,274,880	10,314,820
Airport security and development fee	7,322,203	6,936,256
Concessions	12,698,810	12,832,005
Domestic passenger service charge	845,093	-
Landing and parking fees - domestic	613,474	672,809
Landing and parking fees - international	11,249,043	11,504,894
Departure tax share	6,196,238	4,563,412
Rental - offices and warehouses	3,254,999	3,169,400
Rental - check-in-counter	998,126	545,961
Terminal navigation aid charges	3,258,557	3,352,641
Car park charges	546,716	513,918
	57,258,139	54,406,116
2.2 Other income		
Electricity recharge	2,974,282	2,963,221
Gain on disposal of property, plant and equipment	14,126	37,655
Deferred income	1,070,189	1,507,548
Other income	1,368,122	858,885
	5,426,719	5,367,309
2.3 Administrative expenses		
Included in other operating expenses are:		
Allowance for doubtful debts - trade receivables	779,191	683,431
Auditors' remuneration	13,000	13,000
Bad debts	247,533	-
Board expenses	12,098	42,173
Contract costs	3,281,275	3,237,358
Depreciation	12,221,399	11,712,656
Directors remuneration	47,666	43,532
Insurance	1,913,414	1,728,522
Land rental	667,950	633,882
Sundry cost and supplies	722,700	589,970
Travel and accommodation	393,080	523,281
	20,299,306	19,207,805
2.4 Operating expenses		
Meteorological costs	521,739	521,739
Post and telecommunications	1,222,431	1,006,221
Utilities	6,172,898	5,927,208
Other costs	6,077,321	6,763,696
Unrealised exchange loss	2,391	141,722
	13,996,780	14,360,586

	2012	2011
2. REVENUE AND EXPENSES (continued)	**$**	**$**
2.5 Personnel expenses		
Wages and salaries	11,056,909	10,472,676
Key management compensation	1,303,246	1,202,730
Contribution to Fiji National Provident Fund	1,721,846	1,933,171
	14,082,001	13,608,577
2.6 Finance income		
Interest income	267,473	449,728
2.7 Finance expense		
Interest expense	445,038	804,490

3. Income tax

The major components of income tax expense/(benefit) for the years ended 31 December 2012 and 2011 are:

a) A reconciliation between tax expense/(benefit) and the product of accounting profit multiplied by the tax rate for the years ended 31 December 2012 and 2011 is as follows:

	2012	2011
Accounting profit before income tax	14,129,206	12,241,695
At the Fiji rate of 20% (2011: 28%)	2,825,841	3,427,675
Non-deductible expenses for tax purposes	4,739	(399,904)
Effect of change in tax rate	-	(3,265,121)
Under provision in prior year	21,266	919
Income tax expense/(benefit) attributable to operating profit	2,851,846	(236,431)

b) Statement of comprehensive income

	2012	2011
Current income tax:		
Current income tax charge	2,830,580	3,027,771
Over provision in prior year	21,266	919
Effect of change in tax rate	-	(3,265,121)
Income tax expense/(benefit)	2,851,846	(236,431)

c) *Deferred income tax:*

Deferred income tax at 20% relates to the following:

	2012	2011
Deferred tax liability		
Provision for doubtful debts	465,575	335,436
Provision for stock obsolescence	20,000	20,000
Employee entitlements	183,483	181,070
Unrealised exchange loss	478	28,344
Accelerated depreciation for tax purpose	(8,110,810)	(8,753,117)
Unrealised exchange gain	(13,085)	(118)
Other timing differences	(2)	17,352
Net deferred tax liability	(7,454,361)	(8,171,033)

	2012	2011
3. Income tax (continued)	**$**	**$**
Represented on the statement of financial position as:		
Deferred tax asset	656,451	564,732
Deferred tax liability	(8,110,812)	(8,735,765)
	(7,454,361)	(8,171,033)

There are no income tax consequences attaching to the payment of dividends in 2012 by the company to its shareholders.

4. Earnings per share

Net profit for the year	11,277,360	12,478,126
Number of equity shares fully paid	92,300,180	92,300,180
Basic earnings per share (cents)	0.12	0.14

5. Dividends paid and proposed

Declared and paid during the year	1,000,000	1,000,000

6. Cash and short-term deposits

Cash on hand	1,070	1,070
Cash at bank	11,391,338	7,503,279
Short-term deposits	5,005,412	5,000,000
Deposits on call	1,213,454	1,211,567
	17,611,274	13,715,916

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the company, and earn interest at the respective short-term deposit rates.

For the purpose of statement of cash flow, cash and cash equivalents comprise the following at 31 December:

Cash at banks and on hand	17,611,274	13,715,916
Held-to-maturity investment	7,000,000	7,000,000
	24,611,274	20,715,916

		Restated*
7. Trade receivables	**$**	**$**
Trade receivables	12,886,289	11,465,158

Trade and other receivables are non-interest bearing and are generally on 30-90 day terms. At 31 December 2012, trade receivables at nominal value of $2,165,463 (2011: $1,514,765) were impaired and fully provided for. Movements in provision for impairment of receivables were as follows:

At 1 January	1,514,765	831,334
Charge for the year	747,230	692,749
Utilised	(96,532)	(9,318)
At 31 December	2,165,463	1,514,765

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 23.

7. Trade receivables (continued)

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

		Due not impaired	Past due but not impaired		
	Total	< 30 days	30 - 60 days	60 - 90 days	> 90 days
	$	$	$	$	$
2012	12,886,289	9,241,025	2,116,773	157,069	1,371,422
2011	11,465,158	7,594,474	1,292,595	683,674	1,894,415

	2012	2011
8. Inventories	$	$
Fuel	8,149	6,658
Electrical	123,005	121,382
Telecom and others	386,401	284,537
Allowance for obsolescence	(100,000)	(100,000)
Total inventories at the lower of cost and net realisable value	417,555	312,577

The amount of write-down of inventories recognised as an expense is nil (2011: nil).

9. Prepayments and other assets

Prepayments	412,542	1,345,916
Staff advances	9,210	28,325
Deposits	1,105,821	580,171
Other receivables	195,111	220,638
Insurance recoverable	-	2,238
Provision for doubtful debts (other receivable)	(162,412)	(162,412)
	1,560,272	2,014,876

10. Other financial assets

Held-to-maturity investment	7,000,000	7,000,000

11. Property, plant and equipment

	Leased land and Buildings	Plant and equipment	Infrastructure	Motor vehicles	Work in progress	Total
	$	$	$	$	$	$
__Cost__						
At 1 January 2011	75,213,559	50,219,374	90,894,217	8,862,682	10,236,889	235,426,721
Additions	120,188	4,029,052	-	469,192	5,088,078	9,706,510
Disposals	(182,412)	(5,849,608)	(21,071)	(81,866)	-	(6,134,957)
Transfers	1,754,351	1,563,115	2,640,124	50,974	(6,008,564)	-
At 31 December 2011	76,905,686	49,961,933	93,513,270	9,300,982	9,316,403	238,998,274
Additions	108,258	530,694	(102,789)	210,534	10,270,231	11,016,928
Disposals	-	(40,326)	-	(217,444)	-	(257,770)
Transfers	167,336	4,290,616	720,304	6,970	(5,185,226)	-
At 31 December 2012	77,181,280	54,742,917	94,130,785	9,301,042	14,401,408	249,757,432

11. Property, plant and equipment (continued)

	Leased land and Buildings	Plant and equipment	Infrastructure	Motor vehicles	Work in progress	Total
	$	$	$	$	$	$
Depreciation and impairment:						
At 1 January 2011	6,049,226	35,682,919	26,613,061	6,623,791	-	74,968,997
Depreciation charge for the year	1,912,466	4,341,287	4,523,571	935,332	-	11,712,656
Prior year adjustment	-	-	704,891	-	-	704,891
Disposal	-	(5,849,608)	-	(52,138)	-	(5,901,746)
At 31 December 2011	7,961,692	34,174,598	31,841,523	7,506,985	-	81,484,798
Depreciation charge for the year	1,952,126	3,928,402	5,589,751	751,120	-	12,221,399
Disposal	-	(14,732)	-	(194,985)	-	(209,717)
At 31 December 2012	9,913,818	38,088,268	37,431,274	8,063,120	-	93,496,480
Net book value:						
At 31 December 2012	67,267,462	16,654,649	56,699,511	1,237,922	14,401,408	156,260,952
At 31 December 2011 (restated*)	68,943,994	15,787,335	61,671,747	1,793,997	9,316,403	157,513,476
At 1 January 2012	69,164,333	14,536,455	64,281,156	2,238,891	10,236,889	160,457,724

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 1.3 and Note 23.

12. Share capital

	2012	2011
	$	$
Authorised		
Ordinary shares of $1.00 each	100,000,000	100,000,000
Ordinary shares issued and fully paid		
92,300,180 ordinary shares of $1.00 each	92,300,180	92,300,180

13. Trade and other payables

		Restated*
	$	$
Trade payables	5,052,835	3,747,798
Land rental	1,175,000	726,951
Other deposits	1,973,077	1,036,261
Income received in advance	51,191	-
VAT payable	195,354	203,700
	8,447,457	5,714,710

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms.
- Other payables are non-interest bearing and have an average term of six months.

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 23.

14. Interest-bearing loans and borrowings

	2012 $	2011 $
Current		
Finance leases	674,853	852,793
Bank loans	5,321,836	6,026,664
	5,996,689	6,879,457
Non-current		
Finance leases	1,574,657	2,291,938
Bank loans	-	4,793,620
	1,574,657	7,085,558

Details of interest bearing loans and borrowings are:

Bank loans

Bank loans from ANZ Banking Group Limited are subject to interest rate ranging from 5.25% to 5.60% (2011: 5.25% to 5.60%), repayable by monthly installments of $539,956 (2011: $539,956) which was inclusive of interest. From October 2012, bank loans have been refinanced with Westpac Banking Corporation subject to interest rate of 4.45% and a monthly installments of $540,000 .

The bank loans, finance lease and credit facility from Westpac Banking Corporation are 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 by Airports Fiji Limited over crown lease no. 3469;
iii) Negative pledge between Airports Fiji Limited and Westpac Banking Corporation.

15. Provisions

	2012 $	2011 $
Provision for employee entitlements		
Balance at 1 January	1,582,042	1,853,323
Arising during the year	52,608	515,918
Utilised during the year	(40,653)	(787,199)
Balance at 31 December	1,593,997	1,582,042
Current	1,549,237	1,537,322
Non-current	44,760	44,720
	1,593,997	1,582,042

16. Deferred revenue

	2012 $	2011 $
Housing Estate		
Balance at 1 January	15,189,116	15,878,184
Deferred during the year	-	-
Released to income statement	(629,634)	(689,068)
Balance at 31 December	14,559,482	15,189,116
Current	407,850	407,850
Non-current	14,151,632	14,781,266
	14,559,482	15,189,116

	2012	2011 Restated*
17. Government grants	**$**	**$**
Balance at 1 January	1,454,999	3,733,731
Received during the year	1,148,020	434,783
Released to income statement	(440,555)	(818,483)
	2,162,464	3,350,031
Reverse amount released to income statement to retained earnings	-	302,919
Transfer to Capital Contribution	(1,148,020)	(2,197,951)
Balance at 31 December	1,014,444	1,454,999
Current	346,111	440,555
Non-current	668,333	1,014,444
	1,014,444	1,454,999

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 23.

18. Commitments and contingencies	**$**	**$**
Operating lease revenue - company as lessor		
Future receipts in respect of operating lease are as follows:		
Within one year	9,723,807	13,763,226
Minimum lease revenue	9,723,807	13,763,226
Finance lease commitments - company as lessee		
Future commitments in respect of finance lease are as follows:		
Within one year	674,853	852,793
After one year but not more than five years	1,574,657	2,291,938
Minimum lease payments	2,249,510	3,144,731
Finance Leases - current	674,853	852,793
Finance Leases - non current	1,574,657	2,291,938
	2,249,510	3,144,731

Contingent liabilities

(i) There are ten (10) actions instituted against Airports Fiji Limited by its employees, these applications are pending at Employment Relation Tribunals with matters and details are as follows:

- Moses St. John v Airports Fiji Limited in regards to employment grievances. Employment Relations Tribunal Grievance Dispute No.70 of 2010.
- Fiji Public Service Association v Airports Fiji Limited in regards to housing issues. Lautoka Employment Tribunal Miscellaneous Case No. 36 of 2010.
- George Saumaibulu v CEO Airports Fiji Limited in regards to discriminatory practice by AFL. Miscellaneous Case No.18 of 2011.
- Don Dansey v Airports Fiji Limited in regards to wrongful dismissal. Employment Tribunal Grievance No. 139 of 2011.
- Alipate Lokanisavumaca v Airports Fiji Limited in regards to discriminatory employment practice by AFL. Employment Tribunal Grievance No. 218 of 2011.
- Laisiasa Vunivalu v Airports Fiji Limited in regards to discriminatory employment practice by AFL. Employment Tribunal Grievance No. 30 of 2012.
- Saylesh Prasad v Airports Fiji Limited in regards to unfair dismissal by AFL. Employment Tribunal Grievance No. 74 of 2012.
- Fiji Public Service Association v Airports Fiji Limited in regards to employment grievances. Lautoka Employment Tribunal Miscellaneous Case No. 21 of 2011.

18. Commitments and contingencies (continued)

Contingent liabilities (continued)

- Peni Raibili v Airports Fiji Limited in regards to discriminatory employment practice by AFL. Employment Tribunal Grievance No. 117 of 2012.
- Prem Chandra, Serenia Rokotina, Kamal Prakash and Joseph Nasemira v Airports Fiji Limited in regards to employment grievances. Employment Relations Tribunal Grievance No.142 of 2011.

(ii) Airports Fiji Limited is the defendant in one (1) matter at the Lautoka High Court and the details are as follows:

- Pacific Affordable Homes Limited "PAHL" v Airports Fiji Limited "AFL" in regards to Building Contract. Lautoka High Court Civil Action No. 212 of 2011. PAHL is claiming damages against AFL for breach of contract of $100,000. The matter is adjourned for mention with both parties to attend pretrial conference.

	2012	**2011**
Capital commitments	**$**	**$**
Approved and committed	3,000,000	7,280,000
Approved and not committed	77,350,000	23,687,000
	80,350,000	30,967,000

19. Related party disclosures

(a) Directors

Directors at the date of this report are:
Mr. Faiz Khan
Mr. Samuela Tamani

Directors remuneration:	**$**	**$**
Fees	47,666	44,134
Other benefits	12,098	26,406
	59,764	70,540

(b) Identity of related parties

The company has a related party relationship with the Government of Fiji and its various Ministries and Departments, its Directors and executive officers. The Government of Fiji is a related party by virtue of its shareholding. The Company pays for Government services provided and taxes on the same basis as any other corporate entity in Fiji.

(c) Transactions with related parties

During the year, the Company entered into various transactions with related parties which were at normal commercial terms and conditions. The aggregate value of major transactions with the related parties during the year is as follows:

Government	**$**	**$**
Ministry of Lands and Mineral Resources	193,200	159,132
Departure tax collected on behalf of Government	-	246,455
Government grant received	1,148,202	434,783
Dividends paid	1,000,000	1,000,000
Fiji Meteorological Services		
Reimbursement of Meteorological office operating cost	521,739	521,739
Civil Aviation Authority of Fiji (CAAF)		
Departure tax collected on behalf of CAAF	-	17,880
Airport License & Inspection Fee	275,755	192,366

19. Related party disclosures (continued)

(c) Transactions with related parties (continued)

	2012 $	2011 $
Fiji National Provident Fund		
Post employment benefit plan - Superannuation	1,721,846	1,933,171

(d) Transactions with key management personnel

Key management comprises of the Chief Executive Officer, General Manager Finance and IT, General Manager Engineering Infrastructure and General Manager Airports.

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

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

	2012 $	2011 $
Salary and allowances	1,115,309	1,038,807
Bonus	-	4,660
Superannuation	88,788	66,492
Other benefits	99,149	92,771
	1,303,246	1,202,730

20. Financial risk management objectives and policies

Principal financial liabilities comprise trade payables and loans and borrowings. The main purpose of these financial liabilities is to raise finance for the company's operations. The company has various financial assets such as trade receivables and cash which arise directly from its operations.

The main risk arising from the company's Financial Statements are foreign currency risk, interest rate risk, credit risk, and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Foreign currency risk

The company has foreign exchange risk as a result of transactions denominated in foreign currencies arising from normal trading activities. For normal currency trading activities, foreign exchange risk are not hedged or subject to foreign currency forward exchange contracts.

The following table demonstrates the sensitivity to a reasonably possible change in the USD and AUD rates, with all other variables held constant, of the company's profit before tax.

	Increase/decrease in USD rate	Effect on profit before tax $
2012	+10%	(12,144)
	-10%	14,843
2011	+10%	(16,940)
	-10%	20,705

	Increase/decrease in AUD rate	Effect on profit before tax $
2012	+10%	(59,126)
	-10%	72,265
2011	+10%	(11,304)
	-10%	13,815

20. Financial risk management objectives and policies (continued)

Interest rate risk

The company's exposure to the risk of changes in market interest rates relates primarily to the company's borrowing facility and finance lease facility. The level of debt is disclosed in Note 14.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date:

	Increase/ decrease in interest rate	Effect on profit before tax $
2012	+1%	(84,320)
	-1%	77,964
2011	+1%	(148,026)
	-1%	146,564

Credit risk

It is the company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the company.

Liquidity risk

The company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The following table summarises the maturity profile of the company's financial liabilities at 31 December 2012 and 2011 based on contractual undiscounted payments.

	On demand	1 to 12 months	1 to 5 years	> 5 years	Total
	$	$	$	$	$
Year ended 31 December 2012					
Interest-bearing loans and borrowings	-	5,996,689	1,574,657	-	7,571,346
Trade and other payables	-	8,447,457	-	-	8,447,457
	-	14,444,146	1,574,657	-	16,018,803
Year ended 31 December 2011					
Interest-bearing loans and borrowings	-	6,879,457	7,085,558	-	13,965,015
Trade and other payables	-	5,714,710	-	-	5,714,710
	-	12,594,167	7,085,558	-	19,679,725

Capital Management

The primary objective of the company's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholder value.

20. Financial risk management objectives and policies (continued)

Capital Management (continued)

The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years 31 December 2012 and 31 December 2011.

The company monitors capital using a gearing ratio which is total interest bearing loans and borrowings divided by total capital plus interest bearing loans and borrowings. Interest bearing loans and borrowings includes finance lease and bank loan. Capital includes equity attributable to equity holders.

	2012	**2011**
	$	**$**
Interest bearing loans and borrowings	7,571,346	13,965,015
Equity	154,527,215	143,101,835
Total capital	154,527,215	143,101,835
Capital and net debt	162,098,561	157,066,850
Gearing ratio	5%	9%

21. Financial instruments

Set out below is a comparison by category of carrying amounts and fair values of all of the company's financial instrument that are carried on the Financial Statements.

	Carrying amount		**Fair value**	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Financial assets				
Cash and short-term deposits	24,611,274	20,715,916	24,611,274	20,715,916
Trade and other receivables	12,886,289	11,465,158	12,886,289	11,465,158
Financial liabilities				
Trade and other payables	8,447,457	5,714,710	8,447,457	5,714,710
Interest bearing loan and borrowings	7,571,346	13,965,015	7,571,346	13,965,015

The fair value of derivatives and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of financial assets have been calculated using market interest rates.

22. Subsequent events

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

23. Prior period adjustment

	2012 $	2011 $
Accounts receivables - Concessionaire	-	50,886
Vat payable		(69,331)
Restatement of depreciation expense	-	704,891
Voluntary change in accounting policy - Government grants	-	660,187
	-	1,346,633

24. Segment information

Industry segment

The company operates predominantly in the management and operation of efficient and profitable airports throughout Fiji.

Geographical segment

The company operates in Fiji and is therefore one geographical area for reporting purposes.

25. Principal business activity

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

26. Company details

Registered Office

Airports Fiji Limited
AFL Compound
Nadi Airport
Fiji

Number of Employees

As at balance date, the company employed a total of 520 (2011: 540 employees).

Disclaimer on additional Financial Information

The additional financial information, being the attached detailed statement of comprehensive income has been compiled by the management of Airports Fiji Limited.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than Airports Fiji Limited may suffer arising from any negligence on our part. No person should rely on the additional financial information without having an audit or review conducted.

AIRPORTS FIJI LIMITED
DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
Revenue	**$**	**$**
Air navigation charges	10,274,880	10,314,820
Airport security and development fee	7,322,203	6,936,256
Concessions	12,698,810	12,832,005
Domestic passenger service charge	845,093	-
Landing and parking fees - domestic	613,474	672,809
Landing and parking fees - international	11,249,043	11,504,894
Departure tax share	6,196,238	4,563,412
Rental - offices and warehouses	3,254,999	3,169,400
Rental - check-in-counter	998,126	545,961
Terminal navigation aid charges	3,258,557	3,352,641
Electricity recharge	2,974,282	2,963,221
Gain on disposal of property, plant and equipment	14,126	37,655
Government grant	440,555	804,516
Deferred income	629,634	703,032
Identification card charges	106,020	71,318
Interest on term deposit	267,473	449,728
Sundry income	1,196,677	786,978
Car park charges	546,716	513,918
Unrealised exchange gain	65,425	589
Total income	62,952,331	60,223,153
Expenses		
Allowance for uncollectible receivables	779,191	683,431
Airport inspection and license fees	366,106	277,061
Auditors' remuneration	13,000	13,000
Bad debts	247,533	-
Board expenses	12,098	42,173
Consultancy	636,071	800,610
Contract costs	3,281,275	3,237,358
Depreciation	12,221,399	11,712,656
Director's remuneration	47,666	43,532
Insurance	1,913,414	1,728,522
Interest and bank charges	464,283	843,823
Land rental	667,950	633,882
Meteorological costs	521,739	521,739
Other expenses	1,075,379	779,513
Post and telecommunications	1,222,431	1,006,221
Repairs and maintenance	2,384,682	3,232,503
Share of ATM income	465,199	465,369
Sundry costs and supplies	722,700	589,970
Training and conference	295,607	262,082
Travel and accommodation	393,080	523,281
Unrealised exchange loss	2,391	141,722
Utilities and services	6,172,898	5,927,208
Vehicle and fuel costs	835,032	907,225
Wages and salaries	14,082,001	13,608,577
Total expenditure	48,823,125	47,981,458
Operating profit before tax	14,129,206	12,241,695