

Airports Fiji Limited
Financial Statements
For the year ended 31 December 2013

Airports Fiji Limited

Contents

| | |
|-----------------------------------|---------|
| Directors' report | 2 - 3 |
| Statement by Directors | 4 |
| Independent auditor's report | 5 - 6 |
| Statement of comprehensive income | 7 |
| Statement of changes in equity | 8 |
| Statement of financial position | 9 |
| Statement of cash flows | 10 |
| Notes to the financial statements | 11 - 34 |
| Disclaimer | 35 |
| Detailed income statement | 36 - 37 |

Airports Fiji Limited

Directors' report

The Board of Directors present their report together with the financial statements of Airports Fiji Limited for the year ended 31 December 2013 and the auditors' report thereon.

Directors

The directors of the Company in office during the year and up to the date of this report are:

Mr. Faiz Khan (Executive Chairman)

Mr. Samuela Tamani (resigned 13 April 2014)

Mr. Xavier Riyaz Khan (appointed 28 May 2013)

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 2013 and 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 of the Company for the year then ended.

Principal activity

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

Trading results

The net profit of the Company for the year was \$12,911,816 (2012: \$11,277,360) after taking into account an income tax expense of \$3,112,097 (2012: \$2,851,846).

Dividend

There was no dividend declared and paid during the year (2012: \$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.

Current assets

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

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

Airports Fiji Limited
Directors' report (continued)
For the year ended 31 December 2013

Receivables

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

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

Related party transactions

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

Other circumstances

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

Unusual circumstances


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

Events subsequent to balance date

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

Dated at Nadi this 4th day of July 2014.

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



Director



Director

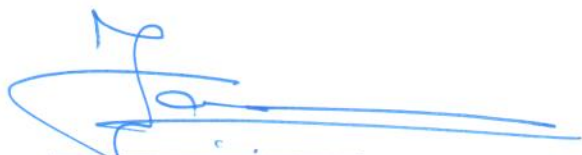
Airports Fiji Limited
Statement by Directors
For the year ended 31 December 2013

In the opinion of the Directors of Airports Fiji Limited:

- (a) the accompanying statement of comprehensive income of the Company is drawn up so as to give a true and fair view of the results of the Company for the year ended 31 December 2013;
- (b) the accompanying statement of changes in equity of the Company is drawn up so as to give a true and fair view of the changes in equity of the Company for the year ended 31 December 2013;
- (c) the accompanying statement of financial position of the Company is drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2013;
- (d) the accompanying statement of cash flows of the Company is drawn up so as to give a true and fair view of the cash flows of the Company for the year ended 31 December 2013;
- (e) all related party transactions have been adequately recorded in the books of the Company; and
- (f) at the date of this statement, there are reasonable grounds to believe the Company will be able to pay its debts as and when they fall due.

Dated at Nadi this day of 2014.

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



Director



Director

REPUBLIC OF FIJI

OFFICE OF THE AUDITOR GENERAL



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INDEPENDENT AUDITOR'S REPORT

To the members of Airports Fiji Limited

Report on the Financial Statements

I have audited the accompanying financial statements of Airports Fiji Limited, which comprises the statement of financial position as at 31 December 2013, and 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 information as set out on pages 7 to 34.

Director's 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, 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 entity'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.

Basis for Qualified Opinion

As explained in Note 2(a) to the financial statements, the Company accounts for all government grants received after 1 January 2010 as a capital contribution. This is a departure from the International Financial Reporting 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 Company's records indicate that had the Company complied with IAS 20, the impact would be to increase other income and retained earnings by \$198,888 and \$544,498 respectively, increase both government grants and total liabilities by \$3,655,123 and reduce capital contribution by \$4,199,621.

Qualified Audit Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of Airports Fiji Limited as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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

In my opinion:

- i) proper books of account have been kept by the Airports Fiji Limited, so far as it appears from my examination of those books; and
- ii) the financial statements are in agreement with the books of account; and
- iii) to the best of my information and according to the explanations given to me, the financial statements give the information required by the Fiji Companies Act 1983 and Public Enterprise Act 1996, in the manner so required.



Tevita Bolanavanua
AUDITOR GENERAL



14 July 2014
Suva, Fiji

Airports Fiji Limited
Statement of comprehensive income
For the year ended 31 December 2013

| | Notes | 2013 \$ | 2012 \$ |
|-----------------------------------------------|-------|-------------------|-------------------|
| Revenue | 4 (a) | 57,948,572 | 57,258,139 |
| Other income | 4 (b) | 5,652,955 | 5,426,719 |
| Administrative expenses | 5 | (20,587,209) | (20,299,306) |
| Operating expenses | 6 | (12,900,429) | (13,996,780) |
| Personnel expenses | 7 | (14,277,589) | (14,082,001) |
| Profit from operations | | 15,836,300 | 14,306,771 |
| Finance income | 8 (a) | 232,146 | 267,473 |
| Finance expenses | 8 (b) | (44,533) | (445,038) |
| Profit before income tax | | 16,023,913 | 14,129,206 |
| Income tax expense | 9 (a) | (3,112,097) | (2,851,846) |
| Net profit for the year | | 12,911,816 | 11,277,360 |
| Other comprehensive income | | - | - |
| Total comprehensive income, net of tax | | 12,911,816 | 11,277,360 |

The notes on pages 11 to 34 are an integral part of these financial statements.

Airports Fiji Limited
Statement of changes in equity
For the year ended 31 December 2013

| | Share capital | Capital contribution | Retained earnings | Total |
|------------------------------------------------|-------------------|----------------------|-------------------|--------------------|
| Balance at 1 January 2012 | 92,300,180 | 2,858,139 | 47,943,516 | 143,101,835 |
| Total comprehensive income for the year | | | | |
| Net profit for the year | - | - | 11,277,360 | 11,277,360 |
| Other comprehensive income, net of tax | - | - | - | - |
| Dividends declared and paid | - | - | (1,000,000) | (1,000,000) |
| Capital contribution | - | 1,148,020 | - | 1,148,020 |
| Balance at 31 December 2012 | 92,300,180 | 4,006,159 | 58,220,876 | 154,527,215 |
| Total comprehensive income for the year | | | | |
| Net profit for the year | - | - | 12,911,816 | 12,911,816 |
| Other comprehensive income, net of tax | - | - | - | - |
| Capital contribution | - | 193,462 | - | 193,462 |
| Balance at 31 December 2013 | 92,300,180 | 4,199,621 | 71,132,692 | 167,632,493 |

The notes on pages 11 to 34 are an integral part of these financial statements.

Airports Fiji Limited
Statement of cash flows
For the year ended 31 December 2013

| | Note | 2013 | 2012 |
|--------------------------------------------------------|------|--------------------|--------------------|
| | | \$ | Restated * |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Profit after income tax | | 12,911,816 | 11,277,360 |
| <u>Adjustments for non cash items</u> | | | |
| Depreciation | | 12,743,962 | 12,221,399 |
| Deferred income | | (1,015,533) | (1,070,189) |
| Unrealised exchange loss | | 7 | 2,391 |
| Loss / (gain) on sale of property, plant and equipment | | 86,878 | (14,126) |
| Income tax expense | | 3,112,097 | 2,851,846 |
| | | <u>27,839,227</u> | <u>25,268,681</u> |
| Decrease / (increase) in trade receivables | | 2,629,069 | (1,292,638) |
| (Increase) / decrease in prepayments and other assets | | (479,328) | 454,604 |
| Increase in inventories | | (126,076) | (104,978) |
| (Decrease) / increase in trade and other payables | | (4,253,555) | 801,042 |
| (Decrease) / increase in employee benefits | | (389,154) | 11,955 |
| Finance income | | (232,146) | (267,473) |
| Income tax paid | | (4,939,397) | (5,843,731) |
| Net cash from operating activities | | <u>20,048,640</u> | <u>19,027,462</u> |
| Cash flow from investing activities | | | |
| Proceeds from sale of property, plant and equipment | | 83,719 | 57,246 |
| Acquisition of plant and equipment | | (4,904,743) | (9,211,174) |
| Interest received | | 232,146 | 267,473 |
| Net cash used in investing activities | | <u>(4,588,878)</u> | <u>(8,886,455)</u> |
| Cash flow from financing activities | | | |
| Repayment of loans and borrowings | | (6,056,436) | (6,393,669) |
| Receipt of government grants | | 193,462 | 1,148,020 |
| Dividends paid | | - | (1,000,000) |
| Net cash used in financing activities | | <u>(5,862,974)</u> | <u>(6,245,649)</u> |
| Net increase in cash and cash equivalents | | 9,596,788 | 3,895,358 |
| Cash and cash advances at the beginning of the year | | 17,611,274 | 13,715,916 |
| Cash and cash equivalents at end of year | 10 | <u>27,208,062</u> | <u>17,611,274</u> |

* Refer note 10

The notes on pages 11 to 34 are an integral part of these financial statements.

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

1 Reporting entity

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

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

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and the Companies Act 1983 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 requires all government grants or special funding to state owned enterprises received from 2010 to be treated as a capital contribution.

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

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

The Directors have sought clarification from the Ministry of Public Enterprises & Tourism who has reaffirmed that the Company should follow the accounting prescribed in the circular dated 14 March 2013. Had the Company complied with IAS 20 the impact would be as follows:

| | 2013 | 2012 |
|------------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Statement of comprehensive income | Increase / | Increase / |
| | (decrease) | (decrease) |
| Profit | <u>198,888</u> | <u>183,991</u> |

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

2 Basis of preparation (continued)

(a) Statement of compliance (continued)

| | 2013 | 2012 |
|----------------------------------------|--------------------------|--------------------------|
| | \$ | \$ |
| | Increase / (decrease) | Increase / (decrease) |
| Statement of financial position | | |
| Capital contribution | (4,199,621) | (4,006,159) |
| Retained earnings | 544,498 | 345,610 |
| Government grant | <u>3,655,123</u> | <u>3,660,549</u> |

The financial statements were authorised for issue by the Board of Directors on _____.

(b) Basis of measurement

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

(c) Functional and presentation currency

The financial statements are presented in Fiji dollars, 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 the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 11 - recoverability of trade receivables
- Note 23 - lease classification

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 or the exchange ruling at the reporting date and all differences are recognised profit or loss.

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

3 Significant accounting policies (continued)

(a) Foreign currency transactions (continued)

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

Rental income and concessions

Rental income 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. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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 the following temporary differences: 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, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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.

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

3 Significant accounting policies (continued)

(c) Income tax (continued)

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 utilised. 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.

(d) Dividends

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

(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 are recognised in profit or loss using the effective interest method.

(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 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.

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

3 Significant accounting policies (continued)

(g) Government grants and deferred income (continued)

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

All government grants received from 2010 have been recorded as a capital contribution in equity by the Company.

Deferred income 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.

(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; and
- Receivables and payables are stated with the amount of VAT included.

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

(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 transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

3. Significant accounting policies (continued)

(i) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

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.

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.

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

3. Significant accounting policies (continued)

(i) Financial instruments (continued)

(ii) Non-derivative financial liabilities (continued)

Other financial liabilities comprise 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 and share options are recognised as a deduction from equity, net of any tax effects.

(j) Impairment

Non-derivative financial assets

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

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

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends 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.

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

3. Significant accounting policies (continued)

(j) Impairment (continued)

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. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

(k) Trade payables, provisions and other payables

Trade and other payables are stated at amortised cost. A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(l) Borrowings

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

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

3. Significant accounting policies (continued)

(m) 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.

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

| | |
|------------------------------|---------------|
| • Leasehold Land | Term of lease |
| • Infrastructure | 13 - 70 years |
| • Buildings and improvements | 40 years |
| • Plant and equipment | 4 - 25 years |
| • Motor vehicles | 6 years |

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.

(n) Leases

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

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

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

3. Significant accounting policies (continued)

(o) Inventories

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

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

(p) Employee benefits

Defined contribution plan

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

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.

Long service leave

The liability for long service leave is recognised in the provision for long service leave and measured as expected future payments to be made with respect to services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are not discounted as the impact of discounting is not expected to be significant.

(q) Comparative figures

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

(r) Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for the annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements, except for IFRS 9 Financial Instruments, which becomes mandatory for the Company's 2015 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

4. Revenue and other income

| | 2013 | 2012 |
|---------------------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| (a) Revenue | | |
| Air navigation charges | 10,958,051 | 10,274,880 |
| Airport security and development fee | 7,559,891 | 7,322,203 |
| Concessions | 12,387,536 | 12,698,810 |
| Domestic passenger service charge | 1,178,711 | 845,093 |
| Landing and parking fees - domestic | 637,022 | 613,474 |
| Landing and parking fees - international | 11,491,345 | 11,249,043 |
| Departure tax share | 5,820,465 | 6,196,238 |
| Rental - offices and warehouses | 3,071,167 | 3,254,999 |
| Rental - check-in-counter | 947,951 | 998,126 |
| Terminal navigation aid charges | 3,334,403 | 3,258,557 |
| Car park charges | 562,030 | 546,716 |
| | <u>57,948,572</u> | <u>57,258,139</u> |
| (b) Other income | | |
| Electricity recharge | 2,687,213 | 2,974,282 |
| Gain on disposal of property, plant and equipment | - | 14,126 |
| Deferred income and government grants | 1,015,533 | 1,070,189 |
| Insurance proceeds | 734,010 | - |
| Other income | 1,216,199 | 1,368,122 |
| | <u>5,652,955</u> | <u>5,426,719</u> |
| 5. Administrative expenses | | |
| Allowance for doubtful debts - trade receivables | 69,445 | 779,191 |
| Auditors' remuneration | 18,261 | 13,000 |
| Bad debts | - | 247,533 |
| Board expenses | 17,884 | 12,098 |
| Contract costs | 4,136,713 | 3,281,275 |
| Depreciation | 12,743,962 | 12,221,399 |
| Directors remuneration | 35,210 | 47,666 |
| Insurance | 2,037,382 | 1,913,414 |
| Land rental | 654,948 | 667,950 |
| Loss on disposal of property, plant and equipment | 86,778 | - |
| Sundry cost and supplies | 492,294 | 722,700 |
| Travel and accommodation | 294,332 | 393,080 |
| | <u>20,587,209</u> | <u>20,299,306</u> |

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

| | 2013 | 2012 |
|----------------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| 6. Operating expenses | | |
| Meteorological costs | 521,739 | 521,739 |
| Post and telecommunications | 1,327,157 | 1,222,431 |
| Utilities | 5,828,728 | 6,172,898 |
| Other costs | 5,222,798 | 6,077,321 |
| Exchange loss | 7 | 2,391 |
| | <u>12,900,429</u> | <u>13,996,780</u> |
| 7. Personnel expenses | | |
| Wages and salaries | 12,296,488 | 11,500,134 |
| Key management compensation | 645,657 | 1,303,246 |
| Contribution to Fiji National Provident Fund | 1,000,623 | 982,776 |
| Contribution to Fiji National University | 124,816 | 124,969 |
| Other employee benefits | 210,005 | 170,876 |
| | <u>14,277,589</u> | <u>14,082,001</u> |
| 8. Finance income and expenses | | |
| (a) Finance income | | |
| Interest income | <u>232,146</u> | <u>267,473</u> |
| (b) Finance expenses | | |
| Interest expense | <u>44,533</u> | <u>445,038</u> |
| 9. Income tax | | |
| (a) Recognised in profit or loss | | |
| Current tax expense | 4,165,080 | 3,547,252 |
| (Under) / over provision in prior year | (8,333) | 21,266 |
| Deferred tax benefit | (1,044,650) | (716,672) |
| Income tax expense | <u>3,112,097</u> | <u>2,851,846</u> |
| (b) Reconciliation of effective tax | | |
| Profit before income tax | <u>16,023,913</u> | <u>14,129,206</u> |
| Income tax at 20% (2012: 20%) | 3,204,783 | 2,825,841 |
| Permanent differences | (84,353) | 4,739 |
| (Under) / over provision in prior year | (8,333) | 21,266 |
| | <u>3,112,097</u> | <u>2,851,846</u> |

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

9. Income tax (continued)

| | 2013 | 2012 |
|----------------------------------------------------------|--------------------|--------------------|
| | \$ | \$ |
| c) Recognised deferred tax assets and liabilities | | |
| Trade receivables | 446,982 | 465,575 |
| Inventories | 2,175 | 20,000 |
| Employee entitlements | 180,980 | 183,483 |
| Unrealised exchange loss | - | (12,609) |
| Property, plant and equipment | (7,039,848) | (8,110,810) |
| | <u>(6,409,711)</u> | <u>(7,454,361)</u> |

Movement in temporary differences during the year

| | 1 January | Recognised in | 31 |
|-------------------------------|--------------------|-----------------------|--------------------|
| | 2013 | profit or loss | December |
| | \$ | \$ | 2013 |
| | \$ | \$ | \$ |
| Trade receivables | 465,575 | (18,593) | 446,982 |
| Inventories | 20,000 | (17,825) | 2,175 |
| Employee entitlements | 183,483 | (2,503) | 180,980 |
| Unrealised exchange loss | (12,609) | 12,609 | - |
| Property, plant and equipment | (8,110,810) | 1,070,962 | (7,039,848) |
| | <u>(7,454,361)</u> | <u>1,044,650</u> | <u>(6,409,711)</u> |

| | 1 January | Recognised in | 31 |
|-------------------------------|--------------------|-----------------------|--------------------|
| | 2012 | profit or loss | December |
| | \$ | \$ | 2012 |
| | \$ | \$ | \$ |
| Trade receivables | 335,436 | 130,139 | 465,575 |
| Inventories | 20,000 | - | 20,000 |
| Employee entitlements | 181,070 | 2,413 | 183,483 |
| Unrealised exchange gain | 28,226 | (40,835) | (12,609) |
| Property, plant and equipment | (8,753,117) | 642,307 | (8,110,810) |
| Other temporary differences | 17,352 | (17,352) | - |
| | <u>(8,171,033)</u> | <u>716,672</u> | <u>(7,454,361)</u> |

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

9. Income tax (continued)

| | 2013 | 2012 |
|-------------------------------------|------------------|----------------|
| | \$ | \$ |
| (d) Income tax payable | | |
| Balance 1 January | 568,040 | 2,843,253 |
| Current tax expense | 4,148,414 | 3,589,784 |
| Under / (over) provision prior year | 8,333 | (21,266) |
| Payments made during the year | (4,939,397) | (5,843,731) |
| | <u>(214,610)</u> | <u>568,040</u> |

10. Cash and short-term deposits

| | | |
|---------------------------------------------------------|-------------------|-------------------|
| Cash on hand | 1,170 | 1,070 |
| Cash at bank | 20,958,695 | 11,391,338 |
| Short-term deposits | 5,032,814 | 5,005,412 |
| Deposits on call | 1,215,383 | 1,213,454 |
| Cash and cash equivalent in the statement of cash flows | <u>27,208,062</u> | <u>17,611,274</u> |

Cash and cash equivalents in the statement of cash flows at 31 December 2012 has been restated to remove \$7,000,000 of term deposits previously included in opening and closing cash and cash equivalents as these deposits had original maturities greater than 3 months and do not meet the definition of cash and cash equivalents.

| | 2013 | 2012 |
|------------------------------|-------------------|-------------------|
| | \$ | \$ |
| 11. Trade receivables | | |
| Trade receivables | 12,492,128 | 15,051,752 |
| Allowance for impairment | (2,234,908) | (2,165,463) |
| | <u>10,257,220</u> | <u>12,886,289</u> |

Allowance for impairment

| | | |
|--------------------------|------------------|------------------|
| At 1 January | 2,165,463 | 1,514,765 |
| Charge for the year | 155,645 | 747,230 |
| Reversed during the year | (86,200) | (96,532) |
| At 31 December | <u>2,234,908</u> | <u>2,165,463</u> |

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

| | 2013 | 2012 |
|--------------------------------------------------------------------|------------------|------------------|
| | \$ | \$ |
| 12. Inventories | | |
| Fuel | 7,783 | 8,149 |
| Electrical | 126,801 | 123,005 |
| Telecom and others | 419,920 | 386,401 |
| Allowance for obsolescence | (10,873) | (100,000) |
| Total inventories at the lower of cost and net realisable value | <u>543,631</u> | <u>417,555</u> |
| | | |
| Movement in provision for impairment of inventories is as follows: | | |
| Opening balance | 100,000 | 100,000 |
| Write off during the year | (89,127) | - |
| Closing balance | <u>10,873</u> | <u>100,000</u> |
| | | |
| 13. Prepayments and other assets | | |
| Prepayments | 907,488 | 412,542 |
| Staff advances | 18,404 | 9,210 |
| Deposits | 1,086,274 | 1,105,821 |
| Other receivables | 189,846 | 195,111 |
| Allowance for impairment (other receivables) | (162,412) | (162,412) |
| | <u>2,039,600</u> | <u>1,560,272</u> |
| | | |
| 14. Term deposits | <u>7,000,000</u> | <u>7,000,000</u> |

The term deposits have an average maturity of 1 year (2012: 1 year) and an average interest rate of 2.18% (2012: 2.65%).

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

15. Property, plant and equipment

| | Leased land and Buildings | Plant and equipment | Infrastructure | Motor vehicles | Work in progress | Total |
|--------------------------------------------|--------------------------------------|--------------------------------|-----------------------|---------------------------|-----------------------------|--------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| <u>Cost</u> | | | | | | |
| At 1 January 2012 | 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 |
| Additions | - | 289,197 | - | 642,223 | 5,854,764 | 6,786,184 |
| Disposals | - | (1,398,324) | - | (230,418) | - | (1,628,742) |
| Transfers to investment property | (10,441,735) | - | - | - | - | (10,441,735) |
| Transfers | 225,621 | 4,351,054 | 1,740,536 | 3,568 | (6,320,779) | - |
| At 31 December 2013 | 66,965,166 | 57,984,844 | 95,871,321 | 9,716,415 | 13,935,393 | 244,473,139 |
| <u>Depreciation and impairment:</u> | | | | | | |
| At 1 January 2012 | 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 |
| Disposals | - | (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 |
| Depreciation charge for the year | 1,943,857 | 4,513,683 | 5,632,431 | 653,991 | - | 12,743,962 |
| Transfers to investment property | (958,653) | - | - | - | - | (958,653) |
| Disposals | - | (1,237,772) | - | (220,372) | - | (1,458,144) |
| At 31 December 2013 | 10,899,022 | 41,364,179 | 43,063,705 | 8,496,739 | - | 103,823,645 |
| <u>Net book value:</u> | | | | | | |
| 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 2013 | 56,066,144 | 16,620,665 | 52,807,616 | 1,219,676 | 13,935,393 | 140,649,494 |

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

| | 2013 | 2012 |
|-----------------------------------------------------|-------------------|----------|
| | \$ | \$ |
| 16. Investment property | | |
| <u>Cost</u> | | |
| Balance at 1 January | - | - |
| Reclassification from property, plant and equipment | 10,441,735 | - |
| Balance 31 December | <u>10,441,735</u> | <u>-</u> |
| <u>Accumulated depreciation</u> | | |
| Balance at 1 January | - | - |
| Reclassification from property, plant and equipment | (958,653) | - |
| Balance 31 December | <u>(958,653)</u> | <u>-</u> |
| Net book value | <u>9,483,082</u> | <u>-</u> |

Investment property comprises of housing estate that is leased to third parties. At 31 December 2013 these assets was reclassified to investment property from property, plant and equipment as this was considered to be a more appropriate classification. There is no change in the measurement of these assets.

17. Trade and other payables

| | | |
|----------------------------|------------------|------------------|
| Trade payables | 1,302,390 | 3,312,609 |
| Land rental | 1,626,951 | 1,175,000 |
| Advance deposits | 1,470,376 | 1,973,047 |
| Income received in advance | 114,229 | 51,191 |
| VAT payable | 112,070 | 195,354 |
| Other payables | 1,449,332 | 1,740,256 |
| | <u>6,075,348</u> | <u>8,447,457</u> |

18. Loans and borrowings

Current

| | | |
|---------------|----------------|------------------|
| Finance lease | 687,581 | 674,853 |
| Bank loans | - | 5,321,836 |
| | <u>687,581</u> | <u>5,996,689</u> |

Non-current

| | | |
|---------------|----------------|------------------|
| Finance lease | <u>827,329</u> | <u>1,574,657</u> |
|---------------|----------------|------------------|

Bank loans

The bank loan was fully repaid during the year. The loan was from Westpac Banking Corporation and was subject to interest rate of 4.45% (2012: 4.45%) and repayable by monthly instalments of \$540,000 (2012: \$540,000).

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

18. Loans and borrowings (continued)

Finance lease

The finance lease is payable by monthly instalments of USD 30,987 and is for a period of 60 months commencing 1 May 2011. Future commitments in respect of the finance lease are as follows:

| | 2013 | 2012 |
|----------------------------------------------|------------------|------------------|
| | \$ | \$ |
| Within one year | 687,581 | 674,853 |
| Later than one year but less than five years | 827,329 | 1,574,657 |
| Minimum lease payments | <u>1,514,910</u> | <u>2,249,510</u> |

19. Employee benefits

| | | |
|--------------------------|------------------|------------------|
| Balance at 1 January | 1,593,997 | 1,582,042 |
| Arising during the year | 7,466 | 52,608 |
| Utilised during the year | (396,619) | (40,653) |
| Balance at 31 December | <u>1,204,844</u> | <u>1,593,997</u> |
| Current | 1,162,439 | 1,549,237 |
| Non-current | 42,405 | 44,760 |
| | <u>1,204,844</u> | <u>1,593,997</u> |

20. Deferred revenue

| | | |
|------------------------------|-------------------|-------------------|
| Housing Estate | | |
| Balance at 1 January | 14,559,482 | 15,189,116 |
| Recognised in profit or loss | (669,422) | (629,634) |
| Balance at 31 December | <u>13,890,060</u> | <u>14,559,482</u> |
| Current | 629,634 | 407,850 |
| Non-current | 13,260,426 | 14,151,632 |
| | <u>13,890,060</u> | <u>14,559,482</u> |

21. Government grants

| | | |
|----------------------------------|----------------|------------------|
| Balance at 1 January | 1,014,444 | 1,454,999 |
| Received during the year | 193,462 | 1,148,020 |
| Recognised in profit or loss | (346,111) | (440,555) |
| | 861,795 | 2,162,464 |
| Transfer to capital contribution | (193,462) | (1,148,020) |
| Balance at 31 December | <u>668,333</u> | <u>1,014,444</u> |
| Current | 290,556 | 346,111 |
| Non-current | 377,777 | 668,333 |
| | <u>668,333</u> | <u>1,014,444</u> |

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

| 22. Share capital | 2013 | 2012 |
|-------------------------------------------|--------------------|--------------------|
| | \$ | \$ |
| <u>Authorised</u> | | |
| Ordinary shares of \$1.00 each | <u>100,000,000</u> | <u>100,000,000</u> |
| <u>Ordinary shares issued and fully p</u> | | |
| 92,300,180 ordinary shares of \$1.00 each | <u>92,300,180</u> | <u>92,300,180</u> |

23. Commitments

Operating lease commitments - company as lessee

An agreement to lease was entered by the Company with ITaukei Land Trust Board for the lease of land for all the airports and airstrips. The term of the lease is from 75 to 99 years. Under the agreement, rent is payable as follows:

| | | |
|-----------------------|-------------------|-------------------|
| Less than one year | 482,802 | 482,802 |
| Between 1 and 5 years | 1,931,209 | 1,931,209 |
| Over 5 years | <u>22,025,022</u> | <u>22,507,824</u> |
| | <u>24,439,033</u> | <u>24,921,835</u> |

Capital commitments

| | | |
|----------------------------|-------------------|-------------------|
| Approved and committed | 61,560,000 | 3,000,000 |
| Approved and not committed | <u>16,470,000</u> | <u>77,350,000</u> |
| | <u>78,030,000</u> | <u>80,350,000</u> |

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. The Airports (Development and Modernisation) Decree 2010 converted all commercial tenancies and concession agreements into temporary licences. The minimum concession income receivable per month is approximately \$432,000.

24. Contingent liabilities

The Company is vigorously defending several claims received from suppliers of \$973,000 and past employees. 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. In relation to the employee related actions the Company's legal advisors have advised that under ENI and Designated Corporations No. 2 regulations gazetted on 17 December 2013, the Company is a designated corporation of the decree. Under this decree all pending matters under the Employment Relations Tribunal are wholly terminated.

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

25. Related parties

(a) Directors

The directors who held office during the year were:

Mr. Faiz Khan (Executive Chairman)
 Mr. Samuela Tamani (resigned 13 April 2014)
 Mr. Riyaz Khan (appointed 28 May 2013)

| | 2013 | 2012 |
|-------------------------|---------------|---------------|
| | \$ | \$ |
| Directors remuneration: | | |
| Fees | 35,210 | 47,666 |
| Other benefits | 17,884 | 12,098 |
| | <u>53,094</u> | <u>59,764</u> |

(b) Identity of related parties

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

(c) Amounts payable to related parties

| | | |
|---------------------------------|---------------|---------------|
| iTaukei Land Trust Board (TLTB) | 1,626,951 | 1,175,000 |
| Fiji Meteorological Services | <u>43,478</u> | <u>43,487</u> |

(d) 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:

| | 2013 | 2012 |
|-------------------------------------------------------|-----------------------------|-----------------------------|
| | \$ | \$ |
| <u>Government</u> | | |
| iTaukei Land Trust Board (TLTB) - Land rental expense | 654,948 | 667,950 |
| Government grant received | 193,462 | 1,148,202 |
| Dividends paid | - | 1,000,000 |
| | <u> </u> | <u> </u> |
| <u>Fiji Meteorological Services</u> | | |
| Reimbursement of Meteorological office operating cost | <u>521,739</u> | <u>521,739</u> |
| <u>Civil Aviation Authority of Fiji (CAAF)</u> | | |
| Airport License & Inspection Fee | <u>286,464</u> | <u>275,755</u> |
| <u>Fiji National Provident Fund</u> | | |
| Post employment benefit plan - Superannuation | <u>1,000,623</u> | <u>982,776</u> |

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

25. Related parties (continued)

(e) Transactions with key management personnel

Key management during the year comprises of the Acting Chief Executive Officer, Executive Chairman, General Manager Engineering Infrastructure, Acting General Manager Air Traffic Management 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 reasonably be expected to be available, on similar transactions to third parties at arm's length.

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

26. Financial risk management

Overview

The Company has exposure to the following risks:

- (i) Credit risk;
- (ii) Liquidity risk; and
- (iii) Market risk.

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

Risk management framework

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

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash at bank, trade receivables and other receivables and receivables from related companies.

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

26. Financial risk management (continued)

(i) Credit risk (continued)

Exposure to credit risk

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

| | 2013 | 2012 |
|-------------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Cash at bank | 27,206,892 | 17,610,204 |
| Trade receivables | 12,492,128 | 15,051,752 |
| Term deposits | 7,000,000 | 7,000,000 |
| Other receivables - excluding prepayments | 1,104,678 | 1,115,031 |
| | <u>47,803,698</u> | <u>40,776,987</u> |

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

| | Total | Due not impaired | Past due but not impaired | | |
|-------------|------------|------------------|---------------------------|--------------|-----------|
| | | < 30 days | 30 - 60 days | 60 - 90 days | > 90 days |
| | \$ | \$ | \$ | \$ | \$ |
| 2013 | 10,257,220 | 7,545,369 | 1,612,609 | 907,740 | 191,502 |
| 2012 | 12,886,289 | 9,241,025 | 2,116,773 | 157,069 | 1,371,422 |

(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 following are the contractual maturities of financial liabilities:

31 December 2013

| | Carrying amount | Contractual cash flows | Less than 1 year | More than 1 year |
|--------------------------|------------------------|-------------------------------|-------------------------|-------------------------|
| | \$ | \$ | \$ | \$ |
| Trade and other payables | 6,075,348 | 6,075,348 | 6,075,348 | - |
| Loans and borrowings | 1,514,910 | 1,514,910 | 687,581 | 827,329 |
| | <u>7,590,258</u> | <u>7,590,258</u> | <u>6,762,929</u> | <u>827,329</u> |

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

26. Financial risk management (continued)

(ii) Liquidity risk (continued)

| | Carrying amount \$ | Contractual cash flows \$ | Less than 1 year \$ | More than 1 year \$ |
|--------------------------|--------------------------|---------------------------------|---------------------------|---------------------------|
| 31 December 2012 | | | | |
| Trade and other payables | 8,447,457 | 8,447,457 | 8,447,457 | - |
| Loans and borrowings | 7,571,346 | 7,633,646 | 6,058,989 | 1,574,657 |
| | 16,018,803 | 16,081,103 | 14,506,446 | 1,574,657 |

(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

As the Company's interest bearing assets are small relative to its operations, its cash flows are substantially independent of changes in market interest rates. The only interest bearing financial instrument is term deposits and the interest rate on this is fixed. Given the fixed nature of interest rates, the Company does not have a high level of uncertainty over the impact on cash flows arising from interest income.

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.

At year end, liabilities denominated in foreign currencies included trade and other payables and finance leases.

Significant foreign exchange risk exposures are as follows:

| | 2013 \$ | 2012 \$ |
|------------------------------|------------|------------|
| <u>Financial liabilities</u> | | |
| Trade and other payables | 555,362 | 751,918 |
| Loans and borrowings | 1,514,910 | 2,249,510 |
| | 2,070,272 | 3,001,428 |

Airports Fiji Limited
Notes to the financial statements
For the year ended 31 December 2013

26. Financial risk management (continued)

(iii) Market risk (continued)

Foreign currency risk

The Company does not have significant exposure to foreign currency risk.

27. Capital management

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

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

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

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

28. 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.

Disclaimer

The additional financial information presented on pages 36 to 37 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 2013. It will be appreciated that our statutory audit did not cover all details of the additional financial information. Accordingly, we do not express an opinion on such financial information and no warranty of accuracy or reliability is given.

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

Airports Fiji Limited
Detailed profit and loss
For the year ended 31 December 2013

| | 2013 | 2012 |
|---------------------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Revenue | | |
| Air navigation charges | 10,958,051 | 10,274,880 |
| Airport security and development fee | 7,559,891 | 7,322,203 |
| Concessions | 12,387,536 | 12,698,810 |
| Domestic passenger service charge | 1,178,711 | 845,093 |
| Landing and parking fees - domestic | 637,022 | 613,474 |
| Landing and parking fees - international | 11,491,345 | 11,249,043 |
| Departure tax share | 5,820,465 | 6,196,238 |
| Rental - offices and warehouses | 3,071,167 | 3,254,999 |
| Rental - check-in-counter | 947,951 | 998,126 |
| Terminal navigation aid charges | 3,334,403 | 3,258,557 |
| Electricity recharge | 2,687,213 | 2,974,282 |
| Gain on disposal of property, plant and equipment | - | 14,126 |
| Government grant | 346,111 | 440,555 |
| Deferred income | 669,422 | 629,634 |
| Identification card charges | 113,354 | 106,020 |
| Interest on term deposit | 232,146 | 267,473 |
| Sundry income | 1,033,468 | 1,196,677 |
| Car park charges | 562,030 | 546,716 |
| Unrealised exchange gain | 69,377 | 65,425 |
| Insurance proceeds | 734,010 | - |
| Total income | 63,833,673 | 62,952,331 |
| Expenses | | |
| Allowance for uncollectible receivables | 69,445 | 779,191 |
| Airport inspection and license fees | 410,852 | 366,106 |
| Auditors' remuneration | 18,261 | 13,000 |
| Bad debts | - | 247,533 |
| Bank charges | 25,520 | 19,245 |
| Board expenses | 17,884 | 12,098 |
| Consultancy | 242,010 | 636,071 |
| Contract costs | 4,136,713 | 3,281,275 |
| Depreciation | 12,743,962 | 12,221,399 |
| Director's remuneration | 35,210 | 47,666 |
| Insurance | 2,037,382 | 1,913,414 |
| Interest | 44,533 | 445,038 |
| Balance carried forward | 19,781,772 | 19,982,036 |

The detailed profit and loss is to be read in conjunction with the disclaimer set out on page 35.

Airports Fiji Limited
Detailed profit and loss (continued)
For the year ended 31 December 2013

| | 2013 | 2012 |
|---------------------------------------------------|--------------------------|--------------------------|
| | \$ | \$ |
| Balance brought forward | 19,781,772 | 19,982,036 |
| Land rental | 654,948 | 667,950 |
| Loss on disposal of property, plant and equipment | 86,778 | - |
| Meteorological costs | 521,739 | 521,739 |
| Other expenses | 720,873 | 1,075,379 |
| Post and telecommunications | 1,327,157 | 1,222,431 |
| Repairs and maintenance | 2,098,286 | 2,384,682 |
| Share of Air Traffic Management income | 463,472 | 465,199 |
| Sundry costs and supplies | 492,294 | 722,700 |
| Training and conference | 425,286 | 295,607 |
| Travel and accommodation | 294,332 | 393,080 |
| Unrealised exchange loss | 7 | 2,391 |
| Utilities and services | 5,828,728 | 6,172,898 |
| Vehicle and fuel costs | 836,499 | 835,032 |
| Wages and salaries | 14,277,589 | 14,082,001 |
| Total expenditure | <u>47,809,760</u> | <u>48,823,125</u> |
| Operating profit before tax | <u><u>16,023,913</u></u> | <u><u>14,129,206</u></u> |

The detailed profit and loss is to be read in conjunction with the disclaimer set out on page 35.