

Our Vision, Mission and Values

Our Vision

To be the world's leading small Airport and ATM service provider whilst projecting our heritage.

Our Mission

To ensure world-class airports and air traffic management facilities and services in the Fiji Islands that are managed in a safe, secure and efficient manner that meet ICAO standards, exceed customer expectations, and provide a fair return on shareholders' funds.

Our Values

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

- Our People
- Stakeholders
- Teamwork
- Innovation
- Accountability

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Letter to the Minister

17th May 2010

The Honourable Aiyaz Sayed Khaiyum
Attorney General, Minister for Justice,
Electoral Reform, Anti Corruption,
Public Enterprises, Tourism, Industry and Trade
Level 7, Suvavou House
Victoria Parade
Suva

Dear Minister,

Airports Fiji Ltd Annual Report for 2009

On behalf of the Directors of Airports Fiji Limited, I am pleased to present the Company's 2009 Annual Report as required under the Section 103 of the Public Enterprise Act, 1996. The Report incorporates the Company's operational achievements and audited financial statements for the year ended 31st December 2009.

Airports Fiji Limited recorded its best-ever net profit after tax of \$5.762 million for the year 2009, compared to \$4.585 million reported in 2008.

On behalf of the members of the Company, I take this opportunity to thank the Government for its continued support, and look forward to continued support in 2010 and beyond.

Yours sincerely,



Rick Rickman

Acting Chairman.

Board of Directors



Rick Rickman
Acting Chairman



Pio Tikoduadua
Director



Samuela Tamani
Director



Greg Lawlor
Director

Management



Timoci Tuisawau
Chief Executive
Officer



Luke Koro
General Manager
Airports



Petero Delai
Manager
Special Projects
ATM



Vula Seru
Manager ATM



Josefa Rainima
Manager Airport
Rescue & Fire
Fighting Services



Mere Williams
Acting Manager
Commercial



Saylesh Prasad
Manager Building
& Civil Works



Davina Chan
Legal Advisor



Janaka Kumara
Manager Electrical
& Mechanical



Moagrava Elaisa
Manager
Telecom Services



Molly Murphy
Manager Risk &
Safety



Naushad Ali
Manager Finance



Joe Gary
Acting Airport
Manager-Nadi



Pita Leweniqila
Manager Human
Resources &
Administration

About Airports Fiji Limited

Who We Are

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

The Company has dual reporting responsibilities: to the Minister for Public Enterprises for its commercial performance, and to the Minister for Foreign Affairs, International Cooperation and Civil Aviation on aviation policy matters.

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

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

Our Business

Airports Fiji Limited core responsibilities are to:

- (a) Carry on the business of international, domestic and outer island airport operations;
- (b) Carry on the business of Air Traffic Management (ATM) in the Nadi Flight Information Region (FIR) and Fiji's airspace;
- (c) Operate as a successful business and achieve a 10% Return on Shareholders Funds (ROSF),
- (d) Invest in the development and maintenance of adequate airports and ATM facilities for current and future needs.

Nadi International Airport is the main international airport and gateway to the Fiji Islands.

It handles 98% of the total of international visitors to Fiji, 80%

of whom are tourists, 25 international scheduled flights a day, and 78,000 aircraft movements annually. Total passenger traffic through Nadi Airport for international arriving, transiting and departing passengers was 1.220 million in 2009, whilst domestic was 271,903 passengers. Nadi International Airport generates 97% of Airports Fiji Limited's total revenue and 100% of its profits.

Nausori Airport is the second international airport and domestic hub in Fiji. It handled 13,143 international passengers and about 229,685 domestic passengers in 2009.

The 13 outer island airports are operated on a non – commercial basis, supported by an annual capital grant provided by Government. Total passenger traffic was 154,613 whilst domestic aircraft movements to these airports are approximately 10,731 annually.

Airports Fiji Limited has a total staff strength of 447 that works from a total asset base of \$174.355 million. These funds are spread over the Fiji Islands.

AFL serves 24 airlines and connects Fiji to 23 cities in the region, and internationally.

Our Customers and Partners

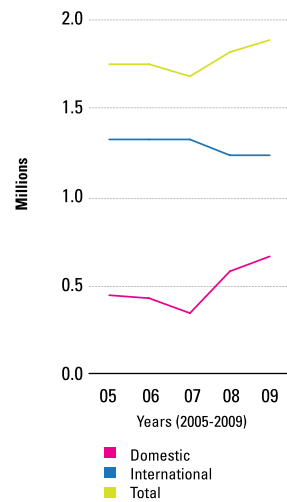
Our customers and partners include passengers, the airlines, the general public, tenants, service suppliers, aviation regulators, ICAO, transport operators, tourism operators, unions and Government agencies.

We cooperate with Government with two primary responsibilities; as the owner of the company and in terms of aviation policy, border control, quarantine, as well as in aviation safety regulation under the Civil Aviation Authority of Fiji Islands (CAAFI).

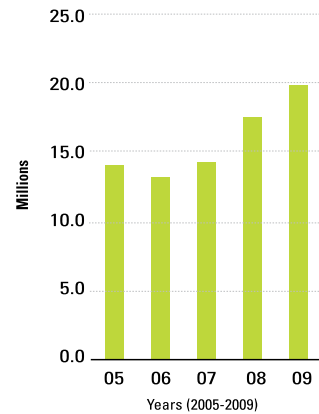
Year at a Glance

- Total international passenger movements decreased by 12.7%, from 1,413,196 to 1,233,972.
- Total aircraft traffic in the FIR and terminal navigation area decreased by 4.2%, from 127,509 to 122,193.
- Revenue was up by \$2.383 million, or 5.4%, from \$44.025 million in 2008 to \$46.408 million in 2009.
- Expenditure increased by \$0.488 million, or 1.3%, from \$38.772 million in 2008 to \$39.260 million in 2009.
- EBITDA increased by 13.0%, from \$17.527 million in 2008 to \$19.803 million in 2009.
- Expense to revenue ratio improved in 2009 to 84.6%, compared to 88.1% in 2008.
- Return on capital employed was 5.5% in 2009, compared to 4.4% in 2008.
- Return on shareholder's fund, after social obligations, was 4.6% in 2009, compared to 3.8% in 2008.
- Continuous investment in employee training and welfare.
- Full Crash exercise successfully conducted in Nadi Airport.
- First group of students graduated from the Aviation Academy.
- Continued investment in world class facilities.

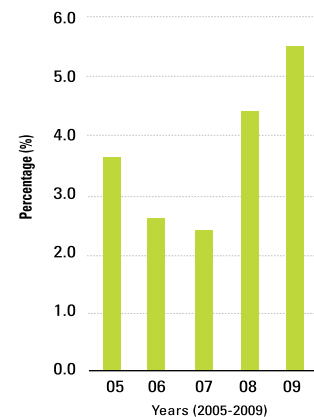
Historical Passenger Movement



EBITDA



ROCE





Fiji has been voted one of the world's friendliest destinations; it all begins here at Nadi International Airport.

AFL's Historical Financial Performance

Key Performance Data	Actual 2005 \$(000)	Actual 2006 \$(000)	Actual 2007 \$(000)	Actual 2008 \$(000)	Actual 2009 \$(000)
Total Revenue	45,467	41,147	40,399	44,025	46,408
Total Expenditure	40,871	39,636	39,616	38,772	39,260
Earnings before Interest & Tax (EBIT)	6,763	4,130	3,746	7,167	8,734
Earnings before Interest & Tax (EBITDA)	15,011	13,267	14,184	17,527	19,803
Net Operating Profit (Loss) before Taxes	4,596	1,511	783	5,253	7,147
Net Operating Profit (Loss) after Taxes	2,562	1,289	710	4,585	5,754
Dividend	1,478	1,281	316	1,000	2,293
Current Assets	28,161	16,699	23,278	24,864	26,063
Current Liabilities	22,171	17,304	21,545	13,927	15,517
Financial Debt	41,953	39,376	36,245	23,460	23,389
Total Liabilities	73,080	70,978	71,244	54,766	48,877
Total Assets	185,762	178,536	179,197	176,754	174,335
Shareholders' Equity	112,682	107,558	107,953	121,989	125,458
Number of employees	418	441	468	462	447
Number of International Passengers	1,312,374	1,327,291	1,323,632	1,413,196	1,233,973
Key Performance Indicators	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Actual 2009
A. Profitability					
Return on Capital Employed (ROCE)	4.13%	2.56%	2.38%	4.40%	5.50%
Return on Shareholders Fund (ROSF)	2.27%	1.20%	0.66%	3.76%	4.59%
Expenditure Efficiency Ratio	89.9%	96.3%	98.1%	88.1%	84.6%
EBIT Margin	14.9%	10.0%	9.3%	16.3%	18.8%
EBITDA Margin	33.0%	32.2%	35.1%	39.8%	42.7%
B. Financial Structure					
Gearing	27.1%	26.8%	25.1%	16.1%	15.7%
C. Liquidity					
Debt Ratio	0.65	0.66	0.66	0.45	0.39
Current Ratio	1.27	0.97	1.08	1.79	1.68
D. Debt Protection					
Interest Cover	3.12 :1	1.58	1.26	3.74	5.50
E. General					
Debt Collection	83 days	48 days	48 days	44 days	38 days
Asset Turnover	0.24 times	0.23 times	0.23 times	0.25 times	0.27 times
Revenue per employee	\$108,773	\$93,304	\$86,323	\$95,292	\$103,819
Revenue per International pax	\$34.64	\$31.00	\$30.52	\$31.15	\$37.61
Expenditure per employee	\$97,778	\$89,878	\$84,650	\$83,922	\$87,830
Expenditure per International pax	\$31.14	\$29.86	\$29.93	\$27.44	\$31.82

Chairman's Report



Once again, it is my privilege as Acting Chairman to report the best-ever financial performance of Airports Fiji Limited (AFL) since its incorporation in 1999. In 2008 we achieved the highest profit ever in the company's history; however, this was surpassed in 2009. This milestone was achieved despite market pressures resulting from difficult global economic conditions and their subsequent, multiplying effect on the aviation industry. It is worth mentioning that, despite these difficult conditions, the performance for 2009 exceeded the record breaking 2008 performance by thirty-six percent (36%) before tax.

Whilst we were not impervious to the global economic meltdown, AFL was resilient to the economic downturn relative to other regional airports. This resilience was a result of careful planning, financial discipline and better utilisation of existing facilities. Revenue grew by \$2.383 million or 5.4%, and expenditure increased by \$0.488 million, or 1.3%, compared to the previous year. The Company recorded an audited pre-tax profit of \$7.147 million.

The Company has a strong balance sheet with minimum financial risk and a gearing ratio of 15.7%, with debt service cover and interest cover increasing during the year. The Company's cash flow position also strengthened during the year, and we have invested prudently, committing resources to upgrade our infrastructure and equipment, to build capacity for the coming years.

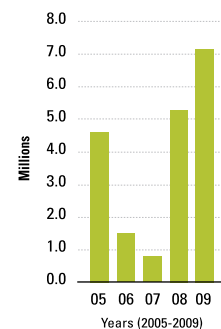
The Company's Return on Shareholder's Fund (ROSF) is 4.6% after social obligations, which the company performs on behalf of the Government. This includes the operation of the thirteen (13) outer-island airports, as well as the provision of free office space for Government departments and entities at

our airports. In 2009 non-profit activities cost AFL over three million dollars, this cost being fully subsidised by the profits realised from the Nadi International Airport. Although the Public Enterprises Act requires the Government to reimburse the Company for all Non-Commercial Obligations, such costs are not refunded. The ROSF before social obligations for the Company is 6.6%.

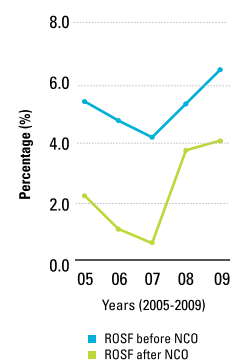
In my 2008 Annual Report address, I mentioned that the Board of Directors is committed to improving the deteriorating facilities, such as air-conditioning, roof structure, sewerage and plumbing, at the Nadi International Airport. I am happy to report that the work on these facilities commenced in 2009 and will be completed by mid-2010.

AFL welcomed three new airline partners in 2009: V-Australia, Continental Airline and Our Airline. Air Pacific commenced its Nadi-Hong Kong sector from December 2009. On behalf of the Board of AFL, I congratulate and wish these airlines every possible success in the adventurous journey they have started. These new services will, no doubt, increase aircraft and passenger volume into Nadi International Airport, which in turn could put a strain on the current facilities. The way forward for the Board is to adopt a Master Plan, which will provide an envelope of different infrastructure requirements, matched against forecasted capacity requirements. The Board is committed to finalising the Master Plans for both Nadi and Nausori in 2010, so that value services are provided to our airline partners, and the experience for visitors and users of both airports is enhanced. In the short- to medium- term we propose to construct a new Domestic Terminal building at Nadi Airport, and expand both the International Departure area and the International Arrivals area and facilities.

Net Profit (loss) before tax



Return on Shareholders Fund





Aside from managing the commercial aviation hub of the South Pacific, AFL also provides a full range of operational as well as luxury services for the many private jet aircraft that visit the country.

Chairman's Report (cont'd)



Traditional Fijian architecture greets visitors as they arrive at the airport.

The coming year will be an exciting and challenging year for AFL. According to the International Monetary Fund (IMF) the global economy started to recover towards the end of 2009, which will provide AFL with another opportunity for record performance. The completion of the Air Traffic Management System and Air Traffic Message Handling System (AMHS) Project in mid-2010, at a cost of approximately ten million dollars, is the single largest investment made by the Company in developing its Air Traffic Management business to date, and is, without a doubt, testament to the Company's commitment to providing quality and safe service. The implementation of enhanced Air Traffic Control systems and equipment will provide enhanced safety measures for aircraft flying through Fiji's airspace.

The ground-breaking ceremony for the new terminal building at Savusavu Airport is scheduled to take place in April 2010, with completion in the latter part of the year.

In 2008 the Government designated Rotuma as a port of entry. This designation required the upgrading of facilities at Rotuma, but more specifically the runway to cater for, not only aircraft such as the ATR-42, currently

using the runway, but also, the ATR-72. The project is scheduled for commencement during 2010. Domestic carriers have shown a keen interest in the development of the Rotuma airport.

The transfer of some one thousand, one hundred and ninety-seven (1,197) acres of land from the Civil Aviation Authority of the Fiji Islands (CAAFI) is scheduled to be completed in 2010. This transfer will provide enormous potential for AFL to develop its commercial business and other airport-related activities. The Board will shortly embark on the task of preparing medium- to long-term strategies to ensure that the full potential of the land is realised.

We remain optimistic that, as a business, we have prepared and invested sensibly to position ourselves well for the future. The long-term outlook for the AFL remains positive. We expect to see passenger volumes eventually return to long-term growth trends, and the investment being made now into Air Traffic Management and our terminal building will begin to bear fruit in terms of increased growth in volume and yield.

Chairman's Report (cont'd)



The international airport check-in is efficient and friendly.

Airline	Flight	Destination	Schd	Estm
pacificair	DJ 28	Sydney	1555	
pacificair	DJ 176	Brisbane	1635	
AIR NEW ZEALAND	NZ 57	Auckland	1655	
US AIRWAYS	US 5323	Auckland	1655	
pacificair	DJ 4184	Melbourne	1820	
AIR PACIFIC	FJ 931	Melbourne	1825	
AIR PACIFIC	FJ 810	Los Angeles	2200	
QANTAS	QF 3839	Los Angeles	2200	
AIR NEW ZEALAND	NZ 4010	Los Angeles	2200	
AIR PACIFIC	FJ 820	Honolulu	2230	
QANTAS	QF 3841	Honolulu	2230	

Fiji is blessed with a number of airlines that offer services to the world

I take this opportunity to convey my appreciation to the Honourable Prime Minister and Cabinet Ministers, for their invaluable support to the Company during the financial year 2009.

I also thank my fellow Board members for their continuous support and tireless contributions throughout the year. My sincere appreciation to the staff and management who, despite trying and difficult times and conditions, continued to persevere. Without your contributions the success achieved by the company in 2009 would not have been possible. The success of the Company is testament to the persistence of the AFL team. It is this ambition to put the Company on a sound financial footing in order that it can progressively develop into a truly International Airport that will be the gateway for millions of travellers to our beloved nation Fiji.

As we continue to face future challenges it may assist us to keep in mind the following quotation:

"Nothing in this world can take the place of persistence. Talent will not; nothing is more common than unsuccessful people with talent. Genius will not; unrewarded genius is almost a proverb. Education alone will not; the world is full of educated derelicts. Persistence and determination alone are omnipotent. The slogan 'press on' has solved, and always will solve, the problems of the human race."

This quotation by Calvin Coolidge is as true today as when he wrote it 100 years ago.

Rick Rickman
Acting Chairman.

Chief Executive Officer's Report



In April 2009, Airports Fiji Limited (AFL) celebrated its tenth year as the owner and operator of Nadi International Airport, and operator of Nausori and 13 outer station airports on behalf of the Government. Since incorporation in April 1999, AFL has played a leading role as the primary gateway to Fiji, welcoming over 600,000 tourists and returning residents every year.

As the Chief Executive Officer I am proud to report on the sound performance of Airports Fiji Limited for the year ended 31st December 2009, both financially and operationally. AFL again achieved another record-breaking profit since incorporation, posting a net profit before tax of \$7.147 million. The past year has been a great challenge for every part of the economy. The unprecedented collapse of the global financial system and its effect on employment, investment and growth globally, has resulted in many challenges for AFL, our shareholders and stakeholders. The world economic growth in 2009 shrank by 1.1%, and the local economy had a similar pattern with a negative growth of 2.2%.

Apart from the global financial crisis, the company faced challenges from external factors such as the worst flood experienced in a decade in January 2009 in the western part of Viti Levu, negative reporting by overseas media on Fiji's political situation, negative travel advisory by Fiji's major trading partners, and the H1N1 pandemic (Swine Flu). Recognising the incredible pressure the economy was facing and our promise to deliver another record profit, management and staff with guidance from the Board, worked closely to generate new efficiencies, new processes and new ways of thinking. I am proud that our approach has come to fruition with the company reporting another record profit in its ten-year operation.

Passenger Movement

All the above factors have had a ripple effect on the aviation industry. The traffic results announced by the International Air Transport Association (IATA) for 2009 show that the industry ended 2009 with the largest-ever post-war decline. Passenger demand for the full year was down by 3.5% with an average load factor of 75.6%. The international passenger movement, a key source of revenue for AFL, declined by 179,224, (12.7%), compared to 2008. International aircraft movements in our FIR and Terminal area also had a negative growth compared to last year. The negative growth is a direct result of the global financial crisis, and we believe the strength of the Fijian dollar before the devaluation also contributed to visitors selecting alternate destinations that were more attractive. Negative growth in our FIR is also due to airlines reducing flights between states due to low passenger demand.

Financials

Despite negative passenger growth, another improved operating result was achieved in 2009 with a profit before tax of \$7.147 million, which is above last year by \$1.894 million or 36.1%. Aeronautical revenues increased 3.3% or \$0.986 million against a negative growth of passenger numbers and aircraft movements. This result was driven by revised aeronautical fees and charges implemented in September 2008.

Non-aeronautical revenue increased by 9.9%, or \$1.396 million. The increase is a result of high interest income earned on term deposits, high rental received on lease equipment due to the devaluation of the Fiji dollar and an increase in sundry income.

Operating expenses for 2009 increased by 5.8% or \$1.293 million against last year.



Nadi International Airport, the gateway into Fiji and the South Pacific.



AFL operates a regional air traffic control school.



Arriving passengers just off an aircraft have already begun their vacation in the warmth of the Nadi Sun.

Chief Executive Officer's Report (cont'd)

Repair and maintenance costs grew by 94.3% (\$1.291 million) due to the refurbishment of the terminal building. This includes the air conditioning system. The Company will continue with its renovation programme of the Nadi Airport terminal building to provide improved passenger processing facilities. Projects regarding the roof structure, sewer, and water supply will take priority during 2010. Work has commenced in nearly all areas of the terminal to improve the image and to provide our customers with a pleasing airport experience. The Company expects to complete all these maintenance works by the first half of 2010.

Non-operating expenses decreased by 4.6% (\$0.753 million). Depreciation totaled \$11.068 million for 2009 (2008: \$10.359 million) and interest costs were \$1.587 million (2008: \$1.914 million). The increase in depreciation expense reflects the impact of spending on completed capital works to increase the capacity and quality of the airport over the last few years.

Airport Fiji Limited's financial position remains strong in the face of uncertain economic conditions. Total assets as at 31 December 2009 decreased to \$174.335 million, compared with \$176.754 million at 31 December 2008. Total liabilities decreased by \$5.888 million to \$48.877 million, compared with \$54.766 million as at 31 December 2008. Shareholders' equity increased by \$3.468 million in 2009.

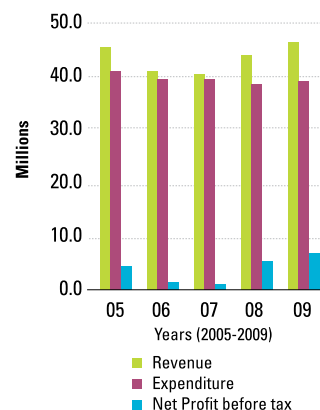
The Debt Service Cover Ratio (DSCR) as at 31 December 2009 was 3.1. The interest cover ratio, which determines how easily a company can pay interest on outstanding debt was 5.81.

The Gearing Ratio is the contribution of the owner's equity to borrowed funds. The ratio explains the degree to which the business is funded by the owner, as against borrowed funds. As at 31 December 2009, the gearing ratio of AFL was 15.7%, compared to 19.7% in 2008.

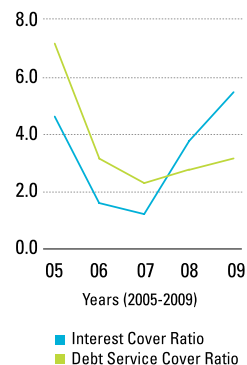
Investments

Anticipating demand and building capacity is elementary for the success of infrastructure investments. Despite the global economic downturn and international forecast for lower passenger traffic movements, the company continued to make critical investments to ensure the reliability and the competitiveness of its service deliverables. The past year saw the company installing a new Electronic Surveillance (CCTV) System and Access System in Nadi Airport. The company also commissioned an IP telephony network that integrated data and voice communication across the different airports. AFL obtained significant cost benefits and productivity improvement through this exercise. New passenger and baggage screening equipment was also installed in Nadi Airport to ensure thorough, but prompt, screening of passengers. The replacement of the aging ATM Eurocat 200X System with a new generation ATM system, which will have the capability to offer automated aircraft surveillance in the NADI FIR and the terminal area, will be commissioned in the first half of 2010. The implementation of the ATM system will also see AFL developing its own communication backbone, with path redundancy, to provide the required support for the ATM system.

Performance Trend



Debt Service & Interest Cover Ratio



Chief Executive Officer's Report (cont'd)



The largest selection of duty-free goods in the South Pacific.



The baggage claim area and Customs hall at the airport

Domestic Airports

The domestic airports play a crucial role towards the development of Fiji's regional economies. However, due to lower passenger and aircraft volumes, these airports continue to incur operational losses, and in 2009 AFL incurred a total of \$ 1.772 million in operational losses in managing these airports on behalf of the Government.

In 2008 Government designated Rotuma as a new port of entry. The project is scheduled to commence in 2010. Domestic carriers have shown keen interest towards the development of the airport, particularly Pacific Sun, which is showing interest in operating ATR 72 type aircraft in the future.

Through a Government grant, the Kadavu runway and terminal building were upgraded and completed in December 2009. The upgrades will no doubt benefit the people and economy of Kadavu. More than \$100,000 was also spent to upgrade the Labasa, Matei and Savusavu terminal buildings.

Land Transfer

The Cabinet decision to transfer all land and buildings, including the housing estate managed by the Civil Aviation Authority of the Fiji Islands (CAAFI), will provide AFL with the resources to develop its non-aeronautical business, which is currently contributing only 30% of our revenue. A total of 1197 acres of land, together with all immovable and moveable properties, will be transferred to AFL to manage on behalf of our shareholders. The transfer of land is scheduled to complete in the first quarter of 2010 and the housing estate is expected to be transferred by mid-2010.

Our People

I have always believed that the most important function we play as an airport operator is to be responsible custodians of critical national assets. Our role is not only to ensure that Airports Fiji Limited remains profitable, but is also an accessible, efficient, customer-friendly and passenger gateway for Fiji, for in the words of the late Henry Ford, "A business that makes nothing but money is a poor kind of business."

B. C. Forbes said, "A business, like an automobile, has to be driven, in order to get results," and I am pleased to say that our people have driven this company with a tenacity for growth, professionalism and expansion, and without a doubt, will ensure that 2010 will be another record year for AFL.

In conclusion, I take this opportunity to thank the Board of Directors and Government for their guidance and support, and management and staff for their dedication and commitment. I look forward to the continued support from everyone to deliver another good result to our shareholders and value-services to our customers.

Timoci V. Tuisawau
Chief Executive Officer.



Nausori, Fiji's second international airport that services Suva, the country's capital city.

Statement of Corporate Governance



Both management and the Board have put Corporate Governance on the top of their agenda with meetings scheduled to review systems.

The Board of AFL is responsible to establish, implement and monitor policies and processes regarding principles of corporate governance. This is to ensure the Board's compliance with its fiduciary and statutory duties to the Company and its shareholders in accordance with applicable laws and regulations of the Public Enterprise Act and other relevant legislation, as applicable in the Fiji Islands. The Directors of the Company are committed to embracing good corporate governance policies, practices and procedures.

Role of the Board

The Board is responsible for charting the Company's strategic direction, objective setting, policy guidelines, goals for management, and monitoring the achievement of these matters.

The Board also reviews the Business Plan, Corporate Plan and Statement of Corporate Intent, Industrial Relations Plan, and approves Operating and Capital Budgets each year. The Board also reviews matters of a major or unusual nature, which are not in the ordinary course of business.

Composition of the Board

As per the articles of the Company, the number of Directors should not exceed seven members, unless otherwise specified by the Minister for Public Enterprise.

Directors' Code of Conduct

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

Duties of Directors

The Role of the Directors is defined in sections 32 and 57 of the Public Enterprise Act. A key responsibility of the Directors is to achieve the principal objective of the GCC as stated in section 43 of the said act. Section 43 states that;

- a) The principal objective of every

Statement of Corporate Governance (cont'd)



With the airport servicing large wide-bodied aircraft, hundreds of passengers await closely scheduled multi-departures from the Departure Lounge.

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

- b) The principal objective of the every Government Commercial Company is to be achieved through the application of the key principles of public enterprise reform and their elements.
- c) The Board is also bound by section 6.13 of the Articles of the Company, and the individual terms of their respective contract letters.

Statutory Duties of the Board

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

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

Fiduciary Duties of Directors

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

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

The Fiduciary duties of the Directors will have the following four dimensions:

- I. To act in good faith in the best interests of the company;
- II. To exercise powers for a proper purpose;
- III. To retain discretion, and
- IV. To avoid conflicts of interest.

Board Meetings

The Board held 12 regular meetings during the financial year ended 31 December 2009. The regular business of the Board during its meetings covers corporate governance, financial performance, risk management, business investments and strategic matters.

Committees

The Board subcommittees are responsible for deliberating detailed issues and making suitable recommendations to the Board.

a) Finance and Audit subcommittee

- Meets Monthly
- Governed by a Finance and Audit charter
- Chairperson – Mr. Greg Lawlor

b) Commercial Subcommittee

- Meets Monthly
- Chairperson – Mr. Rick Rickman

c) Human Resources Subcommittee

- Meets Monthly
- Chairperson – Mr. Rick Rickman

d) Physical Resources Subcommittee

- Meets Monthly
- Chairperson – Mr. Samuela Tamani

A Year in Review



IT specialists, an integral part of AFL operations.



An international airport requires attention to thousands of details, all important in their own right - checking landing strip lighting is one.

Human resources (HR)

Every successful organisation must have a strong focus on its people and capabilities. To deliver both an excellent customer service and profitable returns to the shareholders, the Company's employees must have the right skills and know-how, must look for continuous improvement, and must have the right tools, systems and processes to carry out their responsibilities efficiently and effectively. AFL employed an average of 447 people during the 2009 financial year. Turnover, absenteeism and employment relations issues were all at low levels.

In 2009 AFL invested over \$200,000 in local and overseas training. In total, 31 local training sessions and nine overseas training courses were provided to staff. As a part of the process improvement programme, a new HR system was implemented during the year. The system has automated most of the HR function, and also provides tools for communication between top management and staff. All company policies and procedures, as well as the financial performance of the Company, are posted on the HR system, which is accessible by all AFL staff.

Community Engagement

Airports Fiji Limited plays a crucial role in the economic development of Fiji, and belongs, through their Government, to the people of Fiji. It is vital that, as well as remaining economically viable, AFL is socially and environmentally sustainable in order to continue its partnership with the community in which the Company operates. In 2009 AFL made numerous donations and contributions to the community, including the National Disaster and Relief and Rehabilitation Fund, as well as various schools,

foundations and associations. AFL will continue to take part in social projects and will contribute to various funds so that the community can benefit from AFL's success in the future.

Rescue and Fire Fighting Services

The mission statement of the Airport Rescue and Fire Fighting Services (ARFFS) is to provide an effective and efficient Rescue Fire Service that meets International Standards for the safety of customers. To achieve this mission, the ARFFS department carried out number of activities during 2009. Four exercises were conducted in 2009, which included a Sea Exercise on Nadi Bay, General Crash Exercises at Nadi and Nausori airports, and a ARFFS and JUHI Joint Fuel Farm Response Exercise. The main purpose of the training was to test the effectiveness of the equipment, and the speed with which personnel and equipment, designated for rescue and fire fighting purposes, responded.

A Memorandum of Understanding (MOU) was executed between the National Fire Authority and AFL. The MOU outlines operational understandings, such as training, the exchange of information on fire safety or prevention, or NFA requesting AFL assistance in major structural fires or conflagrations.

ARFFS also provide an ambulance service, which is extended to the general public for a very minimum charge.

ARFFS played a major role during the 2009 floods, using rescue boats to evacuate members of the public within the vicinity of the Nadi Airport.



Firefighters continuously drill for safety at the airport.

A Year in Review (cont'd)



Technicians test radio communication equipment.



Food outlets are strategically placed throughout the airport.

In 2009 ARFFS received approximately 180 calls for assistance. These calls included domestic fire calls, aircraft incidents, fire cover, special services, and false alarms.

Safety & Risk

A major focus of activity for the year was Safety and Risk, the main objective was to make safety an integral part of the working environment. This was achieved through consultation, assessment and controlling risks, making safety a key element of decision-making. In 2009 comprehensive training on risk assessment was carried out, the safety and risk induction processes for all new employees was upgraded, and all staff were briefed on the importance of the various elements of risk and safety. Ongoing consultation with CAAFI is an essential part of the safety and risk improvement process.

Safety management extends beyond compliance, with the expectation that all risk within AFL is adequately controlled, managed and regularly monitored. During the year, the Manager for Safety & Risk joined AFL. Staffing levels were increased to implement safety initiatives and support the overall safety strategy. The Occupational Health and Safety Committee also met regularly and made recommendations to management on a range of safety issues. These issues were addressed to the satisfaction of the committee.

The ongoing commitment to identify and manage potential hazards and to promptly respond to incidents is contributing to a consistently low level of injury claims and lost time. AFL reported four lost time injuries (LTIs) in 2009, a slight decrease compared to previous years. AFL continues to strive towards achieving an annual LTI

target of zero.

Air Traffic Management (ATM)

ATM Operation

AFL has a unique business model. As well as being an airport operator, it is also an air navigation service provider. AFL is responsible for the management of the Nadi Flight Information Region (FIR), encompassing the sovereign airspaces of Fiji, New Caledonia, Kiribati, Vanuatu and Tuvalu. The air traffic control function consists of oceanic control, and aerodrome and approach control services in both Nadi and Nausori Airports. Flight Information Service (FIS) is provided at Labasa, Savusavu and Matei.

To maintain a high level of service, facilities within the ATM are continuously upgraded, to ensure that services in Nadi FIR are on a par with, or better than, those provided in the region. A decision was made to replace the aging ATM system, known as Eurocat 2000X, with a new generation ATM system. The work commenced in the first quarter of 2009, and the project is expected to be completed in the first half of 2010.

There were over 100,000 movements in the Nadi FIR, and even with the outdated ATM system, minimal incidents occurred, in which the minimum separation standards were not met.

Most importantly, the availability of the entire ATM network and system was 99%.

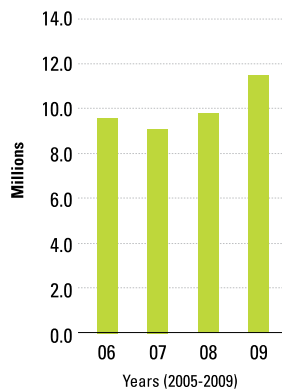
The worldwide demands for qualified Air Traffic Controllers continue to pose an operational issue for AFL. As a result of this demand five staff left for greener pastures. However, there are



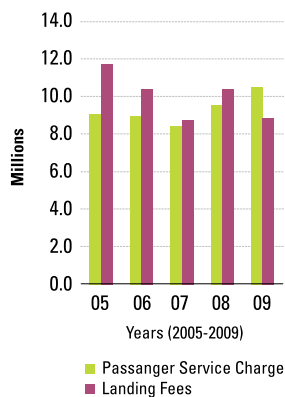
Because of the AFL's competitive price structure international carriers continue to use its facilities.

A Year in Review (cont'd)

ATM Revenue



Revenue from Airport Airside



plans to mitigate this problem. These plans have begun to be actioned, with the recruitment of suitable graduates to undergo Cadet Training in Air Traffic Control. Appropriate training within the department will also continue to provide career developments for the Company's existing staff. During the year, the flight services stations at Matei and Savusavu were completed, providing a better working environment for the staff.

The AFL Aviation Academy (AFLAA) is a part of the ATM operation. It was established in 1999, providing training to air traffic controllers from Fiji and other Pacific Island countries. The Academy provides a comprehensive range of air traffic management courses to meet training and manpower planning developments. It was a proud day for AFL when, in June 2009, the first group since AFL's acquisition of the Academy, graduated in Aerodrome/Approach.

ATM Revenue

The ATM revenue, which consists of air navigation and terminal navigation, rose by 17.5% to \$11.504 million (2008: \$9.788 million). The increase was due to the introduction of the terminal navigation charge, with effect from 1st September 2008.

In 2009, the overall traffic in the FIR and Terminal Area declined by 4.2% compared with 2008. A total of 122,193 aircraft flew through our airspace, 5,316 fewer than in 2008. The international flights declined

by 3.2%, and domestic flights by 10.2% compared to 2008. The reason was the ripple effect of the financial crisis on the aviation industry, and on the domestic front, the non-operation of Air Fiji flights from April 2009.

Airport Airside Activities

Airports Fiji Limited's airside revenue represents approximately 42% of the total AFL revenue. Airside revenue includes landing and parking fees and passenger charges. Landing and parking charges rose by 10.2% to \$10.573 million (2008:\$9.593 million). Passenger charges declined by 14.2%, to \$8.978 million (2008: \$10.461 million).

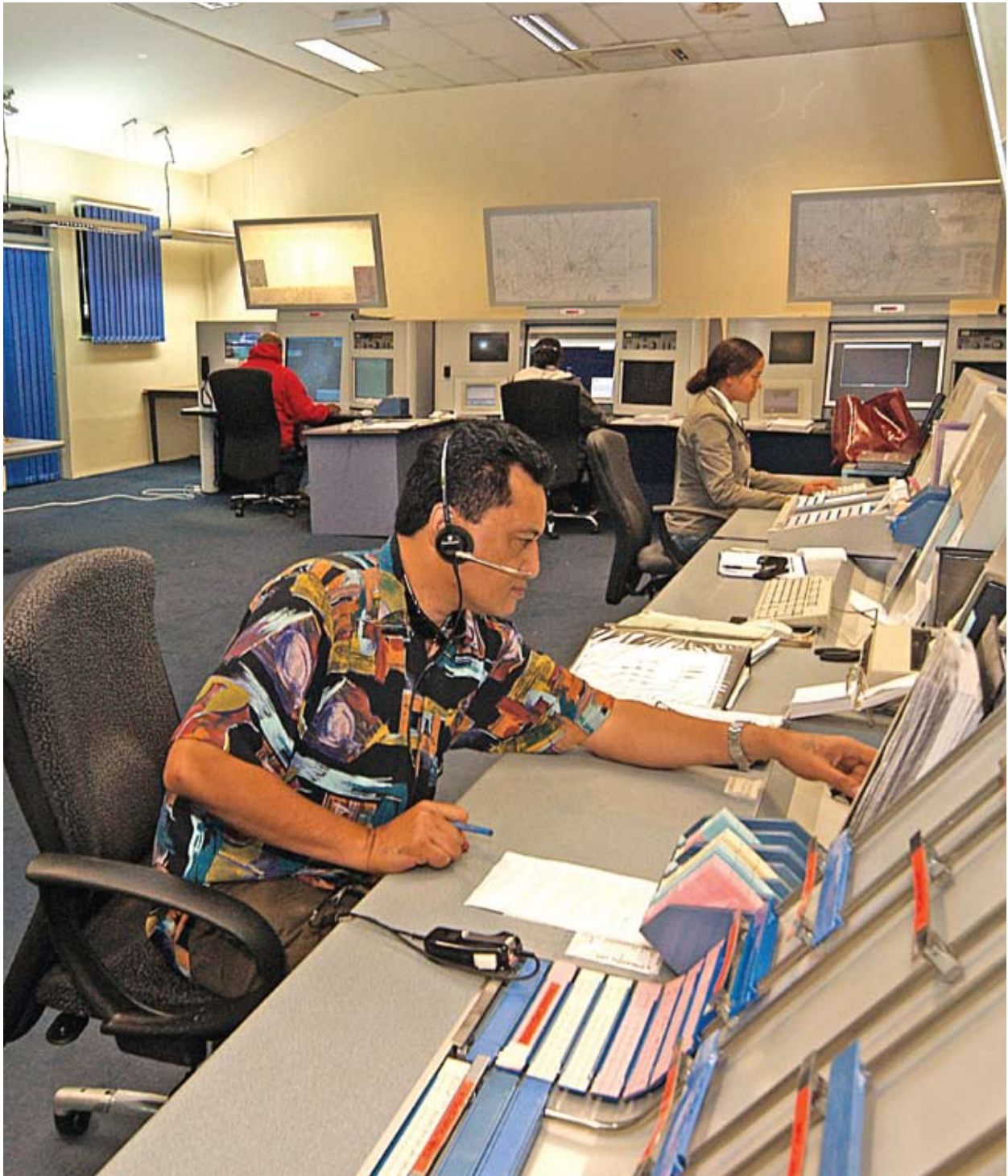
Passenger & MCTOW Movements

In the year 2009, total international passenger movements were 1,233,972, a decrease of 12.7% compared with 2008. This was a result of the impact on ticket prices of high fuel costs early in the year, followed by the slump in long-haul travel as global economic conditions affected passenger demand. In recent months, pandemic concerns also had an impact. Domestic passenger movements increased by 13% percent, although from April 2009, Air Fiji ceased operation.

The total international MCTOW (maximum certificated take-off weight) was 640,542 tonnes, a decrease of 5.1 percent over 2008, which is in line with the passenger volume decline. However, in the domestic flights, the aircraft landing tonnage decreased by 8.3%, directly opposite to the passenger increase on these flights. This is an indication that the seating capacity of domestic aircraft was optimised. The company's airfield income is determined from the MCTOW of aircraft landing at the airports.

Total Aircraft Movement in FIR & TNA

	2005	2006	2007	2008	2009
International	34,333	35,450	36,218	36,480	35,319
Domestic	42,198	42,157	45,316	45,526	40,877
Others	35,350	42,296	41,686	45,503	45,997
Total	111,881	119,903	123,220	127,509	122,193
<i>Growth</i>		7.2%	2.8%	3.5%	-4.2%



AFL's Oceanic controllers are responsible for more than 100,000 aircraft movements in the region.

A Year in Review (cont'd)



AFL uses sound deterrents to discourage birds from the airport runways.



Airport security is a priority at the airport.

Landside Activities - Commercial & Property

Concessions

Airports Fiji Limited's commitment to ensuring that passengers have an enjoyable shopping experience is reflected in this year's strong retail (concession) business performances. The concession revenue grew by 5% against the decline in total passenger growth by 5.3%. AFL is committed to creating additional retail space, to capitalise on the demand by tourists for duty-free and locally made artifacts. During the year AFL welcomed three additional concessionaires, and extended the departure duty-free area to add greater variety and a wider range of shopping for passengers.

Commercial

The commercial business includes office rentals, car park and other services provided by AFL. It is again noteworthy to mention that the commercial revenue increase by 5% against the reduction in passenger numbers. During the year the average occupation rate

for offices was 97% and efforts being made to increase the occupancy rate to 100%.

New land

AFL will soon receive the transfer of 1197 acres of land and property from CAAFI. The transfer will not only include land, but also all commercial and housing properties. In 2010 AFL will draw up medium- to long-term strategies to develop the land, and maximise revenue from the land and properties.

Master Plan

Master planning is a part of a dynamic process within the aviation industry. The Master Plan identifies the locations of future runways, terminals and transport access. AFL is in the process of finalising the 20-year Master Plan, which will be forwarded for Ministerial Approval in 2010.

It outlines the future vision of the airport for safe, secure, efficient, and environmentally sustainable use of the airport site.

Passenger and Aircraft Statistics

	2005	2006	2007	2008	2009
Passenger Movements					
International Arrivals	633,914	634,575	627,287	662,260	588,463
International Departures	641,905	644,468	634,589	673,221	595,971
Transit & Transfers	42,227	48,248	61,756	77,715	49,538
Total International Passengers	1,318,046	1,327,291	1,323,632	1,413,196	1,233,972
Growth		0.7%	-0.3%	6.8%	-12.7%
Domestic Passenger	438,548	425,331	354,591	582,092	656,200
Growth		-3.0%	-16.6%	64.2%	12.7%
MCTOW					
International MCTOW	722,767	702,176	653,723	675,208	640,542
Growth		-2.8%	-6.9%	3.3%	-5.1%
Domestic MCTOW	212,019	208,498	260,762	250,252	229,471
Growth		-1.7%	25.1%	-4.0%	-8.3%

A Year in Review (cont'd)



The Nadi International Departures at sunset.

Continued investment in world class facilities

Part of AFL's responsibility is to ensure that our airports' growth is adequately addressed to match increasing demand in passenger and aircraft traffic, as well as to adopt new technology to improve operational efficiency and customer services.

The following projects were completed in 2009:

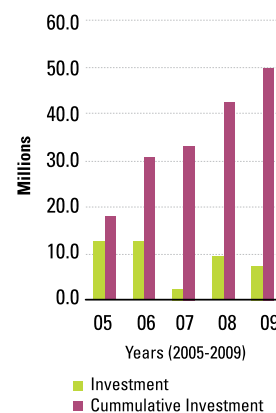
- Installation of new Electronic Surveillance (CCTV) system and Access System in Nadi Airport;
- Installation and commissioning of PABX system in Nadi, Nausori and outer island airports;
- Extension of Nadi Airport terminal departure's duty free area;
- Implementation of new passenger and baggage screening equipment;
- Upgrade of Kadavu runway,
- Replacement of the Flight Information Display System (FIDS) at Nadi Airport.

AFL is engaged and has committed funds in implementing the following major capital projects:

- Installation of new elevators at the Nadi Airport Domestic Terminal;
- Construction of a new terminal building in Savusavu;
- Updating of Aeronautical Information Publication (AIP) Charts;
- Replacement of Aeronautical Message Handling System (AMHS);
- Upgrade of Nausori Airport infrastructure to accommodate 737-700 aircraft,
- Replacement of ATM Equipment at Nadi and Nausori Airports.

The total cost of the above investments is \$9.394 million dollars.

Investments



Airport Overview – Nadi International Airport

Location

The Nadi International Airport is three nautical miles North East from the Nadi central business district – approximately 15 minutes by motor vehicle.

Operational

No curfew
Operational 24 hours
Open 365 days a year

Length and heading of runways.

Runway Dimensions

Runway Letter	Code (m)	Dimensions width (m)	Strip	Surface	Strength
02/20	E	3200 X 45	300	Bitumen (Flexible)	PCN80
09/27	C	2133 X 45	180	Bitumen (Flexible)	PCN65

Types of aircraft using the airport.

Nadi Aerodrome has the capacity to handle any aircraft type that can be accommodated on a Pavement Classification Number PCN80/F/C/X/T –Runway: Bitumen.

Rescue and fire fighting services

The level of fire protection provided by AFL is ICAO Category 9, and on occasions the level can be increased to Category 10.

Aircraft

- Over 25 international flights and over 12 domestic flights are handled every day on average.
- Annually the airport handles over 13,000 aircraft movements.

Car parks

Over 500 (including rental car parks).

GLOSSARY OF TERMS

AFL

Airports Fiji Limited

GCC

Government Commercial Company

CAAFI

Civil Aviation Authority of Fiji Islands

FIR

Flight Information Region

ATM

Air Traffic Management

Aeronautical revenue

Aeronautical charges are paid by the airlines as landing, aircraft parking, aerobridge, incinerator, departure tax, and airport development and security charges.

Airside

The secure area of the airport, including the terminal facilities after emigration and screening processes, and the airfield.

Landside

The public areas of a terminal, those prior to emigration and security screening.

MCTOW

Maximum certified take-off weight of an aircraft.

Non-aeronautical revenue

Revenue from retail, property, car parks, utilities, and other commercial activities.

International Air Transport Association (IATA)

The governing body that regulates international air transport.

International Civil Aviation Organisation (ICAO)

Specialised agency of the United Nations, to encourage the orderly growth of international civil aviation, and establishing uniform standards for aircraft markings, airworthiness, and pilot licensing.

AIRPORTS FIJI LIMITED

FINANCIAL STATEMENTS

31 December 2009



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AIRPORTS FIJI LIMITED DIRECTORS' REPORT YEAR ENDED 31 DECEMBER 2009

DIRECTOR'S REPORT

The Board of Directors present their report, together with the financial statements, of Airports Fiji Limited for the year ended 31 December 2009 and the auditors' report thereon.

Directors

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

Mr. Rick Rickman
Mr. Samuela Tamani
Mr. Pio Tikoduadua
Mr. Greg Lawlor

State of affairs

In the opinion of the Directors, the accompanying balance sheet gives a true and fair view of the state of affairs of the Company as at 31 December 2009, and that the accompanying income statement, 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 the provision of air navigation services and 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 \$5,761,861 (2008: \$4,585,414) after taking into account an income tax expense of \$1,385,513 (2008: \$668,074).

Dividend

During the year, the Directors declared and paid a dividend of \$2,292,707 (2008: \$1,000,000).

Reserves

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

Events Subsequent to Balance Date

Subsequent to year end the following transitions took place as a result of a Cabinet decision on 16 October 2008:

Acquisition of commercial assets from Civil Aviation Authority of Fiji Islands:

- Acquisition of head lease CL3469 in respect of Nadi Airport which was held by CAAFI on 08/01/2010;
- Transfer of CAAFI housing estate and related staff to Airports Fiji Limited; and
- Sublease of land requirements by CAAFI from Airports Fiji Limited.

Dated at Nadi this 17 day of May 2010

Signed in accordance with a resolution of the Board of Directors



Director



Director.



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

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Accountability in the public sector through quality audit services

AIRPORTS FIJI LIMITED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2009 INDEPENDENT AUDIT REPORT

Scope

I have audited the financial statements of Airports Fiji Limited for the year ended 31 December 2009 in accordance with the provisions of section 100(3) of the Public Enterprise Act 1996 and section 13 of the Audit Act. The financial statements consist of the Income Statement, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flows and the accompanying notes. The Company is responsible for the preparation and presentation of the financial statements and the information they contain. My responsibility is to express an opinion on these financial statements.

My audit has been conducted in accordance with Fiji Standards on Auditing to provide reasonable assurance as to whether the financial statements are free of material misstatement. My procedures included examination on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with International Financial Reporting Standards and other statutory requirements, so as to present a view which is consistent with my understanding of the Company's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion:

- a) proper books of account have been kept by Airports Fiji Limited, 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 accounts;
 - (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 Airports Fiji Limited as at 31 December 2009 and of the results, cash flows and changes in equity of the Company for 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 my audit.

**Tevita Bolanavanua
ACTING AUDITOR GENERAL**

Suva, Fiji
18 May 2010.



AIRPORTS FIJI LIMITED INCOME STATEMENT YEAR ENDED 31 DECEMBER 2009

	Notes	2009 \$	2008 \$
Revenue	2.1	42,622,971	40,976,972
Other income	2.2	2,981,390	2,799,771
		<u>45,604,361</u>	<u>43,776,743</u>
Administrative expenses	2.3	16,081,527	16,262,127
Operating expenses	2.4	9,601,565	8,852,559
Personnel expenses	2.5	12,035,379	11,886,690
		<u>37,718,471</u>	<u>37,001,376</u>
Profit from operations		7,885,890	6,775,367
Finance income	2.6	803,151	248,442
Finance expenses	2.7	1,541,667	1,770,321
Profit before income tax		<u>7,147,374</u>	<u>5,253,488</u>
Income tax expense	3	(1,385,513)	(668,074)
Net profit for the year		<u>5,761,861</u>	<u>4,585,414</u>
Basic earnings per share (cents)	4	6.24	4.97

The income statement should be read in conjunction with the accompanying notes to the financial statements.

AIRPORTS FIJI LIMITED STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 DECEMBER 2009

	Notes	2009 \$	2008 \$
Share Capital			
Balance at the beginning of the year		92,300,180	81,849,908
Movement during the year		-	10,450,272
Balance at the end of the year	12	<u>92,300,180</u>	<u>92,300,180</u>
Retained Earnings			
Balance at the beginning of the year		29,688,669	26,103,255
Net profit for the year		5,761,861	4,585,414
		<u>35,450,530</u>	<u>30,688,669</u>
Dividends declared and paid	5	(2,292,707)	(1,000,000)
Balance at the end of the year		<u>33,157,823</u>	<u>29,688,669</u>
Total equity and shares		<u><u>125,458,003</u></u>	<u><u>121,988,849</u></u>

The statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

AIRPORTS FIJI LIMITED BALANCE SHEET AT 31 DECEMBER 2009

	Notes	2009 \$	2008 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	5,083,978	2,814,631
Trade receivables	7	4,878,001	5,281,768
Inventories	8	415,803	400,920
Prepayment and other assets	9	1,638,235	2,130,544
Other financial assets	10	14,046,644	14,235,774
		<u>26,062,661</u>	<u>24,863,637</u>
Non-current assets			
Property, plant and equipment	11	147,633,106	149,307,302
Deferred tax asset	3c	639,621	2,583,474
		<u>148,272,727</u>	<u>151,890,776</u>
TOTAL ASSETS		<u>174,335,388</u>	<u>176,754,413</u>
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	12	92,300,180	92,300,180
Retained earnings		33,157,823	29,688,669
Total equity		<u>125,458,003</u>	<u>121,988,849</u>
Current liabilities			
Trade and other payables	13	7,371,560	5,852,807
Interest-bearing borrowings	14	6,133,089	6,384,695
Provisions	15	1,418,514	1,208,029
Deferred income	16	593,560	481,135
		<u>15,516,723</u>	<u>13,926,666</u>
Non-current liabilities			
Interest-bearing borrowings	14	17,255,852	23,460,237
Provisions	15	302,366	522,072
Deferred income	16	1,916,213	1,826,766
Deferred tax liability	3c	13,886,231	15,029,823
		<u>33,360,662</u>	<u>40,838,898</u>
TOTAL LIABILITIES		<u>48,877,385</u>	<u>54,765,564</u>
TOTAL EQUITY AND LIABILITIES		<u>174,335,388</u>	<u>176,754,413</u>

Signed for and on behalf of the Board of Directors



Director.



Director.

AIRPORTS FIJI LIMITED STATEMENT OF CASH FLOW YEAR ENDED 31 DECEMBER 2009

	Note	2009 \$	2008 \$
Operating Activities			
Profit before tax		7,147,374	5,253,488
Adjustment to reconcile profit before tax to net cash flow			
Non-cash:			
Depreciation of property, plant and equipment		11,068,443	10,359,201
Deferred income		(864,795)	(558,080)
Unrealised exchange loss		143,421	167,709
Movements in provisions		(744,853)	564,819
Gain on disposal of property, plant and equipment		-	(65,610)
Movement in trade creditors for property, plant and equipment purchase		(2,105,616)	(2,519,092)
Unrealised exchange gain		(1,243)	-
Items classified as investing activity - interest expense		1,541,667	1,770,321
Movement in other assets classified as financing activity		-	(1,100,000)
Movement in trade creditors classified as financing activity		-	10,450,272
Working capital adjustments:			
Decrease/ (increase) in trade receivables		1,177,875	(981,374)
Increase in inventories		(14,883)	(162,844)
Increase in prepayments and other assets		(11)	(191,228)
Increase/ (decrease) in trade and other creditors		1,518,752	(8,109,109)
Income tax paid		(110,000)	-
Tax withheld at source		(21,407)	-
Net Cash flows from operating activities		18,734,724	14,878,473
Investing Activities			
Proceeds from sale of property, plant and equipment		-	65,930
Acquisition of plant and equipment		(7,288,631)	(6,240,756)
Net Cash flows used in investing activities		(7,288,631)	(6,174,826)
Financing Activities			
Repayment of term loan		(5,052,956)	(4,607,877)
Repayment of finance lease		(1,545,213)	(1,181,657)
Repayment of French loan		-	(2,563,478)
Proceeds from sale and leaseback transaction		-	1,784,985
Dividend paid		(2,292,707)	(1,000,000)
Interest paid		(1,541,667)	(1,770,321)
Government grant received		1,066,667	888,889
Repayment of advance by Government of Fiji		-	1,100,000
Net Cash flows used in financing activities		(9,365,876)	(7,349,459)
Net increase in cash held		2,080,217	1,354,188
Cash at the beginning of the year		17,050,405	15,696,217
Cash at end of year	6	19,130,622	17,050,405

The statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

AIRPORTS FIJI LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

1.1 Corporate Information

Airports Fiji Limited (the "Company") is a public company domiciled in the Fiji Islands. The financial statements of the Company for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the Directors on 17 May 2010. The registered office is located at the CAAF Compound, Nadi Airport, Fiji Islands.

The principal activities of the Company are described in Note 23.

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 when otherwise indicated.

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.

1.3 Changes in accounting policy and disclosures

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 and IFRIC interpretations as of 1 January 2009.

- IFRS 7 *Financial Instruments: Disclosures effective 1 January 2009*
- IAS 1 *Presentation of Financial Statements effective 1 January 2009*
- Improvements to IFRS (May 2008)
- Improvements to IFRS (April 2009, early adopted)

Where the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Company, its impact is described below:

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expenses, either in one single statement, or in two linked statements. The Company has elected to present two statements.

AIRPORTS FIJI LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 DECEMBER 2009

1.3 Changes in accounting policy and disclosures (continued)

Improvement to IFRSs

In May 2008 and April 2009 the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the company.

- IAS 1 Presentation of Financial Statements: Assets and Liabilities classified as held for trading in accordance with IAS 39 Financial Instruments : Recognition and Measurement are not automatically classified as current in the statement of financial position. The Company analysed whether the expected period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any reclassification of financial instruments between current and non-current in the statement of financial position.
- IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will not impact the presentation in the statement of cash flows of the company.
- IAS 16 Property, Plant and Equipment: Replaces the term "net selling price "with "fair value less cost to sell". The Company amended its accounting policy accordingly, which did not result in any change in the financial position.
- IAS 18 Revenue: The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
 - Has primary responsibility for providing the goods or service
 - Has inventory risk
 - Has discretion in establishing prices
 - Bears the credit risk

The Company has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition accounting policy has been updated accordingly.

- IAS 20 Accounting for Government Grants and Disclosures of Government Assistance: Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates. This amendment did not impact the Company as the government assistance received are not loans but direct grants.
- IAS 36 Impairment of Assets: when discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment had no immediate impact on the financial statements of the Company because the recoverable amount of its cash generating units is currently estimated using 'value in use'.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- IFRS 7 Financial Instruments : Disclosures
- IAS 8 Accounting Policies, Change in Accounting Estimates and Error
- IAS 10 Events after the Reporting Period
- IAS 19 Employee Benefits
- IAS 39 Financial Instruments: Recognition and Measurement

AIRPORTS FIJI LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 DECEMBER 2009

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 income statement.

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.

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 income statement.

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) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior period 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 income statement. 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.

AIRPORTS FIJI LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 DECEMBER 2009

1.4 Summary of significant accounting policies (continued)

c) Taxes (continued)

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 recognized 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 assets 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.

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 off-set 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.

AIRPORTS FIJI LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D) YEAR ENDED 31 DECEMBER 2009

1.4 Summary of significant accounting policies (continued)

c) Taxes (continued)

Value Added tax (continued)

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) Government Grant

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant, on a systematic basis, to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

e) Financial instruments - initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS39 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 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.

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 income statement.

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

AIRPORTS FIJI LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D) YEAR ENDED 31 DECEMBER 2009

1.4 Summary of significant accounting policies (continued)

e) Financial instruments – initial recognition and subsequent measurement (continued)

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 income statement. The losses arising from impairment are recognised in the income statement in 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 income statement. The losses arising from impairment are recognised in the income statement in finance costs. The Company held term deposits amounting to \$11,897,347 (2008: \$9,875,540) as held-to-maturity investments during the years ended 31 December 2009 and 2008.

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 assets, 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 measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

AIRPORTS FIJI LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D) YEAR ENDED 31 DECEMBER 2009

1.4 Summary of significant accounting policies (continued)

e) 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 been 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 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.

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 income statement. 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 income statement. 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 the finance cost in the income statement.

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.

AIRPORTS FIJI LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 DECEMBER 2009

1.4 Summary of significant accounting policies (continued)

e) Financial instruments – initial recognition and subsequent measurement (continued)

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

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.

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

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

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 income statement 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 income statement.

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 income statement.

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 20.

AIRPORTS FIJI LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 DECEMBER 2009

1.4 Summary of significant accounting policies (continued)

f) 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 income statements as incurred.

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

• Infrastructure	13 years
• Buildings and improvement	80 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 income statement 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.

g) 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 income statement.

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 either the estimated useful life of the asset or the lease term.

Operating lease payments are recognised as an expense in the income statement 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 basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

AIRPORTS FIJI LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 DECEMBER 2009

1.4 Summary of significant accounting policies (continued)

h) Inventories

Inventories are valued at the lower of either 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 weighted average basis.

Provision for inventory obsolescence is 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.

i) 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 either an asset's or cash-generating unit's (CGU), fair value less costs to sell, or 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 income statement in those expense categories consistent with the function of the impaired asset, except for the 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 indications exist 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 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 income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

j) 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 consolidated statement cash flows, cash and cash equivalents consist of cash and short term deposits as defined above.

AIRPORTS FIJI LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D) YEAR ENDED 31 DECEMBER 2009

1.4 Summary of significant accounting policies (continued)

k) 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 obligation. Where the company expects some or all of the 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 income statement 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.

l) Employee entitlement

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

m) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost (inclusive of Valued 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.

n) Comparative figures

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

o) Dividends

Dividends are recorded in the Company's financial statements in the period in which the Directors approve them.

p) Earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to the 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 judgements, estimates and assumptions

Judgment

The preparation of the Company's consolidated 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.

AIRPORTS FIJI LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D) YEAR ENDED 31 DECEMBER 2009

1.5 Significant accounting judgements, estimates and assumption (continued)

Judgments (continued)

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 either its fair value less costs to sell or 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.

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 listed below.

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The Company does not expect IFRIC 17 to have an impact on the financial statements as the Company has not made non-cash distributions to the shareholders in the past.

AIRPORTS FIJI LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D) YEAR ENDED 31 DECEMBER 2009

	2009	2008
	\$	\$
2. REVENUE AND EXPENSES		
2.1 Revenue		
Air navigation	9,578,692	9,231,483
Airport security and development fees	6,149,973	7,387,239
Concessions	8,610,719	8,478,234
Landing and parking fees - domestic	684,511	622,050
Landing and parking fees - international	9,889,027	8,970,611
Departure tax share	2,827,869	3,073,966
Rental - offices and warehouses	1,969,029	1,847,721
Rental - check in counter (MUSE)	987,852	809,092
Terminal navigation charges	1,925,299	556,576
	<u>42,622,971</u>	<u>40,976,972</u>
2.2 Other Income		
Electricity recharge	1,698,300	1,745,179
Gain on disposal of property, plant and equipment	-	65,610
Deferred income	864,795	558,080
Other income	418,295	430,902
	<u>2,981,390</u>	<u>2,799,771</u>
2.3 Administrative Expenses		
Included in other operating expenses are:		
Allowance for doubtful debts - trade receivables	414,724	1,104,078
Allowance for doubtful debts - staff advances	492,320	-
Auditors remuneration	14,000	14,000
Board expenses	23,982	11,219
Contract costs	1,835,481	1,790,664
Depreciation	11,068,443	10,359,201
Directors remuneration	22,508	41,271
Insurance	1,390,210	1,389,529
Land rental	74,496	989,099
Sundry costs and supplies	474,931	358,003
Travel and accomodation	270,432	205,063
	<u>16,081,527</u>	<u>16,262,127</u>

AIRPORTS FIJI LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D) YEAR ENDED 31 DECEMBER 2009

	2009	2008
	\$	\$
2.4 Operating expenses		
Meteorological costs	533,333	536,954
Post and telecommunications	639,686	711,379
Utilities	2,934,608	3,090,127
Other costs	5,350,517	4,346,390
Unrealised exchange loss	143,421	167,709
	<u>9,601,565</u>	<u>8,852,559</u>
2.5 Personnel expenses		
Salaries and wages	9,670,476	9,689,052
Key management compensation	713,694	541,167
Contribution to Fiji National Provident Fund	1,549,709	1,587,100
Other employee benefits	101,500	69,371
	<u>12,035,379</u>	<u>11,886,690</u>
2.6 Finance income		
Interest income	<u>803,151</u>	<u>248,442</u>
2.7 Finance expenses		
Interest expenses	<u>1,541,677</u>	<u>1,770,321</u>

3 Income tax expenses

The major components of income tax expense for the years ended 31 December 2009 and 2008 are:

a) A reconciliation between tax expense and the product of accounting profit multiplied by the tax rate for the years ended 31 December 2009 and 2008 is as follows:

Accounting profit before income tax	<u>7,147,374</u>	<u>5,253,488</u>
At the Fiji rate of 29% (2008: 31%)	2,072,738	1,628,581
Tax effect of permanent differences	(249,738)	(102,138)
Effect of change in tax rate	(473,093)	(858,369)
Over provision in prior years	35,606	-
Income tax attributable to operating profit	<u>1,385,513</u>	<u>668,074</u>

AIRPORTS FIJI LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D) YEAR ENDED 31 DECEMBER 2009

	2009	2008
	\$	\$
b) Income statement		
Current income tax:		
Current income tax charge	1,823,000	1,526,443
Over provision in prior year	35,606	-
Effect of change in tax rate	(473,093)	(858,369)
Income tax expense	<u>1,385,513</u>	<u>668,074</u>
c) Deferred income tax		
Deferred income tax at 28% (2008: 29%) relates to the following:		
Deferred tax assets /(liability)		
Provision for doubtful debts	286,138	378,075
Provision for stock obsolescence	28,000	29,000
Employee entitlements	285,325	501,729
Tax losses available for offset against future taxable income	-	1,626,034
Unrealised exchange loss	40,158	48,636
Accelerated depreciation for tax purposes	(13,885,883)	(15,029,823)
Unrealised exchange gain	(348)	-
Net deferred tax asset	<u>(13,246,610)</u>	<u>(12,446,349)</u>
Represented on the balance sheet as :		
Deferred tax asset	639,621	2,583,474
Deferred tax liability	<u>(13,886,231)</u>	<u>(15,029,823)</u>
	<u>(13,246,610)</u>	<u>(12,446,349)</u>
There are no income tax consequences attaching to the payment of dividends in 2009 by the Company to its shareholders.		
4. Earnings per share		
Net profit for the year	5,761,861	4,584,414
Number of equity shares fully paid	92,300,180	92,300,180
Basic earnings per share	<u>6.24</u>	<u>4.97</u>
5. Dividends paid and proposed		
Declared and paid during the year	<u>2,292,707</u>	<u>1,000,000</u>
6. Cash and short-term deposits		
Cash on hand	1,050	1,050
Cash at bank	5,082,928	2,813,581
	<u>5,083,978</u>	<u>2,814,631</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates.

AIRPORTS FIJI LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D) YEAR ENDED 31 DECEMBER 2009

6. Cash and short-term deposits (cont'd)

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

	2009 \$	2008 \$
Cash at banks and on hand	5,083,978	2,814,631
Deposits on call	2,149,297	4,360,234
Short term deposits	<u>11,897,347</u>	<u>9,875,540</u>
	<u>19,130,622</u>	<u>17,050,405</u>

7. Trade and other receivables

Trade receivables	<u>4,878,001</u>	<u>5,281,768</u>
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Trade and other receivables are non-interest bearing and are generally on 30-90 day terms. At 31 December 2009, trade receivables at nominal value of \$529,600 (2008: \$1,303,708) were impaired and fully provided for. Movements in provision for impairment of receivables were as follows:

At 1 January	1,303,708	199,630
Charge for the year	415,541	1,104,078
Reversal for the year	(817)	-
Utilised	<u>(1,188,832)</u>	-
At 31 December	<u>529,600</u>	<u>1,303,708</u>

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

	Total	Due nor impaired		Past due but not impaired		
		< 30 days	30-60 days	60-90 days	> 90 days	
2009	4,878,001	4,334,588	405,297	100,080	38,036	
2008	5,281,768	4,934,890	303,557	34,311	9,010	

8. Inventories

Fuel	7,977	7,489
Electrical	143,206	151,404
Telecom and others	364,620	342,027
Allowance for obsolescence	<u>(100,000)</u>	<u>(100,000)</u>
Total inventories at the lower of cost and net realisable value	<u>415,803</u>	<u>400,920</u>

The amount of write-down of inventories recognised as an expense is Nil (2008: Nil).

9. Prepayment and other assets

Prepayments	523,706	647,105
Staff advances	514,119	503,955
VAT receivable	266,022	403,803
Deposits	558,501	557,501
Other receivables	268,207	18,180
Provision for doubtful debts - staff advances	<u>(492,320)</u>	-
	<u>1,638,235</u>	<u>2,130,544</u>

AIRPORTS FIJI LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D) YEAR ENDED 31 DECEMBER 2009

	2009	2008
	\$	\$
10. Other financial assets		
Deposits on call	2,149,297	4,360,234
Short-term deposits	11,897,347	9,875,540
Held-to-maturity investments	<u>14,046,644</u>	<u>14,235,774</u>

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.

11. Property, plant and equipment

	\$	\$	\$	\$	\$	\$
	Buildings	Plant and Equipment	Infrastructure	Motor vehicles	Work in progress	Total Cost
At 1 January 2008	59,937,904	43,119,119	79,229,173	6,921,340	6,069,183	195,276,719
Additions	47,018	1,186,593	-	895,807	6,756,109	8,885,527
Disposals	-	-	-	(107,096)	-	(107,096)
Transfers	804,512	2,728,379	4,638,428	567,486	(8,738,805)	-
At 31 December 2008	60,789,434	47,034,091	83,867,601	8,277,537	4,086,487	204,055,150
Additions	16,000	813,398	-	437,778	8,127,071	9,394,247
Reclassifications	(960)	(220,034)	-	-	220,994	-
Transfers	2,299,659	1,748,225	82,811	-	(4,130,695)	-
At 31 December 2009	<u>63,104,133</u>	<u>49,375,680</u>	<u>83,950,412</u>	<u>8,715,315</u>	<u>8,303,857</u>	<u>213,449,397</u>
Depreciation and Impairment						
At 1 January 2008	3,546,801	21,914,786	15,058,281	3,975,555	-	44,495,423
Depreciation charge for the year	752,501	5,206,789	3,506,227	893,684	-	10,359,201
Disposals	-	-	-	(106,776)	-	(106,776)
At 31 December 2008	4,299,302	27,121,575	18,564,508	4,762,463	-	54,747,848
Depreciation charge for the year	762,444	5,449,923	3,863,081	992,995	-	11,068,443
At 31 December 2009	<u>5,061,746</u>	<u>32,571,498</u>	<u>22,427,589</u>	<u>5,755,458</u>	<u>-</u>	<u>65,816,291</u>
Net book value						
At 31 December 2009	<u>58,042,387</u>	<u>16,804,182</u>	<u>61,522,823</u>	<u>2,959,857</u>	<u>8,303,857</u>	<u>147,633,106</u>
At 31 December 2008	56,490,132	19,912,516	65,303,093	3,515,074	4,086,487	149,307,302
At 1 January 2008	56,391,103	21,204,333	64,170,892	2,945,785	6,069,183	150,781,296

AIRPORTS FIJI LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 DECEMBER 2009

	2009	2008
	\$	\$
12. Share capital		
Authorised		
Ordinary shares of \$1 each	<u>100,000,000</u>	<u>100,000,000</u>
Ordinary shares issued and fully paid		
92,300,180 ordinary shares of \$1.00 each	<u>92,300,180</u>	<u>92,300,180</u>

In 2008, the Company issued an additional \$10,450,272 shares. The details of the issue are as follows:

Name	Shares held in trust for	
Permanent Secretary	Ministry of Public Enterprises	5,225,136
Permanent Secretary	Ministry of Finance	<u>5,225,136</u>
		<u>10,450,272</u>

13. Trade and other payables		
Trade payables	4,080,816	4,072,280
Land rental	6,100	103,050
Departure tax collected on behalf of Civil Aviation Authority of Fiji	406,570	305,469
Departure tax collected on behalf of Government	2,426,470	814,703
Other deposits	451,604	555,972
Income received in advance	-	1,333
	<u>7,371,560</u>	<u>5,852,807</u>

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.

14. Interest-bearing loans and borrowings

Current		
Finance lease	854,492	1,432,029
Bank loans	<u>5,278,597</u>	<u>4,952,666</u>
	<u>6,133,089</u>	<u>6,384,695</u>
Non Current		
Finance lease	618,334	1,443,832
Bank loans	<u>16,637,518</u>	<u>22,016,405</u>
	<u>17,255,852</u>	<u>23,460,237</u>

AIRPORTS FIJI LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D) YEAR ENDED 31 DECEMBER 2009

14. Interest-bearing loans and borrowings (cont'd)

Details of interest bearing loans and borrowings are:

Finance leases

Finance leases from ANZ Banking Group Limited are subject to interest rates ranging from 9.75% to 11.75% (2008:9.75% to 11.75%), repayable in monthly installments of \$5,902.82 (2008: \$5,902.82) which is inclusive of interest. The securities for leases are the same as the ANZ bank loans.

The finance lease with ARINC for the multi-user system environment used at the check-in counters at the airport is repayable in monthly installments of USD \$44,848 (2008: USD \$44,848). No interest is charged.

Bank loans

Bank loans from ANZ Banking Group Limited are subject to interest rate ranging from 5.50% to 6.25% (2008: 5.50% to 6.25%) repayable by monthly installments of \$541,811 (2008: 589,617) which is inclusive of interest.

The bank loans, finance lease and credit facility from ANZ Banking Group Limited are secured by:

- (i) First registered mortgage debenture over all assets and undertakings of Airports Fiji Limited, including its uncalled and unpaid capital;
- (ii) Undertaking by Government of Fiji for Airports Fiji Limited to have full access rights to all 17 airports and for the bank to have the right to assign and/or sell any/all of the assets of Airports Fiji Limited;
- (iii) Undertaking of Government of Fiji Limited not to transfer the portion of CL 3469 which contains all the buildings, infrastructure, towers and plant, etc. to anyone but Airports Fiji Limited;
- (iv) Undertaking from Airports Fiji to ANZ Bank to execute a mortgage in favour of ANZ Bank upon issuance of Transfer of Lease no. 3469;
- (v) Negative Pledge between Airports Fiji Limited and ANZ Bank;
- (vi) Motor vehicles acquired under the ANZ master operating lease agreement; and
- (vii) Letter of charge over ANZ term deposit funds.

15. Provisions

Provision for leave entitlement

	2009 \$	2008 \$
Balance at 1 January	1,730,101	2,269,360
Arising during the year	693,542	729,843
Utilised during the year	(1,156,607)	(1,269,102)
Balance at 31 December	<u>1,267,036</u>	<u>1,730,101</u>

Provision for taxation

Balance at 1 January	-	-
Arising during the year	585,251	-
Paid during the year	(110,000)	-
Tax withheld at source	(21,407)	-
	<u>453,844</u>	<u>-</u>

Current	1,418,514	1,208,029
Non current	302,366	522,072
	<u>1,720,880</u>	<u>1,730,101</u>

AIRPORTS FIJI LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 DECEMBER 2009

	2009 \$	2008 \$
16. Deferred income		
Balance at 1 January	2,307,901	1,851,413
Arising during the year :		
Government grant	1,066,667	888,889
Sale and lease back transaction	-	125,679
	<u>3,374,568</u>	<u>2,865,981</u>
Amortisation:		
Government grant	(822,902)	(530,151)
Sale and lease back transaction	(41,893)	(27,929)
Balance at 31 December	<u>2,509,773</u>	<u>2,307,901</u>
Current	593,560	481,135
Non Current	<u>1,916,213</u>	<u>1,826,766</u>
	<u>2,509,773</u>	<u>2,307,901</u>
17. Commitments and contingencies		
<i>Operating lease commitment - company as lessee</i>		
Future commitments in respect of operating lease are as follows:		
Within one year	-	47,007
Minimum lease payments	<u>-</u>	<u>47,007</u>
<i>Operating lease revenue - company as lessor</i>		
Future receipts in respect of operating lease are as follows:		
Within one year	<u>2,546,428</u>	<u>1,133,228</u>
Minimum lease payments	<u>2,546,428</u>	<u>1,133,228</u>
<i>Finance lease commitments - company as lessee</i>		
Future commitments in terms of finance lease are as follows:		
Within one year	854,492	1,523,887
After one year but not more than five years	689,816	1,515,595
Future lease charges	(71,482)	(163,621)
Minimum lease payments	<u>1,472,826</u>	<u>2,875,861</u>
Finance leases - current	854,492	1,432,029
Finance leases - non current	<u>618,334</u>	<u>1,443,832</u>
	<u>1,472,826</u>	<u>2,875,861</u>

AIRPORTS FIJI LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D) YEAR ENDED 31 DECEMBER 2009

17. Commitments and contingencies (cont'd)

Contingent liabilities

- (i) The Company and the union are in negotiations for the settlement of a number of claims and grievances. As the matters are still under negotiation, the ultimate outcome cannot presently be determined and accordingly no provision for liability has been made in the financial statements that may eventuate from these claims.
- (ii) A claim has been filed by Sun Air against the company for damages caused to an aircraft whilst parked on the apron in Savusavu.
- (iii) On 23rd February 2007, the Court awarded damages and costs to the plaintiff in the case of Krishna Sami Chetty v The Commissioner of Police, AFL and the Attorney General, with the interest of 4% from 18th September 2002 to the date of judgement. An appeal was dismissed by the Court of Appeal and the defendants entered in a settlement which concluded that AFL would pay \$22,000. However the plaintiff is disputing that post interest of 4% of the total judgement should also be paid and if this is the case, the amount to be paid by AFL will increase to \$25,000. Therefore contingent liability in this case amounts to \$3,000.
- (iv) The Company has been sued by one of its former employees for unfair and unlawful termination of services by AFL on 18th March 2005 due to the overpayment of COLA to employees of AFL whilst the plaintiff was the Company's Manager Finance. If damages are awarded, AFL would pay him for the loss of income.
- (v) Letter of credit \$6,085,071 (2008: nil)

Capital commitments

Approved and committed
Approved and not committed

	2009	2008
	\$	\$
	10,023,322	2,600,000
	7,944,678	36,330,000
	<u>17,968,000</u>	<u>38,930,000</u>

18. Related party disclosures

a) Directors

Directors at the date of this report are:

Mr Rick Rickman Mr Greg Lawlor
Mr Samuela Tamani Mr Pio Tikoduadua

Directors' Remuneration:

Fees	22,508	29,818
Other Benefits	23,982	11,453
	<u>46,490</u>	<u>41,271</u>

AIRPORTS FIJI LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D) YEAR ENDED 31 DECEMBER 2009

18. Related party disclosures

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 taxes and for Government services provided on the same basis as any other corporate entity in Fiji.

c) Amounts payable to related parties

	2009	2008
	\$	\$
Government of Fiji	2,426,470	814,703
Civil Aviation Authority of Fiji	406,570	305,469
	<u>2,833,040</u>	<u>1,120,172</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:

Government

Ministry of Lands and Mineral Resources	157,485	159,010
Departure tax collected on behalf of Government	2,426,470	814,703
Government grant received	1,066,667	889,889
Dividends paid	2,292,707	1,000,000
	<u>6,943,329</u>	<u>3,863,602</u>

Fiji Meteorological Services

Reimbursement of Meteorological office operating cost	533,333	536,954
	<u>533,333</u>	<u>536,954</u>

Civil Aviation Authority of Fiji (CAAFI)

Land rental	-	830,089
Departure tax collected on behalf of CAAFI	406,570	305,469
Airport licence and inspection fees	256,681	220,685
	<u>663,251</u>	<u>1,356,243</u>

e) Transactions with key management personnel

Key management is comprised of the Chief Executive Officer, General Manager Finance and IT, General Manager Commercial 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 favourable than those available, or which might be reasonably expected to be available, on similar transactions to third parties at arm's length.

Salary and allowances	361,034	440,875
Bonus	40,381	17,571
Superannuation	65,097	24,064
Other Benefits	247,182	58,657
	<u>713,694</u>	<u>541,167</u>

AIRPORTS FIJI LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D) YEAR ENDED 31 DECEMBER 2009

19. 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 on 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 is not hedged or subject to foreign currency forward exchange contract.

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

	Increase/ decrease in NZD rate	Effect on profit before tax
		\$
2009	+10%	(9,481)
	-10%	11,588
2008	+1%	(324)
	-1%	330
	Increase/ decrease in AUD rate	Effect on profit before tax
2009	+10%	(941)
	-10%	1,150
2008	+1%	(400)
	-1%	408

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	Effect on profit
		\$
2009	+1%	(269,548)
	-1%	266,982
2008	+1%	(321,682)
	-1%	315,299

AIRPORTS FIJI LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D) YEAR ENDED 31 DECEMBER 2009

19. Financial risk management objectives and policies (cont'd)

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 receivable 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 2009 and 2008 based on contractual undiscounted payments.

Year ended 31 December 2009	On demand	1 to 12 months	1 to 5 years	> 5 years	Total
	\$	\$	\$	\$	\$
Interest-bearing loans and borrowings	-	6,133,089	17,327,334	-	23,460,423
Trade and other payables	-	7,371,560	-	-	7,371,560
	-	13,504,649	17,327,334	-	30,831,983
Year ended 31 December 2008					
Interest-bearing loans and borrowings	-	6,476,553	23,532,000	-	30,008,553
Trade and other payables	-	5,852,807	-	-	5,852,807
	-	12,329,360	23,532,000	-	35,861,360

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.

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 2008 and 31 December 2009.

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.

	2009	2008
	\$	\$
Interest bearing loans and borrowings	23,388,941	29,844,932
Equity	125,458,003	121,988,849
Total Capital	125,458,003	121,988,849
Capital and net debts	148,846,944	151,833,781
Gearing ratio	16%	20%

AIRPORTS FIJI LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D) YEAR ENDED 31 DECEMBER 2009

20. Financial instruments

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried on the financial statements.

	Carrying amount		Fair value	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Financial assets</i>				
Cash and short-term deposits	19,130,622	17,050,405	19,130,622	17,050,405
Trade and other receivables	4,878,001	5,281,768	4,878,001	5,281,768
<i>Financial liabilities</i>				
Trade and other payables	7,371,560	5,852,807	7,371,560	5,852,807
Interest bearing loan and borrowings	23,388,941	29,844,932	23,388,941	29,844,932

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.

21. Subsequent events

Subsequent to year end the following transitions took place as a result of Cabinet's decision on the 16 October 2008:

Acquisition of commercial assets from Civil Aviation Authority of Fiji Islands:

- Acquisition of head lease CL3469 in respect of Nadi Airport which was held by CAAFI on 08/01/2010;
- CAAFI to sublease its land requirements from Airports Fiji Limited.

22. 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.

23. 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.

24. Company details

Registered Office:

Airports Fiji Limited, CAAF Compound, Nadi Airport, Fiji Islands

Number of Employees

As at balance date, the company employed a total of 447 (2008: 462) employees.

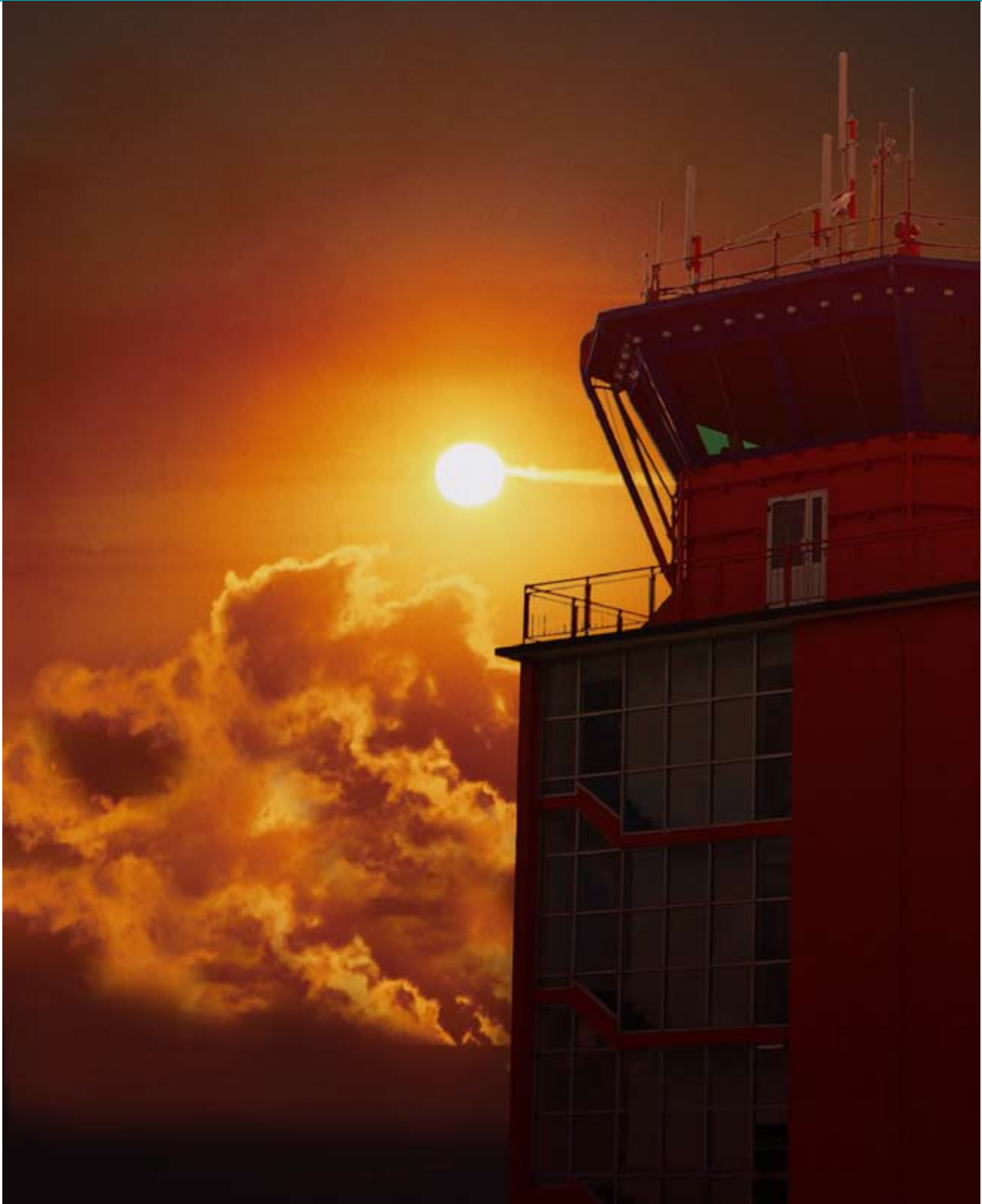
AIRPORTS FIJI LIMITED DISCLAIMER ON ADDITIONAL FINANCIAL INFORMATION YEAR ENDED 31 DECEMBER 2009

The additional financial information, being the attached detailed Income Statement, 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 YEAR ENDED 31 DECEMBER 2009

Revenue	2009 \$	2008 \$
Air navigation charges	9,578,692	9,231,483
Airport security and development fee	6,149,973	7,387,239
Concessions	8,610,719	8,478,234
Landing and parking fees - domestic	684,511	622,050
Landing and parking fees - International	9,889,027	8,970,611
Departure tax share	2,827,869	3,073,966
Rental - offices and warehouses	1,969,029	1,847,721
Rental - check-in-counter (MUSE)	987,852	809,092
Terminal navigation charges	1,925,299	556,576
Electricity recharge	1,698,300	1,745,179
Gain on disposal of property, plant and equipment	-	65,610
Government grant	822,902	530,151
Deferred income	41,893	27,929
Identification card charges	102,147	112,838
Interest on term deposit	803,151	248,442
Sundry income	314,905	318,064
Unrealised exchange gain	1,243	-
Total Income	46,407,512	44,025,185
Expenses		
Allowance for uncollectable receivables	907,044	1,104,078
Airport inspection and licence fees	358,941	322,667
Auditors' remuneration	14,000	14,000
Board expenses	23,982	11,219
Consultancy	410,938	380,920
Contract costs	1,835,481	1,790,664
Depreciation	11,068,443	10,359,201
Directors' remuneration	22,508	41,271
Insurance	1,390,210	1,389,529
Interest and bank charges	1,587,441	1,914,199
Land rental	74,496	989,099
Meteorological costs	533,333	536,954
Other expenses	576,637	819,120
Post and telecommunication	639,686	711,379
Repairs and maintenance	2,677,434	1,369,183
Share of ATM income	416,415	412,774
Sundry costs and supplies	474,931	358,003
Training and conference	151,211	120,750
Travel and accomodation	270,432	205,063
Unrealised exchange loss	143,421	167,709
Utilities and services	2,934,608	3,090,127
Vehicle and fuel costs	713,167	777,098
Wages and salaries	12,035,379	11,886,690
Total expenditure	39,260,138	38,771,697
Operating profit before tax	7,147,374	5,253,488



Another spectacular Fiji sunset at Nadi International Airport

NOTES

