



airports authority of jamaica



Annual Report

2009 - 2010

ANNUAL REPORT 2009 - 2010



airports authority of jamaica

**AAJ
NMIA
SIA
AERODROMES**

AIRPORT FACTS:

- *The Airports Authority of Jamaica (AAJ) was established in 1974, under the Airports Authority Act as an independent statutory body to manage and operate both the Norman Manley International (NMIA) and Sangster International (SIA) Airports.*
- *In 1990 the AAJ was given the operational responsibility for the four domestic aerodromes, namely, Tinson Pen in Kingston, Ken Jones in Portland, Boscobel in St Mary and Negril in Westmoreland.*
- *Sangster International Airport was privatised in April 2003 and is now operated by MBJ Airports Limited (a private consortium) under a thirty-year concession agreement with the AAJ.*
- *NMIA Airport Ltd, a wholly owned subsidiary of AAJ, was established in October 2003, as the airport operator for the Norman Manley International Airport under a thirty-year concession agreement with the AAJ.*

Aircraft at the passenger loading bridge at NMIA

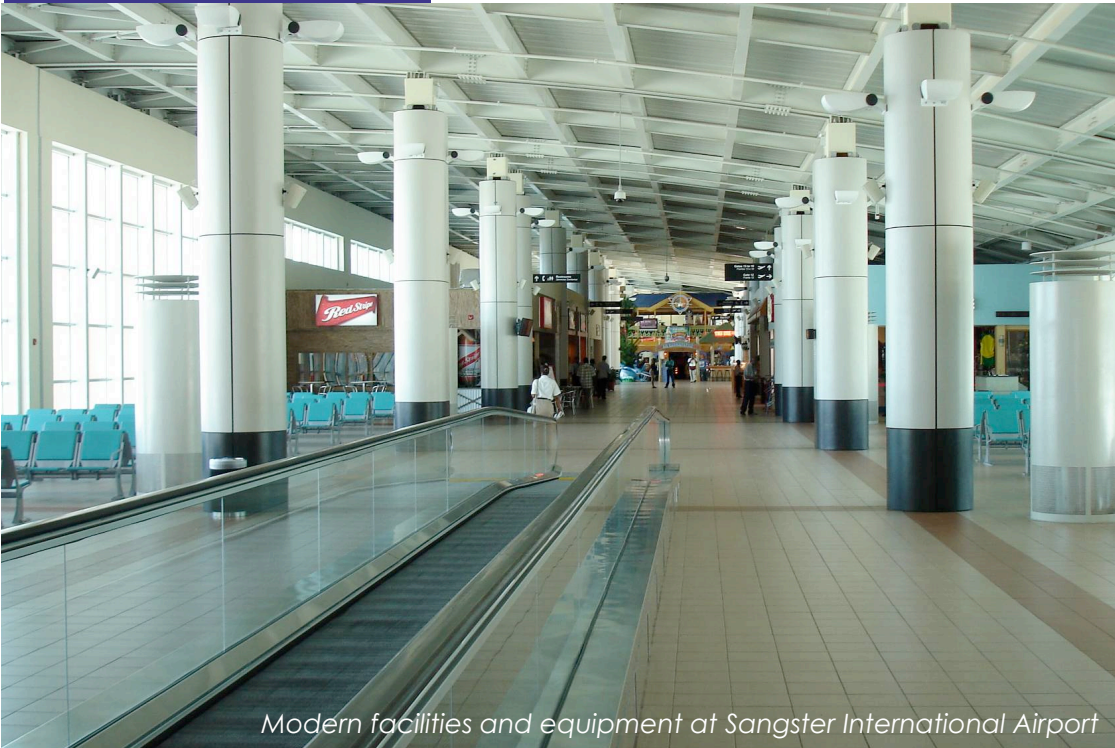


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VISION STATEMENT

"To build and sustain a world-class airport system, which facilitates private investment and partnership and positions Jamaica's airports as the gateway to the Caribbean and the Americas".



Modern facilities and equipment at Sangster International Airport

MISSION STATEMENT

"To develop a modern, safe and profitable airport system that is environmentally responsible, provides world-class service, and contributes substantially to the national economy while promoting the expansion of air transportation and its related industries. "

CORPORATE CORE VALUES

In an atmosphere of honesty, fairness, and integrity, we commit to our core organizational values – People, Customer Focus, Integrity, Financial Management, Regulatory and Statutory Requirements, Safety and Security and Environment. These values are detailed below:



PEOPLE

We will treat each person fairly with respect and dignity, while encouraging employee competence, motivation and productivity.

CUSTOMER FOCUS

We are customer-driven, will demonstrate a sense of urgency, and provide quality service to both internal and external customers

INTEGRITY

We will keep our promises, deliver on our commitments, be open, honest and will engage in continuous communication and direct dialogue with our stakeholders.

FINANCIAL MANAGEMENT

We are committed to prudent financial management, which ensures value for expenditure and a reasonable return for our shareholders.

REGULATORY AND STATUTORY REQUIREMENTS

We will ensure that the airports conform to the agreed standards established by regulatory and statutory bodies and lending agencies.

SAFETY AND SECURITY

We will ensure that the airports establish and maintain the highest level of safety and security for all users.

ENVIRONMENT

We will ensure that the airports are committed to sustainable environmental practices that facilitate compliance with established standards, laws and regulations.



Mark Hart
Chairman

CHAIRMAN'S MESSAGE

through its effort to attract new airlines and routes, in addition to the work done by the government and private sector tourism interests to mitigate the decline in visitor traffic as a result of the global financial crisis. The Norman Manley International Airport, operated by AAJ's wholly owned subsidiary – NMIA Airports Limited, also made good progress in its capital development programme as having substantially completed the upgrade of the Departures concourse, attention was turned to the Arrivals concourse which saw major improvements in the Immigration Hall and along the Arrivals Forecourt, which connects meeters and greeters with arriving passengers. Undoubtedly our airports now boast world-class facilities and services, comparable with airports in developed economies, and this takes us closer to the vision for Jamaica's airports to become the gateway to the Caribbean and the Americas.

The Airports Authority of Jamaica is committed to the vision of building a world-class airport system even in the context of harsh global and local economic realities. This commitment was evidently demonstrated during the past financial year in the activities of both international airports and the domestic aerodromes, despite the recession in the global economy, the weak international demand for travel as a result of lower incomes in major travel markets, and the commencement of a strict economic regime for Jamaica under an agreement with the International Monetary Fund (IMF).

MBJ Airports Limited (a private airport concessionaire) completed its capital development programme at the Sangster International Airport and was able to moderate the decline in passenger traffic

Total Passenger traffic through the international airports (including connecting and in-transit passengers) reflected an overall decline of 2.56% compared with a decline of 5.99% in the previous year. This represents a movement from 4.99 million passengers in 2008/9 to 4.87 million in 2009/10 and indicates that the effect of the global recession is still being felt by the local air travel industry, but at a decreasing rate. The impact upon aircraft movements and freight, however, showed a declining trend, as results indicate a reduction of

6.5% and 17.79% respectively compared with reductions of 4.82% and 9.53% in the previous year.

For the year ended 2010 March 31, the operating results for the AAJ Group surpassed the results of the corresponding period in the previous year. Operating revenue for the year was \$3,104.32m compared with \$2,652.63m for the previous year; an increase of approximately \$451.69m or 17.0%. Operating expense for the year amounted to \$2,502.57m, compared with \$2,367.23m for the previous year, an increase of \$135.34m or 5.7%. Despite the decline in passenger movements, the organization was able to capitalize on exchange rate changes resulting in an operating surplus.

The Group therefore made an operating profit of \$601.75m for the year ended 2010 March 31, which is more than twice the result for the previous year, being \$285.40m. Following the booking of a finance charge of \$119.40m for the year, the group made a net profit of \$482.35m compared with a net profit of \$671.50m in 2008/9. After adjusting for foreign currency translation gains and losses, total comprehensive income amounted to \$518.01m compared with \$543.41m in 2008/9.

The organisation's vision to build an airport system that is world-class, including operational systems, was in focus over the reporting period as there were a number of events that tested the effectiveness of the safety and security infrastructure at

both international airports. The attempted hijacking of an aircraft at the Sangster international airport in 2009 April and the aircraft crash at the Norman Manley international airport in 2009 December, were among the chief incidents. I am happy to report that in both instances, no fatality occurred and the airport operators, in partnership with other emergency response agencies, performed in accordance with international standards to mitigate what could have been very damaging international events. I therefore wish to use this opportunity to register the commendation of the Board to all those who participated in bringing these incidents under control, thus ensuring the protection of life and property as well as a speedy return to regular airport operations.

On the commercial front, our subsidiary, NMIA Airports Limited, made good progress in adding variety and depth to the offerings at the Norman Manley International Airport. By the close of the year the Transportation Hall, complete with newly established desks for major hotels, was fully operational. We added a Coconut vending concession adjacent to the Arrivals Forecourt to add to the "uniquely Jamaican" flair and we welcomed additional concessionaires to the Departures concourse, including entrepreneurs offering branded pre-packaged Jamaican foods, jewellery, novelty items and a juice bar. In the not too distant future, passengers, meeters, greeters and staff within the varied organisations of the airport community will soon benefit from the expanded retail

outlets in the Arrivals area as we continue our construction/build-out of what we fondly call the “out-turned shops”. Plans are afoot to add a mini-mart, a personal care outfit as well as an additional fast food establishment in the area in a bid to satisfy the variety of needs and wants of our airport clientele.

airport with specific focus on the general aviation sector. Over the period, there was increased dialogue between the Authority and key stakeholders on the operational and infrastructural development of the IPE. A framework was established for the introduction of border control services. Air navigation and aviation security requirements of the Jamaica Civil Aviation

Authority (JCAA) were agreed and are being implemented, and the needs of business operators and tourism interests in and around the community were identified and are being provided for in the new facilities which are being created at the IPE.

I am looking forward to the official opening of the IPE, scheduled for the forth quarter in 2010/11, as this project has very good prospects for

allowing Jamaica to tap into the largest segment of the aircraft /air transportation business, this being general aviation, as well as facilitating an increase in high-end tourism. Capital development works for major components of the Boscobel project, including extensive upgrading and lengthening of the runway, in addition to the construction of a new terminal building, is estimated to cost approximately J\$282m.

During the period, limited progress was made on the work to relocate the Tinson Pen aerodrome to an appropriate location in the Caymanas area; this is as a consequence of Cabinet's decision to grant ownership of the lands to the Port



Concerning the privatisation of the Norman Manley international Airport, the enterprise team appointed by Cabinet has held several meetings and is making steady progress in advancing the government's mandate to privatise the airport. The AAJ is represented on the team and continues to provide technical support to the group, which has its secretariat at the Development Bank of Jamaica.

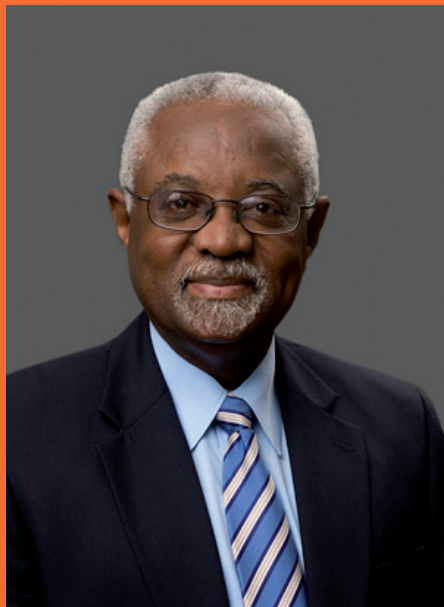
With respect to the domestic aerodromes, major work was done during the 2009/10 fiscal year on the project to upgrade the Boscobel Aerodrome to an International Port of Entry (IPE), thus converting the operation to become Jamaica's third international

Authority of Jamaica (PAJ) for the expansion of its operations. It is anticipated that more focus will be placed on this project in the upcoming financial year. Notwithstanding these developments, the Authority carried out significant renovation works at Tinson Pen to ensure a pleasing atmosphere for passengers using the facility. Similar upgrading works were undertaken at the Negril and Ken Jones Aerodromes.

We are making steady progress towards fulfilling the goal of building a world-class airport system through the various programmes, projects and initiatives of the organisation and I commend my diligent colleagues on the Board as well as the very committed and hard-working staff at both the AAJ and NMIA Airports Limited for the strides made over the past year. MBJ Airports Limited continues to make a significant contribution to the infrastructural and operational development at Sangster International Airport and I extend gratitude to its Board and staff. Commendation is also due to the airport concessionaires, airlines and other stakeholders for their diligence in maintaining the high standard of operations throughout a challenging year. We will continue to pursue the vision as we work collectively to build Jamaica's air transportation system to world-class standards.

Mark Hart
Chairman





Earl Richards
President

PRESIDENT'S MESSAGE

capital works programmes. In addition, considerable progress was made on the project to upgrade the Boscobel aerodrome into an International Port of Entry (IPE).

At the end of the 2009/10 fiscal year, the operating results for the AAJ Group showed a 110.8% improvement compared with the results of the corresponding period in the previous year.

The Group made a net profit of \$482.35m in 2009/10 compared with a \$671.50m net profit in 2008/09, primarily due to a \$278.04m reduction in foreign exchange gain.

OVERVIEW

The past fiscal year, 2009-2010, was challenging yet productive for the Airports Authority of Jamaica. The lingering adverse effects of the global economic recession on passenger traffic and cargo volumes impacted the year's results. Airport Council International (ACI) reports indicate steady improvements in global passenger volumes as world markets begin to rebound, but the Council cautioned that the two largest markets, Europe and North America (Jamaica's main travel destinations), remain considerably behind volumes attained in 2007.

Steady progress was seen in the past financial year in airport infrastructure as both international airports achieved substantial completion of their respective

AIRPORT STATISTICS

The number of passengers travelling through our international airports decreased by 2.56% when compared with the previous year, representing a movement from 4,999,108 passengers in 2008/9 to 4,871,173 in 2009/10. This outcome, however, indicates a slowing of the rate of decline in passenger traffic, brought about by the global economic recession, as traffic decreased by almost 6% in the previous year. Sangster International Airport (SIA), which accounted for approximately 68% of total passenger traffic, experienced a marginal decline of 0.9% moving from 3,323,142 passengers in 2008/9 to 3,292,296

in 2009/10. NMIA, which caters primarily to business travellers and Jamaican residents, experienced a more significant decline in passenger volume, moving from 1,675,966 passengers in 2008/9 to 1,578,877 in 2009/10, a 5.8% reduction.

Aggregate cargo volumes at the international airports saw a major decline over the period, in the order of 17.79%, compared with a 9.53% reduction in the previous year. Norman Manley International Airport (NMIA), which handles approximately 73% of air cargo, experienced a decline of 18.96% in 2009/10 compared with the previous year, from 15.44m kgs to 12.52m kgs. The decline at SIA was also significant as cargo volumes moved from 5.39m kgs in 2008/9 to 4.62m kgs in 2009/10. These results reveal the lag in recovery of the local market relative to the major global economies in which cargo volumes have begun to recover.

Aircraft movements also fell below the levels attained in the previous year as there were 4,196 fewer movements in 2009/10 when compared with the previous year. SIA, accounting for 63% of total aircraft movements experienced a decline of 5%, moving from 39,990 flights to 37,990 flights in the reporting period. NMIA had a 8.94% decrease in aircraft movements, resulting in a total of 22,360 flights in 2009/10, down

from 24,556 the previous year.

SANGSTER INTERNATIONAL AIRPORT (SIA)

During the reporting period, two new routes were opened in the USA, i.e., Milwaukee and Phoenix. Additionally 11 new carriers commenced services at the airport, including Air Berlin and Lufthansa, serving Germany, Ascerca Airlines to Caracas, Iberworld to Berlin and JetBlue, which flies to JFK, Orlando and Boston. MBJ Airports Limited continues to seek strategic opportunities to expand air service to SIA.

The three-phased (1A, 1B and 2) construction project at SIA is now substantially complete with closing-out arrangements being addressed by the airport operator, MBJ



Jet Blue flight at Sangster Int'l Airport

Airports Limited, and the contractors. The enhanced facility at SIA has received positive reviews from airport workers and clients as well as positive ratings in the recently introduced, internationally recognised ACI-Airport Service Quality (ASQ) benchmarking surveys.

With regard to aviation security, on 2009 April 20, a major incident occurred at the airport which involved the attempted hijacking of a CanJet aircraft. The security incident was satisfactorily brought under control by the local security forces in collaboration with airport officials. There were no casualties and normal operations resumed shortly thereafter.

NORMAN MANLEY INTERNATIONAL Airport (NMIA)

NMIA achieved limited success in attracting new air services to the airport. Jet Blue from JFK made its inaugural flight into Kingston on 2009 October 29. This, coupled with the introduction of a new domestic air service by Skylan Airways, also in the third quarter, was a welcomed addition to the airport. Discussions were underway with other airlines within the Caribbean and the Americas to expand air service into the airport.

Of major importance was the fact that our neighbouring country, Haiti, which suffered a major earthquake on 2010 January 12, received priority focus in the final quarter of the 2009/10 fiscal year. Not only did NMIA facilitate the visit of the United States Secretary of State, Hillary Clinton during her commute to

assess the situation in Haiti, but the airport also served as a hub for personnel and supplies travelling from various countries of the world to Haiti. Additionally, the military rescue operation provided by the Canadian government was also based at NMIA.

On Tuesday, 2009 December 22, at 22: 25h, American Airlines (AA) Flight # 331, Boeing 737 – 823 aircraft, overshot the runway on landing. The airport's Emergency Services and other airport emergency partners (Mutual Aid and Support Services) such as The Jamaica Fire Brigade, Ministry of Health and Environment (MOH & E), the Jamaica Constabulary Force (JCF), the Jamaica Defense Force (JDF) and the Jamaica Civil Aviation Authority (JCAA) responded to the incident. The emergency operations and activities were effectively managed by the Emergency Management team.

Conditions which existed at the time of the aircraft accident included heavy rainfall



AA331 aircraft accident at NMIA

and limited visibility. Thankfully, there were no fatalities; however ninety persons suffered minor injuries and the aircraft was damaged beyond repair.

The incident, which resulted in a brief closure of the airport, brought to focus the effectiveness of the airport's well trained emergency response team, which responded within internationally accepted timeframes. I wish to salute the efforts of these men and women as well as the efforts of all other emergency response personnel who worked collaboratively to ensure that normal airport operations were returned in the shortest possible time.

Aviation Security

The Airport Security (AVSEC) Programme has proved effective in detecting several attempted breaches. As a result of the AA Flight 331 safety incident and the CANJET security event which occurred at the respective airports a decision was made to increase the number of Closed-Circuit Television (CCTV) security cameras at the airports and to address other lessons learnt.

Financial Highlights- NMIA Airports Limited

Following extensive consultations with our auditors, PricewaterhouseCoopers and the Ministry of Finance & Public Service, and receipt of their subsequent approval, NMIAL has successfully implemented use of the United States Dollar (US\$) as its functional currency. Such implementation is consistent with International Financial Reporting Standards (IFRS) for organizations

which have significant revenue and expenses streams in United States Dollar.

Operating revenue for NMIA Airports Limited for the period was US\$24,580k compared with US\$24,480k for the previous year, representing less than 1% increase over the previous year. This result, however, was US\$160k or 0.6% below the budgeted US\$24,740k for the year due primarily to the lower than expected passenger numbers influenced by the world financial crisis. Despite the fact that budgeted targets were missed, aeronautical revenues grew by 4.86% and non-aeronautical revenues increased by a commendable 14.16%.

Operating expenses for the period was US\$24,764k compared with US\$27,431k for the previous year, representing a decrease of 9.7%. This result was also below the budget of \$27,864k for the year, by \$3,100k or 11.1%. The decline in expenses was driven by factors such as the successful negotiation of reduced insurance rates, moderated utility consumption (especially electricity) and lower staff cost via attrition and the voluntary redundancy programme.

NMIAL recorded a net loss before tax of US\$3,630k for the year against a budgeted loss of \$19,150k and compared with a loss of US\$6,614k for the previous year. A positive variance in foreign exchange loss between 2010 and 2009 of US\$3,650k significantly impacted the improved results. The budget provided for a foreign exchange loss of US\$13,754k, whereas actual results showed a foreign exchange gain of

US\$719k. This improved performance was also impacted by the cost management strategies implemented during the year and improvement in investment income.

is anticipated that much progress will be made in these projects by the close of the 2010/11 financial year.

NMIA Capital Development Programme

Budget & Financing

Phase 1A of the Programme which commenced in 2004, is substantially completed and at 2010 March approximately US\$12,148,000, including interest on debt of US\$1,741,000, has been spent. Funding for the programme to date has been from three sources; external loans of US\$7,910,000, Airport Improvement Fee (AIF) of US\$2,308,000 and Equity contribution from the AAJ of US\$1,930,000.

Construction Works

Work on Phase 1A of the Capital Development Project, which included the Airport Terminal Expansion Departures Concourse, is substantially complete and contract close out arrangements are advanced. The Arrivals Concourse is being reconfigured and upgraded. Work has advanced significantly and it is estimated that construction is approximately 50% complete.

An important project being undertaken on the airside is the relocation/extension of the Fuel Hydrant positions on the apron (for cost and operational efficiency gains). Work on the project was scheduled to commence the first quarter of 2010/11. It

COMMERCIAL DEVELOPMENT

Continuing efforts were made to optimize opportunities for increasing non-aeronautical revenues over the reporting period, particularly in light of the downturn in traffic and the direct proportional reduction in aeronautical revenue. A Transportation Hall, with booths rented by five hotels, became operational by the end of the year. The hotels on board are Hilton-Kingston, Island OutPost, Sandals, Spanish Court and the Courtleigh. The Arrivals Executive Lounge project was delayed; however, construction commenced and plans are afoot to complete the project in the new financial year.

In keeping with the NMIA Uniquely Jamaican airport theme, NMIA facilitated the opening of a coconut vending stall in the external arrivals area. This was completed in 2009 December much to the delight of many returning Jamaicans and locals.

Several new initiatives are planned for the next financial year.

- Additional Retail Concessions: Landside and Departure Lounge concessions; and an Executive Lounge.
- Car Park Revenues - Premium Club and value added services

- Route Development targeting Europe, Latin & South America; Low Cost Carriers and Charters
- Cargo Development – Sourcing a Master Concession and Developing synergies with Kingston Transshipment Port (KTP)
- Hanger rental

savings are being realised. The diagram below presents the performance of the organisation against budgeted targets both in respect of energy consumption and demand.

ENGINEERING AND MAINTENANCE

As at 2010 March, the project to expand the incoming Immigration Hall & construct offices to accommodate out-turned shops was 90% completed. Outstanding works include installation of electrical fire protection and data services.

Energy Conservation

The energy management programme initiated in 2008, continues to yield great benefits for the organisation as significant

HUMAN RESOURCE DEVELOPMENT AND ADMINISTRATION

Human Resource initiatives undertaken during the 2009-2010 fiscal year are outlined hereunder.

Staff Rationalization

The AAJ Group continued its evaluation of operations to improve organisational efficiency and effectiveness. The company also continued its strategy to redeploy its human capital to fill vacancies created by the separation of staff members, including the merging and enhancement of certain jobs.

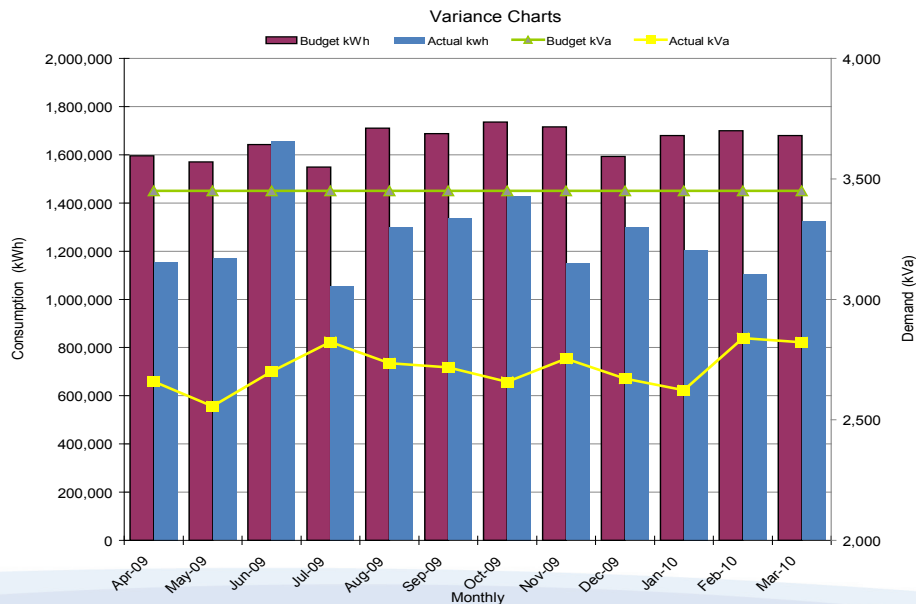


Figure showing energy consumption and demand for the period April 2009 – March 2010.

As far as possible, the company did not recruit externally, except in the case of special skills, which included an Aviation Security Manager.

The headcount for the combined organization (AAJ/NMIAL/Aerodromes) at the start and end of the reporting period was:

Training & Development initiatives

Over the period, Training & Development initiatives spanned a wide range of

	April 1, 2009	MARCH 31, 2010
NMIA	156	164
AAJ	25	25
AERODROME	25	21
TOTAL	206	210

learning activities including professional/business development, skills training and personal development. One hundred and seventy-four (174) employees from various departments were trained under the AAJ/NMIAL training programme; this amounted to four hundred and thirty-five (435) man-days and averages 2.5 man days per employee. The company also adopted the strategy of a learning organization culture and trained 8 employees in-house, to become Professional Trainers.

The HRM&A Division has implemented an enhanced Executive Management Development Programme in which two executives were enrolled in the Airport Management Professional Accreditation Programme sponsored jointly by the Airport Council International (ACI) and the International Civil Aviation Organisation

(ICAO).

Quality Management

Arising from the Airport Strategic Partnership Initiative that had its programme launch during the period, an Airport Quality Management team has been formed to champion process management and enhancements within the airport. This will provide greater customer service and facilitation to our passengers.

Industrial Relations

The company enjoyed good relations with employees and their trade union representatives.

AERODROMES

Boscobel

In keeping with plans for developing the Boscobel into an International Port of Entry, the runway was extended by 1800 feet for a total length of 4,800 ft. Airfield lighting is being installed. The aircraft rescue and fire fighting (ARFF) facilities and amenities were upgraded and provisions were made for Customs, Immigration and Quarantine services. Additionally, Aviation Security and Safety systems and infrastructure are being upgraded, including the contracting of Port Security staff and the erecting of Airside fence which was 70% complete at the close of the reporting period. Work is underway to construct a new terminal building and a fuel farm. Plans were advanced to introduce a skydive attraction at the IPE.

Improvement works were carried out/

planned at the other domestic aerodromes as listed:

Ken Jones Aerodrome

- Pax terminal building renovated
- Access control system & the ID system for employees implemented
- Additional airside lights installed
- Fence rehabilitation work carried out to ensure 100% perimeter coverage

Tinson Pen Aerodrome

- Full access control for personnel & vehicles implemented
- Renovation work carried out on the Passenger terminal building
- The weather station and CCTV installed (Pilot Project).
- The entire airfield repainted and a pedestrian walkway and drive lane established
- Ongoing fence rehabilitation to ensure 100% perimeter coverage
- Comprehensive airside sensitization programme for the stakeholders and employees

Negril

- Runway to be overlaid, extended and repainted
- Fencing to be redesigned to conform to AAJ's security regulations
- Fire station & passenger terminal building to be upgraded

to reduce the subsidy from the AAJ and increase operational efficiency while a model for private/public partnership in the operation of the aerodromes is being explored.

CORPORATE SOCIAL RESPONSIBILITY

AAJ and NMIAL Airports Limited also continued to build its community outreach programme to the Donald Quarrie High School and provided sponsorship for the school's Teachers' Day function and the inaugural *Best Class Competition*, which the Guidance Counsellor said was introduced to "... enhance the student's individual and collective behaviour...and facilitate the sustainable development of students' self pride..." In addition to conducting scheduled devotional sessions with the students, staff from the airport willingly participated in the school's Female Empowerment Day which was held on Wednesday 2009 October 28, as well as the Male Emphasis Day which took place on Thursday 2009 December 3.



Airport staff member interacting with students at the Donald Quarrie High School

The Authority continues to implement measures at the domestic aerodromes

The sixth annual fund-raising NMIA-Palisadoes Walkathon took place on 2009 November 21 and the event continued to highlight our commitment to environmentally responsible actions on the Palisadoes strip which is a nationally protected environmental area. There were 271 participants representing 14 companies who supported the event and for this, we continue to express gratitude to our stakeholders and the airport community for their involvement over the years.

Also of note is the growing partnership between the Caribbean Maritime Institute (CMI) and NMIAL. In 2009 November, the airport donated a rescue boat to the Institute. The boat, though obsolete in respect of airport operations, was welcomed by the CMI as a useful addition to their training assets.

Acknowledgements

As would have been noted from the report, the AAJ Group, as well as its partners in the airport industry, worked assiduously in the context of challenging circumstances, to achieve its objectives in the past fiscal year. I use this medium to thank the Board, Staff and our airport stakeholders for the great investment of their time, resources and services to enable another year of steady progress in the nation's drive to build a world-class airport system.



Earl Richards
President



Staff being acknowledged by the Board for their responsiveness in the AA331 aircraft accident on 2009 December 22.



AAJ Board Chairman (right) making a presentation to Joseph Dalrymple, APO2



NMIAL donates a Rescue Boat to the Caribbean Maritime Institute (CMI) and signs an MOU to solidify the partnership between the organizations

BOARD OF DIRECTORS



Mark Hart
Chairman



Charles Heholt
Vice - Chairman



Earl Richards
President

Marcus James
Director



Valerie Simpson
Director



William Shagoury
Director

Dennis P. Morgan
Director



Fay Hutchinson
Director



Ransford Braham
Director

EXECUTIVE TEAM



From Left: Paul Hall, SVP Operations;
Norman P. Sautler, VP Engineering and Projects;
Earl Richards, President

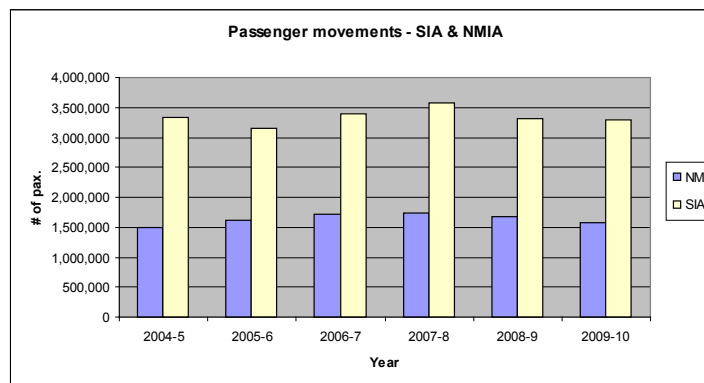


From Left: Audley Deidrick, VP Finance & ICT;
Carvell McLeary, Senior Director HRD &A;
Lisa-Kaye Henry, General Counsel;
Mark Williams, VP Commercial Development

OPERATIONAL PERFORMANCE

Traffic Performance

Passenger	NMIA	% Change	SIA	% Change	Total	% Change
2004-5	1,488,393		3,323,601		4,811,994	
2005-6	1,618,941	8.77%	3,146,465	-5.33%	4,765,406	-0.97%
2006-7	1,719,274	6.20%	3,391,859	7.80%	5,111,133	7.25%
2007-8	1,745,479	1.52%	3,572,051	5.31%	5,317,530	4.04%
2008-9	1,675,966	-3.98%	3,323,142	-6.97%	4,999,108	-5.99%
2009-10	1,578,877	-5.79%	3,292,296	-0.93%	4,871,173	-2.56%

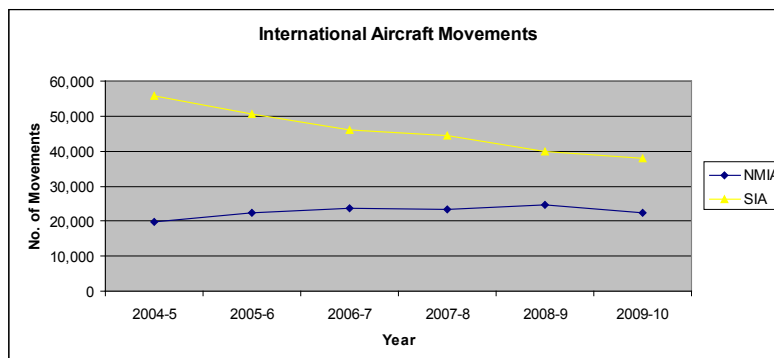


FREIGHT PERFORMANCE

Freight	NMIA	% Change	SIA	% Change	Total	% Change
2004-5	17,060,925		5,434,494		22,495,419	
2005-6	15,396,173	-9.76%	4,194,829	-22.81%	19,591,001	-12.91%
2006-7	16,842,432	9.39%	4,523,152	7.83%	21,365,584	9.06%
2007-8	17,345,140	2.98%	5,689,752	25.79%	23,034,892	7.81%
2008-9	15,444,215	-10.96%	5,394,901	-5.18%	20,839,116	-9.53%
2009-10	12,515,693	-18.96%	4,616,343	-14.43%	17,132,035	-17.79%

AIRCRAFT MOVEMENTS

Aircraft Movements	NMIA	% Change	SIA	% Change	Total	% Change
2004-5	19,833		55,707		75,540	
2005-6	22,241	12.14%	50,513	-9.32%	72,754	-3.69%
2006-7	23,535	5.82%	45,917	-9.10%	69,452	-4.54%
2007-8	23,381	-0.65%	44,434	-3.23%	67,815	-2.36%
2008-9	24,556	5.03%	39,990	-10.00%	64,546	-4.82%
2009-10	22,360	-8.94%	37,990	-5.00%	60,350	-6.50%



FINANCIAL AND OPERATIONAL PROJECTIONS

Table 1: Actual and Projected Financial Performance for AAJ Consolidated

Key Performance Indicators (KPI's)	Actual 2009/10 (JA\$)	Budget 2009/10 (JA\$)	Budget 2010/11 (JA\$)
Operating Income	3,104,549,063.09	2,592,794,496.15	2,739,047,830.25
Operating Expenditure	(2,502,572,000.85)	(1,969,995,730.41)	(1,934,064,173.20)
Other income (Expenditure)	(83,964,123.00)	(1,367,304,089.87)	(739,894,046.36)
Operating Surplus/ (Deficit)	518,012,939.24	(744,505,324.13)	65,089,610.70
Capital Expenditure	1,147,789,000.00	1,413,532,846.83	1,548,077,919.31

Table 2: Actual and Projected Financial Performance for AAJ

Key Performance Indicators (KPI's)	Actual 2009/10 (JA\$)	Budget 2009/10 (JA\$)	Budget 2010/11 (JA\$)
Operating Income	918,987,836.16	830,794,208.58	986,218,633.00
Operating Expenditure	(202,565,113.78)	(215,367,210.78)	(222,419,966.00)
Other Income (Expenditure)	90,011,868.66	193,167,163.49	(229,135,113.00)
Operating Surplus/ (Deficit)	806,434,591	808,594,161	531,663,554
Capital Expenditure	206,797,000	101,248,000	1,252,000

FINANCIAL AND OPERATIONAL PROJECTIONS (CONT'D)

Table 3: Actual and Projected Financial Performance for NMIA Airports Limited

Key Performance Indicators (KPI's)	Actual 2009/10 (US\$)	Budget 2009/10 (US\$)	Budget 2010/11 (US\$)
Operating Income	22,729,532.00	22,909,419.46	21,551,812.36
Operating Expenditure	(24,764,982.00)	(22,822,692.78)	(21,060,868.03)
Other income (Expenditure)	(1,595,000.00)	(18,358,485.33)	(5,675,099.26)
Operating Surplus/ (Deficit)	(3,630,450.00)	(18,271,758.65)	(5,184,154.93)
Capital Expenditure	10,540,000.00	15,438,645.26	17,186,954.66

Table 4: Summary Financial Indicators for NMIA Limited:

Description	2009/10	2010/11
Aeronautical to Total Revenue	46%	44%
Aeronautical Revenue (US\$)		
Passenger Service Fees	5,903,215	5,744,758
Security Fees	1,115,169	1,082,640
Landing Fees	35,172,743	1,887,967
Non-Aeronautical Revenue (JA\$)		
Concession Fees	6,383,237	5,998,155
Car Park	611,162	600,362
Space Rental	970,215	673,055
Advertising Space Rentals	163,067	533,944
Utilities Recovery	1,127,128	729,591
Revenue Drivers		
Passenger Throughput	749,762	753,723
Aircraft Landings	11,181	11,485
Cargo Throughput	12,515,693	17,796,339

DIRECTORS' COMPENSATION: APRIL 2009 - MARCH 2010

Position of Director	Fees (\$)	Motor Vehicle Upkeep/Travelling or Value of Assignment of Motor Vehicle (\$)	Honoraria (\$)	All Other Compensation including Non-Cash Benefits as applicable (\$)	Total (\$)
Mark Hart -Chairman	160,000.00	438,720.74	0	0	598,720.74
Charles Heholt - Vice Chairman of the Board & chairman of the Projects Sub-committee	152,000.00	36,960.00	0	0	188,960.00
Dennis P. Morgan -Director & member of the finance and audit sub-committee	133,500.00	30,240.00	0	0	163,740.00
Fay Hutchinson -Director	59,500.00	16,800.00	0	0	76,300.00
William Shagoury -Director & member of the projects sub-committee	99,000.00	86,240.00	0	0	185,240.00
Marcus James -Director & chairman of the Finance and Audit Sub-committee	169,000.00	31,920.00	0	0	200,920.00
Ransford Braham -Director	34,000.00	6,720.00	0	0	40,720.00
Valerie Simpson -Director & member of the Projects Sub-committee and the Finance and Audit sub-committee	98,500.00	33,600.00	0	0	132,100.00
Earl Richards Director/President *					

Notes

- Fees are paid as follows:
 - Board Meetings
 - Board Chairman: \$16,000 per meeting
 - Directors: \$8,500 per meeting
 - Sub-Committee Meetings
 - Sub-committee Chairman: \$7,000 per meeting
 - Members: \$3,500 per meeting
- Board Chairman's traveling expense relates to invoices for return air travel from his operational base in Montego Bay to Kingston. Other directors receive a traveling allowance of \$35.00 per Km for meetings attended.

* See Executive compensation for the Director /President

SENIOR EXECUTIVE COMPENSATION: APRIL 2009 - MARCH 2010

Position of Senior Executive	Year	Salary (\$)	Gratuity or Performance Incentive (\$)	*Travelling Allowance or Value of Assignment of Motor Vehicle (\$)	Pension or Other Retirement Benefits (\$)	Other Allowances (\$)	Non-Cash Benefits (\$)	Total (\$)
President	2009/10	7,267,023	1,816,756	2,250,636	0	359,361.45	146,753	11,840,528.75
Snr VP Operations	2009/10	6,035,920	1,508,980	1,521,936	0	359,361.45	129,468	9,555,665.51
VP Finance	2009/10	5,763,404	1,440,851	1,521,936	0	359,361.45	125,642	9,211,194.73
VP Com Dev & Marketing	2009/10	5,763,404	1,440,851	1,521,936	0	359,361.45	125,642	9,211,194.14
VP Engineering & Projects	2009/10	5,763,404	1,440,851	1,521,936	0	359,361.45	125,642	9,211,193.98
General Counsel	2009/10	4,938,480	1,234,620	1,521,936	0	359,361.45	114,060	8,168,458.00
Snr Director HRDA	2009/10	4,938,480	1,234,620	1,521,936	0	359,361.45	114,060	8,168,457.60

Notes

- ✓ All members of the Executive Management are eligible to receive 25% of their annual basic salary as gratuity in lieu of pension benefits.
- ✓ Executives are eligible to receive \$35.00 per Km for travelling
- ✓ "Other Allowances" comprised of meal, clothing and laundry allowances
- ✓ Non-cash Allowances include Group life & Health insurance coverage
- * An Upkeep allowance is paid and is represented in the column labeled "Traveling Allowance ..."

PICTORIAL HIGHLIGHTS

WALKATHON



PICTORIAL HIGHLIGHTS (CONT'D)

COMMUNITY OUTREACH PROGRAMME

Donald Quarry High School



Airport Authority of JAMAICA

FINANCIAL STATEMENTS, 31ST MARCH 2010

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Independent Auditors' Report

To the Members of
Airports Authority of Jamaica

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Airports Authority of Jamaica and its subsidiary, and the accompanying financial statements of Airports Authority of Jamaica standing alone set out on pages 1 to 44, which comprise the consolidated and Authority balance sheets as of 31 March 2010 and the consolidated and Authority statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

M.G. Rochester P.W. Pearson E.A. Crawford J.W. Lee C.D.W. Maxwell P.E. Williams
G.L. Lewars L.A. McKnight L.E. Augier A.K. Jain B.L. Scott B.J. Denning G.A. Reece P.A. Williams

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Authority as of 31 March 2010, and of financial performance and cash flows of the Group and the Authority for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.

PriceWaterhouseCoopers
Chartered Accountants

27 July 2010
Kingston, Jamaica

Airports Authority of Jamaica

Group Statement of Comprehensive Income

Year ended 31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Revenue –			
Airports		2,766,810	2,450,511
Aerodromes		8,326	8,384
		<u>2,775,136</u>	<u>2,458,895</u>
Direct expenses –			
Airports		(2,208,350)	(2,111,214)
Aerodromes		(117,716)	(102,431)
		<u>(2,326,066)</u>	<u>(2,213,645)</u>
Gross Profit		449,070	245,250
Other operating income	5	329,188	193,740
Administration expenses		(176,506)	(153,587)
Operating Profit		601,752	285,403
Finance (costs)/income	8	(119,398)	386,097
Profit before Taxation		482,354	671,500
Taxation	9	-	-
Net Profit	10	482,354	671,500
Other Comprehensive Income -			
Foreign currency translation gains and losses		35,659	(128,094)
TOTAL COMPREHENSIVE INCOME		<u>518,013</u>	<u>543,406</u>

Airports Authority of Jamaica

Group Balance Sheet

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Non-Current Assets			
Property, plant and equipment	11	13,068,639	12,614,777
Investments	12	100	100
		<u>13,068,739</u>	<u>12,614,877</u>
Current Assets			
Inventories	14	21,794	21,980
Receivables	15	820,197	708,324
Cash and short term deposits	16	4,944,481	2,506,206
		5,786,472	3,236,510
Current Liabilities			
Payables	17	401,551	405,770
Borrowings	18	876,358	1,254,637
		1,277,909	1,660,407
Net Current Assets			
		<u>4,508,563</u>	<u>1,576,103</u>
		<u>17,577,302</u>	<u>14,190,980</u>
Shareholders' Equity			
Share capital	19	20,091	20,091
Unissued capital	20	55,607	55,607
Retained earnings	10	3,730,878	3,248,524
Translation adjustment		(127,336)	(162,995)
		3,679,240	3,161,227
Non-Current Liabilities			
Borrowings	18	11,661,558	8,717,191
Grants	21	2,113,049	2,194,177
Post employment benefit obligations	23	123,455	118,385
		<u>17,577,302</u>	<u>14,190,980</u>

Approved for issue by the Board of Directors on 27 July 2010 and signed on its behalf by:

Mark Hart

Director

Earl Richards

Director

Airports Authority of Jamaica

Group Statement of Changes in Equity

Year ended 31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares	Share Capital	Unissued Capital	Retained Earnings	Translation Adjustment	Total
	'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2008	20,091	20,091	55,607	2,577,024	(34,901)	2,617,821
Foreign currency translation adjustment	-	-	-	-	(128,094)	(128,094)
Net profit	-	-	-	671,500	-	671,500
Total comprehensive income	-	-	-	671,500	(128,094)	543,406
Balance at 31 March 2009	20,091	20,091	55,607	3,248,524	(162,995)	3,161,227
Foreign currency translation adjustment	-	-	-	-	35,659	35,659
Net profit	-	-	-	482,354	-	482,354
Total comprehensive income	-	-	-	482,354	35,659	518,013
Balance at 31 March 2010	20,091	20,091	55,607	3,730,878	(127,336)	3,679,240

Airports Authority of Jamaica

Group Statement of Cash Flows

Year ended 31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

	2010 \$'000	2009 \$'000
Cash Flows from Operating activities		
Net profit	482,354	671,500
Items not affecting cash resources:		
Depreciation and amortisation	506,634	383,250
Gain on disposal of property, plant and equipment	(153)	(73)
Property, plant and equipment written off	301,671	23,785
Interest income	(177,349)	(48,307)
Exchange gains on foreign balances	(198,087)	(367,755)
Grants amortised	(502,798)	(347,307)
Interest expense	686,978	288,941
	<u>1,099,250</u>	<u>604,034</u>
Changes in operating assets and liabilities:		
Inventories	186	(4,833)
Receivables	(111,873)	(93,923)
Payables	(4,219)	(199,529)
Retirement benefit obligation	5,070	10,662
Cash provided by operating activities	<u>988,414</u>	<u>316,411</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(1,147,789)	(1,497,336)
Proceeds from disposal of property, plant and equipment	158	188
Interest received	169,807	113,474
Cash used in investing activities	<u>(977,824)</u>	<u>(1,383,674)</u>
Cash Flows from Financing Activities		
Short term loans	-	(22,229)
Long term borrowings	2,897,386	1,371,756
Interest paid	(879,746)	(391,376)
Grants received	407,377	616,551
Cash provided by financing activities	<u>2,425,017</u>	<u>1,574,702</u>
Effects of exchange rates on cash and cash equivalents	<u>38,439</u>	<u>287,629</u>
Increase in cash and cash equivalents	2,474,046	795,068
Cash and cash equivalents at beginning of year	2,461,700	1,666,632
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 16)	<u><u>4,935,746</u></u>	<u><u>2,461,700</u></u>

Airports Authority of Jamaica

Authority Statement of Comprehensive Income

Year ended 31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Revenue –			
Airports		945,628	902,667
Aerodromes		<u>8,326</u>	<u>8,384</u>
		<u>953,954</u>	<u>911,051</u>
Direct expenses –			
Airports		(205,487)	(227,410)
Aerodromes		<u>(117,716)</u>	<u>(102,431)</u>
		<u>(323,203)</u>	<u>(329,841)</u>
Gross Profit		630,751	581,210
Other operating income	5	357,634	216,711
Administration expenses		<u>(176,506)</u>	<u>(153,587)</u>
Operating Profit		811,879	644,334
Finance (costs)/income	8	<u>(5,445)</u>	<u>595,365</u>
Profit before Taxation		806,434	1,239,699
Taxation	9	<u>-</u>	<u>-</u>
NET PROFIT / TOTAL COMPREHENSIVE INCOME	10	<u>806,434</u>	<u>1,239,699</u>

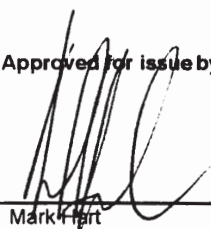
Airports Authority of Jamaica

Authority Balance Sheet
31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Non-Current Assets			
Property, plant and equipment	11	2,771,457	2,764,550
Investments	12	100	100
Interest in subsidiary	13	6,531,310	6,260,400
		<u>9,302,867</u>	<u>9,025,050</u>
Current Assets			
Receivables	15	135,230	114,670
Cash and short term deposits	16	4,572,108	1,499,608
		<u>4,707,338</u>	<u>1,614,278</u>
Current Liabilities			
Payables	17	136,866	108,015
Borrowings	18	656,347	1,110,236
		<u>793,213</u>	<u>1,218,251</u>
Net Current Assets			
		<u>3,914,125</u>	<u>396,027</u>
		<u>13,216,992</u>	<u>9,421,077</u>
Shareholders' Equity			
Share capital	19	20,091	20,091
Unissued capital	20	55,607	55,607
Retained earnings		4,888,156	4,081,722
		<u>4,963,854</u>	<u>4,157,420</u>
Non-Current Liabilities			
Borrowings	18	7,812,705	4,809,295
Grants	21	316,978	335,977
Post employment benefit obligations	23	123,455	118,385
		<u>13,216,992</u>	<u>9,421,077</u>

Approved for issue by the Board of Directors on 27 July 2010 and signed on its behalf by:



Mark Hart

Director



Earl Richards

Director

Airports Authority of Jamaica

Authority Statement of Changes in Equity

Year ended 31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares	Share Capital	Unissued Capital	Retained Earnings	Total
	'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2008	20,091	20,091	55,607	2,842,023	2,917,721
Total comprehensive income	-	-	-	1,239,699	1,239,699
Balance at 31 March 2009	20,091	20,091	55,607	4,081,722	4,157,420
Total comprehensive income	-	-	-	806,434	806,434
Balance at 31 March 2010	20,091	20,091	55,607	4,888,156	4,963,854

Airports Authority of Jamaica

Authority Statement of Cash Flows

Year ended 31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

	2010 \$'000	2009 \$'000
Cash Flows from Operating Activities		
Net profit	806,434	1,239,699
Items not affecting cash resources:		
Depreciation and amortisation	199,890	206,555
Gain on disposal of property, plant and equipment	(281)	(74)
Interest income	(294,359)	(164,901)
Exchange gains on foreign balances	(191,779)	(478,871)
Grants amortised	(18,999)	(19,000)
Interest expense	99,399	67,167
	<u>600,305</u>	<u>850,575</u>
Changes in operating assets and liabilities:		
Interest in subsidiary	(270,910)	(500,879)
Receivables	(20,560)	(13,034)
Payables	28,851	(9,549)
Retirement benefit obligation	5,070	10,662
Cash provided by operating activities	<u>342,756</u>	<u>337,775</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(206,797)	(23,370)
Proceeds from the sales of property, plant and equipment	281	188
Interest received	294,359	83,633
Cash provided by investing activities	<u>87,843</u>	<u>60,451</u>
Cash Flows from Financing Activities		
Short term loans	(462,624)	(22,275)
Interest paid	(192,969)	(587)
Long term loans	3,256,663	-
Cash provided by/(used in) financing activities	<u>2,601,070</u>	<u>(22,862)</u>
Effects of exchange rates on cash and cash equivalents	32,096	206,277
Increase in cash and cash equivalents	3,063,765	581,641
Cash and cash equivalents at beginning of year	1,499,608	917,967
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 16)	<u><u>4,563,373</u></u>	<u><u>1,499,608</u></u>

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

Airports Authority of Jamaica (the Authority) was established in accordance with the Airports Authority Act to administer, control and manage prescribed airports and aerodromes, and to provide and maintain such services and facilities, other than navigational services, as are necessary for their efficient operation.

The Authority has a wholly owned subsidiary, NMA Airports Limited, whose principal activity is to administer, control and manage the Norman Manley International Airport, and to provide and maintain such services and facilities, other than navigational services, as are necessary for its efficient operation.

The registered office of the Authority and its subsidiary (collectively referred to as Group) is located at the Norman Manley International Airport.

As of 11 April 2003, the Donald Sangster International Airport, which is owned by the Authority, is being operated by MBJ Airports Limited under a 20-year Concession Agreement. The Authority earns concession revenue from MBJ Airports Limited, the calculation of which is based on passenger traffic, cargo transported, and 'super normal' profits.

2. Summary of Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Standards, interpretations and amendments to published standards effective during the year

The Group has assessed the relevance of all new standards and interpretations to existing standards which were published and came into effect during the current financial year and has determined that the following are relevant to its operations:

- **IAS 1 (Revised) – 'Presentation of financial statements' and IAS 1 (Amendment) – 'Presentation of financial statements' (effective for accounting periods beginning on or after 1 January 2009).** Under this revised standard, recognised income and expenses are to be presented in a single statement (a statement of comprehensive income) or in two statements (an income statement and a statement of comprehensive income), separately from owner changes in equity. Both the statement of comprehensive income and the statement of changes in equity are to be included as primary statements. The Group is required to disclose the income tax related to each component of other comprehensive income either in the statement of comprehensive income or in the notes to the financial statements. The Group should also present a statement of financial position as at the beginning of the earliest comparative period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassifies items in the financial statements. In applying the revision and amendment, the Group presented all items of comprehensive income in a single statement.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective during the year (continued)

- **IAS 19 (Amendment), 'Employee benefits' (effective for accounting periods beginning on or after 1 January 2009).**
 - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
 - The definition of return on plan assets amended to state that plan administration costs be deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
 - The distinction between short term and long term employee benefits is now based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
 - IAS 37, 'Provisions, contingent liabilities and contingent assets' requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

There is no significant impact on the Group as a result of the adoption of this amendment.

- **IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective for accounting periods beginning on or after 1 January 2009).** This amendment requires the the benefit of a below-market rate government loan to be measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement' and the proceeds received. This benefit should be accounted for in accordance with IAS 20. This amendment had no material impact on adoption.

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not effective at the balance sheet date, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be immediately relevant to its operations, and has concluded as follows:

- **IAS 1 (amendment), 'Presentation of financial statements'.** The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (amendment) from 1 April 2010. It is not expected to have a material impact on the Group's financial statements.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

- **IFRS 9, 'Financial Instruments'**. IFRS 9 addresses classification and measurement of financial assets and is available for early adoption immediately. IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

IFRS 9 represents the first milestone in the IASB's planned replacement of IAS 39. IFRS 9 is not expected to have a significant impact on the Group's financial statements.

- **IAS 24 (amendment), 'Related party disclosures'**. The amendment relaxes the disclosures of transactions between government-related entities and clarifies related-party definition.

The amendment is not expected to have a significant impact on the Group's financial statements.

(b) Consolidation

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus cost directly attributable to the acquisition. The excess of the cost is recorded as goodwill. Intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered.

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Jamaican dollars, which is the Authority's functional and presentation currency.

Transactions and balances

Transactions denominated in foreign currencies are converted at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items denominated in a foreign currency, which are carried at historical cost, are translated at historical rates. Exchange gains and losses, including unrealised gains and losses relating to investment transactions and those arising from the translation of investments denominated in foreign currencies are dealt with in arriving at profit or loss.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(d) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of General Consumption Tax, returns, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Authority's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Revenue comprises landing, terminal and security fees, rental charges, and recovery of utility costs from airlines; concession income; rental charges from other tenants; car park fees and miscellaneous income. Revenue is recognised on an accrual basis in accordance with the substance of the underlying contracts.

Interest income is accounted for on the accrual basis.

(e) Income taxes

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted at the balance sheet date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited in arriving at profit or loss, except where it relates to items charged or credited to equity, in which case deferred tax is also dealt with in equity.

Deferred income tax liabilities are not recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of the subsidiary as such amounts are permanently reinvested.

Airports Authority of Jamaica

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(f) Property, plant and equipment

Property, plant and equipment are carried at historical or deemed cost, less accumulated depreciation. Depreciation is calculated mainly on the straight line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. The expected useful lives of property, plant and equipment are as follows:

Buildings, runways and taxiways	20 to 40 years
Storage tanks and fuel lines	20 years
Computer equipment, plant and machinery and furniture and fixtures	5 to 10 years
Motor vehicles	5 years

Land is not depreciated as it is deemed to have an indefinite life.

Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Repairs and renewals are charged in arriving at the profit or loss when the expenditure is incurred.

(g) Investments

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale.

Purchases and sales of investments are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. The cost of purchase includes transaction costs.

Available-for-sale investments are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. The fair values of listed equity securities are based on quoted bid prices. Equity securities for which fair values cannot be measured reliably are recognised at cost, less provision for impairment.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Airports Authority of Jamaica

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(h) Impairment of non-current assets

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

(j) Trade receivables

Trade receivables are carried at original invoiced amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the expected cash flows discounted at the market rate of interest for similar borrowings.

(k) Securities purchased under resale agreements

Securities purchased under resale agreements are treated as collateralised financing transactions. The difference between the purchase and resale price is treated as interest income and accrued over the life of the agreements using the effective yield method.

(l) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, and short term deposits with maturity dates of less than 90 days, net of bank overdrafts.

(m) Payables

Payables are stated at historical cost.

(n) Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in arriving at profit or loss over the period of the borrowings.

(o) Grants

Grants received are deferred and amortised on a systematic basis over the periods in which the entity recognises as expenditure the related cost for which the grants are intended to compensate. In other cases, the grants are recognised in arriving at profit or loss in the period in which they are received.

Airports Authority of Jamaica

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(p) Employee benefits

The Group operates a defined benefit pension plan, the assets of which are generally held in a separate trustee-administered fund. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The asset or liability in respect of the defined benefit plan is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of the plan assets, together with adjustments for actuarial gains and losses and past service cost. The defined benefit obligation is determined annually by independent actuaries, using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income over the remaining service lives of the employees.

The Group provides other retirement health benefits, the entitlements to which are usually based on the employee remaining in service up to retirement age and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

(r) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, available-for-sale and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. At the balance sheet date, receivables were classified as loans and receivables; investments were classified as available-for-sale; and cash and short term deposits were classified as financial assets at fair value through profit or loss.

Financial liabilities

The Group's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the balance sheet date, the following items were classified as financial liabilities: borrowings and payables.

Airports Authority of Jamaica

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31 March 2010

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3. Financial Risk Management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (which includes currency risk and interest rate risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board is ultimately responsible for the establishment and oversight of the Group's risk management framework. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

The Board has established the Finance and Audit Committee for managing and monitoring risks. The Finance and Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Finance and Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Audit Committee.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk

The Group takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit exposures arise principally from the Group's receivables from customers and investment activities. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to geographical and industry segments.

Credit review process

The Group has established a credit committee whose responsibility involves regular analysis of the ability of borrowers and other counterparties to meet repayment obligations.

(i) *Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Commercial Department has established a credit policy under which each customer is analysed individually for creditworthiness prior to the Group offering them a credit facility. The Group has procedures in place to restrict services to customers if they exceed their credit limits. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis.

Customer credit risk are monitored according to their credit characteristics, such as whether it is an individual or company, geographic location, industry, ageing profile, and previous financial difficulties. Trade and other receivables are concentrated within the airline industry.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The Group addresses impairment assessment on an individual basis.

The Group's average credit period is 15 days. Trade receivables are provided for based on an estimate of amounts that would be irrecoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

(ii) *Cash and short term deposits*

The Group limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality. Accordingly, management does not expect any counterparty to fail to meet its obligations. Cash transactions are limited to high credit quality financial institutions.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk

The worst case scenario of credit risk exposure to the Group and Authority at year end was as follows:

	The Group		The Authority	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Trade receivables	620,251	595,685	77,081	74,592
Cash and short term deposits	4,944,481	2,506,206	4,572,108	1,499,608
	<u>5,564,732</u>	<u>3,101,891</u>	<u>4,649,189</u>	<u>1,574,200</u>

Ageing analysis of trade receivables that are past due but not impaired

Trade receivables that are less than 165 days past due are not considered impaired. As of 31 March 2010, trade receivables of \$269,062,000 (2009 – \$267,394,000) for the Group and \$Nil (2009 – \$3,726,000) for the Authority were past due but not impaired. These relate to a number of concessionaires for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	The Group		The Authority	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
16 - 30 days	4,565	29,306	-	-
31 - 60 days	40,458	20,251	-	626
61 - 90 days	59,433	46,162	-	1,510
Over 90 days	164,606	171,675	-	1,590
	<u>269,062</u>	<u>267,394</u>	<u>-</u>	<u>3,726</u>

Ageing analysis of trade receivables that are impaired

As of 31 March 2010, trade receivables of \$368,373,000 (2009 – \$327,907,000) for the Group and \$288,490,000 (2009 – \$287,230,000) for the Authority were considered impaired and were fully provided for. The individually impaired receivables mainly relate to concessionaires who are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Ageing analysis of trade receivables that are impaired (continued)

The ageing of these receivables is as follows:

	The Group		The Authority	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
16 - 30 days	1,401	310	1,401	310
31 - 60 days	449	166	449	166
61 - 90 days	527	166	527	166
Over 90 days	365,996	327,265	286,113	286,588
	<u>368,373</u>	<u>327,907</u>	<u>288,490</u>	<u>287,230</u>

Provision for impairment of trade receivables

The movement in the provision for impairment of trade receivables was as follows:

	The Group		The Authority	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
At 1 April	327,907	301,222	287,230	275,122
Provision for receivables impairment	40,432	26,781	1,260	12,108
Translation difference	34	(96)	-	-
At 31 March	<u>368,373</u>	<u>327,907</u>	<u>288,490</u>	<u>287,230</u>

The creation and release of provision for impaired receivables have been included in expenses in arriving at profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit exposure for trade receivables

The credit exposure for trade receivables at their carrying amounts, as categorised by the customer sector was as follows:

	The Group		The Authority	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Airlines (scheduled and unscheduled)	496,371	458,750	191,730	191,730
Concessionaires	97,818	131,747	82,089	75,596
Fuel through-put	7,526	14,750	4,686	4,686
Food and beverage	29,150	25,494	7,387	7,387
Car rental and tour operations	7,098	9,468	2,009	2,009
Advertising	7,659	4,989	4,989	4,989
Ground handling and taxi service	15,636	17,423	8,124	8,124
Other	327,366	260,971	64,557	67,301
	988,624	923,592	365,571	361,822
Less: provision for impairment	(368,373)	(327,907)	(288,490)	(287,230)
	620,251	595,685	77,081	74,592

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group may be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by the Treasury Department, includes:

- (i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required.
- (ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) Maintaining committed lines of credit;
- (iv) Optimising cash returns on investment;

Undiscounted cash flows of financial liabilities

Trade payables are due within one month. The undiscounted cash flows of borrowings were as follows:

	The Group				
	Within 1 Year	1 to 5 Years	Over 5 Years	No set repaymen t terms	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 March 2010	2,277,777	3,082,107	7,542,329	541,020	13,443,233
At 31 March 2009	246,775	1,692,307	7,415,413	618,208	9,972,703

	The Authority				
	Within 1 Year	1 to 5 Years	Over 5 Years	No set repaymen t terms	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 March 2010	640,672	2,511,492	5,237,582	541,020	8,930,766
At 31 March 2009	143,130	1,318,297	3,837,578	618,208	5,917,213

Assets available to meet all of the liabilities and to cover financial liabilities include cash and short term investments.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise mainly from changes in foreign currency exchange rates and interest rates. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the Japanese Yen and the Special Drawing Rights. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The tables below summarise the exposure to foreign currency exchange rate risk arising from financial assets and liabilities held at year end:

	The Group				
	Jamaican\$ J\$'000	US\$ J\$'000	Yen J\$'000	SDR J\$'000	Total J\$'000
2010					
Financial Assets					
Trade receivables	360,790	259,461	-	-	620,251
Cash and short term deposits	340,551	4,603,930	-	-	4,944,481
	<u>701,341</u>	<u>4,863,391</u>	<u>-</u>	<u>-</u>	<u>5,564,732</u>
Financial Liabilities					
Trade payables	(88,750)	-	-	-	(88,750)
Borrowings	(198,156)	(11,501,570)	(560,008)	(278,182)	(12,537,916)
	<u>(286,906)</u>	<u>(11,501,570)</u>	<u>(560,008)</u>	<u>(278,182)</u>	<u>(12,626,666)</u>
Net financial position	<u>414,435</u>	<u>(6,638,179)</u>	<u>(560,008)</u>	<u>(278,182)</u>	<u>(7,061,934)</u>
2009					
Financial Assets					
Trade receivables	423,558	172,127	-	-	595,685
Cash and short term deposits	291,618	2,214,588	-	-	2,506,206
	<u>715,176</u>	<u>2,386,715</u>	<u>-</u>	<u>-</u>	<u>3,101,891</u>
Financial Liabilities					
Trade payables	(27,912)	(56,534)	-	-	(84,446)
Borrowings	(1,610,415)	(7,941,657)	(142,043)	(277,713)	(9,971,828)
	<u>(1,638,327)</u>	<u>(7,998,191)</u>	<u>(142,043)</u>	<u>(277,713)</u>	<u>(10,056,274)</u>
Net financial position	<u>(923,151)</u>	<u>(5,611,476)</u>	<u>(142,043)</u>	<u>(277,713)</u>	<u>(6,954,383)</u>

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

	The Company				
	Jamaican\$ J\$'000	US\$ J\$'000	Yen J\$'000	SDR J\$'000	Total J\$'000
	2010				
Financial Assets					
Trade receivables	3,017	74,064	-	-	77,081
Cash and short term deposits	189,601	4,382,507	-	-	4,572,108
	<u>192,618</u>	<u>4,456,571</u>	<u>-</u>	<u>-</u>	<u>4,649,189</u>
Financial Liabilities					
Trade payables	(78,815)	-	-	-	(78,815)
Borrowings	(198,132)	(7,432,730)	(560,008)	(278,182)	(8,469,052)
	<u>(276,947)</u>	<u>(7,432,730)</u>	<u>(560,008)</u>	<u>(278,182)</u>	<u>(8,547,867)</u>
Net financial position	<u>(84,329)</u>	<u>(2,976,159)</u>	<u>(560,008)</u>	<u>(278,182)</u>	<u>(3,898,678)</u>
	2009				
Financial Assets					
Trade receivables	5,638	68,954	-	-	74,592
Cash and short term deposits	181,103	1,318,505	-	-	1,499,608
	<u>186,741</u>	<u>1,387,459</u>	<u>-</u>	<u>-</u>	<u>1,574,200</u>
Financial Liabilities					
Trade payables	(75,039)	-	-	-	(75,039)
Borrowings	(1,554,829)	(3,944,946)	(142,043)	(277,713)	(5,919,531)
	<u>(1,629,868)</u>	<u>(3,944,946)</u>	<u>(142,043)</u>	<u>(277,713)</u>	<u>(5,994,570)</u>
Net financial position	<u>(1,443,127)</u>	<u>(2,557,487)</u>	<u>(142,043)</u>	<u>(277,713)</u>	<u>(4,420,370)</u>

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

The following tables indicate the currencies to which the Group and Authority had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a reasonable expected change in foreign currency rates. The sensitivity of the profit was primarily as a result of foreign exchange gains and losses on translation of foreign currency-denominated receivables, cash and short term deposits and borrowings. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	The Group and The Authority			
	% Change in Currency Rate	Effect on Net Profit	% Change in Currency Rate	Effect on Net Profit
	2010	2010 \$'000	2009	2009 \$'000
Currency:				
USD - revaluation	2%	39,682	25	539,355
USD - devaluation	(5%)	(99,205)	(25)	(539,355)
Yen - revaluation	2%	7,467	28	26,647
Yen - devaluation	(5%)	(18,667)	(28)	(26,647)
SDR - revaluation	2%	3,709	14	26,049
SDR - devaluation	(5%)	(9,257)	(14)	(26,049)

Cash flow and fair value interest rate risk

The Group's interest rate exposure arises from borrowed funds specifically obtained for the purpose of funding the Norman Manley Airport expansion project, and from the temporary investment of these borrowings. Borrowings issued at variable rates and revolving short-term borrowings expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated for borrowings that represent the major interest bearing positions, taking into consideration refinancing, renewal of existing positions and alternative financing.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2010

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3. Financial Risk Management (Continued)

(d) Fair values of financial instruments

The fair value of financial instruments traded in an active market is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. However, considerable judgment is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the fair value estimates presented are not necessarily indicative of the amounts that the Group would realise in the current market exchange.

The following methods and assumption have been used in deriving the estimates of fair value:

The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities are cash and bank balances, short term deposits, trade receivables and payables, and bank overdraft.

The fair value of unquoted securities could not be reasonably determined as there is no active market for these securities.

The carrying value of the long term liabilities that attract interest at prevailing market rates closely approximate amortised cost, and are estimated to be their fair value as they attract terms and conditions available in the market for similar transactions.

The long term liabilities for which interest rates and repayment terms have not yet been determined were granted under special conditions and are not likely to be traded in a fair market exchange. As such, the fair values of these liabilities could not be reliably determined.

(e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Board of Directors monitors the return on capital, which the Group defines as net operating income (excluding non-recurring items) divided by total equity.

The Group has no specific capital management strategies and is not exposed to externally imposed capital requirements.

Airports Authority of Jamaica

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4. Critical Judgements and Key Sources of Estimation Uncertainty

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

Income taxes

Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As further explained in Note 9, the Authority obtained relief from income taxes for an initial period of up to 5 years and its subsidiary for an initial period for up to 10 years. The Group has reversed all provisions for current and deferred taxation as management is of the view that the Group will not be liable for income tax in the foreseeable future. The remission of any income tax payable by the Group is subject to annual approval by the Minister of Finance and the Public Service. It is assumed that the requisite approval will be given over the five and ten year periods stipulated and management has committed to ensuring that conditions for the remission of the taxes will be met.

Depreciable assets

Management determines the estimated useful lives, residual values and related depreciation charges for the property, plant and equipment held by the Group. Estimates of the useful lives and residual values of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets over the relevant periods. Management applies a variety of methods to arrive at these estimates, with consideration being given to technological innovations and the useful lives and residual values of similar property, plant and equipment held by other entities that operate in the Group's industry. Management will increase depreciation charges where useful lives are less than previously estimated, or will write down technically obsolete or non-strategic assets that have been abandoned or sold.

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4. Critical Judgements and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty (continued)

Pension plan assets and post-employment benefit obligations

The cost of these benefits and the present value of the pension and the other post-employment liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumption used in determining the net periodic cost (income) for pension and post-employment benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and in, the case of post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-employment benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long term historical returns, asset allocation and future estimates of long-term investments returns. The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-employment benefit obligations. In determining the appropriate discount rate, the Group considers interest rate of high-quality corporate bonds that are denominated in the currency in which the benefit will be paid, and that have terms to maturity approximating the terms of the related pension liability. The expected rate of increase of medical costs has been determined by comparing the historical relationship of the actual medical cost increases with the rate of inflation in the respective economy. Past experience has shown that the actual medical costs have increased on average by one time the rate of inflation. Other key assumptions for the pension and post employment benefits costs and credits are based in part on current market conditions.

5. Other Operating Income

	The Group		The Authority	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Amortisation of grants (Note 21)	93,368	108,459	18,999	19,000
Expenses reimbursed - Project Execution Unit	44,033	32,430	44,033	32,430
Interest income, net of withholding tax	177,349	48,307	294,359	164,901
Other	14,438	4,544	243	380
	<u>329,188</u>	<u>193,740</u>	<u>357,634</u>	<u>216,711</u>

Included in the interest income for the Authority is \$193,700,000 (2009 – \$136,311,000), of which \$Nil (2009 – \$62,703,000) was capitalised as a part of the Construction Work In Progress assets, being the accumulated interest charged on disbursements to its subsidiary to assist with the Norman Manley International Airport expansion project. These disbursements commenced in November 2003; however, interest had never been accrued for prior to 1 April 2007 as the decision to charge interest was made at that date. Interest is charged on the outstanding balance at a rate of 10% per annum.

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6. Expenses by Nature

Total direct and administration expenses:

	The Group		The Authority	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Advertising and public relations	12,660	10,452	4,804	3,993
Auditors' remuneration	5,947	5,276	2,387	2,190
Bad debts	39,461	26,685	940	12,108
Commissions and discounts	11,071	35,785	447	392
Depreciation and amortization	506,634	383,250	199,890	206,555
Insurance	129,163	176,267	5,513	11,342
Irrecoverable GCT	49,780	36,154	6,659	3,860
Motor vehicle expenses	17,219	19,212	792	-
Property plant and equipment written off	-	19,510	-	-
Office supplies	18,193	12,772	3,373	3,520
Other	21,761	10,300	12,895	11,069
Professional fees	57,153	23,665	3,407	2,206
Regulatory fees and taxes	20,844	19,618	2,006	1,879
Rental and lease	39,876	37,344	58	697
Repairs and maintenance	207,749	253,407	12,535	13,383
Security	253,418	194,650	21,830	11,748
Staff costs (Note 7)	744,450	733,558	209,326	186,781
Training	9,910	7,966	-	-
Traveling and entertainment	4,922	5,292	2,958	2,624
Utilities	352,361	356,069	9,889	9,081
	<u>2,502,572</u>	<u>2,367,232</u>	<u>499,709</u>	<u>483,428</u>

7. Staff Costs

	The Group		The Authority	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Wages and salaries	590,455	574,662	149,242	143,070
Payroll taxes – employer's portion	54,209	51,932	14,212	12,707
Pension and other retirement benefits	22,647	24,797	22,647	24,797
Redundancy payments	36,861	45,893	15,613	3,597
Other	40,368	36,274	7,612	2,610
	<u>744,540</u>	<u>733,558</u>	<u>209,326</u>	<u>186,781</u>

The Group employed 251 persons at the end of the year (2009 – 246).

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8. Finance Costs/ (Income)

	The Group		The Authority	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest expense	686,978	288,941	99,404	67,167
Amortisation of grants (Note 21)	(409,430)	(238,848)	-	-
	277,548	50,093	99,404	67,167
Net foreign exchange gains	(158,150)	(436,190)	(93,959)	(662,532)
	119,398	(386,097)	5,445	(595,365)

9. Taxation

The Minister of Finance and the Public Service, in accordance with the power conferred by section 86 of the Income Tax Act, has formally agreed to grant the Group relief from income tax in respect of that portion of taxable profits which has been retained for capital development, for a period of five years for the Authority and a period ten years for the subsidiary commencing 1 April 2005. The relief will be granted upon requests for remission of tax made annually to the Minister and notice of the tax remitted published in the Jamaica Gazette Supplement.

Subject to agreement with the Taxpayer Audit and Assessment Department, losses of approximately \$943,111,000 (2009 – \$660,341,000) for the subsidiary are available for set off against future profits and may be carried forward indefinitely.

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10. Net Profit and Retained Earnings

	2010 \$'000	2009 \$'000
(a) Net profit is dealt with as follows in the financial statements of:		
The Authority	806,434	1,239,699
Less intercompany transactions:		
Interest capitalised	-	(62,703)
Add: depreciation on intercompany asset (capitalised interest on debt)	-	5,300
	<u>806,434</u>	<u>1,182,296</u>
The subsidiary	(324,080)	(510,796)
	<u>482,354</u>	<u>671,500</u>
(b) Retained earnings are dealt with as follows in the financial statements of:		
The Authority	4,888,156	4,081,722
Less intercompany transactions:		
Interest capitalised	(270,836)	(270,836)
Add: depreciation on intercompany asset (capitalised interest on debt)	5,300	5,300
	<u>4,622,620</u>	<u>3,816,186</u>
The subsidiary	(891,742)	(567,662)
	<u>3,730,878</u>	<u>3,248,524</u>

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11. Property, Plant and Equipment

The Group

	Land, buildings, runways and taxiways	Storage tanks and fuel lines	Motor vehicles	Computer equipment, plant and machinery, furniture and fixtures	Work In progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2010						
Cost -						
At 1 April 2009	10,698,871	945,637	36,155	1,767,901	1,213,255	14,661,819
Additions	-	-	6,874	33,479	1,107,436	1,147,789
Disposals and write-off	-	-	(851)	(1,339)	(301,939)	(304,129)
Translation adjustment	82,920	-	369	19,908	25,059	128,256
At 31 March 2010	10,781,791	945,637	42,547	1,819,949	2,043,811	15,633,735
Depreciation -						
At 1 April 2009	1,382,885	355,147	17,942	291,068	-	2,047,042
Charge for the year	308,243	51,544	5,858	140,989	-	506,634
Disposals and write-off	-	-	(851)	(1,606)	-	(2,457)
Translation adjustment	675	-	169	13,033	-	13,877
At 31 March 2010	1,691,803	406,691	23,118	443,484	-	2,565,096
Net Book Value -						
31 March 2010	9,089,988	538,946	19,429	1,376,465	2,043,811	13,068,639
2009						
Cost -						
At 1 April 2008	3,434,888	945,637	21,546	401,187	6,460,573	11,263,831
Additions	11,197	-	13,408	33,893	1,501,541	1,560,039
Transfers	6,364,205	-	2,239	1,166,304	(7,532,748)	-
Disposals and write-off	-	-	(6,940)	(77,513)	-	(84,453)
Translation adjustment	888,581	-	5,902	244,030	783,889	1,922,402
At 31 March 2009	10,698,871	945,637	36,155	1,767,901	1,213,255	14,661,819
Depreciation -						
At 1 April 2008	1,132,652	297,513	17,652	211,753	-	1,659,570
Charge for the year	236,742	57,634	3,948	84,926	-	383,250
Disposals and write-off	-	-	(7,017)	(53,537)	-	(60,554)
Translation adjustment	13,491	-	3,359	47,926	-	64,776
At 31 March 2009	1,382,885	355,147	17,942	291,068	-	2,047,042
Net Book Value -						
31 March 2009	9,315,986	590,490	18,213	1,476,833	1,213,255	12,614,777

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11. Property, Plant and Equipment

	The Authority					Total \$'000
	Land, buildings, runways and taxiways \$'000	Storage tanks and fuel lines \$'000	Motor vehicles \$'000	Computer equipment, plant and machinery, furniture and fixtures \$'000	Work In progress \$'000	
	2010					
Cost -						
At 1 April 2009	3,423,915	945,637	1,589	40,831	22,996	4,434,968
Additions	-	-	-	-	206,797	206,797
Disposals	-	-	(851)	-	-	(851)
At 31 March 2010	3,423,915	945,637	738	40,831	229,793	4,640,914
Depreciation -						
At 1 April 2009	1,277,978	355,147	1,319	35,974	-	1,670,418
Charge for the year	147,006	51,544	55	1,285	-	199,890
Disposals	-	-	(851)	-	-	(851)
At 31 March 2010	1,424,984	406,691	523	37,259	-	1,869,457
Net Book Value -						
31 March 2010	1,998,931	538,946	215	3,572	229,793	2,771,457
	2009					
Cost -						
At 1 April 2008	3,423,915	945,637	2,998	47,057	284	4,420,141
Additions	-	-	280	378	22,712	23,370
Disposals	-	-	(1,689)	(6,854)	-	(8,543)
At 31 March 2009	3,423,915	945,637	1,589	40,831	22,996	4,434,968
Depreciation -						
At 1 April 2008	1,132,156	297,513	2,998	39,625	-	1,472,292
Charge for the year	145,822	57,634	10	3,089	-	206,555
Disposals	-	-	(1,689)	(6,740)	-	(8,429)
At 31 March 2009	1,277,978	355,147	1,319	35,974	-	1,670,418
Net Book Value -						
31 March 2009	2,145,937	590,490	270	4,857	22,996	2,764,550

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11. Property, Plant and Equipment (Continued)

The Authority's property, plant and equipment were revalued as at 31 December 1984 primarily on a depreciated replacement cost basis by The Land Valuation Office, Kingston. The revalued amounts have been designated the deemed cost of these assets on adoption of International Financial Reporting Standards on 1 April 2002.

Property, plant and equipment include assets totaling \$3,090,899,000 (2009 - \$3,090,899,000) acquired under the Airport Reform and Improvement Programme which is being funded by loans from the Inter-American Development Bank, Export-Import Bank of Japan, Bank of Tokyo-Mitsubishi Limited and the Government of Jamaica.

Additions for the Group include capitalised interest amounting to \$Nil (2009 - \$62,703,000).

12. Investments

This represents unquoted equity securities, which are carried at cost.

13. Related Party Transactions and Balances

The following transactions were carried out with related parties:

(a) Key management compensation

	The Group		The Authority	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Wages and salaries	59,371	55,587	26,673	24,637
Payroll taxes – employer's portion	5,895	5,827	2,661	2,254
	<u>65,266</u>	<u>61,414</u>	<u>29,334</u>	<u>26,891</u>
Directors' emoluments -				
Management remuneration	19,923	18,196	10,986	10,252
Fees	992	1,015	992	1,015

(b) Authority's interest in subsidiary

	2010 \$'000	2009 \$'000
Shares, at cost	<u>305,377</u>	<u>176,224</u>
Advances –		
At start of year	6,084,176	4,571,950
Issued during the year	141,757	1,512,226
At end of year	<u>6,225,933</u>	<u>6,084,176</u>
	<u>6,531,310</u>	<u>6,260,400</u>

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14. Inventories

This represents spare parts and supplies.

15. Receivables

	The Group		The Authority	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade	988,624	923,592	365,571	361,822
Less: Provision for impairment	(368,373)	(327,907)	(288,490)	(287,230)
	620,251	595,685	77,081	74,592
Prepayments	7,773	16,495	7,773	16,495
Other	192,173	96,144	50,376	23,583
	<u>820,197</u>	<u>708,324</u>	<u>135,230</u>	<u>114,670</u>

16. Cash and Cash Equivalents

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

	The Group		The Authority	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash at bank and in hand	3,817,661	185,115	3,646,330	64,644
Short term deposits	1,126,820	2,321,091	925,778	1,434,944
	4,944,481	2,506,206	4,572,108	1,499,608
Bank overdraft (Note 18)	(8,735)	(44,506)	(8,735)	-
	<u>4,935,746</u>	<u>2,461,700</u>	<u>4,563,373</u>	<u>1,499,608</u>

Included in short term deposits is interest receivable of \$2,690,000 (2009 – \$17,607,000) for the Group and \$7,542,000 (2009 – \$14,917,000) for the Authority.

The weighted average interest rate on short term deposits denominated in Jamaican dollars was 11.84% (2009 – 21.69%) and on short term deposits denominated in United States dollars was 5.24% (2009 – 7.32%), and these securities mature in 30 days.

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17. Payables

	The Group		The Authority	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade payables	88,750	84,446	78,815	75,039
Accruals	191,389	222,566	56,142	30,935
Other	121,412	98,758	1,909	2,041
	<u>401,551</u>	<u>405,770</u>	<u>136,866</u>	<u>108,015</u>

18. Borrowings

	The Group		The Authority	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current -				
Bank overdraft (Note 16)	8,735	44,506	8,735	-
Current portion of long term loans	867,623	1,210,131	647,612	1,110,236
	<u>876,358</u>	<u>1,254,637</u>	<u>656,347</u>	<u>1,110,236</u>
Non-Current -				
Long term loans	11,120,538	8,071,521	7,271,685	4,174,705
Accrued Interest	541,020	645,670	541,020	634,590
	<u>11,661,558</u>	<u>8,717,191</u>	<u>7,812,705</u>	<u>4,809,295</u>
	<u>12,537,916</u>	<u>9,971,828</u>	<u>8,469,052</u>	<u>5,919,531</u>

(a) **Bank overdraft**

The Group and the Authority have an overdraft facility totalled \$2,000,000, which attracts interest at 35%.

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18. Borrowings (Continued)

(b) Long term loans

	The Group		The Authority	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Facilities acquired with the Government of Jamaica as an intermediary:				
(i) Inter-American Development Bank	1,007,707	391,738	1,007,707	391,738
(ii) Export-Import Bank of Japan and The Bank of Tokyo-Mitsubishi Limited	507,453	100,569	507,453	100,569
(iii) Nordic Development Fund	243,597	265,478	243,597	265,478
(iv) European Investment Bank and Caribbean Development Bank	3,579,578	-	3,579,578	-
Other facilities				
(v) Government of Jamaica/ SIA Airports Limited	31,206	476,793	31,206	476,793
(vi) Government of Jamaica	47,348	964,127	47,348	964,127
(vii) National Insurance Fund	1,342,623	1,332,237	-	-
(viii) RBTT Trinidad and Tobago Limited	2,685,246	2,664,474	-	-
(ix) Petrocaribe Fund	2,502,408	3,086,236	2,502,408	3,086,236
	<u>11,947,166</u>	<u>9,281,652</u>	<u>7,919,297</u>	<u>5,284,941</u>
Less current portion:				
RBTT Trinidad and Tobago Limited	(179,016)	(88,815)	-	-
Petrocaribe Fund	(640,672)	(1,065,791)	(640,672)	(1,065,791)
Accrued interest	(6,940)	(55,525)	(6,940)	(44,445)
	<u>(826,628)</u>	<u>(1,210,131)</u>	<u>(647,612)</u>	<u>(1,110,236)</u>
	<u>11,120,538</u>	<u>8,071,521</u>	<u>7,271,685</u>	<u>4,174,705</u>

- (i) This represents proceeds drawn down to date of loan contract #887/OC-JA between the Government of Jamaica and the Inter-American Development Bank, which have been on-lent to the Authority under the Airport Reform and Improvement Programme. There is no interest rate stated and the terms of repayment have not yet been determined.
- (ii) This represents proceeds drawn down to date of loan contract #041844 between the Government of Jamaica and the Export-Import Bank of Japan and the Bank of Tokyo-Mitsubishi Limited, which have been on-lent to the Authority under the Airport Reform and Improvement Programme. There is no interest rate stated and the terms of repayment have not yet been determined.
- (iii) This represented proceeds drawn down to date of loan contract #165 between the Government of Jamaica and the Nordic Development Fund, which have been on-lent to the Authority under the Airport Reform and Improvement Programme. There is no interest rate stated and the terms of repayment have not yet been determined.

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18. Borrowings (Continued)

(b) Long term loans (continued)

- (iv) This represents US\$40 million loan between the European Investment Bank and the Airports Authority of Jamaica which was on-lent to the subsidiary to fund the Norman Manley International Airport expansion project and repay existing loans. The loan is repayable in 30 equal payments semi-annually commencing five years after the date of disbursement.
- (v) This represents a loan from the Government of Jamaica, which was used to fund construction work at the Sangster International Airport. There is no interest rate stated and the terms of repayment have not yet been determined. During the year, the Ministry of Finance and the Public Service approved the offset of certain receivables balances from SIA Airports Limited against the amounts due to the Government of Jamaica.
- (vi) This represents an advance from the Government of Jamaica, which was used to repay interest and principal in respect of loans (i) to (iii) above. The advance is unsecured. There is no interest rate stated and the terms of repayment have not yet been determined.
- (vii) This loan represents US\$15 million (2008 – US\$15 million) from the National Insurance Fund to provide interim financing for the Norman Manley Airport expansion project. The loan is secured by cash flows from the Airport Improvement Fund, Guarantee from the Airports Authority of Jamaica and a 2nd mortgage on properties at Norman Manley International Airport. The loan is for a period of 20 years and interest is charged at 8.5% per annum for the first three years, thereafter variable at 1 year LIBOR plus 3.25% with a floor of 8%.
- (viii) This loan represents US\$30 million from RBTT Trinidad and Tobago Limited to assist with the funding of the Norman Manley Airport expansion project. The loan is repayable in 40 quarterly payments of US\$500,000 commencing December 2009 and a final payment of US\$10,000,000. Interest is charged at 8.25% per annum. The loan is secured by a first legal mortgage over property located at Norman Manley International Airport.
- (ix) This loan represents US\$34.5 million dollar loan from the Petrocaribe Fund to provide interim financing for the Norman Manley Airport expansion project. The loan is for a period of 15 years and attracts interest at 6% per annum. This loan is unsecured.

19. Share Capital

	2010 \$'000	2009 \$'000
Authorised - 30,000 ordinary shares		
Issued and fully paid - 20,091 ordinary shares	<u>20,091</u>	<u>20,091</u>

The Airports Authority Act provides for the Authority having an authorised capital of \$30,000,000. To date an amount of \$20,091,000 has been credited as fully paid capital.

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20. Unissued Capital

In 1986, the Government of Jamaica undertook a restructuring of the Authority's capital base, which, *inter alia*, included a conversion of \$55,607,000 of debt to equity. This arrangement also fulfilled the terms of the then existing agreement with The International Bank for Reconstruction and Development.

The shares for the additional capital have not yet been issued to The Accountant General as the required increase in the authorised share capital is still outstanding.

21. Grants

Airport Improvement Grant

The Airport Improvement Grant represents amount received from the Government of Jamaica to assist with the funding of the Norman Manley Airport expansion project.

The Norman Manley Airport expansion project is a 20-year plan for the expansion and development of the Norman Manley International Airport, commencing in 2004. The plan involves the construction of a new arrival and departure wings, two-level passenger pier, new baggage handling facilities, relocation of general aviation centre, fire station and other support facilities.

This project is partially funded by the Airport Improvement Fund (AIF). Revenue of the AIF is based on a US\$10 charge per ticket purchased at any travel agency. The amount is paid over by the airlines into a special account held with an independent financial institution. The subsidiary will draw down on funds to repay senior debts or to pay designated contractors for work done on the project. Annual transfers equivalent to interest expense in the case where the grant was used to repay senior debts or depreciation charged on property, plant and equipment where the grant was used for a capital purpose, are made to the statement of comprehensive income.

Capital Grant

This represents grant received from the Government of Jamaica to acquire property, plant and equipment. Annual transfers equivalent to depreciation charged on property, plant and equipment, are made to the statement of comprehensive income.

The movement in grants during the year was as follows:

	The Group		The Authority	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
At start of year	2,194,177	1,569,436	335,977	354,977
Additions	407,377	616,551	-	-
Transfer to the statement of comprehensive income (Note 5 and 8)	(502,798)	(347,307)	(18,999)	(19,000)
Translation adjustment	14,293	355,497	-	-
At end of year	2,113,049	2,194,177	316,978	335,977

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22. Statement of Cash Flows

The major non-cash transaction in the statement of cash flows are:

- (i) Unrealised foreign exchange losses on foreign currency loans and interest charged on advances received from the Authority. These amounts were used to fund the Norman Manley Airport expansion project and are included in additions to work in progress; and
- (ii) Withholding tax recoverable written off during the prior year. This amount was included in receivables.

23. Post-Employment Benefits

	The Group & The Authority	
	2010 \$'000	2009 \$'000
Liability recognised in the balance sheet –		
Medical benefits	123,455	118,385
Amounts recognised in arriving at the profit or loss account (Note 7) –		
Pension scheme	8,911	10,884
Medical benefits	13,736	13,913

Pension scheme benefits

The Group participates in a defined benefit scheme, which is open to all permanent employees who have satisfied certain minimum service requirements.

The amount recognised in the balance sheet was determined as follows:

	The Group & The Authority	
	2010 \$'000	2009 \$'000
Fair value of plan assets	581,013	500,405
Present value of obligations	(765,683)	(481,915)
	(184,670)	18,490
Unrecognised actuarial losses	337,493	155,076
	152,823	173,566
Limitation on recognition of asset due to uncertainty of obtaining future benefits	(152,823)	(173,566)
	-	-

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23. Post-Employment Benefits (Continued)

Pension scheme benefits (continued)

The movement in the fair value of plan assets during the year was as follows:

	The Group & The Authority	
	2010 \$'000	2009 \$'000
At beginning of year	500,405	481,667
Expected return on plan assets	66,991	59,560
Actuarial losses	58,901	(30,140)
Employer contributions	24	10,884
Employee contributions	13,653	14,198
Benefits paid	(58,961)	(35,764)
At end of year	<u>581,013</u>	<u>500,405</u>

The movement in the present value of the defined benefit obligation during the year was as follows:

	The Group & The Authority	
	2010 \$'000	2009 \$'000
At beginning of year	481,915	405,279
Current service cost	28,139	26,148
Interest cost	68,020	48,490
Actuarial losses on obligations	246,570	37,762
Benefits paid	(58,961)	(35,764)
At end of year	<u>765,683</u>	<u>481,915</u>

The amounts recognised in arriving at profit or loss are as follows:

	The Group & The Authority	
	2010 \$'000	2009 \$'000
Current service cost, net of employee contributions	(14,486)	(11,950)
Interest cost	(68,020)	(48,490)
Expected return on plan assets	66,991	59,560
Net actuarial losses recognised during the year	(5,252)	(2,167)
Change in asset limitation	20,743	(7,837)
Total included in staff costs (Note 7)	<u>(24)</u>	<u>(10,884)</u>

The actual return on plan assets was \$135,667,000 (2009 – \$37,724,000).

Expected contributions to the plan for the year ended 31 March 2011 amount to \$26,799,000.

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23. Post-Employment Benefits (Continued)

Pension scheme benefits (continued)

The distribution of plan assets was as follows:

	The Group & The Authority			
	2010		2009	
	\$'000	%	\$'000	%
Fixed Income Fund	495,134	85	440,239	88
Equity Fund	85,879	15	60,166	12
	<u>581,013</u>		<u>500,405</u>	

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. The Deposit Administration Fund and the Pooled Investment Fund are both mutual funds administered by Guardian Life Limited whilst the Fixed Income Fund and the Equity Fund are administered by Prime Asset Management Limited. Expected yield on the Deposit Administration Fund is based on gross redemption yields as at the balance sheet date. Expected yield on the Funds reflect the long-term real rates of return on portfolio.

The five-year trend for the fair value of plan assets, the defined benefit obligation, the surplus in the plan, and experience adjustments for plan assets and liabilities is as follows:

	The Group & The Authority				
	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000
Fair value of plan assets	581,013	500,405	481,667	418,339	418,755
Defined benefit obligation	(765,683)	(481,915)	(405,279)	(247,584)	(228,775)
Surplus	<u>(184,670)</u>	<u>18,490</u>	<u>76,388</u>	<u>170,755</u>	<u>189,980</u>
Experience adjustments –					
Fair value of plan assets	58,901	(30,140)	17,136	(4,644)	23,677
Defined benefit obligation	246,570	37,762	124,500	41,985	31,036

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23. Post-Employment Benefits (Continued)

Medical benefits

In addition to pension benefits, the Group offers retirees medical benefits. Funds are not built up to cover the obligations under the medical benefit scheme. The method of accounting and frequency of valuations are similar to those used for the pension scheme.

The liability recognised in the balance sheet was determined as follows:

	The Group & The Authority	
	2010 \$'000	2009 \$'000
Present value of unfunded obligations	100,426	61,185
Unrecognised actuarial gains	23,029	57,200
	<u>123,455</u>	<u>118,385</u>

The movement in the present value of the defined benefit obligation during the year was as follows:

	The Group & The Authority	
	2010 \$'000	2009 \$'000
At beginning of year	61,185	87,059
Current service cost	1,945	3,429
Interest cost	9,496	11,113
Actuarial gains on obligations	31,617	(37,165)
Benefits paid	(3,817)	(3,251)
At end of year	<u>100,426</u>	<u>61,185</u>

The amounts recognised in arriving at profit or loss are as follows:

	The Group & The Authority	
	2010 \$'000	2009 \$'000
Current service cost	(1,945)	(3,429)
Interest cost	(9,496)	(11,113)
Net actuarial gain recognised in year	2,554	629
Total included in staff costs (Note 7)	<u>8,887</u>	<u>(13,913)</u>

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23. Post-Employment Benefits (Continued)

Medical benefits (continued)

The effects of a 1% movement in the assumed medical cost trend rate were as follows:

	The Group & The Authority	
	Increase \$'000	Decrease \$'000
Effect on the aggregate of the current service cost and interest cost	13,786	10,107
Effect on the defined benefit obligation	122,238	88,987

The five-year trend for the defined benefit obligation and experience adjustments is as follows:

	The Group & The Authority				
	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000
Defined benefit obligation	100,426	61,185	87,059	54,789	73,640
Experience adjustments	31,617	(37,165)	26,997	(29,000)	(29,253)

Principal actuarial assumptions used in valuing post-employment benefits

The principal actuarial assumptions used in valuing post-employment benefits are as follows:

	The Group & The Authority	
	2010	2009
Discount rate	11.5%	16.0%
Expected return on plan assets	8.0%	14.0%
Future salary increases	7.5%	11.0%
Future pension increases	6.0%	5.0%
Medical cost trend rate	10.5%	10.0%

The average expected remaining service life of the employees of the pension scheme is 21 years (2009 – 20 years), for the medical scheme is 21 years (2009 –19.5 years).

Post-employment mortality for active members and mortality for pensioners and deferred pensioners is based on the 1994 Group Annuity Mortality Tables (GAM 94) (U.S. mortality tables), with no age setback.

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24. Contingent Liabilities

The Authority and its subsidiary are subject to various claims, disputes and legal proceedings, in the normal course of business. Provision is made for such matters when, in the opinion of management and its legal counsel, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both financial position and results of operations.

25. Capital Commitments

At 31 March 2010, the Group had authorised capital expenditure amounting to \$1,471,000,000 (2009 – \$1,414,000,000), of which \$1,402,000,000 (2009 – \$1,215,000,000) have been contracted for.

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airports authority of jamaica