airports authority of jamaica

Thinking Development. Moving Ahead

ANNUAL REPORT 2011 - 2012

AIRPORT HISTORY, VISION, MISSION AND CORPORATE VALUES

AIRPORT HISTORY

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 Airports Ltd (NMIAL) , 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. In 2011 a third International Port of Entry was established, the Ian Fleming International Airport, through the upgrading of the Boscobel Aerodrome to accommodate and process international passengers.

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."

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 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.

Dennis Morrison
Chairman

CHAIRMAN'S Message

The recovery of the global air transportation industry remained fragile in 2011 and threats to the industry, including rising oil prices and continued instability in the Eurozone countries, tempered its prospects for 2012.

Locally, passenger and cargo traffic experienced moderate declines due to the weak state of the domestic economy and lingering recessionary conditions in source markets for passengers to the island. Another negative factor at play was the increased Air Passenger Duty (APD) imposed by the British government which continues to dampen air passenger traffic to the Caribbean.

Jamaica's air transportation sector also experienced a major shift with the divestment of Air Jamaica to the Trinidad and Tobago based Caribbean Airlines Limited (CAL). Amidst public concerns regarding the sale of the national airline, CAL's Board sought to allay fears that the country's iconic Air Jamaica brand had been abandoned and commenced operating the airline under the slogan "two brands, one Caribbean". As anticipated however, consolidation of the two airlines resulted in a significant downsizing of the Jamaican operation resulting in the loss of jobs.

While aeronautical revenues at NMIAL were affected by the 3% and 5% reductions in revenue passengers when compared with budgeted and prior year results respectively, there was an overall positive revenue performance which was due to increases in non-aeronautical revenues; including additional space rental, increased concession revenues and an upward adjustment in the public car park rates. As a result, operating revenues stood at J$ 3,676.3m, which was above budget by J$305.1m and exceeded prior year performance by J$350.2m.

Operating expenses for the group amounted to J$3,194.0m (2010/11 - J$2,721.0m), an increase of J$318.7m over the budgeted sum. The principal drivers of the additional expenditure were staff costs, as a result of termination pay arising from the Group's staff rationalization programme; as well as rising electricity costs, due to the impact of increased electricity rates.

Notwithstanding the challenges in the industry, the AAJ Group generated an operating surplus of J$482.3m for the 2011- 2012 fiscal year, just below the target of J$496.0m and under the J$605.2m recorded in 2010-2011.

Having completed significant aspects of the capital development works at both international airports, some of the major achievements over the period involved the expansion of services offered at the airports including:

1. The introduction of Arrivals Duty Free concessions at our two main international airports, made possible by the passage of the Arrivals and Duty Free bill by Parliament. NMIA's concession "Gladfiseeyu" commenced operation in 2011 November and SIA's concession was awarded and will commence operation during the first quarter of the new fiscal year.

2. The opening of world-class executive lounges at both international airports: Club Kingston and Club Montego Bay.

3. The commencement of the operations of the Pineapple Lounge in the Ground Transportation Hall at NMIA, which is available to arriving passengers and /or groups for press conferences, meetings or unique meet and greet experiences in an elegant atmosphere.

MBJ Airports Limited, private operators of SIA, has been involved in the Airports Council International - Airport Service Quality (ACI-ASQ) international benchmarking programme since 2009. Since then, SIA has consistently maintained a position in the top 5 regional airports. For the quarter ending 2012 March, SIA achieved the number three (3) position in the region for Overall Satisfaction and placed in the number one (1) position for Speed of Baggage Delivery and Customs Inspection. NMIA registered to participate in the ACI-ASQ programme to begin the international benchmarking of its service offering against airports in the region and globally. Employees at NMIAL have embarked on plans, along with other airport stakeholders, to ensure that the airport compares favourably in its class.

MBJ hosted the annual Airports Council International - Latin America and the Caribbean Annual meeting in 2011 October. Airport representatives from across the region met in Montego Bay for the event which was attended by over 200 attendees.

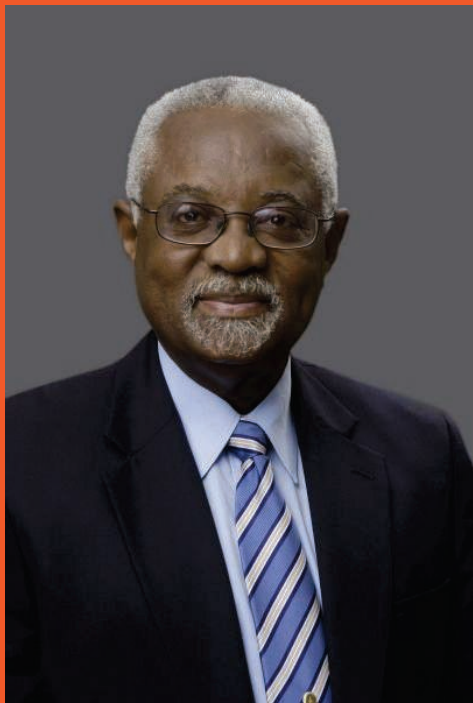
The policy of GOJ to privatise NMIA continues to be a work in progress for the Enterprise Team and, with the support of the Development Bank of Jamaica (DBJ) - which acts as the Team's secretariat, the group has been working through the various stages of the pre-privatisation process. The International Finance Corporation (IFC) has been engaged as lead consultants to the government and ARUP, Canada, was subsequently appointed as Technical Consultants.

As the year 2012 marks the commencement of Jamaica's 50th year of Independence, NMIA is also targeting the Jamaica 50 celebrations in 2012 August as a main marketing platform for airport visibility in keeping with the Uniquely Jamaican airport experience. Passengers, meeters and greeters as well as airport workers will be treated to true Jamaican hospitality and get the opportunity to taste, see and feel aspects of our food, culture and music over the period.

During the year under review, there was a transition of Board membership and leadership. I would like to use this medium to welcome the new members of the Board. Special recognition is given to the staff for the work done in managing and implementing projects and programmes that ensured a positive outcome for the airports for 2011/12 despite the minor fall off in passenger traffic, cargo and aircraft movements.

I look forward to a new year of hard work, creative thinking and close partnership with our stakeholders in pursuing the mission and vision of the AAJ towards long-term national gains.

Dennis Morrison
Chairman



Earl Richards
President

PRESIDENT'S Message

OVERVIEW

Fiscal year 2011/12 was another challenging one for Jamaica's aviation industry. The operators of both airports - MBJ Airports Limited and NMIA Airports Limited made strenuous efforts to grow non-aeronautical revenues. Particular emphasis was placed on this revenue category due to the fact that growth in aeronautical revenues continued to be stymied by marginal passenger traffic performance. This resulted from a number of factors including the weaknesses which obtained in origin/destination markets as a result of the slow recovery of the local economy and Jamaica's source markets.

The International Air Transport Association (IATA) has provided the following industry outlook, summarized below:

- Oil Price: Rising oil prices are putting down ward pressure on profitability.
- Aircraft Utilization: Both passenger load factors and aircraft utilization have returned to or above pre-recession levels.
- Passenger Demand: Passenger demand is expected to grow and reflects stronger business and consumer confidence in the US and Asia-Pacific.
- Cargo Markets: The pattern of rising sea freight and low level of air cargo is linked to Asian economies buying bulk commodities.

The local airport operators also focused on measures to contain costs and improve operational efficiency and service. In this regard, they continued their efforts to examine the options for the use of alternative energy sources for airport operations, as the cost of energy is one of the highest operational expense items. NMIA accelerated its cost containment programme concentrating on large expense categories such as staff, security, insurance, utility and maintenance costs.

During the reporting period new Board Members were appointed for AAJ and NMIAL, led by Mr Dennis E. Morrison and Mr Joseph A. Matalon respectively. We use this medium to welcome the new Board to its role and to thank the former Board Members, led by Mr. Mark Hart, for their committed service to the organisation and to the nation.

Financial results for the AAJ group reflected a J$350.2m, or 10.5%, increase in Operating Revenues compared with the previous year, moving from J$3,326.1m in 2010/11 to J$3,676.3m in 2011/12. This reflected a positive variance of 9% compared with the budget of J$3,371.3m. Operating expenses amounted to J$3,194.0m, a 17% increase over the previous year (J$2,721.0m) and an 11% increase when compared with the budget of J$2,875.3m. The Group therefore made an operating surplus of J$482.3m for the period, or -20.3% compared with the previous year (J$605.2m – 2010/11), and a negative variance of J$13.7m, or -2.8%, when compared with the budgeted sum of J$496m.

For the year 2011/12 overall passenger traffic at both airports recorded a marginal decrease of 0.8% when compared with that of 2010/11. This performance was realized despite the downsizing of Air Jamaica and its eventual sale to Caribbean Airlines Limited.

The Sangster International Airport (SIA) which continued to serve approximately 70% of total passenger traffic was flat, moving from 3,339,635 passengers in 2010/11 to 3,338,827 passengers in 2011/12. Norman Manley International Airport (NMIA) also experienced a 2.5% decline in passenger traffic when compared with the previous year, moving from 1,495,406 passengers in 2010/11 to 1,457,839 passengers in 2011/12.

Total aircraft movements declined by 2.7% when compared with the previous year, falling to 61,254 in 2011/12 from 62,966 in 2010/11. SIA which handled approximately 65% of total movements in 2011/12 remained flat, moving from 39,811 flights in 2010/11 to 39,815 in the reporting period. NMIA, however, experienced a 7.4% decrease in aircraft movements resulting in a total of 21,439 flights in 2011/12 down from 23,155 movements in 2010/11. This was primarily due to the downsizing of Air Jamaica.

Total cargo volumes also declined, in keeping with global economic trends. Over the period, total cargo volumes decreased by 4.2%, from 15,617,929 kg in 2010/11 to 14,956,620 in 2011/12. NMIA, which handles the bulk of air cargo (approximately 66%), experienced a 7.7% decline in 2011/12 when compared with 2010/11. However cargo volumes at SIA rose by 3.2% over the levels in 2011/12.

NMIAL, AAJ's wholly owned subsidiary, continues to place its commercial focus on growing non-aeronautical revenues through diversification. Sustained efforts will be made to increase the spend-per-passenger and to facilitate the provision of convenient products and services to the non-travelling visitors to the airport as well as airport workers. The strengthening of NMIAL's aeronautical revenue base will not be neglected however, despite concerns related to weak/marginal traffic performance arising from the challenges in the economies of Jamaica's target markets.

Jamaica's third international airport, the Ian Fleming International Airport (IFIA) celebrated its first anniversary on 2012 January 12. The event was marked by a "fly-in" by a team of jet owners and a brief ceremony, at which Dr. Morais Guy, Minister without Portfolio in the Ministry of Transport, Works and Housing, gave the main address. IFIA, formerly the Boscobel Aerodrome, is strategically placed to serve operators of private jets and turbo prop aircraft who wish to travel directly from the USA, Latin America or other Caribbean Islands into Ocho Rios (one of Jamaica's major tourism resort areas), as well as into exclusive properties in St. Ann, St. Mary and Portland.

ACKNOWLEDGEMENTS

Whereas it is anticipated that 2012/13 will be another challenging year for the airports and airlines, I am assured that the combined efforts of the staff and stakeholders will contribute to the continued stability of the local air transportation industry and the eventual return to growth of the sector when local and global economies rebound. I, therefore, use this medium once again to acknowledge the Board of Directors and staff of AAJ, NMIAL and MBJ, as well as our key industry partners who contributed to the measure of success achieved over the past fiscal year. I look forward to sustained efforts by all parties to achieve the mission of the organisation to build and sustain a world-class airport system.

Earl Richards
President

Airport / Aerodrome Performance

SANGSTER INTERNATIONAL AIRPORT (SIA)

In 2011/12, SIA continued to be the major tourism airport in Jamaica and had a fairly favourable winter tourist season despite the warmer than normal winter experienced in key markets in North America and United Kingdom.

New air services at the airport for the period under review included the following:

- COPA Airlines commenced direct service from Panama City in 2011 December with 2 flights per week.
- Satena Airlines began operations from Bogota & Medellin, Colombia.
- XL Airways, out of Paris, started a seasonal service to SIA in 2011 December and has committed to return for Winter 2012/13.
- Air Italy, with service from Rome, operated four (4) flights for the period 2011 December – 2012 January.
- TAME airline continued summer service from Quito, Ecuador.
- Sunwing Airlines commenced operations on new routes out of the US with weekly service from Cincinnati and Nashville. Additionally, Sunwing added new service from two (2) cities out of Canada: St. John's, Newfoundland and Vancouver, British Colombia.
- US Airways increased capacity for the 2011/2012 Winter Season with additional flights from Philadelphia, Boston and Charlotte.

MBJ Airports Limited, through its route development initiatives, identified the following air service destination targets in the medium term;

- The US Midwest/ West Coast
- Connecting into a European Hub such as Schiphol or Frankfurt
- Central and South America

MBJ has also signed a number of major contracts in 2011 in respect of its airport commercial programme.

- In 2011 April, the passenger experience at SIA was significantly enhanced on the scales of comfort, elegance and Jamaican cultural indulgence with the opening of its new passenger lounge – Club MoBay. Since operations commenced in April, over 88,000 passengers have used the services of the lounge.

- MBJ contracted 'Express Catering' to provide all departure post security food & beverage concession services for an initial 10-year period. Express Catering has since introduced new international brands targeting tourists/ international visitors, the major passenger category using the airport. The new operators will also redevelop the food court and relocate the smoking lounge to the upper level of the passenger pier, with a view of the runway.

- Another major retail development was the plan to establish the first Walk-Through Duty Free concession in the East Concourse of the airport to be operated by Aldeasa/World Duty Free, which operates in many countries. Aldeasa will also open an Arrivals Duty Free store, the design of which has been submitted for approval.

- MBJ and Digicel entered into an agreement that provides free WIFI and other services for the convenience of passengers.

In order to expedite the check-in process, 20 additional Common Use Self Service (CUSS) machines were installed in the ticketing area bringing the number to 40 kiosks.

Along with the hard work and dedicated services given by the employees, the camaraderie among airport staff from the various agencies and concessions was fostered through events such as a "Team Sangster event" and a football competition which brought all airport staff together.

KINGSTON

The heartbeat of Jamaica

NORMAN MANLEY INTERNATIONAL AIRPORT (NMIA)

While SIA is the prime gateway for tourists visiting the island, NMIA leads the way for business passengers and Visiting Friends & Relatives (VFR). The airport is the primary gateway into Jamaica's capital city, Kingston – "the Heartbeat of Jamaica" and is increasingly being promoted as a port of entry for tourist traffic. NMIA serves the east and south coasts of the island and is a convenient transit point to Ocho Rios, a prime tourism destination.

For the 2011/12 fiscal year, New York remained the leading destination and point of embarkation for travellers from and to Kingston, with 23% of total traffic. The Kingston/Fort Lauderdale share of NMIA's traffic, increased by approximately 2% to 20.7%, but that of Miami declined by 2% to 18.7%. Port of Spain, Trinidad, replaced Toronto as fourth and London remained the fifth most popular destination.

Caribbean Airlines remains the major carrier at NMIA in 2011/12 with approximately 49% of total traffic. American Airlines and JetBlue were in second and third place respectively at 20% and 7% during the year.

FINANCIAL HIGHLIGHTS- NMIA AIRPORTS LIMITED (NMIAL)

Revenue passengers for the fiscal year under review amounted to 707,232, that is, 5% below the budget of 741,884 and 3% below the previous year's number of 725,372. However, operating revenue for NMIA Airports Limited for the period was US$31.9m compared with US$29.2m for the previous year, representing a 9% increase over the previous year. This result was US$2.6m above the budgeted US$29.3m for the year. Operating expenses for the period was US$31.8m compared with US$27.8m for the previous year, and the budgeted amount of US$29.2m.

NMIAL recorded a lower than expected operating profit of US$134,000 for the year against a budget of US$140,000 and compared with an operating profit of US$1,363,000 for the previous year.

NMIA CAPITAL DEVELOPMENT PROGRAMME

Phase 1A of NMIA's three-phase Capital Development Programme (CDP) was completed at the end of the financial year at a cost of US$117.9m, below the budgeted US$120.0m. The total programme cost is estimated at US$161.1m.

Phase 1B of the capital development programme was approved for execution over five years commencing 2012 April, at a budgeted cost of US$26.087m. For fiscal year 2012/13, US$5.88m is to be spent. Projects already planned for which the procurement, installation or construction are in progress or are due to commence are as follows:

- Police station expansion and upgrade - providing improved accommodation for police personnel, other staff members and their clients. This project commenced in 2012 March and is estimated at US$200,000.
- Fire Detection and Alarm System Upgrade/Expansion - was tendered and commenced in 2012 March and is estimated at approximately - US$249,000.
- Remedial works - to address the wearing course along the taxiway, was awarded in 2012 March for approximately US$290,600 and work will commence in 2012 April.
- East Airfield Development Project - which will upgrade the south-eastern end of the old runway to facilitate better access by cargo aircraft, allow for ramp access to a growing number of private aircraft hangars, and improve the storm water drainage of the area. The contract was awarded at a cost of approximately US$648,000 and work is scheduled to commence in the first quarter of the new financial year.
- The Water Storage Project - which increased the capacity on the airport by an additional 50K gals of potable water, was completed. The larger water conveyance system improvement is to commence by the 2nd quarter of the new fiscal year at a budgeted cost of US$1,200,000.
- Integration of Existing HVAC System - a project to upgrade sections of the existing Air-conditioning chill water supply system by the creation of a closed-loop ring main and the upgrading of the Chiller and Cooling Tower infrastructure to improve the efficiency and reliability of the system, was tendered in 2011 November for commencement by the second quarter of 2012/13. The budget for this project is US$3,870,000.

Projects within the planning/design phase include:

- Fire suppression system upgrade - investigation and design consultancy was being prepared for tender by the second quarter in 2012/13. The Consultancy Budget is estimated at US$200,000.
- 24kV Primary Electrical Distribution System - Implementation of a 24 KV Electrical Ring Main to increase the efficiency and reliability of the electrical system. The Consultancy Budget is estimated at US$80,000.

In addition to the major works, NMIAL continued to improve its airport facilities through projects such as the addition of canopies in the Arrivals area and the installation of lighting protection for the Energy Centre. Other projects included:

1. Construction, outfitting and operation of a Learning and Development Centre (LDC).

2. Facilitating an increase in the number of hangars operated by private aircraft owners. Already five (5) such areas have been identified on the East Airfield and the respective owners are well on their way in either completing the Agreement or constructing the hangar.

The implementation of the Runway End Safety Area (RESA) project was deferred and discussions are underway with the Ministry of Transport, Works and Housing, as well as the Jamaica Civil Aviation Authority (JCAA) concerning a new implementation schedule. The JCAA announced the commencement of work to build new Control Towers at NMIA and SIA to commence in the new financial year.

Energy management continues to be a major priority of the organisation and work has commenced in employing new energy conservation practices as well as exploring alternate sources of energy. In keeping with this objective, NMIA commenced a pilot project using solar lighting at a section of its perimeter fence. The results will inform other initiatives to be undertaken by the airport.

THE ENVIRONMENT

NMIAL continued to work at implementing its Environmental Management System and supporting environmental initiatives in keeping with the goal of modelling ISO14001 standards in airport operations. The organisation participated in the annual tree planting exercise as well as added the collection of waste paper for recycling to complement its plastic (PET) recycling programme.

NMIA AIRPORT OPERATIONS

CUSTOMER SERVICE

NMIAL sustained its drive toward enhanced service levels and in so doing started preparations towards implementing the ACI-ASQ international benchmarking programme. This programme complements methods of measuring customer satisfaction and allows participating airports to participate in a system that independently ranks their service levels against those of other airports. Stakeholders at NMIA are currently being sensitized in preparation for the surveys, which are to commence in the second quarter of the new fiscal year. NMIAL's VIP /Customer Service Representatives were chosen for special recognition at the awards function held by the Consular Corps of Jamaica's Exposition for excellence in protocol service to the Corps.

COST MANAGEMENT

The Board and management have also identified key areas for managing and (where possible) reducing the cost of operations. These include: Staff, Insurance, Security, Repairs & Maintenance, and Utility Costs.

Significant progress was made during the year in the following areas:

- Wages and Salaries decreased from J$592 m in 2010/11 to J$562 m in 2011/12
- Insurance cost reduced from approximately J$159 m in 2010/11 to J$145m in 2011/12 and,
- Security expenses declined from approximately J$284m in 2010/11 to J$244m in 2011/12

The cost for repairs and maintenance increased by approximately J$4m in 2011/12 over the previous year, however, the area of utilities continues to be the major concern, with costs moving from J$372m in 2010/11 to J$475m in 2011/12 despite efforts at managing consumption.

Greater focus is being placed on addressing energy demand and consumption throughout all aspects of airport operations as well as exploring alternative energy sources in the short to medium term. In this regard, NMIAL introduced a "Ramping Down Programme" which included reducing the number of areas kept open during the "silent" operational hours (i.e. 9:00pm – 5:00am). In this regard, while the airport remained functional, a number of areas in the terminal were kept closed during this period, for example:

- Concessionaire Screening Area
- Pre-Board Screening Checkpoint
- Staff Screening (Baggage Make-Up Area)
- Customs Screening Checkpoint

These and other initiatives will continue to be employed in the next financial year.

MAINTENANCE REPAIR OPERATION

NMIAL is currently exploring a strategic opportunity in seeking to retain the superior aircraft maintenance infrastructure and capabilities of the former Air Jamaica. In this regard preliminary discussions were held with a view to establishing a maintenance repair operation (MRO) that would serve the basic maintenance/repair needs of multiple airlines at NMIA. These plans are in their embryonic stages and will be further developed in the 2012-13 fiscal year.

AVIATION SAFETY

During the year a second ambulance was acquired along with a new Aircraft Rescue and Fire Fighting Vehicle. A rescue boat was also procured to enhance the search and rescue capabilities of the airport. Safety training was done and benefited a number of airport personnel. Plans are being made to have all airport workers exposed to basic safety training during the course of the next financial year.

AVIATION SECURITY

One major objective of the security department was to conduct annual security awareness refresher training for all airport staff. While the goal was only partially achieved during the period, the requisite training manuals were submitted to the Jamaica Civil Aviation Authority (JCAA) for approval and Aviation Security (AVSEC) staff trained to conduct the awareness courses. During the next financial year the security awareness orientation for airport workers will be enhanced. The process of issuing and renewing new ID cards will involve more comprehensive training and a formal assessment.

Continued attention was placed on enhancing the security surveillance system of the airport property and terminal through the strategic deployment of additional CCTV cameras and replacing approximately 20% of those that had completed their useful life.

ROUTES, COMMERCIAL DEVELOPMENT AND MARKETING

NMIAL continued its effort to increase traffic through participation at Routes Conferences and maintaining ongoing dialogue with existing and prospective airlines with the objective of growing current routes and exploring new destinations to/from Kingston.

The year was significant for airlines in the Caribbean as the divestment of Air Jamaica to Caribbean Airlines Limited (CAL) was completed and the Board of CAL announced the “Rebirth of Air Jamaica”. The new direction of the airline saw it operating with the expressed aim of placing both carriers in a better strategic position. The Air Jamaica brand would target the leisure and travel market, and CAL would concentrate on core business aimed at the Diaspora and the business community. CAL reintroduced its non-stop flights from Kingston to Orlando and commenced a Kingston to Miami route, but this was short lived.

RedJet, a new airline registered and based in Barbados, became the Caribbean's first low-cost airline commencing Jamaican operations in 2011 and ceased in 2012 March.

By the close of the fiscal year, announcements were made concerning:

1. Commencement of service into Kingston by West Jet from Toronto and JetBlue from Fort Lauderdale, both in 2012 April
2. The discontinuation of the London Gatwick to Kingston Route by Virgin Atlantic in 2012 April.

NMIAL accelerated its work with the Jamaica Tourist Board (JTB) and the Jamaica Hotel and Tourist Association (JHTA) to strengthen the partnership aimed at increasing tourism into "Destination Kingston". The airport collaborated with these partners for the staging of a sales blitz to travel agencies and tour operators in Canada and London. In turn, arrangements were made for familiarization trips to Kingston by tour operators and travel agencies, many of whom had not been to the destination before or had not been in the past 5 – 10 years.

Among the VIP clients facilitated by NMIAL, was His Royal Highness, Prince Henry of Wales (also known as Prince Harry), younger grandson of Her Majesty, Queen Elizabeth II, who arrived at the airport on 2012 March 5. The visit by the Prince was part of a series of tours to several countries, in commemorative tribute to the 60th Diamond Jubilee Anniversary of the Queen's accession to the throne as Queen of England. For the upcoming year both airports are making preparations to join in the national celebration of Jamaica's 50th year of Independence through significantly enhanced airport décor and other initiatives in collaboration with the Jamaica 50 secretariat.

With regard to its commercial programme, NMIAL implemented a number of major contracts in the 2011/12 fiscal year as follows:

- In 2011 August Club Kingston commenced operation in its new location at NMIA. The lounge, with its elegant, friendly, yet professional ambiance has seamlessly complemented the world-class service and facilities at NMIA.

- In keeping with the passage of the relevant legislation, NMIA was pleased to commence operation of Jamaica's first Arrivals Duty Free concession "Gladfiseeyu" in 2011 November. The concession, which was well designed and stocked, provides arriving passengers the benefit of purchasing approved items at very competitive duty free prices on arrival, instead of procuring the items overseas and packing and transporting them throughout their journey into Kingston. Gladfiseeyu is located in the link corridor after exiting the Incoming Immigration Hall, before entering the Customs/Baggage Claim area.

Other important developments at NMIA included:

- The opening of Western Union in the Arrivals forecourt, offering Inbound and Outbound transfers, bill payments and other services to airport staff, clients/visitors as well as patrons from the Port Royal Community.
- The opening of Cafe Blue in the Departure Lounge, which replaced Blue Moon Café, offering "the finest gourmet coffee drinks, pastry & paninis".

Upcoming commercial initiatives for NMIA include:

- New sports bar and entertainment concept for the arrivals forecourt to be implemented by the fourth quarter of 2012/13
- Medical and Dental Clinic by 2012 December 31
- Airport Pharmacy by quarter four 2012/13
- Continued development of private hangars, under Build-Own-Operate and Transfer (BOOT) arrangements
- Implementation of Phase 2 of the NMIA Cargo and Logistic Centre

Car park systems and revenues are also set to be improved by the implementation of a new technology based Parking Access and Revenue Control System (PARCS) which is planned for implementation in the new financial year.

IAN FLEMING INTERNATIONAL AIRPORT

The Ian Fleming International Airport marked its 1st Anniversary as an International Port of Entry (IPE), in 2012 January. The occasion was shared with the TBM Group, owners of a special class of private jets, which chose Jamaica, more specifically – Ocho Rios, to celebrate the 100th Anniversary of the aircraft. The group flew into IFIA in signature TBM 850 aircraft and were warmly greeted by local officials and airport executives.

Special guests at the event included Hon. Dr. Morais Guy, Minister without Portfolio in the Ministry of Transport, Works and Housing who gave the main address. IFIA also facilitated the hosting of the inaugural Boscobel Air Show which was organised by the Caribbean Aviation Training Centre. The Air Show was a success with patrons being treated to still and live displays of a range of aircraft.

AERODROMES

The AAJ continued to give oversight to the three (3) domestic aerodromes. Although operated at a significant cost to the AAJ, the aerodromes continue to serve as strategic assets in the domestic aviation system. Tinson Pen, the largest and busiest of the aerodromes received significant attention particularly in the area of Taxiway Alpha extension and the resuscitation of the Fuel Farm (estimated to be 85% complete as at 2012 March 31). The Negril Aerodrome received attention in the area of perimeter security by the installation of flood lights. Designs for work to upgrade the Airport Protection building were completed and submitted to the local Parish Council for approval with a view to commence construction in the 2012/13 budget year. The Ken Jones Aerodrome had little activity over the reporting period.

AAJ GROUP:
HUMAN RESOURCE DEVELOPMENT AND ADMINISTRATION

Initiatives undertaken to improve organisational efficiency and effectiveness included work done to negotiate removal of guaranteed overtime payments, and reduction of certain manpower levels on shifts. The organisation also continued its strategy of redeploying its human capital to fill vacancies and amalgamating certain functions.

Below is the staff count for the AAJ Group for the reporting period:

	March 31, 2011	March 31, 2012
NMIA	156	139
AAJ	22	16
AERODROME	24	23
TOTAL	202	178

THE LEARNING AND DEVELOPMENT CENTRE

The Learning and Development Centre (LDC) was established to provide for the training and development needs of airport workers and airport clients. The Centre has ample facilities for meetings, retreats, and training, as well as sporting and entertainment activities. Over the period 2011 April to 2012 March, approximately one hundred and eighty-six (186) employees participated in learning and development activities across the organization, totalling five hundred and eighty-six (586) man-days. This is an average of 3.2 man-days per person, surpassing the target of 2 man-days per employee. Training programmes included:

- Fundamentals of Routes Development
- Aviation Safety Management Systems,
- Fundamentals of Airport Operations,
- Corporate Tax Management,
- Human Factor and Energy Conservation & Efficiency.

Learning and development programmes include those interventions and activities geared towards skill and business development as well as personal development.

STAFF DEVELOPMENT

Approximately 40 employees completed the in-house familiarization seminar - Fundamentals of Airport Operations. This mandatory course was designed to develop/improve employees' knowledge in general airport operations with particular focus on NMIA.

The Management Development Programme saw the training of 29 managers and supervisors in the area of Industrial Relations. This was done in partnership with the Hugh Lawson Shearer Trade Union Education Institute, UWI, Mona.

STAFF WELFARE

This period saw the nineteenth (19th) anniversary of the AAJ Scholarship Programme for Children of Employees. The programme emerged out of a collective bargaining agreement with the trade unions and was introduced in 1993. Awards for the children of managers was introduced in 1996.

The scholarship programme has three levels of awards:
- Secondary scholarships
- Tertiary scholarships
- Book grants

Five secondary school scholarships tenable for a five-year period were awarded as well as two for tertiary scholarships tenable for a maximum of four years. Two book grant awards were also made.

SPORTS & HEALTH

In the area of sports, our footballers were runners-up in the KSAFA 5-a-side competition, consisting of 32 teams. They also finished in the mid table position of the Division One league. Our netballers participated in the Business House Netball Association Junior League and finished sixth.

Employees also participated in the Health and Wellness Programme which promotes exercise through gym attendance and wellness knowledge through monthly wellness sessions.

The airport also hosted the 8th staging of the NMIA PALISADOES 5K WALK/RUN on 2011 NOVEMBER 12 with the principal beneficiary being the Ward Theatre in recognition of its historical and future importance to Kingston as the cultural capital of Jamaica. Airport staff and stakeholders gave commendable support and a contribution of $500,000 was made to the Ward Theatre.

INDUSTRIAL RELATIONS

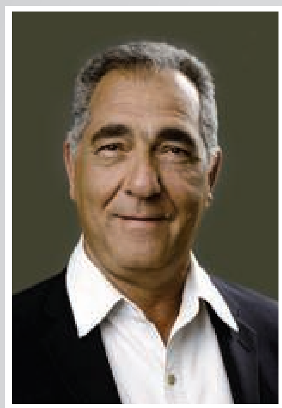
The company and the trade unions maintained a mutually respectful and cordial relationship. Through a collaborative management style both parties negotiated and resolved several issues related to organizational and employee performance improvement.

... END ...

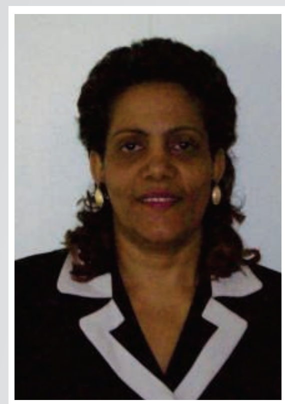
Dennis Morrison
Chairman

Board of Directors

Neil Lawrence
Director



Hon. William Shagoury
Director



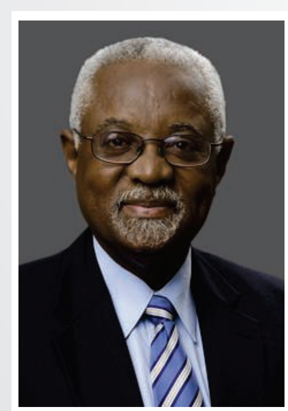
Claudette Ramdanie
Director

Neville Wright
Director

Valerie Simpson
Director

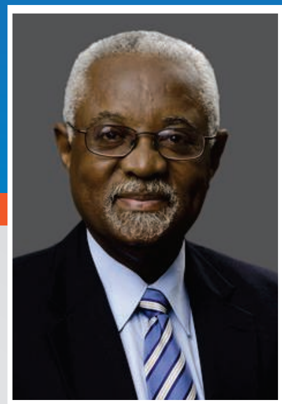
Dr. Lanie Oakley - Williams
Director

Joseph A Matalon
Director



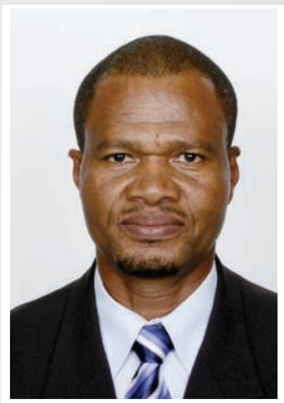
Earl Richards
Director/President

Executive Team



Earl Richards
President

Audley Deidrick
V.P Finance



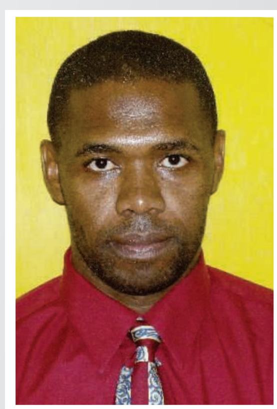
Horace Bryson
Snr. Director Engin., Mtnce & Projects

Samuel Manning
Director Finance

Richard Gibbs
Director ICT

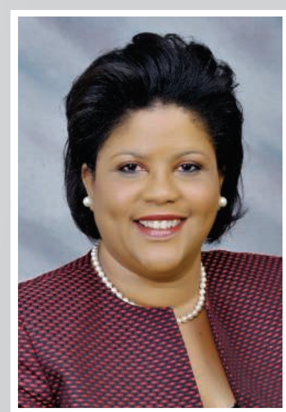
Lt Cdr. John McFarlane, JP
Director Aviation Security

Carvell McLeary
Snr. Director HRD & Admin.



Stanley Smith
Snr. Director Airport Operations

Alfred McDonald
Snr Director Commercial Development & Planning



Lisa-Kaye Bryan
General Counsel

OPERATIONAL PERFORMANCE

A. Traffic Performance

NMIA Traffic

Period	Passenger Movement		Aircraft Movement		Total Cargo	
2007/08	1,745,719	2%	23,382	-1%	15,014,385	0%
2008/09	1,676,298	-4%	24,556	5%	13,419,671	-11%
2009/10	1,579,122	-6%	22,360	-9%	10,582,397	-21%
2010/11	1,495,406	-5%	23,155	4%	10,709,081	1%
2011/12	1,457,839	-3%	21,439	-7%	9,888,501	-8%
2007-12	**7,954,384**		**114,892**		**59,614,035**	

SIA Traffic

Period	Passenger Movement		Aircraft Movement		Total Cargo	
2007/08	3,572,051	5%	44,434	-3%	5,689,752	26%
2008/09	3,323,142	-7%	39,990	-10%	5,394,901	-5%
2009/10	3,292,296	-1%	37,990	-5%	4,616,343	-14%
2010/11	3,339,635	1%	39,811	5%	4,908,848	6%
2011/12	3,338,827	0%	39,815	0%	5,068,119	3%
2007-12	**16,865,951**		**202,040**		**25,677,963**	

Total Traffic

Period	Passenger Movement		Aircraft Movement		Total Cargo	
2007/08	5,317,770	4%	67,816	-2%	20,704,137	6%
2008/09	4,999,440	-6%	64,546	-5%	18,814,572	-9%
2009/10	4,871,418	-3%	60,350	-7%	15,198,740	-19%
2010/11	4,835,041	-1%	62,966	4%	15,617,929	3%
2011/12	4,796,666	-1%	61,254	-3%	14,956,620	-4%
2007-12	**24,820,335**		**316,932**		**85,291,998**	

B. Financial Performance Indicators

Table 4: Summary Financial Indicators For NMIA Limited

		Budget
Description	2011/12	2012/13
Aeronautical to Total revenue	44%	46%
Aeronautical Revenue (US$'000)		
Passenger Service Fees	5,663	5,780
Security Fees	2,239	2,877
Landing Fees	2,790	2,636
Other	1,003	1,051
Non-Aeronautical Revenue (US$'000)		
Concession Fees	7,246	7,277
Car Park	834	774
Space Rental	2,078	1,572
Advertising Space Rentals	821	812
Utilities Recovery	1,076	1,115
Other	2,700	3,059
Revenue Drivers		
Passenger Throughput (departures)	707,232	707,128
Aircraft Landings	10,698	10,663
Cargo Throughput (revenue cargo includes mail)	12,336,776	13,226,933

AAJ GROUP - CONSOLIDATED INCOME STATEMENT		2011/12 vs. 2010/11	
	Actual	Budget	Budget
	Mar -12	2011-12	2012-13
	J$'000	J$'000	J$'000
Operating Revenue	3,676,350	3,371,278	3,453,378
Operating Expenses	(3,194,042)	(2,875,305)	(2,989,173)
Other Income/(Expenditure)	(38,276)	(106,739)	(103,989)
Taxation	(178,726)	(190,248)	(199,101)
Net Surplus	265,306	198,986	161,115
Capital Expenditure	558,754	809,479	779,095

AAJ			
	Actual	Budget	Budget
	Mar -12	2011-12	2012-13
	J$'000	J$'000	J$'000
Operating Revenue	1,298,007	1,231,574	1,222,369
Operating Expenses	(629,203)	(537,776)	(495,882)
Other Income/(Expenditure)	(68,203)	(106,739)	(106,739)
Taxation	(178,726)	(190,248)	(199,101)
Net Surplus	421,875	396,811	420,647
Capital Expenditure	96,346	106,801	94,477

NMIAL INCOME STATEMENT			
	Actual	Budget	Budget
	Mar -12	2011-12	2012-13
	US$'000	US$'000	US$'000
Operating Revenue	31,940	29,318	30,417
Operating Expenses	(31,806)	(29,178)	(30,956)
Other Income/(Expenditure)	(1,907)	(2,440)	(2,479)
Taxation	-	-	-
Net Surplus	(1,773)	(2,300)	(3,018)
Capital Expenditure	5,308	8,171	7,961

Attendance Register
AAJ Board of Directors

April 2011 - Jan 2012
Board Led by Mr. Mark Hart, Chairman

Names	Apr 2011	May 2011	June 2011	July 2011	Aug 2011	Sept 2011
Mark Hart	✓	✓	-	-	-	✓
Charles Heholt	-	✓	✓	✓	-	✓
Earl Richards	✓	✓	✓	✓	-	✓
Fay Hutchinson	✓	✓	✓	✓	-	✓
Dennis P Morgan	✓	✓	✓	✓	-	-
Valerie Simpson	✓	✓	-	✓	-	✓
William Shagoury	✓	-	✓	-	-	✓
Marcus James	✓	✓	✓	✓	-	✓

Feb 2012 - March 2012
Board Led by Mr. Dennis Morrison, Chairman

Names	
Dennis Morrison	
Earl Richards	
Neville Wright	
Claudette Ramdanie	
William Shagoury	
Lanie Oakley-Williams	
Neil Lawrence	
Valerie Simpson	
Joseph A. Matalon	

	Oct 2011	Nov 2011	Dec 2011	Jan 2012			Total
	✓	✓	✓	✓			7
	✓	-	✓	✓			7
	✓	✓	✓	✓			9
	✓	✓	✓	✓			9
	✓	-	✓	✓			7
	✓	✓	✓	✓			8
	✓	✓	✓	✓			7
	✓	✓	✓	✓			9

	Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012	Mar 2012	Total
					✓	✓	2
					✓	✓	2
					✓	✓	2
					✓	✓	2
					✓	✓	2
					✓	✓	2
					✓	✓	2
					✓	✓	2
					-	✓	1

Directors' Compensation: April 2011 - January 2012

Position of Director	Fees ($)	Motor Vehicle Upkeep/Travelling or Value of Assignment of Motor Vehicle ($)
Mark Hart Chairman	112,000.00	184,148.70
Charles Heholt Vice Chairman of the Board & Chairman of the Projects Sub-committee	129,500.00	26,880.00
Dennis P. Morgan Director	87,500.00	18,480.00
Fay Hutchinson Director	83,500.00	16,800.00
William Shagoury** Director	94,000.00	85,804.00
Marcus James Director & Chairman of the Finance and Audit Sub-committee	132,500.00	16,800.00
Ransford Braham Director	0.00	0.00
Valerie Simpson** Director	122,000.00	28,560.00
Earl Richards Director/President *		
	761,000.00	377,472.70

Notes

1. Fees are paid as follows:
   a. Board Meetings
      i. Board Chairman: $16,000 per meeting
      ii. Directors: $8,500 per meeting
   b. Sub-Committee Meetings
      i. Sub-committee Chairman: $7,000 per meeting
      ii. Members: $3,500 per meeting
2. Board Chairman's travelling expense relates to invoices for return air travel from his operational base in Montego Bay to Kingston. Other directors receive a travelling allowance of $35.00 per Km for meetings attended.
3. Payments to co-opted members of Board Sub-committees who are not Directors are not included in the numbers reported above.

* See Executive compensation for the Director /President
** Compensation is for the period April 2011 - March 2012

Honoraria ($)	All other compensation including Non-Cash benifits as applicable ($)	Total ($)
0	42,043.45	338,192.15
0	42,043.45	198,423.45
0	0.00	105,980.00
0	0.00	100,300.00
0	0.00	179,804.00
0	0.00	149,300.00
0	0.00	0.00
0	42,043.45	192,603.45
	126,130.35	1,264,603.05

Directors' Compensation:
February 2012 - March 2012

Position of Director	Fees ($)	Motor Vehicle Upkeep/Travelling or Value of Assignment of Motor Vehicle ($)
Dennis Morrison Chairman	32,000.00	3,360.00
Joseph A. Matalon Chairman of the Projects Sub-committee	8,500.00	1,680.00
Lanie Oakley-Williams Director & Chairperson of the Finance & Audit Sub-Committee	17,000.00	3,360.00
Neil Lawrence Director	17,000.00	3,360.00
Claudette Ramdanie Director	17,000.00	3,360.00
Neville Wright Director	17,000.00	3,360.00
William Shagoury * Director and Chairman of The Business Development Committee		
Howard Nugent Co-opted member of the Projects Sub-Committee	35,000.00	16,800.00
Whilston Taylor Co-opted member of the Projects Sub-Committee	21,000.00	10.080.000
Veronica Bennett Warmington Co-opted member of the Projects Sub-Committee	35,000.00	16,800.00
Valerie Simpson * Director		
Earl Richards Director/President *	199,500.00	62,160.00
Total		
Combined Total Compensation of Members for 2011/12	**960,500.00**	**439,632.70**

* See page 30 for fees - period April 2011 - March 2012

airports authority of jamaica

Honoraria ($)	All other compensation including Non-Cash benifits as applicable ($)	Total ($)
0.00	0.00	35,360.00
0.00	0.00	10,180.00
0.00	5,000.00	25,360.00
0.00	5,000.00	25,360.00
		20,360.00
0.00	0.00	20,360.00
		51,800.00
0.00	0.00	31,080.00
0.00	0.00	51,800.00
0.00	10,000.00	271,660.00
0	**136,130.35**	**1,536,263.05**

Notes

1. Fees are paid as follows:
   a. Board Meetings
      i. Board Chairman: $16,000 per meeting
      ii. Directors: $8,500 per meeting
   b. Sub-Committee Meetings
      i. Sub-committee Chairman: $7,000 per meeting
      ii. Members: $3,500 per meeting
2. Directors receive a travelling allowance of $35.00 per Km for meetings attended.
3. Note that there are 3 co-opted members of Board sub-committees during this period.
4. See Executive compensation for the Director /President

Senior Executive Compensation: April 2011 - March 2012

Position of Senior Executive	Year	Salary ($)	Gratuity ($)
Snr. VP Projects	2011/12	480,284	1,320,780
President	2011/12	7,267,023	1,816,756
General Counsel	2011/12	4,938,480	1,234,620
VP Finance	2011/12	5,763,404	1,440,851
Snr. VP Operations	2011/12	502,993	1,508,980
Snr. Director HRMA	2011/12	4,938,480	1,234,620
Snr. Director CD&P	2011/12	2,469,240	-
Snr. Director EMP	2011/12	2,469,240	-
VP Commercial	2011/12	2,881,702	1,440,851
Snr. Director Operations	2011/12	2,880,781	1,028,985

Travelling Allowance or Value of Assignment of Motor Vehicle ($)	Pension or Other Retirement Benefits ($)	Other Allowances ($)	Non-Cash Benefits ($)	Total ($)
126,828	-	22,410	10,470	1,960,772
2,250,636	-	428,516	146,753	11,909,684
1,521,936	-	519,092	114,060	8,328,188
1,521,936	-	671,258	125,642	9,523,091
126,828	-	22,410	10,789	2,172,000
1,521,936	-	587,547	114,060	8,396,643
760,968	-	362,646	57,030	3,649,884
760,968	-	157,279	57,030	3,444,517
760,968	-	224,901	62,821	5,371,243
911,031	-	217,601	57,030	5,095,428

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. This rate is applicable for mileage above 200 km
- Other Allowances is 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 labelled “Travelling Allowance.
- Non-taxable upkeep, totalling $4,513,500 and the non - cash items (health & pension) are not reflected in nor is it regarded as management compensation shown in the audited financial statements.
- Note 13 in the financial statements should show key management compensation- Wages and Salaries as J$49,544,000 and $20,268,000 for Group and AAJ respectively. The Auditors will make the necessary adjustments in the financial statements for 2013.
- The variances in compensation levels are due to separation of some executives and the appointment of others during the course of the year.

pwc

Airports Authority of Jamaica

Financial Statements
31 March 2012

airports authority of jamaica

Airports Authority of Jamaica
Index
31 March 2012

Independent Auditors' Report

To the Members of
Airports Authority of Jamaica

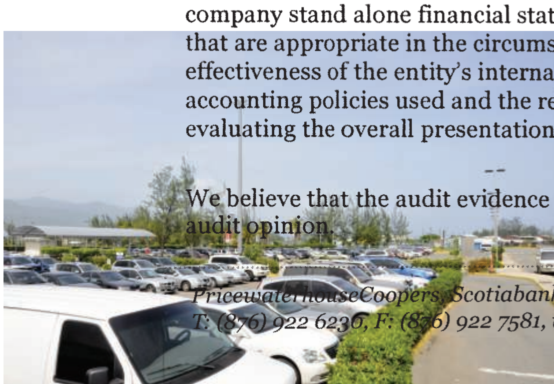
Report on the Consolidated and Authority Stand Alone Financial Statements
We have audited the accompanying consolidated financial statements of Airports Authority of Jamaica and its subsidiary, set out on pages 1 to 42, which comprise the consolidated statement of financial position as at 31 March 2012 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying financial statements of Airports Authority of Jamaica standing alone, which comprise the statement of financial position as at 31 March 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated and Authority Stand Alone Financial Statements
Management is responsible for the preparation of consolidated and company stand alone financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and company stand alone financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated and company stand alone 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 about whether the consolidated and company stand alone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and company stand alone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and company stand alone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated and company stand alone financial statements that give a true and fair view 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 consolidated and company stand alone financial statements.

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



PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

Opinion

In our opinion, the consolidated financial statements of Airports Authority of Jamaica and its subsidiary, and the financial statements of Airports Authority of Jamaica standing alone give a true and fair view of the financial position of the group and the Authority as at 31 March 2012, and of their financial performance and cash flows for the year then ended, so far as concerns the members of Airports Authority of Jamaica, 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 consolidated financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants
31 July 2012
Kingston, Jamaica

Airports Authority of Jamaica

Consolidated Statement of Comprehensive Income

Year ended 31 March 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 $'000	2011 $'000
Revenue –			
Airports		3,049,485	2,629,005
Aerodromes		24,328	16,803
		3,073,813	2,645,808
Direct expenses –			
Airports		(2,822,799)	(2,393,915)
Aerodromes		(148,781)	(133,490)
		(2,971,580)	(2,527,405)
Gross Profit		102,233	118,403
Other operating income	5	602,537	680,330
Administration expenses		(222,462)	(193,565)
Operating Profit		482,308	605,168
Finance costs	8	(30,863)	(282,344)
Profit before Taxation		451,445	322,824
Taxation	9	(178,726)	605,732
Net Profit	10	272,719	928,556
Other Comprehensive Income -			
Foreign currency translation gains and losses		(7,413)	60,484
TOTAL COMPREHENSIVE INCOME		265,306	989,040

Airports Authority of Jamaica

Consolidated Statement of Financial Position

31 March 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 $'000	2011 $'000
Non-Current Assets			
Property, plant and equipment	11	13,153,174	13,171,223
Investments	12	100	100
Deferred income tax asset	14	792,990	775,444
		13,946,264	13,946,767
Current Assets			
Inventories	15	33,207	25,704
Receivables	16	1,246,951	973,877
Cash and short term deposits	17	1,709,530	1,711,396
		2,989,688	2,710,977
Current Liabilities			
Payables	18	495,184	373,876
Borrowings	19	214,300	268,308
Taxation payable		141,855	113,678
		851,339	755,862
Net Current Assets		2,138,349	1,955,115
		16,084,613	15,901,882
Shareholders' Equity			
Share capital	20	20,091	20,091
Unissued capital	21	55,607	55,607
Retained earnings	10	4,932,153	4,659,434
Translation adjustment		(74,265)	(66,852)
		4,933,586	4,668,280
Non-Current Liabilities			
Borrowings	19	9,359,198	9,211,332
Grants	22	1,643,043	1,888,444
Post employment benefit obligations	23	148,786	133,826
		16,084,613	15,901,882

Approved for issue by the Board of Directors on 30 July 2012 and signed on its behalf by:

Dennis Morrison	Director	Earl Richards	Director

Airports Authority of Jamaica

Consolidated Statement of Changes in Equity

Year ended 31 March 2012

(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 2010	20,091	20,091	55,607	3,730,878	(127,336)	3,679,240
Foreign currency translation adjustment	-	-	-	-	60,484	60,484
Net profit	-	-	-	928,556	-	928,556
Total comprehensive income	-	-	-	928,556	60,484	989,040
Balance at 31 March 2011	20,091	20,091	55,607	4,659,434	(66,852)	4,668,280
Foreign currency translation adjustment	-	-	-	-	(7,413)	(7,413)
Net profit	-	-	-	272,719	-	272,719
Total comprehensive income	-	-	-	272,719	(7,413)	265,306
Balance at 31 March 2012	20,091	20,091	55,607	4,932,153	(74,265)	4,933,586

Airports Authority of Jamaica

Consolidated Statement of Cash Flows

Year ended 31 March 2012

(expressed in Jamaican dollars unless otherwise indicated)

	2012 $'000	2011 $'000
Cash Flows from Operating activities		
Net profit	272,719	928,556
Items not affecting cash resources:		
Depreciation and amortisation	767,998	579,411
Interest income	(97,506)	(89,661)
Exchange (gains)/losses on foreign balances	(267,397)	256,388
Grants amortised	(554,149)	(627,763)
Taxation charge/(credit)	178,726	(605,732)
Interest expense	349,428	410,539
	649,819	851,738
Changes in operating assets and liabilities:		
Inventories	(7,503)	(3,911)
Receivables	(273,074)	(153,680)
Payables	121,308	(27,675)
Retirement benefit obligation	14,960	10,371
	505,510	676,843
Taxation paid	(168,095)	(56,033)
Cash provided by operating activities	337,415	620,810
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(558,755)	(1,111,903)
Proceeds from disposal of property, plant and equipment	55	-
Interest received	160,303	88,586
Cash used in investing activities	(398,397)	(1,023,317)
Cash Flows from Financing Activities		
Short term loans	(54,008)	(608,050)
Long term borrowings	147,866	(2,450,226)
Interest paid	(289,024)	(354,625)
Grants received	281,106	479,848
Cash provided by/(used in) financing activities	85,940	(2,933,053)
Effects of changes in exchange rates on cash and cash equivalents	24,756	30,230
(Decrease)/ Increase in cash and cash equivalents	49,714	(3,305,330)
Cash and cash equivalents at beginning of year	1,630,416	4,935,746
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17)	1,680,130	1,630,416

Airports Authority of Jamaica

Authority Statement of Comprehensive Income

Year ended 31 March 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 $'000	2011 $'000
Revenue –			
Airports		945,936	889,468
Aerodromes		24,328	16,803
		970,264	906,271
Direct expenses –			
Airports		(257,960)	(211,625)
Aerodromes		(148,781)	(133,490)
		(406,741)	(345,115)
Gross Profit		563,523	561,156
Other operating income	5	327,743	317,363
Administration expenses		(222,462)	(193,565)
Operating Profit		668,804	684,954
Finance costs	8	(68,203)	(164,115)
Profit before Taxation		600,601	520,839
Taxation	9	(178,726)	605,732
NET PROFIT /TOTAL COMPREHENSIVE INCOME	10	421,875	1,126,571

Airports Authority of Jamaica

Authority Statement of Financial Position

31 March 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 $'000	2011 $'000
Non-Current Assets			
Property, plant and equipment	11	2,654,506	2,798,978
Investments	12	100	100
Interest in subsidiary	13	11,517,625	10,779,750
Deferred income tax asset	14	792,990	775,444
		14,965,221	14,354,272
Current Assets			
Receivables	16	322,355	215,896
Cash and short term deposits	17	1,436,741	1,543,677
		1,759,096	1,759,573
Current Liabilities			
Payables	18	149,738	131,122
Borrowings	19	133,460	135,483
Taxation payable		141,855	113,678
		425,053	380,283
Net Current Assets		1,334,043	1,379,290
		16,299,264	15,733,562
Shareholders' Equity			
Share capital	20	20,091	20,091
Unissued capital	21	55,607	55,607
Retained earnings		6,436,602	6,014,727
		6,512,300	6,090,425
Non-Current Liabilities			
Borrowings	19	9,359,198	9,211,332
Grants	22	278,980	297,979
Post employment benefit obligations	23	148,786	133,826
		16,299,264	15,733,562

Approved for issue by the Board of Directors on 30 July 2012 and signed on its behalf by:

Dennis Morrison, Director

Earl Richards, Director

Airports Authority of Jamaica

Authority Statement of Changes in Equity

Year ended 31 March 2012

(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 2010	20,091	20,091	55,607	4,888,156	4,963,854
Total comprehensive income	-	-	-	1,126,571	1,126,571
Balance at 31 March 2011	20,091	20,091	55,607	6,014,727	6,090,425
Total comprehensive income	-	-	-	421,875	421,875
Balance at 31 March 2012	20,091	20,091	55,607	6,436,602	6,512,300

Airports Authority of Jamaica

Authority Statement of Cash Flows

Year ended 31 March 2012

(expressed in Jamaican dollars unless otherwise indicated)

	2012 $'000	2011 $'000
Cash Flows from Operating Activities		
Net profit	421,875	1,126,571
Items not affecting cash resources:		
Depreciation and amortisation	240,762	205,972
Interest income	(259,944)	(263,321)
Exchange losses/(gains) on foreign balances	133,770	(272,965)
Taxation charge/(credit)	178,726	(605,732)
Grants amortised	(18,999)	(18,999)
Interest expense	110,612	100,970
	806,802	272,496
Changes in operating assets and liabilities:		
Receivables	(106,459)	(85,069)
Payables	18,616	(5,744)
Retirement benefit obligation	14,960	10,371
	733,919	192,054
Taxation paid	(168,095)	(56,033)
Cash provided by operating activities	565,824	136,021
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(96,346)	(233,493)
Proceeds from the sales of property, plant and equipment	55	-
Interest received	260,109	262,246
Cash provided by investing activities	163,818	28,753
Cash Flows from Financing Activities		
Interest paid	(110,612)	(107,920)
Short term loans	-	(520,864)
Long term loans	(6,932)	1,754,638
Interest in subsidiary	(737,875)	(4,248,441)
Cash used in by financing activities	(855,419)	(3,122,587)
Effects of changes in exchange rates on cash and cash equivalents	22,974	(72,892)
Decrease in cash and cash equivalents	(102,803)	(3,030,705)
Cash and cash equivalents at beginning of year	1,532,668	4,563,373
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17)	1,429,865	1,532,668

Airports Authority of Jamaica

Notes to the Financial Statements
31 March 2012
(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, NMIA 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 Normal 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. Under the Agreement, The Authority earned concession revenue amounting to $744,122,000 (2011 – $689,574,000) from MBJ Airports Limited during the year.

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 (Amendment), 'Presentation of financial statements' (effective from 1 January 2011).** This amendment requires retrospective application. The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The Group has elected to continue analysis of other comprehensive income in the statement of changes in equity.

- **IFRS 7, 'Financial Instruments Disclosures' (effective from 1 January 2011).** This amendment clarifies the disclosure requirement by emphasising the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. Quantitative and qualitative financial risk management policies and exposures are disclosed in Note 3.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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 19, 'Employee Benefits' (1 January 2013).** This amendment eliminates the corridor approach and recognises all actuarial gains and losses in other comprehensive income (OCI) as they occur. All past service costs will be recognised immediately and interest costs and expected return on plan assets will be replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit asset or liability. Management anticipates that adoption will have an impact on amounts reported in respect of the company's defined benefit plan, but have not yet quantified that impact. Management is currently considering the implications of the standard, the impact on the company and the timing of its adoption by the Group.

- **IFRS 9, 'Financial instruments' (effective for annual periods beginning on or after 1 January 2015).** IFRS 9 addresses classification and measurement of financial assets and liabilities and is available for early adoption immediately. For financial assets and liabilities, IFRS 9 replaces the multiple classification and measurement models in IAS 39 'Financial instruments: Recognition and Measurement' 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. Management is currently considering the implications of the standard, the impact on the company and the timing of its adoption by the Group.

- **Amendments to IFRIC 14, 'Prepayments of a minimum funding requirement' (effective for annual periods beginning on or after 1 January 2012).** The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2012. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The amendment is not expected to have a significant impact on the Group's financial statements.

- **IFRS 13, Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013).** The standard explains how to measure fair value for financial reporting. It defines fair value; sets out in a single IFRS a framework for measuring fair value; and requires disclosures about fair value measurements. This standard applies to those standards that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. The Group will apply the standard from 1 January 2013 but it is not expected to have a significant impact on the Group's financial statements as there are no significant items in the financial statements within the scope of the standard that are affected by fair value measurements.

2. Summary of Significant Accounting Policies (Continued)

(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.

(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.

2. Summary of Significant Accounting Policies (Continued)

(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.

(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.

2. Summary of Significant Accounting Policies (Continued)

(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.

(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 collaterised 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.

2. **Summary of Significant Accounting Policies (Continued)**

(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.

(p) Employee benefits

Pension obligations

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.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of the current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Incentive plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the results for the year after certain adjustments. The company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Accrued vacation

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

2. Summary of Significant Accounting Policies (Continued)

(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.

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.

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.

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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Trade receivables	942,161	708,641	154,742	133,665
Cash and short term deposits	1,709,530	1,711,396	1,436,741	1,543,677
	2,651,691	2,420,037	1,591,483	1,677,342

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 2012, trade receivables of $513,103,000 (2011 – $270,451,000) for the Group and $5,079,000 (2011 – $Nil) for the Authority were past due but not impaired. These relate to a number of concessionaries and airlines for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	The Group		The Authority	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
16 - 30 days	80,869	42,869	1,240	-
31 - 60 days	50,521	35,525	3,839	-
61 - 90 days	125,789	36,464	-	-
Over 90 days	255,924	155,593	-	-
	513,103	270,451	5,079	-

Ageing analysis of trade receivables that are impaired

As of 31 March 2012, trade receivables of $523,860,000 (2011 – $362,358,000) for the Group and $295,493,000 (2011 – $288,490,000) for the Authority were considered impaired and were fully provided for. The individually impaired receivables mainly relate to concessionaires and airlines who are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Provision for impairment of trade receivables

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

	The Group		The Authority	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
At 1 April	362,358	368,373	288,490	288,490
Provision for receivables impairment	160,500	-	7,003	-
Bad debt recovered	-	(2,824)	-	-
Translation difference	1,002	(3,191)	-	-
At 31 March	523,860	362,358	295,493	288,490

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.

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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Airlines (scheduled and unscheduled)	937,509	681,651	191,730	191,730
Concessionaires	131,393	116,505	77,496	74,318
Fuel through-put	20,421	7,589	4,686	4,686
Food and beverage	76,198	46,755	7,697	7,387
Car rental and tour operations	17,456	12,000	3,982	2,009
Advertising	18,811	19,592	4,989	4,989
Ground handling and taxi service	46,124	26,057	8,135	8,124
Other	218,109	160,850	151,520	128,912
	1,466,021	1,070,999	450,235	422,155
Less: provision for impairment	(523,860)	(362,358)	(295,493)	(288,490)
	942,161	708,641	154,742	133,665

Airports Authority of Jamaica

Notes to the Financial Statements
31 March 2012
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group maybe 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 an ongoing 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 repayment terms	Total
	$'000	$'000	$'000	$'000	$'000
At 31 March 2012	372,834	2,649,905	7,112,557	797,249	10,932,502
At 31 March 2011	373,791	1,804,631	9,647,812	685,438	12,511,672

	The Authority				
	Within 1 Year	1 to 5 Years	Over 5 Years	No set repayment terms	Total
	$'000	$'000	$'000	$'000	$'000
At 31 March 2012	372,834	2,649,905	7,112,557	738,932	10,874,228
At 31 March 2011	373,791	1,804,631	9,647,812	622,583	12,448,817

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

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**
			2012		
Financial Assets					
Trade receivables	406,930	535,231	-	-	942,161
Cash and short term deposits	1,576,696	132,834	-	-	1,709,530
	1,983,625	668,065	-	-	2,651,691
Financial Liabilities					
Trade payables	179,485	-	-	-	179,485
Borrowings	78,554	8,762,424	494,934	237,586	9,573,498
	258,039	8,762,424	494,934	237,586	9,752,983
Net financial position	1,725,586	(8,094,359)	(494,934)	(237,586)	(7,101,292)
			2011		
Financial Assets					
Trade receivables	429,260	279,381	-	-	708,641
Cash and short term deposits	338,816	1,372,580	-	-	1,711,396
	768,076	1,651,961	-	-	2,420,037
Financial Liabilities					
Trade payables	(137,718)	-	-	-	(137,718)
Borrowings	(1,194,738)	(7,565,398)	(486,139)	(233,364)	(9,479,639)
	(1,332,456)	(7,565,398)	(486,139)	(233,364)	(9,617,357)
Net financial position	(564,380)	(5,913,437)	(486,139)	(233,364)	(7,197,320)

3. **Financial Risk Management (Continued)**

(c) **Market risk (continued)**

Currency risk (continued)

	The Authority				
	Jamaican$ J$'000	**US$ J$'000**	**Yen J$'000**	**SDR J$'000**	**Total J$'000**
			2012		
Financial Assets					
Trade receivables	3,223	151,519	-	-	154,742
Cash and short term deposits	1,405,355	31,386	-	-	1,436,741
	1,408,578	182,905	-	-	1,591,483
Financial Liabilities					
Trade payables	90,090	-	-	-	90,090
Borrowings	78,554	8,681,584	494,934	237,586	9,492,658
	168,644	8,681,584	494,934	237,586	9,582,748
Net financial position	1,239,934	(8,498,679)	(494,934)	(237,586)	(7,991,265)
			2011		
Financial Assets					
Trade receivables	4,753	128,912	-	-	133,665
Cash and short term deposits	201,327	1,342,350	-	-	1,543,677
	206,080	1,471,262	-	-	1,677,342
Financial Liabilities					
Trade payables	(88,842)	-	-	-	(88,842)
Borrowings	(1,061,914)	(7,565,398)	(486,139)	(233,364)	(9,346,815)
	(1,150,756)	(7,565,398)	(486,139)	(233,364)	(9,435,657)
Net financial position	(944,676)	(6,094,136)	(486,139)	(233,364)	(7,758,315)

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 2012	Effect on Net Profit 2012 $'000	% Change in Currency Rate 2011	Effect on Net Profit 2011 $'000
Currency:				
USD - revaluation	1%	80,943	5%	295,671
USD - devaluation	(0.5%)	(40,472)	(5%)	(295,671)
Yen - revaluation	1%	4,950	5%	24,307
Yen - devaluation	(0.5%)	(2,475)	(5%)	(24,307)
SDR - revaluation	1%	2,376	5%	11,668
SDR - devaluation	(0.5%)	(1,188)	(5%)	(11,668)

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.

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.

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 of up to 10 years. The Group had reversed all provisions for current and deferred taxation as management was 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 was subject to annual approval by the Minister of Finance and the Public Service. It was assumed that the requisite approval would be given over the five and ten year periods stipulated and management had committed to ensuring that conditions for the remission of the taxes will be met.

The tax relief period for the Authority expired on 1 April 2011. On that date, the Authority resumed accounting for taxation as, contrary to its expectations upon obtaining the tax relief, the Ministry of Finance and the Public Service did not extend the tax relief period. Deferred tax assets at the point of obtaining the tax relief had been written off. These deferred tax assets are now recognised on expiry of the tax relief period, and are primarily due to accelerated depreciation on property plant and equipment.

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.

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	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Amortisation of grants (Note 22)	314,930	423,501	18,999	18,999
Expenses reimbursed - Project Execution Unit	42,668	34,374	42,668	34,374
Interest income	97,506	89,661	259,944	263,321
Grants received for principal payments	126,492	124,252	-	-
Other	20,941	8,542	6,132	669
	602,537	680,330	327,743	317,363

Included in the interest income for the Authority is $203,469,000 (2011 – $196,422,000) which has been 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.

6. Expenses by Nature

Total direct and administration expenses:

	The Group		The Authority	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Advertising and public relations	11,105	8,200	4,136	3,066
Auditors' remuneration	7,852	5,972	4,890	4,004
Bad debts	160,500	-	7,003	-
Commissions and discounts	8,805	24,755	703	538
Depreciation and amortization	767,998	579,411	240,762	205,972
Insurance	145,107	158,576	8,423	6,342
Irrecoverable GCT	78,770	72,158	8,903	16,022
Motor vehicle expenses	24,755	21,865	1,757	1,242
Office supplies	12,382	16,789	3,235	5,921
Other	40,715	32,770	12,140	12,064
Professional fees	82,057	69,298	13,149	5,546
Regulatory fees and taxes	22,765	23,077	2,641	3,395
Rental and lease	44,327	43,773	856	2,014
Repairs and maintenance	258,435	254,100	15,236	16,876
Security	244,436	283,606	51,040	42,291
Staff costs (Note 7)	788,776	728,150	231,237	198,969
Training	8,885	18,569	-	-
Traveling and entertainment	11,050	7,616	5,300	4,022
Utilities	475,322	372,283	17,792	10,396
	3,194,042	2,720,968	629,203	538,680

7. Staff Costs

	The Group		The Authority	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Wages and salaries	561,742	592,029	123,638	151,587
Payroll taxes – employer's portion	54,177	55,332	13,843	12,118
Pension and other retirement benefits	28,891	17,887	28,891	17,887
Redundancy payments	111,028	19,321	62,418	9,480
Other	32,938	43,581	2,447	7,897
	788,776	728,150	231,237	198,969

8. Finance Costs

	The Group		The Authority	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Interest expense	349,428	410,539	110,612	100,970
Amortisation of grants (Note 22)	(239,219)	(204,262)	-	-
	110,209	206,277	110,612	100,970
Net foreign exchange (gains)/losses	(79,346)	76,067	(42,409)	63,145
	30,863	282,344	68,203	164,115

9. Taxation

The Minister of Finance and the Public Service, in accordance with the power conferred by section 86 of the Income Tax Act, had formally agreed to grant the Group relief from income tax in respect of that portion of taxable profits which had 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 was granted upon requests for remission of tax made annually to the Minister and notice of the tax remitted published in the Jamaica Gazette Supplement. As at 31 March 2011 the relief granted to the Authority expired and it had a liability to be assessed for income taxes as at 1 April 2011.

Subject to agreement with the Taxpayer Audit and Assessment Department, losses of approximately $2,566,506,000 (2011 – $1,741,180,000) for the subsidiary are available for set off against future profits and may be carried forward indefinitely. No deferred tax asset is recognised in respect of the tax losses of the subsidiary due to the tax relief.

The tax relief period for the Authority ended on 31 March 2011. Subsequent to that date, the Authority resumed accounting for taxation. Deferred tax assets which were written off when the Authority obtained tax relief are now being reinstated as the deferred tax assets are deemed to be recoverable on expiry of the tax relief period.

The taxation credit for the year comprises:

	The Group and The Authority	
	2012 $'000	2011 $'000
Current tax	196,272	169,712
Deferred tax –	(17,546)	
Arising on expiration of tax relief (Note 14)	-	(816,447)
Charged during the year (Note 14)	-	41,003
	-	(775,444)
	178,726	(605,732)

9. Taxation (Continued)

The tax on the company's profit differs from the theoretical amount that would arise using the tax rate of 33⅓% as follows:

	The Group		The Authority	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Profit before taxation	451,445	322,824	600,601	520,839
Tax calculated at a tax rate of 33⅓%	150,482	107,629	200,200	173,439
Adjusted for the effects of –				
Tax not recognised due to tax relief	51,485	65,810	-	-
Deferred tax recognised on expiration of tax relief period	-	(816,447)	-	(816,447)
Irrecoverable foreign exchange losses recognised on loans on-lent to subsidiary	(13,756)	28,798	(13,756)	28,798
Other expenses not deductible for tax purposes	(9,485)	8,478	(7,718)	8,478
	178,726	(605,732)	178,726	(605,732)

10. Net Profit and Retained Earnings

	2012	2011
	$'000	**$'000**
(a) Net profit is dealt with as follows in the financial statements of:		
The Authority	421,875	1,126,571
The subsidiary	(149,156)	(198,015)
	272,719	928,556
(b) Retained earnings are dealt with as follows in the financial statements of:		
The Authority	6,436,602	6,014,727
Less intercompany transactions:		
Interest capitalised	(270,836)	(270,836)
Add: depreciation on intercompany asset (capitalised interest on debt)	10,600	5,300
	6,176,366	5,749,191
The subsidiary	(1,244,213)	(1,089,757)
	4,932,153	4,659,434

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
			2012			
Cost -						
At 1 April 2011	12,583,236	946,187	58,002	2,589,484	112,762	16,289,671
Additions	12,911	-	261	95,914	449,668	558,754
Disposals	-	-	-	(57)	-	(57)
Transfers	174	-	-	404,825	(404,999)	-
Translation adjustment	164,177	-	960	42,121	1,554	208,812
At 31 March 2012	12,760,498	946,187	59,223	3,132,287	158,985	17,057,180
Depreciation -						
At 1 April 2011	2,029,135	463,016	28,077	598,220	-	3,118,448
Charge for the year	377,712	53,991	8,048	328,247	-	767,998
Disposals	-	-	-	(2)	-	(2)
Translation adjustment	7,683	-	479	9,400	-	17,562
At 31 March 2012	2,414,530	517,007	36,604	935,865	-	3,904,006
Net Book Value -						
31 March 2012	10,345,968	429,180	22,619	2,196,422	158,985	13,153,174
			2011			
Cost -						
At 1 April 2010	10,781,790	945,637	42,547	1,827,762	2,038,548	15,636,284
Additions	4,767	550	13,435	47,650	1,045,586	1,111,988
Disposals and write-off	-	-	(86)	-	-	(86)
Transfers	2,095,415	-	3,807	786,899	(2,892,288)	(6,167)
Translation adjustment	(298,736)	-	(1,701)	(72,827)	(79,084)	(452,348)
At 31 March 2011	12,583,236	946,187	58,002	2,589,484	112,762	16,289,671
Depreciation -						
At 1 April 2010	1,698,029	409,080	23,119	437,417	-	2,567,645
Charge for the year	342,392	53,936	5,875	177,208	-	579,411
Disposals and write-off	-	-	(86)	-	-	(86)
Translation adjustment	(11,286)	-	(831)	(16,405)	-	(28,522)
At 31 March 2011	2,029,135	463,016	28,077	598,220	-	3,118,448
Net Book Value -						
31 March 2011	10,554,101	483,171	29,925	1,991,264	112,762	13,171,223

11. Property, Plant and Equipment (Continued)

The Authority

	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
				2012		
Cost -						
At 1 April 2011	3,709,703	946,187	4,545	188,983	27,537	4,876,955
Additions	12,911	-	-	27,790	55,645	96,346
Disposals	-	-	-	(57)	-	(57)
At 31 March 2012	3,722,614	946,187	4,545	216,716	83,182	4,973,244
Depreciation -						
At 1 April 2011	1,576,020	463,016	580	38,361	-	2,077,977
Charge for the year	168,187	53,991	817	17,768	-	240,763
Relieved on disposal	-	-	-	(2)	-	(2)
At 31 March 2012	1,744,207	517,007	1,397	56,127	-	2,318,738
Net Book Value -						
31 March 2012	1,978,407	429,180	3,148	160,589	83,182	2,654,506
				2011		
Cost -						
At 1 April 2010	3,423,914	945,637	738	43,380	229,793	4,643,462
Additions	4,767	550	-	4,350	229,993	239,660
Transfers	281,022	-	3,807	141,253	(432,249)	(6,167)
At 31 March 2011	3,709,703	946,187	4,545	188,983	27,537	4,876,955
Depreciation -						
At 1 April 2010	1,425,910	409,080	524	36,491	-	1,872,005
Charge for the year	150,110	53,936	56	1,870	-	205,972
At 31 March 2011	1,576,020	463,016	580	38,361	-	2,077,977
Net Book Value -						
31 March 2011	2,133,683	483,171	3,965	150,622	27,537	2,798,978

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 (2011 - $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.

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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Wages and salaries	53,121	60,036	23,846	25,893
Payroll taxes – employer's portion	3,866	4,009	687	843
	56,987	64,045	24,533	26,736
Directors' emoluments -				
Management remuneration	26,801	11,471	12,416	11,471
Fees	960	1,144	960	1,144

(b) Authority's interest in subsidiary

	2012	2011
	$'000	$'000
Shares, at cost	305,377	305,377
Advances –		
At start of year	10,474,373	6,225,933
Issued during the year	737,875	4,248,440
At end of year	11,212,248	10,474,373
	11,517,625	10,779,750

The Authority earned concession and other fees amounting to $200,653,000 (2011 – $199,882,000), and interest and other income as detailed in Note 5, from the subsidiary during the year.

14. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a tax rate of 33⅓%.

	The Group and The Authority	
	2012 $'000	2011 $'000
At beginning of year	775,444	-
Amounts recognised on the expiry of the tax relief period credited to profit or loss (Note 9)	-	816,447
Credited to profit or loss during the year (Note 9)	17,546	(41,003)
At end of year	792,990	775,444

Deferred tax assets were due to the following:

	The Group and The Authority	
	2012 $'000	2011 $'000
Interest payable	209,225	172,505
Accelerated depreciation	519,436	473,027
Capital grants	92,993	99,326
Post-employment benefits	49,595	44,609
Accrued vacation	3,432	5,660
Foreign exchange gains	54,352	48,591
Investment in subsidiary	(133,297)	(65,474)
Interest receivable	(2,746)	(2,800)
	792,990	775,444

The amounts shown in the statement of financial position includes the following:

	The Group and The Authority	
	2012 $'000	2011 $'000
Deferred tax assets to be recovered after more than 12 months	662,024	616,962
Deferred tax liabilities to be settled after more than 12 months	67,823	65,474

Airports Authority of Jamaica

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(expressed in Jamaican dollars unless otherwise indicated)

15. Inventories

This represents spare parts and supplies.

16. Receivables

	The Group		The Authority	
	2012 **$'000**	**2011** **$'000**	**2012** **$'000**	**2011** **$'000**
Trade	1,466,021	1,070,999	450,235	422,155
Less: Provision for impairment	(523,860)	(362,358)	(295,493)	(288,490)
	942,161	708,641	154,742	133,665
Prepayments	72,529	6,900	72,529	6,900
Other	232,261	258,336	95,084	75,331
	1,246,951	973,877	322,355	215,896

17. Cash and Cash Equivalents

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

	The Group		The Authority	
	2012 **$'000**	**2011** **$'000**	**2012** **$'000**	**2011** **$'000**
Cash at bank and in hand	297,267	42,979	40,821	5,917
Short term deposits	1,412,263	1,668,417	1,395,920	1,537,760
	1,709,530	1,711,396	1,436,741	1,543,677
Bank overdraft (Note 19)	(29,400)	(80,980)	(6,876)	(11,009)
	1,680,130	1,630,416	1,429,865	1,532,668

Included in short term deposits is interest receivable of $8,587,000 (2011 – $11,307,000) for the Group and $8,239,000 (2011 - $8,404,000) for the Authority.

The weighted average interest rate on short term deposits denominated in Jamaican dollars was 6.08% (2011 – 7.32%) and on short term deposits denominated in United States dollars was 3.82% (2011 – 3.46%), and these securities mature in 30 days.

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18. Payables

	The Group		The Authority	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables	179,485	137,718	90,090	88,842
Accruals	140,721	122,583	57,524	39,750
Other	174,978	113,575	2,124	2,530
	495,184	373,876	149,738	131,122

19. Borrowings

	The Group		The Authority	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Current -				
Bank overdraft (Note 17)	29,400	80,980	6,876	11,009
Current portion of long term loans	184,900	187,328	126,584	124,474
	214,300	268,308	133,460	135,483
Non-Current -				
Long term loans	8,616,134	8,588,749	8,616,134	8,588,749
Accrued interest	743,064	622,583	743,064	622,583
	9,359,198	9,211,332	9,359,198	9,211,332
	9,573,498	9,479,640	9,492,658	9,346,815

(a) Bank overdraft

The Group and the Authority have an overdraft facility totalled $2,000,000, which attracts interest at 34.75%.

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19. Borrowings (Continued)

(b) Long term loans

	The Group		The Authority	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Facilities acquired with the Government of Jamaica as an intermediary:				
(i) Inter-American Development Bank	982,846	965,380	982,846	965,380
(ii) Export-Import Bank of Japan and The Bank of Tokyo-Mitsubishi Limited	494,934	486,139	494,934	486,139
(iii) Nordic Development Fund	237,586	233,365	237,586	233,365
(iv) European Investment Bank and Caribbean Development Bank	3,492,000	3,429,944	3,492,000	3,429,944
(v) Caribbean Development Bank	1,746,000	1,714,972	1,746,000	1,714,972
Other facilities				
(vi) Government of Jamaica/ SIA Airports Limited	31,206	31,206	31,206	31,206
(vii) Government of Jamaica	47,348	47,348	47,348	47,348
(viii) Petrocaribe Fund	1,769,115	1,867,723	1,710,798	1,804,869
	8,801,035	8,776,077	8,742,718	8,713,223
Less Current Portion:				
Petrocaribe Fund	(126,584)	(124,474)	(126,584)	(124,474)
Accrued interest	(58,317)	(62,854)	-	-
	(184,901)	(187,328)	(126,584)	(124,474)
	8,616,134	8,588,749	8,616,134	8,588,749

(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.

19. Borrowings (Continued)

(b) Long term loans (continued)

(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.

(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 US$20 million loan between the Caribbean Development 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.

(vi) 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.

(vii) 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.

(viii) 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.

20. Share Capital

	2012 $'000	2011 $'000
Authorised -		
30,000 ordinary shares		
Issued and fully paid -		
20,091 ordinary shares	20,091	20,091

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.

21. 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.

22. 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	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
At start of year	1,888,444	2,113,049	297,979	316,978
Additions	281,106	479,848	-	-
Transfer to the statement of comprehensive income (Notes 5 and 8)	(554,149)	(627,763)	(18,999)	(18,999)
Translation adjustment	27,642	(76,690)	-	-
At end of year	1,643,043	1,888,444	278,980	297,979

23. Post-Employment Benefits

	The Group & The Authority	
	2012	2011
	$'000	$'000
Liability recognised in the balance sheet –		
Medical benefits	148,786	133,826
Amounts recognised in arriving at the profit or loss account (Note 7) –		
Pension scheme	9,441	3,098
Medical benefits	19,450	14,789

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	
	2012	2011
	$'000	$'000
Fair value of plan assets	834,203	789,258
Present value of obligations	(1,082,429)	(935,678)
	(248,226)	(146,420)
Unrecognised actuarial losses	285,407	232,303
	37,181	85,883
Limitation on recognition of asset due to uncertainty of obtaining future benefits	(37,181)	(85,883)
	-	-

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

	The Group & The Authority	
	2012	2011
	$'000	$'000
At beginning of year	789,258	581,013
Expected return on plan assets	56,539	46,742
Actuarial losses	35,044	13,702
Employer contributions	9,441	3,098
Employee contributions	13,154	14,280
Annuities purchased	53,564	141,141
Benefits paid	(122,797)	(10,718)
At end of year	834,203	789,258

23. Post-Employment Benefits (Continued)

Pension scheme benefits (continued)

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

	The Group & The Authority	
	2012	**2011**
	$'000	**$'000**
At beginning of year	935,678	765,683
Current service cost	34,890	38,787
Interest cost	86,009	79,848
Annuities purchased	53,564	141,141
Actuarial losses/(gains) on obligations	95,085	(79,063)
Benefits paid	(122,797)	(10,718)
At end of year	1,082,429	935,678

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

	The Group & The Authority	
	2012	**2011**
	$'000	**$'000**
Current service cost, net of employee contributions	(21,736)	(24,507)
Interest cost	(86,009)	(79,848)
Expected return on plan assets	56,539	46,742
Net actuarial losses recognised during the year	(6,937)	(12,425)
Change in asset limitation	48,702	66,940
Total included in staff costs (Note 7)	(9,441)	(3,098)

The actual return on plan assets was $102,233,000 (2011 – $69,321,000).

Expected employer contributions to the plan for the year ended 31 March 2013 amount to $9,655,000.

23. Post-Employment Benefits (Continued)

Pension scheme benefits (continued)

The distribution of plan assets was as follows:

	The Group & The Authority			
	2012		2011	
	$'000	%	$'000	%
Fixed Income Fund	503,365	60	556,601	70
Equity Fund	94,051	11	91,516	12
Annuities	236,787	28	141,141	18
	834,203		789,258	

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				
	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Fair value of plan assets	834,203	789,258	581,013	500,405	481,667
Defined benefit obligation	(1,082,429)	(935,678)	(765,683)	(481,915)	(405,279)
Surplus	(248,226)	(146,420)	(184,670)	18,490	76,388
Experience adjustments –					
Fair value of plan assets	35,044	13,702	58,901	(30,140)	17,136
Defined benefit obligation	(95,085)	(79,063)	246,570	37,762	124,500

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	
	2012	**2011**
	$'000	**$'000**
Present value of unfunded obligations	99,043	133,937
Unrecognised actuarial (losses)/gains	49,743	(111)
	148,786	133,826

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

	The Group & The Authority	
	2012	**2011**
	$'000	**$'000**
At beginning of year	133,937	100,426
Current service cost	5,617	4,106
Interest cost	13,833	11,302
Actuarial losses/(gains) on obligations	(49,853)	22,521
Benefits paid	(4,491)	(4,418)
At end of year	99,043	133,937

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

	The Group & The Authority	
	2012	**2011**
	$'000	**$'000**
Current service cost	5,617	4,106
Interest cost	13,883	11,302
Net actuarial gains recognised in year	(50)	(619)
Total included in staff costs (Note 7)	19,450	14,789

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

	The Group & The Authority	
	Increase	**Decrease**
	$'000	**$'000**
Effect on the aggregate of the current service cost and interest cost	15,699	23,341
Effect on the defined benefit obligation	86,581	114,683

23. Post-Employment Benefits (Continued)

Medical benefits (continued)

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

	The Group & The Authority				
	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Defined benefit obligation	99,043	133,937	100,426	61,185	87,059
Experience adjustments	(49,853)	22,521	31,617	(37,165)	26,997

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	
	2012	2011
Discount rate	10.0%	10.5%
Expected return on plan assets	5.5%	7.0%
Future salary increases	5.0%	6.5%
Future pension increases	5.0%	5.0%
Long term inflation rate	5.0%	6.5%
Medical cost trend rate	8.0%	10.0%

The average expected remaining service life of the employees of the pension scheme is 20 years (2011 – 21 years), for the medical scheme is 20 years (2011 – 21 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.

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 2012, the Group had authorised capital expenditure amounting to $752,577,000 (2011 – $534,396,000), of which $53,462,000 (2011 – $534,396,000) have been contracted for.

airports authority of jamaica

Thinking Development. Moving Ahead

NMIA AIRPORTS LIMITED

A subsidiary of the Airports Authority of Jamaica

AIRPORTS AUTHORITY OF JAMAICA
Administration Building
Norman Manley International Airport
Palisadoes, Kingston

Telephone: (876) 924-8835-7
Fax: (876) 924-8419
E-mail: aaj@aaj.com.jm
Website: www.airportsauthorityjamaica.aero

NORMAN MANLEY INTERNATIONAL AIRPORT
Palisadoes, Kingston
Telephone: (876) 924-8452-6
Fax: (876) 924-8566
Toll Free: 1-888-AIRPORT (247-7678)
E-mail: nmial@aaj.com.jm
Website: www.nmia.aero

Airport Operator:NMIA Airports Limited
(A wholly-owned subsidiary of Airports Authority of Jamaica)

SANGSTER INTERNATIONAL AIRPORT
Sunset Boulevard, Montego Bay
Telephone: (876) 979-1034-5
Fax: (876) 952-6172

Airport Operator:MBJ Airports Limited

TINSON PEN AERODROME
Marcus Garvey Drive, Kingston
Telephone: (876) 923-0022, 757-6560

NEGRIL AERODROME
Negril, Hanover
Telephone: (876) 957-5016

KEN JONES AERODROME
St. Margaret's Bay, Portland
Telephone (876) 913-3173

BOSCOBEL AERODROME
Boscobel, St Mary
Telephone: (876) 975-3101

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