



AIRPORTS AUTHORITY OF JAMAICA



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.”



Table of Contents

AIRPORTS AUTHORITY OF JAMAICA’S ORGANISATIONAL OVERVIEW..... 1

BOARD OF DIRECTOR’S REPORT..... 2

PRESIDENT’S MESSAGE 13

SUMMARY OF OVERALL OPERATIONAL PERFORMANCE

OVERALL SUMMARY | PASSENGER, AIRCRAFT, FREIGHT MOVEMENTS..... 16

SANGSTER INTERNATIONAL AIRPORT (SIA) 22

NORMAN MANLEY INTERNATIONAL AIRPORT (NMIA) 34

PUBLIC-PRIVATE PARTNERSHIP - NMIA.....40

BOARD OF DIRECTORS 43

EXECUTIVE TEAM 44

DIRECTORS’ COMPENSATION: APRIL 2017 – MARCH 2018..... 45

SENIOR EXECUTIVE COMPENSATION: APRIL 2017 – MARCH 2018..... 46

BOARD MEMBERS ATTENDANCE & EXPERTISE: APRIL 2017 – MARCH 2018..... 47

AWARDS & EVENT HIGHLIGHTS48

FINANCIAL STATEMENTS

ORGANISATION OVERVIEW

The Airports Authority of Jamaica (AAJ), established under and by virtue of the Airports Authority Act, 1974 (“AA Act”), has oversight and contract administration responsibility for the Norman Manley International Airport (NMIA), Sangster International Airport (SIA), Ian Fleming International Airport (IFIA) and the three domestic aerodromes namely; Tinson Pen in Kingston, Ken Jones in Portland, and Negril in Westmorland. SIA was privatised in April 2003 and is now operated by MBJ Airports Limited (MBJ) under a 30-year concession agreement with the AAJ. NMIA Airports Limited (NMIAL), a wholly-owned subsidiary of AAJ, was established September 2003 to operate NMIA and is governed by a 30-year Concession Agreement with the AAJ. AAJ Group comprises NMIAL and the AAJ, **including** IFIA and the three domestic aerodromes. The AAJ is a statutory body and is also governed by, the Public Bodies Management and Accountability Act, 2001 (“PBMA Act”), the Financial Administration and Audit Act 1959 (“FAA Act”), the Corporate Governance Framework for Public Bodies in Jamaica 2011, Revised 2012, along with other applicable laws, regulations, and codes of best business practices.

CORPORATE CORE VALUES OF THE AIRPORTS AUTHORITY OF JAMAICA (AAJ)

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.

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 & STATUTORY REQUIREMENTS

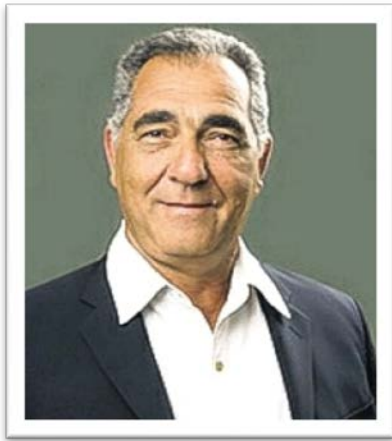
We will ensure that the airports conform to the agreed standards established by regulatory and statutory bodies and lending agencies.

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.



BOARD OF DIRECTORS' REPORT

Hon. William Shagoury
Chairman- Board of Directors
Airports Authority of Jamaica (AAJ)

GENERAL

The Airports Authority of Jamaica (AAJ) oversees the long-term planning and development of the country's two (2) international airports namely the Norman Manley International Airport (NMIA) and the Sangster International Airport (SIA). The AAJ also has direct responsibility and control for the Ian Fleming International Airport (IFIA), and three domestic aerodromes viz, Tinson Pen, Negril, and Ken Jones.

NMIA and SIA are each managed by separate entities under a 30-year Concession Agreement. The operators of NMIA and SIA are NMIA Airports Limited (NMIAL) and MBJ Airports Limited (MBJ) respectively. On behalf of the Board of Directors of the AAJ, I am pleased to underscore the commendable performance of Jamaica's airport system over the 2017 – 2018 fiscal year, as highlighted in this report. I also wish to note that the scope and activities of the AAJ remained unchanged during the year and there were no material adjustments made to the organization's Corporate Plan. The AAJ remained committed to making its contribution to Vision 2030 Jamaica, Goal #3, *"Jamaica's economy is prosperous"* and the national strategy for air transport, which is to *"Expand domestic and international air transport infrastructure and services"*.

I use this opportunity to express sincere gratitude to the former Minister of Transport and Mining, the Hon. Lester "Mike" Henry for his visionary leadership during his tenure as portfolio Minister, and welcome the Hon. Robert "Bobby" Montague as our new Minister with an expressed mandate to grow Jamaica's domestic and international aviation. I also salute the work of Director Leroy Lindsay for his sterling service to aviation over many years, for which he was recognised with a National Honour in October 2017 by the Government of Jamaica (GoJ).

AAJ's FINANCIAL AND OPERATIONAL PERFORMANCE

With regard to its financial performance, the AAJ Group grew its Operating Revenues by 11.4% over the previous year, 2016/2017, and Operating Expenses increased by 2.4%. Operating Profit increased by 22.4% in 2017/2018 and Net Profit After Tax improved by 5.6% over the previous year, moving from \$3,361m in 2016/2017 to \$3,548m in 2017/18. The AAJ's stand-alone Operating Revenue for the year was \$4,853m versus \$4,473m in the previous year, an increase of \$380.19m or 8.5%. Operating Expenses amounted to \$1,019m, versus \$692m for the previous year, an increase of \$327m or 47.2%, and when compared with the budget of \$803m for the reporting period, the outturn represents an increase of \$216m or 26.9% above expenditure projections. The AAJ therefore made an Operating Profit of \$3,834m, compared with \$3,781m in the previous year, an increase of \$53m or 1.4%. Net Profit After Tax for the year was \$2,120m versus \$2,701m for the previous year, a decrease of \$581m or 21.5%. The AAJ made distributions during the year to the Government of Jamaica totaling \$700m versus \$372m for the previous year, and paid Corporate Taxes of \$764m versus a tax of \$860m for the previous year. Capital Expenditure for the AAJ Group was J\$820m, most of which was implemented at the NMIA. See tables of Key Financial Performance indicators below.

Table 1: Actual and projected Financial Performance for AAJ Consolidated (Group)

Key Performance Indicators	Actual	Audited	% Change Actual	Budget	% Change	Budget
(KPI's)	31-Mar-18	31-Mar-17	Mar-18 vs	2017-18	Actual Mar-18	2018-19
	J\$'000	J\$'000	Audited Mar-17	J\$'000	vs Budget Mar-	J\$'000
Operating Revenue	9,920,816	8,908,972	11.4%	10,186,893	-2.6%	9,032,394
Operating Expenses	(5,034,950)	(4,918,045)	2.4%	(4,692,705)	7.3%	(4,034,202)
Operating Profit	4,885,866	3,990,927	22.4%	5,494,188	-11.1%	4,998,192
Other income/(Expenditure)	(497,736)	238050	-309.1%	(712,025)	-30.1%	(27,719)
Net Profit After Tax	3,548,489	3,361,330	5.6%	3,586,687	-1.1%	4,299,843
Capital Expenditure	820,196	704,837	16.4%	3,091,090	-73.5%	4,219,065

Table 1.1: Actual Financial Performance 2017/2018 versus 2016/2017 for AAJ Consolidated:

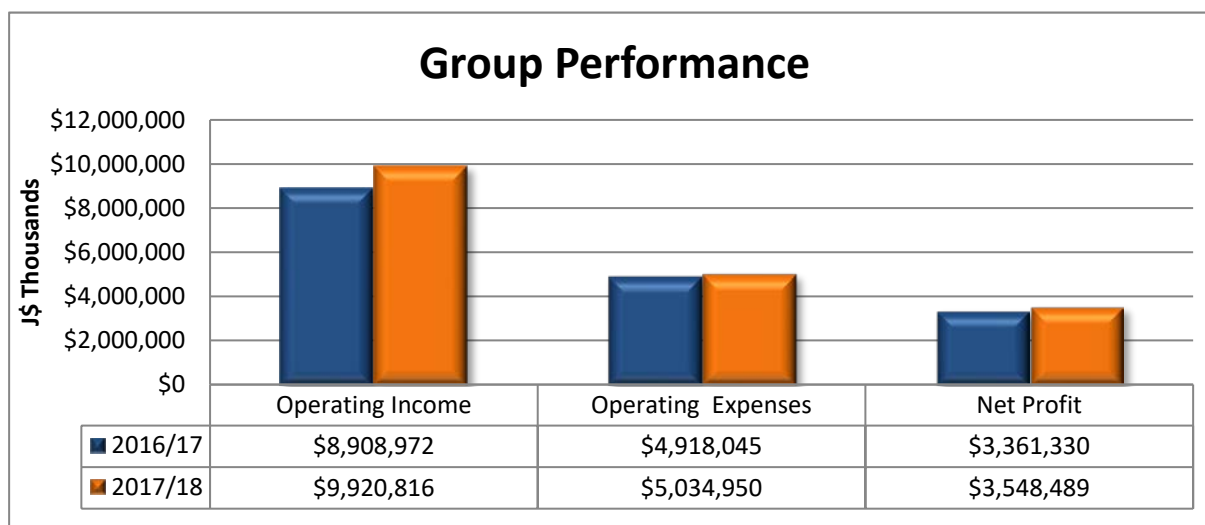
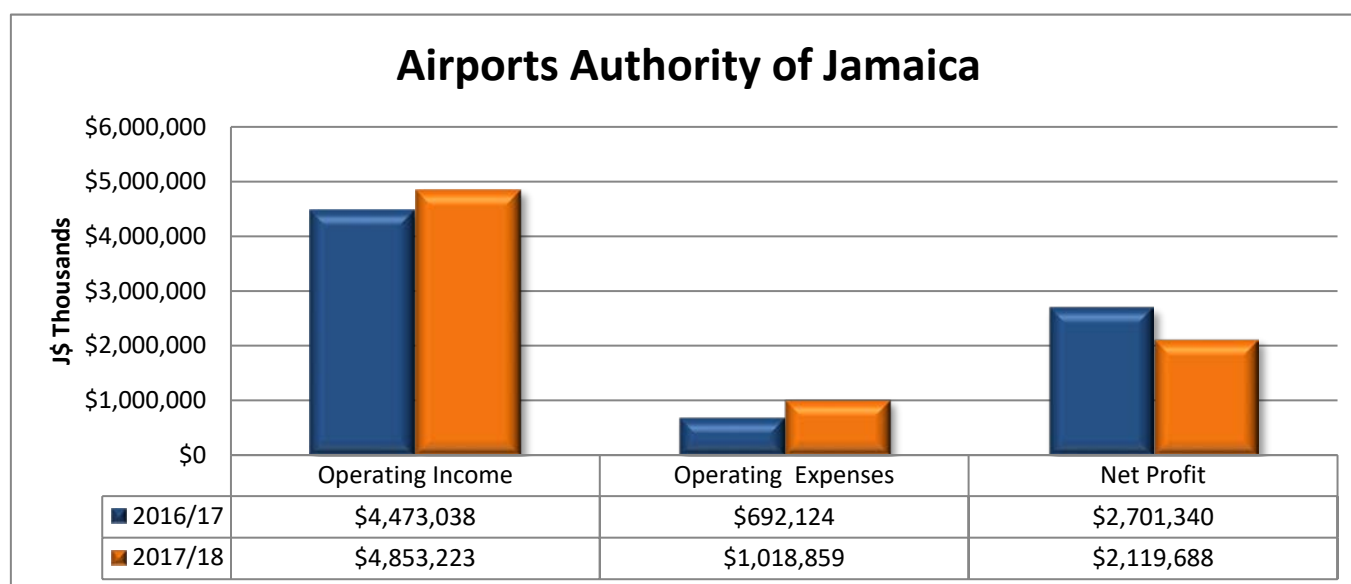


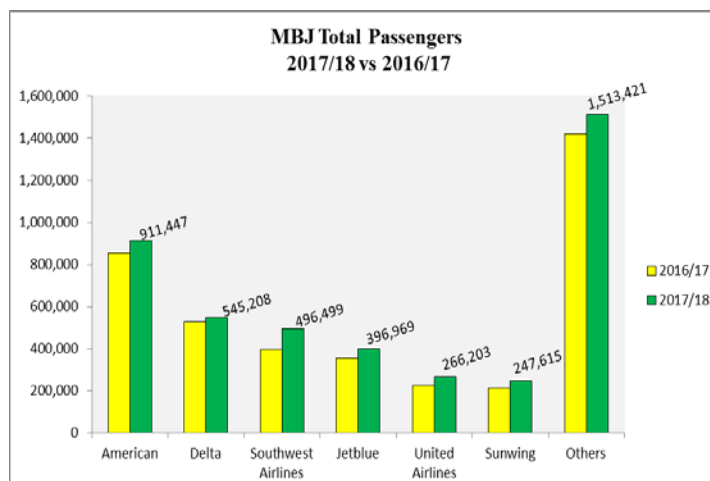
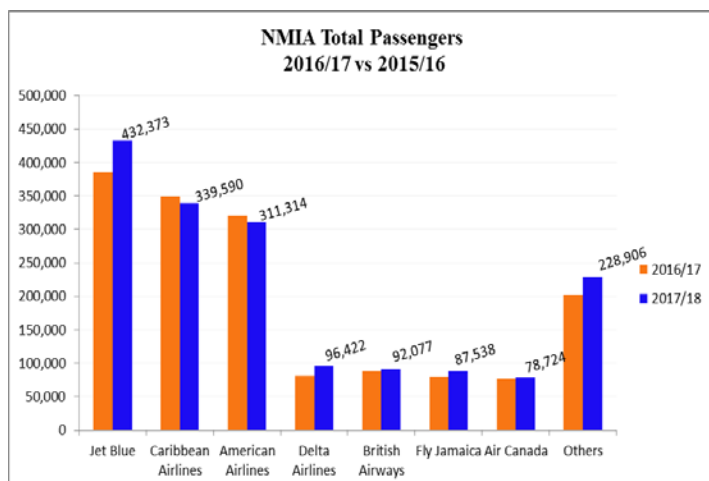
Table 2: Actual and Projected Financial Performance for the AAJ

Key Performance Indicators	Actual	Audited	% Change Actual	Budget	% Change	Budget
(KPI's)	31-Mar-18	31-Mar-17	Mar-18 vs	2017-18	Actual Mar-18	2018-19
	J\$'000	J\$'000	Audited Mar-17	J\$'000	vs Budget Mar-	J\$'000
Operating Revenue	4,853,223	4,473,038	8.5%	4,567,378	6.3%	3,687,819
Operating Expenses	(1,018,859)	(692,124)	47.2%	(802,970)	26.9%	(705,238)
Operating Profit	3,834,364	3,780,914	1.4%	3,764,408	1.9%	2,982,581
Other income (Expenditure)	(950,597)	(219,280)	333.5%	(712,025)	33.5%	229,322
Net Profit After Tax	2,119,688	2,701,340	-21.5%	2,289,287	-7.4%	2,624,216
Capital Expenditure	219,825	38,663	468.6%	1,386,028	-84.1%	1,386,028

Table 2.1: Actual Financial Performance 2017/2018 versus 2016/2017 for AAJ:



PASSENGER, AIRCRAFT AND FREIGHT MOVEMENTS



With respect to operational performance, Total passenger traffic (arrivals and departures) in the AAJ Group recorded an increase of 8.32% from 5,589,323 passengers in 2016/17 to 6,054,265 in the year under review. The SIA handled 72% of the total traffic and recorded an increase of 9.57%; moving from 3,995,151 passengers in 2016/17 to 4,377,362 in 2017/18 and was 3.82% above the 2017/18 budget of 4,216,210.

	NMIA			MBJ			IFIA			Aerodromes			IFIA + Aerodromes		
Period	Total Passengers	AirCraft Movements	Total Freight	Total Passengers	AirCraft Movements	Total Freight	Total Passengers	AirCraft Movements	Total Freight	Total Passengers	AirCraft Movements	Total Freight	Total Passengers	AirCraft Movements	Total Freight
2012/13	1,462,072	22,313	11,991,323	3,351,751	39,830	5,151,382	2,079	2,878	0	19,586	21,530	4,000	21,665	24,408	4,000
2013/14	1,370,893	20,243	12,041,376	3,526,733	39,084	5,747,736	1,889	2,619	0	9,131	17,912	4,640	11,020	20,531	4,640
2014/15	1,467,977	21,175	12,277,715	3,731,028	41,574	6,215,724	2,042	2,520	0	9,175	17,514	3,452	11,217	20,034	3,452
2015/16	1,553,928	21,033	12,631,448	3,867,968	41,859	6,291,549	2,065	2,338	0	10,131	19,020	2,385	12,196	21,358	2,385
2016/17	1,583,818	20,740	12,485,817	3,995,151	40,455	7,083,128	1,450	1,446	0	8,904	15,803	2,929	10,354	17,249	2,929
2017/18	1,666,944	20,692	14,365,218	4,377,362	41,503	7,106,946	1,514	1,140	0	8,445	11,585	2,352	9,959	12,725	2,352

SUMMARY of PASSENGER, AIRCRAFT AND FREIGHT MOVEMENTS

The NMIA with 28% of total traffic experienced an increase of 5.25% in passenger traffic when compared with the previous year, moving from 1,583,818 passengers in 2016/17 to 1,666,944 passengers in 2017/18 and was 0.44% above the 2017/18 budget of 1,659,686.

Total air freight (cargo and mail) volumes increased by 9.72% in 2017/18 when compared with the previous year, moving from 19,571,874 kgs in 2016/17 to 21,474,516 kgs in 2017/18. The NMIA handled 67% of air freight and had an increase of 15.05% in 2017/18 when compared to 2016/17 and was 9.42% above the 2017/18 budget of 13,127,913 kgs. Airfreight volume at SIA saw an increase of 0.34% over the levels in 2016/17 but was 5.68% below the budget of 7,534,893 kgs.

Aircraft movement declined by 4.49% in 2017/18 when compared to the previous year, indicating a higher passenger enplanement/load factor for the airlines. A total of 74,920 movements were recorded compared to 78,446 in 2016/17. SIA accounted for approximately 55% of total movements in 2017/18, which was 40,455 in 2016/17 compared with 41,503 during the reporting period which was 4.35% below the 2017/18 budget of 43,390. The NMIA experienced a decline of 0.23% in aircraft movements resulting in a total of 20,692 in 2017/18, down from 20,740 in 2016/17 which was 1.39% below the 2017/18 budget of 20,984. The domestic aerodromes and IFIA accounted for 17% of aircraft movement. The Sangster International Airport (SIA), operated by MBJ Airports Limited, showed notable growth in the Canadian market and was buoyed by new air service from Europe. The Norman Manley International Airport (NMIA), experienced appreciable growth in some of its main diaspora markets, including Fort Lauderdale and London.

With respect to the SIA, the 2017- 2018 fiscal year marked another period of commendable performance under the Concession Agreement. MBJ will be celebrating fifteen (15) years as operators of SIA at the start of the new fiscal year and we applaud them for this great milestone. NMIAL will also celebrate its fifteen (15) year milestone during the 2018-2019 fiscal year with events in September and October 2018 and we also look forward to the events commemorating the occasions.



A major undertaking of the AAJ and NMIAL is the demerger of both organisations. In 2016, the Ministry with responsibility for Transport and Mining appointed two (2) autonomous Boards of Directors. NMIAL for the first time since its inception changed the operational modality of previous years that involved a merger of AAJ and NMIAL Boards being jointly responsible for the governance of NMIAL and the two (2) international airports and the aforesaid domestic aerodromes. The AAJ and NMIAL have been closely integrated by sharing staff and resources such as equipment, technology, and processes. PricewaterhouseCoopers Tax and Advisory Services Limited (PwC) was engaged as consultants to aid in the demerger process that will

result in the full management and operational separation of NMIAL from the AAJ. At the conclusion of the separation exercise, the AAJ will continue to operate as the owner of all public airports/aerodromes, with oversight and contract administration responsibilities as well as a discrete concession agreement for any airport/aerodrome with a Public-Private Partnership programme. NMIAL will focus on its core mandate which is to efficiently operate the Norman Manley International Airport until its eventual privatization. It is expected that a new corporate office will be secured for the AAJ and that the demerger exercise will be concluded and implemented during the 2019/2020 fiscal year.

The Board and management of the AAJ remain committed to the goal of returning aviation activity to Vernamfield in Clarendon, and have obtained Cabinet approval to commence what is being referred to as Phase 1 of the development programme; that is to prepare one of the three (3) existing runways to enable the facility to be operated as a small domestic aerodrome, which is similar to that of the Tinson Pen Aerodrome. It is anticipated that approximately \$300m will be spent to enable the aerodrome site to be prepared and thereafter certified for operation by early 2019. With the opening of the new Vernamfield Aerodrome during the next calendar year, certain activities such as small aircraft maintenance and pilot training are proposed to be established. In addition, preliminary discussions were held with the Jamaica Defence Force (JDF) regarding the relocation of aspects of their aviation training school to the Vernamfield Aerodrome. The larger Vernamfield Aerotropolis project, which will facilitate the mass movement of cargo in keeping with Jamaica's positioning as a node in the Global Logistics chain, and the establishment of an aircraft Maintenance, Repair and Overhaul (MRO) facility for aircraft in the region, are to be addressed in due course as discussions are underway with potential investors that have expressed an interest

in this major development initiative. These and other prospects for the growth and development of aviation in Jamaica are to be guided by an Airport Systems Study, which the AAJ, in collaboration with the Special Economic Zone Authority (SEZA) is seeking to complete during the 2018/2019 fiscal year with the assistance of aviation experts from the Singaporean authority.

Another significant airport development project is now under active consideration by the Board and management of the AAJ based on a proposal by the proprietors of the privately owned Lionel Densham Aerodrome. This proposal seeks to open the south-western coast of Jamaica to additional aviation activity that will support a greater number of visitors being exposed to community tourism. The development programme, which involves extending and overlaying the runway, is being discussed in order to complete and sign an appropriate Memorandum of Understanding (MOU) between the AAJ and the current operators of the aerodrome, with respect to the financial and operational commitments required by the parties to this proposed arrangement.

With regard to the privatisation of the Norman Manley International Airport by way of a Public-Private Partnership (PPP) arrangement, much progress was made during the year with eight (8) potential bidders being prequalified to participate in the exercise. The management of the AAJ has been an active participant in the process by providing technical support to the GoJ's Enterprise Team and managing the Virtual Data Room. Based on the progress being made, it is anticipated that NMIA will be privatised by October 2019.

CORPORATE GOVERNANCE

The Corporate Governance Framework for Public Bodies 2011, Revised 2012 refers to the laws, regulations, voluntary codes, principles, guidelines, management practices, and leadership styles that independently or collectively serve to advance shareholders' wealth and stakeholders' welfare. Effective Corporate Governance is essential to both the long-term survival and the effective survival of the AAJ. The AAJ is committed to high standards of corporate governance. Good corporate governance not only meets the expectations of key stakeholders, but is essential to attaining long-term sustainable growth. The AAJ strives to achieve this commitment by institutionalising a clear and comprehensive governance framework and fostering an ethical and responsible culture at all levels of the organisation. The Board has responsibility for the leadership, control and guidance of the AAJ's activities. Each Board member has a duty to act in good faith and in the best interest of the AAJ. The Board's roles and functions are set out clearly in the Airports Authority of Jamaica Board Charter and Corporate Governance Guidelines.

➤ **Board Structure, Composition, and Training**

The Airports Authority (AA) Act mandates that the Board shall consist of a certain number of Directors, not being less than five (5) nor more than nine (9). The Directors are selected and appointed in accordance with the AA Act; fit and proper standards are established wherein members who serve on the Board must have the necessary qualifications and experience in matters relating to air transportation, finance, economics, engineering, accountancy, law, and commerce, which augurs well for the success of the AAJ. The structure of the Board comprises a majority of independent members and is conducive to maintaining an independent and objective decision-making process. As now constituted, the Board has nine (9) Directors. With the exception of the President, all Board Directors are non-executive and independent. The Board has a good balance of skills, qualifications experience and relevant expertise and also reflects diversity in age, gender and public and private sector experience.

During the Financial Year 2017/2018 three Directors and the Corporate Secretary completed a Master Class in Corporate Governance Excellence.

➤ **Board Processes**

The modus operandi of the Board is reviewed from time to time to keep abreast of regulatory changes and best corporate governance practices.

Key elements of the current modus operandi:

- The Board shall have regular monthly meetings each year (except for the Month of August)
- Meeting agendas are approved by the Chairman and Members may propose matters to be included on the agendas.
- Agendas and papers are sent to Members at least three (3) clear days before a meeting (excluding the date of dispatch and the date of meeting).
- The Board receives reports from Chairmen of Board Committees at each meeting.
- Meeting minutes are sent to Members for comment and record within a reasonable time.
- Members are obliged to safeguard confidential information and observe procedures for declaration of interests.

BOARD COMMITTEES

Board Committees have been established to consider matters on specialised areas as well as to provide direction on specific strategic initiatives and to effectively execute and strengthen the Board's governance functions.

Each Committee is guided by clearly defined Terms of Reference, Procedures, Responsibilities, and Powers. The members of the Board Committees are chosen by the Chairman of the Board. The Board Committees have the responsibility to review those proposals submitted by the Management of the AAJ and to make recommendations to the Board for action.

The Board Committees constitute an important element of the governance process which fosters the efficient flow of information and implementation of policies between the Board and Management. Currently, there are five (5) Board Committees. These are; Audit, Finance, Human Resource Management, Projects, and Business Development/Operations.

AUDIT COMMITTEE

The Members are:

Ms. Claudette Ramdanie- Chairman

Mrs. Juliet Mair-Rose

Ms. Tanya Bedward

Ms. Fay Hutchinson

Mr. Audley Deidrick

The Committee's role includes advising the Board on:

- Practices and procedures which will promote productivity as well as the quality and volume of service and the extent to which the objects of the AAJ are being achieved.
- The adequacy, efficiency, and effectiveness of the accounting and internal control structure and systems of the AAJ.

FINANCE COMMITTEE

The Members are:

Mrs. Meredith Hypolite-Derby-Chairman

Ms. Tanya Bedward

Ms. Claudette Ramdanie

Mr. Audley Deidrick

The Finance Committee functions include:

- Reviewing the financial report for the previous month;
- Reviewing the annual Budget for recommendation to the Board;
- Reviewing short and long-term capital proposals for alignment to the AAJ's strategic vision.
- Examining and recommending strategies that facilitate AAJ's maximization of revenue/minimization of expenditure;
- Reviewing and approving the write-off of accounts receivable in accordance with the Ministry of Finance and the Public Service.

HUMAN RESOURCE MANAGEMENT COMMITTEE

The Members are:

Mr. William Shagoury-Chairman

Ms. Tanya Bedward

Ms. Meredith Hypolite Derby

Ms. Fay Hutchinson

Mr. Audley Deidrick

The Committee's functions include:

- Ensuring that the AAJ has up-to-date policies and procedures which govern its employment practices and are in accordance with the guidelines of the Ministry of Finance and the Public Service, and are in compliance with the Jamaica Labour Relations and Industrial Disputes Act, and other relevant legislation, code, laws, and regulations.
- Maintaining a horizontal scan/global watch for human resource development, best practices, and other opportunities that could lead to growth and improvement of the human resource activities of the AAJ.

PROJECTS COMMITTEE

The Members are:

Mr. Leroy Lindsay-Chairman

Mr. Denton Campbell

Ms. Tanya Bedward

Mrs. Juliet Mair Rose

Mr. Audley Deidrick

The Committee functions include:

- The provision of technical and financial consideration, review, evaluation, and where appropriate, recommendation for approval of contracts that exceed the Head of Entity threshold values for direct contracting arrangements or competitive tender.
- The development of policies, systems, equipment, and programmes that relate to airport safety planning, design, construction, operation, and maintenance.
- Review Management's proposals/recommendations for construction contracts and developmental undertakings.
- Review the monetary value of financial commitments arising from approved project submissions to ensure consistency with the Budget and to anticipate and recommend whether any additional funding should be allocated by the Board during a given fiscal year.

OPERATIONS & BUSINESS DEVELOPMENT COMMITTEE

The Members are:

Mr. Denton Campbell-Chairman

Mrs. Meredith Hypolite-Derby

Mr. Leroy Lindsay

Mr. Audley Deidrick

The Operations & Business Development Committee functions include:

- Monitoring the effective and efficient execution of safety and security operations at the airports and aerodromes.

- Evaluating the traffic growth strategies (passenger, cargo and aircraft movement) of the airport and provide recommendations for Board consideration/approval;
- Reviewing the AAJ'S policies and programmes regarding the facilitation of efficient, effective, and profitable commercial operations;
- Developing a strategic approach which identifies and maximizes opportunities which will enhance the profile and investment return of the AAJ.

BOARD MEETINGS & PERFORMANCE EVALUATION

During the period under review, the Board of the AAJ had eleven (11) regular monthly meetings and one (1) retreat. The Committees met on a monthly basis, responded to matters within their remit, and advised the Board accordingly. A formal evaluation of the Board's performance and that of its members was not conducted during the period under review, however, efforts will be made to address this in subsequent years.

CLOSING STATEMENT

Jamaica's airport system is being developed in accordance with international best practice and continues to link businesses to international markets to enable the growth of international trade; transport tourists to unforgettable destinations, such as ours; enable the delivery of aid to those in need; reunite families and friends; and facilitate international understanding and collaboration. I am pleased to be supported by a strong team of Directors as well as committed management and staff at the AAJ who continue to give dedicated service to the organisation and, by extension the country. We also commend the many public and private sector stakeholders in the airport community who work assiduously to build and sustain a world-class airport system in Jamaica and look forward to further growth in the years ahead.



William Shagoury

Chairman



PRESIDENT'S MESSAGE

Audley Deidrick
President
Airports Authority of Jamaica (AAJ)

The Airports Authority of Jamaica (AAJ) completed its 44th year of operation during the 2017-2018 fiscal year and remained on course with the vision *“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”*.

As at March 2018, the AAJ benefited from the visionary policy guidance of the Hon. Minister Lester “Mike” Henry, to whom the airport community, express sincere appreciation and best wishes in his new role in the Office of the Prime Minister. We also welcome the Hon. Robert “Bobby” Montague as our new Minister of Transport and Mining and look forward to further expanding and growing the air transportation industry under his leadership.

The AAJ also welcomed Mr. Dale Davis to the new role of Chief Operations Officer (COO) in February 2018. Mr. Davis was employed previously to the AAJ in Montego Bay and has served both NMIAL and MBJ. He has returned to give his expert contribution to the operations portfolio of the AAJ, with a particular focus on the certification of the NMIA during his first year. In addition, we welcome MBJ’s new Deputy Airport Director, Mr. Carlos Salgado of GRUPO AEROPORTUARIO DEL PACIFICO, S.A.B. DE C.V (GAP), who will serve at SIA for a 2-year period to augment the operations portfolio at MBJ.

The airports are continually developing their capital infrastructure. The NMIA has been focused on efficiency improvements including a rehabilitation of the Runway Approach Lighting System, including the procurement of Critical Spares & Separation of Runway Circuits; upgrading the Out-going Baggage Handling Systems, securing replacement parts for Baggage Carousels, and Replacement of Passenger Screening Equipment. A significant project underway at the NMIA is the Shoreline Protection work for runway 30 (along the Port Royal Road) to reduce the risk of coastal hazards by designs armouring protection for project area shoreline to prevent retreat and/or overtopping. This work will involve the rehabilitation of 650m of dune and will include the installation of dune perimeter fencing between the NMIA roundabout and Plumb Point lighthouse.

MBJ has significant plans for the development of the SIA to address issues of airport congestion and airline facilitation. Plans are well advanced for the acquisition of additional Automated Border Control (ABC) kiosks to supplement the current layout of equipment. This procurement, along with increased staff deployment and operational adjustments, will assist in the flow of passengers through the Immigration and Customs Hall, while building expansion is being planned. MBJ has also begun Apron Rehabilitation works as part of its scheduled maintenance programme, at a cost of US\$12m. Plans are also being made for the *Runway Extension Project* and the *Rehabilitation of the Ticketing Concourse*, ahead of implementing the Airport Master Plan Development, which is proceeding through the approval processes of the operator's parent body and the AAJ.

The AAJ continued to work on the proposal to extend the runway at the Ian Fleming International Airport (IFIA) from 4,800 feet to 5,500 feet and in so doing is still completing all the pre-feasibility evaluations, including environmental assessments, geotechnical/engineering studies as well as financial/economic evaluations for the project. In the interim, however, the AAJ will proceed with Phase 1A of the project to widen the existing runway, to take advantage of opportunities presented by smaller commercial airlines, with regional jets, that only require a minor adjustment in the airfield characteristics. These adjustments include increasing the strip width from 27 to 30 meters, creating a turning pad for aircraft, and increasing the circulation/processing area for passengers in the Terminal Building. This interim project is expected to be completed by October 2018.

The Tinson Pen Aerodrome continues to operate, albeit with reduced aviation activity, by facilitating the work of private local aviation companies in the areas of pilot training, aircraft hangarage, and aircraft maintenance, among other things. Supported by a 2017 Cabinet Decision, which addressed the matter of using aerodrome lands at Tinson Pen for logistics, the AAJ has permitted the use of non-operational airport lands to facilitate arrangements by Western Terminals Limited, an affiliate company of Kingston Wharves Limited, to establish a Global Auto Transshipment Hub at Tinson Pen. Discussions pertaining to the eventual transfer of Tinson Pen lands to the Port Authority of Jamaica (PAJ) continue.

The domestic aerodromes, Ken Jones, Tinson Pen, and Negril, continued to play their respective roles in the national public transportation system by facilitating intra-island air transportation services which benefit tourism, flight training, business travel, and emergency response. The dialogue has continued with Aerodrome stakeholders and a Terms of Reference has been developed for execution by the 3rd quarter of 2018/19, regarding a consultancy to address the matter of growing general aviation in Jamaica.

With respect to the privatisation of the Norman Manley International Airport by way of a Public-Private Partnership (PPP) arrangement, much progress was made during the year with the following potential bidders being prequalified in May 2017:

1. VINCI Airports SAS (France)
2. CEDICOR S.A. (Argentina 2000)
3. Acciona Concesiones, S.L. and South Africa Airports
4. GMR Infrastructure Limited
5. ZAIA-APORT Consortium – Zurich Airports and A-Port Chile
6. GRUPO AEROPORTUARIO DEL PACIFICO, S.A.B. DE C.V. (GAP)
7. Corporacion Aeroportuaria del Este, S.A.S. (Punta Cana)/CHEC/ GB Energy/Jamaica Producers
8. EGIS PROJECTS S.A. (France)

Following the prequalification process, there was the Bidding Stage wherein a (Draft Concession Agreement & Request for Proposals) were launched in June 2017 and a Bidders' Conference and Site Visit held in September 2017. Questions/Recommendations were received from the potential Bidders in October 2017 and there were active exchanges with various companies, including matters arising from documents submitted by NMIAL management in the NMIA PPP Virtual Data Room. Requests for clarification from the Bidders were facilitated, up to the close of the fiscal year and ahead of obtaining a Cabinet Decision to issue the final Bidding Documents in May 2018. The Bid Submission and Bid Opening are planned for July 2018, with the GoJ evaluation of bids and selection of the Preferred Bidder scheduled for July 2018 to August 2018. The Government now anticipates the Commercial Closing of the NMIA PPP process will occur in October 2018 and Financial Closing/Handover to the new Concessionaire by October 2019. The NMIA PPP process is being led by a government-appointed Enterprise Team which is supported by the International Finance Corporation (IFC) as Lead Advisor for the transaction, and the Development Bank of Jamaica (DBJ), which serves as co-advisor and Secretariat to the Team.

In tandem with the NMIA PPP exercise, the AAJ and its subsidiary NMIAL, are moving ahead with plans to separate its operational functions and resources through a process of De-merger. It is envisioned that the AAJ will execute the following principal functions after de-merger and the privatisation exercise: Policy Implementation - Execution of its mandate under the Airports Authority Act, related statutes and GoJ Policies; Technical and Policy advisor to the GoJ on Air Transportation; Air Transportation Development; the Promotion of Air Transportation; Airport Investment Facilitation; Airport Concession and "Shadow" Management.

The AAJ partnered with the Jamaica Civil Aviation Authority and AEROTEL to host the inaugural Civil Aviation Seminar & Awards Banquet on December 6 & 7, 2017. Day 1 featured the Seminar which included a presentation on Jamaica's National Transport Policy as it relates to Air Transportation and questions concerning the progress made to date on policy implementation, as well as a panel discussion on the Topic: *"The Future of Aviation in Jamaica, within the local and global context"*.

Day 2 was the Banquet & Awards ceremony to recognize several aviation industry personnel. Mrs. Alrene Barr, who was an award recipient, spoke about the Sister Airport Cooperation Agreement between the Hartsfield-Jackson International Airport in Atlanta (ATL) and airports in Jamaica. Mr. Carl Barnett and Mr. Victor Beek (posthumously) also received awards. The events on both days were very well attended and supported.

During the 2017/18 year, the industry paused during the year to recognise the contribution of Mr. Earl Crooks of Flight Connections and Captain Horace Burrell of Captain Aviation, two significant contributors in the aviation industry who passed away during the period under review. We remain indebted to them for their contribution.

I wish to pay tribute to the AAJ Board, our dedicated staff and management as well as our many stakeholders including, the Permanent Secretary and staff at the Ministry of Transport and Mining, the Jamaica Civil Aviation Authority; the Border Control Agencies (Immigration and Customs); other government Ministries; Airport Concessionaires and service providers and many others who have supported and executed the joint mandate of enabling Jamaica to be the gateway of choice to the Americas. I look forward to continued partnership and growth in the new fiscal year.

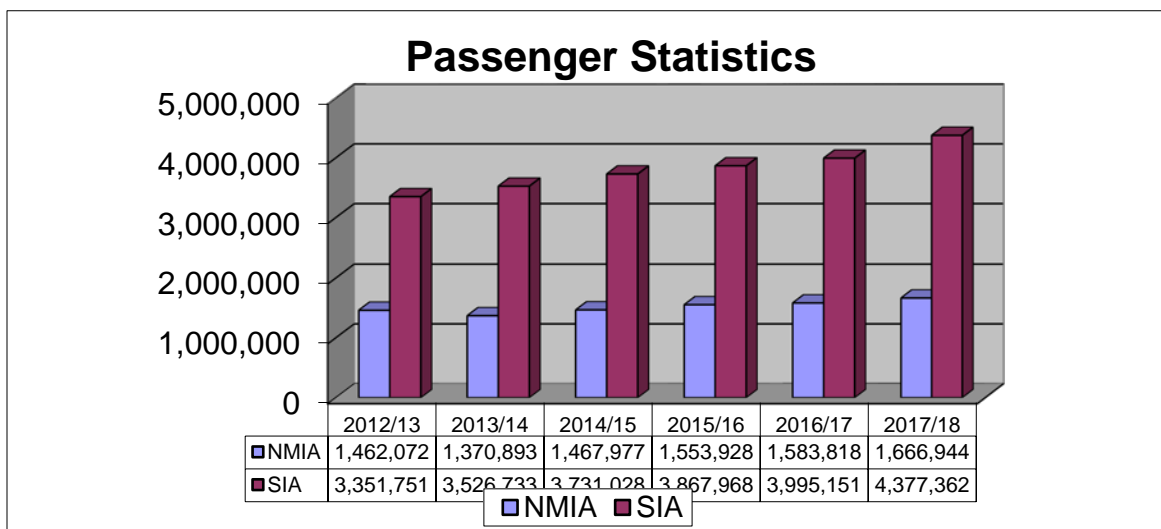


Audley Deidrick

President – AAJ

SUMMARY OF OVERALL TRAFFIC PERFORMANCE

PASSENGER, AIRCRAFT AND FREIGHT MOVEMENTS

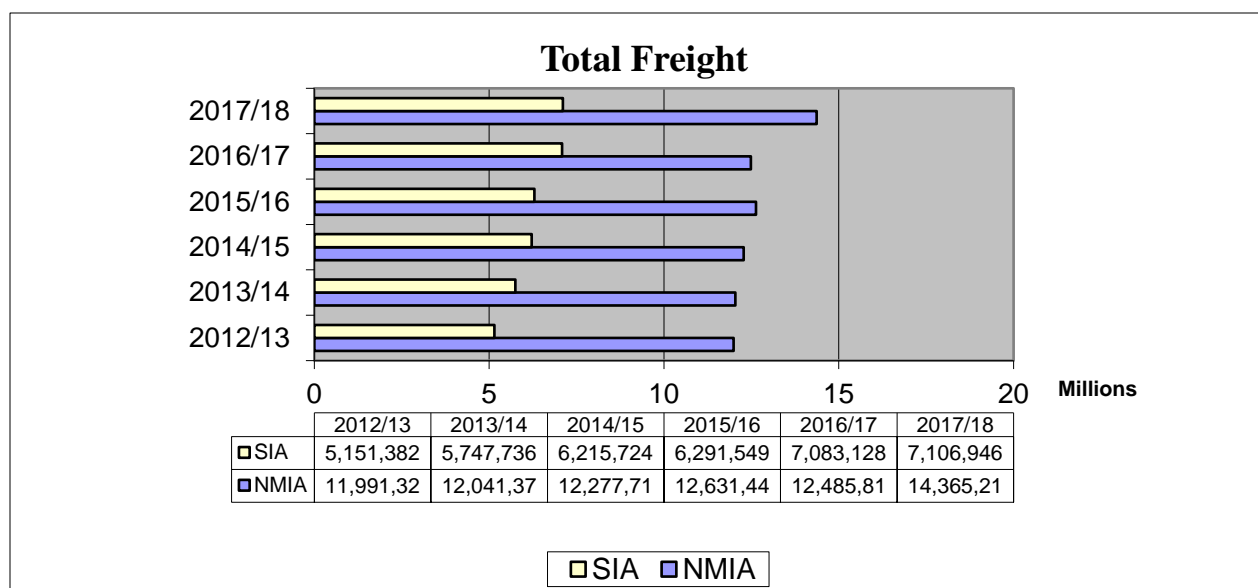


Traffic Performance

FIN. YR.	NMIA	% CHANGE	SIA	% CHANGE	IFIA + Aerodromes	% CHANGE	AAJ GROUP TOTAL	% CHANGE
2012/13	1,462,072		3,351,751		21,665		4,835,488	
2013/14	1,370,893	-6.24%	3,526,733	5.22%	11,020	-49.13%	4,908,646	1.51%
2014/15	1,467,977	7.08%	3,731,028	5.79%	11,217	1.79%	5,210,222	6.14%
2015/16	1,553,928	5.86%	3,867,968	3.67%	12,196	8.73%	5,434,092	4.30%
2016/17	1,583,818	1.92%	3,995,151	3.29%	10,354	-15.10%	5,589,323	2.86%
2017/18	1,666,944	5.25%	4,377,362	9.57%	9,959	-3.81%	6,054,265	8.32%
Total	9,105,632		22,849,993		76,411		32,032,036	

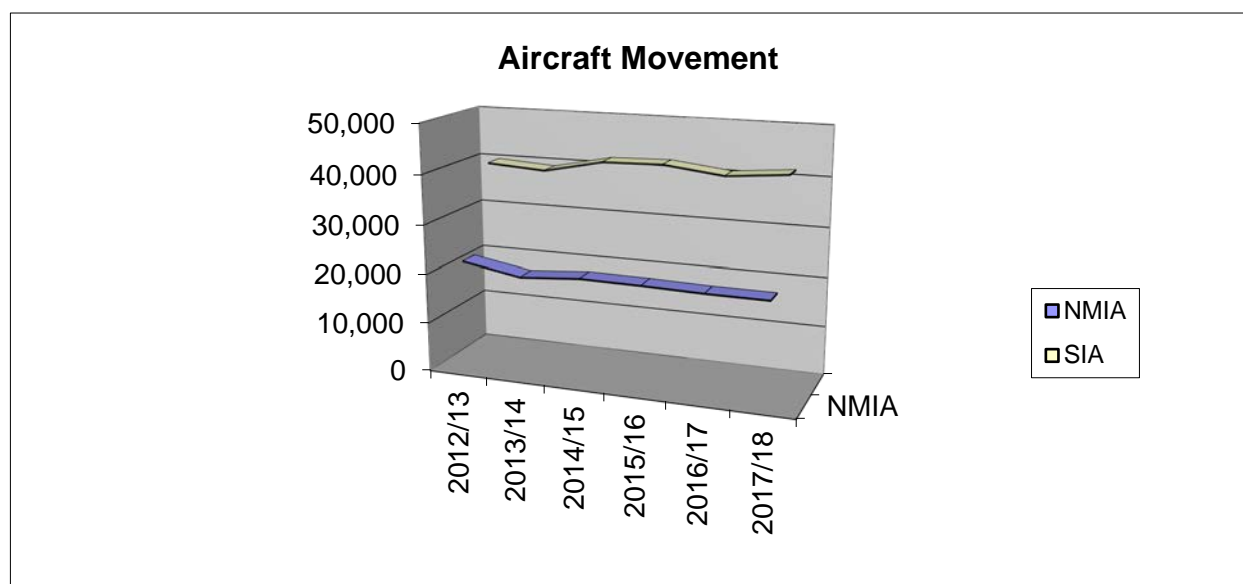
Freight Performance

FIN. YR.	NMIA	% CHANGE	SIA	% CHANGE	IFIA + Aerodromes	% CHANGE	AAJ GROUP TOTAL	% CHANGE
2012/13	11,991,323		5,151,382		4,000		17,146,705	
2013/14	12,041,376	0.42%	5,747,736	11.58%	4,640	16.00%	17,793,752	3.77%
2014/15	12,277,715	1.96%	6,215,724	8.14%	3,452	-25.60%	18,496,891	3.95%
2015/16	12,631,448	2.88%	6,291,549	1.22%	2,385	-30.91%	18,925,382	2.32%
2016/17	12,485,817	-1.15%	7,083,128	12.58%	2,929	22.81%	19,571,874	3.42%
2017/18	14,365,218	15.05%	7,106,946	0.34%	2,352	-19.70%	21,474,516	9.72%
Total	75,792,897		37,596,465		19,758		113,409,120	

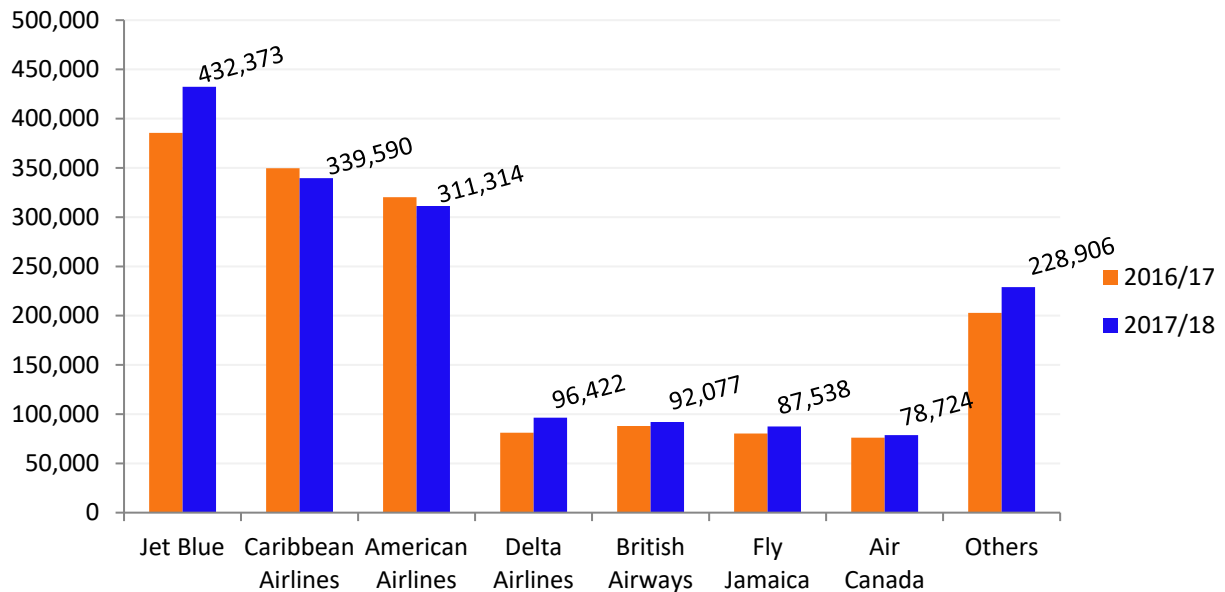


Aircraft Movements

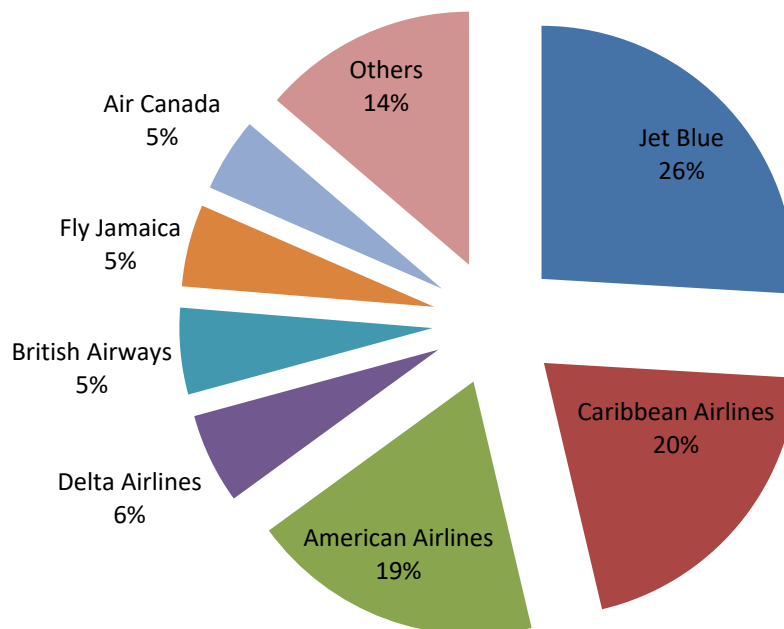
FIN. YR.	NMIA	% CHANGE	SIA	% CHANGE	IFIA + Aerodromes	% CHANGE	AAJ GROUP TOTAL	% CHANGE
2012/13	22,313		39,830		24,408		86,551	
2013/14	20,243	-9.28%	39,084	-1.87%	20,531	-15.88%	79,858	-7.73%
2014/15	21,175	4.60%	41,574	6.37%	20,034	-2.42%	82,783	3.66%
2015/16	21,033	-0.67%	41,859	0.69%	21,358	6.61%	84,250	1.77%
2016/17	20,740	-1.39%	40,455	-3.35%	17,249	-19.24%	78,444	-6.89%
2017/18	20,692	-0.23%	41,503	2.59%	12,725	-26.23%	74,920	-4.49%
Total	126,196		244,305		116,305		486,806	



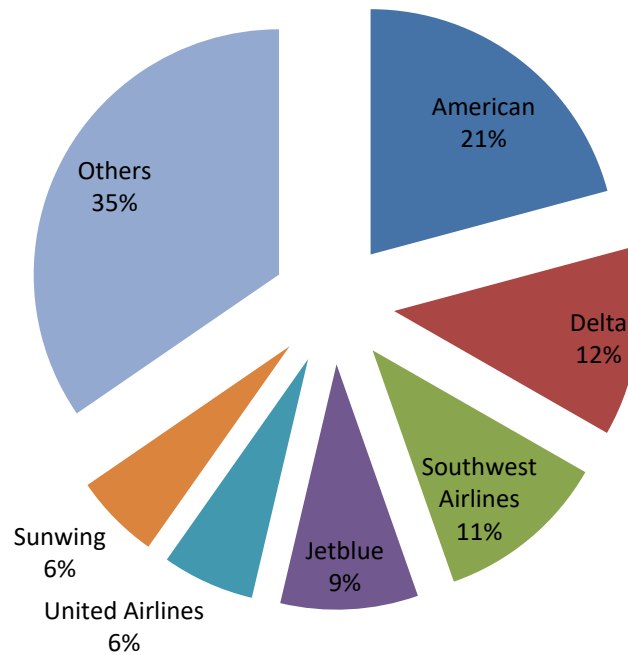
NMIA Total Passengers 2017/18 vs 2016/17



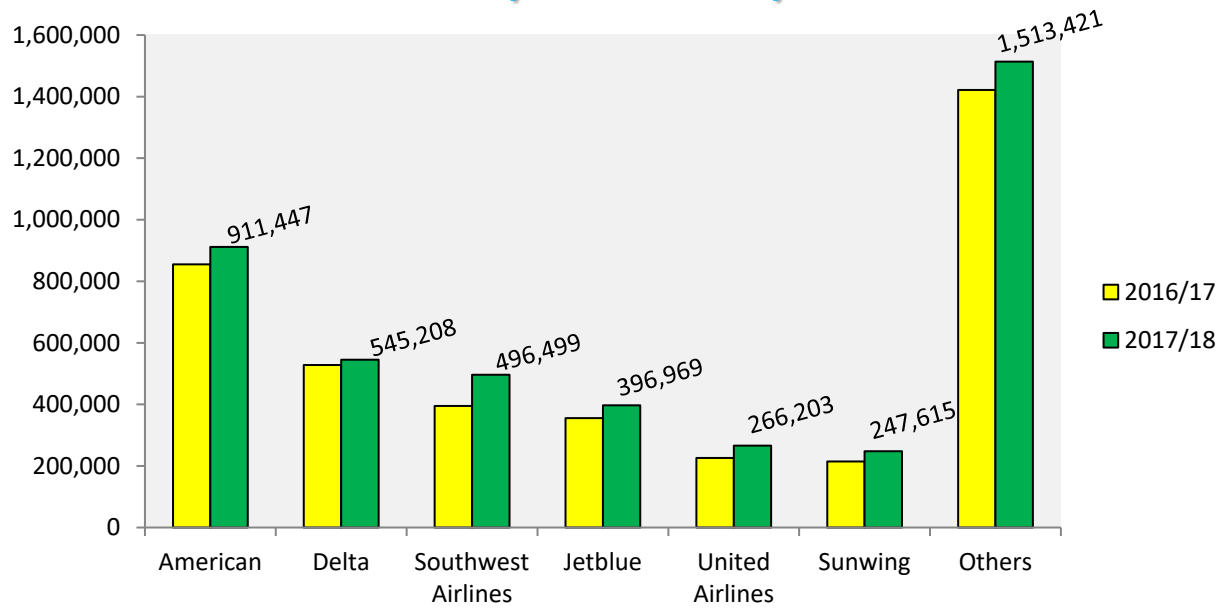
NMIA Total Passengers 2017/18



SIA Total Passengers 2017/18



MBJ Total Passengers 2017/18 vs 2016/17



NMIA	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Total Passengers	1,462,072	1,370,893	1,467,977	1,553,928	1,583,818	1,666,944
AirCraft Movements	22,313	20,243	21,175	21,033	20,740	20,692
Total Freight	11,991,323	12,041,376	12,277,715	12,631,448	12,485,817	14,365,218

MBJ	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Total Passengers	3,351,751	3,526,733	3,731,028	3,867,968	3,995,151	4,377,362
AirCraft Movements	39,830	39,084	41,574	41,859	40,455	41,503
Total Freight	5,151,382	5,747,736	6,215,724	6,291,549	7,083,128	7,106,946

IFIA	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Total Passengers	2,079	1,889	2,042	2,065	1,450	1,514
AirCraft Movements	2,878	2,619	2,520	2,338	1,446	1,140
Total Freight	0	0	0	0	0	0

Aerodromes	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Total Passengers	19,586	9,131	9,175	10,131	8,904	8,445
AirCraft Movements	21,530	17,912	17,514	19,020	15,803	11,585
Total Freight	4,000	4,640	3,452	2,385	2,929	2,352

IFIA + Aerodromes	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Total Passengers	21,665	11,020	11,217	12,196	10,354	9,959
AirCraft Movements	24,408	20,531	20,034	21,358	17,249	12,725
Total Freight	4,000	4,640	3,452	2,385	2,929	2,352

SANGSTER INTERNATIONAL AIRPORT (SIA)



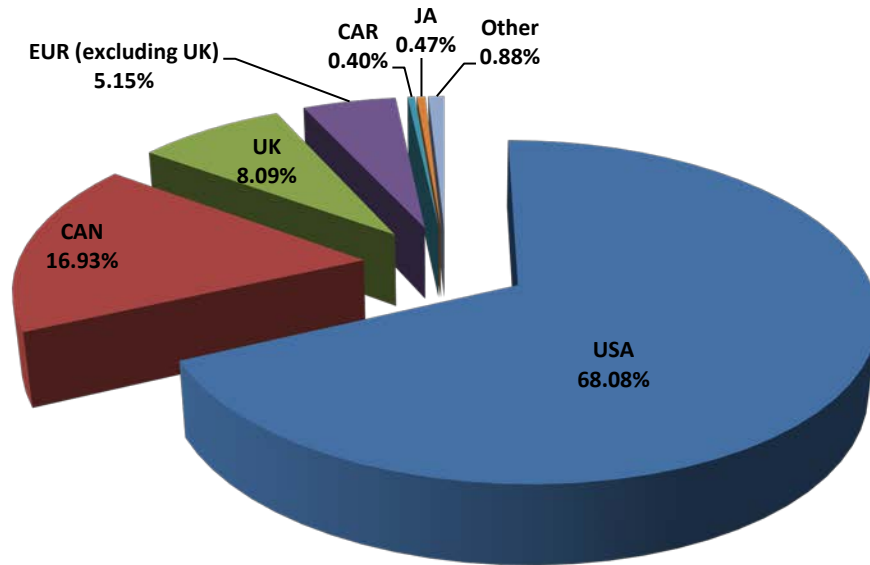
COMMERCIAL, BUSINESS DEVELOPMENT & MARKETING

Traffic growth over the fiscal period was defined by a notable recovery in passenger traffic from Canada, (SIA's number two (2) source market), supported by the strengthening

Canadian dollar and improved economy in that country, as well as new air service from Europe. In addition, the typical growth in peak seasonal traffic demand was further buoyed by increased traffic, resulting from the slow pace of recovery in islands impacted by hurricanes in August and September 2017. Air carriers at the SIA responded to the increased demand for travel to Jamaica by boosting capacity through larger equipment on some routes, while others had additional frequencies.

Traffic performance for the last quarter of the fiscal year remained resilient in spite of the announced State of Emergency for Montego Bay as at January 18, 2018, through to August 2, 2018. However, the Canadian market has demonstrated a reduction in the pace of growth since the announced security measures.

The USA maintained its dominance as the leading source market for passengers at the SIA, with 68.08% of market share and growth of 7.17% over the prior fiscal period. Canada represents 16.93% of market share an increase of 7.32% over fiscal 2016/17. Great Britain accounted for 8.09% of market share, a 3.21% growth over the comparative period; while Europe (excluding UK), the SIA's fastest-growing regional market accounted for 5.15% of market share an advance of 23.27%.



MBJ -Traffic Performance by World Region - Fiscal 2017/18

Air Service Development

During the fiscal year, MBI implemented an Air Service Incentive Scheme designed to grow and attract new air service at SIA. Approval of the scheme and consent for exemption of the value of discounts granted to be excluded from revenue, for the purpose of the Airport Concession Fee was granted by the AAJ in May 2017.

Redevelopment of Retail Program

In mid-April 2017, the Arrivals Duty-Free store operated by Aldeasa Duty-Free (Dufry) transformed their kiosk (100 sq. ft) into an expansive 1,000 sq. ft. Local and visitors now have the advantage of purchasing duty-free on arrival as the shop now carries a wider assortment of products.

Subsequent to MBI's engagement of international consultants TDS and PRAGMA who specialize in commercial/retail planning and design, approval was granted by the Board of Directors in March 2018 for the plans relative to the expansion and the optimization of revenue-generating airside space. The resulting expansion will add 1,153 M² to the Central Retail Area (CRA) i.e. a 56% increase of the current size. An essential element of the new design is the relocation of the main point of entry to the retail area. This will allow passengers to have full line of sight of 100% of stores operating in the CRA. The expansion will also allow for larger stores with wider storefronts as well as create more space for passengers to dwell. Architectural works and a Request for Proposal to be prepared and issued in 2018 and completion of this project is expected 2019/2020.

REBRANDING

MBJ Airports Limited in 2017 initiated the process of repositioning the image of Sangster International Airport. The new image being created is one that puts a premium on enhancing the visitors' stay in Jamaica by providing the "Irie Airport Experience". As a uniquely Jamaican term used to convey positivity and voice an individual's approval, "irie" is what we seek to engender among MBJ's operating partners at the SIA to create a uniquely Jamaican experience for SIA's passengers.

Together with its partners, MBJ has made the SIA a cornerstone of the Jamaican experience, contributing solid infrastructure and memorable experiences for travellers. The airport features a broad range of shopping and entertainment options, VIP lounges, exhibits, and activities that showcase Jamaican culture to the world. Jamaican reggae and dancehall music welcomes passengers as they transit through the airport, and local artwork adorns walls. As passengers disembark, they get an "Irie" feeling right away, knowing by sight and sound that they have arrived in Jamaica.

CUSTOMER SERVICE TRAINING & MOTIVATION SESSION

In an effort to ensure retail staff is equipped to provide exceptional customer service, MBJ engaged the service of a professional company with expertise in "People Development and Customer Service training. The Passenger Experience Training and Motivational Sessions commenced with the trainer conducting a mystery shopper program of the retail staff and the findings were then discussed and the training plan developed. The training sessions which were organized and held between October 2017 and February 2018 met MBJ's objectives. Candidates were very receptive and fully engaged, practical/ready to implement strategies were shared but more importantly, a conversation of self-cultivation was initiated. One hundred and seventy-two (172) persons from twenty-one (21) of the thirty (30) retail/food & beverage and duty-free companies operating on the airport participated in the training. Follow up sessions were held with staff and operators after the training. Plans are also being made to expand the training to other airport staff (such as security, Airline, Customs, Immigration) as well as institute an employee rewards & recognition program.

CORPORATE SOCIAL RESPONSIBILITY

Through its Change for Children initiative, MBJ continued to positively impact the community within which it operates in the past year. While MBJ continues to work with the Autism Centre and other beneficiaries, partnered with Spot Valley High School (SVH) in December 2017 as it recognised the need to edify and mentor students leaving high school in preparation for the world of work. Since this partnership, MBJ has conducted Resume

Writing and Interview Preparation sessions with one hundred and twenty (120) students. MBI has committed to working with a selected group of grade 7 students at SVH for a five (5) year period our mentorship and resource support on behaviour and academics to determine the impact of MBI's intervention are being tracked to measure the programme's success.

ACTIVITIES PLANNED FOR 2018/2019

The main activities planned for 2018/2019 include:

- MBI's 15th anniversary celebrations
- Finalizing plans for airside retail redevelopment
- Engagement of a real estate development company to implement strategic plans for optimized land usage. This will include the relocation of the service station.
- Implementation of plans for the development of an employee canteen

MBI'S FINANCIAL HIGHLIGHTS

Category	2016/2017 (US\$ 000)	2017/2018 (US\$ 000)	2018/2019* (US\$ 000)
Operating Revenue	88,142	96,320	105,806
Operating Expenses	19,973	20,792	23,373
Concession Fees & ACF	22,076	26,114	29,441
Taxes	7,762	8,446	8,695
Other Expenses	15,547	15,455	18,251
Net Profit	22,785	25,512	26,046
Capital Expenditure	2,347	10,142	28,505

**Forecast projections using the 2018 Budget and projections used in the Business Plan submitted to the AAJ, prorated where applicable.*

HUMAN RESOURCES DEVELOPMENT

Talent Retention through internal and external training & developmental opportunities:

- ✓ **Skills Training & Development:** This includes programmes which will enhance the capabilities and competencies of the SIA's human capital. These include short local and overseas training courses and conferences; ACI courses offered at ACI training centre located at MBJ; ACI online training and specific technical training for specialized skills.
- ✓ **Employee Exchange Programme:** This programme enables employees of MBJ to be exposed to airport operations at sister airports of the GAP and Vantage airports within comparable capacities. This aims to enhance future career opportunities, broaden professional experience/exposure and improve or develop new skills and competencies.
- ✓ **Cross-Training:** Training within various departments. This initiative aims to increase efficiencies within the departments, prevent possible burnout of team members, and seeks to reduce overtime costs where possible.
- ✓ **Personal Career Development: The Tuition Assistance Programme** is maintained to encourage team members to work towards achieving personal career objectives which ultimately contributes to building a highly proficient and educated workforce.

Employee Engagement & Wellness/Well-Being:

MBJ aims to maintain the existing programmes included within the year to year budget and to implement new programmes geared towards improving employee engagement and morale. The existing activities include, but are not limited to: End of Year Dinner and Dance, Family Fun Day, customary and cultural Easter tokens, Employee's Children Scholarship programme, Annual Health Fair, General Wellness programme, Gym Fitness, and Employee Recognition Incentives.

MBJ Leadership Development:

Management/Executive Leadership Development programme focuses on building key leadership capabilities within MBJ's leaders with the aim of creating a cadre of world-class leaders modelling the highest standards of performance, safety, and security.

OPERATIONS DIVISION

The 2017/18 fiscal year was a very active one for MBJ in which an unprecedented 4.4 Million passengers was handled. With this 10% passenger growth over the prior year, the Operations Division continued to identify and implement measures to improve operational efficiency, strengthen security and emergency response systems as well as ensure user satisfaction across the airport network. MBJ also continued to engage local and international partner agencies on sustainability-focused initiatives which enhanced our profile as an environmentally conscious airport.

Remote Gate Planning: There was a significant uptick in formal stakeholder engagement activities during the period under review in preparation for the September 2017 kick-off of major taxi-way rehabilitation works. The activities planned will see the de-servicing of specific gates in pre-determined cycles to accommodate the necessary improvement works and will be mitigated, as needed, by the commencement of remote-gate operations. The engagement sessions, which included MBJ's Airline Operating Committee, focused on ensuring that adequate plans and procedures were implemented airside to ensure efficiency and safety of operations during the project.

Peak Activities: Winter season 2017/2018 presented the usual challenges in respect of the allocation of resources over intense peak periods. This included Air-Sea operations involving up to 8 flights (bi-weekly) using wide-bodied aircraft which operated within the same time slot. December 23, 2017, was the busiest day of the year, recording 11,331 arriving and 8,565 departing passengers.

MBJ Operations, through collaborative efforts with the various stakeholders, worked to improve process-flows and thus minimize any negative impact on service delivery to passengers. MBJ continued, also, to work with airlines with a view to improving our slot management process.

Safety: The Airport Excellence (APEX) Programme Safety Audit which was conducted in March 2017 proved to be a beneficial experience for the Operations Team. This audit is a peer review conducted by subject matter experts from the International Civil Aviation Authority (ICAO) and airports that are members of Airports Council International (ACI).

The Audit highlighted that the facilities at the SIA are in good working condition and found no significant safety concerns. A series of initiatives, geared at improving markings, signage, and the organization of operations data, were implemented in keeping with recommendations from the audit process.

An APEX in Security Audit was conducted at the start of the 2018/19 financial year.

Customer Satisfaction: MBJ continued to meet the benchmarks established for the satisfaction of various airport user categories over the 2017/18 financial year.

Ratings from Airline Users improved by 10.53% to 3.42, on a scale of 1 – 5, as at December 2017, while 64.5% of broader Airport users were either satisfied or very satisfied with operations at the SIA. Passenger Satisfaction Survey results indicate an overall satisfaction of 87.27%.

A number of maintenance and infrastructure improvement projects are planned for the ensuing year which is expected to significantly improve comfort levels and user satisfaction across the SIA. These include the taxiway rehabilitation project, Departures Hall renovations, and the redevelopment of MBJ's commercial programme, addressing some concerns raised across the surveys. MBJ plans to reintroduce its Customer Service Training Programme for all airport stakeholders. With the support of the recently installed customer service "Happy or Not" Kiosk, high-traffic areas are closely monitored to prevent congestion and promote cleanliness.

The kiosks, deployed in strategic areas, give airport users the opportunity to input feedback on various critical areas through the pressing of a single button. Currently, the system provides passengers with an opportunity to provide immediate feedback in assessing the service standards experienced at the SIA's passengers' pre-board screening checkpoint, restrooms, Immigration, and Customs areas. The system also issues a real-time alert, which is designed to trigger the immediate attention or intervention of responsible MBJ staff. It is expected that use of these kiosks will contribute to further rating improvements in all the aforementioned areas.

Environment, Health, and Safety Programs: The following are included in the environmental programs currently in effect at the SIA, which are particularly described in detail in MBJ's Environmental Management Plan:

- Health and Safety Management
- Surface Water Quality Management
- Solid Waste Management
- Wildlife Management
- Community Relations
- Contaminated Site Management
- Aeronautical Noise Management

During the period in review, the Plan was updated and certification by the local civil aviation authority maintained. MBJ also continued activities towards the following environment-related UN agency case study projects in which the SIA was featured:

- ICAO/UNDP-GEF Environmental Pilot Demonstration Project "Transforming the Global Aviation Sector: Emissions Reduction from International Aviation". This project, completed in April 2018, involved funding and technical resources for the installation of an electric Pre-Conditioned Air (PCAir) and Ground Power Unit (GPU) at Gate 9.
- UNCTAD project on "Climate change impacts on coastal transport infrastructure in the Caribbean: Enhancing the adaptive capacity of Small Island Developing States (SIDS)". This project has as one of its aims, the strengthening of the capacity of transport infrastructure managers to understand climate change impacts on coastal airport infrastructure and to take appropriate adaptation response measures.

Emergency Response Services (ERS): MBJ's emergency response teams maintained readiness to respond to eventualities at the SIA through regulated and non-regulated training and simulation engagements during 2017/18. These included firefighters' participation in live-fire exercises in Atlanta and Dallas Fort Worth, certification in First Aid/CPR, and use of Automated External Defibrillators (AED), along with several joint training events with the Jamaica Fire Brigade.

ERS teams also engaged, proactively, with various airport groups in evacuation and fire prevention training and exercises which included the proper usage of select fire extinguishing equipment.

As is customary, there were full-scale, partial, and modular emergency planning exercises conducted under the emergency planning portfolio during the period under review.

Security: Several critical projects are being undertaken to improve security operations at the SIA. These include the automation of parking facilities, installation of bollards at the façade of the departures terminal, and deployment of additional explosive trace devices in screening operations. Equipment for these initiatives was procured during the period under review for installation and roll-out during 2018/19.

A major landside and airside lighting project is also underway which will see the installation of LED systems to enhance surveillance visibility across the airport, the perimeter of the airport, and vulnerable points in particular.

Community Relations: MBJ participated in a number of community-based initiatives during the period, the International Coastal Clean-up activity representing the major environmental activity for the 2017/18 financial year. This initiative began as a collaborative effort with the Montego Bay Marine Park and became the very first "Team Sangster" Environmental Community event. In 2017, the event again received tremendous support from the SIA community with 108 volunteers participating from various SIA stakeholder groups and over 825 pounds of marine garbage collected. Membership on the local parish Disaster Preparedness, Hazard Mitigation, and Safety Committee is also maintained through representation from MBJ's Emergency Response Services Department.

MAJOR CAPITAL PROJECTS (2017/2018)

There have been several major Capital Development Projects at SIA during the 2017/2018 financial year as detailed below.

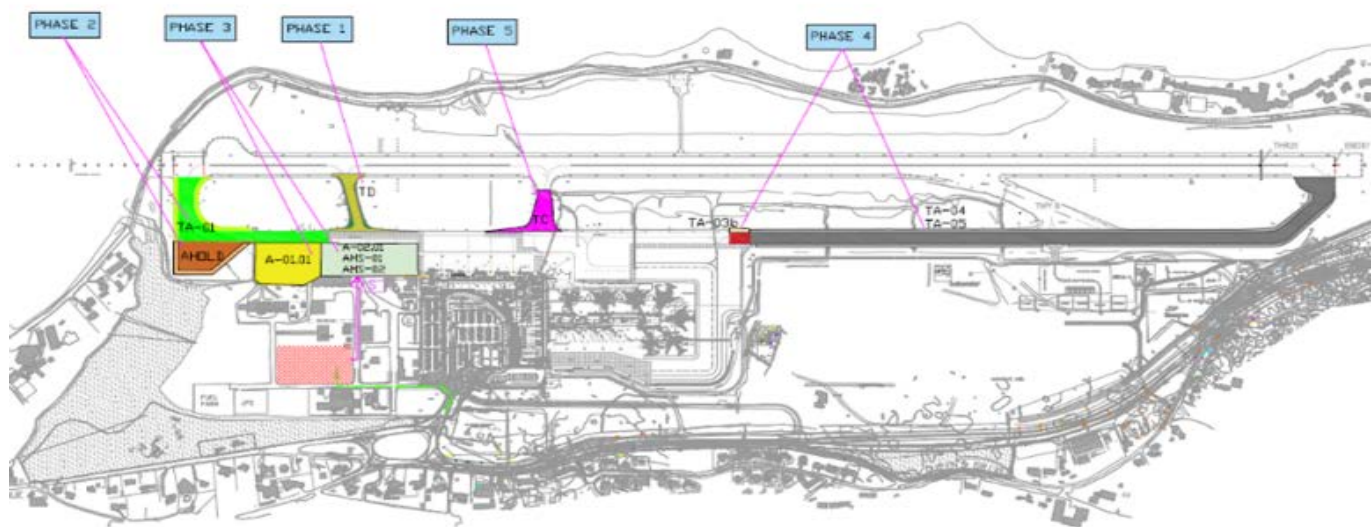
1. Taxiway Rehabilitation Project

The scope of the project involves the rehabilitation of taxiways, holding areas, and aprons. Methods of Rehabilitation include Asphalt Replacement, Mill and Fill, Overlay and Concrete works.

The Taxiway Rehabilitation Project is divided into two components: Asphalt Works and Concrete Works.

Taxiway Rehabilitation - Asphalt Works

MBJ signed a contract with S&G Road Surfacing Materials Limited for the Asphalt Works component of the Taxiway Rehabilitation Project. The project is valued at USD 12.4 Million.



Asphalt Works Phases

The project progress is over 70% complete, with rehabilitation of the pavement completed on Taxiway Charlie and Taxiway Delta and work in progress on Taxiway Alpha and the Remote Parking stand positions.

Taxiway Rehabilitation - Concrete Works

MBJ signed an agreement with S&G Road Surfacing Limited in February 2018 for the Concrete Works Taxiway Rehabilitation Project. Their sub-contractor, CEMEX, will carry out the laying of the concrete. The project has a duration of eight (8) Months and is valued at USD 13.859 Million.

2. Check-in Hall Renovation Project

Following a Request for Proposal (RFP) process, MBJ engaged INECO to develop the detailed designs for the renovation of the Check-in Area. The scope of work for the renovation project is detailed below:

- Replace existing flooring (5000 M²).
- Repaint walls and surfaces in the ticketing area of the Terminal.
- Renovation of two existing public restrooms in the Departures Area.
- Replace the existing ceiling in the Check-in Area.
- Replace existing lighting with new LED fixtures

Architectural Rendering for the Check-in Hall Renovation Project



Following completion of the designs, MBJ subsequently signed an Agreement with WEPRO for the renovation of the Check-in Area in January 2018 at a contract value of USD 3.728 Million. The project has a duration of nine (9) months and is due to be completed in September 2018.

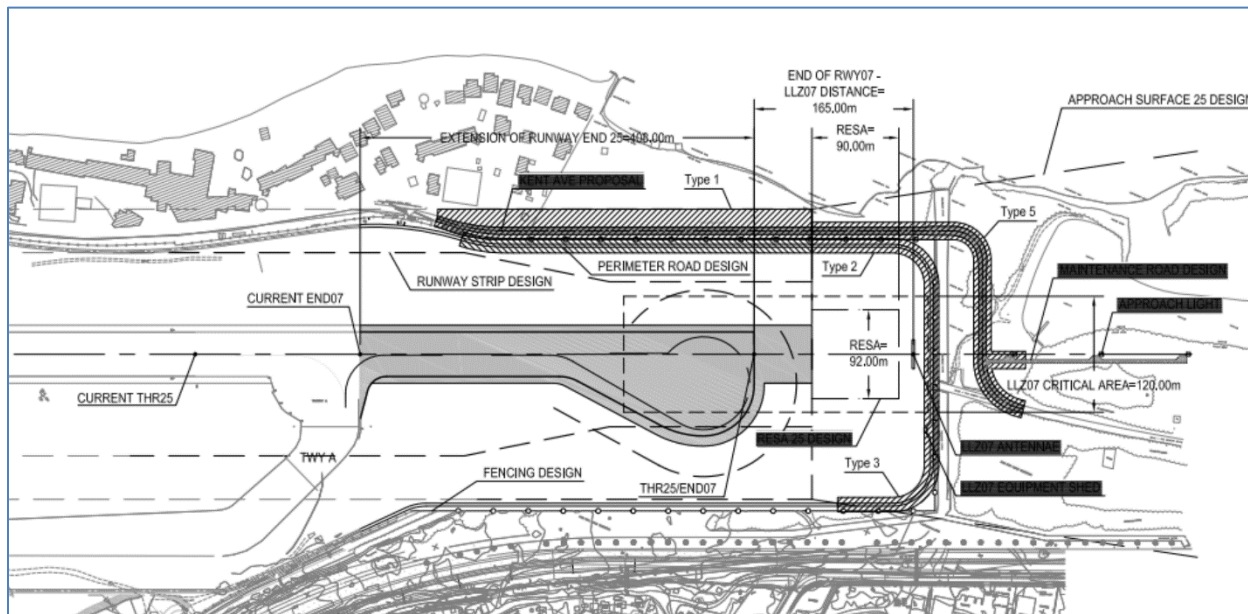
3. Runway Extension Project

The scope of this project involves the implementation of the works defined in the Phase 3 Memorandum of Understanding between MBJ Airports Limited and the Airports Authority of Jamaica for the Runway Extension and Associated Works Project.

The project scope includes:

- Managing the Relocation of Public Roads & Utilities
- Extension of the Runway and Establishment of Runway End Safety Area (RESA)
- Relocation of Thresholds and Navigational Aids

- Design & Construct Taxiway 'E' Expansion & Jet Blast Screen
- Perimeter Road and Fencing
- Shoreline Protection Project



Proposed Runway Extension Layout

MBJ conducted a Request for Proposal (RFP) process to select a Project Management consulting firm. Subsequently, an agreement was signed between MBJ and LeighFisher to provide Project Management Services for the "Phase 3" -Runway Extension Project in January 2018 valued at USD 2.82 Million.

The project kick-off meeting was held on February 8, 2018, with major stakeholders including the Executive Management team of the Airports Authority of Jamaica (AAJ) and the National Works Agency (NWA) who will execute the construction of the Public Roads.

The project is now in the Planning Phase and stakeholder consultation meetings have been held and are ongoing with the major utility companies who will be impacted by the project, the National Environment Planning Agency (NEPA), the Director General's office of the Jamaica Civil Aviation Authority (JCAA), the St. James Municipal Corporation, the Jamaica Defence Force and Sandals Resort International.

The project is divided into four phases (Planning, Procurement, Construction, and Defects Liability Period) and will have a duration of three (3) years.

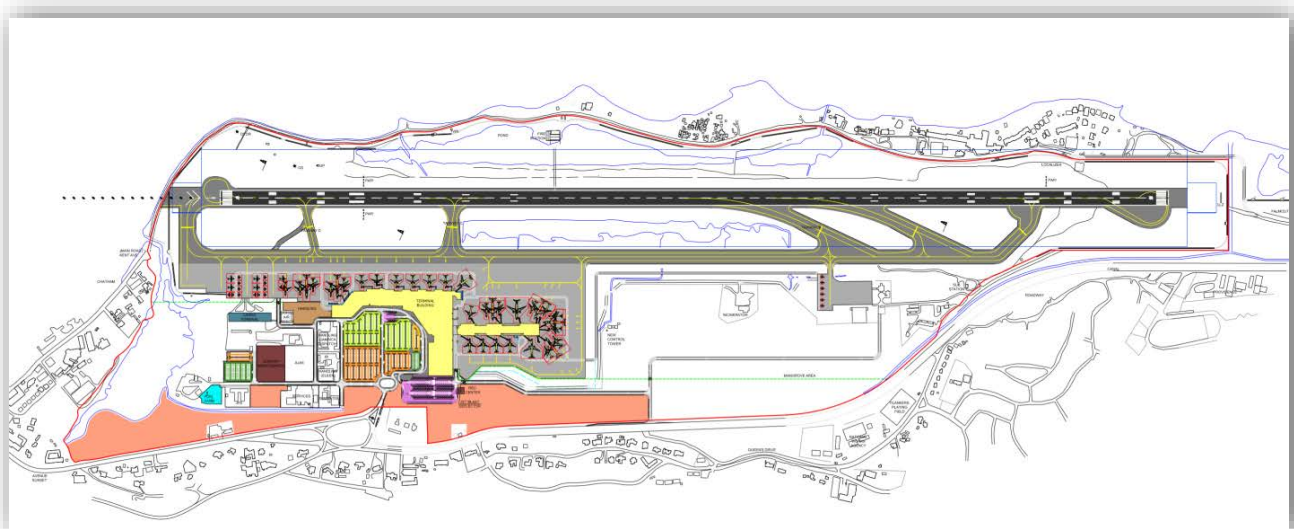
4. HVAC Chiller Upgrade

This project will address the current cooling concerns with overall HVAC capacity and chilled water supply temperatures to air handling units located furthest from the current chillers plant resulting in warmer temperatures in the west end of the Terminal Building.

The scope includes the supply and installation of two 400 Ton Air-cooled Chiller, Pumps, controller, pipework, civil and electrical work to serve the western end of the Terminal Building. The new chillers are due to be commissioned in May 2018.

5. Master Plan/Terminal Expansion Project

MBJ completed the development of a new Master Plan in 2017. The Master Plan provides a comprehensive study of the airport and describes the short (2020), medium (2025), and long-term (2035) development plans to meet future aviation demand at the SIA. The Master Plan details future requirements for the Airside, Landside, and Terminal Facilities and will guide the future development of the airport.



Future Land Use Plan

Subsequently, MBI launched an RFP in March 2018 to engage a consulting firm to provide Architectural, Interior Design, and Engineering Services for the expansion of the SIA. The objective is to develop the airport terminal into a modern, functional and efficient international facility that will greatly enhance the experience for both passengers and the airport community, and meet demands based on forecasted growth in passenger movement.

NORMAN MANLEY INTERNATIONAL AIRPORT (NMIA)



The activities of NMIA Airports Limited (NMIAL), the approved operator of the Norman Manley International Airport, will be addressed more extensively in the NMIAL Annual Report. Accordingly, this report will only summarise aspects of the airport's operations and results.

COMMERCIAL, ROUTE DEVELOPMENT, AND MARKETING

Non- Aeronautical revenue for the 2017 – 2018 period grew by a marginal 3% compared with the prior year. Retail concessions, liquor sales, and Car Park revenues performed creditably during the period, however, Food and beverage and Fuel sales were among the streams that recorded a decline in revenues.

Concerning route Development, NMIA was represented at Routes Americas 2018 which was held in Quito, Ecuador over the period FEBRUARY 13 -15, 2018. Meetings were conducted jointly with the Jamaica Tourist Board and MJB representatives in a number of instances, and the presentation of NMIA's business case was made to 19 entities (airlines/airports/ tourism organisation). Information included traffic potential to Destination Kingston and the recent hotel developments in the capital city, along with updates on road works in the corporate area and on the Kingston to Mammee Bay leg of the North-South Highway.

Club Kingston, the sole operator of the executive lounge service at NMIA, was voted Global Lounge of the year by Priority Pass, the World's Largest Airport Lounge access Programme. Club Kingston won the coveted Priority Pass Award from a nomination of over 700 airport lounges across more than 500 airports throughout the world.

CAPITAL DEVELOPMENT PROGRAMME

The three-phase Capital Development Programme (CDP) emanated from the 20-year NMIA Master Plan Study, which was completed in 2004. The programme was prepared out of the urgent need to expand and modernize the present terminal building and other airport infrastructure.

The CDP includes the rehabilitation of the Air Terminal Building, Cargo Storage and Processing Space, Electrical, Electronic, and Mechanical and other infrastructure works with some changes to the airside infrastructure. The three phases of the CDP are:

Phase 1A (US\$120M) - Implementation - 2004/2005 to 2011/2012 (Completed)

Phase 1B (US\$26M) - Implementation - 2012/2013 to 2019/2020 (70% complete)

Phase 2 (US\$15M) - Implementation - 2017/2018 to 2022/2023

AIRPORT OPERATIONS

NMIAL continued to implement systems and procedures for the efficient processing of passengers throughout the airport Terminal, with safety and security being of paramount importance. The Operations team also developed and implemented several procedures that improved the efficiency of aircraft operations and the operations of pedestrians and vehicles on the airside. Additionally, the staff received formal training that was geared at improving the competencies within the Department.

Operations at the NMIA were very smooth for the period 2017/18 with minimal disruption to passengers' movement and flight activities. During the 2017/18 period, aircraft arrival totalled Ten Thousand Three Hundred and Forty-Six (10,346) which is a decrease of 0.24% when compared to the same period 2016/17 of Ten Thousand Three Hundred and Seventy-one (10,371) arrivals. For the period under review departures totalled Ten Thousand Three Hundred and Forty-five (10,345) which is a decrease of 0.23% when compared to 2016/17 when there was Ten Thousand Three Hundred and Thirty-nine (10,369) departures.

The Car Park revenue for 2017/18 was USD Nine Hundred and Thirteen, Four Dollars (US\$913,034). This represents an increase of seven percent (7%) when compared to the 2016/17 total of Eight Hundred and Fifty-Three Thousand, Four Hundred and Fifty Dollars (US\$853,450).

NMIAL performed creditably well in the benchmark Airport Council International (ACI) Airport Service Quality (ASQ) survey for Airports in Latin America and the Caribbean (LAC). At the beginning of the year, our goal was

to be ranked number four (4) in the LAC for overall satisfaction. However, by the end of 2017/18, NMIA was ranked 8 out of a total of twenty-seven (27) airports.

The critical equipment that supports the overall operations performed creditably well with minimal breakdown time. The passenger loading bridges, elevators, escalators, Flight Information Display Screen, Baggage Information Display Screen, and Conveyors Belt, all performed at or above the minimum target performance of 85%. Passenger Loading Bridge revenue for 2017/18 was USD One Million Eighty-One Thousand, Five Hundred and Seventy Dollars (US\$1,081,570). This represents an increase of five percent (5%) when compared to 2016/17 revenue of USD One Million Thirty-Four Thousand Eight Hundred and Sixty-Seven Dollars (US\$1,034,876).

AVIATION SECURITY

NMIAL Aviation Security Department is responsible for coordinating the security measures for the entire airport. The Department is staffed by a director, security coordinators, and assistants working on a 24-hour 3 shift rotation. The security efforts are supported by contracted security providers, namely the Port Security Corps Ltd. who monitors activities on the airside and security restricted areas, and Marksman Limited with responsibility for securing the landside. The major security measures include security awareness training, access control, surveillance, physical security, investigation, traffic management, and trained manpower.

During the year under review, improvement to the surveillance capabilities was realised with additional cameras installed and improved viewing resolution. The viewing room was upgraded and additional staffing employed. The security staff received training to improve competence in varying areas of the security portfolio. The aviation security activities ended the year with performance achievements of; surveillance coverage(CCTV) serviceability - 97%, security equipment serviceability - 90%, and additional security certified staff members which demonstrated the commitment of the Government of Jamaica to secure its borders.

The security Department continued to collaborate with the airport stakeholders through varying forms of facilitation including the preparation of security plans and provided security for events, assisted the airlines with the implementation of new security requirements to ensure minimal impact on passenger experience. The Department continued its effort to respond to complaints in a timely manner to foster goodwill with all stakeholders. The Aviation Security Department continued its oversight of the security measures in place at IFIA and the other aerodrome.

ENVIRONMENTAL MANAGEMENT AND SUSTAINABILITY

NMIAL is committed to the principle of sustainability and continues to undertake environmental management programmes that are guided by ISO14001 as well as the mandates of local environmental regulations and relevant international conventions. The incorporation of sustainable environmental requirements into major airport operations is imperative to streamline environmental management and achieve a safe, environmentally-friendly, and aesthetic environment. Climate Resilience, Wildlife Hazard Management, Waste Management, Regulatory Compliance Monitoring, Landscaping Maintenance Management, and Vector Control remain significant components within the suite of Environmental Programmes. The airport is situated within the locally declared Palisadoes - Port Royal Protected Area (PRPA), and in the midst of a declared Wetland of International Significance or RAMSAR site.

NMIAL continued its role as a stakeholder in the community. NMIAL continued to make responses to the development of various Parish Development Orders promulgated from the National Environment and Planning Authority (NEPA). Environmental permits and licences pertinent to the operations of the airport were renewed and maintained as part of the airport's commitment to regulatory compliance. NMIA's Air Quality licence certification was granted by NEPA in respect of Air Quality Regulations (2006). Appropriate due diligence is maintained on the airport property with routine environmental monitoring.

The outlook in respect of significant environmental issues affecting airports continues to evolve at both the local and international levels, especially with regard to climate change. Consideration of climate change resilience is a key objective in corporate environmental sustainability. Of note, NMIAL was featured within the UNCTAD project on "Climate Change Impacts on Coastal Transport Infrastructure in the Caribbean: Enhancing the adaptive capacity of Small Island Developing States (SIDS)". This climate change geared project aimed to strengthen the capacity of transport infrastructure managers to understand climate change impacts on coastal airport infrastructure and to take appropriate adaptation response measures.

NMIAL remains responsive to the matter of climate change and its potential impacts over the long-term for the operations of the airport. One of the most important measures that can be used to reduce an entity's carbon footprint or to manage emissions is to make improvements in energy efficiency and conservation, including the use of renewable energy supplies. As part of the ICAO/UNDP-GEF Environmental Pilot Demonstration Project 'Transforming the Global Aviation Sector: Emissions Reduction from International Aviation', the pilot 'Solar-At-Gate-Project' undertaken at NMIA has been noteworthy. Under the project, there was the successful installation of solar facilities to provide electricity for Terminal Gate Number One. The 'Solar-at-Gate' power supply facility

replaced two (2) power sources and reduces the carbon footprint of aircraft while at the gate. NMIAL remains committed to meeting existing as well as changing local and international standards that impact airport operations in the dynamic aviation environment.

IFIA AND THE AERODROMES

Operations at the Ian Fleming International Airport (IFIA) and the three (3) domestic Aerodromes (Ken Jones, Negril, and Tinson Pen) continued to be subsidized by the AAJ. During the 2017/18 period, total passenger traffic at the Aerodromes decreased by approximately 4% amounting to 9,959 passengers and similarly, aircraft movement decreased by 26% for a total of 12,725 departures and landings for the year. The IFIA saw a 17% and 21% increase in international arriving and departing passengers respectively, for a total of 1,514 passengers. Aircraft movement at IFIA was 1140, 306 movements less than in 2016/2017. Based on feedback on prospective airline operators, the AAJ commenced infrastructural works at IFIA to widen the existing runway, create a turning circle and expand the terminal building in preparation for targeted airline operations. Procurement of a fire truck and x-ray machine is in its advanced stage to supplement the pending increase in commercial operation activities. As part of the GOJ's plans to develop the Tinson Pen Aerodrome into a logistics facility, Kingston Wharves Limited commenced utilizing the non-aeronautical lands for its Global Auto-Transshipment Logistics Centre operations. The AAJ continues to re-establish a framework to improve its infrastructural, financial, and operational efficiencies at the facilities.

HUMAN RESOURCE MANAGEMENT AND ADMINISTRATION

The organization's human capital development programme continued in fulfillment of its mandate to develop employees in support of the operational goals of AAJ and NMIAL. As at March 31, 2018, the total number of personnel employed to AAJ Group was two hundred and ninety-one (291). The areas below outline the organization's achievements for the period.

Employee Training

The organization facilitated short term training programmes for airport-specific knowledge and skills in an effort to build and enhance competence in this area. These programmes were offered both locally and internationally through face-to-face and online delivery methodologies. For the period, 278 employees out of an average workforce of 291 employees participated in various training programmes totaling 749 man-days of training. This is an average of 2.7 man-days of training per employee in relation to the overall workforce. Training programmes for the period included:

- Basic Air Traffic Services Training
- TRAINAIR PLUS Training Instructors Course (TIC)
- Safety Management and Systems
- ACI Airside Safety & Operations
- ACI Aerodrome Auditing & Compliance
- ACI Managing Aerodrome Works
- ACI Runway Incursion Awareness and Prevention
- Managing Defense in the Wider Security Context
- Masterclass in Corporate Governance Excellence
- Engineering Ethics Seminar
- ACI Developing a Customer Service Culture
- Emergency Response – Live Burn Training
- Communication Skills to Build Assertiveness and Leadership
- Exceptional Customer Service
- Business Research and Report Writing
- Conflict Management & Resolution Strategies
- Emotional Intelligence in the Workplace

Employee Development

For the period, developmental opportunities were provided in business and technical skills development as well as personal development. The developmental methods included: on-the-job training, job rotation, cross-training, job enrichment, and special project assignments for employees. AAJ/NMIAL approved Tuition Assistance awards to 7 employees. The total awards amounted to J\$7,739,119.55 for 4 employees reading at the undergraduate level and 3 employees pursuing degrees at the graduate level.

Employee Welfare Programme

NMIAL continued its Employee Welfare Programme in an effort to engender a culture of wellness and well-being, thus fostering camaraderie among employees. To this end, the organization hosted its annual Employee Heart Screening Exercise, wellness seminars, and workshops within the Wellness Programme. Other activities included the Employee Recognition Programme, quarterly employee interaction events as well as the customary Christmas Socials. Under the Scholarship for Children of Employees programme, a total of 29 new awards were made for 9 primary level bursaries, 8 secondary scholarships, 4 tertiary scholarships, and 8 book grants for the 2017-2018 academic year. The total disbursement was \$ 5,000,000 for new and recurring scholarship awards.

PUBLIC-PRIVATE PARTNERSHIP-NORMAN MANLEY INTERNATIONAL AIRPORT

The GoJ, through the Ministry of Transport and Mining (“MTM”), has initiated the process of implementing a Public-Private Partnership (“PPP”) to identify a private sector operator with proven experience in the aviation sector to finance, develop, operate and maintain the NMIA. Eight (8) bidders pre-qualified and were provided with the Request for Proposal and Draft Concession Agreement. Bidders are currently undertaking due diligence activities. The GoJ is expected to finalize the Concession Agreement for issuance to bidders in the First Quarter of the Financial Year 2018/2019.

The GoJ is seeking to:

- (i) develop and enhance the position of the NMIA as a competitive airport in the region;
- (ii) increase service quality standards to provide passengers with an improved overall airport experience in line with international best practices;
- (iii) introduce private sector finance, technical know-how, and operational efficiencies to maintain a state of the art aviation facility; and
- (iv) mobilize additional private sector investment in the Airport’s infrastructure.

Infrastructure

NMIA represents an excellent opportunity for an investor to acquire a well maintained and modern airport facility which has undergone substantial expansion and redevelopment. Over US\$150 million has been invested in the infrastructure at the Airport since 2004, when NMIA embarked on a major Capital Development Program involving the redevelopment and upgrading of the Airport including a large terminal expansion and refurbishment, expansion of aircraft parking stands and taxiways, upgrading the airport access roads and parking lots, construction of a new energy centre, development of the first phase of the NMIA Cargo and Logistic Centre, as well as additional improvements.

The Airport’s passenger terminal facilities were expanded and refurbished to modern standards in 2008. Based on current passenger throughput there is capacity headroom to accommodate significant growth without the need for expansion. The passenger Terminal Building consists of three contiguous structures and one perpendicular pier, comprising of a total covered area of about 10,000 square meters. The passenger terminal has sufficient capacity with minor modifications to handle the forecasted traffic through 2038.

The aircraft apron can accommodate a total of 16 commercial aircraft, including 2 Code B, 8 Code C, and 6 Code E aircraft. The Airport is scheduled to commence an extension of the runway to implement Runway End Safety Areas (RESAs) in accordance with ICAO standards.

Major capital investments over the life of the concession would include runway rehabilitation; RESA provision in line with ICAO requirements and any necessary works for safety compliance.

Legal & Regulatory Framework

Jamaica has a well-established aviation policy informed by various pieces of legislation and policy instruments. It is a signatory of the International Civil Aviation Organisation (ICAO) and as such adopts its various annexes regulating civil and commercial aviation. The implementation of aviation policy resides with the Minister with responsibility for Transport. The GoJ has appropriate institutional structures in place to manage and administer PPPs and has a proven track record through the successful implementation of a PPP at the Sangster International Airport (SIA), the Kingston Container Terminal, the Caymanas Track Limited, and two road concessions for Highway 2000 and the North-South Highway. The GoJ has approved and published a Policy and Institutional Framework for the Implementation of a PPP Programme and also a Policy Framework and Procedures Manual for Privatisation of Government Assets.

Both the SIA and the NMIA are Scheduled Airports regulated under the Airports (Economic Regulation) Act. This allows for the Jamaica Civil Aviation Authority (JCAA) to regulate and cap maximum airport user charges. Scheduled Airports must be granted Permission to Levy Charges from the JCAA. NMIA's Permission will be transferable to a new operator.

Regulation is based on a single till charging model (plans are in train to apply to the JCAA to utilize the dual till regime in the computation of the airport charges) with annual increases in line with a CPI-x formula – currently, x is set at 0. Regulatory reviews occur every five (5) years. The last review was concluded in November 2014 and the adjustments to regulated charges associated with that review were implemented in April 2015.

Jamaica subscribes to a liberalized regime regarding Air Services Agreements (ASAs) and is a signatory of twenty-six (26) bilateral ASAs. Fifteen (15) ASAs have been initialled between Jamaica and other states (ASAs being applied administratively).

It is JCAA's policy to grant extra-bilateral rights in cases where an airline has applied for route authority which is not covered by an existing ASA. While Jamaica does not have a comprehensive ASA with the European Union, it does have relatively liberal bilateral agreements with several constituent states, including the United Kingdom. The JCAA is currently negotiating an open skies agreement with the European Union.

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BOARD OF DIRECTORS



Hon. William Shagoury
AAJ Board Chairman



Dr. Meredith Hypolite Derby



Ms. Tanya Bedward



Mr. Audley Deidrick
President



Mr. Denton Campbell



Ms. Claudette Ramdanie



Mrs. Fay Hutchinson



Mrs. Juliet Mair Rose



Mr. Leroy Lindsay

Note: Ms. Valerie Simpson of the Ministry of Transport and Mining served up to April 2017

EXECUTIVE TEAM



AUDLEY H. DEIDRICK
PRESIDENT



Dr. CARVELL MCLEARY
SNR. DIRECTOR HRM &
ADMINISTRATION



HORACE BRYSON
SNR. DIRECTOR ENGINEERING,
MAINTENANCE & PROJECTS



ALFRED MCDONALD
SNR. DIRECTOR, COMMERCIAL
DEVELOPMENT & PLANNING



VERONA VACIANNA
GENERAL COUNSEL



SAMUEL MANNING
SNR. DIRECTOR FINANCE



DALE DAVIS
CHIEF OPERATIONS OFFICER-NMIAL
EFFECTIVE FEBRUARY 2018

DIRECTORS' COMPENSATION: April 2017 - March 2018

Position of Director	Fees	Motor Vehicle Upkeep/Travelling	Honoraria	All Other Compensation including Non-Cash Benefits as applicable	Total
	or				
	Value of Assignment of Motor Vehicle				
	(\$)	(\$)	(\$)	(\$)	(\$)
Hon William Shagoury - Chairman of the AAJ Board	351,900.00	140,119.00			492,019.00
Mr. Leroy Lindsay Chairman of the Projects Sub-committee	407,600.00	76,951.00			484,551.00
Dr. Meredith Hypolite Derby - Chairperson of the Finance Committee	622,100.00	122,359.00			744,459.00
Ms Claudette Ramdanie Chairperson of Audit & Risk Sub-committee	303,900.00	35,250.00			339,150.00
Denton Campbell Chairman of Operations & Business Development Sub-committee	391,100.00	413,972.00			805,072.00
Fay Hutchinson- Chairperson for Art Sub-committee	373,100.00	78,082.00			451,182.00
Tanya Bedward Director	368,100.00	65,283.00			433,383.00
Juliet Mair Rose Director	341,100.00	68,823.00			409,923.00
Valerie Simpson Director	48,500.00	7,238.00			55,738.00
	3,207,400.00	1,008,077.00	0.00	0.00	4,215,477.00

Notes

- Fees are paid for Board Meetings and Sub-Committee Meetings
- Directors receive a travelling allowance for meetings attended.
- Other compensation represents the payment of business-related telephone charges.
See Executive compensation for the Director /President
- Effective May 1, 2017, Ms. Tanya Bedward replaced Ms. Valerie Simpson as the Ministry of Transport & Work's representative on the Board. Ms. Simpson retired from her post at the Ministry.

SENIOR EXECUTIVE COMPENSATION: April 2017 - March 2018

Position of Senior Executive		Salary	Gratuity	Travelling Allowance	Pension or Other Retirement Benefits	Other Allowances	Non-Cash	Grand Total
President - Audley Deidrick		8,840,422	2,210,105.50	3,806,394	-	1,746,209	242,691	16,845,822
General Counsel - Verona Vacianna		1,501,930	-	643,494	-	1,559,965	46,604	3,751,994
	AAJ	10,342,352	2,210,106	4,449,888	-	3,306,174	289,296	20,597,815
Chief Operating Officer - Dale Davis		1,210,609	-	428,996	-	178,461	31,951	1,850,018
Snr.- Finance - Samuel Manning		1,501,930	1,501,930.25	643,494	-	392,220	40,682	4,080,257
Snr. Director - HRMA -Carvel McLeary		6,107,850	1,501,930.25	2,573,976	-	1,183,714	123,134	11,490,604
Snr. Director - CDM - Alfred McDonald		6,007,721	-	2,573,976	-	1,488,363	210,474	10,280,534
Snr. Director - EMP - Horace Bryson		5,861,191	1,465,297.83	2,573,976	-	1,039,048	159,222	11,098,735
	NMIAL	20,689,302	4,469,158	8,794,418	-	4,281,806	565,464	38,800,149
	CONSOL	31,031,654	6,679,264	13,244,306	-	7,587,980	854,760	59,397,964

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 travelling allowance
- ✓ 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 labeled "Travelling Allowance.
- ✓ The non-cash items (health & life insurance) of \$854,760 are not reflected in nor regarded as management compensation shown in the audited financial statements.

BOARD MEMBERS ATTENDANCE APRIL 2017 – MARCH 2018

	Hon. William Shagoury Chairman	Mr. Audley Deidrick President	Mr. Denton Campbell	Dr. Meredith Derby	Mr. Leroy Lindsay	Mrs. Juliet Mair Rose	Mrs. Faye Hutchinson Deputy Chairman	Ms. Claudette Ramdanie	Ms. Valerie Simpson	Ms. Tanya Bedward
Apr-17	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
May-17	-	✓	✓	✓	✓	✓	✓	✓	-	✓
Jun. 2017		✓	✓	✓	✓	✓	✓	✓	-	✓
Jul. 2017	-	✓	✓	✓	✓	✓	✓	-	-	✓
Aug. 2017	-	-	-	-	-	-	-	-	-	-
Sep. 2017	✓	✓	-	✓	✓	✓	✓	✓	-	✓
Oct. 2017	✓	✓	✓	✓	✓	✓	✓	✓	-	✓
Nov. 2017	✓	✓	✓	✓	✓	✓	✓	✓	-	✓
Dec. 2017	✓	✓	✓	✓	✓	✓	✓	✓	-	✓
Jan. 2018	✓	✓	✓	✓	✓	✓	-	✓	-	✓
Feb. 2018		✓	✓	✓	✓	✓	✓	✓	-	✓
Mar. 2018	✓	✓	✓	✓	✓	✓	✓	✓	-	✓
TOTAL	9	11	10	11	11	11	10	10	1	10

BOARD MEMBERS AREAS OF EXPERTISE

NAME	ENTREPRENEUR SHIP	GENERAL MANAGEMENT	FINANCE & AUDIT	STRATEGIC MANAGEMENT	HUMAN RESOURCE	LAW	RISK MANAGEMENT	AIRPORT PROFESSIONAL	AERONAUTICS	CORPORATE GOVERNANCE	LENGTH OF SERVICE (Yrs approx.)
Hon William Shagoury CHAIRMAN	✓	✓								✓	11
Mrs Fay Hutchinson DEPUTY CHAIRMAN		✓			✓				✓	✓	2
Mr Denton Campbell			✓	✓				✓		✓	2
Mr Leroy Lindsay								✓	✓	✓	2
Ms. Tanya Bedward				✓			✓			✓	1
Dr. Meredith Derby	✓			✓			✓	✓		✓	2
Mrs. Juliet Mair Rose		✓				✓	✓			✓	2
Ms. Claudette Ramdanie		✓	✓		✓		✓			✓	6
Ms. Valerie Simpson		✓		✓			✓	✓		✓	Over 12 Years. Ended May 2017



AWARDS & EVENT HIGHLIGHTS

AIRPORTS AUTHORITY OF JAMAICA,
JAMAICA CIVIL AVIATION AUTHORITY &
AERONAUTICAL TELECOMMUNICATIONS LTD.

request the pleasure of your company for the inaugural

BANQUET & AVIATION AWARDS CEREMONY

VENUE
KNUTSFORD COURT HOTEL
Blue Mountain Suite
(Parking At Ruthven Road Entrance Only)

DATE
Thursday, December 7th

START TIME
7:00 pm

DRESS
Formal Attire

RSVP

Sharlene Small | 924-8009 / 924-8251 | ssmall@aai.com.jm
Ava-Marie Ingram | 838-2520 | ava-marie.ingram@jcaa.gov.jm
Michelle Jones | 329-9596 | mjones@aerotel-jm.com



AWARDEE



**Alrene
RICHARDS-BARR, IAP**

MAIN CONTRIBUTION TO CIVIL AVIATION IN JAMAICA:
For leading the implementation of the Sister Airport Corporation
Agreement between Heathrow and Jamaica International Airport in
Atlanta, Georgia, USA and Jamaica's airports.



Celebrating International Civil Aviation Day | 2017



AWARDEE



**Frederick Carl
BARNETT**

MAIN CONTRIBUTION TO CIVIL AVIATION IN JAMAICA:
Contributor of Wings, Jamaica Limited. He established the first
flight training school in the British West Indies, which offered flight
training and air charter services. He also expanded and enhanced
Jamaica's fledgling aviation community into an active and vibrant
venture of national and international significance.



Celebrating International Civil Aviation Day | 2017



AWARDEE



**Major
VICTOR BEEK**

MAIN CONTRIBUTION TO CIVIL AVIATION IN JAMAICA:
For sterling contribution to Civil and Military aviation.
(posthumously)



Celebrating International Civil Aviation Day | 2017



AVIATION SEMINAR & LUNCH

49

VENUE:

KNUTSFORD COURT HOTEL
Blue Mountain Suite
(Parking at Ruthven Road Entrance Only)

DATE:

Wednesday, December 6th

TIME:

9:00am - 2:00pm

PANEL DISCUSSION:

THE FUTURE OF CIVIL AVIATION IN JAMAICA WITHIN THE LOCAL AND GLOBAL CONTEXT.

MEET THE PANELISTS:



**Alrene
Richards-Barr**
Dr. Alrene Richards-Barr,
Heathrow-Jamaica Sister
Airport Ltd.



**Christopher
Read**
Managing Director & CEO,
Aerotel International Limited



**Audrey
Delrick**
President & CEO, Airport
Authority of Jamaica 1990



**Nari
Williams-Singh**
Senior General Manager, ICAO
Aviation Authority



**Howard
Armstrong**
General Manager, AEROTEL



**Rafael
Echevarre**
CEO, Aeroports Ltd.

RSVP:

Sharlene Small
924-8009 / 924-8251
ssmall@aai.com.jm

Ava-Marie Ingram
838-2520
ava-marie.ingram@jcaa.gov.jm

Michelle Jones
329-9596
mjones@aerotel-jm.com

Celebrating International Civil Aviation Day



RECOGNIZING THE IMPORTANCE OF AVIATION
TO SOCIAL AND ECONOMIC DEVELOPMENT

Celebrating...



International Civil Aviation Day December 7, 2017

GLOBAL THEME:
WORKING TOGETHER TO ENSURE NO COUNTRY IS LEFT BEHIND

JAMAICA
CIVIL AVIATION
AUTHORITY



POWERED BY:
AEROTEL
AERONAUTICAL TELECOMMUNICATIONS LTD.



**AIRPORTS AUTHORITY
OF JAMAICA**



Airports Authority of Jamaica

Schools' Art Project 2017

Highlights of the

Art Soiree

Awards Presentation

December 14, 2017

AAJ Learning & Development Centre

Congratulations to all awardees



2ND - Zoe Morrison
Queens Preparatory School



1ST - Benjamin Barrett
Belair Preparatory School



3RD - Tamir Williams
Corinaldi Avenue Primary

CATEGORY A

AGES 5-9 YEARS

Presenter:

Audley Deidrick
President AAJ/CEO, NMIAL

CATEGORY B

AGES 10-14 YEARS

Presenter:

William Shagoury
Chairman, Airports Authority of Jamaica



2ND - Coleen Powell
Newell High School



1ST - Chassi Simms
Sydney Pagan STEM Academy



3RD - Richelle Robertson
Manchester High School



2ND - Aliyah Wright
Manchester High School



1ST - Oneil Mullings
Newell High School



3RD - Mickaeh Baker
Manchester High School

CATEGORY C

AGES 15-19 YEARS

Presenters:

Herbert Miller & Juliet Mair-Rose
Members, Airport Art Committee

CATEGORY D

SPECIAL NEEDS < 20 YEARS

Presenters:

Diane Watson:- Member, Airports Art Committee
Lisa-Kaye Bryan:- Art competition lead judge



2ND - Amir Bapat
(award accepted by art teacher)
Genesis Academy



1ST - Dane Brown
Genesis Academy



3RD - Nathan Madden
Genesis Academy

SCHOOLS' COUNTY AWARDS / PRESIDENT'S TROPHY



New Vision Kindergarten & Prep
CORNWALL County



Manchester High School
MIDDLESEX County



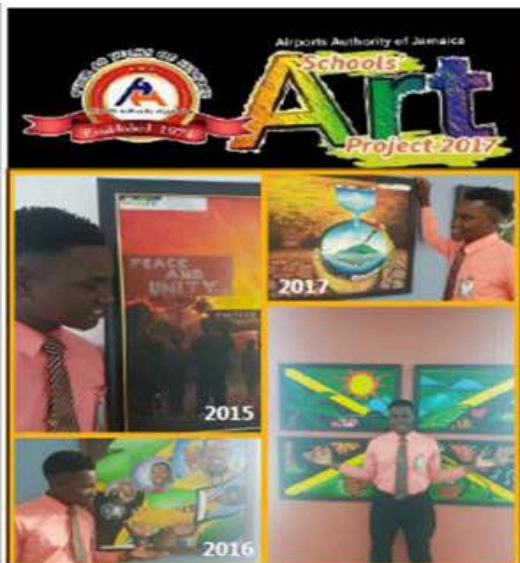
Campion College
SURREY County



AWARD:

OUTSTANDING ART TEACHER

Nicholas Rose | Manchester High School
presentation by: Norman P. Sautler, Chairman Airport Art Committee (left)
and Tachara Lindsay - Williams, Caribbean Airlines (right)



AAJ SCHOOLS' ART PROJECT

51

Making a real difference

ONEIL MULLINGS, the 3-time Champion of AAJ SCHOOLS' ART PROJECT (CATEGORY C / Ages 15 –19), recently paid a courtesy call on the Kingston Gateway.

The very talented Newcombe Valley /St. Elizabeth native and Newell High School alum proudly posed in the main terminal beside his winning pieces for the respective years 2015, 2016 & 2017.

"To see three of my artworks mounted at an international gateway among some of Jamaica's finest artists is, by far, my most gratifying moment to date," gushed O'Neil. He continued "...participating in the AAJ SCHOOLS' ART PROJECT has been a very positive / life changing experience for me. It has afforded me opportunities beyond my wildest dreams and I would encourage other youngsters to get involved."



Getting a close up of Carl Abrahams
Location: Upper Departures Lounge

AAJ Schools' Art Project is an annual competition that was launched in schools island wide by the Airports Authority of Jamaica in September 2014. The main purpose of the programme is to provide an outlet to Jamaican youngsters that celebrates, rewards and showcases their creative skills. Four years later, the programme has grown significantly in stature but the mandate remains. The programme has been credited for unearthing and celebrating numerous young talents and their art teachers from across the length and breadth of Jamaica. Each year, the winning pieces are prominently displayed in the hallowed halls of the Norman Manley International Airport and forms a pivotal part of the passenger experience. The winners from the various categories - ages **5-9yrs**, **10-14yrs**, **15-19yrs** and **Special Needs <20years** - are feted and rewarded with attractive prizes.

As the record breaking / three-peat champion of Category C, Oneil Mullings joyfully walked away with a 4

year scholarship to the prestigious Edna Manley College of the Visual & Performing Arts - all courtesy of Airports Authority of Jamaica. He was also granted his wish to be mentored by Alexander Cooper OD - one of Jamaica's most prolific artists.

For a student that once had to work odd jobs to eek out a living and send himself to school, Oneil now has the splendid opportunity (backed by the Airports Authority of Jamaica) to paint for himself a bright and prosperous future.

AIRPORTS NEWS & UPDATES extends heartiest congratulations and continued success to Oneil, as he pursues his dream to be the next great Jamaican artist.



Winning smiles and handshakes from his art hero Alexander Cooper OD.



Hon. Robert Montague | Minister of Transport and Mining made the official presentation of the AAJ SCHOOLS' ART PROJECT scholarship to Oneil Mullings (three-peat champion of Category C / Ages 15-19).

Sharing in the auspicious occasion are AAJ Chairman William Shagoury and AAJ President - Audley Deidrick

Location: Government VIP Lounge / NMIAirport.

The Commissioning of the KWL Global Logistic Centre @ TINSON PEN AERODROME



Minister of Transport and Mining, Hon. Mike Henry (left), congratulates Chief Executive Officer of Kingston Wharves Limited (KWL), Grantley Stephenson (centre), after signing and handing over the lease arrangements for the KWL's Global Auto Logistics Centre. Sharing the moment is President of the Airports Authority of Jamaica - Audley Deidrick. Occasion was the launch of the facility located at Tinson Pen Aerodrome in St. Andrew on Friday, December 15.



FINANCIAL STATEMENTS



Airports Authority of Jamaica

Financial Statements
31 March 2018

Airports Authority of Jamaica

Index

31 March 2018

	Page
Independent Auditor's Report to the Members	
Financial Statements	
Consolidated statement of comprehensive income	1
Consolidated statement of financial position	2
Consolidated statement of changes in equity	3
Consolidated statement of cash flows	4
Authority statement of comprehensive income	5
Authority statement of financial position	6
Authority statement of changes in equity	7
Authority statement of cash flows	8
Notes to the financial statements	9 – 51



Independent auditor's report

To the Members of Airports Authority of Jamaica

Report on the audit of the consolidated and stand-alone financial statements

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of Airports Authority of Jamaica (the Authority) and its subsidiary (together 'the Group' and the stand-alone financial position of the Authority as at 31 March 2018, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards and the Airports Authority Act.

What we have audited

The Group's financial statements comprise:

- the consolidated and stand-alone statement of financial position as at 31 March 2018;
- the consolidated and stand-alone statement of comprehensive income for the year then ended;
- the consolidated and stand-alone statement of changes in equity for the year then ended;
- the consolidated and stand-alone statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

L.A. McKnight P.E. Williams A.K. Jain B.L. Scott, B.J. Denning G.A. Reece P.A. Williams R.S. Nathan C.I. Bell-Wisdom G.K. Moore



Other information

Management is responsible for the other information. The other information comprises the annual report but does not include the consolidated and stand-alone financial statements and our auditor's report thereon.

Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and stand-alone financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and stand-alone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

Responsibilities of management for the consolidated and stand-alone financial statements

Management is responsible for the preparation of the consolidated and stand-alone financial statements that give a true and fair view in accordance with International Financial Reporting and for such internal control as management determines is necessary to enable the preparation of consolidated and stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and stand-alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and stand-alone financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and stand-alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and stand-alone financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Chartered Accountants
Kingston, Jamaica
31 July 2018

Airports Authority of Jamaica

Consolidated Statement of Comprehensive Income

Year ended 31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 \$'000	2017 \$'000
Revenue –			
Airports		8,366,205	7,810,953
Aerodromes		<u>40,681</u>	<u>28,389</u>
		<u>8,406,886</u>	<u>7,839,342</u>
Direct expenses –			
Airports		(4,207,044)	(4,425,789)
Aerodromes		<u>(429,441)</u>	<u>(245,665)</u>
		<u>(4,636,485)</u>	<u>(4,671,454)</u>
Gross Profit		3,770,401	3,167,888
Other operating income	5	1,513,930	1,069,630
Administration expenses		(398,465)	(246,591)
Privatisation costs		(69,161)	(48,259)
Finance (cost)/income	8	<u>(428,575)</u>	<u>286,309</u>
Profit before Taxation		4,388,130	4,228,977
Taxation	9	<u>(839,641)</u>	<u>(867,647)</u>
Net Profit	10	<u>3,548,489</u>	<u>3,361,330</u>
Other Comprehensive Income			
Items that will not be reclassified to profit or loss –			
Re-measurement of post-employment benefits, net of taxes		(11,309)	(7,888)
Items that may be subsequently reclassified to profit or loss –			
Foreign currency translation adjustments		<u>(175,943)</u>	<u>(35,722)</u>
Total other comprehensive income		<u>(187,252)</u>	<u>(43,610)</u>
Total Comprehensive Income		<u>3,361,237</u>	<u>3,317,720</u>

Airports Authority of Jamaica

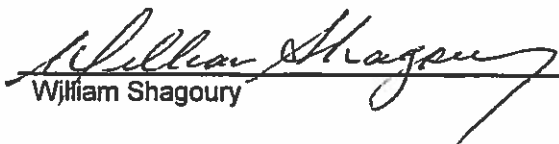
Consolidated Statement of Financial Position

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 \$'000	2017 \$'000
Non-Current Assets			
Property, plant and equipment	11	15,327,713	15,951,375
Intangible assets	12	14,959	4,729
Investments	13	682,856	72,344
Deferred income tax asset	15	1,641,201	1,316,455
		<u>17,666,729</u>	<u>17,344,903</u>
Current Assets			
Inventories	16	56,968	56,449
Receivables	17	3,536,737	2,964,131
Cash and short term deposits	18	8,059,200	8,821,831
		<u>11,652,905</u>	<u>11,842,411</u>
Current Liabilities			
Payables	19	415,538	500,525
Borrowings	20	1,501,018	1,069,580
Taxation payable		1,103,923	723,546
		<u>3,020,479</u>	<u>2,293,651</u>
Net Current Assets		<u>8,632,426</u>	<u>9,548,760</u>
		<u>26,299,155</u>	<u>26,893,663</u>
Shareholders' Equity			
Share capital	21	75,698	75,698
Retained earnings	10	15,472,635	12,635,452
Currency translation reserve	22	(685,891)	(509,948)
		<u>14,862,442</u>	<u>12,201,202</u>
Non-Current Liabilities			
Borrowings	20	11,058,273	14,013,192
Grants	23	164,984	496,538
Post-employment benefit obligations	24	213,456	182,731
		<u>11,436,713</u>	<u>14,692,461</u>
		<u>26,299,155</u>	<u>26,893,663</u>

Approved for issue by the Board of Directors on July 30, 2018 on signed on its behalf by:


 William Shagoury Chairman


 Audley Deidrick President

Airports Authority of Jamaica

Consolidated Statement of Changes in Equity

Year ended 31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares	Share Capital	Retained Earnings	Currency Translation Reserve	Total
	'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2016	75,698	75,698	9,654,075	(474,226)	9,255,547
Net profit	-	-	3,361,330	-	3,361,330
Re-measurements of post-employment benefits, net of taxes	-	-	(7,888)	-	(7,888)
Foreign currency translation adjustment	-	-	-	(35,722)	(35,722)
Total comprehensive income	-	-	3,353,442	(35,722)	3,317,720
Dividends paid	-	-	(372,065)	-	(372,065)
Balance at 31 March 2017	75,698	75,698	12,635,452	(509,948)	12,201,202
Net profit	-	-	3,548,489	-	3,548,489
Re-measurements of post-employment benefits, net of taxes	-	-	(11,309)	-	(11,309)
Foreign currency translation adjustment	-	-	-	(175,943)	(175,943)
Total comprehensive income	-	-	3,537,180	(175,943)	3,361,237
Dividends paid	-	-	(699,997)	-	(699,997)
Balance at 31 March 2018	75,698	75,698	15,472,635	(685,891)	14,862,442

Airports Authority of Jamaica

Consolidated Statement of Cash Flows

Year ended 31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	2018 \$'000	2017 \$'000
Cash Flows from Operating activities		
Net profit	3,548,489	3,361,330
Items not affecting cash resources:		
Depreciation and amortisation	1,104,052	1,117,121
Interest income	(250,581)	(218,809)
Exchange losses/(gains) on foreign balances	271,994	(395,808)
Taxation charge	839,641	867,647
Grants amortised	(1,684,282)	(1,266,679)
Interest expense	626,870	569,429
Change in post-employment benefit obligation	15,647	12,533
	<u>4,471,830</u>	<u>4,046,764</u>
Changes in operating assets and liabilities:		
Inventories	(519)	56,260
Change in restricted cash	27,597	-
Receivables	(579,834)	(1,073,598)
Payables	(84,987)	134,123
	<u>3,834,087</u>	<u>3,163,549</u>
Translation adjustment	204,289	230,282
Taxation paid	(806,992)	(567,859)
Cash provided by operating activities	<u>3,231,384</u>	<u>2,825,972</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment and intangible assets	(820,196)	(704,837)
Purchase of intangible assets	(12,592)	-
Proceed from disposal of property, plant and equipment	4,564	-
Purchase of Investment	(617,707)	-
Interest received	250,874	218,855
Cash used in investing activities	<u>(1,195,057)</u>	<u>(485,982)</u>
Cash Flows from Financing Activities		
Interest paid	(928,588)	(460,732)
Grants received	1,356,294	939,778
Long term loans received	-	912,006
Loan repayments	(2,401,497)	(1,567,572)
Dividend paid	(699,997)	(372,065)
Cash used in financing activities	<u>(2,273,788)</u>	<u>(548,585)</u>
(Decrease)/increase in cash and cash equivalents	(637,461)	1,791,405
Effect of changes in exchange rates on cash and cash equivalents	(97,573)	131,144
Cash and cash equivalents at beginning of year	<u>8,794,234</u>	<u>6,871,685</u>
Cash and Cash Equivalents at End of Year (Note 18)	<u>8,059,200</u>	<u>8,794,234</u>

Airports Authority of Jamaica

Authority Statement of Comprehensive Income

Year ended 31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 \$'000	2017 \$'000
Revenue –			
Airports		3,620,576	3,262,950
Aerodromes		<u>40,681</u>	<u>28,389</u>
		<u>3,661,257</u>	<u>3,291,339</u>
Direct expenses –			
Airports		(190,954)	(199,868)
Aerodromes		<u>(429,441)</u>	<u>(245,665)</u>
		<u>(620,395)</u>	<u>(445,533)</u>
Gross Profit		3,040,862	2,845,806
Other operating income	5	1,191,966	1,181,699
Administration expenses		(398,464)	(246,591)
Privatisation costs		(69,161)	(48,259)
Finance costs	8	<u>(881,436)</u>	<u>(171,021)</u>
Profit before Taxation		2,883,767	3,561,634
Taxation	9	<u>(764,079)</u>	<u>(860,294)</u>
Net Profit	10	2,119,688	2,701,340
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Re-measurement of post-employment benefits, net of taxes		<u>(11,309)</u>	<u>(7,891)</u>
Total Comprehensive Income		<u>2,108,379</u>	<u>2,693,449</u>

Airports Authority of Jamaica

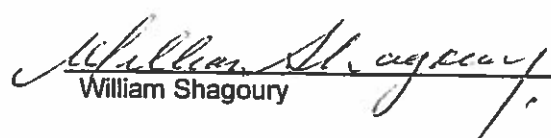
Authority Statement of Financial Position


31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 \$'000	2017 \$'000
Non-Current Assets			
Property, plant and equipment	11	1,647,029	1,646,907
Investments	13	272,868	35,995
Investment in subsidiary	14	305,377	305,377
Due from subsidiary	14	18,334,061	20,286,794
Deferred income tax asset	15	582,884	155,825
		<u>21,142,219</u>	<u>22,430,898</u>
Current Assets			
Receivables	17	2,342,043	1,765,020
Due from subsidiary	14	106,772	46,496
Cash and short term deposits	18	4,267,709	4,279,940
		<u>6,716,524</u>	<u>6,091,456</u>
Current Liabilities			
Payables	19	107,379	103,627
Borrowings	20	1,501,018	1,069,580
Taxation payable		1,092,836	656,822
		<u>2,701,233</u>	<u>1,830,029</u>
Net Current Assets		<u>4,015,291</u>	<u>4,261,427</u>
		<u>25,157,510</u>	<u>26,692,325</u>
Shareholders' Equity			
Share capital	21	75,698	75,698
Retained earnings	10	13,645,099	12,236,717
		<u>13,720,797</u>	<u>12,312,415</u>
Non-Current Liabilities			
Borrowings	20	11,058,273	14,013,192
Grants	23	164,984	183,987
Post-employment benefit obligations	24	213,456	182,731
		<u>11,436,713</u>	<u>14,379,910</u>
		<u>25,157,510</u>	<u>26,692,325</u>

Approved for issue by the Board of Directors on July 30, 2018 and signed on its behalf by:


 William Shagoury Chairman


 Audley Deidrick President

Airports Authority of Jamaica

Authority Statement of Changes in Equity

Year ended 31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares	Share Capital	Retained Earnings	Total
	'000	\$'000	\$'000	\$'000
Balance at 31 March 2016	75,968	75,698	9,915,330	9,991,028
Net profit	-	-	2,701,340	2,701,340
Re-measurements of post-employment benefits, net of taxes	-	-	(7,888)	(7,888)
Total Comprehensive Income	-	-	2,693,452	2,693,452
Dividends paid	-	-	(372,065)	(372,065)
Balance at 31 March 2017	75,968	75,698	12,236,717	12,312,415
Net profit	-	-	2,119,688	2,119,688
Re-measurements of post-employment benefits, net of taxes	-	-	(11,309)	(11,309)
Total comprehensive income	-	-	2,108,379	2,108,379
Dividends paid	-	-	(699,997)	(699,997)
Balance at 31 March 2018	75,698	75,698	13,645,099	13,720,797

Airports Authority of Jamaica

Authority Statement of Cash Flows

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	2018 \$'000	2017 \$'000
Cash Flows from Operating activities		
Net profit	2,119,688	2,701,340
Items not affecting cash resources:		
Depreciation	219,701	217,026
Interest income	(1,138,240)	(1,132,650)
Exchange losses/(gains) on foreign balances	254,566	(398,408)
Taxation charge	764,079	860,294
Grants amortised	(19,003)	(18,999)
Interest expense	626,870	569,429
Change in post-employment benefit obligation	15,647	12,533
	<u>2,843,308</u>	<u>2,810,565</u>
Changes in operating assets and liabilities:		
Receivables	(584,251)	(1,050,978)
Due from subsidiary	338,442	(45,011)
Payables	3,752	(2,433)
	<u>2,601,251</u>	<u>1,712,143</u>
Taxation paid	<u>(751,355)</u>	<u>(434,090)</u>
Cash provided by operating activities	<u>1,849,896</u>	<u>1,278,053</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment and intangible assets	(219,825)	(38,663)
Proceeds from disposal of property, plant and equipment	2	-
Loans repaid by subsidiary	2,349,263	535,902
Loans issued to subsidiary	(775,805)	(912,006)
Purchase of Investment	(236,844)	-
Interest received	1,138,211	1,132,689
Cash provided by investing activities	<u>2,255,002</u>	<u>717,922</u>
Cash Flows from Financing Activities		
Interest paid	(928,588)	(460,732)
Long term loans received	-	912,006
Loan repayments	(2,401,497)	(1,567,572)
Dividend paid	(699,997)	(372,065)
Cash used in financing activities	<u>(4,030,082)</u>	<u>(1,488,363)</u>
Increase in cash and cash equivalents	74,816	507,612
Effect of changes in exchange rates on cash and cash equivalents	(87,047)	151,030
Cash and cash equivalents at beginning of year	<u>4,279,940</u>	<u>3,621,298</u>
Cash and Cash Equivalents at End of Year (Note 18)	<u>4,267,709</u>	<u>4,279,940</u>

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(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 (NMIA), incorporated in Jamaica, the principal activity of which 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 "the Group") is located at the Norman Manley International Airport, Kingston, Jamaica. The Authority is domiciled in Jamaica.

The financial statements were approved and authorised for issue as indicated on the statement of financial position. The directors have the power to amend and reissue the financial statements.

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 30-year Concession Agreement. The Authority earns concession revenue from MBJ Airports Limited, the calculation of which is based on passenger traffic, cargo transported, and increased profits. Under the Agreement, The Authority earned concession revenue amounting to \$3,276,642,000 (2017 – \$2,942,817,000) 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 interpretations of the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements 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. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. 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.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

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 is relevant to its operations:

Amendments to IAS 7, "Statement of cash flows", (effective for the periods beginning on or after 1 January 2017). In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. With the adoption of this amendment the reconciliation of changes in liabilities arising from financing activities is disclosed in the Borrowings note 20.

Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Group

The Group has concluded that the following standards which are published but not yet effective, are relevant to its operations and will impact the Group's accounting policies and financial disclosures as discussed below. These standards and amendments to existing standards are mandatory for the Group's accounting periods beginning after 1 April 2018 or later periods, but the Group has not early adopted them:

IFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018) specifies how an entity should classify and measure financial instruments, including some hybrid contracts. It requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset; initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and subsequently measured at amortised cost or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the four categories of financial assets in IAS 39, each of which had its own classification criteria. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. There has been no significant change in the recognition and measurement of financial liabilities carried at amortised cost from that obtained under IAS 39. While adoption of IFRS 9 is mandatory from 1 January 2018, earlier adoption is permitted. The Group is considering the implications of the standard and the impact of its future adoption.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Group (continued)

IFRS 16 'Leases', (effective for annual periods beginning on or after 1 January 2019). This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group is considering the implications of the standard and the timing of its adoption.

IFRS 15, 'Revenue from Contracts with Customers', (effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of future adoption of the new standard on its financial statements.

Amendment to IFRS 15, 'Revenue from contracts with customers' (effective for accounting periods beginning on or after 1 January 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard. The Group is currently assessing the impact of future adoption of the amendments on its financial statements.

IFRIC 22, 'Foreign currency transactions and advance consideration', (effective for annual periods beginning on or after 1 January 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The Group is considering the implications of the standard on the group and the timing of its adoption.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Group (continued)

Annual improvements 2015 -2017 (effective for annual periods beginning on or after 1 January 2019). Amendments to IAS 23 Borrowing Costs. The Authority treats as part of general borrowings any borrowing originally made to develop an asset after the asset is ready for its intended use or sale.

There was also minor amendments to IFRS 3, "Business Combinations", IFRS 11, "Joint Arrangements" and IAS 12, "Income Taxes"; none of which were relevant to the group.

The Group has concluded that all other standards, interpretations and amendments to existing standards, which are published but not yet effective are either relevant to its operations but will have no material impact on adoption; or are not relevant to its operations and will therefore have no impact on adoption; or contain inconsequential clarifications that will have no material impact when they come into effect. This includes amendments resulting from the IASB's ongoing 'Improvements to IFRS project'.

(b) Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of subsidiaries are consistent with the policies adopted by the Group.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Consolidation (continued)

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

NMIA's principal activities include administering, controlling and managing The Norman Manley International Airport and providing and maintaining such services and facilities, other than navigational services, as are necessary for its efficient operation.

(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 date of the statement of financial position. 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.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in other comprehensive income.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(c) Foreign currency translation (continued)

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated as follows:

- (a) Assets and liabilities for each statement of financial position presented are translated at year end rates,
- (b) Items affecting the statement of comprehensive income are translated at average rates, and
- (c) The resultant gains or losses are recognised in other comprehensive income as translation gains or losses.

(d) Revenue recognition

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.

Revenue from services is 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 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.

Interest income is accounted for on the accrual basis in the accounting period in which the interest is earned.

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.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

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 reporting date.

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

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

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

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

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(f) Property, plant and equipment

Property, plant and equipment are carried at historical 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 - 40 years
Storage tanks and fuel lines	20 years
Computer equipment, plant and machinery and furniture and fixtures	5 - 10 years
Motor vehicles	5 years

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

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

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

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

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

(g) Investments

The Group classifies its investment securities as held to maturity. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

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.

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale. Held-to-maturity investments are initially recognised at fair value plus transaction costs, and are subsequently measured at amortised cost, using the effective interest method.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(h) Impairment of non-current assets

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

(i) Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on the average cost 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) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position 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.

(l) Payables

Payables are stated at historical cost, which is deemed to approximate amortised cost based on the short term nature of these items.

(m) 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.

(n) Grants

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

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(o) Employee benefits

Pension obligations

The Authority operates a defined contribution plan, the assets of which are generally held in a separate trustee-administered fund.

The Authority makes fixed contributions to the pension plan and has no further legal or constructive obligations. All pension obligations are payable by, and accounted for, in the books of the Authority. Accordingly, the Authority recognises a cost equal to its contributions payable in respect of each accounting period in arriving at profit or loss.

The Authority provides post-employment health care benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the obligation was determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that were denominated in the currency in which the benefits would have been paid, and that had terms to maturity approximating the terms of the related liability. The expected costs of these benefits are accrued over the period of employment. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. 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 Authority 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 Authority 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.

(p) 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.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(q) 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 as: loans and receivables and held to maturity. 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 date of the statement of financial position, receivables and cash and short term deposits were classified as loans and receivables; investments were classified as held to maturity.

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 date of the statement of financial position, the following items were classified as financial liabilities: borrowings and payables.

(r) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(s) Intangible assets

This represents acquired computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. The costs of these assets are amortised over their estimated useful lives of 3 years.

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 Committee.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk

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

Credit review process

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

(i) Trade and other receivables

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

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

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

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

(ii) Cash and short term deposits

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

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

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

Trade receivables that are less than 90 days past due are not considered impaired. As of 31 March 2018, trade receivables of \$129,547,000 (2017 – \$138,670,000) for the Group and \$11,125,000 (2017 – \$2,073,000) 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	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
16 - 30 days	19,614	28,318	916	89
31 - 60 days	66,377	70,297	1,432	1,190
61 - 90 days	43,556	40,055	8,777	794
	<u>129,547</u>	<u>138,670</u>	<u>11,125</u>	<u>2,073</u>

Ageing analysis of trade receivables that are impaired

As of 31 March 2018, trade receivables of \$512,276,000 (2017 – \$570,964,000) for the Group and \$70,500,000 (2017 – \$61,640,000) 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.

Provision for impairment of trade receivables

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

	The Group		The Authority	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
At 1 April	570,964	239,251	61,640	47,240
Provision for receivables impairment	8,860	321,582	8,860	14,400
Recoveries	(56,226)	-	-	-
Translation difference	(11,198)	10,131	-	-
At 31 March	<u>512,400</u>	<u>570,964</u>	<u>70,500</u>	<u>61,640</u>

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

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit exposure for trade receivables

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

	The Group		The Authority	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Airlines (scheduled and unscheduled)	443,012	434,566	74,409	58,438
Concessionaires	65,942	103,172	-	-
Fuel through-put	105,533	119,131	1,945	3,312
Food and beverage	24,308	36,533	-	-
Car rental and tour operations	32,125	25,725	3,953	4,418
Advertising	27,390	23,690	215	83
Ground handling and taxi service	34,914	55,888	385	380
Other	811,406	711,632	315,780	170,642
	<u>1,544,630</u>	<u>1,510,337</u>	<u>396,687</u>	<u>237,273</u>
Less: Provision for impairment	<u>(512,400)</u>	<u>(570,964)</u>	<u>(70,500)</u>	<u>(61,640)</u>
	<u>1,032,230</u>	<u>939,373</u>	<u>326,187</u>	<u>175,633</u>

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(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

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

	The Group			Total
	Within 1 Year	1 to 5 Years	Over 5 Years	
	\$'000	\$'000	\$'000	\$'000
2018				
Payables	415,538	-	-	415,538
Borrowings	1,849,648	8,029,223	5,077,484	14,956,355
	<u>2,265,186</u>	<u>8,029,223</u>	<u>5,077,484</u>	<u>15,371,893</u>
2017				
Payables	500,525	-	-	500,525
Borrowings	1,490,760	9,216,606	7,681,938	18,389,304
	<u>1,991,285</u>	<u>9,216,606</u>	<u>7,631,938</u>	<u>18,889,829</u>

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk (Continued)

	The Authority			Total
	Within 1 Year	1 to 5 Years	Over 5 Years	
	\$'000	\$'000	\$'000	\$'000
2018				
Payables	107,379	-	-	107,379
Borrowings	1,849,648	8,029,223	5,077,484	14,956,355
	1,957,027	8,029,223	5,077,484	15,063,734
2017				
Payables	103,627	-	-	103,627
Borrowings	1,490,760	9,216,606	7,681,938	18,389,304
	1,594,387	9,216,606	7,631,938	18,492,931

Primary funding for servicing the on-lent loans is by way of grants from the Airports Improvement Fund (Note 23). In addition, assets available to meet all of the liabilities and to cover financial liabilities include cash and short term deposits.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk

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

Currency risk

Currency risk is the risk that the fair value or 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 the US dollar. 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	Total J\$'000
	2018		
Financial Assets			
Investments	72,049	610,807	682,856
Trade receivables	751,038	281,192	1,032,230
Other receivables	1,856,834	-	1,856,834
Cash and short term deposits	1,405,706	6,653,494	8,059,200
	4,085,627	7,545,493	11,631,120
Financial Liabilities			
Payables	415,538	-	415,538
Borrowings	-	12,559,291	12,559,291
	415,538	12,559,291	12,974,829
Net Financial Position	3,670,089	(5,013,798)	(1,343,709)
	2017		
Financial Assets			
Investments	72,344	-	72,344
Trade receivables	559,330	380,043	939,373
Other receivables	1,437,324	-	1,437,324
Cash and short term deposits	1,964,225	6,857,606	8,821,831
	4,033,223	7,237,649	11,270,872
Financial Liabilities			
Trade payables	500,525	-	500,525
Borrowings	-	15,082,772	15,082,772
	500,525	15,082,772	15,583,297
Net Financial Position	3,532,698	(7,845,123)	(4,312,425)

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued) Currency risk (continued)

	The Authority		
	Jamaican\$ J\$'000	US\$ J\$'000	Total J\$'000
	2018		
Financial Assets			
Investments	36,024	236,844	272,868
Due from subsidiary *	-	18,440,833	18,440,833
Trade receivables	44,995	281,192	326,187
Other receivables	1,859,198	-	1,859,198
Cash and short term deposits	1,020,898	3,246,811	4,267,709
	2,961,115	22,205,680	25,166,795
Financial Liabilities			
Payables	107,379	-	107,379
Borrowings	-	12,559,291	12,559,291
	107,379	12,559,291	12,666,670
Net Financial Position	2,853,736	9,646,389	12,500,125
	2017		
Financial Assets			
Investments	35,995	-	35,995
Due from subsidiary *	-	20,333,290	20,333,290
Trade receivables	86,642	88,991	175,633
Other receivables	1,437,324	-	1,437,324
Cash and short term deposits	1,324,331	2,955,609	4,279,940
	2,884,292	23,377,890	26,262,182
Financial Liabilities			
Payables	103,627	-	103,627
Borrowings	-	15,082,772	15,082,772
	103,627	15,082,772	15,186,399
Net Financial Position	2,780,665	8,295,118	11,075,783

* This represents loans on-lent to the subsidiary, advances and other balances from inter-company transactions.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

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

The Group				
	% Change in Currency Rate 2018	Effect on Profit Before Tax 2018 \$'000	% Change in Currency Rate 2017	Effect on Profit Before Tax 2017 \$'000
Currency:				
USD - revaluation	2%	100,276	1%	78,451
USD - devaluation	(4%)	(200,552)	(6%)	(470,707)

The Authority				
	% Change in Currency Rate 2018	Effect on Profit Before Tax 2018 \$'000	% Change in Currency Rate 2017	Effect on Profit Before Tax 2017 \$'000
Currency:				
USD - revaluation	2%	(192,928)	1%	(82,951)
USD - devaluation	(4%)	385,856	(6%)	497,707

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

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.

(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 date of the statement of financial position. The quoted market price used for financial assets held by the Group is current bid price.

The Group's investments are carried at fair value subsequent to initial recognition, and are classified as Level 2 investments. Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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 date of the statement of financial position. 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.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(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.

(f) Offsetting of financial instruments

There are no master net settlement agreements, and there are no financial assets or liabilities that have been offset on the statement of financial position as at year end.

(g) Financial instruments by category

Financial assets

	The Group		
	Loans and receivables \$'000	Held to Maturity \$'000	Total \$'000
	2018		
Investments	-	682,856	682,856
Trade receivables	1,032,230	-	1,032,230
Other receivables	1,856,834	-	1,856,834
Cash and short term deposits	8,059,200	-	8,059,200
Total financial assets	10,948,264	682,856	11,631,120
	2017		
Investments	-	72,344	72,344
Trade receivables	939,373	-	939,373
Other receivables	1,437,324	-	1,437,324
Cash and short term deposits	8,821,831	-	8,821,831
Total financial assets	11,198,528	72,344	11,270,872

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(g) Financial instruments by category (continued)

	The Authority		
	Loans and receivables \$'000	Held to Maturity \$'000	Total \$'000
	2018		
Investments	-	272,868	272,868
Due from subsidiary	18,440,833	-	18,440,833
Trade receivables	326,187	-	326,187
Other receivables	1,859,198	-	1,859,198
Cash and short term deposits	4,267,709	-	4,267,709
Total financial assets	24,893,927	272,868	25,166,795
	2017		
Investments	-	35,995	35,995
Due from subsidiary	20,333,290	-	20,333,290
Trade receivables	175,633	-	175,633
Other receivables	1,437,324	-	1,437,324
Cash and short term deposits	4,279,940	-	4,279,940
Total financial assets	26,226,187	35,995	26,262,182

Financial liabilities

Other financial liabilities at amortised cost

	The Group	
	2018 \$'000	2017 \$'000
Payables	415,538	500,525
Borrowings	12,559,291	15,082,772
	12,974,829	15,583,297
	The Authority	
	2018 \$'000	2017 \$'000
Payables	107,379	103,627
Borrowings	12,559,291	15,082,772
	12,666,670	15,186,399

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

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 current and deferred tax provisions in the period in which such determination is made.

Allowances for impaired receivables

Periodically, the Group assesses the collectability of its trade receivables. Provisions are created or adjusted as described in Note 2(j). This, however, does not necessarily mean that the Group will collect the total remaining unimpaired balance, as some balances that are estimated to be collectible at period end may subsequently go bad.

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.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

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

Key sources of estimation uncertainty (continued)

Post-employment benefit obligations

The cost of these benefits and the present value of the 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 post-employment benefits include, the discount rate and the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded. 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 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 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 post-employment benefits costs and credits are based in part on current market conditions.

5. Other Operating Income

	The Group		The Authority	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Amortisation of grants (Note 23)	1,213,993	806,749	19,003	18,999
Expenses reimbursed - Project Execution Unit	27,772	26,205	27,772	26,205
Interest income	250,581	218,809	1,138,240	1,132,650
Other	21,584	17,867	6,951	3,845
	1,513,930	1,069,630	1,191,966	1,181,699

Included in the interest income for the Authority is \$981,860,000 (2017 – \$998,597,000) which has been charged on disbursements to its subsidiary to assist with the Norman Manley International Airport expansion project. Interest is charged on the outstanding balance at a rate of 10% per annum.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

6. Expenses by Nature

Total direct and administration expenses:

	The Group		The Authority	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Advertising and public relations	48,020	22,663	20,797	12,306
Auditors' remuneration	6,618	7,770	3,692	4,195
Bad debt, net of recoveries	(30,193)	319,181	8,860	14,400
Commissions and discounts	35,731	30,579	240	271
Depreciation and amortisation	1,104,052	1,117,363	219,701	217,026
Insurance	161,648	202,366	26,171	9,934
Irrecoverable GCT	207,706	186,475	46,406	13,480
Motor vehicle expenses	37,645	32,251	1,645	1,383
Office supplies	36,454	35,800	12,284	10,000
Other	199,830	201,208	34,968	29,710
Professional fees	213,846	186,732	32,956	19,866
Regulatory fees and taxes	73,528	64,543	25,443	19,958
Rental and lease	26,525	32,235	1,465	569
Repairs and maintenance	576,354	545,568	33,175	33,168
Security	502,450	292,344	238,239	58,116
Staff costs (Note 7)	1,168,980	1,131,688	266,565	224,154
Training	72,890	33,355	-	-
Traveling and entertainment	31,945	15,436	23,168	10,514
Utilities	560,921	460,488	23,084	13,074
	<u>5,034,950</u>	<u>4,918,045</u>	<u>1,018,859</u>	<u>692,124</u>

7. Staff Costs

	The Group		The Authority	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	952,877	942,669	189,755	173,882
Payroll taxes – employer's portion	105,708	103,042	20,606	18,906
Pension and other retirement benefits –				
Medical benefits (Note 24)	22,533	18,701	22,533	18,701
Redundancy payments	13,230	13,464	-	-
Other	74,632	53,812	33,671	12,665
	<u>1,168,980</u>	<u>1,131,688</u>	<u>266,565</u>	<u>224,154</u>

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

8. Finance (Costs)/Income

	The Group		The Authority	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Interest expense	(626,870)	(569,429)	(626,870)	(569,429)
Amortisation of grants (Note 23)	470,289	459,930	-	-
	(156,581)	(109,499)	(626,870)	(569,429)
Net foreign exchange (losses)/gains	(271,994)	395,808	(254,566)	398,408
	(428,575)	286,309	(881,436)	(171,021)

9. Taxation

The taxation charge for the year comprises:

	The Group		The Authority	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Income tax –				
Current year	1,187,369	824,003	1,187,369	713,207
Employment tax credit –				
Current	-	(28,523)	-	-
Deferred tax (Note 15)	(347,728)	72,167	(423,290)	147,087
	839,641	867,647	764,079	860,294

Subject to agreement with the Tax Administration Jamaica, losses of approximately \$1,234,735,000 (2017 – \$1,565,715,000) for the subsidiary are available for set off against future profits of the subsidiary and may be carried forward indefinitely. No deferred tax asset was recognised in respect of the tax losses of the subsidiary in prior years.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

9. Taxation (Continued)

The tax on the Group's profit differs from the theoretical amount that would arise using the tax rate of 25% as follows:

	The Group		The Authority	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Profit before taxation	4,388,130	4,228,977	2,883,767	3,561,634
Tax calculated at an effective tax rate of 25%	1,097,033	1,057,244	720,942	890,409
Adjusted for the effects of –				
Income not subject to tax	(319,769)	(273,275)	(11,416)	(76,278)
Expenses not deductible for tax purposes	62,375	112,339	54,551	46,301
Other	2	(138)	2	(138)
	839,641	896,170	764,079	860,294
Employment tax credit	-	(28,523)	-	-
	839,641	867,647	764,079	860,294

10. Net Profit and Retained Earnings

	2018	2017
	\$'000	\$'000
(a) Net profit is dealt with as follows in the financial statements of:		
The Authority	2,119,688	2,701,340
The subsidiary	1,428,801	659,990
	<u>3,548,489</u>	<u>3,361,330</u>
(b) Retained earnings are dealt with as follows in the financial statements of:		
The Authority	13,645,099	12,236,717
The subsidiary	1,827,536	398,735
	<u>15,472,635</u>	<u>12,635,452</u>

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

11. Property, Plant and Equipment

	The Group					Total
	Land, buildings, runways and taxiways	Storage tanks and fuel lines	Motor vehicles	Computer equipment, plant and machinery, furniture and fixtures	Work in progress	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost -						
At 1 April 2016	17,960,708	973,595	122,229	4,950,134	541,266	24,547,932
Additions	3,500	-	-	91,577	609,760	704,837
Disposals	-	-	(7,155)	-	-	(7,155)
Transfers	221,675	-	-	442,711	(664,386)	-
Translation adjustment	758,342	-	6,308	247,230	27,196	1,039,076
At 31 March 2017	18,944,225	973,595	121,382	5,731,652	513,836	26,284,690
Additions	158,897	-	10,326	115,044	535,929	820,196
Disposals	-	-	(6,981)	(24)	-	(7,005)
Transfers	224,129	-	-	84,765	(308,894)	-
Translation adjustment	(373,973)	-	(2,891)	(132,660)	(11,526)	(521,050)
At 31 March 2018	18,953,278	973,595	121,836	5,798,777	729,345	26,576,831
Depreciation -						
At 1 April 2016	4,979,855	675,301	87,556	3,184,594	-	8,927,306
Charge for the year	563,796	48,680	12,044	484,108	-	1,108,628
Disposals	-	-	(7,155)	-	-	(7,155)
Translation adjustment	138,865	-	4,475	161,196	-	304,536
At 31 March 2017	5,682,516	723,981	96,920	3,829,898	-	10,333,315
Charge for the year	569,865	48,680	9,713	473,759	-	1,102,017
Disposals	-	-	(2,417)	(24)	-	(2,441)
Translation adjustment	(84,747)	-	(2,356)	(96,670)	-	(183,773)
At 31 March 2018	6,167,634	772,661	101,860	4,206,963	-	11,249,118
Net Book Value -						
31 March 2018	12,785,644	200,934	19,976	1,591,814	729,345	15,327,713
31 March 2017	13,261,709	249,614	24,462	1,901,754	513,836	15,951,375

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

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
Cost -						
At 1 April 2016	3,852,250	973,595	4,546	265,102	26,072	5,121,565
Additions	3,500	-	-	20,412	14,751	38,663
At 31 March 2017	3,855,750	973,595	4,546	285,514	40,823	5,160,228
Additions	158,897	-	10,326	13,914	36,688	219,825
Disposals	-	-	-	(24)	-	(24)
At 31 March 2018	4,014,647	973,595	14,872	299,404	77,511	5,380,029
Depreciation -						
At 1 April 2016	2,418,931	675,301	4,546	197,517	-	3,296,295
Charge for the year	143,794	48,680	-	24,552	-	217,026
At 31 March 2017	2,562,725	723,981	4,546	222,069	-	3,513,321
Charge for the year	143,845	48,680	172	27,004	-	219,701
Disposals	-	-	-	(22)	-	(22)
At 31 March 2018	2,706,570	772,661	4,718	249,051	-	3,733,000
Net Book Value -						
31 March 2018	1,308,077	200,934	10,154	50,353	77,511	1,647,029
31 March 2017	1,293,025	249,614	-	63,445	40,823	1,646,907

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 were designated the deemed cost of these assets on adoption of International Financial Reporting Standards in 2002.

Property, plant and equipment include assets at cost totaling \$3,090,899,000 (2017 - \$3,090,899,000) were 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.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

12. Intangible Assets

Comprising computer software:

	<u>The Group</u>	<u>The Authority</u>
	<u>\$'000</u>	<u>\$'000</u>
Cost -		
At 1 April 2016	43,708	260
Translation adjustment	<u>2,294</u>	<u>-</u>
At 31 March 2017	46,002	260
Additions	12,592	-
Translation adjustment	<u>(1,367)</u>	<u>-</u>
At 31 March 2018	<u>57,227</u>	<u>260</u>
Amortisation -		
At 1 April 2016	31,085	260
Charge for the year	8,493	-
Translation adjustment	<u>1,695</u>	<u>-</u>
At 31 March 2017	41,273	260
Charge for the year	2,035	-
Translation adjustment	<u>(1,040)</u>	<u>-</u>
At 31 March 2018	<u>42,268</u>	<u>260</u>
Net Book Value -		
31 March 2018	<u>14,959</u>	<u>-</u>
31 March 2017	<u>4,729</u>	<u>-</u>

The amortisation charges are included in direct expenses in the statement of comprehensive income. Computer software will be fully amortised in 3 years (2017 – 1 year).

13. Investments

	<u>The Group</u>		<u>The Authority</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Corporate Bond	610,807	-	236,844	-
Government of Jamaica securities	72,049	72,344	36,024	35,995
	<u>682,856</u>	<u>72,344</u>	<u>272,868</u>	<u>35,995</u>

Government of Jamaica securities comprise Fixed Rate Accreting Notes ("FRANs"), classified as held-to-maturity, which were issued in 2013 as part of the National Debt Exchange, with J\$80 of principal value for every J\$100 of principal value exchanged. The principal will accrete to J\$100 of principal value by the maturity date in 2028.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

14. Related Party Transactions and Balances

The following transactions were carried out with related parties:

(a) Key management compensation

	The Group		The Authority	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Wages and salaries	58,543	50,110	20,309	18,051
Payroll taxes – employer's portion	4,632	4,403	1,298	1,217
	<u>63,175</u>	<u>54,513</u>	<u>21,607</u>	<u>19,268</u>
Directors' emoluments -				
Management remuneration	16,883	17,021	16,883	17,021
Fees	<u>5,433</u>	<u>2,474</u>	<u>3,207</u>	<u>2,474</u>

(b) Due from subsidiary

	2018 \$'000	2017 \$'000
Non-current portion	18,334,061	20,286,794
Current portion	<u>106,772</u>	<u>46,496</u>
	<u>18,440,833</u>	<u>20,333,290</u>

(c) Shares, at cost

<u>305,377</u>	<u>305,377</u>
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The Authority earned concession fees amounting to \$302,575,000 (2017 – \$280,006,000), and interest income as detailed in Note 5, from the subsidiary during the year.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

15. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a tax rate of 25% (2017 - 25%).

	The Group		The Authority	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
At beginning of year	1,316,455	1,331,017	155,825	300,283
Credited/(charged) to profit or loss during the year (Note 9)	347,728	(72,167)	423,290	(147,087)
Charged to other comprehensive income	3,769	2,629	3,769	2,629
Translation adjustment	(26,751)	54,976	-	-
At end of year	<u>1,641,201</u>	<u>1,316,455</u>	<u>582,884</u>	<u>155,825</u>

Deferred tax assets/(liabilities) were due to the following:

	The Group		The Authority	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Interest payable	790,911	1,065,539	364,468	336,632
Accelerated depreciation and amortisation	671,183	564,726	571,958	543,006
Post-employment benefits	53,364	45,682	53,364	45,682
Accrued vacation	23,216	18,811	8,382	3,735
Carry forward losses	520,308	394,543	-	-
Foreign exchange losses	(11,280)	(116,150)	(68,998)	(113,084)
Interest receivable -NMIA	(339,996)	(629,415)	(339,996)	(629,415)
Interest receivable	<u>(66,505)</u>	<u>(27,281)</u>	<u>(6,294)</u>	<u>(30,731)</u>
	<u>1,641,201</u>	<u>1,316,455</u>	<u>582,884</u>	<u>155,825</u>

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

	The Group		The Authority	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets to be recovered after more than 12 months	724,422	610,408	625,322	588,688
Deferred tax liabilities to be settled after more than 12 months	<u>(339,996)</u>	<u>(629,415)</u>	<u>(339,996)</u>	<u>(629,415)</u>

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

15. Deferred Income Taxes (Continued)

	Group and The Authority					
	2018			2017		
	Before tax \$'000	Tax charge \$'000	After tax \$'000	Before tax \$'000	Tax credit \$'000	After tax \$'000
<i>Item that will not be reclassified to profit or loss</i>						
Re-measurement of post-employment benefits obligations, net of taxes	(15,078)	3,769	(11,309)	(10,517)	2,629	(7,888)

16. Inventories

This represents spare parts and supplies.

17. Receivables

	The Group		The Authority	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trade	1,544,630	1,510,337	396,687	237,273
Less: Provision for impairment	(512,400)	(570,964)	(70,500)	(61,640)
	1,032,230	939,373	326,187	175,633
Mobilisation payment	178,381	114,731	-	-
Prepayments	20,614	67,736	10,268	47,303
Advances	201,065	217,186	6,105	4,754
GCT recoverable	3,953	3,390	3,953	3,390
Concession –additional fees	1,729,608	1,423,110	1,729,608	1,423,110
Other	127,226	14,214	129,590	14,214
	3,293,077	2,779,740	2,205,711	1,668,404
Withholding tax recoverable	243,660	184,391	136,332	96,616
	3,536,737	2,964,131	2,342,043	1,765,020

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

18. Cash and Cash Equivalents

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

	The Group		The Authority	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	235,568	614,422	33,877	140,726
Short term deposits	7,823,632	8,179,812	4,233,832	4,139,214
Cash and cash equivalents as reflected in the Statement of cash flows	8,059,200	8,794,234	4,267,709	4,279,940
Restricted cash	-	27,597	-	-
	<u>8,059,200</u>	<u>8,821,831</u>	<u>4,267,709</u>	<u>4,279,940</u>

Included in short term deposits is interest receivable of \$45,048,000 (2017 – \$133,989,000) for the Group and \$25,176,000 (2017 - \$121,809,000) for the Authority. Short term deposits have original maturity of ninety (90) days or less.

The weighted average interest rate on short term deposits denominated in Jamaican dollars was 4.0% (2017 – 5.9%) and on short term deposits denominated in United States dollars was 1.6% (2017 – 1.9%), and these securities mature in 30 days.

19. Payables

	The Group		The Authority	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Trade payables	132,008	97,974	29,078	29,204
Accruals	180,239	149,168	75,545	71,489
Airport Improvement Fund	16,378	111,560	-	-
Security deposit	52,284	55,456	-	-
Employee related	22,929	25,219	-	-
Other	11,700	61,148	2,756	2,934
	<u>415,538</u>	<u>500,525</u>	<u>107,379</u>	<u>103,627</u>

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

20. Borrowings

	The Group and Authority	
	2018 \$'000	2017 \$'000
Current –		
Current portion of long term loans	1,501,018	1,069,580
Non-Current -		
Long term loans	9,477,890	12,209,479
Accrued interest	1,580,383	1,803,713
	<u>11,058,273</u>	<u>14,013,192</u>
	<u>12,559,291</u>	<u>15,082,772</u>
	The Group and Authority	
	2018 \$'000	2017 \$'000
Facilities acquired with the Government of Jamaica as an intermediary:		
(a) Inter-American Development Bank	-	445,212
(b) Export-Import Bank of Japan and The Bank of Tokyo-Mitsubishi Limited	-	729,459
(c) Nordic Development Fund	-	350,168
(d) European Investment Bank	4,409,475	4,932,243
(e) Caribbean Development Bank	2,099,750	2,316,010
(f) Petrocaribe Development Fund	4,036,671	4,418,258
(g) Accrued Interest	<u>2,013,395</u>	<u>1,891,422</u>
	<u>12,559,291</u>	<u>15,082,772</u>
Less Current Portion:		
European Investment Bank	(419,950)	(428,890)
Petrocaribe Development Fund	(396,086)	(295,648)
Caribbean Development Bank	(251,970)	(257,335)
Accrued interest	<u>(433,012)</u>	<u>(87,707)</u>
	<u>(1,501,018)</u>	<u>(1,069,580)</u>
	<u>11,058,273</u>	<u>14,013,192</u>

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

20. Borrowings (Continued)

The following tables show the maturity profile for loans.

	The Group and The Authority			
	Within 1 Year	1 to 5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000
	2018			
(d) European Investment Bank	419,950	2,099,750	1,889,775	4,409,475
(e) Caribbean Development Bank	251,970	839,900	1,007,880	2,099,750
(f) Petrocaribe Development Fund	396,086	1,980,432	1,660,153	4,036,671
(g) Accrued interest	433,012	-	1,580,383	2,013,395
	<u>1,501,018</u>	<u>4,290,082</u>	<u>6,138,191</u>	<u>12,559,291</u>
	2017			
(a) Inter-American Development Bank	-	-	445,212	445,212
(b) Export-Import Bank of Japan and The Bank of Tokyo-Mitsubishi Limited	-	729,459	-	729,459
(c) Nordic Development Fund	-	350,168	-	350,168
(d) European Investment Bank	428,890	1,715,565	2,787,788	4,932,243
(e) Caribbean Development Bank	257,335	686,225	1,372,450	2,316,010
(f) Petrocaribe Development Fund	295,648	1,618,074	2,504,536	4,418,258
(g) Accrued interest	87,707	351,956	1,451,759	1,891,422
	<u>1,069,580</u>	<u>5,451,447</u>	<u>8,561,745</u>	<u>15,082,772</u>

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

20. Borrowings (Continued)

- (a) This represented proceeds of loan contract #887/OC-JA between the Government of Jamaica and the Inter-American Development Bank, which was on-lent to the Authority under the Airport Reform and Improvement Programme. The loan was repaid during the year.
- (b) This represented proceeds of loan contract #041844 between the Government of Jamaica and the Export-Import Bank of Japan and the Bank of Tokyo-Mitsubishi Limited, which was on-lent to the Authority under the Airport Reform and Improvement Programme. The loan was repaid during the year.
- (c) This represented proceeds of loan contract #165 between the Government of Jamaica and the Nordic Development Fund, which was on-lent to the Authority under the Airport Reform and Improvement Programme. The loan was repaid during the year.
- (d) This represents a 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. The loan was disbursed in February 2010.
- (e) This represents a 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 unsecured and is repayable in 30 equal payments semi-annually commencing five years after the date of disbursement. The facility was disbursed in July 2009 and bears interest at 3.83% per annum.
- (f) This balance represents two loans from Petrocaribe Fund as follows:
 - i. A loan of \$22.5 million (2017 – \$22.5 million) from Petrocaribe Fund was acquired to provide interim financing for the Norman Manley Airport expansion project. The loan is repayable in 31 semi-annual payments of \$725,807. Interest is charged at 6% per annum. This loan is unsecured.
 - ii. An additional loan of \$22 million was acquired from the Petrocaribe Fund for financing the Norman Manley Airport Expansion project which is repayable in equal semi-annual amounts beginning after the facility was fully drawn down and to end by June 2030. Interest is charged at 4% per annum. The facility was fully drawn down in 2017.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

20. Borrowings (Continued)

(g) This relates to accrued interest on loans that becomes due on demand.

The tables below sets out the reconciliation of liabilities arising from financing activities:

	The Group and the Authority					
	Opening balance	Loans received	Loans repaid	Net interest	Foreign exchange impact	Closing balance
	2018					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Borrowings	15,082,772	-	(2,401,497)	(301,718)	179,734
	2017					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Borrowings	14,838,073	912,006	(1,567,572)	108,697	791,568	15,082,772

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

21. Share Capital

	2018 \$'000	2017 \$'000
Authorised - 85,607 ordinary shares		
Issued and fully paid - 75,698 ordinary shares	<u>75,698</u>	<u>75,698</u>

The Airports Authority Act provides for the Authority having an authorised capital of \$85,607,000. To date an amount of \$75,698,000 has been credited as fully paid capital.

22. Currency Translation Reserve

Exchange differences arising on translation of NMIA's balances are recognised in other comprehensive income as described in note 2(c) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

23. 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 International Airport expansion project.

The Norman Manley International 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 new arrival and departure wings, two-level passenger pier, new baggage handling facilities, the relocation of the 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. The amount is paid over by the airlines into a special account held with an independent financial institution. The subsidiary may 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	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
At start of year	496,538	795,864	183,987	202,986
Additions	1,356,294	939,778	-	-
Transfer to the statement of comprehensive income -				
Amortisation of grants (Note 5)	(1,213,993)	(806,749)	(19,003)	(18,999)
Amortisation of grants (Note 8)	(470,289)	(459,930)	-	-
Translation adjustment	(3,566)	27,575	-	-
At end of year	<u>164,984</u>	<u>496,538</u>	<u>164,984</u>	<u>183,987</u>

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

24. Post-Employment Benefits

Medical benefits

The Group offers retirees medical benefits. Funds are not built up to cover the obligations under the medical benefit scheme.

The liability recognised in the statement of financial position was determined as follows:

	The Group and The Authority	
	2018	2017
	\$'000	\$'000
Present value of obligations	213,456	182,731

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

	The Group and The Authority	
	2018	2017
	\$'000	\$'000
At beginning of year	182,731	159,681
Current service cost	5,464	4,598
Interest cost	17,069	14,103
Re-measurements - Experience gain	15,078	10,517
Benefits paid	(6,886)	(6,168)
At end of year	213,456	182,731

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

	The Group and The Authority	
	2018	2017
	\$'000	\$'000
Current service cost	5,464	4,598
Interest cost	17,069	14,103
Total included in staff costs (Note 7)	22,533	18,701

Component of other comprehensive income (OCI) are as follows:

	The Group and The Authority	
	2018	2017
	\$'000	\$'000
Re-measurement loss on obligation/components of defined benefit cost recorded in OCI	15,078	10,517

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

24. Post-Employment Benefits (Continued)

Medical benefits (continued)

The movement in the net liability:

	The Group and The Authority	
	2018 \$'000	2017 \$'000
At start of year	182,731	159,681
Pension expense	22,533	18,701
Re-measurements included in OCI (Note 15)	15,078	10,517
Contributions paid	(6,886)	(6,168)
At end of year	213,456	182,731

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	The Group and The Authority		
	Impact on Medical benefit obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
	2018		
Discount rate	1%	(32,456)	42,382
Health inflation rate	1%	41,831	(32,643)
	2017		
Discount rate	1%	(27,392)	35,645
Health inflation rate	1%	35,197	(27,556)

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

24. Post-Employment Benefits (Continued)

Principal actuarial assumptions used in valuing post-employment benefits

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

	The Group and The Authority	
	2018	2017
Discount rate	7.50%	9.50%
Long term inflation rate (CPI)	4.50%	6.50%
Health Inflation above (CPI)	<u>1.50%</u>	<u>1.50%</u>

The average expected remaining service life of the employees for the medical scheme is 17.8 years (2017 – 17.9 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.

25. 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.

26. Capital Commitments

At 31 March 2018, the Group had authorised capital expenditure amounting to \$284,154,815 (2017 – \$1,049,550,960), of which \$184,809,453 (2017 – \$62,373,741) has been contracted for.

27. Operating Lease

NMIA leases various equipment under a non-cancellable lease expiring within five years. The lease has varying terms and renewal rights. On renewal, the terms of the leases are renegotiated

The future aggregate minimum annual lease payments the cancellable lease are as follows:

	2018 \$'000	2017 \$'000
Not later than 1 year	16,791	16,984
Subsequent to 1 year but less than 5 years	<u>11,194</u>	<u>28,307</u>
	<u>27,985</u>	<u>45,291</u>

AIRPORTS AUTHORITY OF JAMAICA

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nmial@aaj.com.jm
Website: www.nmia.aero
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(A wholly-owned subsidiary of Airports Authority of Jamaica)

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AIRPORTS AUTHORITY OF JAMAICA

THINKING DEVELOPMENT...
MOVING AHEAD



NORMAN MANLEY INT'L AIRPORT
KINGSTON
MKJP (KIN)



SANGSTER INT'L AIRPORT
MONTEGO BAY
MKJS (MBJ)

IAN FLEMING
Int'l Airport



IAN FLEMING INT'L AIRPORT
BOSCOBEL
MKBS-(OCJ)

DOMESTIC AERODROMES

Tinson Pen - MKTP (KTP)

Commuter airport located in the Capital City, Kingston.

Ken Jones - MKKJ (POT)

Located in Portland, east of the island

Negril - MKNG (NEG)

Located in the tourist mecca, west end of the island

