



# ANNUAL REPORT 2019-2020



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Thinking Development ...Moving Ahead

## **VISION STATEMENT**

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

## **MISSION STATEMENT**

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

## **CORPORATE CORE VALUES**

In an atmosphere of honesty, fairness, and integrity, we commit to our core organizational values –Safety & Security, Governance, Integrity, Teamwork, Accountability, Efficiency & Effectiveness, Financial Prudence, Honesty and Environment. These values are detailed below:

### ***SAFETY AND SECURITY***

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

### ***GOVERNANCE & ACCOUNTABILITY***

*We will ensure that the airports conform to the agreed standards established by regulatory and statutory bodies and lending agencies and ensure accountability in our management practices.*

### ***INTEGRITY***

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

### ***TEAMWORK***

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

### ***EFFICIENCY & EFFECTIVENESS***

*We will be efficient and effective in our management practices, ensuring we meet and exceed our objectives at lowest the lowest cost.*

### ***FINANCIAL PRUDENCE***

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

### ***HONESTY***

*We will encourage honest feedback without repercussion and where healthy debate is highly valued, and staff members are encouraged to take ownership of their failures as well as their successes.*

### ***ENVIRONMENTALLY RESPONSIBLE***

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

## ORGANISATIONAL OVERVIEW

The AAJ was established under the Airports Authority Act in 1974 as an independent statutory body to manage and operate both the Sangster International Airport (SIA), Norman Manley International Airport (NMIA). In 1990 the AAJ received the additional operational responsibility for the four domestic aerodromes namely; Tinson Pen in Kingston, Ken Jones in Portland, Boscobel in St Mary, and Negril in Hanover.

SIA was privatised by way of a Public-Private Partnership (PPP) process in April 2003 and is now operated by MJB Airports Limited (MJB) under a 30-year Concession Agreement with the AAJ. The leading shareholder in MJB is Grupo Aeroportuario del Pacifico S.A.B. de C.V. (GAP) which is headquartered in Mexico, and the minority shares are owned by the Vantage Airport Group (VAG) of Canada.

NMIA Airports Ltd (NMIAL), a wholly-owned subsidiary of AAJ, was established in September 2003 to operate NMIA under a 30-year Concession Agreement with the AAJ. The AAJ had positioned NMIA to operate as an autonomous commercial entity and to prepare for its eventual privatization. NMIA was subsequently privatised through a PPP process, and since 2019 October 10 is operated by PAC Kingston Airport Limited (PAKAL), a subsidiary of GAP, under a 25 (+5) year Concession Agreement with the AAJ.

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. The AAJ continues to oversee the long-term planning and development of the country's airports and acts as owner of the airport assets.

## CORPORATE CORE VALUES

In an atmosphere of honesty, fairness, and integrity, we commit to our core organizational values – people, customer focus, integrity, financial management, regulatory and statutory requirements, safety and security and environment

### 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.

### SAFETY & SECURITY

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

### REGULATORY & STATUTORY REQUIREMENTS

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

### INTEGRITY

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

### ENVIRONMENT

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

### FINANCIAL MANAGEMENT

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

## BOARD OF DIRECTORS



Mrs. Fay Hutchinson  
Deputy CHAIRMAN



Hon. William Shagoury  
CHAIRMAN



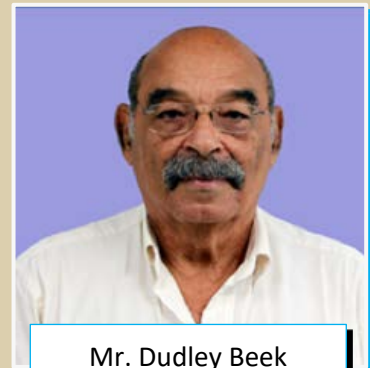
Ms. Tanya Bedward



Mr. Leroy Lindsay



Mr. Denton Campbell



Mr. Dudley Beek



Mr. Donahue Martin Jr.



Mrs. Epsi Cooper  
Morgan



Ms Pauline Bowla

*Note: Directors Juliet Mair Rose and Claudette Ramdanie completed their service with the AAJ effective 2019 May*



## BOARD OF DIRECTOR'S REPORT

### Hon. William Shagoury

Chairman, Board of Directors,  
Airports Authority of Jamaica

***Having been established in July 1974, the Airports Authority of Jamaica (AAJ) attained forty-five (45) years of operation in 2019. Many significant milestones have been achieved over the years, and on behalf of the current Board of Directors, I would like to thank all those who have worked hard to maintain a high professional standard within the organisation and deliver high-quality output for the benefit of the air transport sector in Jamaica over the period.***

Special recognition is given to past and present portfolio Ministers of Government and the Permanent Secretaries in the Ministry with responsibility for air transport; Boards of Directors; Presidents; Managers and Staff, as well as the many other stakeholders and associates who collaborated to ensure that the AAJ's mission and vision were vigorously pursued and attained.

The period under review was one of the busiest for the AAJ as much of the organization's attention was directed at ensuring a successful conclusion to the privatization agenda for the Norman Manley International Airport (NMIA). This goal was achieved, as on 2019 October 10, NMIA was privatised by the Government of Jamaica (GOJ) by way of a Public-Private Partnership (PPP) process, and is now being operated by PAC Kingston Airport Limited (PACKAL), a subsidiary of Grupo Aeroportuario del Pacifico S.A.B. de C.V. (GAP), under a 25 (+5) year Concession Agreement with the AAJ. The AAJ continues to own the airport assets and oversee the long-term planning and development of the country's airports.

Transport and Mining Minister - Hon. Robert Montague (2nd right) symbolically presented the key to manage and operate the NMIA to GAP CEO / PACKAL Chairman - Raul Revuelta (center) at the airport in Kingston. Sharing in the moment are Director, Development Bank of Jamaica - Milverton Reynolds (left), President, Airports Authority of Jamaica (AAJ), Audley Deidrick (2nd left), and AAJ Chairman, William Shagoury.



The AAJ Board and management were pleased to have our portfolio Minister, the Honourable Robert Montague, Minister of Transport and Mining, on hand to present the "keys" for the airport to the chairman of GAP. Once again, we wish to express our appreciation for the work done by the GOJ's Enterprise Team for NMIA, and all the many stakeholders who played a part in the successful transition of operations to PACKAL. The AAJ also welcomes the new CEO at PACKAL Mr. Fernando Vistrain Lorence and his team of mainly local managers and staff.

With respect to the Sangster International Airport, Dr Raphael Echevarne demitted office on 2020 January 31, and was succeeded by Mr. Shane Monroe effective 2020 February 1, who had been serving at SIA for many years, most recently as the Chief Technical

Officer. This appointment is particularly significant as Mr. Monroe is the first Jamaican to hold the position of CEO of MBJ, which is one of Jamaica's leading Public-Private Partnership (PPP) arrangements. We welcome Mr. Monroe in his new role as we wish Dr. Echvarne the very best as he continues elsewhere in the aviation industry.



Mr. Shane Monroe, CEO MBJ

As a consequence of the NMIA PPP arrangement, AAJ's wholly-owned subsidiary, NIMIA Airport's Limited (NMIAL), ceased to have any responsibility for NMIA, and as such, its staff was terminated by way of redundancy since NMIAL's operating mandate for the airport was discontinued. NMIAL is expected to be wound up soon after completion of the hang-over matters arising from the PPP concession. The AAJ Board, therefore, wishes to thank and commend the NMIAL Board and staff for the commendable work done over many years to manage, operate, maintain and grow the business at NMIA over the years, to the point of handing over a fully certified and profitable airport to PACKAL.



Mr. Fernando Vistrain Lorence

The NMIA PPP exercise had a direct impact on the structure and operation of the AAJ, in that, some of the staff of NMIAL who were assigned to support the work of the AAJ in managing and operating various aspects of AAJ's functions, including IFIA and the domestic aerodromes, were no longer available. Consequently, the AAJ has had to operate with a significantly reduced and adjusted staff structure and a revised organisational mandate to carry out its functions as airport managers, concession managers, and air transportation and aerodromes developers.

Given these developments, I wish to state that the scope and activities of the AAJ have changed during the year. This was anticipated in the organization's 2020/2021 – 2023/2024 Corporate Plan, and will therefore result in material adjustments in subsequent Corporate Plans for the AAJ.

As a result of the very significant changes in the AAJ's Organizational Structure, the AAJ has been in dialogue with its parent Ministry and the Ministry of Finance & the Public Service (MoFPS) to develop the most appropriate way of implementing a new structure for the organisation. PricewaterhouseCoopers was engaged to assist with this process and it is anticipated that a new structure is to be in place by the end of the 2020/2021 fiscal year.

Another significant development for the AAJ was the commencement of plans to address growing concerns about the possible impact of the novel coronavirus (COVID-19) on global travel. The virus, which was first identified in 2019 December and thereafter declared by the World Health Organisation (WHO) as a pandemic on 2020 March 11, would later have a devastating impact on many countries across the world by the imposition of "lockdowns" and other restrictions that would essentially cause global aviation to grind to a halt.

Jamaica's Ministry of Health and Wellness reported its first imported case of COVID-19 on 2020 March 10. The country's airports therefore began feeling the effects of COVID-19 nearing the close of the fiscal year, and plans had to be put in place to ensure that there were approved health protocols in place at these ports of entry such as sanitisation and social distancing, among other measures. In addition, the AAJ was integral in playing its role in support of the GOJ's response to the COVID-19 Pandemic through the various committees of Cabinet established for the COVID-19 response, such as the Economic Recover Task Force.



Notwithstanding the significant and developing challenge at the close of the fiscal year, the AAJ staff and other airport stakeholders must be commended for the professional and proactive manner in which it responded to the matter, to enable a positive outcome for the various stakeholders and by extension, the nation.

## AAJ'S FINANCIAL PERFORMANCE

Considering the organizational changes and initial COVID-19 impact, the AAJ Group operating revenues decreased by a marginal 1.0% to \$10,693M over the previous year, 2018/19 while operating profit increased by 1.0% in 2019/20 due to Operating Expense for the Group declining by 2.9%. The Net Profit after Tax of \$3,829M, showed a reduction of 9.6%, in comparison with the increase of 19.4% recorded in the previous year. Arising from the NMIA PPP, it should be noted that AAJ revenues from operating activities should decline going forward, however, concession revenue will increase from the fees to be collected from the new private operator of NMIA.

The AAJ's Operating Revenue for the year was \$7,542M versus \$5,493M for the previous year (2018/19), an increase of \$2,049M or 37.3%. Operating Expenses amounted to \$1,524M, versus \$965M for the previous year, an increase of \$559M or 57.9%, and when compared with the budget of \$419M for the current year, represents an increase of \$1,106M or 264.1%. The Authority therefore made an Operating Profit of \$6,018M, compared with \$4,528M in the previous year, an increase of \$1,490M or 32.9%. Net Profit after Tax for the year was \$4,019M versus \$3,002M for the previous year, an increase of \$1,017M or 33.9%. The AAJ made distributions during the year to the Government of Jamaica totalling \$1,055M versus \$177M for the previous year and paid corporate taxes of \$1,541M, versus a tax of \$989M for the previous year. Capital Expenditure for the AAJ Group was J\$401M. See Financial Performance Indicators along with financial projections for 2020-21 in the tables below.

**Table 1: Actual and Projected Financial Performance for AAJ Consolidated**

Key Performance Indicators (KPI's)	Audited 31-Mar-20 J\$'000	Audited 31-Mar-19 J\$'000	% Change Audited Mar-20 vs Audited Mar-19	Budget 2019-20 J\$'000	% Change Actual Mar-20 vs Budget Mar-20	Budget 2020-21 J\$'000
Operating Revenue	10,693,156	10,800,816	↓ -1.0%	9,023,596	↑ 18.5%	1,856,372
Operating Expenses	(5,248,245)	(5,407,684)	↓ -2.9%	(4,412,630)	↑ 18.9%	(1,240,065)
Operating Profits	5,444,911	5,393,132	↑ 1.0%	4,610,966	↑ 18.1%	616,306
Other income/(Expenditure)	1,057,573	(69,931)	↓ -1612.3%	620,790	↑ 70.4%	967,638
Taxation	(2,672,836)	(1,084,672)	↑ 146.4%	(799,930)	↑ 234.1%	(755,522)
Net Profit	3,829,648	4,238,529	↓ -9.6%	4,431,827	↓ -13.6%	828,422
Capital Expenditure	927,779	1,353,735	↓ -31.5%	2,844,875	↓ -67.4%	1,529,217

**Table 2: Actual and Projected Financial Performance for AAJ**

Key Performance Indicators (KPI's)	Audited 31-Mar-20 J\$'000	Audited 31-Mar-19 J\$'000	% Change Audited Mar-20 vs Audited Mar-19	Budget 2019-20 J\$'000	% Change Actual Mar-20 vs Budget Mar-20	Budget 2020-21 J\$'000
Operating Revenue	7,541,967	5,492,884	↑ 37.3%	6,017,207	↑ 25.3%	1,856,372
Operating Expenses	(1,524,238)	(965,131)	↑ 57.9%	(418,634)	↑ 264.1%	(1,214,062)
Operating Profits	6,017,729	4,527,753	↑ 32.9%	5,598,573	↑ 7.5%	642,310
Other income/(Expenditure)	(458,105)	(536,652)	↓ -14.6%	(889,086)	↓ -48.5%	(193,393)
Taxation	(1,540,744)	(989,354)	↑ 55.7%	(780,000)	↑ 97.5%	(188,285)
Net Profit	4,018,880	3,001,747	↑ 33.9%	3,929,487	↑ 2.3%	260,632
Capital Expenditure	401,115	509,828	↓ -21.3%	1,376,584	↓ -70.9%	1,529,217

*\*Operational Revenue includes other operating income, and Operating expense includes Admin expenses in the Audited Accounts*

## **SUMMARY OF PASSENGER, AIRCRAFT AND FREIGHT MOVEMENTS**

### ***Passenger Movements***

With a formal announcement of the COVID-19 pandemic in early 2020 March, there were clear signs of its impact on visitor arrivals in Jamaica. Total passenger traffic (arrivals and departures) for six (6) airports and aerodromes recorded a decline of 1.16% from 6,444,448 passengers in 2018/19 to 6,369,895 in 2019/20. SIA handled approximately 71.6% of the total traffic and recorded a decline of 2.95%; moving from 4,699,331 passengers in 2018/19 to 4,560,923 in 2019/20. NMIA with approximately 28.27% of total traffic experienced an increase of 3.62% when compared with the previous year, moving to 1,800,700 passengers in 2019/20. Traffic for IFIA and the aerodromes was negligible, (under 1%; with 8,272 passengers), when compared with the two primary international airports.

### ***Aircraft Movements***

Aircraft movement declined marginally by 0.96% in 2019/20 when compared with the previous year. A total of 72,702 movements were recorded compared with 73,409 in 2018/19. SIA accounted for approximately 56.57% of total movements in 2019/20, that is 41,349 in 2018/19 compared with 41,128 during the reporting period. NMIA experienced an increase of 2.28% in aircraft movements resulting in a total of 21,950 in 2019/20 compared to 21,461 in 2018/19. This represents approximately 27.23% of total aircraft movements. The Aerodromes and IFIA accounted for approximately 19.63% of aircraft movement.

### ***Freight Movements***

Total Airfreight (cargo and mail) volumes decreased by 5.13% in 2019/20 when compared with the previous year, moving from 20,373,331kgs in 2018/19 to 16,285,410kgs in 2019/20. NMIA handled 73.39% of air freight and had a decline of 5.55% in 2019/20 when compared to 2018/19. Air Freight volumes at SIA, saw a decrease of 45.65% compared with the levels in 2018/19.

**Operational Performance Indicators along with projections for 2020-21 are reflected in the tables below.**

<b>Passenger Traffic</b>								
FIN. YR.	NMIA	% CHANGE	SIA	% CHANGE	IFIA + Aerodromes	% CHANGE	TOTAL	% CHANGE
2018/19	1,738,288	4.28%	4,699,331	7.36%	6,752	-32.20%	6,444,371	6.44%
2019/20	1,800,700	3.59%	4,560,923	-2.95%	8,272	22.51%	6,369,895	-1.16%
Projection 2020/2021	1,720,500	-4.45%	3,852,429	-15.53%	1,625	-80.36%	5,574,554	-12%
<b>Freight (Mail &amp; Cargo)</b>								
FIN. YR.	NMIA	% CHANGE	SIA	% CHANGE	IFIA + Aerodromes	% CHANGE	TOTAL	% CHANGE
2018/19	12,998,358	-9.52%	7,373,878	3.76%	1,095	-53.44%	20,373,331	-5.13%
2019/20	12,277,000	-5.55%	4,007,520	-45.65%	890	-18.72%	16,285,410	-20.07%
Projection 2020/2021	16,321,000	32.94%	6,566,000	63.84%	-	-100%	22,887,000	40.54%

Aircraft Movements									
IFIA + Aerodro									
FIN. YR.	NMIA	% CHANGE	SIA	% CHANGE	mes	% CHANGE	TOTAL	% CHANGE	
2018/19	21,461	3.72%	41,349	-0.37%	10,599	-16.71%	73,409	-2.02%	
2019/20	21,950	2.28%	41,128	-0.53%	9,624	-9.20%	72,702	-0.96%	
Projection 2020/2021	19,820	-9.70%	35,958	-12.57%	2,800	-70.91%	58,578	-19.43%	

## DOMESTIC AVIATION

Domestic flight activities received attention during the year, with local flights launched on 2019 July 8 at the Ian Fleming International Airport by Jam Airlink Express (JamAir).

The airline, which is based at the Sangster International Airport, offers flights to the Negril, and Tinson Pen aerodromes. Portfolio Minister, Hon. Robert Montague, spoke at the inaugural event and signaled the increase in efforts to develop a robust domestic aviation sector.

He also mentioned plans to construct a new police post at the airport. Under the direction of the Minister, the AAJ also installed Pilot's Lounges at the Tinson Pen and Ken Jones Aerodromes. The facilities were established to facilitate the mandatory rest period needed by pilots prior to operating their next flight.



Transport & Mining Minister—Hon. Robert Montague (centre) did the honor of cutting the ribbon to mark the official opening of the Tinson Pen Aerodrome Pilot's Lounge. Sharing in the marvelous occasion are : L- R: Deputy Mayor Kingston & St. Andrew - Winston Ennis, AAJ Chairman William Shaghoury, Private Pilot Richard Gordon, Member of Parliament Dr. Angela Brown - Burke, AAJ President Audley Deidrick and JDF Pilot Denver Ennis

## CORPORATE SOCIAL RESPONSIBILITY

The AAJ continued to act as responsible corporate citizens by participating in the National Labour Day initiative under the theme of Child Safety. The staff of AAJ and NMIAL were out in large numbers to make their contribution to enhancing the aesthetics and safety of some of the public spaces that our children and students occupy. The major Labour Day projects included: Donald Quarrie High School - repainting & periphery re-fencing; Harbour View Primary School - re-painting and construction of gazebo; Union Gardens Basic School - repairs & repainting; Boscobel Primary School - landscaping / de-bushing; and the Harbour View Roundabout - repainting of pedestrian crossings, repair and repainting of picket fencing as well as de-bushing.

The AAJ's Schools' Art project also enjoyed another good year of competition and benefitted from the staging of an Art Symposium for teachers before the commencement of the competition. The symposium included presenters from the Edna Manley Colleague of Visual and Performing Arts ("Edna Manley"), The National Gallery of Jamaica and the Jamaica Cultural Development Commission ("JCDC"). The AAJ has implemented the Schools' Art project for the past 5 years, as the infusion of art into the airport's decor lends to the uniqueness and sense of place of the airport and it also allows the youngsters to showcase their budding talent to a wide audience, both local and international.

The AAJ's corporate sponsorship programme considers, as one of the factors, the benefit of an event in the promotion of Jamaica (generally) and Destination, Kingston (in particular) for the support of tourism/traffic growth through our airports. Sponsored events, such as the Jamaica Cultural Development Commission (JCDC) Festivals, the Jamaica Amateur Athletic Association (JAAA) race meets and the Racers Grand Prix event, bring attention to the wide range of Jamaica's tourism product/service offerings to those who either come to visit or watch the activities through various media sources, thus having great marketing value for conversion into additional passenger traffic.

## **CORPORATE GOVERNANCE**

The AAJ Board has responsibility for the leadership, control and guidance of the AAJ's activities. The Board's roles and functions are set out clearly in the Airports Authority of Jamaica Board Charter and Corporate Governance Guidelines.

During the period under review, the Board had nine (9) regular monthly meetings. The Committees met monthly, responded to matters within their remit and advised the Board accordingly.

### **▪ 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 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. All Board Directors are non-executive and independent, and 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. (See table 3 below)

During the Financial Year 2019/20 the Ministry of Transport and Mining offered a seminar on Effective Corporate Governance on 2019 November 7. The training sought to update chairpersons, Board Members and Heads of Agencies, on requirements and responsibilities as per applicable Government Legislation, Policies and Procedures. Members of the Board were encouraged to participate.

Effective 2019 May 13, by way of a Cabinet Decision, the composition of the Board was amended with the appointment of Mr. Donahue Martin and Ms. Pauline Bowla as Directors. We wish to thank Directors Claudette Ramdanie and Juliet Mair Rose, whose tenure with the Board ended effective 2019 May, for their sterling contribution to the meetings of the Board during their tenure.

**Table 3: AAJ Board - Expertise and Length of service**

NAME	AREAS OF EXPERTISE									CORPORATE GOVERNANCE	LENGTH OF SERVICE (Yrs approx.)
	ENTREPRENEURSHIP	GENERAL MANAGEMENT	FINANCE & AUDIT	STRATEGIC MANAGEMENT	HUMAN RESOURCE	LAW	RISK MANAGEMENT	AIRPORT PROFESSIONAL	AERONAUTICS		
Hon William Shagoury CHAIRMAN	✓	✓								✓	13
Mrs Fay Hutchinson DEPUTY CHAIRMAN		✓			✓				✓	✓	4
Mr Denton Campbell			✓	✓				✓		✓	4
Mr Leroy Lindsay								✓	✓	✓	4
Ms Tanya Bedward				✓			✓			✓	3
Mr Donahue Martin Jr	✓									✓	1
Ms Epsi Cooper Morgan	✓									✓	2
Mrs Pauline Bowla	✓	✓								✓	1
Mr Dudley Beek	✓								✓	✓	2

### ▪ Board Processes

The Board's operation continued to be reviewed from time to time to keep abreast of regulatory changes and best corporate governance practices. Agendas and papers were sent to Members at least three (3) clear days before a meeting (excluding the date of dispatch and the date of meeting) and the Board received reports from Chairmen of Board Committees, as well as relevant AAJ executives as required, at each meeting.

### ▪ Board Evaluation

The AAJ Board members remained very committed and in deliberations concerning the policy-driven, strategic activities of the organization, as well as the key performance drivers. Regrettably, a formal evaluation of the Board's performance was not conducted during the period.

### ▪ Board Committees

Board Committees continue to be in place to consider matters on specialized 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 a 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.

There are five (5) main Board Committees. These are; Audit, Finance, Human Resource Management, Projects, and Business Development/Operations. The Airport Art Sub-Committee and a Legislative Sub-Committee were also maintained.

#### AUDIT COMMITTEE

The Members are:

Mr. Tanya Bedward -Chairman  
Mr. Donahue Martin Jr.

Mr. Dudley Beek  
Ms. Fay Hutchinson



The Committee's role includes advising the Board on the adequacy, efficiency and effectiveness of the accounting and internal control structure and systems of AAJ. It also reviews the practices and procedures which will promote productivity as well as the extent to which the objects of the AAJ are being achieved.

#### **FINANCE COMMITTEE**

The Members are:

Mr. Denton Campbell - Chairman  
Ms. Fay Hutchinson

Ms. Tanya Bedward  
Mrs. Epsi Cooper-Morgan

The Committee functions include: Reviewing of 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; and 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. Pauline Bowla

Ms. Tanya Bedward  
Ms. Fay Hutchinson

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.

#### **PROJECTS COMMITTEE**

The Members are:

Mr. Leroy Lindsay-Chairman  
Ms. Tanya Bedward

Mr. Denton Campbell  
Ms. Fay Hutchinson

The Committee functions include: The provision of technical and financial consideration, review, evaluation and where appropriate, the 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; and Reviewing Management's proposals /recommendations for construction contracts and developmental undertakings.

#### **OPERATIONS & BUSINESS DEVELOPMENT COMMITTEE**

The Members are:

Mr. Denton Campbell-Chairman  
Mr. Leroy Lindsay

Mr. Dudley Beek

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; and Reviewing the AAJ'S policies and programmes regarding the facilitation of efficient, effective and profitable commercial operations.

**ART SUB-COMMITTEE**

The Member:

Ms. Fay Hutchinson- Chairman  
Ms. Pauline Bowla

The Art Committee is supported by AAJ's management and works to ensure that the AAJ oversees the infusion of art and culture at the nation's airports and to facilitate the development of the AAJ's Schools' Art Programme.

**LEGISLATIVE SUB-COMMITTEE**

The Member:

Mr. Donahue Martin Jr.- Chairman  
Mr. Dudley Beek

The Legislative Committee is supported by AAJ's management and makes recommendations for updating the AAJ Act and other legislation relevant to the work and function of the AAJ.

**CLOSING STATEMENT**

On behalf of the Board, I would like to salute the very committed staff and stakeholders of the AAJ, who remained focussed and professional during a very active year for the aviation industry. With the very large undertaking of the NMIA PPP behind us and the impacts of the Covid-19 pandemic ahead, I am convinced that the aviation community in Jamaica will not only survive, but will recover even stronger.

I am pleased to have presided over the Board for another successful year and continue to work along with my colleague Board members, the management and staff, associated government agencies and private sector representatives, to see to the fulfilment of the vision of the AAJ, "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".

***William Shagoury***  
*Chairman*

## EXECUTIVE TEAM



**Mr. Audley Deidrick**  
PRESIDENT



**Ms. Verona Vacianna**  
GENERAL COUNSEL



**Mr. Horace Bryson**  
SNR. DIRECTOR  
ENGINEERING,  
MAINTENANCE & PROJECTS



**Mr. Carvell Mcleary**  
SNR. DIRECTOR HRM &  
ADMINISTRATION

\*Employment Ended  
October 10, 2019



**Mr. Dale Davis**  
CHIEF OPERATIONS OFFICER

\*Employment ended  
October 10, 2019



**Mr. Alfred McDonald**  
SNR. DIRECTOR, COMMERCIAL  
DEVELOPMENT & PLANNING

\*Employment ended  
January 31, 2020



**Mr. Samuel Manning**  
SNR. DIRECTOR FINANCE

\*Employment ended  
January 31, 2020

## PRESIDENT'S MESSAGE

### Audley Deidrick

President, Airports Authority of Jamaica (AAJ) &  
CEO NMIA Airports Limited (NMIAL)

### GENERAL

***The 2019/2020 fiscal year represented the “Year of Major Accomplishments and Change” for us at the Airports Authority of Jamaica. This was the year that the AAJ celebrated 45 years of service to the government and people of Jamaica, as well as all users of our international and domestic airports/aerodromes.***

In 2019 July, the AAJ celebrated the milestone with a banquet and long service awards event, recognising the contribution of our workers, some of whom served for over 30 years. This was followed in 2019 September with a Church Service at the Boulevard Open Bible Church where our portfolio Minister, Hon. Robert Montague, members of the Boards of AAJ and NMIAL, staff, and other stakeholders, were present to give thanks for the years of successful delivery on our mission to develop a modern, safe and profitable airport system that contributes substantially to the national economy.

A number of other very significant milestones were achieved during the year, even though the year ended with the very crippling COVID-19 pandemic that had devastating effects on the global and local aviation industry. A summary of the achievements of the organisation included:

- ✓ Completion of the second quinquennial regulatory rate review, which follows the initial review done in 2015 for a 12-year period as at the commencement of the Concession Agreements in 2003. This second review was due and completed after a further period of 5 years, as stipulated in the Airport's (Economic Regulations) Act, which gives the Jamaica Civil Aviation Authority (JCAA) the legal authority to regulate airport charges. The two scheduled gateways, Sangster International Airport and Norman Manley International Airport, completed this second aeronautical rate review and the JCAA approved rates were published and subsequently implemented by the airlines.
- ✓ The formal certification of NMIA in safety and security by the JCAA. This certification in 2019 October, was the first for NMIAL since this requirement was mandated by the ICAO in 2003.
- ✓ NMIA Privatisation: After over 10 years of embarking on the mission to privatize NMIA similarly to SIA, that transaction was successfully completed in October 2019, with the Mexican airport company Grupo Aeroportuario Del Pacifico (GAP) through PAC Kingston Airport Limited now operating NMIA. The smooth handover belies the rigorous process that preceded, including: addressing the numerous preconditions to be satisfied; legislative and ministerial orders that impact the operation of the NMIA/AAJ; joint agreement executions; capital works continuation; organizational de-merger and restructuring; as well as NMIA staff redundancy and (in some cases) transition to PACKAL.
- ✓ Implementation of another round of infrastructure improvements at the Ian Fleming International Airport and the three Domestic Aerodromes (Tinson Pen, Ken Jones, and Negril). Scheduled domestic service was reintroduced to the aerodromes via Jam Airlink Express in 2019 July.



*\*Executives of NMIAL, whose separation was as a result of the privatisation of NMIA.*

- ✓ The ground-breaking ceremony at SIA on 2019 December 12, for the Phase 3 (Runway Extension) programme to commence. The work to extend the runway at a cost of US\$70 million will entail, among other things, the length of the strip being increased from 2,662m to 2,940m and the establishment of safety areas at either end of the runway. The project, which is slated for completion by the end of the third quarter of 2020, is expected to allow SIA to accommodate larger aircraft, while significantly reducing arrival and departure timelines.
- ✓ Major refurbishments at the SIA ticketing concourse and taxi-way, as well as the addition of immigration kiosks in the arrivals concourse to improve processing time and reduce congestion.

Having achieved these milestones at the end of a long and challenging journey, we now have the opportunity to finally say “Mission Accomplished!”



## **NMIA'S PPP IN PERSPECTIVE**

Globally Public-Private Partnerships have been a major driver of public infrastructure development and operation. Airport PPPs are more recent (emerging just about 30 years ago) coinciding incidentally with the birth of the Airports Council International (ACI), the lobby organization for airports. Airports are by nature very capital-intensive facilities, and PPPs became the tool that unlocked the capital development capacity required, in terms of funding, technical competence, and commercial operating imperatives – efficiency and profitability.

Regionally, while airport PPPs are very popular in Latin America, it is not so in the Caribbean. In the mid-1990s the GOJ embarked on a programme of privatization via the PPP (“P3”) model, instead of the outright sale of its key national infrastructure assets. This was led by the highway programme in the late 1990s, followed by



the airports in the early 2000s with SIA being privatized in 2003. The SIA privatization through MBJ has proven to be a tremendous success story for the GOJ/AAJ, the Concessionaire, and the stakeholders, in terms of: Capital infrastructure improvements to the facility; financial returns to the AAJ/GOJ, and the Concessionaire, and; Multiple service quality awards received by the airport. The success of the MBJ Concession has also become a reference point for PPP models in the region and the World, such that the Caribbean Development Bank included the SIA PPP as a case study in its 2014 report on PPPs in the Caribbean.



### ***The NMIA PPP Journey***

**The First Attempt 2015:** Following the successful privatization of SIA, the next task was to embark on a similar process for NMIA. However, the more immediate imperative was to commence the capital development programme (CDP) in a similar fashion to that of SIA as required by the economic regulatory framework established for both airports. Upon completion of the NMIA CDP, the PPP programme was launched in 2012. The transaction involved several stages, which culminated in a final bid return date in December 2015, however, where no bids were submitted despite having five prequalified applicants participating in the bidding process. The prospective bidders, however, continued to express their interest in the transaction.

**Repackaged and relaunched 2016:** With a change of Government in February 2016, a new NMIA Enterprise Team (ET) was appointed. The team immediately set about revising and repackaging the transaction, taking into consideration the issues that were revealed from the first attempt. The transaction was relaunched in November 2016 with a keenly crafted “Transaction Teaser” published locally and internationally. The team of representatives from the International Finance Corporation (IFC)/AAJ/Development Bank of Jamaica (DBJ) then proceeded to promote the new transaction, starting with the Global Airport Development Conference (GAD) in Portugal in November 2016, where the reception and feedback were very positive. During the prequalification process, 9 applications were received in April 2017, of which 8 qualified to submit a bid for the airport. The prequalified applicants included major airport operators from South America, Europe, The Caribbean, Africa, and Asia. Note was taken that all five prequalified bidders in 2016 returned either wholly or as part of other consortia, which validated their abiding interest.

The bidding stage for the transaction was launched in June 2017 and the highpoint was the Bidders Conference and tours which took place at NMIA in September 2017. The following month into early 2018 saw the due diligence and negotiation process being conducted. The final bid invitation was published in May 2018 and on the final Bid Closing date of 2018 July 20, three bids were received. Based on the bid evaluation process GAP emerged as the winning bidders with a transaction value in excess of US\$2.2b comprising Upfront Payment of US\$5m, Revenue Based Concession Fee of US\$2.0b, and a Capital Programme of US\$200m.

GAP registered PAC Kingston Airport Limited in Jamaica as the local Special Purpose Vehicle (SPV) which would enter into the Concession Agreement with the AAJ to operate NMIA for a period of 25 years with the option to extend for an additional five years. The Concession Agreement was signed in a ceremony held at the Office of the Prime Minister on 2018 October 9, between the AAJ and PACKAL (Commercial Closure), with the provision that AAJ and PACKAL would fulfill some 28 Conditions Precedent (CPs) within twelve months ie by 2019 October 9, to facilitate Financial Closure and Takeover of NMIA.

Some of the critical matters which had to be addressed in the Last 12 months to Financial Closure and Handover included: A range of Legislative changes and Ministerial Orders governing and enabling the operation of NMIA; Approvals from various regulatory bodies; Joint agreement executions; Novation and Assignment of contracts and agreements; Contracting for the capital works programme; Organizational demerger, restructuring, redundancy, and recruitments; Physical relocations and reconfiguration of office and facilities. All of these activities had to be undertaken while continuing the efficient operations at NMIA.

The AAJ and NMIAL continued their Change Management Programme for staff through the Human Resources, Management and Administration Division. The frequent staff meetings; Help Desk; seminars and change management sessions by motivational speakers; as well as up-skilling opportunities, were all very helpful for employees to make the transition.

Having achieved this final milestone in the NMIA PPP transaction process, the AAJ and NMIAL wish to recognize the players that have contributed to the successful completion of the process, which include:

- ✓ The Office of the Prime Minister (OPM) and the Ministry of Economic Growth and Job Creation (MEGAJC)
- ✓ The Minister of Transport and Mining and Officers of the Ministry of Transport and Mining
- ✓ The Enterprise Team appointed by the Government
- ✓ IFC and DBJ - transaction advisors and Secretariat
- ✓ Inter-American Development Bank (IADB) and Global Affairs Canada - Donor Funders
- ✓ MDAs: Ministry of Finance and the Public Service, the Attorney General's Department, JCAA, the Fair Trading Commission (FTC), the Kingston and St. Andrew Municipal Corporation (KSAMC), National Environmental Protection Authority (NEPA), and Port Authority of Jamaica,
- ✓ The Boards and Executives of AAJ and NMIAL
- ✓ The Boards and Executives of GAP and PACKAL, and MBJ.
- ✓ The staff of NMIAL, who remained faithful and committed up to the final hour in the face of uncertainty and dislocation.
- ✓ The Unions: The Trade Union Congress (TUC), Union of Technical, Administrative, Supervisor Personnel (UTASP) UTASP, and Palisadoes Airport Administrative Managers (PAAM).
- ✓ The Airlines, Concessionaires, Reserved Activities Providers (PICA, Customs, Police), Contractors, and other stakeholders of NMIA.

Having completed the privatization of both SIA and NMIA, we will now explore various scenarios and opportunities for managing the remaining airports/aerodromes under our portfolio. We continue to assure the public that the airport assets are not being sold, but rather, PPPs represent a very effective way to develop infrastructure and operate them efficiently and profitably, while maintaining ownership of the asset.

## **NEW AAJ STRUCTURE AND OPERATIONS**

As a consequence of the NMIA PPP completion, effective 2019 October 10, the AAJ has been utilizing a temporary structure. It is projected that NMIAL will be wound-up soon after all remaining legal and financial matters arising from the transaction are completed. Due to the very significant reduction and dislocation of the AAJ Organizational Structure, the AAJ has been in consultation with our portfolio Ministry and other relevant GOJ bodies to determine the optimal structure for the entity going forward. In the interim, the AAJ will implement a transitory structure, in order to carry out essential functions of the organisation. It is anticipated that all arrangements for the new structure will be in place by 2021 April. It should also be noted that as of 2019 October 10, the Head Office of AAJ/NMIAL remained located at the airport, by way of a lease agreement with PACKAL for a period of 4 years. Over the period, the AAJ will pursue the establishment of its permanent

headquarters, whether by building on its own land, or purchasing an existing building in the corporate area, and modifying/equipping it to suitably accommodate the organisation's staff and operations.

### **THE NOVEL CORONAVIRUS (COVID-19)**

Another area of significant change for the AAJ was brought about by the Novel Coronavirus. In the wake of the COVID-19 outbreak, the AAJ along with the stakeholders of Jamaica's airports took several preventative and proactive measures to protect the travelling public and the airport community. The three international airports (SIA, NMIA, and IFIA) worked closely with the Ministry of Health & Wellness (MoHW) to facilitate on-site activities aimed at alleviating the spread of the virus. Key dates and events related to the COVID 19 pandemic and airport operations are summarized below:

- December 2019 – first human cases of COVID-19 identified
- January 31 – Travel restriction placed on China
- February 27 – Travel restrictions extended to South Korea, Iran, Singapore, and Italy
- March 10 – Travel restrictions extended to Spain, France, and Germany
- March 11 – 0 – WHO declared the COVID-19 outbreak a pandemic
- Mid-March 2020 – many countries imposed lockdown
- March 14 - Travel restrictions placed on the UK
- March 25 – Closure of Jamaica's borders under the Disaster Risk Management - "DRM" (Enforcement Orders) Act,

Further to the restrictions placed on travel from some countries by the GOJ, a number of specific measures were implemented at the airports: Passengers were screened on arrival by the heat-sensing scanner for high body temperature before entering the Immigration Hall; Increased stock levels of personal sanitizing items and personal protective equipment (PPE); Quarantine Stations (located in the Incoming Immigration Hall) which facilitated a constant presence of Public Health Nurses; Bolstering of the Airport Emergency Response outfit with Fire Fighters that are also certified Emergency Medical; Technicians; Joint inspection of the designated isolation surveillance areas of the airports with the Port Health team to ensure readiness; and several communication and sensitization initiatives were undertaken with front line employees, first responders, Passport Immigration & Citizenship Agency (PICA), Customs, Jamaica Hotel & Tourism Association (JHTA) and other key airport stakeholders.

The AAJ's management team kept abreast of relevant information from the MoHW, as well as information from the World Health Organization (WHO) through the International Civil Aviation Organization (ICAO), the Airports Council International (ACI) and the International Air Transport Association (IATA) on existing guidance measures aimed at mitigating the spread of communicable diseases across borders and in particular, updated information on reducing the spread of the COVID-19.

Jamaica's airports continued to be vigilant and unrelenting in its efforts to mitigate the spread of communicable diseases across borders and reminded our airline partners of their fiduciary responsibility to ensure the strict implementation of related airline-specific procedures as promulgated by IATA.

The AAJ's support of the GOJ's response to the pandemic also extended to participation in the various committees of Cabinet established for the COVID-19 response, such as the Economic Recovery Task Force, and in so doing coordinated the response of the airports and their stakeholders to the health processing measures required for COVID-19.



## **FINANCIAL AND OPERATIONAL PERFORMANCE**

Notwithstanding the initial impact of COVID-19 impact, the AAJ Group grew its operating revenues to \$11,118M over the previous year, 2018/19, which realized revenues of \$10,8001M. Expenses declined by 9.2% from \$5,383M in 2018/19 to \$4,886M in the reporting year, however taxation increased to \$2,703M up from \$1085M. Net profit for the Group closed at \$3,890, compared with \$4,239M, an 8.2% fall-off.

The AAJ's Net Profit improved by 33.9% over the period. This was as a result of a 40.9% increase in operating revenues to \$7,742M, albeit expenses also grew to \$1,524M, a 57.9% increase. Capital expenditure for AAJ declined by 21.3%, which was approximately 71% below the targeted expenditure for the year.

With respect to airport traffic, early warning signs of the coronavirus pandemic showed up in the numbers as for the year, a 1.16% reduction was seen. This falloff in traffic was experienced in the final quarter of the year and mainly affected tourism traffic at SIA due to the border closures and restrictions implemented by many countries as a result of COVID-19 preventative measures. NMIA, with mainly business and VFR travellers, saw a 3.62% rise in traffic to a total of 1,800,700 passengers. The table below shows passenger traffic for the group over the past 7 years, which signals the early signs of the massive impact the pandemic would have on both local and global travel.

## **COMMENDATIONS AND RECOGNITION**

### ***Changes in airport leadership***

I join with industry colleagues in saying farewell and congratulations to Dr. Rafael Echevarne, former CEO of MBJ, who departed on 31 January 2020 to take over the role of Director General, Airport Council International (ACI) Latin America & Caribbean effective 1 February 2020.

The AAJ's management team therefore welcomes MBJ's new CEO, a former AAJ employee, Mr. Shane Monroe. We are confident that Mr. Monroe will continue to deliver high performance in his new role towards the continued success of SIA. We extend a welcome and commendations to Mr. Fernando Vistrain who assumed the role of CEO for PACKAL. Both he and his new staff, mainly former NMIAL employees, will no doubt be committed to the high standards of airport management and operations that the local travelling community expects.



Within the AAJ and NMIAL, the NMIA PPP meant a separation of the “AAJ/NMIA family”. This aspect of the transaction was bitter-sweet, as many of the separated employees shared close bonds for over 20 years of service to the organisation and the industry. The executive team of AAJ/NMIAL also lost four valuable team members whom I salute for the commitment and professionalism during their tenure: Dr. Carvell Mcleary, Mr. Samuel Manning; Mr. Alfred McDonald, and Mr Dale Davis. We know that our colleagues, along with the other employees who have left the organisation, will continue to provide quality service in their new endeavors.

#### ***International Civil Aviation Day (ICAD) - Aviation Trailblazer Award***

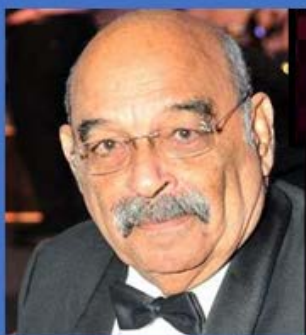
Concerning the annual observance of International Civil Aviation Day (ICAD) - December 7<sup>th</sup>, the JCAA, AAJ, and AEROTEL again collaborated to ensure that appropriate national recognition was given to the industry. The purpose of International Civil Aviation Day is to help generate and reinforce worldwide awareness of the importance of international civil aviation to the social and economic development of States, and to highlight the unique role of the ICAO in helping States to cooperate and realize a truly global rapid transit network.

The local commemoration activities themed - ‘Assuring Safety and Quality within the Aviation Industry’ - were celebrated at a banquet and aviation awards ceremony at the AC Marriott Hotel. Three stalwarts of the local industry were honoured as the 2019 recipients of the prestigious ICAD Aviation Trailblazer Award; Retired Senior Pilot, Captain Lloyd Tai; Former Commanding Officer for the Jamaica Defence Force (JDF) Air Wing Reserves, Major Dudley Beek (Ret’d) and Retired Chief Air Traffic Controller, Randolph Jones. The AAJ salutes the work of these aviation practitioners and continues to support the recognition of those who have contributed to the growth and development of Jamaica’s air transport system.

#### **The AAJ Aviation Trailblazers for 2019**



Captain Lloyd Tai;



Major Dudley Beek (Ret’d)



Randolph Jones.

#### **CLOSING REMARKS**

The fiscal year 2019/20 represented an epoch-changing period in the life of the AAJ. Having now privatized both SIA and NMIA, the AAJ will move ahead with a leaner re-purposed organisational structure to better represent the new roles and function of the organization going forward. The year ended, represents a platform from which to chart new courses for the future and to take Jamaica’s aviation to new horizons. I therefore look forward to a successful concession journey with GAP, the majority owner of the MBJ/SIA Concession, and now 100% owner of the PACKAL/NMIA Concession, for the mutual prosperity of all stakeholders of NMIA.



Our organization's achievements over the past year would not have been possible without the support and direction of our Minister and the leadership at the Ministry of Transport & Mining, and our Boards of Directors. We also wish to specially recognize the contribution of our airport stakeholders to our achievements, including the airlines, concessionaires, Jamaica Civil Aviation Authority, Passport Immigration and Citizenship Agency, Jamaica Customs, Port Security Corps, Jamaica Defence Force, Jamaica Constabulary Force, as well as the other Ministries, Departments and Agencies (MDAs) that have provided valuable services to the organization and our airports.

Together we will continue the work of operating profitable airports that provide world-class service and contributes substantially to the national economy, even as we navigate through to a post-Covid era. I also look forward to taking hold of the opportunities while we face the challenges and rebuild and grow together as an airport/aviation community.

***Audley Deidrick***  
*PRESIDENT, AAJ*

## SUMMARY OF KEY PERFORMANCE INDICATORS

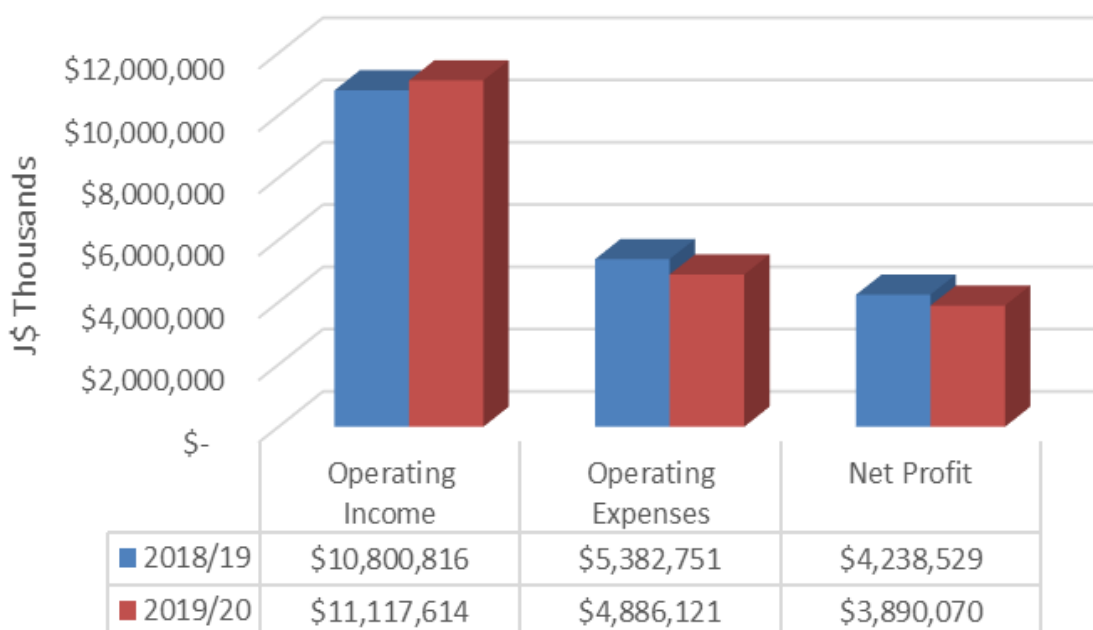
### ✓ FINANCIAL INDICATORS

#### AAJ GROUP

Key Performance Indicators (KPI's)	Actual	Audited	% Change Actual Mar-20 vs Audited Mar-19	Budget	% Change Actual Mar-20 vs Budget Mar-20	Budget
	31-Mar-20	31-Mar-19		2019-20		2020-21
	J\$'000	J\$'000		J\$'000		J\$'000
Operating Revenue	11,117,614	10,800,816	2.9%	9,023,596	23.2%	1,856,372
Operating Expenses	(4,886,121)	(5,382,751)	-9.2%	(4,412,630)	10.7%	(1,240,065)
Operating Profit	<b>6,231,493</b>	<b>5,418,065</b>	15.0%	<b>4,610,966</b>	35.1%	<b>616,307</b>
Other income/(Expenditure)	362,028	(94,864)	-481.6%	620,790	-41.7%	967,638
Taxation	(2,703,451)	(1,084,672)	149.2%	(799,930)	238.0%	(755,522)
Net Profit	<b>3,890,070</b>	<b>4,238,529</b>	-8.2%	<b>4,431,827</b>	-12.2%	<b>828,423</b>
Capital Expenditure	<b>927,779</b>	<b>1,353,735</b>	-31.5%	<b>2,844,875</b>	-52.4%	<b>1,529,217</b>

*\*Operational Revenue includes other operating income, and Operating expense includes Administration expenses in the Audited Financial Statements*

### AAJ GROUP PERFORMANCE

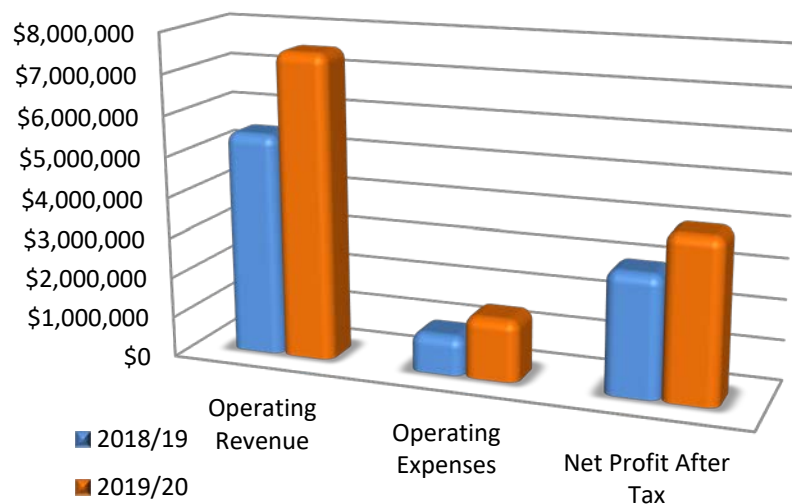


## AAJ OPERATIONS

Key Performance Indicators (KPI's)	Audited 31-Mar-20 J\$'000	Audited 31-Mar-19 J\$'000	% Change Audited Mar-20 vs Audited Mar-19	Budget 2019-20 J\$'000	% Change Actual Mar-20 vs Budget Mar-20	Budget 2020-21 J\$'000
Operating Revenue	7,541,967	5,492,884	↑ 37.3%	6,017,207	↑ 25.3%	1,856,372
Operating Expenses	(1,524,238)	(965,131)	↑ 57.9%	(418,634)	↑ 264.1%	(1,214,062)
Operating Profits	6,017,729	4,527,753	↑ 32.9%	5,598,573	↑ 7.5%	642,310
Other income/(Expenditure)	(458,105)	(536,652)	↓ -14.6%	(889,086)	↓ -48.5%	(193,393)
Taxation	(1,540,744)	(989,354)	↑ 55.7%	(780,000)	↑ 97.5%	(188,285)
Net Profit	<b>4,018,880</b>	<b>3,001,747</b>	↑ 33.9%	<b>3,929,487</b>	↑ 2.3%	<b>260,632</b>
Capital Expenditure	<b>401,115</b>	<b>509,828</b>	↓ -21.3%	<b>1,376,584</b>	↓ -70.9%	<b>1,529,217</b>

*\*Operational Revenue includes other operating income, and Operating expense includes Administration expenses in the Audited Financial Statements*

### Airports Authority of Jamaica



✓ PASSENGER, AIRCRAFT AND FREIGHT MOVEMENTS

<b>Norman Manley International Airport</b>					
	<b>Actual 2019/2020</b>	<b>Prior Year 2018/2019</b>	<b>% Change Actual v/s Prior year</b>	<b>Budget 2019/2020</b>	<b>% Change Budget v/s Prior year</b>
<b>Total Passengers</b>	1,800,700	1,737,822	3.62%	1,860,643	-3%
<b>Aircraft Movements</b>	21,950	21,462	2.27%	21,259	3%
<b>Total Freight</b>	12,279,001	12,998,358	-5.53%	15,923,000	-23%
<b>Sangster International Airport</b>					
	<b>Actual 2019/2020</b>	<b>Prior Year 2018/2019</b>	<b>% Change Actual v/s Prior year</b>	<b>Budget 2019/2020</b>	<b>% Change Budget v/s Prior year</b>
<b>Total Passengers</b>	4,560,923	4,678,952	-2.52%	4,960,025	-8%
<b>Aircraft Movements</b>	41,128	41,349	-0.53%	43,124	-5%
<b>Total Freight</b>	4,007,520	7,817,641	-48.74%	7,758,000	-48%
<b>IFIA &amp; The Aerodromes</b>					
	<b>Actual 2019/2020</b>	<b>Prior Year 2018/2019</b>	<b>% Change Actual v/s Prior year</b>	<b>Budget 2019/2020</b>	<b>% Change Budget v/s Prior year</b>
<b>Total Passengers</b>	8,272	6,755	22.46%	7,718	7%
<b>Aircraft Movements</b>	9,624	10,599	-9.20%	10,741	-10%
<b>Total Freight</b>	890	1,055	-15.64%	1	88900%
<b>Total Traffic - AAJ Group + SIA and NMIA</b>					
	<b>Actual 2019/2020</b>	<b>Prior Year 2018/2019</b>	<b>% Change Actual v/s Prior year</b>	<b>Budget 2019/2020</b>	<b>% Change Budget v/s Prior year</b>
<b>Total Passengers</b>	6,369,895	6,423,529	-0.83%	6,828,386	-7%
<b>Aircraft Movements</b>	72,702	73,410	-0.96%	75,124	-3%
<b>Total Freight</b>	16,287,411	20,817,054	-21.76%	23,681,001	-31%

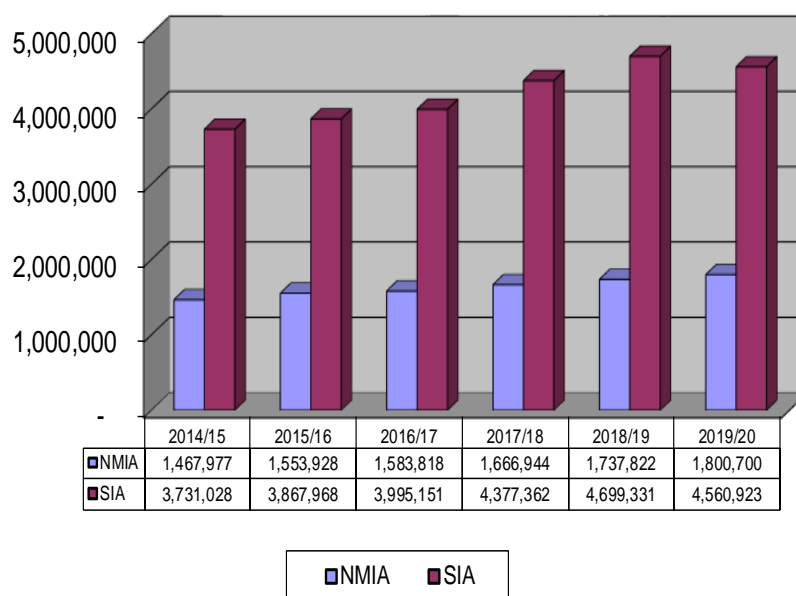
## Historical Traffic Trends



## Traffic Performance

FIN. YR.	NMIA	% CHANGE	SIA	% CHANGE	IFIA + Aerodromes	% CHANGE	AAJ GROUP TOTAL	% CHANGE
2014/15	1,467,977		3,731,028		11,215		5,210,220	
2015/16	1,553,928	5.86%	3,867,968	3.67%	12,196	8.75%	5,434,092	4.30%
2016/17	1,583,818	1.92%	3,995,151	3.29%	10,356	-15.09%	5,589,325	2.86%
2017/18	1,666,944	5.25%	4,377,362	9.57%	9,959	-3.83%	6,054,265	8.32%
2018/19	1,737,822	4.25%	4,699,331	7.36%	6,752	-32.20%	6,443,905	6.44%
<b>2019/20</b>	<b>1,800,700</b>	<b>3.62%</b>	<b>4,560,923</b>	<b>-2.95%</b>	<b>8,272</b>	<b>22.51%</b>	<b>6,369,895</b>	<b>-1.15%</b>
<b>Total</b>	<b>9,811,189</b>		<b>25,231,763</b>		<b>58,750</b>		<b>35,101,702</b>	
	28.27%		71.60%		0.13%			

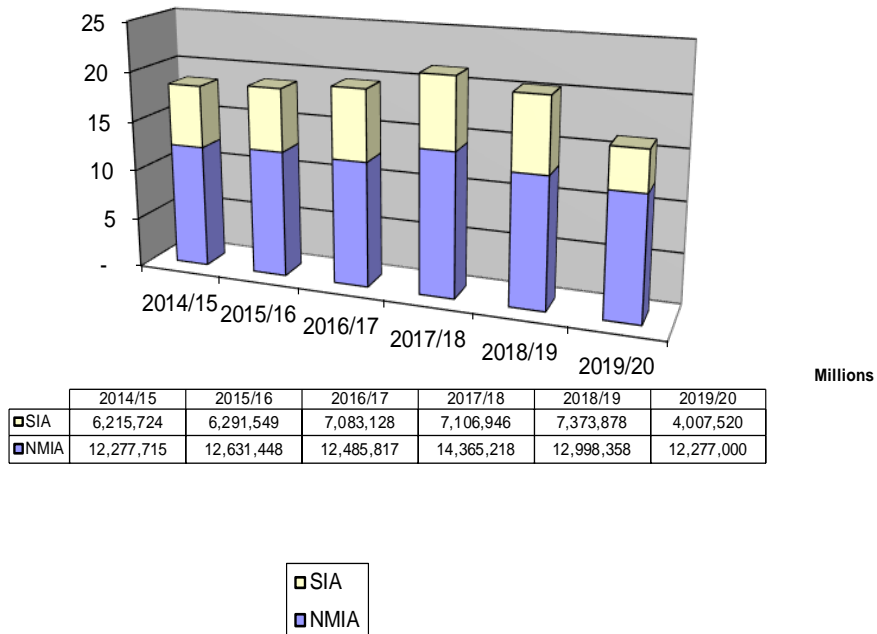
### Passenger Statistics



## Freight Performance

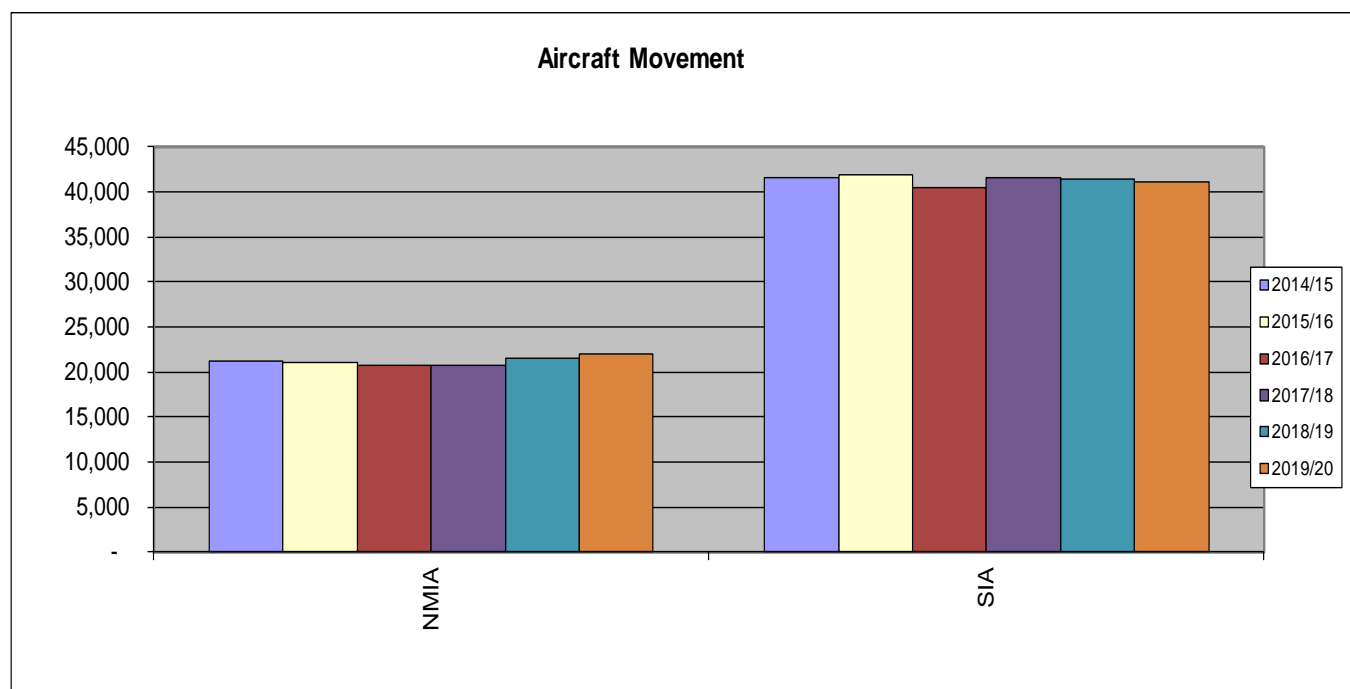
FIN. YR.	NMIA	% CHANGE	SIA	% CHANGE	IFIA + Aerodromes	% CHANGE	AAJ GROUP TOTAL	% CHANGE
2014/15	12,277,715		6,215,724		3,452		18,496,891	
2015/16	12,631,448	2.88%	6,291,549	1.22%	2,385	-30.91%	18,925,382	2.32%
2016/17	12,485,817	-1.15%	7,083,128	12.58%	2,929	22.81%	19,571,874	3.42%
2017/18	14,365,218	15.05%	7,106,946	0.34%	2,352	-19.70%	21,474,516	9.72%
2018/19	12,998,358	-9.52%	7,373,878	3.76%	1,095	-53.44%	20,373,331	-5.13%
<b>2019/20</b>	<b>12,277,000</b>	<b>-5.55%</b>	<b>4,007,520</b>	<b>-45.65%</b>	<b>890</b>	<b>-18.72%</b>	<b>16,285,410</b>	<b>-20.07%</b>
<b>Total</b>	<b>77,035,556</b>		<b>38,078,745</b>		<b>13,103</b>		<b>115,127,404</b>	
	75.39%		24.61%		0.01%			

**Total Freight**



## Aircraft Movements

FIN. YR.	NMIA	% CHANGE	SIA	% CHANGE	IFIA + Aerodromes	% CHANGE	AAJ GROUP TOTAL	% CHANGE
2014/15	21,175		41,574		20,032		82,781	
2015/16	21,033	-0.67%	41,859	0.69%	21,358	6.62%	84,250	1.77%
2016/17	20,740	-1.39%	40,455	-3.35%	17,251	-19.23%	78,446	-6.89%
2017/18	20,691	-0.24%	41,503	2.59%	12,725	-26.24%	74,919	-4.50%
2018/19	21,461	3.72%	41,349	-0.37%	10,599	-16.71%	73,409	-2.02%
<b>2019/20</b>	<b>21,950</b>	<b>2.28%</b>	<b>41,128</b>	<b>-0.53%</b>	<b>9,624</b>	<b>-9.20%</b>	<b>72,702</b>	<b>-0.96%</b>
<b>Total</b>	<b>127,050</b>		<b>247,868</b>		<b>91,589</b>		<b>466,507</b>	
	27.23%		53.13%		19.63%			



## SANGSTER INTERNATIONAL AIRPORT (SIA)



SIA Named Caribbean's Leading Airport for 11th Consecutive Year at World Travel Awards

### Commercial, Business Development & Marketing

#### *Redevelopment of Retail Program*

A Request for Proposal (RFP) process was launched in 2019 for the redevelopment of the Retail program slated to be undertaken in 2020/21. The intended outcome of the RFP was the selection of retail and duty-free partners to operate 29 units in SIA's redesigned retail program. A robust evaluation process was used to assess the proposals received. It incorporated international benchmarks for design and product mix, along with criteria requiring future operators to create store aesthetics infused with a strong Jamaican 'sense of place'. All twenty-nine (29) units have been allocated, with retail licenses ranging from 2 – 6 years currently being finalized with the successful proponents.

Extensive consultation was undertaken with Pragma and The Design Solution to determine the best concepts, sizes and design for the new program.

Makeup of Existing Retail	Summary of Proposed Retail Makeup
•36 shops	•29 shops
•21 companies	•15 companies
•2 international operators with 4 locations; Dufry, the main duty-free operator, and Lagadere Paradise which operates the CNT	•1 International operator; Dufry which operates the main duty-free concessions and 4 souvenir locations

#### *RFP for Service Station & Convenience Store*

An RFP was published in 2019 for a Service Station, Convenience Store, and Food & Beverage facility on undeveloped airport lands for prospective proponents to develop a refueling facility for airside vehicles closer to the ramp-side. Four (4) companies submitted bids and Texaco emerged as the winner.

### Automation of Car Parking Facility

MBJ implemented an automated payment system for the public car parks at SIA. This is in keeping with MBJ's mandate to modernize processes to improve efficiency and continue the journey to becoming a world-class facility.

### Corporate Social Responsibility:

- ❖ In November 2019 MBJ hosted its inaugural Team Sangster 5K Run/Walk at the airport and raised USD 18,500 for charity. The funds from the initiative were donated to hurricane relief for The Abaco Islands in The Bahamas and towards upgrades at the Victory Whitehouse Early Childhood Centre, an MBJ community outreach project. The chip-timed race, coordinated by Running Events Jamaica, took over 500 participants on a little-known part of the airport that provides unhindered views of the apron, then out to the Elegant Corridor and back.



Participants getting ready to start 5k representing



Spirit Airline Team

- ❖ Through its Change for Children initiative, MBJ continued to positively impact the community within which it operates in the past year. We continue to work with Victory Whitehouse Early Childhood Centre and our Labour Day project was the addition of a bathroom to the school.
- ❖ For the sixth consecutive year, the Team Sangster International Coastal Clean-up (ICC) event was hosted where 115 onsite volunteers participated.

### Employee Engagement:

- ✓ **MBJ's Quarterly Lunchtime Talent Showcase** continued quarterly throughout the year and the finals were held in November 2019 under the theme: "I've Got Safety On My Mind..." The show was a "kick-off" show for MBJ's OFFICIAL SAFETY Week where the winner performed.
- ✓ **Let's Get Physical Exercise Program:** A free workout program for all airport employees commenced in 2019 sponsored by MBJ and Club MoBay (VIP Attractions).



**Commercial Activities Planned for 2020/2021:**

- 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 eatery.

**Financial Highlights**

Operating revenues for the 2019/2020 year was \$108.8M, a 3.2% increase over the previous year. There was a 4% increase in operating expenses. Concession and additional concession fees were \$31M which represents a 1.6% increase over the previous year. Net income for the year was 10.5% below the previous year, standing at \$25.8M. Capital expenditure for 2019/2020 was \$12.1M compared to \$32.2M the previous year.

<b>Financial Highlights - Sangster International Airport</b>			
<b>Category</b>	<b>2018/2019 (US\$ 000)</b>	<b>2019/2020 (US\$ 000)</b>	<b>2020/2021 (US\$ 000)</b>
<b>Operating Revenue</b>	<b>105,444</b>	<b>108,813</b>	<b>38,180</b>
Operating Expenses	23,154	24,138	17,176
Concession Fees & ACF	30,508	30,982	3,282
<b>Total Operating &amp; Admin</b>	<b>53,662</b>	<b>55,120</b>	<b>20,458</b>
<b>EBITDA</b>	<b>51,782</b>	<b>53,693</b>	<b>17,722</b>
Interest, Depreciation & Other	13,559	18,983	20,227
Taxes	9,433	8,939	-1,121
<b>Net Income/Loss</b>	<b>28,790</b>	<b>25,771</b>	<b>-1,385</b>
<b>Capital Expenditure</b>	<b>32,174</b>	<b>12,088</b>	<b>14,221</b>

MBJ entered into a new loan agreement with the Bank of Nova Scotia (Canada) and Bank of Nova Scotia Jamaica for USD 40 million. As at March 31, 2020, the drawdown from the facility was \$33M.

The first regulatory period (QQ1) for the Sangster International Airport (SIA) is expired on 31 December 2019. On September 11, 2019, the Jamaica Civil Aviation Authority (JCAA) published its final determination for the 2020-2024 tariff period (QQ2) – a 15.86% increase in the yield per passenger was approved. This resulted in a 2% increase in landing, parking and jet bridge fees, and passenger fees increased by 21.05%. The increase became effective, January 1, 2020.

**Human Resources Development**

To ensure the availability of a competent and willing workforce to meet organizational needs effectively, MBJ's commitment is to the personal and professional development of all members of staff through ongoing programmes and new initiatives.

All employee-related activities were executed in the year 2019. However, COVID-19 caused an immense impact on airport operations and subsequently scheduled employee engagement activities.

***Learning / Training & Development:***

Training needs assessments are conducted by the Training and Development Specialist to adequately identify gaps within the capabilities and competencies of our human capital. The following programs were being reinforced and implemented:

- **Training Courses:** Regulatory and Professional development courses are pursued by various employees in support of the professional and personal development of employees. Employees continued to receive the relevant training through virtual training programs including ACI online training and specific technical training for specialized skills.
- **Cross-Training:** Training within various departments is an initiative that aims to increase efficiencies within the departments and to expand employees' knowledge and skills to perform various tasks.
- **A Learning Management System:** The in-house re-design of MBJ's training facility with the implementation of the new MBJ - Training Management Platform, supported by MBJ's Innovation Club. This Platform will include converting all existing internal and external training, offered to all airport users, to a virtual, instructor-led design. This will improve the effectiveness and efficiency of offerings in addition to supporting COVID-19 protocols.

***Talent Development Support Program:***

In June 2019 GAP through MBJ, launched an initiative geared towards supporting, developing and empowering the company's greatest asset – its people. The GAP/MBJ Talent Development Support program was designed to give employees an opportunity to work in Mexico at one of GAP's facilities for 3-4 months. The GAP/MBJ Talent Development initiative seeks to:

- Provide an opportunity for MBJ employees to be exposed to best practices, systems and processes, in the international sphere, that should lead to organizational alignment.
- Create opportunities for the reciprocal transfer of knowledge and skills within the shareholder's network.
- Expose participants to intercultural experiences that offer an opportunity to, among other things, learn a foreign language.
- Demonstrate MBJ's commitment to Jamaica's growth by investing in its people.
- Provide an opportunity for university graduates to acquire on-the-job experience while expanding their professional network.

Employees who expressed an interest in the program were carried through the various stages of the selection process. The selected employees participated in various orientation/learning sessions to include a series of conversational Spanish sessions. However, due to COVID-19 GAP/MBJ was unable to implement the final stage of the program. It will resume as soon as the pandemic ends.

***Employee Engagement & Wellness/Well-Being:***

Employee Engagement Activities:

- Activities were conducted as scheduled in 2019. These include 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, and public recognition for exceptional professional and personal achievements. However, due to the impact of COVID-19 many of the employee engagement activities were not held or will be held virtually for 2020. MBJ, however, continued with the following activities on a reduced scale: Employee's Children Scholarship programme; General Wellness programme; Gym Fitness; and Virtual Employee Recognition program.

- The continuation of Employee Engagement surveys to ascertain the key drivers of engagement with the organization, identifying factors that drive employee performance and how the organization can improve on these factors.

#### *MBJ Leadership Development:*

The continuation of the Management/ Executive Leadership Development programme which focuses on building key leadership capabilities to create a cadre of world-class leaders modelling the highest standards of performance, safety and security is also being carried out to build and maintain strong manager/employee relationships within the organization.

#### *Union Negotiations 2020 - 2022:*

As traffic at SIA has been significantly affected by the unprecedented COVID-19 pandemic, MBJ met with both unions, the Trade Union Congress (TUC) and the Union of Technical, Administrative, and Supervisory Personnel (UTASP) to discuss various cost-saving measures. The meetings were conducted with the view of having a formal agreement in place for the first negotiating year (2020 – 2021) for each union.

### **Operations Division**

#### *Environment, Health and Safety (EHS) Programs*

The following continues to be included in the environmental programs currently in effect at Sangster International Airport (SIA) and are described in detail in MBJ's Environmental Management Plan (EMP): Health and Safety Management; Surface Water Quality Management; Solid Waste Management; Wildlife Management; Community Relations; Contaminated Site Management; and Aeronautical Noise Management.

Along with routine activities prescribed under the EMP, the following were undertaken during the period:

- Environmental permit applications were prepared and submitted and approvals were sought and obtained as part of the planning activities for a number of construction projects that were undertaken. Some of these development projects for which environmental permitting was sought include: The Runway Extension and Associated Works Project, The Fire Hall Access Road Widening Project, and the Water Treatment Plant Project.
- To advance health matters, collaboration with various airport stakeholders was strengthened and facilitated through work with the Ministry of Health and Wellness, and by maintaining membership on its International Health Regulations (IHR) Stakeholder Advisory Group. MBJ has been working along with the Ministry to facilitate the maintenance of the World Health Organization (WHO) IHR 2005 core capacity for the prevention, response and mitigation of the spread of diseases of international concern.

#### *Emergency Response Services (ERS)*

The airport has maintained its Category 9 status to date. In compliance with regulatory requirements, a full-scale exercise was planned for 2020 but had to be postponed until 2021; this is as a result of the COVID-19 pandemic.

The Emergency Responses Services Department (ERS) continued its initiative geared towards staff and airport employees being prepared to respond to emergencies. These initiatives include: Modernization of response vehicle fleet with the acquisition of two new Oshkosh fire trucks; and continuous training as outlined in ICAO Annex 14, JCAA Manual of Aerodrome Standards, and our Emergency Response plan.

#### *Automation of Parking Facilities*

The automation of the parking facilities has been fully implemented. The implementation has resulted in the attainment of the intended efficiencies.

#### *Security*

One machine of the three new L3 MV3D machines acquired in 2019 was installed in 2019 October. The remaining machines are yet to be installed. MBJ will continue to evaluate the operations of the installed machine.

#### *Perimeter Fence Lighting*

This project was successfully concluded. The most critical areas of the airport's perimeter are now lit. This satisfies the aviation security physical infrastructural requirements as well as the requirements of the JCAA as set out in the regulations.

#### *Customer Satisfaction*

MBJ continues to monitor Stakeholder satisfaction levels through the administration of various surveys. Internal monitoring is conducted through the use of comment cards. The results of the comment card survey for 2019 reflected that satisfaction scores for the majority of factors rated, met or exceeded the quality service targets. In regards to improving the Wifi Service, MBJ recently deployed additional access points in the eastern course, Baggage Claim area, Immigration Hall and western Arrivals Concourse, and will be working with Digicel to further expand coverage.

Four Surveys were administered by an external contractor for the year 2019; Passenger Satisfaction (twice per year), Customer Satisfaction (Annually), Airline Satisfaction (annually) and Baggage Delivery Survey (quarterly). Passenger Satisfaction Surveys were conducted in June and December 2019; the overall passenger satisfaction scores reported were 85.14% and 89.13% respectively.

#### *Happy-or-Not Kiosks*

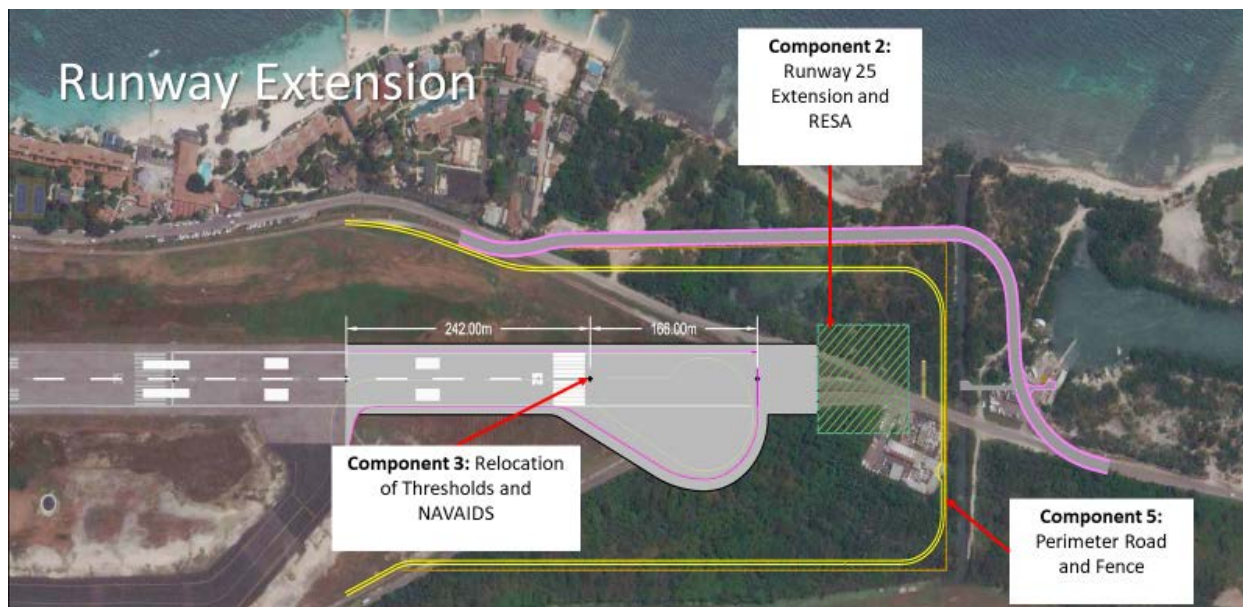
The Happy or Not kiosks that were being used as an additional means of monitoring service levels, were used throughout 2019; however, the use of these kiosks has been discontinued since the onset of the COVID-19 pandemic.

### **Major Capital Projects (2019/2020)**

MBJ Airports Limited carried out several Capital Development Projects at the Sangster International Airport during the period 2019-2020 as detailed below.

#### *Runway Extension*

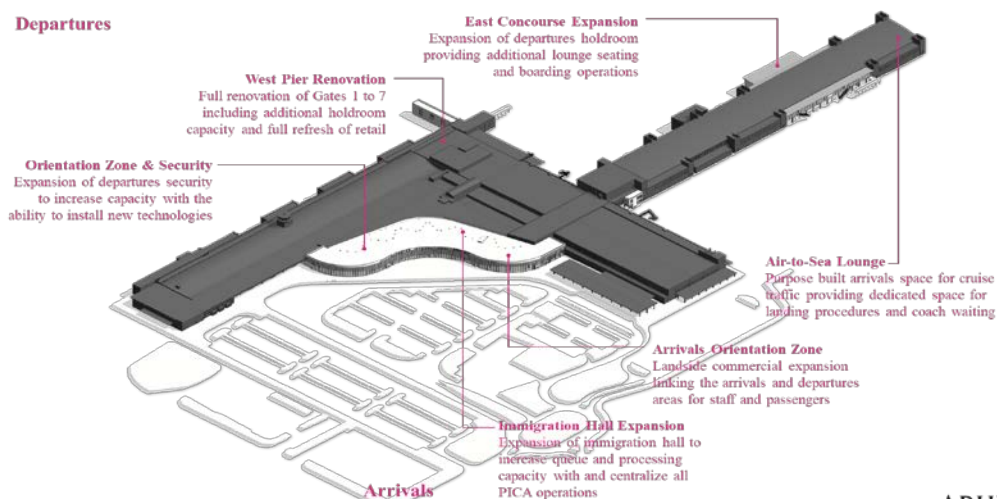
MBJ is currently engaged in the execution of the Runway Extension Project. The project involves the extension of the runway by 408 metres and will result in several improvements including Runway End Safety Area (RESA) at both ends of the runway, increased declared distances, and fortification of the shoreline. LeighFisher is managing the projects with work currently in progress on relocating Kent Avenue and the Shoreline Protection Works.



To facilitate the runway extension project at the Sangster International Airport, the AAJ sought to acquire lands occupied by the St. James Parish Council, Bay Roc Ltd, the Jamaica Civil Service (JCS) and Sandals Resorts International (SRI). Acquisition of the Parish Council, Bay Roc, and JCS lands was successfully completed, however, the AAJ and SRI were unable to arrive at an agreement and hence a decision was taken to pursue compulsory acquisition of the required lands under the Land Acquisition Act, through the NLA.

### Master Plan - Design Services for Terminal Expansion

MBJ engaged ARUP to provide design services for the expansion of the airport based on the Master Plan. The objective of the expansion project is to develop the airport terminal into a modern, functional and efficient international facility that will significantly enhance the experience for both passengers and the airport community, and meet growing demands based on the forecasted growth in passenger movement up to 2035.



ARUP



### *Departures Area Expansion*

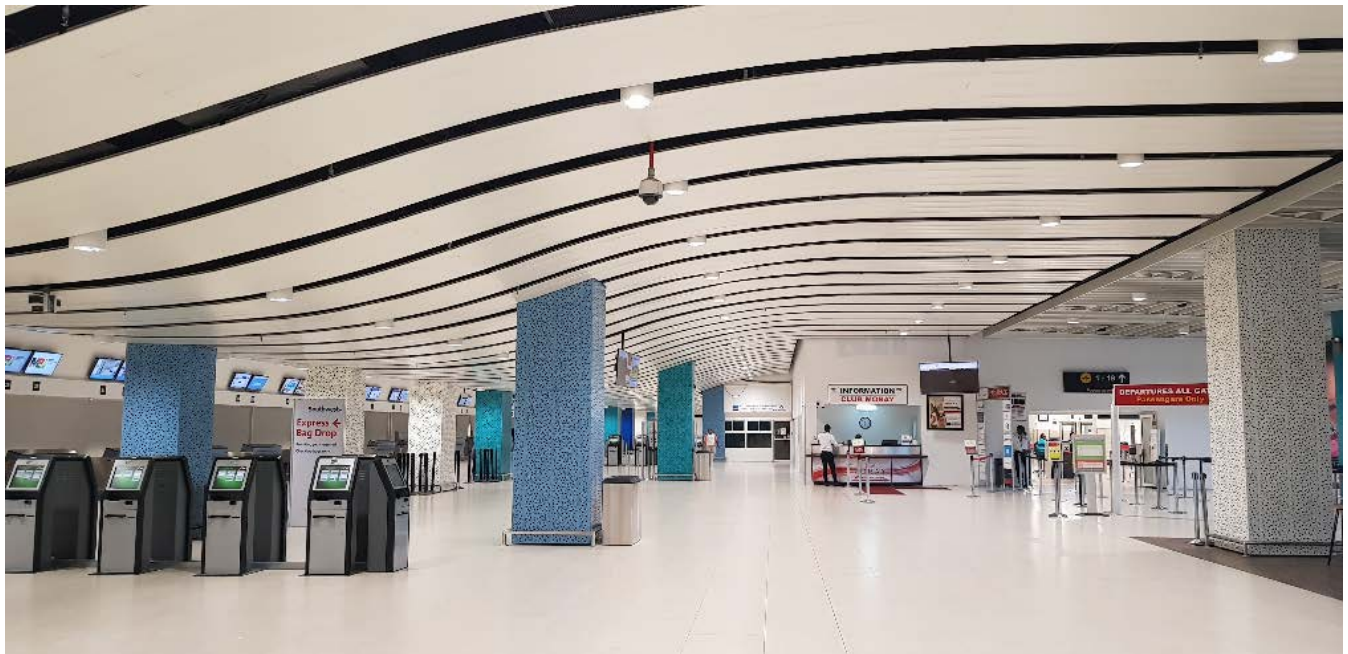
The Departures Area at the Sangster International Airport is currently being expanded with construction commencing early 2020. The project will add 2,500 square metres – a 56% increase in the current space, while the existing commercial retail space is also being renovated. The expanded area will offer more seating, better natural lighting, entertainment, and new retail offerings. Passenger circulation will also be improved and additional space made available for the Baggage Makeup Area.

### *Check-in Area Renovation*

MBJ carried out the complete renovation of the passenger check-in area at the Sangster International Airport. The renovation project incorporated the sense of place elements representative of destination Montego Bay and included the replacement of 5000m<sup>2</sup> of flooring, ceiling, lighting and the HVAC system and offers.

### *Restroom Renovation Project*

MBJ completed the rehabilitation of various restrooms throughout the terminal building. The restrooms at Gate 8, Gate 13, Gate 15, Arrivals and Departures Check-in Area West and East were included in the



## NORMAN MANLEY INTERNATIONAL AIRPORT (NMIA)

This fiscal year represented the “Year of Transition” for the management and operations of NMIA from NMIAL to the new PPP operator, PAC Kingston Airport Limited. NMIAL managed the airport for just over 6 months of the fiscal year and handed over operations to PACKAL on 2019 October 10. Greater details on NMIAL’s performance will be provided in the NMIAL report.

The team from PACKAL, comprised primarily of former NMIAL staff, assumed responsibility for the management of the airport and ensured that all systems were ready for ongoing operations. A number of functions previously executed by local staff, such as route development, will now reside in their GAP group office for greater synergy with their network.



### Legal Imperatives concerning the NMIA PPP exercise

The Legal Department was very active in facilitating the legal/contractual requirements for handing over the operations of the Norman Manley International Airport to PACKAL on 2019 October 10. Among the responsibilities executed by the relevant parties were:

- I. The passing of a Resolution by the Kingston and Saint Andrew Municipal Corporation on 2019 September 10, 2019, under Section 7(1) of the Local Improvements Act, 1914 that the Airport Site be excluded from said Act. The Resolution was approved by the Most Honourable Prime Minister, being the Minister with responsibility for land matters, and thereafter the ministerial order was gazetted.
- II. The scheme for the collection and use of the Airport Improvement Fee (AIF) under the Airport Expansion Fund Agreement was agreed by the AAJ, PACKAL, the Government of Jamaica, the Security Agent, and the Account Bank. The Agreement was fully executed by all the parties.
- III. The AIF Regulations were promulgated and took effect on 2019 October 10. The AIF Order and Charges Regulations continue to be in full force and effect. No changes were required thereunder.
- IV. The Designating Order for PACKAL to operate NMIA was made by the portfolio Minister and took effect on 2019 October 10, the Commencement Date. Also, the Transfer of Assets Order was made by the Minister and took effect on the said date.

- V. The Deed of Assignment in respect of the other Transferred Contracts was agreed and executed on 2019 October 10.
- VI. The Reserved Activities Service Level Agreements (“SLA”) were transferred to PACKAL by the AAJ by way of an Assignment & Agency Agreement on 2019 October 10. Upon expiration of the current terms of the SLAs, PACKAL is to enter into its own arrangements with the Relevant Authorities in the form of an agreement approved by the AAJ.
- VII. The AAJ approved the form of the Construction Contract for the Design and Build of the Runway Extension and Development of Runway End Safety Areas.
- VIII. The form of the Technical Services Agreement was approved by the AAJ and PACKAL and Servicios a la Infraestructura Aeroportuaria del Pacifico, S.A. de C.V entered into the Agreement on 2019 October 9.
- IX. The certificates of insurance evidencing that all necessary insurance covers required in accordance with the Concession Agreement are in full force and effect as at the Commencement Date, were provided to the AAJ.
- X. A certified true and complete copy of the Certificate of Incorporation and Articles of Incorporation of PACKAL was provided in the approved form. Additionally, a copy of the certificate of good standing issued by the Registrar of Companies in respect of PACKAL and dated 2019 September 9 was provided to the AAJ.
- XI. The draft Operational and Strategic Plan (in the agreed form) containing the following Plans was submitted to the AAJ:
  - a. *Human Capital Management Plan;*
  - b. *Development Programme;*
  - c. *Amended Maintenance Programme;*
  - d. *Environmental and Social Management Plan;*
  - e. *Environmental and Social Impact Assessment;*
  - f. *Airport Emergency Plan;*
  - g. *Stakeholder Engagement Plan;*
  - h. *Safety Plan; and*
  - i. *Safety Management Systems Plan*
- XII. The initial Business Plan and the format for future Business Plans, in the agreed form, were submitted by PACKAL; and an amount of US\$5,000,000.00 was paid to the AAJ by PACKAL in satisfaction of the condition precedent for the payment of an upfront concession fee.

## Corporate Social Responsibility

During the year the airport staff continued efforts to connect with the community, including labour day activities; special sessions at the Donal Quarrie High School, and sponsorship of the Kingston City Marathon.



NMIAL, AAJ and PACKAL staff participating in Labour Day 2019 projects

(L-R) AAJ President / CEO NMIA -Audley Deidrick, Vice Principal Harbour View Primary School-Angella Riley and CEO PAC KAL - Fernando Lorence pause for the shutterbugs.



### ***The NMIA Capital Development Programme***

#### **Phase 1B**

The initial budget for the Phase 1B-CDP of US\$26.087M was revised to US\$29.550M, an increase of US\$3.463M due to progressive elaboration. Expenditure to date is US\$25.404M and thus US\$4.146M remains to be spent on the final two projects; namely: 4KV to 24KV electrical Substation Upgrade which is 99% complete and Fire Suppression System Expansion to Arrivals Concourse & Electrical Substations which is at the design stage and is proposed to be handed over to PACKAL for implementation.

#### **Phase 2A**

Phase 2A Capital Development Programme capped at US\$15.488M was established as an interim program of works to ensure operational readiness, safety and minimum acceptable levels of service were maintained in the timeline before the successful engagement of a New Airport Operator. There are currently Thirteen (13) projects being implemented: Seven (7) projects currently at the pre-contract stage; four (4) projects at the construction/installation stage and; three (3) projects at the post-contract stage.

The four (4) projects at the design stage are proposed to be completed by PACKAL.

Project	Status	Budget for Transfer (US\$)
Taxiway F	Design	1,000,000.00
NMIA P/A Paging System	Design	305,465.88
Upgrade of NMIA Enterprise Data Network	Design	400,000.00
Upgrade of Outbound Baggage Screening/EDS System	Design	600,000.00

#### ***NMIA-Shoreline Protection-Plumb Point to Caribbean Maritime***

One thousand, one hundred and nine (1,109) metres of Shoreline was studied and protection consisting of Dune Rehabilitation and Rock Revetment were designed in 2017. The engineer's estimated construction cost then being approximately US\$15.60 million if implemented as a single project. The AAJ decided to implement 358 metres of the Project commencing with the protection of the most vulnerable section of the shoreline aligned with Runway 30. The project scope entails the construction of rock revetment along the shoreline directly protecting the end of the runway.

In that regard, the implementation of the other 751 metres remains critical based on:

- i. the risk to life and property from storm surges associated with the ever-increasing frequency and intensity of hurricane events,
- ii. the likely negative economic impact on aviation operations business, and
- iii. the disruption to life and businesses in the neighbouring community of Port Royal.

Important aspects of the project process that are on-going and progressively addressed are: Project Management (Regulatory Requirements/ Land Ownership/Procurement of Services and the Works) as well as Funding

### *European Investment Bank (EIB) Interest Rate Subsidy Funded Studies*

NMIA stands to benefit from grant funding that would enable several studies to be conducted that would guide plans and undertakings of the airport. In light of the transfer of NMIA to PACKAL, the AAJ will continue to undertake these projects in collaboration with the new PPP operator. The revised budget for the studies highlighted below is US\$5.0 million and are scheduled to be conducted over the period September 2019 to December 2020. The EIB disbursed the €3.0 million grant funding as at 2019 December 31. Status of Studies

- *Various Environmental, Zoning & Other Baseline Studies:* Contract awarded to CEAC Solutions Company Limited in the amount of \$1,879,175 inclusive of GCT as approved by Cabinet. The Inception Report and Deliverable 1 – submitted. On-site Investigations at NMIA commenced during the week of 2020 March 30.
- *Airport Utilities (Baseline & Optimization) Study* – Contract awarded to Seureca Veolia in the amount of US\$1,637,554 including GCT as approved by Cabinet. Inception Report was submitted. On-site Investigations commenced on 2020 March 3.
- *Business Continuity & Competitive Analysis Study* – Contract awarded to Intervistas Consulting Inc. in the amount of US\$857,662.51 including GCT. The kick-off meeting was held December 10-11, 2019, and the Inception Report was submitted on 2020 January 20.

## IFIA AND THE AERODROMES

The Ian Fleming International Airport (IFIA) and the domestic aerodromes, though subsidized by the AAJ, remain relevant and continued to play their role in the international/local aviation infrastructure. The focus on these aerodromes continues to be on improved efficiencies while minimizing expenditure and optimizing revenue. During the year the AAJ collaborated with the Canadian Executive Service Organization (CESO), to undertake an examination of the challenges and opportunities within the General Aviation (GA) industry. This initiative is expected to provide a strategic pathway to the growth of GA in Jamaica.

### **IAN FLEMING INTERNATIONAL AIRPORT**

IFIS is being upgraded in order to drive economic development in the north-eastern section of the island, to include St. Mary, St. Ann and Portland.

- Projects:

#### *PHASE 1: Runway Widening & Terminal Modifications*

The original project has been re-scoped to include Enabling Works, General Capital Expenditure & Asset Improvement as well as Property Upkeep, Beautification and Outreach Projects. The work commenced on 2018 March 30 and is to be completed by the end of 2020 April. It is currently 92% complete. Whereas the widening of the runway was finished, the relocation of runway edge lights was incomplete. Pavement works were postponed on 2020 March 17, following social distancing guidelines implemented by GOJ regarding the COVID-19 pandemic on the island. However, the removal of the mound at the western end of the runway is completed.

#### *PHASE 2: Runway Extension to 5,000 ft.*

Cabinet Decision No. 5/17 dated 2017 February 06, permits the AAJ to spend the funds necessary to meet the conditions set out by PIMC, which includes NEPA requirements for environmental permits, detailed designs, cost estimation as well as to secure the required approval from PIMC as a project worthy of public sector investment. These aspects are on-going.



The required Environmental Impact Study (EIA) for IFIA's proposed development was completed and submitted to the National Planning and Environmental Agency (NEPA). Revised EIA comments were received from NEPA to which the AAJ responded in 2020 March.

- *Airport Master Plan:*

A major undertaking for IFIA was the engagement of INECO, a global leader in transport engineering, to complete a master plan for IFIA. The Master plan, which was completed in 2019 December, contained useful information for the analysis of proposals for new aircraft operations at the airport. It determined that aircraft specifically designed for short runways and ranges around 500NM, such as the ATR42-600 and Dash8Q400 are the most suitable models to operate at IFIA. Recommendations were made for investments in infrastructures to comply with the International Civil Aviation Organization's Standards and Recommended Practices (ICAO SARPs) for the airport, to improve the level of service to passengers in the terminal building, and improve airport service areas (e.g. expansion of Fire Station...). The Master Plan also provided options on where to allocate any new project to be implemented at the airport. It included a basic Land Use plan which highlighted where potential activities related to commercial aircraft operations and other activities not strictly dedicated to commercial aircraft operations, such as maintenance, cargo logistics, would be located. INECO pointed to the need for new air navigation procedures for the expected fleet and indicated the prospects for developing specific route/marketing plans re IFIA. The outcomes of the Master Plan are now to be reviewed and adopted before devising further strategies for IFIA. Overall Expense US\$2.172M

- *Police Post:*

A method statement for the police post-construction is currently under review by the JCAA and works will commence on receipt of their non-objection

- *Airport Certification:*

The certification process was re-initiated with the submission of the Pre Application Statement of Intent (PASI) submitted to JCAA in February 2020. A resubmission of the PASI will be required as members of the listed management team subsequently left the organization. The respective manuals are being developed for submission and subsequent approval. Periodic inspections have been conducted by JCAA to ensure regulatory compliance.

- *Marketing and Air Service Development:*

Efforts continue to attract international, regional, and local airlines to provide service at IFIA. Works carried out to extend the width of the runway and modify the airport terminal arose from stipulations made by interested air operators which had arrangements for regional-type aircraft with a carrying capacity of up to 70 passengers.

## TINSON PEN AERODROME

The aerodrome continues to facilitate a variety of aeronautical activities at the aerodrome including: Aircraft maintenance and refuelling; Cargo and mail courier service; Flight school operation; General (private) aviation and Hangar operation. Some of the initiatives pertaining to the aerodrome include:

- *Pilot's Lounge:* Minister of Transport and Mining, Hon. Robert Montague opened the new pilot's lounge at the Tinson Pen Aerodrome on 2019 May 16. In pointing to lack of facilitation previously, Minister highlighted that a rest stop / quiet space for pilots is necessary for pilots to get mandatory rest before they operate their next flight. He mandated that all Jamaican aerodromes be fitted with a pilot lounge as part of continued efforts to transform Jamaica's transportation sector into a world-class industry. Aerodrome

stakeholders were on hand for the event. The pilots, in particular, welcomed the initiative and stated their appreciation for the support and revitalization of local air transport.

- *Airfield Markings:* An airfield remarking exercise is planned in the upcoming aerodrome rehabilitation project. The AAJ awaits the JCAA's non-objection to commence the projects.
- *Aerodrome Security:* Perimeter fence repairs are consistently being executed due to the frequency of breaches by persons from the surrounding community. The rehabilitation projects will include installing and repairing the perimeter fence.
- *Runway Rehabilitation:* This includes Pavement overlay/repairs and Pavement re-marking. The works are to be scoped and scheduled during the 2020/21 budget year.

### **NEGRIL AERODROME**

Negril remained the busiest aerodrome in terms of aircraft movements with air taxi service between SIA and the aerodrome. Planning for the new fire station (Airport Protection Service ["APS"] building) and other infrastructural development works for the terminal, continued.

*APS Building:* The contract was signed in 2019 April and work on site commenced 2019 May 27 and is 60% complete.

*Runway Rehabilitation:* Pavement Overlay: Geotechnical Survey was completed. Bidding for the works was completed with the endorsement of the AAJ's recommendation in 2019 July. Work is scheduled to commence by the end of April 2020.

*Terminal Building:* The Scope of Work for the Terminal Building which will include a Pilots' Lounge and Sick Bay is scheduled to be fully developed in the 1<sup>st</sup> quarter of 2020.

### **KEN JONES AERODROMES.**

The Ken Jones remained the least active of the domestic aerodromes but was the centre of much activity in the first quarter of 2019/2020 as the aerodrome was a staging point for the filming of the James Bond #25 movie. Members of the crew and other authorised local participants were facilitated by the staff at Ken Jones with the support of officers from the AAJ HQ.

On 2019 May 31, Minister of Transport and Mining, Hon. Robert Montague opened the new pilot's lounge at the Ken Jones Aerodrome and signalled the drive to facilitate increased flight activities at the aerodrome. In speaking of domestic aerodrome developments, the Minister stated that "The facilities can also enhance tourism where persons will now have a choice of driving or they can now fly in and expand the tourism base. It saves travel time and energy. This development is not just for today, but as we look to tomorrow, as we plan for the future. One day these facilities may become international airports". He implored members of communities around each aerodrome to care for the facilities as they represent important drivers of various economic activities in the respective areas.

Several projects to attain and maintain the JCAA standard for the Ken Jones Aerodrome are being planned. The aerodrome was inspected by the JCAA and several deficiencies requiring corrective work were identified. A

corrective action plan and subsequent method statement were submitted to the JCAA for the projects proposed to correct the identified deficiencies as well as other renovation work required.



## VERNAMFIELD AERODROME

The AAJ has been designated as the lead government entity with responsibility for the proposed Vernamfield Aerotropolis Development - dubbed “Aerotropolis VERNAMFIELD”, as well as the immediate Aerodrome Development, which is the subject of this report and is considered to be the Phase 1 Project. Phase 1 represents the immediate plans to re-establish aviation activities at the facility by refurbishing the present runway, and developing a small-scale aerodrome which will include: The relocation of the JDF Air-wing *training facilities* to Vernamfield and to facilitate commercial aeronautical operations. To this end, Land Surveys to establish pavement footprint and boundary, Geotechnical Surveys, GPS survey to establish Obstacle Limitation, Date Stamped Aerial Photometry, and Wind Studies were completed. The initial application to the JCAA for permitting was granted. Land Acquisition processes have commenced. Other permitting requirements and consultations are to be defined.

**Budget & Scope:** To-date Cabinet has approved a budget of J\$300M to cover:

- De-bushing, site clearance & disposal of debris: completed 2018 December
- Grading & Compacting: completed 2019 April
- Installation of fences & gates: Bids are scheduled to be submitted on 2020 March 17
- Primary electrical connections & distribution: Design development
- Runway testing, rehabilitation & pavement markings: Bid document 25% complete
- Terminal Building construction.

The initial schedule for completion of phase #1 works and commencement of aviation activities of 2019 November was not met. A new schedule will be proposed. Infrastructural works outside of the designated 170 acres, such as potable water supply, stormwater and sewage disposal systems are not included.

The decision to restrict public access to the Vernamfield Aerodrome site is being implemented. Signs have been posted notifying the public of the restricted access to the site. A gate and barrier are to be installed on the main access upon completion of road repairs on alternate access roads.

On 2019 APRIL 14 officials, including the Chairman of the Government's Economic Growth Council, arrived by way of a helicopter for a tour of the Vernamfield development site. The main runway and the immediate outer areas were fully cleared of vegetation. In addition, grading and compacting work were being done to the sides of the current runway. The AAJ is working in partnership with a team from the Office of the Prime Minister (OPM) to determine the next steps in the development project. The overall cost to fully rehabilitate and gradually extend the runway and establish the necessary supporting infrastructure is still being determined and will be the subject of Cabinet's consideration and decision.

Also during the 2019/20 fiscal year, the AAJ issued instructions to the National Lands Agency (NLA) to proceed with the engagement of a chartered valuation-appraisal firm to undertake a new valuation for 26 parcels of land to be acquired for the Vernamfield Aerodrome Development Project. This exercise, estimated to be approximately 50% completed is to be concluded during the next fiscal year.

## **HUMAN RESOURCE MANAGEMENT AND ADMINISTRATION**

The HRMA department continued to pursue its mandate to develop, implement and support initiatives that facilitate improved employee performance, empowerment, growth and retention, welfare and safety in support of the operational goals of the AAJ and NMIAL. On October 9, 2019, 312 employees were separated by NMIAL consequent on the change in operator for the Airport. The separation process included redundancy, early retirement, and ex-gratia payments totaling \$1,112M. A summary of the categories of separated employees is as follows:

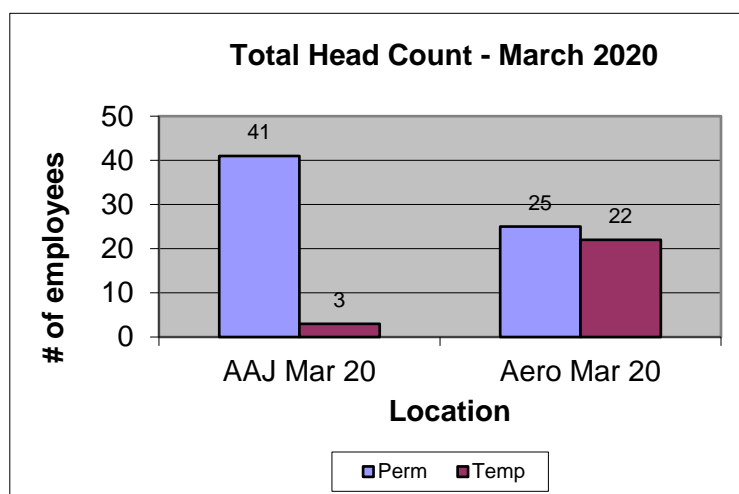
- 22 employees applied for Early Retirement. The Early Retirement cost per employee: (A) Years of service to date divided by years of service (projected) to normal retirement x Basic Salary, plus (B) Remaining years to normal retirement x 25% of Basic Salary.
- 41 employees who had less than two years' service received an ex-gratia payment in the form of two (2) weeks' pay. They also received payment for notice and outstanding vacation leave.
- 249 employees received redundancy payments. The Redundancy cost per employee: Redundancy rate (14%) x Basic Salary x Tenure.

The significantly reduced staff numbers has been challenging for the AAJ employees, who have had to assume a considerable number of tasks that were previously executed by NMIAL employees. The combined effects of incomplete NMIAL project/operational activities, and concurrent AAJ tasks, have very demanding on the remaining staff members and the organization as a whole. Notwithstanding the challenges, the employees continued to perform their duties commendably.

As a result of the redundancy exercise, the AAJ embarked on a recruitment process. AAJ needed to employ additional members of staff to: (1) Undertake concession management of the two major international airports (SIA and NMIA) as well as Independently operate and maintain the Domestic Aerodromes (Tinson Pen, Ken Jones, Negril), and the Ian Fleming International Airport (IFIA), as the resources of NMIA will no longer exist. This process is expected to be concluded by the end of the new financial year.

### Human Resource Statistics

The total staff complement for AAJ as at 2020 March 31, was 91, consisting of 44 employees at AAJ Corporate Head Office and 47 employees across the Aerodromes. Details are shown in comparative bar charts below.



### Airport Privatization and Change Management

The AAJ/NMIAL continued its Change Management and Transition Programme in support of the NMIAL PPP exercise. The activities included: Cultural Integration Seminar; Managing Personal Change; General Staff Meetings; Retirement & Financial Counselling/Seminar; Resume and Interview Workshop. Staff expressed appreciation for the change process as many indicated its value upon being separated from the organisation.

Following the successful completion of the privatization of NMIAL, more frequent staff meetings were required to provide AAJ staff with updates on the on-going restructuring of the organization. These meetings consisted of sessions held at AAJ HQ as well as a joint aerodrome staff meeting.

### Pension Wind-up

The wind-up of the Pension Plan started 2019 June 30. The process should take between 12-24 months to be completed. A draft Actuarial Valuation Report as at 2019 June 30, was done by the Actuary. The Trustees and Sponsor wrote letters approving the Actuary's recommendations. These will then be submitted to the Financial Services Commission (FSC) for further approval.

### AAJ COVID-19 Preparedness and Response

Coronavirus awareness and prevention within the workplace. Several measures have been implemented which include, but are not limited to:

- Posting and dissemination of educational material on preventing COVID-19.
- Development of special Absence Policy.
- Distribution of masks (filter and fabric)
- Installation and Distribution of hand sanitizer units & sanitizer liquid.
- Implementation of WFH arrangements for affected staff.
- Implementation of adjusted office hours and revised work schedules.
- Training for key members of staff
- Temporary arrangement of a Nurse
- Additional person to clean office

### Union:

The final Year of the Heads of Agreement (HOA) for the TUC was implemented in 2020 March, PAAM & UTASP is to be implemented in April 2020. New negotiations are anticipated, as the organization is in its final year of the current four-year HOA.



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## DIRECTORS' COMPENSATION: April 2019 - March 2020

Name & Position of Director	Fees	Motor Vehicle Upkeep/Travelling or Value of Assignment of Motor Vehicle	Honoraria	All Other Compensation including Non-Cash benefits as applicable	Total
<b>Hon William Shagoury</b> Chairman of the AAJ Board	330,650.00	171,733.00	NIL	NIL	502,383.00
<b>Fay Hutchinson</b> - Deputy Chairperson	269,075.00	101,401.00	NIL	NIL	370,476.00
<b>Claudette Ramdanie</b>	57,900.00	8,857.00	NIL	NIL	66,757.00
<b>Denton Campbell</b>	298,068.08	539,697.65	NIL	NIL	837,765.73
<b>Leroy Lindsay</b> - Director	191,150.00	53,807.00	NIL	NIL	244,957.00
<b>Tanya Bedward</b> -Director	203,076.00	57,241.00	NIL	NIL	260,317.00
<b>Juilet Mair-Rose</b> - Director	46,400.00	18,301.00	NIL	NIL	64,701.00
<b>Epsi Cooper-Morgan</b> - Director	168,550.00	122,928.00	NIL	NIL	291,478.00
<b>Dudley Beek</b> -Director	168,550.00	203,102.80	NIL	NIL	371,652.80
<b>Donahue Martin Jr</b> - Director	105,850.00	21,168.00	NIL	NIL	127,018.00
<b>Pauline Bowla</b> - Director	119,850.00	31,092.00	NIL	NIL	150,942.00
<b>TOTAL</b>	<b>1,959,119.08</b>	<b>1,329,328.45</b>	<b>NIL</b>	<b>NIL</b>	<b>3,288,447.53</b>

### Note:

#### Summary of Directors Fees & Expenses

**J\$**

Directors Fees (see table above)	\$	3,288,447.53
Co-op Committee Members Fees	\$	209,891.00
All other related Board expenses	\$	1,019,484.83
	<b>\$</b>	<b>4,517,823.36</b>

### Notes

1. Fees are paid for Board Meetings and Sub-Committee Meetings
2. Directors receive a travelling allowance for meetings attended.
3. Other compensation represents the payment of business-related telephone charges.

\*. See Executive compensation for the Director/President

## SENIOR EXECUTIVE COMPENSATION: April 2019 - March 2020

Position of Senior Executive	Salary	Gratuity	Travelling Allowance	Pension or Other Retirement Benefits	Other Allowances	Non-Cash	Grand Total
President - Audley Deidrick	11,331,551	2,795,489.31	4,815,082	-	3,129,453	228,444	22,300,020
General Counsel - Verona Vacianna	7,700,627	1,893,388.07	3,256,073	-	3,334,554	155,245	16,339,887
<b>AAJ</b>	<b>19,032,178</b>	<b>4,688,877</b>	<b>8,071,155</b>	<b>-</b>	<b>6,464,007</b>	<b>383,689</b>	<b>38,639,907</b>
Chief Operating Officer - Dale Davis	4,786,246	3,832,053.47	1,670,008	4,810,598	995,892	96,491	16,191,288
Snr.- Director -Finance - Samuel Manning	6,417,189	2,060,171.55	2,713,394	27,818,801	1,870,295	129,371	41,009,221
Snr. Director - HRMA - Carvell Mcleary	4,260,520	2,130,267.69	1,670,008	18,891,336	981,392	85,892	28,019,416
Snr. Director - CDM - Alfred McDonald	6,417,190	1,764,727.06	2,713,394	25,778,628	1,791,011	129,371	38,594,321
Snr. Director - EMP - Horace Bryson	7,700,627	3,700,299.95	3,256,073	-	1,693,993	155,245	16,506,238
<b>NMIAL</b>	<b>29,581,772</b>	<b>13,487,520</b>	<b>12,022,877</b>	<b>77,299,362</b>	<b>7,332,584</b>	<b>596,369</b>	<b>140,320,483</b>
<b>CONSOL</b>	<b>48,613,951</b>	<b>18,176,397.10</b>	<b>20,094,032</b>	<b>77,299,362</b>	<b>13,796,591</b>	<b>980,057</b>	<b>178,960,390</b>

### Notes

- ✓ All members of the Executive Management are eligible to receive 25% of their annual basic salary as gratuity in lieu of pension benefits.
- ✓ The President and General Counsel are employees of the AAJ. Other executives are employed to AAJ's subsidiary, NMIA Airports Limited.
- ✓ Executives are eligible to receive Travelling Allowance.
- ✓ An Upkeep Allowance is paid and is represented in the column labelled "Travelling Allowance".
- ✓ Other Allowances is comprised of meal, clothing, laundry and Group Health Insurance.
- ✓ Non-Cash Allowances include Health Insurance and are not reflected in the Audited Financial Statement as Management Compensation.
- ✓ Compensation subtotal, excluding Non-Cash Allowances, amount to \$177,980,333
- ✓ Four (4) NMIAL executives were separated by way of redundancy due to the privatisation of NMIA, namely: Dale Davis, Samuel Manning, Carvel Mcleary, and Alfred McDonald.
- ✓ Pension or Other Retirement Benefits include Termination Pay arising from the NMIA PPP redundancy exercise.

## AAJ BOARD MEMBERS ATTENDANCE APRIL 2019 – MARCH 2020

Month	Hon William Shagoury	Mr Denton Campbell	Mrs Fay Hutchinson	Mr Leroy Lindsay	Ms Tanya Bedward	Mrs Epsi Cooper Morgan	Mr Dudley Beek	**Mr Donahue Martin Jr.	**Mrs Pauline Bowla	*Ms Claudette Ramdanie	*Ms Juliet Mair
April	✓	✓	✓	A	A	✓	✓			✓	✓
May	✓	✓	✓	✓	✓	✓	✓			✓	✓
June	✓	✓	✓	✓	A	✓	✓	✓	A		
July	✓	✓	✓	A	✓	✓	✓	✓	✓		
August	BOARD RECESS										
September	✓	✓	A	✓	✓	✓	✓	A	✓		
October	CANCELLED										
November	✓	✓	✓	✓	A	✓	✓	✓	✓		
December	CANCELLED										
January	✓	✓	✓	A	✓	✓	A	A	✓		
February	✓	✓	✓	✓	✓	✓	✓	✓	✓		
March	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Total:	9	9	8	6	6	9	8	5	6	2	2

### Notes:

- Tick denotes present. 'A' denotes absent.
- \*Effective 2019 May 13, the Board was reconstituted. Ms. Claudette Ramdanie and Mrs. Juliet Mair were not reappointed.
- \*\*Effective 2019 May 13, Mr. Donahue Martin Jr. and Ms. Pauline Bowla were appointed as new members.
- The Board goes on recess in August of each year.
- The Board meetings scheduled for 2019 October and 2019 December were cancelled.

## EVENT HIGHLIGHTS

# #labourday2019 #teamaaj #teamnmia




(L-R) AAJ President / CEO NMIA -Audley Deidrick, Vice Principal Harbour View Primary School-Angella Riley and CEO PAC KAL - Fernando Lorence pause for the shutterbugs.







**#labourday2019 | May 23rd**

Children's safety was the focus of activities organized by the Government to commemorate Labour Day this year.

Airports Authority of Jamaica (AAJ) and NMIA Airports Limited (NMIAL) staff were out in large numbers from as early as 6:30am to make their contribution to enhancing the aesthetics and safety of some of the public spaces that our children occupy.

**AAJ / NMIAL Labour Day 2019 major projects included :**

- ♦ Donald Quarrie High School | repainting & periphery refencing
- Harbour View Primary School | re-painting and construction of gazebo
- Union Gardens Basic School | repairs & repainting
- Boecobet Primary School | landscaping / debushing,
- Harbour View Roundabout | repainting of pedestrian crossings, repair and repainting of picket fencing , debushing

It was another day well spent by the team in the neighbouring communities of the various aerodromes across the island.





Airports Authority of Jamaica

# Schools' Art Project 2019

## Brunch, Art Talks & Awards Ceremony

### Congratulations TO ALL THE AWARDEES

#### COUNTY CHAMPIONS President's Trophy

**CORNWALL CHAMPION**  
Frome Technical High School

**MIDDLESEX CHAMPION**  
Manchester High School

**SURREY CHAMPION**  
Queen's Preparatory School

Presentation by : Hon. Robert Montague, Minister of Transport & Mining

Miss Lawrence - Chief Curator, National Gallery of Jamaica & Fay Hatchless - Deputy Chairman, AAJ & Chairman of the Airport Art Committee

**OUTSTANDING ART TEACHER**  
Mr. Garrett Campbell  
FROME TECHNICAL HIGH SCHOOL

AAJ's Grace Harrison Ranked by Special Guests, Jamaican Artists - Shawn Ashman & Sheldon Blake

**OFFICIAL CAKE CUTTING OF THE CHAMPIONS WINNERS CIRCLE**  
( L-R ) Norman March ( Victory Academy ) , Sharae Chambers ( Manchester High School ) , Nia Wilson ( Queen's Preparatory ) and Ezra Pittie ( Frome Technical High School ) shared the victorious moment with special guest artists Sheldon Blake and Shawn Ashman as AAJ Art Committee Deputy Chairman - Norman P. Saultier looks on.



Airports Authority of Jamaica

# Schools' Art Project 2019

## Brunch, Art Talks & Awards Ceremony

### Congratulations

TO ALL THE AWARDEES



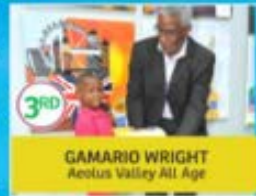
#### CATEGORY - A (AGES 5-9 YEARS)

Presentation By:  
Mr. Richard Gibbs  
Director,  
Information & Communications  
Technology AAJ



#### CATEGORY - B (AGES 10-15 YEARS)

Presentation By:  
Mr. Andre Duncan  
Commercial Manager,  
Airports Authority of Jamaica



#### CATEGORY - C (AGES 16-20 YEARS)

Presentation By:  
Mr. Richard Gibbs  
Director,  
Information & Communications  
Technology AAJ



#### CATEGORY - D (SPECIAL NEEDS < 20 YEARS)

Presentation By:  
Norman Patrick Sautler  
Member,  
Airport Art Committee



Airports Authority Of Jamaica – Rewarding, Showcasing And Celebrating The Creativity Of Jamaican Youths

PRIZE SPONSORS





## FINANCIAL STATEMENTS





## **Airports Authority of Jamaica**

**Financial Statements  
31 March 2020**

# Airports Authority of Jamaica

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31 March 2020

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### Independent Auditor's Report to the Members

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## **Independent auditor's report**

To the Members of Airports Authority of Jamaica

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

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#### **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 2020, 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.

#### **What we have audited**

The Group's consolidated and stand-alone financial statements comprise:

- the consolidated statement of financial position as at 31 March 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the Authority statement of financial position as at 31 March 2020;
- the Authority statement of comprehensive income for the year then ended;
- the Authority statement of changes in equity for the year then ended;
- the Authority statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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#### **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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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### **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 Standards 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 skepticism 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.

*Pricewaterhouse Coopers*

Chartered Accountants  
Kingston, Jamaica  
12 February 2021

# Airports Authority of Jamaica

## Consolidated Statement of Comprehensive Income

Year ended 31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2020 \$'000	2019 \$'000
<b>Revenue –</b>			
Airports		9,107,923	9,341,358
Aerodromes		<u>102,161</u>	<u>85,301</u>
		<u>9,210,084</u>	<u>9,426,659</u>
<b>Direct expenses –</b>			
Airports		(3,804,304)	(4,639,093)
Aerodromes		<u>(626,491)</u>	<u>(298,808)</u>
		<u>(4,430,795)</u>	<u>(4,937,901)</u>
<b>Gross Profit</b>		4,779,289	4,488,758
Other operating income	5	1,483,072	1,374,157
Administration expenses		(817,450)	(469,783)
Net impairment loss on financial assets		271,087	24,933
Privatisation costs		(10,346)	(76,680)
Finance income/(costs)	9	<u>796,832</u>	<u>(18,184)</u>
<b>Profit before Taxation</b>		6,502,484	5,323,201
Taxation	10	<u>(2,672,836)</u>	<u>(1,084,672)</u>
<b>Net Profit</b>	11	<u>3,829,648</u>	<u>4,238,529</u>
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to profit or loss –</b>			
Re-measurement of post-employment benefits, net of taxes	17	(69,303)	(34,736)
<b>Items that may be subsequently reclassified to profit or loss –</b>			
Foreign currency translation adjustments		<u>431,615</u>	<u>(294,415)</u>
<b>Total other comprehensive income</b>		<u>362,312</u>	<u>(329,151)</u>
<b>Total Comprehensive Income</b>		<u><u>4,191,960</u></u>	<u><u>3,909,378</u></u>

# Airports Authority of Jamaica

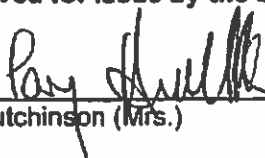
## Consolidated Statement of Financial Position

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2020 \$'000	2019 \$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	12	16,515,543	15,616,988
Intangible assets	13	20,634	21,996
Investments	14	4,486,299	2,544,585
Deferred income tax	17	416,289	1,208,763
		<u>21,438,765</u>	<u>19,392,332</u>
<b>Current Assets</b>			
Inventories	18	663	60,922
Receivables	19	3,513,088	3,473,153
Investments	14	5,330,999	1,996,783
Cash and short-term deposits	20	3,523,761	4,597,475
		<u>12,368,511</u>	<u>10,128,333</u>
<b>Current Liabilities</b>			
Payables	21	294,862	466,907
Borrowings	22	1,007,560	1,160,558
Lease obligation	28	54	-
Taxation payable		1,151,132	351,889
		<u>2,453,608</u>	<u>1,979,354</u>
<b>Net Current Assets</b>		<u>9,914,903</u>	<u>8,148,979</u>
		<u>31,353,668</u>	<u>27,541,311</u>
<b>Shareholders' Equity</b>			
Share capital	23	76,091	76,091
Retained earnings	11	22,059,348	19,499,003
Other reserves	24	(548,691)	(980,306)
		<u>21,586,748</u>	<u>18,594,788</u>
<b>Non-Current Liabilities</b>			
Borrowings	22	8,296,165	8,526,330
Lease obligation	28	5,656	-
Grants	25	496,247	145,985
Deferred revenue	26	662,026	-
Post-employment benefit obligations	27	306,826	274,208
		<u>9,766,920</u>	<u>8,946,523</u>
		<u>31,353,668</u>	<u>27,541,311</u>

Approved for issue by the Board of Directors on January 29, 2021 on signed on its behalf by:

  
 Fay Hutchinson (Mrs.) Chairman

  
 Denton Campbell Director



# Airports Authority of Jamaica

## Consolidated Statement of Changes in Equity

Year ended 31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	Number of Shares	Share Capital	Retained Earnings	Other Reserves	Total
		'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2018		76,091	76,091	15,472,635	(685,891)	14,862,835
Net profit		-	-	4,238,529	-	4,238,529
Re-measurements of post-employment benefits, net of taxes	17	-	-	(34,736)	-	(34,736)
Foreign currency translation adjustment		-	-	-	(294,415)	(294,415)
Total comprehensive income		-	-	4,203,793	(294,415)	3,909,378
Transactions with owners in their capacity as owners:						
Dividends	16	-	-	(177,425)	-	(177,425)
Balance at 31 March 2019		76,091	76,091	19,499,003	(980,306)	18,594,788
Net profit		-	-	3,829,648	-	3,829,648
Re-measurements of post-employment benefits, net of taxes	17	-	-	(69,303)	-	(69,303)
Foreign currency translation adjustment		-	-	-	431,615	431,615
Total comprehensive income		-	-	3,760,345	431,615	4,191,960
Transactions with owners in their capacity as owners:						
Dividends	16	-	-	(1,200,000)	-	(1,200,000)
Balance at 31 March 2020		76,091	76,091	22,059,348	(548,691)	21,586,748

# Airports Authority of Jamaica

## Consolidated Statement of Cash Flows

Year ended 31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2020 \$'000	2019 \$'000
<b>Cash Flows from Operating activities</b>			
Net profit		3,829,648	4,238,529
Items not affecting cash resources:			
Depreciation and amortisation	12	1,075,041	1,084,373
Interest income	5	(274,390)	(272,465)
Exchange (gains)/losses on foreign balances	9	(783,633)	16,848
Grants amortised	5,9	(1,554,276)	(1,488,898)
Amortisation of concession fee	26	(13,511)	-
Taxation charge	10	2,672,836	1,084,672
Interest expense - loans	9	410,974	456,240
Interest expense - leases	9	285	-
Change in post-employment benefit obligation		(59,786)	14,438
		<u>5,303,188</u>	<u>5,133,737</u>
Changes in operating assets and liabilities:			
Inventories		60,259	(3,954)
Receivables		320,373	(54,157)
Payables		(317,045)	57,819
		<u>5,366,775</u>	<u>5,133,445</u>
Translation adjustment		(757,849)	(120,526)
Taxation paid		(962,862)	(1,401,110)
Cash provided by operating activities		<u>3,646,064</u>	<u>3,611,809</u>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment	12	(927,779)	(1,353,735)
Purchase of financial instruments		(4,188,508)	(1,479,205)
Proceed from disposal of property, plant and equipment		56,829	-
Purchase of Intangible assets	13	(1,214)	(9,740)
Interest received		274,390	272,465
Cash used in investing activities		<u>(4,786,282)</u>	<u>(2,570,215)</u>
<b>Cash Flows from Financing Activities</b>			
Interest paid		(413,974)	(2,382,579)
Grants received	25	1,904,538	1,469,899
Concession fee received	26	675,537	-
Loan repayments	22	(1,034,646)	(1,010,324)
Lease principal repayment		(52)	-
Lease interest payment		(285)	-
Dividend paid	16	(1,055,000)	(177,425)
Cash provided by/(used in) financing activities		<u>76,118</u>	<u>(2,100,429)</u>
Decrease in cash and cash equivalents		(1,064,100)	(1,058,835)
Effect of changes in exchange rates on cash and cash equivalents		(9,614)	(15,462)
Cash and cash equivalents at beginning of year		<u>4,597,475</u>	<u>5,671,772</u>
<b>Cash and Cash Equivalents at End of Year</b>	20	<u>3,523,761</u>	<u>4,597,475</u>

The principal non-cash transaction –

Dividend was paid net of \$145,000,000 that was owed to The Authority by the Government.

# Airports Authority of Jamaica

## Authority Statement of Comprehensive Income

Year ended 31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2020 \$'000	2019 \$'000
<b>Revenue –</b>			
Airports		5,864,994	4,206,126
Aerodromes		<u>102,161</u>	<u>85,301</u>
		<u>5,967,155</u>	<u>4,291,427</u>
<b>Direct expenses –</b>			
Airports		(80,297)	(196,540)
Aerodromes		<u>(626,491)</u>	<u>(298,808)</u>
		<u>(706,788)</u>	<u>(495,348)</u>
<b>Gross Profit</b>		5,260,367	3,796,079
Other operating income	5	1,574,812	1,201,457
Administration expenses		(817,450)	(469,783)
Privatisation costs		(10,346)	(76,680)
Termination costs	6	(1,107,429)	-
Finance income/(costs)	9	<u>659,670</u>	<u>(459,972)</u>
<b>Profit before Taxation</b>		5,559,624	3,991,101
Taxation	10	<u>(1,540,744)</u>	<u>(989,354)</u>
<b>Net Profit</b>	11	4,018,880	3,001,747
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Re-measurement of post-employment benefits, net of taxes	17	<u>(69,303)</u>	<u>(34,736)</u>
<b>Total Comprehensive Income</b>		<u>3,949,577</u>	<u>2,967,011</u>

# Airports Authority of Jamaica

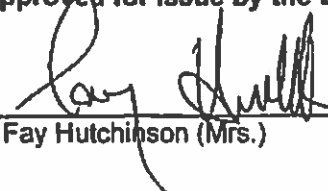
## Authority Statement of Financial Position

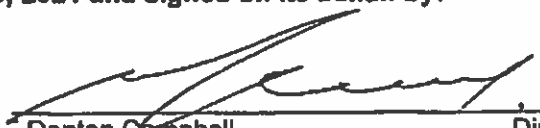
31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2020 \$'000	2019 \$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	12	16,024,943	1,926,582
Intangibles	13	20,634	-
Investments	14	2,198,742	940,354
Investment in subsidiary	15	305,377	305,377
Due from subsidiary	15	7,467,237	17,540,310
Deferred income tax	17	411,253	166,791
		<u>26,428,186</u>	<u>20,879,414</u>
<b>Current Assets</b>			
Receivables	19	2,987,955	2,403,495
Due from subsidiary	15	-	209,433
Investments	14	5,330,999	1,996,783
Cash and short-term deposits	20	1,161,856	1,500,342
		<u>9,480,810</u>	<u>6,110,053</u>
<b>Current Liabilities</b>			
Payables	21	103,149	116,468
Borrowings	22	1,007,560	1,160,558
Lease obligation	28	54	-
Due to related party	15	14,238,660	-
Taxation payable		1,119,313	255,142
		<u>16,468,736</u>	<u>1,532,168</u>
<b>Net Current Assets</b>		<u>(6,987,926)</u>	<u>4,577,885</u>
		<u>19,440,260</u>	<u>25,457,299</u>
<b>Shareholders' Equity</b>			
Share capital	23	76,091	76,091
Retained earnings	11	9,597,249	16,434,685
		<u>9,673,340</u>	<u>16,510,776</u>
<b>Non-Current Liabilities</b>			
Borrowings	22	8,296,165	8,526,330
Lease obligation	28	5,656	-
Grants	25	496,247	145,985
Deferred revenue	26	662,026	-
Post-employment benefit obligations	27	306,826	274,208
		<u>9,766,920</u>	<u>8,946,523</u>
		<u>19,440,260</u>	<u>25,457,299</u>

Approved for issue by the Board of Directors on January 29, 2021 and signed on its behalf by:

  
 Fay Hutchinson (Mrs.) Chairman

  
 Denton Campbell Director

# Airports Authority of Jamaica

## Authority Statement of Changes in Equity

Year ended 31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	Number of Shares	Share Capital	Retained Earnings	Total
		'000	\$'000	\$'000	\$'000
Balance at 31 March 2018		76,091	76,091	13,645,099	13,721,190
Net profit		-	-	3,001,747	3,001,747
Re-measurements of post-employment benefits, net of taxes	17	-	-	(34,736)	(34,736)
Total comprehensive income		-	-	2,967,011	2,967,011
Transactions with owners in their capacity as owners:					
Dividends	16	-	-	(177,425)	(177,425)
<b>Balance at 31 March 2019</b>		<b>76,091</b>	<b>76,091</b>	<b>16,434,685</b>	<b>16,510,776</b>
Net profit		-	-	4,018,880	4,018,880
Re-measurements of post-employment benefits, net of taxes	17	-	-	(69,303)	(69,303)
Total comprehensive income		-	-	3,949,577	3,949,577
Transactions with owners in their capacity as owners:					
Debt off-set for subsidiary company	1, 15	-	-	(9,587,013)	(9,587,013)
Dividends	16	-	-	(1,200,000)	(1,200,000)
<b>Balance at 31 March 2020</b>		<b>76,091</b>	<b>76,091</b>	<b>9,597,249</b>	<b>9,673,340</b>



# Airports Authority of Jamaica

## Authority Statement of Changes in Cash Flows

Year end 31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2020 \$'000	2019 \$'000
<b>Cash Flows from Operating activities</b>			
Net profit		4,018,880	3,001,747
Items not affecting cash resources:			
Depreciation	12	562,268	230,275
Interest income	5	(838,278)	(1,075,137)
Exchange (gains)/losses on foreign balances	9	(870,758)	3,732
Taxation charge	10	1,540,744	989,354
Grants amortised	5,9	(805,078)	(18,999)
Amortisation of concession fee	26	(13,511)	-
Interest expense - loans	9	410,974	456,240
Interest expense - leases	9	285	-
Change in post-employment benefit obligation		(59,786)	14,438
		<u>3,945,740</u>	<u>3,601,650</u>
Changes in operating assets and liabilities:			
Receivables		(645,202)	(67,380)
Due from subsidiary		173,523	(102,661)
Payables		(13,319)	9,089
		<u>3,460,742</u>	<u>3,440,698</u>
Taxation paid		<u>(897,934)</u>	<u>(1,398,984)</u>
Cash provided by operating activities		<u>2,562,808</u>	<u>2,041,714</u>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment and intangible assets	12	(401,115)	(509,828)
Proceeds from disposal of property, plant and equipment		184	-
Purchase of financial instruments		(4,031,599)	(282,270)
Loans repaid by subsidiary		2,010,672	1,663,468
Loans issued to subsidiary		(634,625)	(789,869)
Interest received		838,278	1,074,638
Cash (used in)/provided by investing activities		<u>(2,218,205)</u>	<u>1,156,139</u>
<b>Cash Flows from Financing Activities</b>			
Interest paid		(413,974)	(2,382,579)
Grants received	25	1,155,340	-
Concession fee received	26	675,537	-
Loan repayments	22	(1,034,646)	(1,010,324)
Lease principal repayment		(52)	-
Lease interest payment		(285)	-
Dividend paid	16	(1,055,000)	(177,425)
Cash used in financing activities		<u>(673,080)</u>	<u>(3,570,328)</u>
Decrease in cash and cash equivalents		<u>(328,477)</u>	<u>(372,475)</u>
Effect of changes in exchange rates on cash and cash equivalents		(10,009)	(7,464)
Cash and cash equivalents at beginning of year		<u>1,500,342</u>	<u>1,880,281</u>
<b>Cash and Cash Equivalents at End of Year</b>	20	<u>1,161,856</u>	<u>1,500,342</u>

The principal non-cash transactions –

1. Transfer of property, plant and equipment and intangible assets, with net book values of \$14,253,936,000 (Note 12) and \$20,634,000 (Note 13) (2019 – nil) from NMIAL;
2. The off-set of funds on-lent to NMIAL by AAJ \$9,587,013,000 (2019 – nil) (Note 15); and
3. Dividend was paid net of \$145,000,000 that was owed to The Authority by the Government.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

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### 1. Identification and Principal Activities

Airports Authority of Jamaica ("the Authority" or AAJ) 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 (NMIAL), 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.

As of 11 April 2003, the Sangster International Airport (SIA), which is owned by the Authority, is being operated by MJB Airports Limited (MJB) under a 30-year Concession Agreement. The Authority earns concession revenue from MJB 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 \$4,086,695,000 (2019 – \$3,840,508,000) from MJB during the year.

The Norman Manley International Airport (NMIA) was handed over to a new operator on October 9, 2019. This transfer of the management and operation of this Airport is being done within the Government of Jamaica's policy of privatising the operation of assets via Public Private Partnerships. The current process for the privatisation of the NMIA merge began in March 2017 when a Request for Qualification of Bidders along with an Information Memorandum was issued. Following the pre-qualification and comprehensive bidding process, Grupo Aeroportuario del Pacifico (GAP) of Mexico emerged as the preferred bidder in July 2019 and on 2019 October 10, the AAJ entered into a 25-year Concession Agreement with PAC Kingston Airport Limited (PACKAL), the special purpose vehicle established by GAP to operate NMIA. PACKAL and the AAJ completed the process of fulfilling the conditions precedent stipulated in the Concession Agreement as a prerequisite to the transfer of NMIA's operations to PACKAL. These conditions were satisfied by October 9, 2019 in keeping with the schedule prescribed in the Agreement.

Consequent to the early termination of the concession agreement with NMIAL, and in accordance with the new concession agreement between AAJ and PACKAL, all intangible assets (Note 13) and property, plant and equipment (Note 12) excluding construction in progress, were transferred to AAJ. Based on said agreement, a termination fee of \$1,107,429,000 was payable to NMIAL (Notes 6 and 7). AAJ's outstanding on-lent loans to NMIAL as at termination date were off-set as part of the overall settlement of balances between AAJ and NMIAL which fall outside of the termination compensation calculation as stipulated in the concession agreement.

PACKAL made a payment to the Authority of USD\$5,000,000 as a non-refundable upfront concession fee (Note 26).

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.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (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 entities reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). 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 actions, 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.

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

At the date of authorisation of these financial statements, certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new standards, interpretations and amendments and has determined that the following is relevant to its operations.

**IFRS 16, 'Leases'.** This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees. 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. 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. Details of the new accounting policy in relation to IFRS 16 are outlined in Note 2(g).

**Amendment to IFRS 9, Financial instruments', on prepayment features with negative compensation and modification of financial liabilities.** This amendment confirmed that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. There was no significant impact from the adoption of this amendment during the year.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (a) Basis of preparation (continued)

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

**Annual Improvements to IFRS Standards 2015-2017 Cycle.** The following improvements were made to IAS 12 - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. This did not have a significant impact on the Group's operation.

Improvements to IFRS 3, IFRS 11 and IAS 23 were not relevant to the Group's operation.

**IFRIC 23, 'Uncertainty over income tax treatments'.** This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes' are applied where there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether the treatment will be accepted by the tax authority. For example, a decision to a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. This Group does not have any significant tax uncertainty to which this may apply. There was no significant impact from the adoption of this interpretation during the year.

##### **Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'**

These amendments require an entity to (1) use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and (2) recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. There was no significant impact from the adoption of this amendment during the year.

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

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

**Amendments to IAS 1 and IAS 8 on the definition of material** (effective for annual periods beginning on or after 1 January 2020). These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- (i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- (ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

The Group is currently assessing the impact of future adoption of these new amendments on its financial statements.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (b) 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)*

**Amendments to IAS 1, Presentation of financial statements' on classification of liabilities** (effective for annual periods beginning on or after 1 January 2023). These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The Group is currently assessing the impact of future adoption of the new amendment on its financial statements.

**Amendment to IFRS 16, 'Leases' – Covid-19 related rent Concessions** (effective for annual periods beginning on or after 1 June 2020). As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. To date the lessors have not proposed any concessions to the Group.

**Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16** (effective for annual periods beginning on or after 1 June 2022). The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. The Group is currently assessing the impact of future adoption of the new amendment on its financial statements.

**Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract** (effective for annual periods beginning on or after 1 June 2022). The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. The Group is currently assessing the impact of future adoption of the new amendment on its financial statements.



# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (c) 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 to IFRS Standards 2018–2020** (effective for annual periods beginning on or after 1 June 2022). The following improvements were finalised in May 2020:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

Improvements to IFRS 1 and IAS 41 were not relevant to the Group's operation.

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.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (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.

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.

#### (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.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (c) Foreign currency translation (continued)

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.

#### *Group entities*

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 is recognised as performance obligations are satisfied, that is, over time or at a point in time. Where a customer contract contains multiple performance obligations, the transaction price is allocated to each distinct performance obligation based on the relative stand-alone selling prices of the goods or services being provided to the customer. A contract liability, representing amounts payable to customers, is recognised for advance consideration for which the related performance obligation has not yet been satisfied.

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 2020

(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.

#### (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.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (g) Leases

##### *Policies applicable from 1 April 2019*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss (Note 9) over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.



# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

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

### (g) Leases

#### Policies applicable from 1 April 2019 (continued)

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented in the property, plant and equipment line in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy Note 2(f).

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

#### Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).

If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).

Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The extension options were not included in the lease liability or the right-of-use asset, because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (g) Leases (continued)

##### *Policies applicable prior to 1 April 2019*

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor were classified as operating leases. Payments made under operating leases were charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease was terminated before the lease period had expired, any payment required to be made to the lessor by way of penalty was recognised as an expense in the period in which termination took place.

#### (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 recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating income in profit or loss. Impairment testing of trade receivables is described in Note 2(q).

#### (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.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (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.

#### (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 2020

(expressed in Jamaican dollars unless otherwise indicated)

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### 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

##### (i) Classification

Classification of the Group's financial assets depends on the Group's business model for managing such assets and the contractual terms of the cash flows. The Group classifies its financial assets as those measured at amortised cost and Fair Value through Profit or loss (FVTPL).

##### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred control of the assets.

##### (iii) Measurement

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in the income statement using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the income statement.

On the adoption of IFRS 9, there have been no changes in the subsequent measurement of the Group's financial instruments from that noted in the previous year under IAS 39.

##### (iv) Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its financial instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See note 3(a) for further details.

The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward-looking information.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst other, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (q) Financial instruments (continued)

##### *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.

The determination of the fair values of the Group's financial instruments is discussed in Note 3(d).

### 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.

#### (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.



# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

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### 3. Financial Risk Management (Continued)

#### (a) Credit risk (continued)

##### *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.

##### Impairment of trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for these assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles over a period of 48 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of Jamaica to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

#### (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 2020

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (a) Credit risk (continued)

##### Trade receivables loss allowance

The loss allowance as at 31 March 2020 and 1 April 2019 (on adoption of IFRS 9) was determined as follows for trade receivables:

Group	Current \$'000	31-60 days \$'000	61-90 days \$'000	Over 90 days \$'000	Total \$'000
<b>31 March 2020</b>					
Expected loss rate	3.48%	22.16%	71.31%	50.31%	
Gross carrying amount trade receivables	147,179	5,741	1,192	479,497	633,609
<b>Loss Allowance</b>	<b>5,115</b>	<b>1,272</b>	<b>850</b>	<b>241,247</b>	<b>248,484</b>
Group	Current \$'000	31-60 days \$'000	61-90 days \$'000	Over 60 days \$'000	Total \$'000
<b>1 April 2019</b>					
Expected loss rate	6.00%	20.15%	24.68%	45.94%	
Gross carrying amount trade receivables	391,620	82,477	24,150	955,037	1,453,284
<b>Loss Allowance</b>	<b>23,515</b>	<b>16,617</b>	<b>5,961</b>	<b>438,749</b>	<b>484,842</b>

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (a) Credit risk (continued)

Authority	Current \$'000	31-60 days \$'000	61-90 days \$'000	Over 90 days \$'000	Total \$'000
<b>31 March 2020</b>					
Expected loss rate	0.55%	81.53%	71.31%	67.45%	
Gross carrying amount trade receivables	109,806	1,235	1,192	100,866	213,099
<b>Loss Allowance</b>	<b>609</b>	<b>1,007</b>	<b>850</b>	<b>68,034</b>	<b>70,500</b>
<b>Authority</b>	<b>Current \$'000</b>	<b>31-60 days \$'000</b>	<b>61-90 days \$'000</b>	<b>Over 90 days \$'000</b>	<b>Total \$'000</b>
<b>1 April 2019</b>					
Expected loss rate	0.22%	77.95%	41.22%	72.82%	
Gross carrying amount trade receivables	181,051	1,660	672	94,099	277,482
<b>Loss Allowance</b>	<b>407</b>	<b>1,294</b>	<b>277</b>	<b>68,522</b>	<b>70,500</b>

#### ***Movement analysis of loss allowance of trade receivables***

The movement in the loss allowance of trade receivables was as follows:

	The Group		The Authority	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
At 1 April	484,842	512,400	70,500	70,500
Recoveries	(271,087)	(24,933)	-	-
Translation difference	34,729	(2,625)	-	-
<b>At 31 March</b>	<b>248,484</b>	<b>484,842</b>	<b>70,500</b>	<b>70,500</b>

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 2020

(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:

	<b>The Group</b>		<b>The Authority</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Airlines (scheduled and unscheduled)	366,474	461,841	82,203	81,358
Concessionaires	16,698	32,623	-	-
Fuel through-put	79,132	99,091	5,579	3,816
Food and beverage	3,578	19,772	-	-
Car rental and tour operations	3,984	45,523	3,984	4,497
Concession – MBJ Airports Limited	117,474	177,714	117,474	177,714
Other	46,269	616,720	3,859	10,097
	<u>633,609</u>	<u>1,453,284</u>	<u>213,099</u>	<u>277,482</u>
Less: Provision for credit loss	<u>(248,484)</u>	<u>(484,842)</u>	<u>(70,500)</u>	<u>(70,500)</u>
	<u>385,125</u>	<u>968,442</u>	<u>142,599</u>	<u>206,982</u>

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(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
<b>2020</b>				
Payables	267,754	-	-	267,754
Lease obligation	337	1,348	11,504	13,189
Borrowings	1,389,285	5,280,043	4,463,556	11,132,884
	<b>1,657,376</b>	<b>5,281,391</b>	<b>4,475,060</b>	<b>11,413,827</b>
<b>2019</b>				
Payables	428,859	-	-	428,859
Borrowings	1,522,434	6,029,884	4,152,703	11,705,021
	<b>1,951,293</b>	<b>6,029,884</b>	<b>4,152,703</b>	<b>12,133,880</b>



# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (b) Liquidity risk (continued)

	The Authority			Total \$'000
	Within 1 Year	1 to 5 Years	Over 5 Years	
	\$'000	\$'000	\$'000	
	<b>2020</b>			
Payables	79,967	-	-	79,967
Due to subsidiary	14,238,660	-	-	14,238,660
Lease obligation	337	1,348	11,504	13,189
Borrowings	1,389,285	5,280,043	4,463,556	11,132,884
	<b>15,708,249</b>	<b>5,281,391</b>	<b>4,475,060</b>	<b>25,464,700</b>
	<b>2019</b>			
Payables	101,437	-	-	101,437
Borrowings	1,522,434	6,029,884	4,152,703	11,705,021
	<b>1,623,871</b>	<b>6,029,884</b>	<b>4,152,703</b>	<b>11,806,458</b>

Primary funding for servicing the on-lent loans is by way of grants from the Airports Improvement Fund (Note 25). 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 2020

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

#### *Currency risk*

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign exchange risk arising from 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
	<b>2020</b>		
<b>Financial Assets</b>			
Investments	404,721	9,412,577	9,817,298
Trade receivables	280,890	104,235	385,125
Other receivables	38,381	2,756,478	2,794,859
Cash and short-term deposits	271,580	3,252,181	3,523,761
	<b>995,572</b>	<b>15,525,471</b>	<b>16,521,043</b>
<b>Financial Liabilities</b>			
Payables	267,754	-	267,754
Lease obligation	5,710	-	5,710
Borrowings	-	9,303,725	9,303,725
	<b>273,464</b>	<b>9,303,725</b>	<b>9,577,189</b>
<b>Net Financial Position</b>	<b>722,108</b>	<b>6,221,746</b>	<b>6,943,854</b>
	<b>2019</b>		
<b>Financial Assets</b>			
Investments	365,773	4,175,595	4,541,368
Trade receivables	790,728	177,714	968,442
Other receivables	46,256	2,093,394	2,139,650
Cash and short-term deposits	457,512	4,139,963	4,597,475
	<b>1,660,269</b>	<b>10,586,666</b>	<b>12,246,935</b>
<b>Financial Liabilities</b>			
Payables	428,859	-	428,859
Borrowings	-	9,686,888	9,686,888
	<b>428,859</b>	<b>9,686,888</b>	<b>10,115,747</b>
<b>Net Financial Position</b>	<b>1,231,410</b>	<b>899,778</b>	<b>2,131,188</b>

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(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
	<b>2020</b>		
<b>Financial Assets</b>			
Investments	153,184	7,376,557	7,529,741
Due from subsidiary *	-	7,467,237	7,467,237
Trade receivables	38,364	104,235	142,599
Other receivables	38,381	2,736,672	2,775,053
Cash and short-term deposits	23,620	1,138,236	1,161,856
	<b>253,549</b>	<b>18,822,937</b>	<b>19,076,486</b>
<b>Financial Liabilities</b>			
Payables	79,967	-	79,967
Due to subsidiary *	-	14,238,660	14,238,660
Lease obligation	5,710	-	5,710
Borrowings	-	9,303,725	9,303,725
	<b>85,677</b>	<b>23,542,385</b>	<b>23,628,062</b>
<b>Net Financial Position</b>	<b>167,872</b>	<b>(4,719,448)</b>	<b>(4,551,576)</b>
	<b>2019</b>		
<b>Financial Assets</b>			
Investments	330,925	2,606,212	2,937,137
Due from subsidiary *	-	17,749,743	17,749,743
Trade receivables	29,268	177,714	206,982
Other receivables	46,256	2,093,394	2,139,650
Cash and short-term deposits	93,836	1,406,506	1,500,342
	<b>500,285</b>	<b>24,033,569</b>	<b>24,533,854</b>
<b>Financial Liabilities</b>			
Payables	101,437	-	101,437
Borrowings	-	9,686,888	9,686,888
	<b>101,437</b>	<b>9,686,888</b>	<b>9,788,325</b>
<b>Net Financial Position</b>	<b>398,848</b>	<b>14,346,681</b>	<b>14,745,529</b>

\* This represents loans on-lent to NMIAL, advances and other balances from inter-Group transactions.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(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 2020	Effect on Profit Before Tax 2020 \$'000	% Change in Currency Rate 2019	Effect on Profit Before Tax 2019 \$'000
Currency:					
USD - revaluation		2%	(124,435)	4%	(35,991)
USD - devaluation		(6%)	373,305	(6%)	53,987
		The Authority			
		% Change in Currency Rate 2020	Effect on Profit Before Tax 2020 \$'000	% Change in Currency Rate 2019	Effect on Profit Before Tax 2019 \$'000
Currency:					
USD - revaluation		2%	(94,389)	4%	(573,867)
USD - devaluation		(6%)	283,167	(6%)	860,801

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(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.

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.

The Group	Within 1 Year	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>2020</b>				
<b>Financial Assets</b>					
Investments	5,534,322	1,312,564	1,459,192	1,511,220	9,817,298
Trade and other receivables	-	-	-	3,179,984	3,179,984
Cash and short-term deposits	3,462,839	-	-	60,922	3,523,761
	<u>8,997,161</u>	<u>1,312,564</u>	<u>1,459,192</u>	<u>4,752,126</u>	<u>16,521,043</u>
<b>Financial Liabilities</b>					
Payables	-	-	-	(267,754)	(267,754)
Lease obligation	-	-	-	(5,710)	(5,710)
Borrowings	(1,007,559)	(4,237,930)	(4,058,236)	-	(9,303,725)
	<u>(1,007,559)</u>	<u>(4,237,930)</u>	<u>(4,058,236)</u>	<u>(273,464)</u>	<u>(9,577,189)</u>
<b>Total interest re-pricing gap</b>	<u>7,989,602</u>	<u>(2,925,366)</u>	<u>(2,599,044)</u>	<u>4,478,662</u>	<u>6,943,854</u>
<b>Cumulative interest re-pricing gap</b>	<u>7,989,602</u>	<u>5,064,236</u>	<u>2,465,192</u>	<u>6,943,854</u>	



# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(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	Within 1 Year \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	Total \$'000
<b>2019</b>					
<b>Financial Assets</b>					
Investments	1,996,783	2,136,293	70,443	337,849	4,541,368
Trade and other receivables	-	-	-	3,108,092	3,108,092
Cash and short-term deposits	4,442,129	-	-	155,346	4,597,475
	<u>6,438,912</u>	<u>2,136,293</u>	<u>70,443</u>	<u>3,601,287</u>	<u>12,246,935</u>
<b>Financial Liabilities</b>					
Payables	-	-	-	(428,859)	(428,859)
Borrowings	(1,160,558)	(4,735,577)	(3,790,753)	-	(9,686,888)
	<u>(1,160,558)</u>	<u>(4,735,577)</u>	<u>(3,790,753)</u>	<u>(428,859)</u>	<u>(10,115,747)</u>
<b>Total interest re-pricing gap</b>	<u>5,278,354</u>	<u>(2,599,284)</u>	<u>(3,720,310)</u>	<u>3,172,428</u>	<u>2,131,188</u>
<b>Cumulative interest re- pricing gap</b>	<u>5,278,354</u>	<u>2,679,070</u>	<u>(1,041,240)</u>	<u>2,131,188</u>	

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(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 Authority

	Within 1 Year	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>2020</b>				
<b>Financial assets</b>					
Investments	5,248,857	1,167,844	325,022	788,018	7,529,741
Due from subsidiary	-	-	3,572,659	3,894,578	7,467,237
Trade and other receivables	-	-	-	2,917,652	2,917,652
Cash and short-term deposits	1,100,934	-	-	60,922	1,161,856
	<u>6,349,791</u>	<u>1,167,844</u>	<u>3,897,681</u>	<u>7,661,170</u>	<u>19,076,486</u>
<b>Financial liabilities</b>					
Payables	-	-	-	(79,967)	(79,967)
Due to subsidiary	-	-	-	(14,238,660)	(14,238,660)
Lease obligation	-	-	-	(5,710)	(5,710)
Borrowings	(1,007,559)	(4,237,930)	(4,058,236)	-	(9,303,725)
	<u>(1,007,559)</u>	<u>(4,237,930)</u>	<u>(4,058,236)</u>	<u>(14,324,337)</u>	<u>(23,628,062)</u>
<b>Total interest re-pricing gap</b>	<u>5,342,232</u>	<u>(3,070,086)</u>	<u>(160,555)</u>	<u>(6,663,167)</u>	<u>(4,551,576)</u>
<b>Cumulative interest re- pricing gap</b>	<u>5,342,232</u>	<u>2,272,146</u>	<u>2,111,591</u>	<u>(4,551,576)</u>	

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(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 Authority

	Within 1 Year	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2019</b>					
<b>Financial assets</b>					
Investments	1,996,784	566,910	35,595	337,848	2,937,137
Due from subsidiary	1,072,089	4,735,577	7,130,239	4,811,838	17,749,743
Trade and other receivables	-	-	-	2,346,632	2,346,632
Cash and short-term deposits	1,386,023	-	-	114,319	1,500,342
	<u>4,454,896</u>	<u>5,302,487</u>	<u>7,165,834</u>	<u>7,610,637</u>	<u>24,533,854</u>
<b>Financial liabilities</b>					
Payables	-	-	-	(101,437)	(101,437)
Borrowings	(1,160,558)	(4,735,577)	(3,790,753)	-	(9,686,888)
	<u>(1,160,558)</u>	<u>(4,735,577)</u>	<u>(3,790,753)</u>	<u>(101,437)</u>	<u>(9,788,325)</u>
<b>Total interest re-pricing gap</b>	<u>3,294,338</u>	<u>566,910</u>	<u>3,375,081</u>	<u>7,509,200</u>	<u>14,745,529</u>
<b>Cumulative interest re-pricing gap</b>	<u>3,294,338</u>	<u>3,861,248</u>	<u>7,236,329</u>	<u>14,745,529</u>	

##### *Interest rate sensitivity*

All interest bearing financial assets and liabilities have fixed interest rates, accordingly there is no interest rate sensitivity impact on the profit and loss or other comprehensive income.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

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### 3. Financial Risk Management (Continued)

#### (d) Fair values of financial instruments

The fair value of financial instruments traded in an active market is based on quoted market prices at the 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 2020

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### 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		
	Amortised costs \$'000	FVTPL \$'000	Total \$'000
	2020		
Investments	8,306,079	1,511,219	9,817,298
Trade receivables	385,125	-	385,125
Other receivables	2,794,859	-	2,794,859
Cash and short-term deposits	3,523,761	-	3,523,761
<b>Total financial assets</b>	<b>15,009,824</b>	<b>1,511,219</b>	<b>16,521,043</b>
	The Group		
	Amortised costs \$'000	FVTPL \$'000	Total \$'000
	2019		
Investments	4,141,733	399,635	4,541,368
Trade receivables	968,442	-	968,442
Other receivables	2,139,650	-	2,139,650
Cash and short-term deposits	4,597,475	-	4,597,475
<b>Total financial assets</b>	<b>11,847,300</b>	<b>399,635</b>	<b>12,246,935</b>

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (g) Financial instruments by category (continued)

	The Authority		
	Amortised costs	FVTPL	Total
	\$'000	\$'000	\$'000
	<b>2020</b>		
Investments	6,741,725	788,016	7,529,741
Due from subsidiary	7,467,237	-	7,467,237
Trade receivables	142,599	-	142,599
Other receivables	2,775,053	-	2,775,053
Cash and short-term deposits	1,161,856	-	1,161,856
Total financial assets	18,288,470	788,016	19,076,486

#### Financial assets

	The Authority		
	Amortised costs	FVTPL	Total
	\$'000	\$'000	\$'000
	<b>2019</b>		
Investments	2,599,288	337,849	2,937,137
Due from subsidiary	17,749,743	-	17,749,743
Trade receivables	206,982	-	206,982
Other receivables	2,139,650	-	2,139,650
Cash and short-term deposits	1,500,342	-	1,500,342
Total financial assets	24,196,005	337,849	24,533,854



# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

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### 3. Financial Risk Management (Continued)

#### (g) Financial instruments by category (continued)

##### *Financial liabilities*

Other financial liabilities at amortised cost

		<b>The Group</b>	
		<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
Payables		267,754	428,859
Lease obligation		5,710	-
Borrowings		9,303,725	9,686,888
		<u>9,577,189</u>	<u>10,115,747</u>
		<b>The Authority</b>	
		<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
Payables		79,967	101,437
Due to subsidiary		14,238,660	-
Lease obligation		5,710	-
Borrowings		9,303,725	9,686,888
		<u>23,628,062</u>	<u>9,788,325</u>

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

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### 4. Critical Judgements and Key Sources of Estimation Uncertainty

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

#### **Key sources of estimation uncertainty**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### ***Income taxes***

Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the 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) and (q). 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 2020

(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

	<b>The Group</b>		<b>The Authority</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Amortisation of grants (Note 25)	1,129,818	1,033,994	604,907	18,999
Expenses reimbursed - Project Execution Unit	50,201	33,108	50,201	33,108
Interest income	274,390	272,465	838,278	1,075,137
Dividend Income	-	-	60,855	71,440
Concession fee (Note 26)	13,511	-	13,511	-
Other	15,152	34,590	7,060	2,773
	<u>1,483,072</u>	<u>1,374,157</u>	<u>1,574,812</u>	<u>1,201,457</u>

Included in the interest income for the Authority is \$649,527,000 (2019 – \$925,002,000) which has been charged on disbursements to its subsidiary to assist with the Norman Manley International Airport expansion project. Interest was charged on the outstanding balance at a rate of 10% per annum.

# Airports Authority of Jamaica

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 6. Termination Costs

Termination costs represents payment to NMIAL for the early termination of the concession agreement between AAJ and NMIAL (Notes 1 and 7).

### 7. Expenses by Nature

Total direct and administration expenses:

	The Group		The Authority	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Advertising and public relations	34,418	55,622	28,349	28,611
Auditors' remuneration	7,233	7,056	4,536	3,859
Net impairment loss on financial assets	(271,087)	(24,933)	-	-
Commissions and discounts	27,952	35,121	1,922	188
Depreciation and amortisation	1,075,041	1,084,373	562,268	230,275
Insurance	62,630	211,166	47,255	39,749
Irrecoverable GCT	190,996	274,003	78,515	63,498
Motor vehicle expenses	22,523	48,387	2,967	1,767
Office supplies	34,843	43,424	23,514	18,101
Other	199,722	231,138	42,869	36,037
Privatisation costs	10,346	76,680	10,346	76,680
Professional fees	301,280	200,980	197,026	34,498
Regulatory fees and taxes	66,892	80,190	34,389	24,220
Rental and lease	15,088	42,947	2,141	872
Repairs and maintenance	477,056	574,889	54,916	49,211
Security	210,217	333,114	62,670	59,756
Staff costs (Note 8)	2,058,751	1,500,524	306,935	313,722
Termination costs (Notes 1 and 6)	-	-	1,107,429	-
Training	44,642	78,436	-	-
Traveling and entertainment	40,399	44,259	38,781	37,376
Utilities	378,562	562,055	35,185	23,391
	<u>4,987,504</u>	<u>5,459,431</u>	<u>2,642,013</u>	<u>1,041,811</u>

### 8. Staff Costs

	The Group		The Authority	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	876,821	1,269,104	323,992	258,394
Payroll taxes – employer's portion	89,265	134,494	27,495	22,943
Pension and other retirement benefits –				
Medical benefits (Note 27)	(50,804)	21,401	(50,804)	21,401
Redundancy payments	1,103,095	16,656	-	4,709
Other	40,374	58,869	6,252	6,275
	<u>2,058,751</u>	<u>1,500,524</u>	<u>306,935</u>	<u>313,722</u>

# Airports Authority of Jamaica

## Notes to the Financial Statements

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### 9. Finance (Income)/Costs

	The Group		The Authority	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Interest expense - loans	410,974	456,240	410,974	456,240
Interest expense - leases	285	-	285	-
Amortisation of grants (Note 25)	(424,458)	(454,904)	(200,171)	-
	(13,199)	1,336	211,088	456,240
Net foreign exchange (gains)/losses	(783,633)	16,848	(870,758)	3,732
	<u>(796,832)</u>	<u>18,184</u>	<u>(659,670)</u>	<u>459,972</u>

### 10. Taxation

The taxation charge for the year comprises:

	The Group		The Authority	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Income tax -				
Current year	1,762,105	692,823	1,762,105	562,572
Prior year	-	(889)	-	(889)
Employment Tax Credit	-	(42,465)	-	-
Deferred tax (Note 17)	910,731	435,203	(221,361)	427,671
	<u>2,672,836</u>	<u>1,084,672</u>	<u>1,540,744</u>	<u>989,354</u>

Subject to agreement with Tax Administration Jamaica, losses of approximately \$1,731,919,000 (2019 – \$1,598,364,000) for the subsidiary are available for set off against future profits of the subsidiary and may be carried forward indefinitely.

# Airports Authority of Jamaica

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 10. Taxation (Continued)

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

	The Group		The Authority	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Profit before taxation	6,502,484	5,323,201	5,559,624	3,991,101
Tax calculated at an effective tax rate of 25%	1,625,621	1,330,800	1,389,906	997,775
Adjusted for the effects of –				
Income not subject to tax	(574,025)	(254,781)	(166,450)	(36,164)
Expenses not deductible for tax purposes	820,975	51,769	322,229	28,394
Prior year deferred tax asset write-off as a result of uncertainty of future profits (Note 17)	431,042	-	-	-
Prior year over accrual adjustment	330,404	(889)	(4,661)	(889)
Current year tax loss not recognised	39,099	-	-	-
Other	(280)	238	(280)	238
	2,672,836	1,127,137	1,540,744	989,354
Employment Tax Credit	-	(42,465)	-	-
	2,672,836	1,084,672	1,540,744	989,354

### 11. Net Profit and Retained Earnings

	2020	2019
	\$'000	\$'000
(a) Net profit/(loss) is dealt with as follows in the financial statements of:		
The Authority	4,018,880	3,001,747
The subsidiary	(128,377)	1,308,222
Dividends	(60,855)	(71,440)
	3,829,648	4,238,529
(b) Retained earnings are dealt with as follows in the financial statements of:		
The Authority	9,597,249	16,434,685
The subsidiary	12,722,400	3,324,619
Loan interest capitalised	(260,301)	(260,301)
	22,059,348	19,499,003

# Airports Authority of Jamaica

## Notes to the Financial Statements

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### 12. Property, Plant and Equipment

	Group						
	Land, buildings, runways and taxiways	Right-of - use asset (Land)	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	\$'000
<b>Cost -</b>							
At 1 April 2018	18,953,278	-	973,595	121,836	5,798,777	729,345	26,576,831
Additions	509	-	-	22,593	325,097	1,005,536	1,353,735
Transfers	119,619	-	-	-	5,808	(27,804)	97,623
Translation adjustment	(131,852)	-	-	(1,214)	(47,695)	(5,655)	(186,416)
At 31 March 2019	18,941,554	-	973,595	143,215	6,081,987	1,701,422	27,841,773
Effect of adopting IFRS 16	-	5,762	-	-	-	-	5,762
Adjusted At 1 April 2019	18,941,554	5,762	973,595	143,215	6,081,987	1,701,422	27,847,535
Additions	146,904	-	-	37,860	123,659	619,356	927,779
Disposal	-	-	-	(24,276)	(193)	(39,517)	(63,986)
Transfers	546,345	-	-	23,563	541,419	(1,111,327)	-
Translation adjustment	1,174,186	-	-	25,607	430,125	96,649	1,726,567
At 31 March 2020	20,808,989	5,762	973,595	205,969	7,176,997	1,266,583	30,437,895
<b>Depreciation -</b>							
At 1 April 2018	6,167,634	-	772,661	101,860	4,206,963	-	11,249,118
Charge for the year	584,992	-	48,680	7,733	440,760	-	1,082,165
Translation adjustment	(51,448)	-	-	(1,068)	(53,982)	-	(106,498)
At 31 March 2019	6,701,178	-	821,341	108,525	4,593,741	-	12,224,785
Charge for the year	604,052	-	48,680	20,732	397,261	-	1,070,725
Disposal	-	-	-	(7,148)	(9)	-	(7,157)
Translation adjustment	293,917	-	-	10,031	330,051	-	633,999
At 31 March 2020	7,599,147	-	870,021	132,140	5,321,044	-	13,922,352
<b>Net Book Value -</b>							
31 March 2020	13,209,842	5,762	103,574	73,829	1,855,953	1,266,583	16,515,543
31 March 2019	12,240,376	-	152,254	34,690	1,488,246	1,701,422	15,616,988



# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

### 12. Property, Plant and Equipment (Continued)

	The Authority						Total
	Land, buildings, runways and taxiways	Right-of - use asset (Land)	Storage tanks and fuel lines	Motor vehicles	Computer equipment, plant and machinery, furniture and fixtures	Work in progress	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost -</b>							
At 1 April 2018	4,014,647	-	973,595	14,872	299,404	77,511	5,380,029
Additions	509	-	-	17,009	229,945	262,365	509,828
At 31 March 2019	4,015,156	-	973,595	31,881	529,349	339,876	5,889,857
Effect of adopting IFRS 16	-	5,762	-	-	-	-	5,762
Adjusted At 1 April 2019	4,015,156	5,762	973,595	31,881	529,349	339,876	5,895,619
Additions	146,904	-	-	7,245	70,925	176,041	401,115
Transfers from NMIAL	16,912,781	-	-	168,702	6,577,423	-	23,658,906
Disposal	-	-	-	-	(193)	-	(193)
At 31 March 2020	21,074,841	5,762	973,595	207,828	7,177,504	515,917	29,955,447
<b>Depreciation -</b>							
At 1 April 2018	2,706,570	-	772,661	4,718	249,051	-	3,733,000
Charge for the year	143,853	-	48,680	3,058	34,684	-	230,275
At 31 March 2019	2,850,423	-	821,341	7,776	283,735	-	3,963,275
Charge for the year	367,626	-	48,680	14,393	131,569	-	562,268
Transfers from NMIAL	4,389,667	-	-	109,934	4,905,369	-	9,404,970
Disposal	-	-	-	-	(9)	-	(9)
At 31 March 2020	7,607,716	-	870,021	132,103	5,320,664	-	13,930,504
<b>Net Book Value -</b>							
31 March 2020	13,467,125	5,762	103,574	75,725	1,856,840	515,917	16,024,943
31 March 2019	1,164,733	-	152,254	24,105	245,614	339,876	1,926,582

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.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

### 12. Property, Plant and Equipment (Continued)

Property, plant and equipment include assets at cost totaling \$3,090,899,000 (2019 - \$3,090,899,000) which 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.

Consequent to the termination of the concession agreement with NMIAL, and in accordance with the new concession agreement between AAJ and PACKAL, all property, plant and equipment, excluding construction in progress, were transferred to AAJ (Note 1).

### 13. Intangible Assets

Comprising computer software:

	<u>The Group</u>	<u>The Authority</u>
	<u>\$'000</u>	<u>\$'000</u>
Cost -		
At 1 April 2018	57,227	260
Additions	9,740	-
Translation adjustment	(965)	-
At 31 March 2019	66,002	260
Additions	1,214	-
Transfers from NMIAL	-	72,021
Translation adjustment	5,065	-
At 31 March 2020	72,281	72,281
Amortisation -		
At 1 April 2018	42,268	260
Charge for the year	2,208	-
Translation adjustment	(470)	-
At 31 March 2019	44,006	260
Charge for the year	4,316	-
Transfers from NMIAL	-	51,387
Translation adjustment	3,325	-
At 31 March 2020	51,647	51,647
Net Book Value -		
31 March 2020	20,634	20,634
31 March 2019	21,996	-

Consequent to the termination of the concession agreement with NMIAL, and in accordance with the new concession agreement between AAJ and PACKAL, all intangible assets were transferred to AAJ (Note 1).

# Airports Authority of Jamaica

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 14. Investments

#### Long term investments:

	The Group		The Authority	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Corporate bonds	1,692,761	2,035,556	673,757	527,959
Government of Jamaica securities	295,481	70,443	35,595	35,595
Repurchase agreements	844,808	38,951	559,344	38,951
Term deposits	142,029	-	142,029	-
Equity	397,582	123,574	198,791	61,787
Mutual funds	1,113,638	276,061	589,226	276,062
	<u>4,486,299</u>	<u>2,544,585</u>	<u>2,198,742</u>	<u>940,354</u>

#### Short term investments:

	The Group		The Authority	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Repurchase agreements	4,257,907	1,869,516	4,257,907	1,869,516
Term deposits	<u>1,073,092</u>	<u>127,267</u>	<u>1,073,092</u>	<u>127,267</u>
	<u>5,330,999</u>	<u>1,996,783</u>	<u>5,330,999</u>	<u>1,996,783</u>

Government of Jamaica securities comprise Fixed Rate Accreting Notes ("FRANs") Government of Jamaica securities, 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.

The weighted average effective interest rate on these instruments was as follows.

	2020 %	2019 %
Repurchase Agreements		
Denominated in United States dollars	3.53	3.10
Denominated in Jamaican dollars	<u>3.12</u>	<u>2.50</u>
Corporate Bonds		
Denominated in United States dollars	<u>6.52</u>	<u>6.89</u>
Government of Jamaica Security		
Denominated in Jamaican dollars	<u>10.00</u>	<u>10.00</u>
Term deposits		
Denominated in United States dollars	3.38	3.20
Denominated in Jamaican dollars	<u>1.00</u>	<u>3.00</u>

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

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### 15. Related Party Transactions and Balances

The following transactions were carried out with related parties:

The statement of comprehensive income includes transactions, in the ordinary course of business, with key management personnel (directors and senior executives) as follows:

#### (a) Key management compensation

	The Group		The Authority	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	177,980	109,566	38,256	37,493
Payroll taxes – employer's portion	10,760	9,158	2,803	2,665
	<u>188,740</u>	<u>118,724</u>	<u>41,059</u>	<u>40,158</u>
Directors' emoluments -				
Management remuneration	-	22,268	-	22,268
Fees	<u>5,867</u>	<u>13,522</u>	<u>4,518</u>	<u>10,275</u>

#### (b) Due from subsidiary

	2020	2019
	\$'000	\$'000
Non-current portion	7,467,237	17,540,310
Current portion	-	209,433
	<u>7,467,237</u>	<u>17,749,743</u>

#### (c) Due to subsidiary

	<u>(14,238,660)</u>	<u>-</u>
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#### (d) Shares in subsidiary, at cost

	<u>305,377</u>	<u>305,377</u>
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Consequent to the early termination of the concession agreement with NMIAL, and in accordance with the new concession agreement between AAJ and PACKAL, all intangible assets (Note 13) and property, plant and equipment (Note 12) excluding construction in progress, were transferred to AAJ. Based on said agreement, a termination fee of \$1,107,429,000 was payable to NMIAL (Notes 6 and 7). AAJ's outstanding on-lent loans to NMIAL as at termination date (\$9,587,013,000) were off-set as part of the overall settlement of balances between AAJ and NMIAL which fall outside of the termination compensation calculation as stipulated in the concession agreement.

The Authority earned concession fees amounting to \$208,373,000 (2019 – \$327,276,000), and interest income as detailed in Note 5, from the subsidiary during the year.

# Airports Authority of Jamaica

## Notes to the Financial Statements

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### 16. Dividends

During the year, the Authority declared dividends of \$1,200,000,000 (2019 – \$177,425,000). This represents dividend per share of \$15,789.47 (2019 - \$2,334.54).

### 17. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a tax rate of 25% (2019 - 25%).

	The Group		The Authority	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
At beginning of year	1,208,763	1,641,201	166,791	582,884
(Charged)/credited to profit or loss during the year (Note 10)	(910,731)	(435,203)	221,361	(427,671)
Charged to other comprehensive income	23,101	11,578	23,101	11,578
Translation adjustment	95,156	(8,813)	-	-
At end of year	<u>416,289</u>	<u>1,208,763</u>	<u>411,253</u>	<u>166,791</u>

The Group derecognised the deferred tax asset on its tax losses carried forward as it is of the opinion there may not be sufficient taxable profits made in the future against which these assets could be utilised (Note 10).

The movement in deferred income tax assets and liabilities during the year is as follows:

Group	Post-employment Benefits	Interest Payable	Accrued Vacation	Unrealised Foreign Exchange Gain	Property, Plant and Equipment	Carry Forward Losses	Interest Receivable	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2018	53,364	790,911	23,216	(11,280)	671,183	520,308	(406,501)	1,641,201
Credited/(charged) to profit or loss	3,610	(302,613)	7,578	(130,654)	102,945	(127,004)	10,935	(435,203)
Credited to other comprehensive income	11,578	-	-	-	-	-	-	11,578
Translation adjustment	-	(5,622)	(575)	73	(4,639)	1,637	313	(8,813)
At 31 March 2019	68,552	482,676	30,219	(141,861)	769,489	394,941	(395,253)	1,208,763
(Charged)/credited to profit or loss	(14,947)	(503,407)	(25,707)	(156,422)	(82,319)	(431,042)	303,113	(910,731)
Credited to other comprehensive income	23,101	-	-	-	-	-	-	23,101
Translation adjustment	-	42,098	2,146	(203)	15,842	36,101	(828)	95,156
At 31 March 2020	<u>76,706</u>	<u>21,367</u>	<u>6,658</u>	<u>(298,486)</u>	<u>703,012</u>	<u>-</u>	<u>(92,968)</u>	<u>416,289</u>

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

### 17. Deferred Income Taxes (Continued)

Authority	Post-employment Benefits	Interest Payable	Accrued Vacation	Unrealised Foreign Exchange Gain	Property, Plant and Equipment	Interest Receivable	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2018	53,364	364,468	8,382	(68,998)	571,958	(346,290)	582,884
Credited to profit or loss	3,610	(342,351)	(1,642)	(73,481)	24,898	(38,705)	(427,671)
Credited to other comprehensive income	11,578	-	-	-	-	-	11,578
At 31 March 2019	68,552	22,117	6,740	(142,479)	596,856	(384,995)	166,791
(Charged)/credited to profit or loss	(14,947)	(750)	(82)	(170,718)	109,735	298,123	221,361
Credited to other comprehensive income	23,101	-	-	-	-	-	23,101
At 31 March 2020	76,706	21,367	6,658	(313,197)	706,591	(86,872)	411,253

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

	The Group		The Authority	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets to be recovered after more than 12 months	779,719	1,232,982	783,297	665,408

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

### 17. Deferred Income Taxes (Continued)

	Group and The Authority					
	2020			2019		
	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	(92,404)	23,101	(69,303)	(46,314)	11,578	(34,736)

### 18. Inventories

This represents spare parts and supplies.

### 19. Receivables

	The Group		The Authority	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade	633,609	1,453,284	213,099	277,482
Less: Provision for impairment	(248,484)	(484,842)	(70,500)	(70,500)
	385,125	968,442	142,599	206,982
Mobilisation payment	5,291	4,449	520	-
Prepayments	3,184	17,152	2,919	3,312
Advances	115,737	172,360	23,233	11,708
GCT recoverable	3,943	3,943	3,943	3,943
Concession – additional fees*	2,472,291	2,093,394	2,472,291	2,093,394
Other	322,567	46,256	302,762	46,256
	3,308,138	3,305,996	2,948,267	2,365,595
Withholding tax recoverable	204,950	167,157	39,688	37,900
	3,513,088	3,473,153	2,987,955	2,403,495

\*Additional concession fees are charged to MBJ based on the concessionaire achieving profits above an agreed target for the period. A fee is then applied to the excess profit. The agreed rate is 45%.



# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

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### 20. Cash and Cash Equivalents

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

	The Group		The Authority	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	321,758	283,196	167,894	80,906
Short term deposits	3,202,003	4,314,279	993,962	1,419,436
	<u>3,523,761</u>	<u>4,597,475</u>	<u>1,161,856</u>	<u>1,500,342</u>

Included in short term deposits is interest receivable of \$85,132,206 (2019 – \$68,659,000) for the Group and \$60,747,146 (2019 – \$25,675,000) 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 3.48% (2019 – 2.5%) and on short term deposits denominated in United States dollars was 2.8% (2019 – 1.6%).

### 21. Payables

	The Group		The Authority	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Trade	32,088	124,704	-	16,954
Accruals	168,208	196,907	65,582	87,260
Airport Improvement Fund	18	6,088	18	18
Security deposit	40,076	55,266	-	-
Employee related	25,959	28,202	18,513	-
Other	28,513	55,740	19,036	12,236
	<u>294,862</u>	<u>466,907</u>	<u>103,149</u>	<u>116,468</u>

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

### 22. Borrowings

	The Group and Authority	
	2020 \$'000	2019 \$'000
Current –		
Current portion of long-term loans	1,007,560	1,160,558
Non-Current -		
Long term loans	8,296,165	8,526,330
	<u>9,303,725</u>	<u>9,686,888</u>
	The Group and Authority	
	2020 \$'000	2019 \$'000
Facilities acquired with the Government of Jamaica as an intermediary:		
(a) European Investment Bank	3,836,072	4,004,775
(b) Caribbean Development Bank	1,895,471	1,939,155
(c) Petrocaribe Development Fund	3,486,713	3,654,489
Accrued Interest	85,469	88,469
	<u>9,303,725</u>	<u>9,686,888</u>
Less Current Portion:		
European Investment Bank	(225,650)	(397,601)
Petrocaribe Development Fund	(425,658)	(421,555)
Caribbean Development Bank	(270,783)	(252,933)
Accrued interest	(85,469)	(88,469)
	<u>(1,007,560)</u>	<u>(1,160,558)</u>
	<u>8,296,165</u>	<u>8,526,330</u>

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

### 22. Borrowings (Continued)

- (a) 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.
- (b) 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 4.8% per annum.
- (c) This balance represents two loans from Petrocaribe Fund as follows:
- A loan of \$22.5 million (2019 – \$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.
  - 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.

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

	<b>Borrowings</b>	<b>Leases</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Net debt as at 1 April 2018	12,559,291	-	12,559,291
Payments	(1,010,324)	-	(1,010,324)
Net Interest	(1,926,339)	-	(1,926,339)
Foreign exchange adjustments	64,260	-	64,260
Net debt as at 31 March 2019	9,686,888	-	9,686,888
Recognised on adoption of IFRS 16 (Notes 12 and 28)	-	5,762	5,762
	9,686,888	5,762	9,692,650
Payments	(1,034,646)	(52)	(1,034,698)
Net Interest	(3,000)	-	(3,000)
Foreign exchange adjustments	654,483	-	654,483
Net debt as at 31 March 2020	9,303,725	5,710	9,309,435

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

### 23. Share Capital

	2020 \$'000	2019 \$'000
Authorised - 76,091 ordinary shares		
Issued and fully paid - 76,091 ordinary shares	<u>76,091</u>	<u>76,091</u>

The Airports Authority Act provides for the Authority having an authorised capital of \$76,091,000. To date an amount of \$76,091,000 has been credited as fully paid capital.

### 24. Currency Translation Reserve

Exchange differences arising on translation of NMIAL'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 2020

(expressed in Jamaican dollars unless otherwise indicated)

### 25. 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.

#### European Investment Bank (EIB) Grant

This represents grant received from the European Investment Bank (EIB) to perform airport studies. Annual transfers equivalent to payments made to consultants for work performed as at year end, are made to the statement of comprehensive income.

The movement in grants during the year was as follows:

	<b>The Group</b>		<b>The Authority</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
At start of year	145,985	164,984	145,985	164,984
Additions	1,904,538	1,469,899	1,155,340	-
Transfer to the statement of comprehensive income -				
Amortisation of grants (Note 5)	(1,129,818)	(1,033,994)	(604,907)	(18,999)
Amortisation of grants (Note 9)	(424,458)	(454,904)	(200,171)	-
At end of year	<u>496,247</u>	<u>145,985</u>	<u>496,247</u>	<u>145,985</u>

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

### 26. Deferred revenue

Pursuant to the concession agreement between the Authority and PACKAL, PACKAL made a payment to the Authority of USD\$5,000,000 as a non-refundable upfront concession fee. This will be amortised to the income statement over the concession period of 25 years.

The movement during the year was as follows:

	The Group		The Authority	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Concession fee received from PACKAL	675,537	-	675,537	-
Transfer to the statement of comprehensive income – Amortisation of deferred revenue (Note 5)	(13,511)	-	(13,511)	-
	<u>662,026</u>	<u>-</u>	<u>662,026</u>	<u>-</u>

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

### 27. 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:

	<b>The Group and The Authority</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Present value of obligations	306,826	274,208

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

	<b>The Group and The Authority</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
At beginning of year	274,208	213,456
Current service cost	7,120	5,650
Interest cost	16,864	15,751
Re-measurements - Experience loss	92,404	46,314
Curtailment	(74,788)	-
Benefits paid	(8,982)	(6,963)
At end of year	306,826	274,208

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

	<b>The Group and The Authority</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Current service cost	7,120	5,650
Interest cost	16,864	15,751
Curtailment	(74,788)	-
Total included in staff costs (Note 8)	(50,804)	21,401

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

	<b>The Group and The Authority</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Re-measurement loss on obligation/components of defined benefit cost recorded in OCI	92,404	46,314



# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

### 27. Post-Employment Benefits (Continued)

The movement in the net liability:

	The Group and The Authority	
	2020 \$'000	2019 \$'000
At start of year	274,208	213,456
Pension expense	(50,804)	21,401
Re-measurements included in OCI (Note 17)	92,404	46,314
Contributions paid	(8,982)	(6,963)
At end of year	<u>306,826</u>	<u>274,208</u>

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
	2020		
Discount rate	1%	(38,992)	49,233
Health inflation rate	1%	48,615	(39,259)
	2019		
Discount rate	1%	(46,381)	57,557
Health inflation rate	1%	56,512	(43,750)

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 2020

(expressed in Jamaican dollars unless otherwise indicated)

### 27. 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:

	<b>The Group and The Authority</b>	
	<b>2020</b>	<b>2019</b>
Discount rate	6.50%	7.00%
Long term inflation rate (CPI)	4.50%	4.50%
Health Inflation above (CPI)	1.50%	1.50%

The average expected remaining service life of the employees for the medical scheme is 14.5 years (2018 – 18.7 years).

Post-employment mortality for active members and mortality for pensioners and deferred pensioners is based on the Society of Actuaries' RP -2014 Employee and Healthy annuitant mortality rates (2019-1994 Group Annuity Mortality Tables (GAM 94) (U.S. mortality tables), with no age setback).

### 28. Lease obligation

	<b>The Group and The Authority</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Current	54	-
Non-Current	5,656	-
	<b>5,710</b>	<b>-</b>

The Group leases various aerodrome lands. The lease agreements are for various periods between 5 and 49 years, all with options to extend. The extension options are described in Note 2(g). The right-of-use assets are reflected in Note 12.

### 29. 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.

### 30. Capital Commitments

At 31 March 2020, the Group had authorised capital expenditure amounting to \$1,450,476,000 (2019 – \$724,660,454), of which \$797,469,000 (2019 – \$374,279,086) has been contracted for.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

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### 31. Adoption of New Accounting Standard

The Group has adopted IFRS 16 'Leases', from 1 April 2019. The Group recognised lease liabilities and right-of-use assets in relation to leases which had previously been classified as operating leases under the principles of IAS 17 'Leases'. As noted in the accounting policies for the new standards, the transition provisions applied by the Group do not require comparative figures to be restated.

The adoption of IFRS 16 resulted in the recognition of lease liabilities of \$5,762,000 and a corresponding right-of-use asset \$5,762,000 (Note 12) on 1 April 2019.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019.

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Reliance on previous assessments on whether leases are onerous
- Reliance on previous assessments on whether a contract is, or contains, a lease applying IAS 17 and IFRIC 4
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases, and
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The lease obligation recognised on the adoption of the IFRS 16 includes leases for retail outlets that were not included in the future aggregate minimum lease payments under the operating leases as disclosed in prior year.

### 32. Impact of the COVID-19 Pandemic

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity. We have taken several measures to monitor and mitigate the effects of the COVID-19 virus, such as safety and health measures for our people (such as social distancing and working from home) and securing the necessary resources that are essential to our operations.

We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of our people.





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Airport Operator: MJB Airports Limited

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