

Annual Report 2018-19



**AIRPORTS AUTHORITY
OF JAMAICA**

<https://airportsauthorityjamaica.aero>



VISION STATEMENT

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

MISSION STATEMENT

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



TABLE OF CONTENTS

ORGANISATIONAL OVERVIEW	1
BOARD OF DIRECTOR'S REPORT	2
PRESIDENT'S MESSAGE	12
SUMMARY OF TRAFFIC PERFORMANCE	15
SANGSTER INTERNATIONAL AIRPORT (SIA)	22
OPERATIONS DIVISION	28
MAJOR CAPITAL PROJECTS (2018/2019)	31
NORMAN MANLEY INTERNATIONAL AIRPORT (NMIA)	35
BOARD OF DIRECTORS	47
EXECUTIVE TEAM	48
DIRECTORS' COMPENSATION: APRIL 2018 - MARCH 2019	49
SENIOR EXECUTIVE COMPENSATION: APRIL 2018 - MARCH 2019	50
NMIA AIRPORTS LTD. BOARD MEMBERS ATTENDANCE APRIL 2018 - MARCH 2019	51
AWARDS & EVENT HIGHLIGHTS	52
FINANCIAL STATEMENTS	55

ORGANISATIONAL OVERVIEW

The Airports Authority of Jamaica (AAJ), established under and by virtue of the Airports Authority Act, 1974 ("AA Act"), has oversight and contract administration responsibility for the Norman Manley International Airport (NMIA), Sangster International Airport (SIA), Ian Fleming International Airport (IFIA) and the three domestic aerodromes namely; Tinson Pen in Kingston, Ken Jones in Portland, and Negril in Westmorland. SIA was privatised in April 2003 and is now operated by MBJ Airports Limited (MBJ) under a 30-year concession agreement with the AAJ.

NMIA Airports Limited (NMIAL), a wholly owned subsidiary of AAJ, was established September 2003 to operate NMIA and is governed by a 30-year Concession Agreement with the AAJ. AAJ Group comprises NMIAL and the AAJ, including IFIA and the three domestic aerodromes. The AAJ is a statutory body and is also governed by, the Public Bodies Management and Accountability Act, 2001 ("PBMA Act"), the Financial Administration and Audit Act 1959 ("FAA Act"), the Corporate Governance Framework for Public Bodies in Jamaica 2011, Revised 2012, along with other applicable laws, regulations, and codes of best business practices.

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.

INTEGRITY

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

FINANCIAL MANAGEMENT

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

REGULATORY & STATUTORY REQUIREMENTS

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

SAFETY & SECURITY

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

ENVIRONMENT

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

BOARD OF DIRECTOR'S REPORT

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



Fiscal year 2018 -2019 was very eventful for Airports Authority of Jamaica (AAJ) as the privatization of Jamaica's two principal international airports achieved significant milestones. The Sangster International Airport (SIA) in Montego Bay, which is operated by MJB Airports Limited (MJB), celebrated its 15th year in April 2018 and is embarking on a series of capital development projects, including those which will emanate from the updating of its Master Plan. The Norman Manley International Airport (NMIA) in Kingston, operated by NMIA Airports Limited (NMIAL), also celebrated 15 years of concession management in 2018.

The period under review also included a key milestone in the privatization process for NMIA. Following the opening of the three (3) bids and subsequent evaluation of the bids by technical committees engaged by the government appointed Enterprise Team led by Mr. Paul B Scott, Cabinet approved the proposal submitted by Grupo Aeroportuario del Pacifico GAP on September 3, 2018. The NMIA Public Private Partnership (PPP) tender process culminated in October 2018 with the signing of a 25-year Concession Agreement with PAC Kingston Airports Limited (PACKAL), a wholly owned subsidiary of Grupo Aeroportuario del Pacifico (GAP) out of Mexico. The agreement allows for an additional 5 years of operating NMIA. PACKAL is now preparing to assume take over and provide operational control of NMIA by October 2019. The AAJ lauds the work of all those who have participated in the NMIA PPP process thus far and looks forward to the successful handing over of operations to PACKAL.

Notwithstanding the many activities undertaken during the period, I wish to state that the scope and activities of the AAJ remained unchanged during the year and there were no material adjustments made to the organization's Corporate Plan.

I use this medium to thank Dr. Meredith Derby for the sterling contribution in serving the Board in the past year, and welcome Mr. Dudley Beek and Mrs. Epsi Cooper Morgan to the Board. AAJ President Audley Deidrick also resigned as a Director of the Board effective June 2018, but remained actively engaged with the Board as the head of entity.

I would also like to salute the work of two giants in Jamaica's aviation history who passed away during the year. The late Fedrick Carl Barnett, a stalwart in the area of local pilot training. He was jointly honored by the AAJ, the Jamaica Civil Aviation Authority (JCAA) and Aeronautical Telecommunications Limited (AEROTEL) as an Aviation Trail Blazer in 2017. Also, the late Tom Scarlett is being recognized as a former President of the Board of Airline Representatives of Jamaica (BARJ), retired senior airline executive with a number of major airlines operating in Jamaica and the USA, and up to the time of his passing, a Director on the Board of AEROTEL. We are and remain grateful for their work and contribution to Jamaica's aviation industry.



Prime Minister, Andrew Holness (left, standing); and Transport and Mining Minister, Robert Montague (2nd left, standing), observe as Chief Executive Officer of Mexican entity, Grupo Aeroportuario del Pacífico S.A.B. De C.V. (GAP), Raul Revuelta Musalem (2nd right, seated), signs the 25-year Norman Manley International Airport concession agreement on Wednesday (October 10). The signing took place at the Office of the Prime Minister. Also observing (from left, seated) are: President and Chief Executive Officer, Airports Authority of Jamaica (AAJ), Audley Deidrick; AAJ Chairman, Hon. William Shagoury; and Head of GAP subsidiary, PAC Kingston Airport Limited, Saul Villarreal Garcia. At right (standing) is NMIA Enterprise Team Chairman, Paul B. Scott. Photo credit: Michael Sloley.:

Source: <https://jis.gov.jm/norman-manley-intl-airport-operation-divested/>

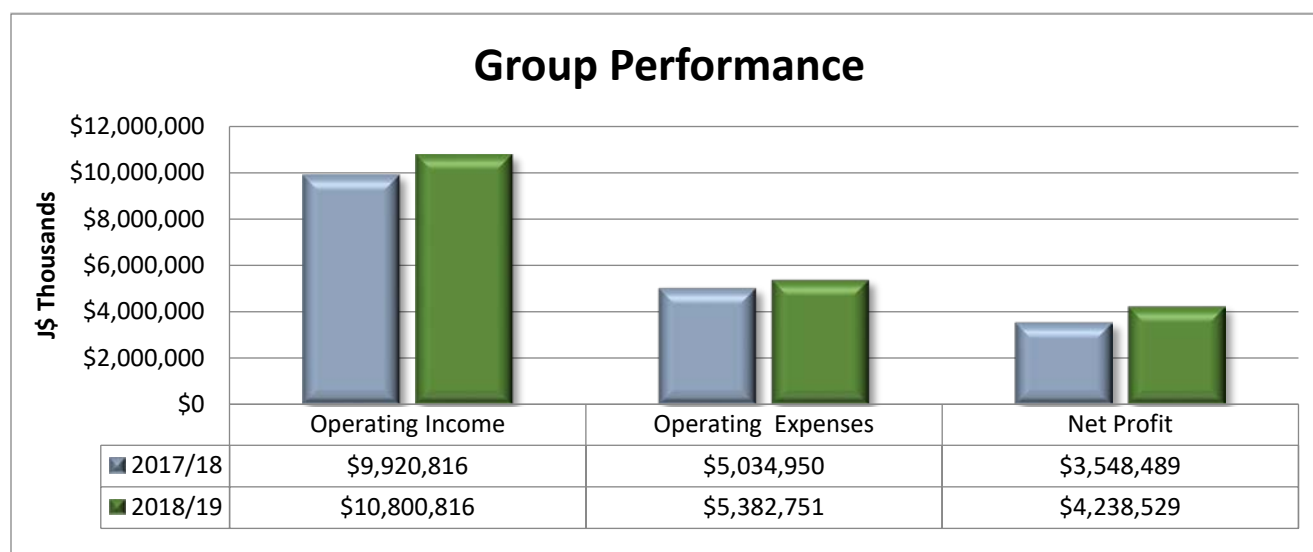
With regard to its financial performance, the AAJ Group grew its operating revenues by 8.9.1% over the previous year, 2017/18 and increased operating profit by 10.9% in 2018/19. Operating Expense for the Group increased by 6.9%. Net Profit after Tax, showed an increase of 19.4%, which is an improvement over the 5.6% recorded in the previous year.

The AAJ's Operating Revenues for the year was \$5,493m versus \$4,853m for the previous year (2017-18), an increase of \$640m or 13.2%. Operating Expenses amounted to \$965m, versus \$1,019m for the previous year, a reduction of \$54m or 5.3%, and when compared with the budget of \$705m for the current year, represents an increase of \$260m or 36.9%. The Authority therefore made an Operating Profit of \$4528m, compared with \$3,834m in the previous year, an increase of \$693m or 18.1%. Net Profit after Tax for the year was \$3,002m versus \$2,120m for the previous year, an increase of \$882m or 41.6%. The AAJ made distributions during the year to the Government of Jamaica totaling \$177m versus \$700m for the previous year, and paid corporate taxes of \$989m, versus a tax of \$764m for the previous year.

Capital Expenditure for the AAJ Group was J\$1,354m most of which was implemented at the NMIA. See Financial Performance Indicators in tables below.

Table 1: Actual and projected Financial Performance for AAJ Consolidated

Key Performance Indicators	Actual	Audited	% Change Actual Mar-19 vs Audited Mar-18	Budget	% Change Actual Mar-19 vs Budget Mar-19	Budget
(KPI's)	31-Mar-19 J\$'000	31-Mar-18 J\$'000		2018-19 J\$'000		2019-20 J\$'000
Operating Revenue	10,800,816	9,920,816	8.9%	9,032,394	19.6%	9,023,596
Operating Expenses	(5,382,751)	(5,034,950)	6.9%	(4,505,776)	19.5%	(4,412,630)
Operating Profit	5,418,065	4,885,866	10.9%	4,526,619	19.7%	4,610,966
Other income/(Expenditure)	(94,864)	(497,736)	-80.9%	525,989	-118.0%	620,790
Net Profit	4,238,529	3,548,489	19.4%	4,444,992	-4.6%	4,431,827
Capital Expenditure	1,353,735	820,196	65.1%	4,168,871	-67.5%	2,844,875

Table 1.1: Actual Financial Performance 2018/19 versus 2017/18 for AAJ Consolidated:

Table 2: Actual and Projected Financial Performance for AAJ

Key Performance Indicators	Actual	Audited	% Change Actual Mar-19 vs Audited Mar-18	Budget	% Change Actual Mar-19 vs Budget Mar-19	Budget
(KPI's)	31-Mar-19 J\$'000	31-Mar-18 J\$'000		2018-19 J\$'000		2019-20 J\$'000
Operating Revenue	5,492,884	4,853,223	13.2%	3,687,819	48.9%	6,017,207
Operating Expenses	(965,131)	(1,018,859)	-5.3%	(705,238)	36.9%	(418,634)
Operating Profit	4,527,753	3,834,364	18.1%	2,982,581	51.8%	5,598,573
Other income (Expenditure)	(536,652)	(950,597)	-43.5%	229,322	-334.0%	(889,086)
Net Profit	3,001,747	2,119,688	41.6%	2,624,216	14.4%	3,929,487
Capital Expenditure	509,828	219,825	131.9%	1,386,028	-63.2%	1,376,584

PASSENGER MOVEMENTS

Total passenger traffic (arrivals and departures) for the island recorded an increase of 6.44% from 6,054,265 passengers in 2017/18 to 6,444,448 in the year under review. SIA handled 73% of the total traffic and recorded an increase of 7.36%; moving from 4,377,362 passengers in 2017/18 to 4,699,331 in 2018/19. NMIA with 27% of total traffic experienced an increase of 4.28% when compared with the previous year, moving from 1,666,944 passengers in 2017/18 to 1,738,365 passengers in 2018/19.

AIRCRAFT MOVEMENTS

Aircraft movement declined by 2.02% in 2018/19 when compared with the previous year. A total of 73,409 movements were recorded compared to 74,919 in 2017/18. SIA accounted for approximately 56% of total movements in 2018/19, that is 41,503 in 2017/18 compared with 41,349 during the reporting period. NMIA experienced an increase of 3.72% in aircraft movements resulting in a total of 21,461 in 2018/19 compare to 20,691 in 2017/18. This represents approximately 29% of aircraft movements. The Aerodromes and IFIA accounted for approximately 15% of aircraft movement.

FREIGHT MOVEMENTS

Total Air freight (cargo and mail) volumes decreased by 5.13% in 2018/19 when compared with the previous year, moving from 21,474,516 kgs in 2017/18 to 20,373,331 kgs in 2018/19. NMIA handled 64% of air freight and had a decline of 9.52% in 2018/19 when compared to 2017/18. Air Freight volumes at SIA, saw an increase of 3.76% over the levels in 2017/18.

Of significance to the AAJ in 2018-19 was the renewed interest placed on general aviation based on the policy guidance of the Minister of Transport and Mining as well as the interaction with local operators. Several discussions were therefore held with potential operators (local and regional) for the commencement of domestic service and the utilization of the Ian Fleming International Airport, in particular, for both domestic and international operations.

During the year, work progressed on the interim (phase 1) project to upgrade the facilities at the Ian Fleming International Airport (IFIA). The works, which were influenced by discussions with potential operators of medium sized regional jets (70 to 100 seats), commenced at the end of March 2018. The works include: widening the runway by 1.5 meter on each side to 30 meters; removing the mound at the western end of the Runway which presents an obstruction to the operation of larger aircraft; the creation of a turning circle; and an expansion of the terminal building to 1700 sq. ft. for the facilitation of approximately 90 passengers per hour through the airport terminal. It is anticipated that the works will be completed by October 2019.

Upgrading works are projected for the domestic aerodromes, Negril, Ken Jones and Tinson Pen. The works will include terminal building upgrades, fencing and runway works as needed. Both the Tinson Pen and Ken Jones aerodromes are due to implement pilot lounges by quarter 2 of 2019-20 and the Negril Aerodrome is to be upgraded and a pilot lounge installed thereafter. These lounges are geared towards providing suitable facilities for general aviation pilots as a means of providing appropriate spaces for rest and route planning between flight operations.

Other initiatives being considered by the AAJ, include an investment towards upgrading the Lionel Densham Aerodrome in St. Elizabeth to the tune of \$103m for an improved runway and secure fencing that will enhance aviation safety. This investment will further enable the growing community tourism efforts in the area. The land, currently in private hands, is to become the property of the AAJ under this arrangement. Additionally, Initial consideration is being given to re-develop the Holland Airstrip in St. Elizabeth, to complement the Appleton Estate tourism drive as well as other tourism and commercial interest in the area.

The AAJ's Schools' Art project enjoyed another good year of competition and benefitted from the staging of an Art Symposium for teachers prior to the commencement of the competition. The symposium included presenters from the Edna Manley College of Visual and Performing Arts ("Edna Manley"), The National Gallery of Jamaica and the Jamaica Cultural Development Commission ("JCDC"). During the year, the Hon Minister of Transport and Mining presented a special 4-year scholarship award to the three-time winner of the age 15 -19 category of the art competition, Mr. Oneil Mullings. He matriculated into Edna Manley. His former school, Newell High School in St. Elizabeth, also benefitted from a gift towards the Art Programme at the institution. 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 gives the youngsters an opportunity to showcase their budding talent to a wide audience, both local and international.

Of note is that the AAJ's 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. These 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.

The AAJ is committed to high standards of corporate governance as outlined in the Corporate Governance Framework for Public Bodies 2011, Revised 2012. The AAJ strives to achieve this commitment by institutionalizing a clear and comprehensive governance framework and fostering an ethical and responsible culture at all levels of the organization. The 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 of The AAJ had eleven (11) regular monthly meetings and one (1) retreat. The Committees met on a monthly basis, responded to matters within their remit and advised the Board accordingly.

▪ **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)

Dr. Meredith Derby, as an aviation professional, resigned from the Board in June 2018 and gave diligent, expert service to up to the time of her departure. Mr. Audley Deidrick also resigned as a Board Director in June 2018, but remained in his substantive role as President of AAJ and CEO of NMIA Airports Limited.

During the Financial Year 2018/19 Directors and the Corporate Secretary completed Corporate Governance training with the Ministry of Finance and Public Service as well the World Bank in collaboration with the Norman Manley Law School.

Table 3: AAJ Board - Expertise and Length of service

NAME	ENTREPRENEUR SHIP	GENERAL MANAGEMENT	FINANCE & AUDIT	STRATEGIC MANAGEMENT	HUMAN RESOURCE	LAW	RISK MANAGEMENT	AIRPORT PROFESSIONAL	AERONAUTICS	CORPORATE GOVERNANCE	LENGTH OF SERVICE (Yrs approx.)
Hon William Shagoury CHAIRMAN	✓	✓								✓	12
Mrs Fay Hutchinson DEPUTY CHAIRMAN		✓			✓				✓	✓	3
Mr Denton Campbell			✓	✓				✓		✓	3
Mr Leroy Lindsay								✓	✓	✓	3
Ms. Tanya Bedward				✓			✓			✓	2
Dr. Meredith Derby	✓			✓			✓	✓		✓	3 End of tenure
Mrs. Juliet Mair Rose		✓				✓	✓			✓	3
Ms. Claudette Ramdanie		✓	✓		✓		✓			✓	7
Mr. Dudley Beek	✓	✓							✓		1
Mrs. Epsi Cooper Morgan	✓	✓			✓						1

Board Processes

The modus operandi of the Board is reviewed from time to time to keep abreast of regulatory changes and best corporate governance practices. Key elements of the current modus operandi include: The Board shall have regular monthly meetings each year (except for the Month of August); Agendas and papers are sent to Members at least three (3) clear days before a meeting (excluding the date of dispatch and the date of meeting) and the Board receives reports from Chairmen of Board Committees at each meeting.

Board Evaluation

Board members were very active in deliberations concerning the policies, procedures and projects undertaken by the organization, among other things. Although the matter of maintaining keen organizational oversight was reiterated throughout the period, a formal evaluation of the Board's performance and that of its members was not done during the period. Notwithstanding, the requirement for such evaluations is also included in the Board Mandate for each committee as part of the corporate governance framework of the organization.

Board Committees

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

The Board Committees constitute an important element of the governance process which fosters the efficient flow of information and implementation of policies between the Board and Management.

Currently there are five (5) main Board Committees. These are, Audit, Finance, Human Resource Management, Projects and Business Development/Operations. An Airport Art Sub-Committee was also established to infuse art in the AAJ's airport ambience.

The Members are:

Mrs. Juliet Mair-Rose-Chairman	Ms. Claudette Ramdanie
Ms. Tanya Bedward	Ms. Fay Hutchinson
Mr. Dudley Beek	Ms. Dalma James (co-opted)
Mr. Audley Deidrick-President	

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.

The Members are:

Ms. Claudette Ramdanie-Chairman	Ms. Tanya Bedward
Ms. Fay Hutchinson	Mrs. Epsi Cooper-Morgan
Ms. Dalma James (co-opted)	Mr. Audley Deidrick-President

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.

The Members are:

Mr. William Shagoury-Chairman	Ms. Tanya Bedward
Mrs. Juliett Mair-Rose	Ms. Fay Hutchinson
Mr. Audley Deidrick-President	

The Committees 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.

The Members are:

Mr. Leroy Lindsay-Chairman	Mr. Denton Campbell
Ms. Tanya Bedward	Mrs. Juliet Mair Rose
Ms. Fay Hutchinson	Mr. Audley Deidrick-President

The Committee functions include: The provision of technical and financial consideration, review, evaluation and where appropriate, recommendation for approval of contracts that exceed the Head of Entity threshold values for direct contracting arrangements or competitive tender; The development of policies, systems, equipment and programmes that relate to airport safety planning, design, construction, operation and maintenance; and Reviewing Management's proposals /recommendations for construction contracts and developmental undertakings.

The Members are:

Mr. Denton Campbell-Chairman	Mr. Dudley Beek
Mr. Leroy Lindsay	Mr. Audley Deidrick-President

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.

The Members are:

Ms. Fay Hutchinson- Chairman

Ms. Juliett Mair-Rose

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

I am pleased to have served the AAJ once again, along with the committed Directors, Executives and Staff. The milestones achieved during the year were indeed commendable and were only possible with support from the many key stakeholders (persons and organizations) that partnered with us to build and sustain a world-class airport system. There is much work ahead considering the implementation of the NMIA PPP and the resulting restructuring of AAJ's operations that will follow. We are committed to leading the process so that Jamaica's airports may be recognized as the preferred gateway to the Caribbean and the Americas.

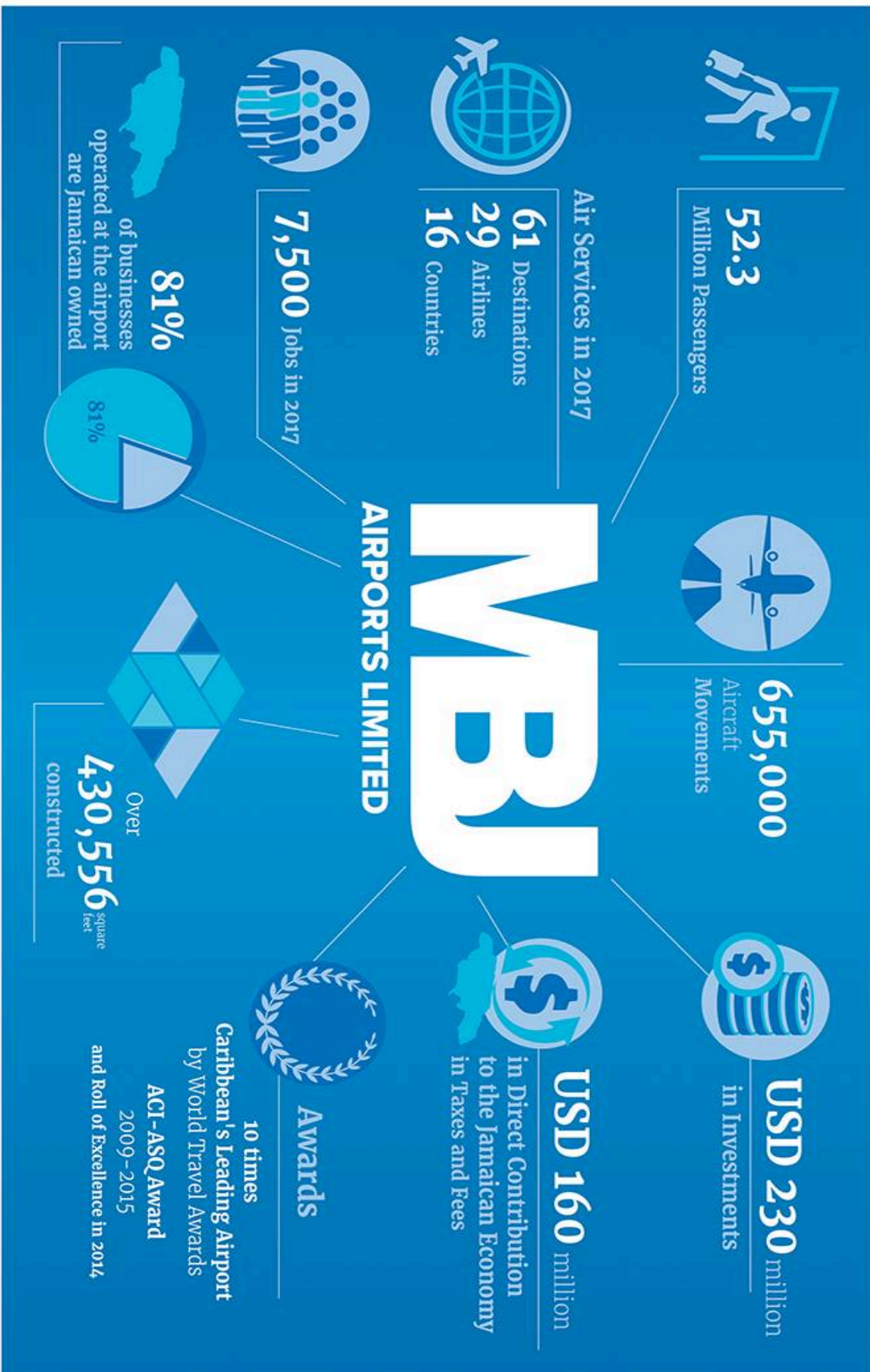
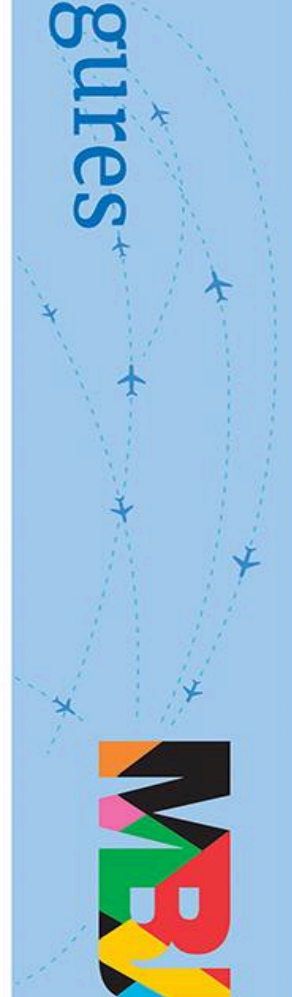
William Shagoury
Chairman



Arial photo of the airfield at the Tinson Pen Aerodrome, Kingston



2003-2018 YEARS 15 in Figures



PRESIDENT'S MESSAGE

12

Audley Deidrick

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



The AAJ has posted a significant 6.44% increase in passenger movements for fiscal 2018 -19, which is just above the global trend of approximately 6% for 2018, and the 4.3% compound annual growth rate from 2007 to 2017 as presented by Airports Council International (ACI).

This result is very positive for the tourism industry and for commerce generally within the island. Notwithstanding the 2.02% decline in aircraft movement and a 5.13% fall off in total air freight (cargo and mail) volumes, the aviation industry continues to make a significant contribution to the movement of visiting friends and relatives, as well as business and leisure travelers. The socio-economic returns of aviation to the country cannot be overstated.

The AAJ remained focused on its mission to develop a modern, safe and profitable airport system that is environmentally responsible and provides world-class service. We also facilitated private investment and partnership in keeping with our vision. This partnership enabled us in April 2018 to celebrate 15 years of privatization of the Sangster International Airport by way of a Public Private Partnership (PPP) concession arrangement MBJ Airports Limited (MBJ) under a thirty-year Concession Agreement with the AAJ. The current owners of the Concession are Grupo Aeroportuario del Pacifico (GAP) from Mexico (74.5%) and Vantage from Canada (25.5%).

NMIA Airports Limited, which operates the Norman Manley International Airport (NMIA) and at which I serve as the Chief Executive Officer, also attained 15 years of operation having been established on September 22, 2003 and commencing operations in October of the same year. NMIA is on the cusp of being handed over to PAC Kingston Airport Limited (PACKAL), which is a subsidiary of Grupo Aeroportuario del Pacifico (GAP). Both the management of AAJ and PACKAL are working to fulfill all the Conditions Precedent that will enable a handover of NMIA by October 9, 2019, twelve months after the signing of the concession agreement.

In preparation for the NMIA PPP concession, the AAJ and NMIAL implemented a Change Management Programme through our Human Resources, Management and Administration Division. This process included frequent staff meetings; implementing a Help Desk; résumé writing seminars; change management sessions by motivational speakers; a financial and entrepreneurial fair; as well as training/up-skilling opportunities for the staff. The NMIA prioritisation exercise also provided a major catalyst for the demerger of NMIAL and AAJ. Work progressed during the period with Price Waterhouse Coopers (PWC) as consultants to the process. A Separation Report was prepared by PWC and work will be done to implement the recommendations of the report upon receipt of approval from the relevant government bodies, including our portfolio Ministry and the Ministry of Finance and the Public Service.

With respect to airport operations, in June 2018, American Airlines announced a cashless system at their check-in counters for both NMIA and SIA. In response, Alliance Payment Services (APS) started a new concession at both international airports and opened its Pre-Paid Credit Card service. This service was made available to other air carriers that opted to implement a similar cashless operation at their check-in counters. All APS systems were operational by the start of the 3rd quarter of 2018-19. Additionally, effective June 30, 2018 the Transportation Security Administration (TAS) introduced new restrictions on packages containing powders in carry-on bags of travelers entering the USA. In addition to general public education, the security personnel of both the airports and airlines had to be sensitized to this new measure and adjust their screening procedures accordingly.

Another significant achievement in 2018-19 was that SIA benefitted from the deployment of 20 additional Automated Border Crossing (ABC) kiosks, which brought the total number of kiosks at SIA to 30 and resulted in better facilitation of passengers in the December 2018 peak period. The existing ten machines were also retrofitted to bring them in line with the new technology. The kiosks were acquired through financing from MBJ Airports Limited which will be repaid by the AAJ from the Airport Improvement Fee (AIF). The new ABC kiosks were commissioned into service by the Passport, Immigration and Citizenship Agency (PICA) and additional kiosks are also being considered for NMIA during the 2019-20 fiscal year.

During the period, MBJ won the "Leading Caribbean Airport" for the 11th successive year and NMIAL received the Allied Member Award from the Jamaica Hotel and Tourist Association (JHTA) for the work done in facilitating the initiatives of the JHTA. Both major international airports continue to demonstrate good leadership within the regional airport fraternity.

During the period, the AAJ once again partnered with the JCAA and AEROTEL to recognise the following persons as aviation trailblazers: Mr. Richard Frazer McConnel and Mr. Christopher Reid who are both aviation professionals and entrepreneurs; as well as the late Hon. Dr. Kenneth Rattray OJ. CD. QC. (posthumously) for his excellent work in aviation law, among other things. The awards followed the successful staging of the 2nd Aviation Seminar, which included excellent presentations from Jamaicans in the Diaspora who are actively serving at major airports in the USA. The Aviation Seminar and Awards, which received the direct support and participation of the Hon. Minister, were held over the period December 6 and 7, 2018 to coincide with International Civil Aviation Day on December 7.

Based on current projections, the Capital Development Programme (CDP) for the period 2019 to 2022 amounts to US\$168.66 million. The CDP includes major infrastructure development and airside extension, facility improvements, as well as systems rehabilitation, upgrade/ modernization and expansion to meet international standards for improved passenger /stakeholder facilitation and aviation security management. The budgetary projection for the AAJ Group is in the order of US\$45.38m (with details provided in the body of the report) and is summarized as follows:

• Norman Manley International Airport (NMIAL)	US\$12.29m
• Shoreline Protection	US\$13.03m
• Ian Fleming International Airport:	US\$9.32m
• Vernamfield Aerodrome:	US\$6.80m
• Other Aerodromes:	US\$1.44m
• AAJ Corporate Office	US\$2.50m

For the Sangster International Airport an amount of US\$68.98 million is to be spent on its Phase 3 CDP which is broadly defined as an extension of the existing runway from a Take-off Run Available (TORA) of 2662 metres to 2920 metres, (threshold to threshold) and to facilitate the implementation of a runway safety area (RESA). PACKAL is to invest US\$54.30 m at NMIA to include RESA, Apron works and equipment repair.

I continue to appreciate the work of our portfolio Minister, the Ministry of Transport and Mining as well as our Board for providing strategic guidance to the management and staff of the organisation. I am also grateful for the work of the Jamaica Civil Aviation Authority (JCAA)- our regulators; the Jamaica Tourist Board (JTB) and others in the tourism Ministry and industry; the border control agencies - PICA and Customs; as well as all the airport concessionaires, tenants and service providers for making 2018-19 another significant year of success. I applaud the work of staff within the MJB family and the AAJ Group for delivering another good year of performance and noting that the following year will be one of significant transition and organisational adjustment. We look forward to the challenge and anticipate even further growth.

Audley Deidrick
PRESIDENT, AAJ

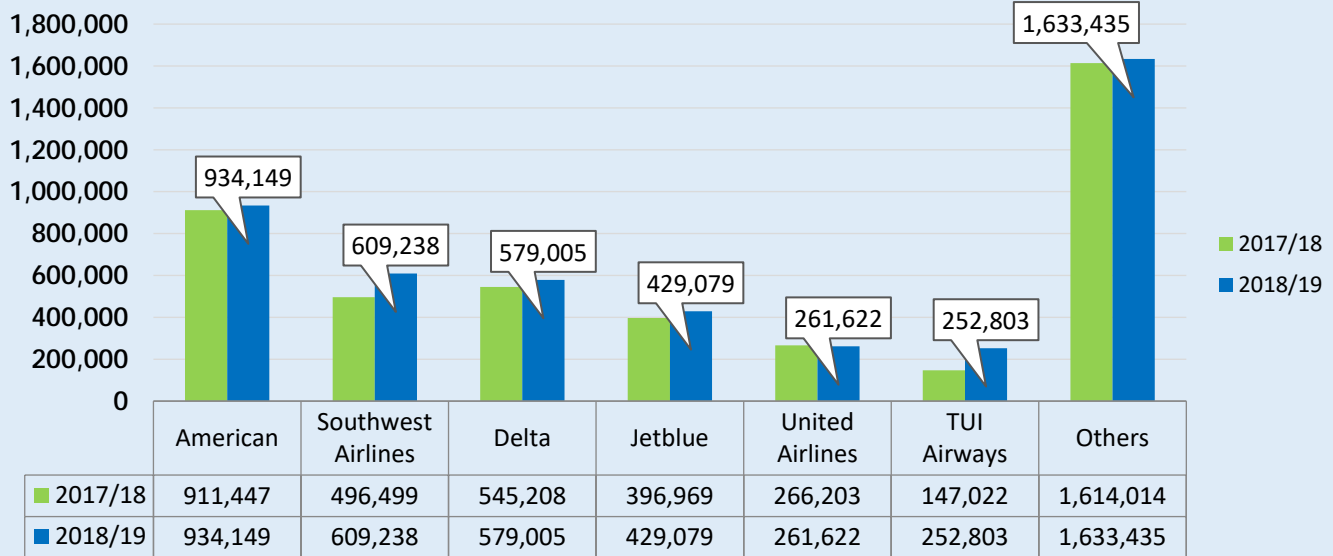


Transport and Mining Minister, Hon. Robert Montague (right), engages with Airports Authority of Jamaica (AAJ) President, Audley Deidrick (left); and Jamaica Civil Aviation Authority (JCAA) Director General, Nari Williams-Singh.

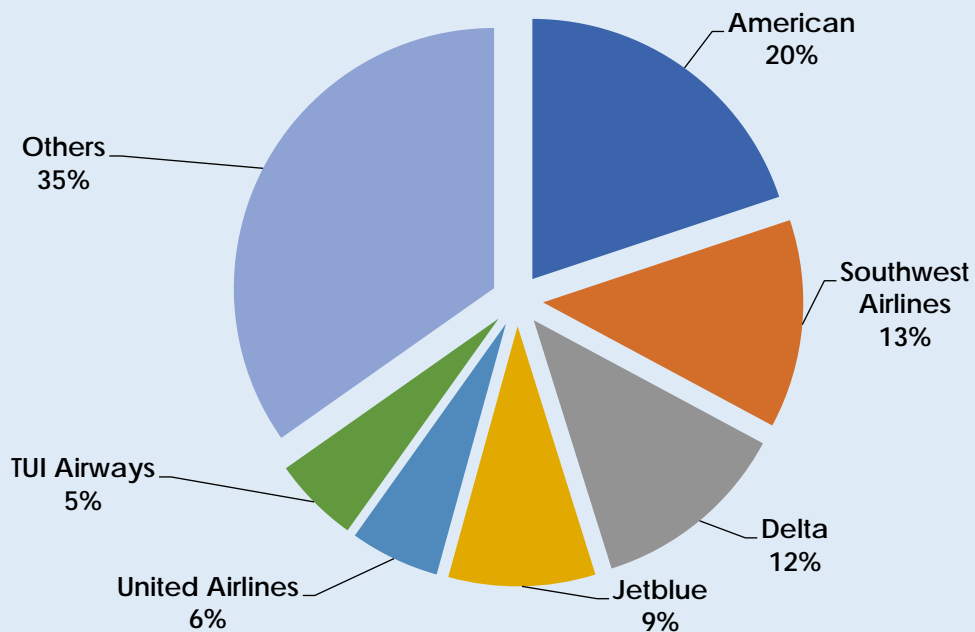


PASSENGER, AIRCRAFT AND FREIGHT MOVEMENTS

**SIA Total Passengers
2018/19 vs 2017/18**

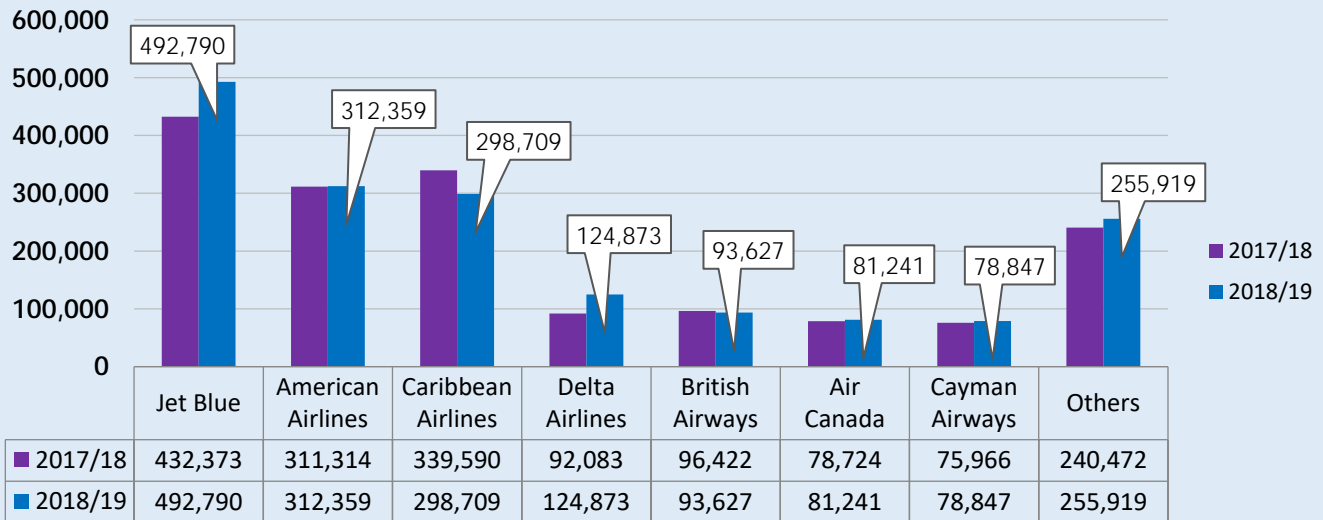


**SIA Total Passengers
2018/19**

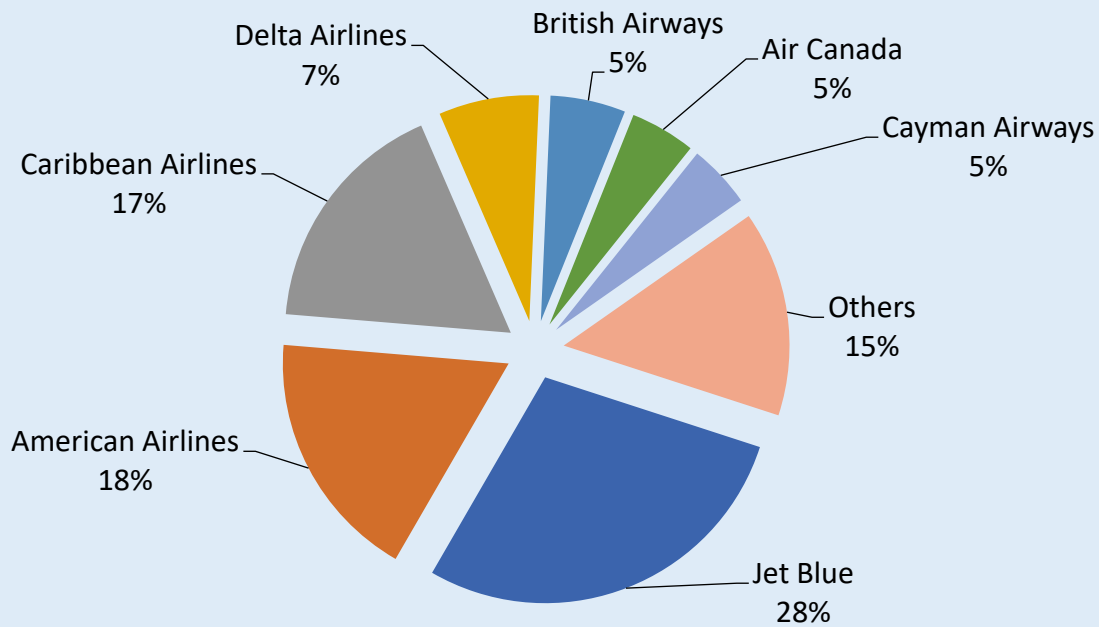


NMIA Total Passengers

2018/19 vs 2017/18



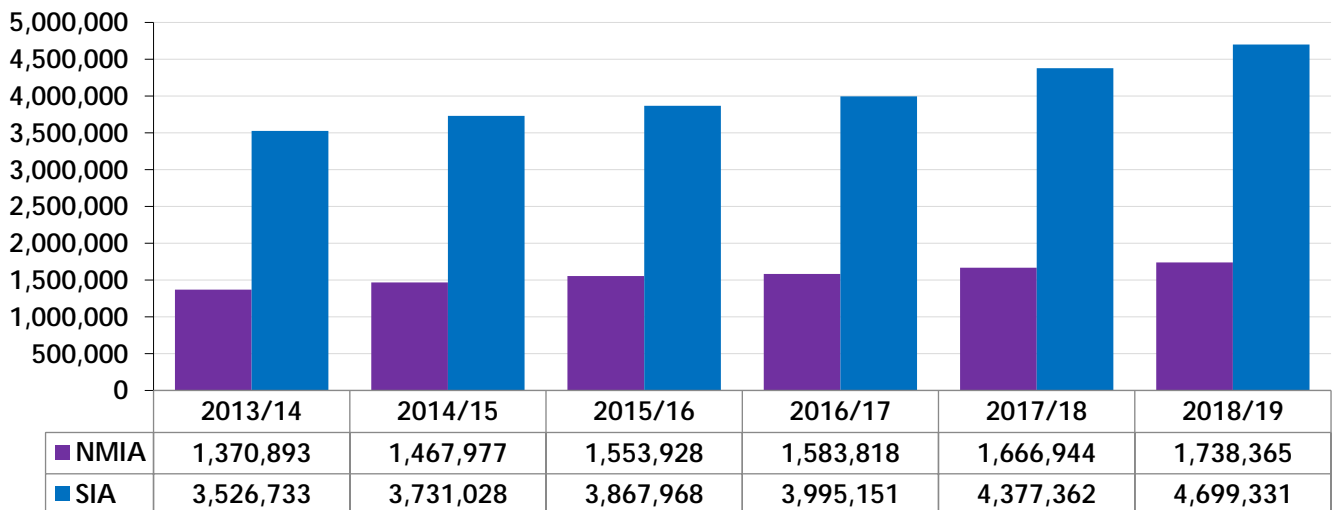
NMIA Total Passengers 2018/19



PASSENGER TRAFFIC

FIN. YR.	NMIA	% CHANGE	SIA	% CHANGE	IFIA + Aerodromes	% CHANGE	AAJ GROUP TOTAL	% CHANGE
2013/14	1,370,893		3,526,733		11,020		4,908,646	
2014/15	1,467,977	7.08%	3,731,028	5.79%	11,215	1.77%	5,210,220	6.14%
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%
² 2018/19	1,738,365	4.28%	4,699,331	7.36%	6,752	-32.20%	6,444,448	6.44%
Total	9,381,925		24,197,573		61,498		33,640,996	

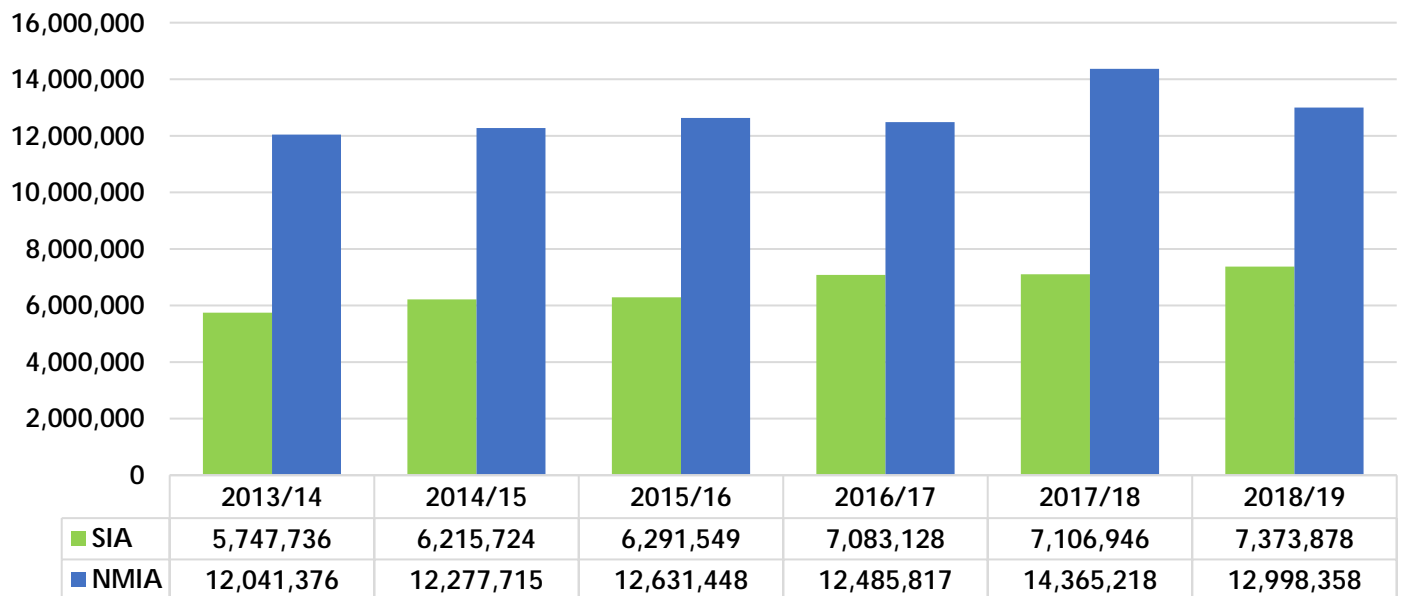
PASSENGER STATISTICS



FREIGHT

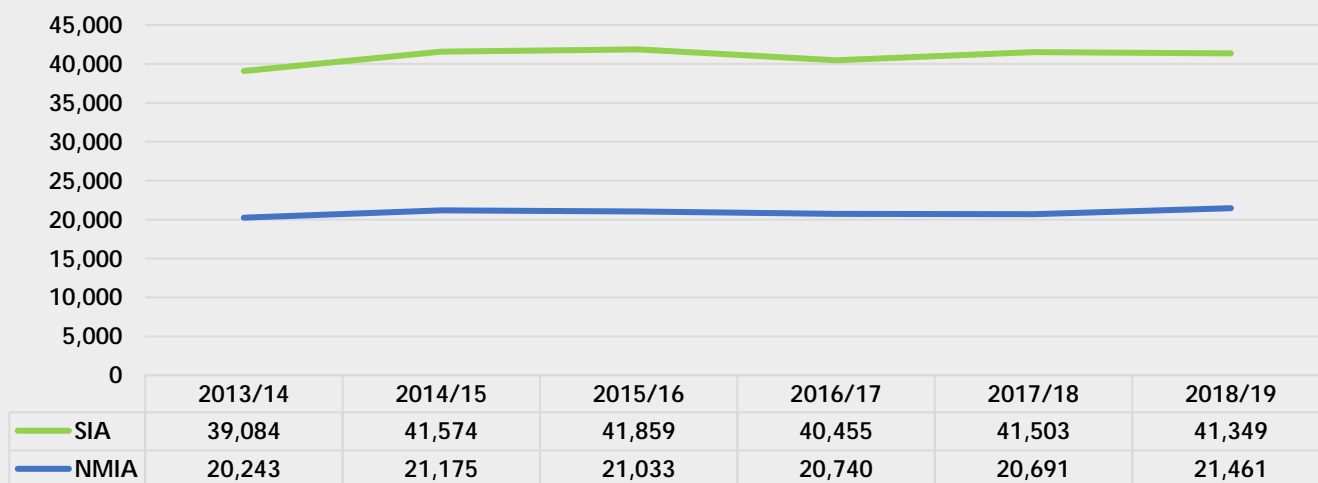
FIN. YR.	NMIA	% CHANGE	SIA	% CHANGE	IFIA + Aerodromes	% CHANGE	AAJ GROUP TOTAL	% CHANGE
2013/14	12,041,376		5,747,736		4,640		17,793,752	
2014/15	12,277,715	1.96%	6,215,724	8.14%	3,452	-25.60%	18,496,891	3.95%
2015/16	12,631,448	2.88%	6,291,549	1.22%	2,385	-30.91%	18,925,382	2.32%
2016/17	12,485,817	-1.15%	7,083,128	12.58%	2,929	22.81%	19,571,874	3.42%
2017/18	14,365,218	15.05%	7,106,946	0.34%	2,352	-19.70%	21,474,516	9.72%
2018/19	12,998,358	-9.52%	7,373,878	3.76%	1,095	-53.44%	20,373,331	-5.13%
Total	76,799,932		39,818,961		16,853		116,635,746	

TOTAL FREIGHT



AIRCRAFT MOVEMENTS

FIN. YR.	NMIA	% CHANGE	SIA	% CHANGE	IFIA Aerodromes +	% CHANGE	AAJ GROUP TOTAL	% CHANGE
2013/14	20,243		39,084		20,531		79,858	
2014/15	21,175	4.60%	41,574	6.37%	20,032	-2.43%	82,781	3.66%
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%
Total	125,343		245,824		102,496		473,663	

AIRCRAFT MOVEMENT


NMIA	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Total Passengers	1,370,893	1,467,977	1,553,928	1,583,818	1,666,944	1,738,365
Aircraft Movements	20,243	21,175	21,033	20,740	20,691	21,461
Total Freight	12,041,376	12,277,715	12,631,448	12,485,817	14,365,218	12,998,358

MBJ	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Total Passengers	3,526,733	3,731,028	3,867,968	3,995,151	4,377,362	4,699,331
Aircraft Movements	39,084	41,574	41,859	40,455	41,503	41,349
Total Freight	5,747,736	6,215,724	6,291,549	7,083,128	7,106,946	7,373,878

IFIA	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Total Passengers	1,889	2,040	2,065	1,452	1,514	1,054
Aircraft Movements	2,619	2,518	2,338	1,448	1,140	966
Total Freight	0	0	0	0	0	0

Aerodromes	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Total Passengers	9,131	9,175	10,131	8,904	8,445	5,698
Aircraft Movements	17,912	17,514	19,020	15,803	11,585	9,633
Total Freight	4,640	3,452	2,385	2,929	2,352	1,095

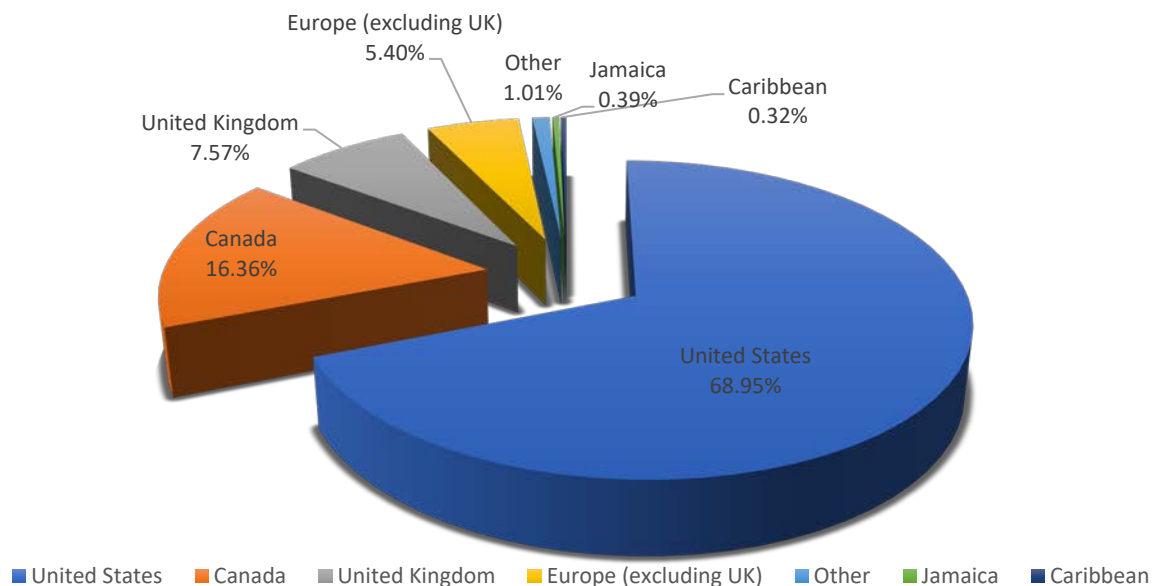
IFIA + Aerodromes	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Total Passengers	11,020	11,215	12,196	10,356	9,959	6,752
Aircraft Movements	20,531	20,032	21,358	17,251	12,725	10,599
Total Freight	4,640	3,452	2,385	2,929	2,352	1,095

SANGSTER INTERNATIONAL AIRPORT (SIA)



Traffic performance for the fiscal 2018/19 remained resilient with consecutive months of sustained growth in spite of the announced State of Emergency for Montego Bay from January 18, 2018 through to January 31, 2019. The USA maintained its dominance as the leading source market for passengers at SIA, with growth of 8.90% over prior fiscal period. Canada experienced an increase of 3.91%, Great Britain had a marginal 0.58% growth while Europe (excluding UK) showed an advance of 12.87%.

Market Traffic Performance by World Region - Fiscal 2018/19



COMMERCIAL AND AIR SERVICE DEVELOPMENT

Below are the air service highlights for new routes/service launched during fiscal year 2018/2019.

	Detroit, Michigan	3 weekly	Dec 20, 2018
	Orlando	4 weekly	February 28, 2019
	Munich	1 weekly	July 1, 2018
	Moscow, Russia	Every 10 days	Oct 26, 2018 - May 3, 2019
	Calgary, Alberta	2 weekly	Nov 3, 2018 – Apr 27, 2019
	Raleigh, NC	2 weekly	Nov 17, 2018 - Mar 30, 2019
	Philadelphia	2 weekly	Feb 3, 2019 - Mar 2, 2019
	Hamilton, Ontario	2 Weekly	Dec 16, 2018 - Apr 2019
	St. Louis, Missouri	1 weekly	March 7, 2019

15th Anniversary

MBJ Airports Limited (“MBJ”) celebrated its 15th anniversary on April 14th, which marked the halfway point for its concession agreement with the AAJ to operate and manage the Sangster International Airport. A commemorative sign “I ♥ Montego Bay” was unveiled to celebrate its achievements. The iconic sign is another distinctive feature at Sangster International Airport where visitors stop to take photo and record lasting memories of their time in Montego Bay to share with their friends and families. The inspiration for the sign is to showcase our incredible destination and will serve to remind travellers and the world at large that Jamaica is a vibrant and enticing place to visit, explore and enjoy.



MBJ took its celebrations to the community in Sam Sharpe Square where the staff shared progress made and partnerships formed with the community, stakeholders and passengers. An exhibit was mounted outlining the contribution to the development of Sangster International Airport and detailed plans to further modernize the facility. A 96-page Supplement was published by MBJ highlighting the achievements over the 15 years.

Festivities peaked on November 30th when an event was held as the culmination of year-long celebrations marking MBJ's 15th anniversary as operator of SIA and featured the Art of Reggae Exhibition displaying the top -100 selections of the International Reggae Poster Contest, a "Trashion Show" presenting apparel made from recycled materials designed by members of the Sangster International airport staff.



Proceedings included the announcement of winners of the School Art Competition, organized in a partnership between MBJ and the Ministry of Education, Youth and Information, which had poster and 3D/Mosaic categories at the primary and secondary levels.

The event gave employees the opportunity to explore their creativity and share with their fellow colleagues and created an atmosphere of camaraderie among stakeholders. Based on the response to the event, especially the Trashion show, MBJ has launched a Lunch-hour Talent series where airport staff can showcase their talent at the end of each quarter for entrance in the finals at end of year for cash and other great prizes.



Through its Change for Children initiative, MBJ continued to positively impact the community within which it operates in the past year. While MBJ continues to work with the Autism Centre and other beneficiaries, partnered with Spot Valley High School (SVH) in December 2017 as it recognised the need to edify and mentor students leaving high school in preparation for the world of work. Since this partnership, MBJ has conducted Resume Writing and Interview Preparation sessions with one hundred and twenty (120) students. MBJ has committed to working with a selected group of grade 7 students at SVH for a five (5) year period our mentorship and resource support on behaviour and academics to determine the impact of MBJ's intervention are being tracked to measure the programme's success.

Subsequent to the engagement of international consultants TDS and PRAGMA who specialize in commercial/retail planning and design, the MBJ Board of Directors approved in March 2018 plans for expansion and the optimization of revenue generating airside space. The resulting expansion will add 1,153 M2 to the Central Retail Area (CRA) i.e. a 56% increase of the current size.

An essential element of the new design is the relocation of the main point of entry to the retail area. This will allow passengers to have full line of sight of 100% of stores operating in the CRA. The expansion will also allow for larger stores with wider storefronts as well as create more space for passengers to linger. Architectural works and RFP to be done in 2018 and completion of this project is expected 2020/2021. Plans are also being finalized for the Arrivals Hall which includes Hotel Lounges, Transfer desks and Car Rental Facility.

ACTIVITIES PLANNED FOR 2019/2020

The main activities planned include:

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

In 2017 MBJ initiated the process of repositioning the image of Sangster International Airport. The new image being created is one which puts a premium on enhancing the visitors' stay in Jamaica by providing the "Irie Airport Experience". As a uniquely Jamaican term used to convey positivity and voice an individual's approval, "irie" is what the management seeks to engender among MBJ's operating partners at the SIA to create a uniquely Jamaican experience for passengers. Together with its partners, MBJ has worked to make SIA a cornerstone of the Jamaican experience, contributing solid infrastructure and a memorable experience for travellers. The airport features a broad range of shopping and entertainment options, VIP lounges, exhibits and activities that showcase Jamaican culture to the world. Jamaican reggae and dancehall music welcomes passengers as they transit through the airport, and local artwork adorns walls. As passengers disembark, they get an "Irie" feeling right away, knowing by sights and sound that they have arrived in Jamaica.

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

The main activities planned for 2018/2019 include:

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

MBJ'S FINANCIAL HIGHLIGHTS

Operating revenues for the 2018/2019 year was \$105.4M, a 9.5% increase over the previous year. There was a reduction of 3.3% in operating expenses. Concession and additional concession fees were \$30.5M which represents a 16.8% increase over the previous year. Net income for the year was 12.9% over the previous year, standing at \$28.8M. Capital expenditure for 2018/2019 was \$32.2M compared to \$10.1M the previous year.

Category	2017/2018 (US\$ 000)	2018/2019 (US\$ 000)	2019/2020* (US\$ 000)
Operating Revenue	96,320	105,444	118,492
Operating Expenses	20,792	20,116	24,485
Concession Fees & ACF	26,114	30,508	35,543
Taxes	8,446	9,433	8,850
Other Expenses	15,455	17,128	25,613
Net Profit	25,512	28,794	25,833
Capital Expenditure	10,142	32,174	32,979
<i>*Forecast projections using the 2019 Budget and projections used in the Business Plan submitted to AAJ, prorated where applicable.</i>			

In 2018, MBJ closed out the loan facility with the International Finance Corporation (IFC) and the finance lease with SITA. The IFC loans were used to fund the Phase 1 and Phase II expansion works at the airport, while the STIA finance lease was for the common use terminal equipment (CUTE), used process passenger at check in.

The current regulatory rate review period for SIA is due to expire on 31 December 2019. The JCAA is responsible to review and approve proposed changes to the airport fees and charges for the period beginning 1 January 2020. On February 8, 2019, MBJ submitted the Airport Charges Proposal to the JCAA for the 2020-2024 tariff review period.

MBJ's proposal considered the forecasted growth in traffic, and the required investments needed at the airport. MBJ calculated that the required average revenue yield for 2020-2024 would support the operating expenses of the airport, as well as the needed capital investment program. Airport charges are a small fraction of the total airfare (including taxes and airline ancillary charges), and an even smaller portion of a tourist's total cost (including airfare, hotel, ground transportation, spending on tourism experiences, etc.).

The proposed CAPEX program will provide the needed capacity increase at the airport, as well as improve the quality of the airport from the passenger's viewpoint. A total of USD 112 million was proposed for the five-year CAPEX program, which includes projects such as the expansion of the immigration hall, expansion of the security screening hall, expansion of the arrivals hall, the build out a ground transportation centre and covered walkway between the arrival and departures area. MBJ hosted several consultation meetings with stakeholders and the infrastructure development proposed were welcomed.

TALENT RETENTION THROUGH INTERNAL AND EXTERNAL TRAINING & DEVELOPMENTAL OPPORTUNITIES:

Skills Training & Development: Training and development of employees remain a significant aspect of the Human Resource plan. Employees have been benefiting from short local and overseas training courses and conferences; ACI courses offered at the ACI training centre located at MBJ; ACI online training and specific technical training for specialized skills. Cross-training is also done within various departments. This initiative aims to increase efficiencies within the departments and to expand employees' knowledge and skills to perform various tasks.

Employee Exchange Programme: This programme is ongoing as its main purpose is to enable employees of MBJ Airports Limited to be exposed to airport operations at sister airports of the GAP and Vantage Airports within comparable capacities. This aims to allow for international exposure in airport operations; enhance future career opportunities, broaden professional experience and improve and/or develop new skills and competencies.

Personal Career Development:

The Tuition Assistance Programme is maintained to encourage team members to work towards achieving personal career objectives, which ultimately contributes to building a highly proficient and educated workforce.

Employee Engagement & Wellness/Well-Being:

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

MBJ Leadership Development:

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

Union Negotiations:

Negotiations with both unions commenced in July 2018. After just a few meeting of robust and productive discussions the negotiations concluded. Heads of Agreement between MBJ Airports Limited and Union of Technical, Administrative and Supervisory Personnel (UTASP) for the period April 01, 2018 to March 31, 2020 was signed on December 14, 2018. Heads of Agreement Between MBJ Airports Limited and Trade Union Congress (TUC) for the period March 1, 2018 to February 28, 2020 was signed on December 17, 2018.

Special Aviation Scholarship:

This Scholarship is available on a one-off basis in celebration of the Company's fifteenth year of operations. It is available only to employees within the TUC bargaining unit pursuing a course of study in the field of Aviation. This scholarship will be granted for a maximum of three (3) years and must be an online programme. The maximum value of this scholarship is Sixteen Thousand, Two Hundred and Fifty United States Dollars (US\$16,250.00).

OPERATIONS DIVISION

OPERATIONS DEPARTMENT

The Jamaica Civil Aviation Authority completed its biannual safety audit of MBJ in December 2018. The audit results reflected significant improvement in all areas to include Operations General, Safety Management System and Maintenance. MBJ received a score of 92.42% for effective implementation and was issued an operating license that is valid for two (2) years.

AUTOMATION OF PARKING FACILITIES

Works have begun to automate the staff and public parking facilities at the airport. The installation process is at an advance stage and testing should begin in short order, while user training is underway.

ENVIRONMENT, HEALTH AND SAFETY PROGRAMS

The following are included in the environmental programs currently in effect at Sangster International Airport (SIA) and are described in detail in MBJ's Environmental Management Plan:

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

During the period the Plan was updated and certification by the local civil aviation authority maintained. Capital projects were undertaken to improve compliance as it relates to Waste Management, namely the incinerator upgrade project, which was aimed at improving unit reliability and efficiencies. This project also saw work undertaken to initiate activities toward meeting regulatory permitting of the facility.

To advance health matters, collaboration with various stakeholders was strengthened and facilitated through work with the local Ministry of Health and its International Health Regulations Stakeholder Group. The period also saw the completion of two UN case studies/ demonstration projects in which MBJ participated. The UNCTAD Climate Change case study was completed with the final report findings produced. THE GEF/UNDP Emissions Reduction project was completed with the installation of electrified gate equipment at one of the gates.

MBJ also maintained its annual participation in the International Coastal clean-up activity through partnership with the Montego Bay Marine Park and collaboration with the entire airport community.

NEW HBS MACHINES

MBJ purchased three L# MV3D Standard 3 hold baggage screening machine to replace the Smiths 10080 EDX machines which are approaching the end of their useful life. The machines are scheduled for delivery and installation in September 2019.

PERIMETER FENCE LIGHTING

MBJ has also continued with multiyear programme installation of solar lighting along the perimeter fence. Approximately 65% of the required lighting along the southern perimeter fence line was completed during the period.

CUSTOMER SATISFACTION

MBJ continues to monitor Stakeholder satisfaction levels through the administration of various surveys. For the year 2018, passenger satisfaction scores have consistently reported above the quality satisfaction target; Comment Cards and Passenger Satisfaction Surveys reported overall satisfaction scores of 83.69% and 80.05% respectively. The results of Customer Satisfaction and Airlines Satisfaction Surveys (68.73% and 66.57% respectively) were below the target; these figures represent marginal improvement of 2.12% and 3.1% above scores for 2017.

Areas that were identified as contributors to low satisfaction levels were Adequacy of Baggage Carousel system, Availability of restaurants and Upkeep of terminal. These areas will be addressed through the Master Plan. Additionally, MBJ Operations will continue to engage stakeholders, by providing opportunities for feedback regarding plans for airport improvement.

HAPPY-OR-NOT KIOSKS

MBJ also introduced an additional means of monitoring service levels through the use of "Happy or Not" Kiosks. These kiosks are strategically located throughout the terminal and provide passengers with the opportunity to rate their level of satisfaction immediately after using a service/facility. A response is sent to relevant MBJ managers in real time and as such issues can be addressed in a timely manner.

PEAK PERIOD OPERATIONS

Air-Sea Operations at SIA commenced on 30 October, 2018 and ended 23 April 2019; operations occurred on four days per week: - Saturday, Sunday, Mondays and Tuesdays. Congestion issues were mostly averted by working with various stakeholders to ensure adequate manpower in all passenger touch points as well as making arrangements to have bags for air-sea flights screened through the domestic check-point.

The Majority of gates that were closed for the Taxiway Rehabilitation were reopened December, in time for peak operations, and as such the need for remote operations was minimal. Airlines did not experience any undue delays due to lack of gates.

EMERGENCY RESPONSE

In compliance with our regulatory requirements, a Full-scale exercise, "Exercise Mockingbird" was conducted on 25 October 2018. This included participants from Mutual Aid agencies and various MBJ Stakeholders; Inspectors from the Jamaica Civil Aviation Authority were also in attendance.

The exercise simulated an aircraft crash on airport and incorporated safety and security elements of emergency response. This was also the first full scale exercise conducted in late evening/night which assisted MBJ in testing its ability to respond to an emergency during under less than optimum conditions.

MAJOR CAPITAL PROJECTS (2018/2019)

MBJ has been engaged in several Major Capital Development Projects during the 2018/2019 period as outlined below:

Completed 2018 Projects

- Apron and Taxiway rehabilitation
- Renovation of Ticketing Hall
- Upgrade of HVAC System (Two new chillers)
- 20 new Immigration kiosks
- 10 Common-Use Self Service Kiosk
- Upgrade of Public Address System
- Upgrade of Lighting (Airside and Landside)
- Replacement of Backup Generators
- Replacement of Constant Current Regulators (CCRs)
- Supply of Specialized Equipment (Rubber Removal Equipment and Sweeper Truck)
- Fleet Modernization (Replacement of 6 pickup trucks)
- Upgrade of 4 Jet Bridges
- Car Park Automation
- Replacement and Upgrade of CCTV, Data Network, Access Control & Alarm Monitoring and PA System

2019 PROJECTS

- Runway Extension (subject to AIF)
- Extension of apron Gates 8-10 (subject to AIF)
- Shoreline protection (subject to AIF)
- New Runway Edge Lights circuit (redundant)
- Replacement of Hold Baggage Screening Equipment
- Check-In Hall Expansion
- Renovation of Restrooms throughout the terminal
- Expansion of Departures Area
- Upgrading and Renovation of Commercial Area
- Upgrading of Jet bridges

1. Check-in Hall Renovation Project

Following a Request for Proposal (RFP) process, MBJ engaged INECO to develop the detailed designs for the renovation of the Check-in Area at the Sangster International Airport.

The scope of work for the renovation project is detailed below:

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

Architectural Rendering for the Check-in Hall Renovation Project: Following the completion of the designs, MBJ subsequently signed an agreement with WEPRO for the renovation of the check-in area in January 2018 at a contract value is USD 3,728 Million. The project was completed in April 2019.



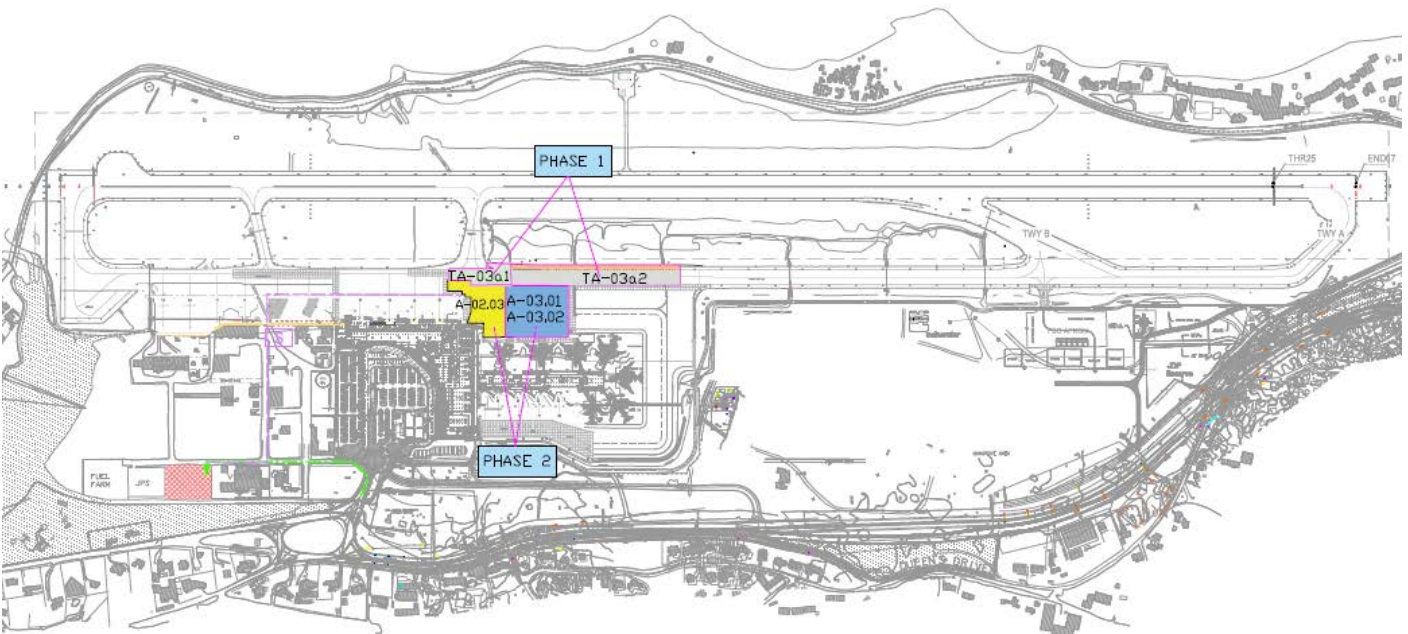
2. Taxiway and Apron Rehabilitation – Asphalt Works

The Taxiway and Apron Rehabilitation – Asphalt Works Project with S&G Road Surfacing and Materials Limited has been completed and all areas have been returned to operation.



3. Taxiway and Apron Rehabilitation – Concrete Works

The Taxiway and Apron Rehabilitation – Concrete Works Project with S&G Road Surfacing and Materials Limited has been completed and all areas have been returned to operation.



4. HVAC Chiller Upgrade

This project will address the current cooling concerns with overall HVAC capacity and chilled water supply temperatures to air handling units located furthest from the current chillers plant resulting in warmer temperatures in the west end of the terminal building. The scope includes the supply and installation of two 400 Ton Air-cooled Chiller, Pumps, controller, pipework, civil and electrical work to serve the western end of the Terminal Building. The new chillers were commissioned in May 2018.

5. Conversion of Taxiway and Apron Lights to LED

The project involves the installation of 4 new high masts by stands 1D to 1F, replacement of the existing lights with LED by the East Concourse Apron and replacement of Taxiway Edge Lights with LED.

6. Master Plan/Terminal Expansion Project

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

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

7. Runway Extension Project

Enabling Works		Airfield Works	
<ul style="list-style-type: none"> Component 1 – Managing Relocation of Public Roads & Utilities 		<ul style="list-style-type: none"> Component 2 – Extension of Runway and Establishment of RESA Component 3 – Relocate Thresholds and Navigational Aids Component 4 – Taxiway 'E' Widening & Jet Blast Screen Component 5 – Perimeter Road and Fencing 	
Shoreline Protection			
<ul style="list-style-type: none"> Component 6 – Shoreline Protection Project 			
Component	Start Date	End Date	
Shoreline Protection	September 2019	February 2020	
Enabling Works	July 2019	February 2020	
Airfield Works	January 2020	February 2021	

The scope of the project involves the implementation of the works defined in the Phase 3 MOU between MJB and AAJ for the Runway Extension and Associated Works Project at SIA.

The project scope includes:

- Managing the Relocation of Public Roads & Utilities
- Relocation of Thresholds and Navigational Aids
- Perimeter Road and Fencing
- Extension of the Runway and Establishment of RESA
- Design & Construct Taxiway 'E' Expansion & Jet Blast Screen
- Shoreline Protection Project

Proposed Runway Extension Layout

MBJ conducted a Request for Proposal (RFP) process to select a Project Management consulting firm. Subsequently, an agreement was signed between MBJ and LeighFisher to provide Project Management Services for the "Phase 3" -Runway Extension Project in January 2018 valued at USD 2.82 Million. The project kick-off meeting was held on February 8, 2018 with major stakeholders including the Executive Management team of the AAJ and the National Works Agency (NWA) who will execute the construction of the Public Roads. The project is now in the Planning and Procurement Phase and stakeholder consultation meetings have been held and are ongoing with the major utility companies who will be impacted by the project, the National Environment Planning Agency (NEPA), the Director General's office of the JCAA, the local Parish Council, the Jamaica Defence Force and Sandals Resort International. The project is divided into four phases (Planning, Procurement, Construction, and Defects Liability Period) and will have a duration of three (3) years.

Note: Component 6 - Shoreline Protection Project



NORMAN MANLEY INTERNATIONAL AIRPORT (NMIA)

35



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

NMIA Airports Limited (NMIAL) was established on September 22, 2003 and began operations in October 2003 to operate the Norman Manley International Airport (NMIA), the premier gateway to Kingston, Jamaica. September 2018 marked the 15th

Anniversary of NMIAL. NMIAL celebrated its Chrystal Anniversary in September and October 2018 with a suite of events. The activities reflected on NMIAL's position in the aviation industry while honouring its valued Concessionaires who have conducted business at the airport over the last fifteen years as well as the employees for their stellar contribution to the success of the organization.

A menu of activities included: A Church Service on Sunday, September 23, which was held at the Boulevard Baptist Church; a Stakeholders Awards Gala on November 9, 2018 at the Jamaica Pegasus Hotel. Each Stakeholder with 15 years and over business relationship received an award; A newspaper supplement published and distributed which will feature highlights of the anniversary events as well as congratulatory messages from Stakeholders; A special Christmas event for staff, as the final such event before the privatisation of NMIA, where many employees will cease working for the AAJ based on transfer to PACKAL or transitioning to other ventures.

COMMERCIAL, ROUTE DEVELOPMENT AND MARKETING

The commercial programme at NMIA benefitted from the implementation of the following initiatives:

- Opening of Sun Style kiosk in the Departures Lounge in - July 2018
- Official opening of a new Medical Facility, Palisadoes Health Services- August 2018
- Introduction of Prepaid Credit Card Service by Alliance Payment Services Limited - September 2018
- Completion of state-of-the-art Warehouse by ShipMe, with operations to commence in the 2019-20 fiscal year.

Much of the prospects for new commercial business, however, were passed on to PCKAL for consideration in light of the imminent takeover of operations at NMIA.

Aviation traffic increased at NMIA during 2018-19 with Delta adding New York to its schedule; Spirit increasing to daily activity from Fort Lauderdale; Copa increasing flights to Kingston; Caribbean Airlines hosting passengers on arrival on April 5th with a carnival party; and Cayman Airways celebrating 50 years having started operations on April 7, 1968, with Kingston, Jamaica as the first international destination shortly after start up. One of NMIA's carriers, Fly Jamaica, had the misfortune of a crash landing at the Cheddi Jagan International Airport in Guyana, while its other aircraft was undergoing routine maintenance, resulting in the temporary suspension of service. This affected passengers negatively and resulted in a decline in the in-transit passenger flow through NMIA from Guyana.

NMIAL received the Allied Member Award from the Jamaica Hotel and Tourist Association (JHTA) at event held on June 16, 2018 for the work done in facilitating the activities of the JHTA. NMIAL serves on the Kingston Chapter of the JHTA and is an active sponsor of Kingston City Run, now the Kingston City Marathon.

CAPITAL DEVELOPMENT PROGRAMME

CAPITAL DEVELOPMENT PROGRAMME (Projects/EMP)

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

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

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

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

Phase 2
(US\$15M) - Implementation - 2017/2018 to 2022/2023 This phase was eliminated based on an updated master Plan and a revised capital program for the proposed PPP.

Phase 2A (22% complete)
(US\$12.463M) - Implementation - 2017/2018 to 2019/2020.

Projects that are critical to the operations of the airport were selected for implementation whilst the efforts to secure a Private Operator for the airport was underway.

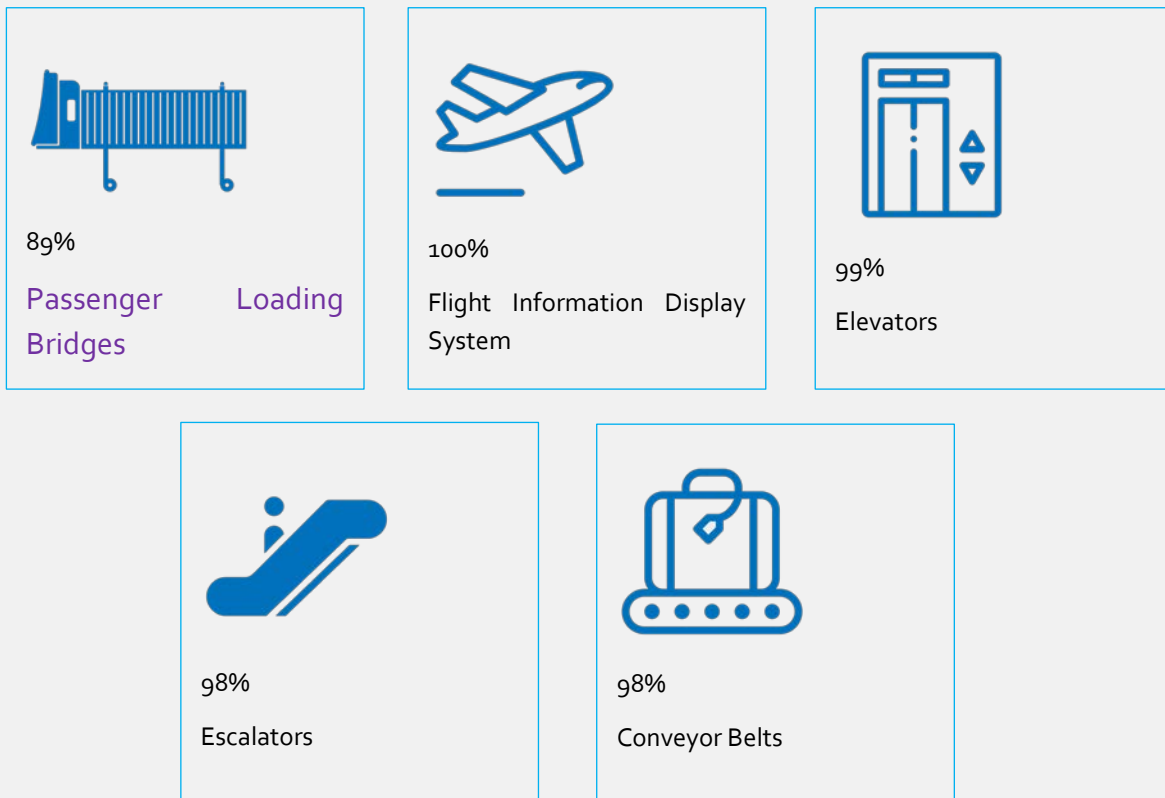
AIRPORT OPERATIONS

NMIA continued to implement systems and procedures to safeguard operational readiness, and as such improved the development of systematic approaches for the efficient processing of passengers throughout the airport terminal with safety and security being of paramount importance. Several training were done online and while others were held at AAJ Learning and Development Centre (LDC).

Operations at NMIA proceeded for the period 2018/19 with minimal disruption to passengers' movement and flight activities. NMIAL also performed creditably in the benchmark Airport Council International (ACI) Airport Service Quality (ASQ) survey for Airports in Latin America and the Caribbean. NMIA was ranked 9 out of a total of thirty-five (35) airports.

The critical equipment that supports the overall operations performed well in most areas as most of the performance targets were either met or surpassed. Some of the targets not met due to aging equipment and the lack of inventory for critical parts. This deficit is being addressed.

Operational Availability



SAFETY MANAGEMENT SYSTEM

The Safety Management System (SMS) Department fosters the development of structured aviation business plans to manage safety, reduce accidents and costly safety significant events, while increasing operational efficiency.

For the year in review, continuous safety awareness training and promotion were carried out. SMS awareness training was conducted for one hundred and eight-two (182) NMIA employees. All SMS key personnel were trained.



The circulation of the Safety e-Newsletters was done quarterly and the inaugural Safety Week was held from June 18-22 2018. A Safety Desk was established in the ticketing concourse for airport users and staff to deposit their suggestions and reports. Online reporting interface was also established.

Two safety critical activities were conducted during the period, namely an Evacuation Drill and Full Scale Emergency Exercise were in June 2018 and October 2018 respectively. Continuous hazard identification and risk assessments were conducted throughout the year. The data was analysed by the Safety Department and as a result Safety Directives were issued. A mandatory PPE directive was issued for all persons going on the airside as a result of increased injury reports. Eight emergency eyewash machines were installed throughout the Airport facility for use in the event of an emergency.

AVIATION SECURITY

The NMIAL Aviation Security Department is supported by contracted security providers: the Port Security Corps Ltd., which has the responsibility to monitor activities on the airside and security restricted areas, and Marksman Limited with responsibility for security on the landside.

The Aviation Security Department procured two new X-Ray machines (Hi-Scan 6040) from Sectus Technologies. These were installed at the Pre-board screening points. Port Security Officers as well as AVSEC Agents were trained on how to use these machines.

The Tenant Security Programme Submissions continued throughout the year and approximately 70% of the submissions due from stakeholders have been received. The department continues to work closely with the remaining stakeholders for the submission of their outstanding documents as this is critical for the NMIA certification.

Training and development of the Aviation Security Agents continued throughout the year, in courses such as Train the Trainer, Airport Security Supervisor Training, Certificate in Airport Security, Emergency & Crisis Management, Audit & Compliance Training, Managing Service Quality among others.

AIRPORTS PROTECTION SERVICE (APS)

The Airports Protection Service (APS) provides Aircraft Rescue and Firefighting (ARFF) Services to include responding to all medical, structural, and motor vehicle incidents on the airport and within the five kilometer radius. The department includes Firefighters working on a 24-hours/4 shift rotation. Additionally, there is also a Medical Post manned by Industrial Nurses.

During 2018/19 the APS responded (274) aircraft training standby, two (2) motor vehicle accidents and ten (10) aircraft emergencies. The nurses at the Medical Post had a busy year attending to two thousand eight hundred seventy-nine (2,879) medical cases inclusive of NMIAL staff, passengers and other members of the airport community. Ensuring that we are equipped to adequately respond and treat medical emergencies on the airport, we have ordered five (5) additional Automated External Defibrillators (AED). These will add to the AED's already deployed and will be placed strategically throughout the airport.

A number of NMIAL staff were recertified as Emergency Medical Technicians basic (EMT-B). Five (5) members of staff were also trained in Mass Casualty Management, two (2) Nurses, one (1) AVSEC agent and two (2) APS members. Life safety training was conducted, in which nine (9) safety marshals participated in live fire training using fire extinguishers. Life safety training was also conducted for stakeholders on the tenant block; this culminated in an evacuation drill. Inter-Agency training on Aircraft Familiarization was conducted with thirty (30) Officers from our response partner the Jamaica Fire Brigade.

Fourteen (14) personnel were recruited, trained and employed to increase the ARFF staffing at the APS. Four (4) members were also trained as ARFF driver/operators, thus increasing the number of drivers within the APS department thereby significantly reducing overtime expenditure.

A full scale emergency exercise (Water Aviation Emergency Simulation, W.Av.E.S.) simulating an aircraft ditching in the Kingston Harbour was conducted in October 2018. Four hundred and forty-five (445) participants and thirty-four (34) agencies participated. The learning experience from this exercise assisted the management and staff in identifying the areas that need improvement as well as additional equipment required to achieve an effective rescue operation in the event such an incident occurred.

ENVIRONMENTAL MANAGEMENT AND SUSTAINABILITY

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

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

As part of the ICAO/UNDP-GEF Environmental Pilot Demonstration Project 'Transforming the Global Aviation Sector: Emissions Reduction from International Aviation', the pilot 'Solar-At-Gate-Project' undertaken at NMIA has been noteworthy. Under the project, there was the successful installation of solar facilities. The 'Solar-at-Gate' power supply facility replaced two (2) power sources and reduces the carbon footprint of aircraft while at the gate.

IFIA AND THE AERODROMES

The operations of the Ian Fleming International Airport (IFIA) and the three domestic aerodromes (Tinson Pen, Negril and Ken Jones) continued to be subsidized by the AAJ. The aerodromes remain relevant and continued to play its role in the international/local aviation infrastructure. The focus of operations at IFIA and the aerodromes continues to be on improved efficiencies while minimizing the level of expenditure and optimizing revenue with the ultimate aim of reducing the level of aerodrome subsidy.

IAN FLEMING INTERNATIONAL AIRPORT

Since the upgrade of Boscobel aerodrome to an International Port of Entry (IPE) in 2011, IFIA has attracted operators of privately owned aircraft and facilitates general aviation activities such as, chartered, corporate/business, training, experimental, international and domestic flights. Notwithstanding, it is deemed necessary to facilitate commercial flight activities to provide better travel options for visitors and locals, and to optimise the use of the facility. Further upgrade of the facility therefore continued in anticipation of an increase in international and domestic commercial aircraft activities.

The main achievements during the period 2018-19 were:

- Procurement and commissioning of a new fire truck
- Procurement of an x-ray machine for checked luggage screening
- Continued to foster strategic partnership with local and international stakeholders
- Continued to ensure compliance with all regulatory requirements
- Renovation and improved aesthetics of Pilot's lounge



For the 2019-2022 period an amount of US\$9.32m has been budgeted for capital project. This includes a provision for infrastructure strengthening, enabling and development work to support the widening of the Runway by 1.5 metres on both sides and the installation of a new turning pad. The terminal building is also being expanded by 1700 sq. ft. to include a new Departure Lounge and other amenities to accommodate processing 90-100 passengers per hour. This is to be completed by October 2019.

The AAJ continues to work on a proposal to extend the Runway at IFIA from 4,800 feet to 5,500 feet, and in so doing complete all the pre-feasibility evaluations, including environmental impact assessment, as well as financial/economic evaluation for the project. The proposed project is subject to the requisite review and approval by the Ministry of Transport and Mining, the Public Investment Management Committee (PIMC) and the Cabinet. An allocation has been made in the budget for a further expansion of IFIA to be guided by a Master Plan which should be completed by the 4th quarter of the new fiscal year.

Aerodromes

Tinson Pen

The aerodrome has seen an increase in corporate/business aviation activities and a greater demand for the facility to be used for non-aeronautical activities such as, video/photo shoots and social activities. In addition to these activities, the following aeronautical activities are conducted at the aerodrome:

- Aircraft maintenance and refueling
- Cargo and mail courier service
- Flight school operation
- General (private) aviation
- Hangar operation



During 2018/19 AAJ's portfolio Minister, the Honourable Robert Montague, advised that the Tinson Pen Aerodrome is to remain operational for all aviation related activities, until a suitable city location is identified for its relocation and the facility would therefore become available for use by the Port Authority of Jamaica. Non-operational lands were leased to Kingston Wharves for motor car storage. This significantly improved the revenues for the aerodrome. Commercial flight activities and infrastructural development to include a Pilot's lounge will be some of the main deliverables for the 2019/20 financial year.

Negril

The Negril aerodrome deemed the busiest aerodrome in terms of aircraft movements. The passenger traffic at Negril is mainly by air taxi service operated between SIA and the aerodrome. The aerodrome has seen the re-institution of the Aircraft Rescue & Fire Fighting Service (ARFFS) which was a necessary JCAA regulatory requirement.

A new fire station will be constructed as part of the infrastructural development, in addition to the refurbishing of the terminal building to include a Pilot's lounge. Domestic commercial flight activities will also be a major feature of the aerodrome.



Ken Jones

Ken Jones is the least active of all the aerodromes. There are immediate plans to undertake significant maintenance works at the aerodrome during the period 2019-20. Routine maintenance was ongoing to the terminal building, staff accommodations and perimeter fencing. The aerodrome was used and continues to receive requests to host non-aeronautical social activities. An increase in domestic general aviation activities is anticipated over the planning horizon.



VERNAMFIELD AERODROME

Plans are being made for the 2019/20 – 2022 project horizon. Phase 1 will focus on site clearance, perimeter fencing as well as testing, rehabilitation and marking of the runways. The construction of the Terminal Building is also included in this phase. In phase 1, the Aerodrome is being rehabilitated for reactivation at a cost of approximately J\$300m on the existing runway footprint. The AAJ is also completing geotechnical surveys and securing permits from the JCAA for establishment of aerodrome activities and acquiring the necessary lands through the National Lands Agency.

HUMAN RESOURCE MANAGEMENT AND ADMINISTRATION

The organization's human capital development programme continued in fulfillment of its mandate to develop, implement and support initiatives which facilitates improved employee performance, empowerment, growth and retention, welfare and safety in support of the operational goals of NMIA Airports Limited. As at March 31, 2019 the total number of personnel employed to NMIAL was three hundred and sixteen (316).

EMPLOYEE TRAINING

NMIAL's training policy is geared towards functional and developmental training at the departmental level, and is geared towards equipping employees with the necessary technical skills, knowledge and behaviours to perform their current duties effectively while positioning for additional and new duties. To this end, the organization facilitated short term in-class and online training programmes for airport specific knowledge and skills in an effort to build and enhance competence in this area.

For the 2018/19 period, 307 employees out of an average workforce of 316 employees participated in various training programmes totaling 440 man-days of training. This is an average of 1.4 man-days of training per employee for in-class training in relation to the overall workforce.

EMPLOYEE DEVELOPMENT

For the period training and development opportunities offered business and technical skills development programmes as well as personal development for employees. Modalities for training and development activities included in-class and on-the-job training in functional areas, job rotation, cross training, job enrichment and special project assignments for employees. NMIAL, in continuance of its support for employees' career and personal development, approved Tuition Assistance awards to 32 employees. The total awards amounted to J\$26,915,876.94 for 6 employees reading at the undergraduate level and for 26 employees pursuing degrees at the graduate level.

EMPLOYEE WELFARE PROGRAMME

The primary goal of the Employee Welfare Programme is to encourage and educate employees about the importance of adopting a healthy lifestyle. The main benefits of the Programme are reduced lifestyle illnesses, alertness and ability to deal more effectively with stress and foster a cooperative environment. For this reason, the wellness programme consists of a combination of complimentary initiatives that will assist in the achievement of the organisation's objectives. For the period April 2018 to March 2019 there were a number of organized wellness and social activities which took the form of 5K runs/walks, hikes, futsal and netball competitions as well as financial seminar.

In March 2018, 180 employees and guests participated in the Kingston City Run while 12 employees took part in the Forestry Department's Trek to the Cambridge Backlands, Portland. A team of 21 persons participated in the Food for the Poor 5K Run/Walk in May 2018. In July 2018 a team of 27 participants from the organization attended the inaugural Jamaica Moves 5K Run/Walk.

A total of 36 employees accompanied by their friends and family participated in the Digicel Night Run in October 2018. The Heart Foundation's Heroes of the Heart 5K, the first running event for 2019 was held in February with participation from the organization of 22 staff members and their guests.

The annual AAJ/NMIAL Staff Christmas Event was held on December 14, 2018 at Hope Gardens; and was the first time the annual event has been held at a location off the airport. The staff party was dubbed: "Crystal and Bling – Last lick edition" to commemorate the final such event before take over by the new private operator.

A Financial and Entrepreneurial Fair was held in March 2019 and involved over 16 financial services providers and private entities. The major objective behind this Fair was to empower employees with as much information as possible, to assist with planning and preparing for their next steps post privatization.

Under the Scholarship for Children of Employees programme a total of 44 new awards were made for 25 primary level bursaries, 10 secondary scholarships (secondary lower – 5 & secondary upper – 5), 6 tertiary scholarships and 3 book grants for the 2018 - 2019 academic year. The total disbursement was \$ \$8,111,145.50 for new and recurring scholarship awards.

AIRPORT PRIVATIZATION AND CHANGE MANAGEMENT

Further to the planned privatization of the airport, the HRMA Division implemented its Change Management and Transition Programme. This programme facilitated the preparation of employees for the upcoming transition to a private airport operator. Some of the activities included:

- ✓ Cultural Integration Seminar
- ✓ Managing Personal Change
- ✓ General Staff Meetings
- ✓ Retirement & Financial
- ✓ Information Bulletins
- ✓ Resume and Interview Workshop

PUBLIC PRIVATE PARTNERSHIP-NORMAN MANLEY INTERNATIONAL AIRPORT

The Government of Jamaica (GoJ) continued implementation of the Public Private Partnership ("PPP") exercise to identify a private sector operator with proven experience in the aviation sector to finance, develop, operate and maintain the NMIA. The eight (8) pre-qualified bidders, having received the Request for Proposal and Draft Concession Agreement, are currently undertaking due diligence activities.

By way of the PPP initiative the GoJ is seeking to:

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

INFRASTRUCTURE

NMIA is a well maintained and modern airport facility which has undergone substantial expansion and redevelopment. Over US \$150 million has been invested in the infrastructure at the Airport since 2004, when NMIA embarked on a major Capital Development Program involving the redevelopment and upgrading of the Airport, including a large terminal expansion and refurbishment, upgrading the airport access roads and parking lots and the development of the first phase of the NMIA Cargo and Logistic Centre, as well as additional improvements. It is estimated that the present passenger terminal has sufficient capacity, with minor modifications, to handle the forecasted traffic through 2038. The Airport, which is scheduled to commence an extension of the runway to implement Runway End Safety Areas (RESAs) in accordance with ICAO standards, can accommodate a total of 16 commercial aircraft, including 2 Code B, 8 Code C and 6 Code E aircraft.

LEGAL & REGULATORY FRAMEWORK

45

The GoJ has appropriate institutional structures in place to manage and administer PPPs and has a proven track record through the successful implementation of a PPP at the Sangster International Airport (SIA), among other government assets. Both the SIA and the NMIA are Scheduled Airports regulated under the Airports (Economic Regulation) Act. This allows for the JCAA to regulate and cap maximum airport user charges. Scheduled Airports must be granted Permission to Levy Charges from the JCAA. NMIA's Permission will be transferable to a new operator. Regulatory reviews occur every five (5) years. The last review was concluded in November 2014 and the adjustments to regulated charges associated with that review were implemented in April 2015.

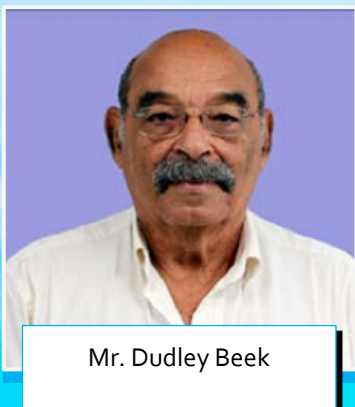
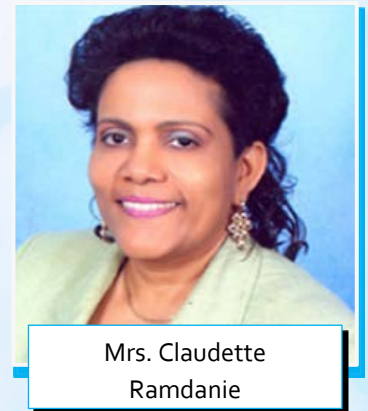
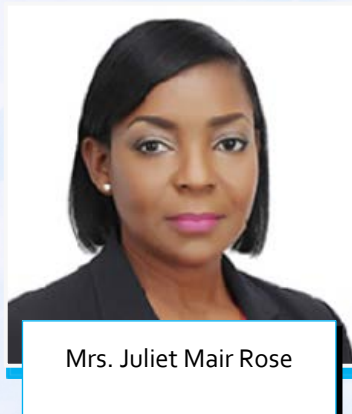
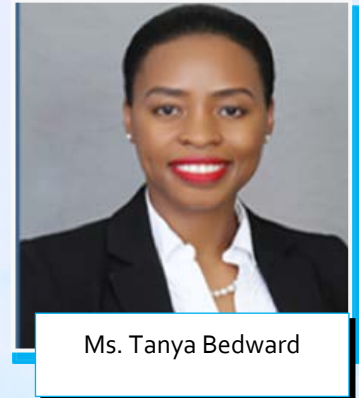
Jamaica subscribes to a liberalized regime regarding Air Services Agreements (ASAs), and is a signatory of twenty-six (26) bilateral ASAs. Fifteen (15) ASAs have been initialled between Jamaica and other states (ASAs being applied administratively).



Aerial view of a section of the airside and terminal of the Norman Manley International Airport , Kingston

----- Intentionally Left Blank -----

Board of Directors



Executive Team



Mr. Audley Deidrick
CHIEF EXECUTIVE OFFICER



Mr. Carvell Mcleary
SNR. DIRECTOR HRM &
ADMINISTRATION



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



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



Ms. Verona Vacianna
GENERAL COUNSEL



Mr. Dale Davis
CHIEF OPERATIONS OFFICER



Mr. Samuel Manning
SNR. DIRECTOR FINANCE

DIRECTORS' COMPENSATION: April 2018 - March 2019

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
Hon William Shagoury Chairman of the AAJ Board	593,800.00	178,609.00	NIL	NIL	772,409.00
Leroy Lindsay Chairman Projects Sub-committee	408,800.00	100,352.00	NIL	NIL	509,152.00
Dr Meredith Hypolite Derby Chairperson of the Finance Committee	308,535.00	29,234.00	NIL	NIL	337,769.00
Claudette Ramdanie -Chairperson of Audit & Risk Sub-Committee	422,400.00	42,566.00	NIL	NIL	464,966.00
Denton Campbell - Chairperson of Operation & Business Development Sub-Committee	473,800.00	438,968.00	NIL	NIL	912,768.00
Fay Hutchinson - Chairperson for Art Sub-Committee	502,900.00	77,683.00	NIL	NIL	580,583.00
Tanya Bedward -Director	396,900.00	67,080.00	NIL	NIL	463,980.00
Juilet Mair-Rose - Director	413,400.00	62,969.00	NIL	NIL	476,369.00
Epsi Cooper-Morgan - Director	153,600.00	79,798.00	NIL	NIL	233,398.00
Dudley Beek -Director	174,700.00	110,290.00	NIL	NIL	284,990.00
	3,848,835.00	1,187,549.00	NIL	NIL	5,036,384.00

Note:

Summary of Directors Fees & Expenses

	J\$
Directors Fees & Expenses (see table above)	\$ 5,036,384.00
Co-op Committee Members Fees	\$ 370,052.00
All other related Board expenses	\$ 4,868,498.52
	\$ 10,274,934.52

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 payment of business related telephone charges.
4. Dr. Meredith Derby and Mr. Audley Deidrick resigned as Directors effective June 2018.
5. Mr Dudley Beek and Mrs Epsi Cooper Morgan were appointed as Directors effective July 2018.

* See Executive compensation for the Director/President

SENIOR EXECUTIVE COMPENSATION: April 2018 - March 2019

Position of Senior Executive	Salary	Gratuity	Travelling Allowance	Pension or Other Retirement Benefits	Other Allowances	Total Payroll	Non-Cash	Grand Total
President - Audley Deidrick	11,290,031	2,815,291.00	4,377,312	-	3,785,626	22,268,260	293,883	22,562,143
General Counsel - Verona Vacianna	7,936,814	2,097,789.00	2,960,064	-	2,230,532	15,225,199	226,282	15,451,481
AAJ	19,226,845	4,913,080	7,337,376	-	6,016,158	37,493,459	520,165	38,013,624
Chief Operating Officer - Dale Davis	8,490,730	-	2,960,064	-	1,671,825	13,122,619	244,646	13,367,265
Snr. - Director -Finance - Samuel Manning	7,722,476	1,913,199	2,960,064	-	2,887,520	15,483,259	197,876	15,681,135
Snr. Director - HRMA - Carvell Mcleary	8,108,600	1,934,942	2,960,064	-	2,493,362	15,496,968	163,469	15,660,437
Snr. Director - CD&P - Alfred McDonald	7,672,411	1,810,092	2,960,064	-	2,608,740	15,051,307	228,149	15,279,456
Snr. Director - EMP - Horace Bryson	7,242,088	-	2,960,064	-	1,694,805	11,896,957	188,191	12,085,148
NMIAL	39,236,305	5,658,233	14,800,320	-	11,356,252	71,051,110	1,022,331	72,073,441
CONSOL	58,463,150	10,571,313.00	22,137,696	-	17,372,410	108,544,569	1,542,496	110,087,065

Notes

- ✓ All members of the Executive Management are eligible to receive 25% of their annual basic salary as gratuity in lieu of pension benefits.
- ✓ Executives are eligible to receive travelling allowance
- ✓ Other Allowances is comprised of meal, clothing and laundry allowances
- ✓ Non-cash Allowances include Group Life & Health Insurance coverage
- ✓ An Upkeep Allowance is paid and is represented in the column labeled "Travelling Allowance".
- ✓ The non-cash items (health & life insurance) of \$409,367 are not reflected in nor regarded as management compensation shown in the audited financial statements.

NMIA AIRPORTS LTD. BOARD MEMBERS ATTENDANCE APRIL 2018 – MARCH 2019

	Hon. William Shagoury Chairman	Mr. Audley Deidrick President	Mr. Denton Campbell	Dr. Meredith Derby	Mr. Leroy Lindsay	Mrs. Juliet Mair Rose	Mrs. Faye Hutchinson Deputy Chairman	Ms. Claudette Ramdanie	*Mrs. Epsie Cooper- Morgan	*Mr. Dudley Beek	Ms. Tanya Bedward
April 2018	•	•	•	•	•	•	•	•			•
May 2018	•	•	•	•	•	•	•	•			•
Jun. 2018	•	•	•	•	•	•	A	•			•
Jul. 2018	•	R	•	R	A	A	•	•			•
Aug. 2018	-	-	-	-	-	-	-	-	-	-	-
Sep. 2018	•		•		•	•	•	•	A	•	•
Oct. 2018	•		•		•	•	•	•	A	•	•
Nov. 2018	A		•		•	•	•	•	•	•	•
Dec. 2018	•		•		•	•	•	•	•	A	•
Jan. 2019	•		•		•	•	A	•	•	•	•
Feb. 2019	M E E T I N G C A N C E L L E D										
Mar. 2019	•		•		A	•	•	•	•	•	•
TOTAL	9	3	10	3	8	9	8	10	4	5	10

Notes:

- √ Dot (•) denotes present.
- √ 'A' denotes absent.
- √ "R" – denotes resigned as a Director.
- √ *Mr Dudley Beek and Mrs Epsi Cooper Morgan were appointed as Directors effective July 2018.
- √ Board goes on recess in August of each year.

AWARDS & EVENT HIGHLIGHTS



PRESIDENT'S TROPHY COUNTY CHAMPIONS

PRESENTER(S):

Mr. Audley Deidrick (President AAJ/CEO, NMIAL)

Dr. Janine Dawkins (Chief Technical Director, Ministry of Transport & Mining)



CORNWALL

FROM TECHNICAL HIGH SCHOOL



MIDDLESEX

MANCHESTER HIGH SCHOOL



SURREY

THE QUEENS PREPARATORY SCHOOL

TOP ART TEACHER

PRESENTER:

Mrs. Carole Fox (Country Manager, InterCaribbean Airways)



Ms. Simone Simpson
THE QUEENS PREPARATORY SCHOOL

OFFICIAL CAKE CUTTING OF THE CHAMPIONS



Congratulations!

For More Photos/Information visit us



www.nmia.aero

jetBlue



interCaribbean Airways
Connecting you and the Caribbean

BRITISH AIRWAYS



THANKS TO OUR PRIZE SPONSORS

- Airports Authority Of Jamaica -

Rewarding, Showcasing And Celebrating The Creativity Of Jamaican Youths



SEASON 5

make your art come alive!



OVER 40 YEARS OF SERVICE
Established 1974

Schools' Art Project 2018

WHO CAN PARTICIPATE?

CHILDREN
(Category A) Age 5-9 Years Old

TWEENS
(Category B) Age 10-14 Years Old

YOUNG ADULTS
(Category C) Age 15-19 Years Old

SPECIAL NEEDS
(Category D) Young Adults & Children / Age 20 years and under

WHAT TO SEND?

Artwork on canvas, water colour paper or drawing paper (size 30 x 30) inches portraying any **ONE** of the themes below:

THEME #1
A PORTRAIT OF MY HERO

THEME #2
THE IMPACT OF SINGLE-USE / DISPOSABLE PLASTICS ON THE MARINE ENVIRONMENT

THEME #3
ONE LOVE... ONE WORLD!

HOW TO SEND?

Drop off or mail original artwork (with student contact sheet) at/to any of the following Airports Authority of Jamaica (AAJ) outlets:

- **ONLY** one entry per student allowed.
- Scanned or digital copies of artwork will not be accepted.

AAJ Administration Office NMIA Airport, Palisadoes, Kingston	Ian Fleming International Airport Boscobel, St. Mary	Tinson Pen Aerodrome Marcus Garvey Drive, Kingston
AAJ Administration Office Sunset Boulevard, Montego Bay	Ken Jones Aerodrome St. Margaret's Bay, Portland	Negril Aerodrome Norman Manley Boulevard, Hanover

RECOGNITION, PRIZES & AWARDS

- Individual awards for top three students in each category (A,B,C,D)
- AAJ President's Trophy & Cash Award for the school with the highest quality/quantity submissions in each County.
- Certificate of Achievement for the top 10 performers in each category (A,B,C,D)
- Special selections will be prominently displayed (with student/school recognition) in the main Passenger Terminal of the Norman Manley Int'l Airport
- Airline tickets, Cash, Scholarships, Tablets, Smart phones and School bags

Deadline for Entries:

November 16, 2018 at 1:00pm.

Download Competition Rules and Guidelines from our website : www.nmia.aero

For more information: Email aaaj@aaaj.com.jm | call 316-6853 / 924-8835-7 | follow us on [Twitter](#) @NMIAJA [Instagram](#) @nmiaja [Facebook](#) NormanManleyInternational [YouTube](#)

FOR ART EDUCATORS ONLY 1 Day Art Symposium

"Unlocking Creative Potential"

DATE
FRIDAY,
OCTOBER 5th

VENUE
AAJ Learning & Development Centre,
Norman Manley International Airport,
Palisadoes, Kingston

TIME
STARTS: 9:00 AM
ENDS: 4:00 PM

MAIN PRESENTERS



Mr. DWAYNE LYTTLE
National Gallery of Jamaica
TOPIC:
Print Making With Found Objects:
Unlocking The Instructional Potential



Mr. STANFORD WATSON
Edna Manley College of the
Visual & Performing Arts
TOPIC:
The Necessary Fundamentals Of Art



Mrs. SANA ROSE- SAVAGE
Jamaica Cultural
Development Commission
TOPIC:
The Power Of Practice

PLUS
AIRPORT ART TOUR • WORKSHOPS • PANEL DISCUSSIONS

REGISTER NOW TO PARTICIPATE @ WWW.NMIA.AERO
ADMISSION BY ONLINE REGISTRATION ONLY

BROUGHT TO YOU BY:



FINANCIAL STATEMENTS





Airports Authority of Jamaica

**Financial Statements
31 March 2019**

Airports Authority of Jamaica

Index

31 March 2019

	Page
Independent Auditor's Report to the Members	
Financial Statements	
Consolidated statement of comprehensive income	1
Consolidated statement of financial position	2
Consolidated statement of changes in equity	3
Consolidated statement of cash flows	4
Authority statement of comprehensive income	5
Authority statement of financial position	6
Authority statement of changes in equity	7
Authority statement of cash flows	8
Notes to the financial statements	9 – 60



Independent auditor's report

To the Members of Airports Authority of Jamaica

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

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of Airports Authority of Jamaica (the Authority) and its subsidiary (together 'the Group') and the stand-alone financial position of the Authority as at 31 March 2019, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards and the Airports Authority Act.

What we have audited

Airports Authority of Jamaica's consolidated and stand-alone financial statements comprise:

- the consolidated statement of financial position as at 31 March 2019;
- 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 2019;
- 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 consolidated and stand-alone financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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



Independence

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

Responsibilities of management and those charged with governance 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 and for such internal control as management determines is necessary to enable the preparation of consolidated and stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group and Authority'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 the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Authority's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Chartered Accountants
7 August 2019
Kingston, Jamaica

Airports Authority of Jamaica

Consolidated Statement of Comprehensive Income

Year ended 31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
Revenue –			
Airports		9,341,358	8,366,205
Aerodromes		<u>85,301</u>	<u>40,681</u>
		<u>9,426,659</u>	<u>8,406,886</u>
Direct expenses –			
Airports		(4,614,160)	(4,207,044)
Aerodromes		<u>(298,808)</u>	<u>(429,441)</u>
		<u>(4,912,968)</u>	<u>(4,636,485)</u>
Gross Profit		4,513,691	3,770,401
Other operating income	5	1,374,157	1,513,930
Administration expenses		(469,783)	(398,465)
Privatisation costs		(76,680)	(69,161)
Finance costs	8	<u>(18,184)</u>	<u>(428,575)</u>
Profit before Taxation		5,323,201	4,388,130
Taxation	9	<u>(1,084,672)</u>	<u>(839,641)</u>
Net Profit	10	<u>4,238,529</u>	<u>3,548,489</u>
Other Comprehensive Income			
Items that will not be reclassified to profit or loss –			
Re-measurement of post-employment benefits, net of taxes		(34,736)	(11,309)
Items that may be subsequently reclassified to profit or loss –			
Foreign currency translation adjustments		<u>(294,415)</u>	<u>(175,943)</u>
Total other comprehensive income		<u>(329,151)</u>	<u>(187,252)</u>
Total Comprehensive Income		<u>3,909,378</u>	<u>3,361,237</u>

Airports Authority of Jamaica

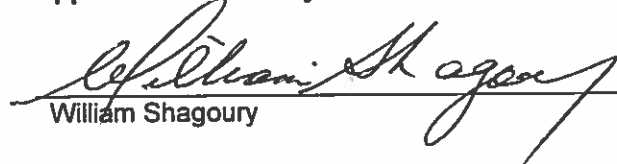
Consolidated Statement of Financial Position

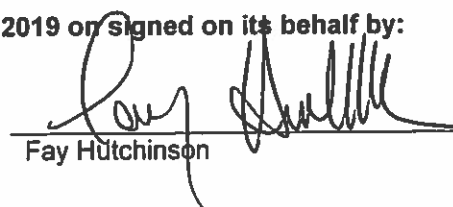
31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
Non-Current Assets			
Property, plant and equipment	11	15,616,988	15,327,713
Intangible assets	12	21,996	14,959
Investments	13	2,544,585	538,664
Deferred income tax	15	1,208,763	1,641,201
		<u>19,392,332</u>	<u>17,522,537</u>
Current Assets			
Inventories	16	60,922	56,968
Receivables	17	3,473,153	3,536,737
Investments	13	1,996,783	2,531,620
Cash and short term deposits	18	4,597,475	5,671,772
		<u>10,128,333</u>	<u>11,797,097</u>
Current Liabilities			
Payables	19	466,907	415,538
Borrowings	20	1,160,558	1,501,018
Taxation payable		351,889	1,103,530
		<u>1,979,354</u>	<u>3,020,086</u>
Net Current Assets		<u>8,148,979</u>	<u>8,777,011</u>
		<u>27,541,311</u>	<u>26,299,548</u>
Shareholders' Equity			
Share capital	21	76,091	76,091
Retained earnings	10	19,499,003	15,472,635
Other reserves	22	(980,306)	(685,891)
		<u>18,594,788</u>	<u>14,862,835</u>
Non-Current Liabilities			
Borrowings	20	8,526,330	11,058,273
Grants	23	145,985	164,984
Post-employment benefit obligations	24	274,208	213,456
		<u>8,946,523</u>	<u>11,436,713</u>
		<u>27,541,311</u>	<u>26,299,548</u>

Approved for issue by the Board of Directors on 5 August, 2019 or signed on its behalf by:


 William Shagoury Chairman


 Fay Hutchinson Director

Airports Authority of Jamaica

Consolidated Statement of Changes in Equity

Year ended 31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares	Share Capital	Retained Earnings	Other Reserves	Total
	'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2017	76,091	76,091	12,635,452	(509,948)	12,201,595
Net profit	-	-	3,548,489	-	3,548,489
Re-measurements of post-employment benefits, net of taxes	-	-	(11,309)	-	(11,309)
Foreign currency translation adjustment	-	-	-	(175,943)	(175,943)
Total comprehensive income	-	-	3,537,180	(175,943)	3,361,237
Dividends paid	-	-	(699,997)	-	(699,997)
Balance at 31 March 2018	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	-	-	(34,736)	-	(34,736)
Foreign currency translation adjustment	-	-	-	(294,415)	(294,415)
Total comprehensive income	-	-	4,203,793	(294,415)	3,909,378
Dividends paid	-	-	(177,425)	-	(177,425)
Balance at 31 March 2019	76,091	76,091	19,499,003	(980,306)	18,594,788

Airports Authority of Jamaica

Consolidated Statement of Cash Flows

Year ended 31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

	2019 \$'000	2018 \$'000
Cash Flows from Operating activities		
Net profit	4,238,529	3,548,489
Items not affecting cash resources:		
Depreciation and amortisation	1,084,373	1,104,052
Interest income	(272,465)	(250,581)
Exchange gains on foreign balances	16,848	271,994
Grants amortised	(1,488,898)	(1,684,282)
Taxation charge	1,084,672	839,641
Interest expense	456,240	626,870
Change in post-employment benefit obligation	14,438	15,647
	<u>5,133,737</u>	<u>4,471,830</u>
Changes in operating assets and liabilities:		
Inventories	(3,954)	(519)
Change in restricted cash	-	27,597
Receivables	(54,157)	(579,834)
Payables	57,819	(84,987)
	<u>5,133,445</u>	<u>3,834,087</u>
Translation adjustment	(120,526)	204,289
Taxation paid	<u>(1,401,110)</u>	<u>(806,992)</u>
Cash provided by operating activities	<u>3,611,809</u>	<u>3,231,384</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment and intangible assets	(1,353,735)	(820,196)
Purchase of financial instruments	(1,479,205)	(3,005,135)
Proceed from disposal of property, plant and equipment	-	4,564
Purchase of Intangible Assets	(9,740)	(12,592)
Interest received	272,465	250,874
Cash used in investing activities	<u>(2,570,215)</u>	<u>(3,582,485)</u>
Cash Flows from Financing Activities		
Interest paid	(2,382,579)	(928,588)
Grants received	1,469,899	1,356,294
Loan repayments	(1,010,324)	(2,401,497)
Dividend paid	(177,425)	(699,997)
Cash used in financing activities	<u>(2,100,429)</u>	<u>(2,673,788)</u>
Decrease in cash and cash equivalents	(1,058,835)	(3,024,889)
Effect of changes in exchange rates on cash and cash equivalents	(15,462)	(97,573)
Cash and cash equivalents at beginning of year	<u>5,671,772</u>	<u>8,794,234</u>
Cash and Cash Equivalents at End of Year (Note 18)	<u>4,597,475</u>	<u>5,671,772</u>

Airports Authority of Jamaica

Authority Statement of Comprehensive Income

Year ended 31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
Revenue –			
Airports		4,206,126	3,620,576
Aerodromes		<u>85,301</u>	<u>40,681</u>
		<u>4,291,427</u>	<u>3,661,257</u>
Direct expenses –			
Airports		(196,539)	(190,953)
Aerodromes		<u>(298,808)</u>	<u>(429,441)</u>
		<u>(495,347)</u>	<u>(620,394)</u>
Gross Profit		3,796,080	3,040,863
Other operating income	5	1,201,457	1,191,966
Administration expenses		(469,784)	(398,465)
Privatisation costs		(76,680)	(69,161)
Finance costs	8	<u>(459,972)</u>	<u>(881,436)</u>
Profit before Taxation		3,991,101	2,883,767
Taxation	9	<u>(989,354)</u>	<u>(764,079)</u>
Net Profit	10	3,001,747	2,119,688
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Re-measurement of post-employment benefits, net of taxes		<u>(34,736)</u>	<u>(11,309)</u>
Total Comprehensive Income		<u><u>2,967,011</u></u>	<u><u>2,108,379</u></u>

Airports Authority of Jamaica

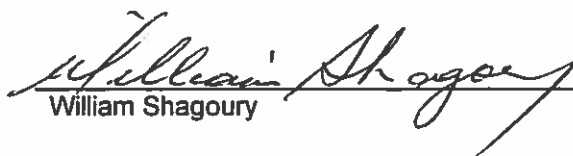
Authority Statement of Financial Position

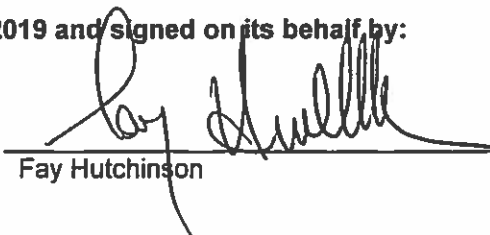
31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
Non-Current Assets			
Property, plant and equipment	11	1,926,582	1,647,029
Investments	13	940,354	128,676
Investment in subsidiary	14	305,377	305,377
Due from subsidiary	14	17,540,310	18,334,061
Deferred income tax	15	166,791	582,884
		20,879,414	20,998,027
Current Assets			
Receivables	17	2,403,495	2,342,043
Due from subsidiary	14	209,433	106,772
Investments	13	1,996,783	2,531,620
Cash and short term deposits	18	1,500,342	1,880,281
		6,110,053	6,860,716
Current Liabilities			
Payables	19	116,468	107,379
Borrowings	20	1,160,558	1,501,018
Taxation payable		255,142	1,092,443
		1,532,168	2,700,840
Net Current Assets			
		4,577,885	4,159,876
		25,457,299	25,157,903
Shareholders' Equity			
Share capital	21	76,091	76,091
Retained earnings	10	16,434,685	13,645,099
		16,510,776	13,721,190
Non-Current Liabilities			
Borrowings	20	8,526,330	11,058,273
Grants	23	145,985	164,984
Post-employment benefit obligations	24	274,208	213,456
		8,946,523	11,436,713
		25,457,299	25,157,903

Approved for issue by the Board of Directors on 5 August, 2019 and signed on its behalf by:


 William Shagoury Chairman


 Fay Hutchinson Director

Airports Authority of Jamaica

Authority Statement of Changes in Equity

Year ended 31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares	Share Capital	Retained Earnings	Total
	'000	\$'000	\$'000	\$'000
Balance at 31 March 2017	76,091	76,091	12,236,717	12,312,808
Net profit	-	-	2,119,688	2,119,688
Re-measurements of post-employment benefits, net of taxes	-	-	(11,309)	(11,309)
Total Comprehensive Income	-	-	2,108,379	2,108,379
Dividends paid	-	-	(699,997)	(699,997)
Balance at 31 March 2018	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	-	-	(34,736)	(34,736)
Total comprehensive income	-	-	2,967,011	2,967,011
Dividends paid	-	-	(177,425)	(177,425)
Balance at 31 March 2019	76,091	76,091	16,434,685	16,510,776

Airports Authority of Jamaica

Authority Statement of Cash Flows

Year ended 31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

	2019 \$'000	2018 \$'000
Cash Flows from Operating activities		
Net profit	3,001,747	2,119,688
Items not affecting cash resources:		
Depreciation	230,275	219,701
Interest income	(1,075,137)	(1,138,240)
Exchange gains on foreign balances	3,732	254,566
Taxation charge	989,354	764,079
Grants amortised	(18,999)	(19,003)
Interest expense	456,240	626,870
Change in post-employment benefit obligation	14,438	15,647
	<u>3,601,650</u>	<u>2,843,308</u>
Changes in operating assets and liabilities:		
Receivables	(67,380)	(584,251)
Due from subsidiary	(102,661)	338,442
Payables	9,089	3,752
	<u>3,440,698</u>	<u>2,601,251</u>
Taxation paid	<u>(1,398,984)</u>	<u>(751,355)</u>
Cash provided by operating activities	<u>2,041,714</u>	<u>1,849,896</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment and intangible assets	(509,828)	(219,825)
Proceeds from disposal of property, plant and equipment	-	2
Purchase of Financial Instruments	(282,270)	(2,624,272)
Loans repaid by subsidiary	1,663,468	2,349,263
Loans issued to subsidiary	(789,869)	(775,805)
Interest received	1,074,638	1,138,211
Cash provided by/(used in) investing activities	<u>1,156,139</u>	<u>(132,426)</u>
Cash Flows from Financing Activities		
Interest paid	(2,382,579)	(928,588)
Loan repayments	(1,010,324)	(2,401,497)
Dividend paid	(177,425)	(699,997)
Cash used in financing activities	<u>(3,570,328)</u>	<u>(4,030,082)</u>
Decrease in cash and cash equivalents	(372,475)	(2,312,612)
Effect of changes in exchange rates on cash and cash equivalents	(7,464)	(87,047)
Cash and cash equivalents at beginning of year	1,880,281	4,279,940
Cash and Cash Equivalents at End of Year (Note 18)	<u>1,500,342</u>	<u>1,880,281</u>

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

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

The Authority has a wholly-owned subsidiary, NMIA Airports Limited (NMIA), incorporated in Jamaica, the principal activity of which is to administer, control and manage the Norman Manley International Airport, and to provide and maintain such services and facilities, other than navigational services, as are necessary for its efficient operation.

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

As of 11 April 2003, the Donald Sangster International Airport, which is owned by the Authority, is being operated by MBJ Airports Limited under a 30-year Concession Agreement. The Authority earns concession revenue from MBJ Airports Limited, the calculation of which is based on passenger traffic, cargo transported, and increased profits. Under the Agreement, the Authority earned concession revenue amounting to \$3,840,508,000 (2018 – \$3,276,642,000) from MBJ Airports Limited during the year.

The Norman Manley International Airport (NMIA) is scheduled to be 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 assets via Public Private Partnerships.

The current process for the privatisation of the NMIA 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 2018 and on 2018 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 are in the process of fulfilling the conditions precedent stipulated in the Concession Agreement as a prerequisite to the transfer of NMIA's operations to PACKAL. It is anticipated that these conditions will be satisfied by October 9, 2019 in keeping with the schedule prescribed in the Agreement.

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.

2. Summary of Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of the IFRS Interpretations Committee (IFRS IC) applicable to entities reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Authority's accounting policies. Although these estimates are based on management's best knowledge of current events and 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.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

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

IFRS 9, 'Financial instruments' (effective for annual periods beginning on or after 1 January 2018). This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 9 has three classification categories for debt instruments: amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVPL'). Classification under IFRS 9 for debt instruments is based on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ('SPPI'). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity. That is, an entity's business model determines whether the cash flows will result from collecting contractual cash flows, selling financial assets or both.

If a debt instrument is held to collect contractual cash flows, it is classified as amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect assets' contractual cash flows and to sell the assets are classified as FVOCI. Under the new model, FVPL is the residual category - financial assets should therefore be classified as FVPL if they do not meet the criteria of FVOCI or amortised cost.

IFRS 9 introduces a new model for the recognition of impairment losses - the expected credit losses (ECL) model. The ECL model constitutes a change from the guidance in IAS 39 and seeks to address the criticisms of the incurred loss model which arose during the economic crisis. In practice, the new rules mean that entities will have to record a day 1 loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). IFRS 9 contains a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

The adoption of IFRS 9 from 1 April 2018 resulted in changes in accounting policies but did not result in adjustments to the amounts recognised in the financial statements opening retained earnings. Details of the new accounting policy in relation to IFRS 9 are outlined in Note 2(q).

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

IFRS 15, 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018). The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service; so the notion of control replaces the existing notion of risks and rewards.

A key change to current practice is the point at which revenue is able to be recognised, which may shift so that some revenue that is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa. Other effects of the new standard include variable consideration that involve contracts with customers which provide a right of return, trade discounts or volume rebates which in some cases result in more revenue being deferred.

The Group has reviewed the main types of commercial arrangements used with customers under the model and has concluded that the adoption of IFRS 15 does not have a material impact on the results or financial position based on the nature of services offered by the Group.

IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for annual periods beginning on or after 1 January 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The adoption of this interpretation did not have any significant impact on the operations of the Group.

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

The Group has concluded that the following standards which are published but not yet effective, are relevant to its operations and will impact the Group's accounting policies and financial disclosures as discussed below. These standards and amendments to existing standards are mandatory for the Group's accounting periods beginning after 1 April 2019 or later periods, but the Group has not early adopted them:

Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement' (effective for annual periods beginning on or after 1 January 2019). 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. The Group is currently assessing the impact of these amendments.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

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

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

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

IFRIC 23, 'Uncertainty over income tax treatments' (effective for annual periods beginning on or after 1 January 2019). 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. The Group is currently assessing the impact of this interpretation.

Amendments to IAS 1 & IAS 8 (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 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 2019

(expressed in Jamaican dollars unless otherwise indicated)

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 2019

(expressed in Jamaican dollars unless otherwise indicated)

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 companies

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

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

(d) Revenue recognition

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

From 1 April 2018, the Group adopted IFRS 15. There was no significant impact to accounting policies or amounts recognised in the financial statements.

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 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(e) Income taxes

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

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

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

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

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

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

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(f) Property, plant and equipment

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

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

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

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

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

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

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

(g) Investments

The Group classifies its investment securities as amortised cost and Fair Value through Profit or Loss. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

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

The amortised cost investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management hold to collect the principal and interest. This includes corporate bonds, Government of Jamaica securities, repurchase agreements. Fair value through Profit or Loss includes equity and mutual funds.

Equity instruments

The Group measures all equity investments at fair value.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(h) Impairment of non-current assets

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

(i) Inventories

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

(j) Trade receivables

Trade receivables are 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.

(n) Grants

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

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(o) Employee benefits (continued)

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 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(q) Financial instruments

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

Accounting policy applied from 1 April 2018

Financial assets

(i) Classification

Classification of the Group's financial assets depends on the company's business model for managing such assets and the contractual terms of the cash flows. From 1 April 2018 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

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses 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 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

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 adoption of IFRS 9 from 1 April 2018 resulted in changes in accounting policies, however, there were no adjustments to the amounts recognised in the financial statements as at 1 January 2018 as adjustments were considered to be immaterial by the Group's management.

Accounting policy applied until 31 March 2018

The Group applied IFRS 9 on 1 April 2018 and had elected not to restate comparative information in accordance with the transitional provisions in IFRS 9 [7.2.15]. However, with the adoption of IFRS 9 and applying the simplified approach, there was no impact on the opening balance.

The Group classified its financial assets as loans and receivables. The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition.

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables are derecognised when the rights to receive cash flows from these financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They were classified as current assets, except for maturities greater than 12 months, on the statement of financial position, which were classified as non-current assets. Loans and receivables comprised receivables, and cash and cash equivalents.

A provision for impairment is established when there is objective evidence that the company will not collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the expected cashflows discounted at the market rate of interest for similar borrowing.

The Group's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the reporting date, the Group's financial liabilities comprise payables and loans.

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

(r) Leases

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

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

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.

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.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

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.

Previous accounting policy for impairment of receivables

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

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

(ii) *Cash and short term deposits*

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

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(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 2019 and 1 April 2018 (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
31 March 2019					
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
Loss Allowance	23,515	16,617	5,961	438,749	484,842
Group	Current \$'000	31-60 days \$'000	61-90 days \$'000	Over 60 days \$'000	Total \$'000
1 April 2018					
Expected loss rate	5.16%	24.84%	17.88%	52.01%	
Gross carrying amount trade receivables	556,198	66,377	36,250	885,805	1,544,630
Loss Allowance	28,724	16,490	6,482	460,704	512,400

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(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
31 March 2019					
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
Loss Allowance	407	1,294	277	68,522	70,500
Authority	Current \$'000	31-60 days \$'000	61-90 days \$'000	Over 90 days \$'000	Total \$'000
1 April 2018					
Expected loss rate	0.58%	98.25%	16.93%	81.36%	
Gross carrying amount trade receivables	311,377	1,432	1,471	82,407	396,687
Loss Allowance	1,799	1,407	249	67,045	70,500

Movement analysis of loss allowance of trade receivables

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

	The Group		The Authority	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
At 1 April	512,400	570,964	70,500	61,640
Increase in receivables loss allowance	-	8,860	-	8,860
Recoveries	(24,933)	(56,226)	-	-
Translation difference	(2,625)	(11,198)	-	-
At 31 March	<u>484,842</u>	<u>512,400</u>	<u>70,500</u>	<u>70,500</u>

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

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit exposure for trade receivables

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

	The Group		The Authority	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Airlines (scheduled and unscheduled)	461,841	443,012	81,358	74,409
Concessionaires	32,623	65,942	-	-
Fuel through-put	99,091	105,533	3,816	1,945
Food and beverage	19,772	24,308	-	-
Car rental and tour operations	45,523	32,125	4,497	3,953
Advertising	5,510	27,390	320	215
Ground handling and taxi service	26,984	34,914	416	385
Other	761,940	811,406	187,075	315,780
	1,453,284	1,544,630	277,482	396,687
Less: Provision for impairment	(484,842)	(512,400)	(70,500)	(70,500)
	968,442	1,032,230	206,982	326,187

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(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:

	Within 1 Year \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
Payables	466,907	-	-	466,907
Borrowings	1,522,434	6,029,884	4,152,703	11,705,021
	1,989,341	6,029,884	4,152,703	12,171,928
Payables	415,538	-	-	415,538
Borrowings	1,849,648	8,029,223	5,077,484	14,956,355
	2,265,186	8,029,223	5,077,484	15,371,893

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

	Within 1 Year	1 to 5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000
Payables	116,468	-	-	115,497
Borrowings	1,522,434	6,029,884	4,152,703	11,705,021
	1,638,902	6,029,884	4,152,703	11,821,489
Payables	107,379	-	-	107,379
Borrowings	1,849,648	8,029,223	5,077,484	14,956,355
	1,957,027	8,029,223	5,077,484	15,063,734

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

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(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
	2019		
Financial Assets			
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
	1,660,269	10,586,666	12,246,935
Financial Liabilities			
Payables	466,907	-	466,907
Borrowings	-	9,686,888	9,686,888
	466,907	9,686,888	10,153,795
Net Financial Position	1,193,362	899,778	2,093,140
	2018		
Financial Assets			
Investments	858,645	2,211,639	3,070,284
Trade receivables	751,038	281,192	1,032,230
Other receivables	127,226	1,729,608	1,856,834
Cash and short term deposits	619,110	5,052,662	5,671,772
	2,356,019	9,275,101	11,631,120
Financial Liabilities			
Payables	415,538	-	415,538
Borrowings	-	12,559,291	12,559,291
	415,538	12,559,291	12,974,829
Net Financial Position	1,940,481	(3,284,190)	(1,343,709)

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(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
	2019		
Financial Assets			
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
	500,285	24,033,569	24,533,854
Financial Liabilities			
Payables	115,497	1,729,608	115,497
Borrowings	-	9,686,888	9,686,888
	115,497	9,686,888	9,802,385
Net Financial Position	384,788	14,346,681	14,731,469
	2018		
Financial Assets			
Investments	797,734	1,862,562	2,660,296
Due from subsidiary *	-	18,440,833	18,440,833
Trade receivables	44,995	281,192	326,187
Other receivables	129,590	1,729,608	1,859,198
Cash and short term deposits	234,302	1,729,608	1,880,281
	1,206,621	23,960,174	25,166,795
Financial Liabilities			
Payables	107,379	-	107,379
Borrowings	-	12,559,291	12,559,291
	107,379	12,559,291	12,666,670
Net Financial Position	1,099,242	11,400,883	12,500,125

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

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(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 2019	Effect on Profit Before Tax 2019 \$'000	% Change in Currency Rate 2018	Effect on Profit Before Tax 2018 \$'000
Currency:					
USD - revaluation		4%	(35,991)	2%	65,684
USD - devaluation		(6%)	53,987	(4%)	(131,368)
		The Authority			
		% Change in Currency Rate 2019	Effect on Profit Before Tax 2019 \$'000	% Change in Currency Rate 2018	Effect on Profit Before Tax 2018 \$'000
Currency:					
USD - revaluation		4%	(573,867)	2%	(228,018)
USD - devaluation		(6%)	860,801	(4%)	456,036

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(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
	2019				
Financial Assets					
Investments	1,996,783	2,474,142	70,443	-	4,541,368
Trade and other receivables	-	-	-	3,108,092	3,108,092
Cash and short term deposits	4,481,346	-	-	116,129	4,597,475
	<u>6,478,129</u>	<u>2,474,142</u>	<u>70,443</u>	<u>3,224,221</u>	<u>12,246,935</u>
Financial Liabilities					
Payables	-	-	-	(466,907)	(466,907)
Due to the Authority	(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>(466,907)</u>	<u>(10,152,795)</u>
Total interest re-pricing gap	<u>5,317,571</u>	<u>(2,261,435)</u>	<u>(3,720,310)</u>	<u>2,757,314</u>	<u>2,094,140</u>
Cumulative interest re-pricing gap	<u>5,317,571</u>	<u>3,056,136</u>	<u>(664,174)</u>	<u>2,094,140</u>	

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(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
	2019				
Financial assets					
Investments	1,996,784	904,758	35,595	-	2,937,137
Due from subsidiary	209,433	4,735,577	9,255,814	3,548,919	17,749,743
Trade and other receivables	-	-	-	2,346,632	2,346,632
Cash and short term deposits	1,425,239	-	-	75,103	1,500,342
	<u>3,631,456</u>	<u>5,640,335</u>	<u>9,291,409</u>	<u>5,970,654</u>	<u>24,533,854</u>
Financial liabilities					
Payables	-	-	-	(115,497)	(115,497)
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>(115,497)</u>	<u>(9,802,385)</u>
Total interest re-pricing gap	<u>2,470,898</u>	<u>904,758</u>	<u>5,500,656</u>	<u>5,855,157</u>	<u>14,731,469</u>
Cumulative interest re- pricing gap	<u>2,470,898</u>	<u>3,375,656</u>	<u>8,876,312</u>	<u>14,731,469</u>	

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(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
2018					
Financial Assets					
Investments	2,531,620	466,617	72,049	-	3,070,284
Trade and other receivables	-	-	-	3,068,326	3,068,326
Cash and short term deposits	5,579,530	-	-	92,242	5,671,772
	<u>8,111,150</u>	<u>466,617</u>	<u>72,049</u>	<u>3,160,568</u>	<u>11,810,384</u>
Financial Liabilities					
Payables	-	-	-	(415,538)	(415,538)
Borrowings	(1,501,018)	(6,500,465)	(4,557,808)	-	(12,559,291)
	<u>(1,501,018)</u>	<u>(6,500,465)</u>	<u>(4,557,808)</u>	<u>(415,538)</u>	<u>(12,974,829)</u>
Total interest re-pricing gap	<u>6,610,132</u>	<u>(6,033,848)</u>	<u>(4,485,759)</u>	<u>2,745,030</u>	<u>(1,164,445)</u>
Cumulative interest re- pricing gap	<u>6,610,132</u>	<u>(576,284)</u>	<u>(3,909,475)</u>	<u>(1,164,445)</u>	

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(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
2018					
Financial assets					
Investments	2,531,619	92,653	36,024	-	2,660,296
Due from subsidiary	106,772	4,920,076	9,963,272	3,450,713	18,440,833
Trade and other receivables	-	-	-	2,185,385	2,185,385
Cash and short term deposits	1,840,643	-	-	39,638	1,880,281
	<u>4,479,034</u>	<u>5,012,729</u>	<u>9,999,296</u>	<u>5,675,736</u>	<u>25,166,795</u>
Financial liabilities					
Payables	-	-	-	(107,379)	(107,379)
Borrowings	(1,501,018)	(6,500,465)	(4,557,808)	-	(12,559,291)
	<u>(1,501,018)</u>	<u>(6,500,465)</u>	<u>(4,557,808)</u>	<u>(107,379)</u>	<u>(12,666,670)</u>
Total interest re-pricing gap	<u>2,978,016</u>	<u>(1,487,736)</u>	<u>5,441,488</u>	<u>5,568,357</u>	<u>12,500,125</u>
Cumulative interest re- pricing gap	<u>2,978,016</u>	<u>1,490,280</u>	<u>6,931,768</u>	<u>12,500,125</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.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

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 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(e) Capital management

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

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

(f) Offsetting of financial instruments

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

(g) Financial instruments by category

Financial assets:

The following table summarises the results of management's reclassification of financial assets from IAS 39 categories to their IFRS 9 categories:

Group	IAS 39 Classification	Carrying value at 31 March 2018 \$'000	IFRS 9 classification	Carrying value at 1 April 2018 \$'000
Cash and short term deposits	Loans and receivables	5,671,772	Amortised cost	5,671,772
Trade receivables	Loans and receivables	1,032,230	Amortised cost	1,032,230
Other receivables	Loans and receivables	1,856,834	Amortised cost	1,856,834
Repurchase agreements	Held to maturity	2,302,641	Amortised cost	2,302,641
Term deposits	Held to maturity	228,979	Amortised cost	228,979
Government Jamaica securities	Held to maturity	72,049	Amortised cost	72,049
Corporate bonds	Held to maturity	466,615	Amortised cost	466,615
Total financial assets		11,631,120		11,631,120

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(f) Financial instruments by category (continued)

Authority	IAS 39 Classification	Carrying value at 31 March 2018 \$'000	IFRS 9 classification	Carrying value at 1 April 2018 \$'000
Cash and short term deposits	Loans and receivables	1,880,281	Amortised cost	1,880,281
Trade receivables	Loans and receivables	326,187	Amortised cost	326,187
Other receivables	Loans and receivables	1,859,198	Amortised cost	1,859,198
Repurchase agreements	Held to maturity	2,302,641	Amortised cost	2,302,641
Term deposits	Held to maturity	228,979	Amortised cost	228,979
Government Jamaica securities	Held to maturity	36,024	Amortised cost	36,024
Corporate bonds	Held to maturity	92,652	Amortised cost	92,652
Total financial assets		6,725,962		6,725,962

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(f) Financial instruments by category (continued)

Financial assets

	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
Total financial assets	11,847,300	399,635	12,246,935

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(f) Financial instruments by category (continued)

Financial assets

	The Authority		
	Amortised costs	FVTPL	Total
	\$'000	\$'000	\$'000
	2019		
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

Financial liabilities

Other financial liabilities at amortised cost

	The Group	
	2019	2018
	\$'000	\$'000
Payables	466,907	415,538
Borrowings	9,686,888	12,559,291
	<u>10,152,795</u>	<u>12,974,829</u>

	The Authority	
	2019	2018
	\$'000	\$'000
Payables	115,497	107,379
Borrowings	9,686,888	12,559,291
	<u>9,802,385</u>	<u>12,666,670</u>

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

4. Critical Judgements and Key Sources of Estimation Uncertainty

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

Key sources of estimation uncertainty

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

Income taxes

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

Allowances for impaired receivables

Periodically, the Group assesses the collectability of its trade receivables. Provisions are created or adjusted as described in Note 2(j) 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 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

Key sources of estimation uncertainty (continued)

Post-employment benefit obligations

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

5. Other Operating Income

	The Group		The Authority	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Amortisation of grants (Note 23)	1,033,994	1,213,993	18,999	19,003
Expenses reimbursed - Project Execution Unit	33,108	27,772	33,108	27,772
Interest income	272,465	250,581	1,075,137	1,138,240
Dividend Income	-	-	71,440	-
Other	34,590	21,584	2,773	6,951
	<u>1,374,157</u>	<u>1,513,930</u>	<u>1,201,457</u>	<u>1,191,966</u>

Included in the interest income for the Authority is \$925,002,000 (2018 – \$981,860,000) which has been charged on disbursements to its subsidiary to assist with the Norman Manley International Airport expansion project. Interest is charged on the outstanding balance at a rate of 10% per annum.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

6. Expenses by Nature

Total direct and administration expenses:

	The Group		The Authority	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Advertising and public relations	55,622	48,020	28,611	20,797
Auditors' remuneration	7,056	6,618	3,859	3,692
Bad debt, net of recoveries	(24,933)	(47,366)	-	8,860
Commissions and discounts	35,121	35,731	188	240
Depreciation and amortisation	1,084,373	1,104,052	230,275	219,701
Insurance	211,166	161,648	39,749	26,171
Irrecoverable GCT	274,003	207,706	63,498	46,406
Motor vehicle expenses	48,387	37,645	1,767	1,645
Office supplies	43,424	36,454	18,101	12,284
Other	231,138	217,003	36,037	34,968
Privatisation costs	76,680	69,161	76,680	69,161
Professional fees	200,980	213,846	34,498	32,956
Regulatory fees and taxes	80,190	73,528	24,220	25,443
Rental and lease	42,947	26,525	872	1,465
Repairs and maintenance	574,889	576,354	49,211	33,175
Security	333,114	502,450	59,756	238,239
Staff costs (Note 7)	1,500,524	1,168,980	313,722	266,565
Training	78,436	72,890	-	-
Traveling and entertainment	44,259	31,945	37,376	23,168
Utilities	562,055	560,921	23,391	23,084
	<u>5,459,431</u>	<u>5,104,111</u>	<u>1,041,811</u>	<u>1,088,020</u>

7. Staff Costs

	The Group		The Authority	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	1,269,104	952,877	258,394	189,755
Payroll taxes – employer's portion	134,494	105,708	22,943	20,606
Pension and other retirement benefits –				
Medical benefits (Note 24)	21,401	22,533	21,401	22,533
Redundancy payments	16,656	13,230	4,709	-
Other	58,869	74,632	6,275	33,671
	<u>1,500,524</u>	<u>1,168,980</u>	<u>313,722</u>	<u>266,565</u>

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

8. Finance Costs/(Income)

	The Group		The Authority	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Interest expense	456,240	626,870	456,240	626,870
Amortisation of grants (Note 23)	(454,904)	(470,289)	-	-
	1,336	156,581	456,240	626,870
Net foreign exchange losses	16,848	271,994	3,732	254,566
	18,184	428,575	459,972	881,436

9. Taxation

The taxation charge for the year comprises:

	The Group		The Authority	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Income tax -				
Current year	692,823	1,187,369	562,572	1,187,369
Prior year	(889)	-	(889)	-
Employment Tax Credit	(42,465)	-	-	-
Deferred tax (Note 15)	435,203	(347,728)	427,671	(423,290)
	1,084,672	839,641	989,354	764,079

Subject to agreement with Tax Administration Jamaica, losses of approximately \$1,598,364,000 (2018 – \$2,099,962,000) 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

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

9. 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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Profit before taxation	<u>5,323,201</u>	<u>4,388,130</u>	<u>3,991,101</u>	<u>2,883,767</u>
Tax calculated at an effective tax rate of 25%	1,330,800	1,097,033	997,775	720,942
Adjusted for the effects of –				
Income not subject to tax	(254,781)	(319,769)	(36,164)	(11,416)
Expenses not deductible for tax purposes	51,769	62,375	28,394	54,551
Prior year over accrual adjustment	(889)	-	(889)	-
Other	238	2	238	2
	<u>1,127,137</u>	<u>839,641</u>	<u>989,354</u>	<u>764,079</u>
Employment Tax Credit	(42,465)	-	-	-
	<u>1,084,672</u>	<u>839,641</u>	<u>989,354</u>	<u>764,079</u>

10. Net Profit and Retained Earnings

	2019 \$'000	2018 \$'000
(a) Net profit is dealt with as follows in the financial statements of:		
The Authority	3,001,747	2,119,688
The subsidiary	<u>1,236,782</u>	<u>1,428,801</u>
	<u>4,238,529</u>	<u>3,548,489</u>
(b) Retained earnings are dealt with as follows in the financial statements of:		
The Authority	16,434,685	13,645,099
The subsidiary	<u>3,064,318</u>	<u>1,827,536</u>
	<u>19,499,003</u>	<u>15,472,635</u>

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

11. Property, Plant and Equipment

	The Group					Total
	Land, buildings, runways and taxiways	Storage tanks and fuel lines	Motor vehicles	Computer equipment, plant and machinery, furniture and fixtures	Work in progress	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost -						
At 1 April 2017	18,944,225	973,595	121,382	5,731,652	513,836	26,284,690
Additions	158,897	-	10,326	115,044	535,929	820,196
Disposals	-	-	(6,981)	(24)	-	(7,005)
Transfers	224,129	-	-	84,765	(308,894)	-
Translation adjustment	(373,973)	-	(2,891)	(132,660)	(11,526)	(521,050)
At 31 March 2018	18,953,278	973,595	121,836	5,798,777	729,345	26,576,831
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
Depreciation -						
At 1 April 2017	5,682,516	723,981	96,920	3,829,898	-	10,333,315
Charge for the year	569,865	48,680	9,713	473,759	-	1,102,017
Disposals	-	-	(2,417)	(24)	-	(2,441)
Translation adjustment	(84,747)	-	(2,356)	(96,670)	-	(183,773)
At 31 March 2018	6,167,634	772,661	101,860	4,206,963	-	11,249,118
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
Net Book Value -						
31 March 2019	12,240,376	152,254	34,690	1,488,246	1,701,422	15,616,988
31 March 2018	12,785,644	200,934	19,976	1,591,814	729,345	15,327,713

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

11. Property, Plant and Equipment (Continued)

	The Authority					Total \$'000
	Land, buildings, runways and taxiways	Storage tanks and fuel lines	Motor vehicles	Computer equipment, plant and machinery, furniture and fixtures	Work in progress	
	\$'000	\$'000	\$'000	\$'000	\$'000	
Cost -						
At 1 April 2017	3,855,750	973,595	4,546	285,514	40,823	5,160,228
Additions	158,897	-	10,326	13,914	36,688	219,825
Disposals	-	-	-	(24)	-	(24)
At 31 March 2018	4,014,647	973,595	14,872	299,404	77,511	5,380,029
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
Depreciation -						
At 1 April 2017	2,562,725	723,981	4,546	222,071	-	3,513,323
Charge for the year	143,845	48,680	172	27,004	-	219,701
Disposals	-	-	-	(24)	-	(24)
At 31 March 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
Net Book Value -						
31 March 2019	1,164,733	152,254	24,105	245,614	339,876	1,926,582
31 March 2018	1,308,077	200,934	10,154	50,353	77,511	1,647,029

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

Property, plant and equipment include assets at cost totaling \$3,090,899,000 (2018 - \$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.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

12. Intangible Assets

Comprising computer software:

	<u>The Group</u>	<u>The Authority</u>
	<u>\$'000</u>	<u>\$'000</u>
Cost -		
At 1 April 2017	46,002	260
Additions	12,592	-
Translation adjustment	(1,367)	-
At 31 March 2018	57,227	260
Additions	9,740	-
Translation adjustment	(965)	-
At 31 March 2019	66,002	260
Amortisation -		
At 1 April 2017	41,273	260
Charge for the year	2,035	-
Translation adjustment	(1,040)	-
At 31 March 2018	42,268	260
Charge for the year	2,208	-
Translation adjustment	(470)	-
At 31 March 2019	44,006	260
Net Book Value -		
31 March 2019	21,996	-
31 March 2018	14,959	-

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

13. Investments

Long term investments :

	The Group		The Authority	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Corporate bonds	2,035,556	373,963	527,959	92,652
Government of Jamaica securities	70,443	72,049	35,595	36,024
Repurchase agreements	38,951	-	38,951	-
Equity	123,574	-	61,787	-
Mutual funds	276,061	92,652	276,062	-
	<u>2,544,585</u>	<u>538,664</u>	<u>940,354</u>	<u>128,676</u>

Short term investments :

	The Group		The Authority	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Repurchase agreements	1,869,516	2,302,641	1,869,516	2,302,641
Term deposits	127,267	228,979	127,267	228,979
	<u>1,996,783</u>	<u>2,531,620</u>	<u>1,996,783</u>	<u>2,531,620</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.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

14. Related Party Transactions and Balances

The following transactions were carried out with related parties:

(a) Key management compensation

	The Group		The Authority	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Wages and salaries	109,566	58,543	37,493	20,309
Payroll taxes – employer's portion	9,158	4,632	2,665	1,298
	<u>118,724</u>	<u>63,175</u>	<u>40,158</u>	<u>21,607</u>
Directors' emoluments -				
Management remuneration	22,268	16,883	22,268	16,883
Fees	<u>13,522</u>	<u>5,433</u>	<u>10,275</u>	<u>3,207</u>

(b) Due from subsidiary

	2019 \$'000	2018 \$'000
Non-current portion	17,540,310	18,334,061
Current portion	<u>209,433</u>	<u>106,772</u>
	<u>17,749,743</u>	<u>18,440,833</u>

(c) Shares in subsidiary, at cost

	<u>305,377</u>	<u>305,377</u>
--	----------------	----------------

The Authority earned concession fees amounting to \$327,276,000 (2018 – \$302,575,000), and interest income as detailed in Note 5, from the subsidiary during the year.

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

15. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a tax rate of 25% (2018 - 25%).

	The Group		The Authority	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
At beginning of year	1,641,201	1,316,455	582,884	155,825
(Charged)/credited to profit or loss during the year (Note 9)	(435,203)	347,728	(427,671)	423,290
Charged to other comprehensive income	11,578	3,769	11,578	3,769
Translation adjustment	(8,813)	(26,751)	-	-
At end of year	<u>1,208,763</u>	<u>1,641,201</u>	<u>166,791</u>	<u>582,884</u>

The Group recognises the deferred tax asset on its tax losses carried forward as it is of the opinion that sufficient taxable profits will be made in the future against which these assets will be utilised.

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 Loss	Property, Plant and Equipment	Carry Forward Losses	Interest Receivable	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2017	45,682	1,065,539	18,811	(116,150)	564,726	394,543	(656,696)	1,316,455
Credited/(charged) to profit or loss	3,913	(261,964)	4,774	104,941	108,309	137,669	250,086	347,728
Credited to other comprehensive income	3,769	-	-	-	-	-	-	3,769
Translation adjustment	-	(12,664)	(369)	(71)	(1,852)	(11,904)	109	(26,751)
At 31 March 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	<u>68,552</u>	<u>482,676</u>	<u>30,219</u>	<u>(141,861)</u>	<u>769,489</u>	<u>394,941</u>	<u>(395,253)</u>	<u>1,208,763</u>

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

15. Deferred Income Taxes (Continued)

Authority	Post-employment Benefits	Interest Payable	Accrued Vacation	Unrealised Foreign Exchange Loss	Property, Plant and Equipment	Interest Receivable	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2017	45,682	336,632	3,735	(113,084)	543,006	(660,146)	155,825
Credited to profit or loss	3,913	27,836	4,647	44,086	28,952	313,856	423,290
Credited to other comprehensive income	3,769	-	-	-	-	-	3,769
At 31 March 2018	53,364	364,468	8,382	(68,998)	571,958	(346,290)	582,884
Credited/(charged) 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

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

	The Group		The Authority	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets to be recovered after more than 12 months	1,217,459	724,422	665,409	625,322
Deferred tax liabilities to be settled after more than 12 months	(378,576)	(339,996)	(378,576)	(339,996)

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

15. Deferred Income Taxes (Continued)

	Group and The Authority					
	2019			2018		
	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	(46,314)	11,578	(34,736)	(15,078)	3,769	(11,309)

16. Inventories

This represents spare parts and supplies.

17. Receivables

	The Group		The Authority	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade	1,453,284	1,544,630	277,482	396,687
Less: Provision for impairment	(484,842)	(512,400)	(70,500)	(70,500)
	968,442	1,032,230	206,982	326,187
Mobilisation payment	4,449	178,381	-	-
Prepayments	17,152	20,614	3,312	10,268
Advances	172,360	201,065	11,708	6,105
GCT recoverable	3,943	3,953	3,943	3,953
Concession – additional fees	2,093,394	1,729,608	2,093,394	1,729,608
Other	46,256	127,226	46,256	129,590
	3,305,996	3,293,077	2,365,595	2,205,711
Withholding tax recoverable	167,157	243,660	37,900	136,332
	3,473,153	3,536,737	2,403,495	2,342,043

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

18. Cash and Cash Equivalents

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

	The Group		The Authority	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Cash at bank and in hand	283,196	268,254	80,906	39,638
Short term deposits	4,314,279	5,403,518	1,419,436	1,840,643
	<u>4,597,475</u>	<u>5,671,772</u>	<u>1,500,342</u>	<u>1,880,281</u>

Included in short term deposits is interest receivable of \$68,659,000 (2018 – \$45,048,000) for the Group and \$25,675,000 (2018 - \$25,176,000) 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 2.5% (2018 – 4.0%) and on short term deposits denominated in United States dollars was 1.0% (2018 – 1.6%), and these securities mature in 90 days.

19. Payables

	The Group		The Authority	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade	124,704	132,008	16,954	29,078
Accruals	196,907	180,239	87,260	75,545
Airport Improvement Fund	6,088	16,378	18	-
Security deposit	55,266	52,284	-	-
Employee related	28,202	22,929	-	-
Other	55,740	11,700	12,236	2,756
	<u>466,907</u>	<u>415,538</u>	<u>116,468</u>	<u>107,379</u>

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

20. Borrowings

	The Group and Authority	
	2019 \$'000	2018 \$'000
Current –		
Current portion of long term loans	1,160,558	1,501,018
Non-Current -		
Long term loans	8,526,330	9,477,890
Accrued interest	-	1,580,383
	8,526,330	11,058,273
	9,686,888	12,559,291
	The Group and Authority	
	2019 \$'000	2018 \$'000
Facilities acquired with the Government of Jamaica as an intermediary:		
(a) European Investment Bank	4,004,775	4,409,475
(b) Caribbean Development Bank	1,939,155	2,099,750
(c) Petrocaribe Development Fund	3,654,489	4,036,671
Accrued Interest	88,469	2,013,395
	9,686,888	12,559,291
Less Current Portion:		
European Investment Bank	(397,601)	(396,086)
Petrocaribe Development Fund	(421,555)	(419,950)
Caribbean Development Bank	(252,933)	(251,970)
Accrued interest	(88,469)	(433,012)
	(1,160,558)	(1,501,018)
	8,526,330	11,058,273

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

20. 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:
 - i. A loan of \$22.5 million (2018 – \$22.5 million) from Petrocaribe Fund was acquired to provide interim financing for the Norman Manley Airport expansion project. The loan is repayable in 31 semi-annual payments of \$725,807. Interest is charged at 6% per annum. This loan is unsecured.
 - ii. An additional loan of \$22 million was acquired from the Petrocaribe Fund for financing the Norman Manley Airport Expansion project which is repayable in equal semi-annual amounts beginning after the facility was fully drawn down and to end by June 2030. Interest is charged at 4% per annum. The facility was fully drawn down in 2017.

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

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

23. Grants

Airport Improvement Grant

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

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

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

Capital Grant

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

The movement in grants during the year was as follows:

	The Group		The Authority	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
At start of year	164,984	496,538	164,984	183,987
Additions	1,469,899	1,356,294	-	-
Transfer to the statement of comprehensive income -				
Amortisation of grants (Note 5)	(1,033,994)	(1,213,993)	(18,999)	(19,003)
Amortisation of grants (Note 8)	(454,904)	(470,289)	-	-
Translation adjustment	-	(3,566)	-	-
At end of year	<u>145,985</u>	<u>164,984</u>	<u>145,985</u>	<u>164,984</u>

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

24. Post-Employment Benefits

Medical benefits

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

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

	The Group and The Authority	
	2019	2018
	\$'000	\$'000
Present value of obligations	274,208	213,456

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

	The Group and The Authority	
	2019	2018
	\$'000	\$'000
At beginning of year	213,456	182,731
Current service cost	5,650	5,464
Interest cost	15,751	17,069
Re-measurements - Experience loss	46,314	15,078
Benefits paid	(6,963)	(6,886)
At end of year	274,208	213,456

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

	The Group and The Authority	
	2019	2018
	\$'000	\$'000
Current service cost	5,650	5,464
Interest cost	15,751	17,069
Total included in staff costs (Note 7)	21,401	22,533

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

	The Group and The Authority	
	2019	2018
	\$'000	\$'000
Re-measurement loss on obligation/components of defined benefit cost recorded in OCI	46,314	15,078

Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

24. Post-Employment Benefits (Continued)

The movement in the net liability:

	The Group and The Authority	
	2019 \$'000	2018 \$'000
At start of year	213,456	182,731
Pension expense	21,401	22,533
Re-measurements included in OCI (Note 15)	46,314	15,078
Contributions paid	(6,963)	(6,886)
At end of year	<u>274,208</u>	<u>213,456</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
	2019		
Discount rate	1%	(46,381)	57,557
Health inflation rate	1%	56,512	(43,750)
	2018		
Discount rate	1%	(32,456)	42,382
Health inflation rate	1%	41,831	(32,643)

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

Airports Authority of Jamaica

Authority Statement of Changes in Equity

31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

24. Post-Employment Benefits (Continued)

Principal actuarial assumptions used in valuing post-employment benefits

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

	The Group and The Authority	
	2019	2018
Discount rate	7.00%	7.50%
Long term inflation rate (CPI)	4.50%	4.50%
Health Inflation above (CPI)	<u>1.50%</u>	<u>1.50%</u>

The average expected remaining service life of the employees for the medical scheme is 18.7 years (2017 – 17.8 years).

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

25. Contingent Liabilities

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

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

26. Capital Commitments

At 31 March 2019, the Group had authorised capital expenditure amounting to \$724,660,454 (2018 – \$284,154,815), of which \$374,279,086 (2018 – \$184,809,453) has been contracted for.

27. Operating Lease

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

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

	2019 \$'000	2018 \$'000
Not later than 1 year	11,194	16,791
Subsequent to 1 year but less than 5 years	<u>-</u>	<u>11,194</u>
	<u>11,194</u>	<u>27,985</u>



AIRPORTS AUTHORITY OF JAMAICA

Administration Building

Norman Manley International Airport Palisadoes, Kingston

Telephone: (876) 924-8835-7 • **Fax:** (876) 924-8419

E-mail: aaj@aaj.com.jm • **Website:** www.airportsauthorityjamaica.aero

NORMAN MANLEY INTERNATIONAL AIRPORT

Palisadoes, Kingston

Telephone: (876) 924-8452-6 • **Fax:** (876) 924-8566 • **Toll Free:** 1-888-AIRPORT (247-7678)

E-mail: nmial@aaj.com.jm • **Website:** www.nmia.aero

Airport Operator: NMIA Airports Limited

(A wholly-owned subsidiary of Airports Authority of Jamaica)

SANGSTER INTERNATIONAL AIRPORT

Sunset Boulevard, Montego Bay

Telephone: (876) 979-1034-5 • **Fax:** (876) 952-6172

Airport Operator: MBJ Airports Limited

IAN FLEMING INTERNATIONAL AIRPORT

Boscobel, St Mary • **Telephone:** (876) 975-3101

TINSON PEN AERODROME

Marcus Garvey Drive, Kingston • **Telephone:** (876) 923-0022, 757-6560

NEGRIL AERODROME

Negril, Hanover • **Telephone:** (876) 957-5016

KEN JONES AERODROME

St. Margaret's Bay, Portland • **Telephone:** (876) 913-3173

