

# AIRPORTS AUTHORITY OF JAMAICA

2015-2016 | ANNUAL REPORT



**airports authority of jamaica**

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## **FINANCIAL STATEMENTS**

## 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. “*



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## AAJ'S CORPORATE CORE VALUES

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

### PEOPLE

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

### CUSTOMER FOCUS

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

### INTEGRITY

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

### FINANCIAL MANAGEMENT

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

### REGULATORY & STATUTORY REQUIREMENTS

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

### SAFETY AND SECURITY

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

### ENVIRONMENT

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



## BOARD OF DIRECTORS' REPORT

### OVERVIEW

The Board, management and staff of the AAJ Group (Airports Authority of Jamaica [AAJ] and NMIA Airports Limited [NMIAL]) have worked diligently during the fiscal year ended March 2016 to achieve remarkable results. The scope and activities of the AAJ Group remained unchanged during the year and there were no material adjustments made to the Corporate Plan. The financial results of 2015/2016 are therefore primarily due to the Group's operational performance as well as major increases in the regulated aeronautical fees granted to NMIA and Sangster International Airport (SIA) which became effective April 1, 2015. The improved performance over the previous year is evident in the Audited Financial Statements and contextualised in the organisational summary within this report, which includes the achievements of the organisation against performance targets and budgets. The results are also in keeping with the organisation's mission to "develop a modern, safe and profitable airport system..."

Against this background, we wish to thank the outgoing Boards of Directors for AAJ and NMIAL, led by Mr. Dennis Morrison and Mr. Joseph A Matalon respectively, for the significant work done in providing policy guidance and oversight to the executive team and staff of the AAJ Group. In addition, I would like to welcome my colleagues on the newly appointed Board of Directors of the AAJ as well as the Board of NMIAL Chaired by Mr. Newlyn Seaton.

With respect to operational performance, the 2015/2016 fiscal year was another period of growth in all segments of airport operations. Total passenger traffic at the international airports (arrivals and departures) recorded an increase of 4.3% to 5,434,280 in the year under review. Total air freight, (cargo and mail) increased by 2.33% over the previous year to 18,927,291kgs, and aircraft movements increased by 1.80% in 2015/16 when compared with the previous year.

Financially, the AAJ Group showed an operating surplus of \$3,707m, an increase of 151% when compared with the \$1,480m in the prior year. This outturn was primarily the result of a \$2,114m (41%) increase in operational revenue from \$5,264m last year to \$7,378m in this year, driven by the increased aeronautical rates and increased traffic. The group's expenses were \$3,866m for the current year versus \$3,984m for the previous year. The main expenses are: Depreciation and amortization \$1,098m, staff costs \$889m, and utilities \$427m.

One major item which required much of the organisation's attention was the process to privatise, by concession, the operations of the Norman Manley International Airport through a Public Private Partnership (PPP) transaction. The government's key objectives for the commercialization of the operations of NMIA included: (i) enhancing the competitive positioning of NMIA, (ii) increasing service quality standards and improving operational efficiencies in line with international best practices, (iii) leveraging private sector investment to improve facilities and operations and (iv) monetizing the asset at an optimal value. The PPP process was led by a government-appointed Enterprise Team for the NMIA PPP process and included key public sector stakeholders. The International Finance Corporation (IFC) was Lead Advisor for the transaction, while the Development Bank of Jamaica (DBJ), the government's privatisation agency and PPP Unit, served as co-advisor and Secretariat to the Enterprise Team.

The Invitation for Qualification (IQ) was issued by the GoJ on March 30, 2015 and prospective private sector participants were invited to submit Prequalification Applications in accordance with the terms and conditions of the IQ. Arising from the process, the GoJ announced five (5) qualified firms to enter the bidding process which was launched on June 10, 2015. After a very active process of due diligence and negotiation between the bidders and the Enterprise Team the final Bid Documents were issued to the prequalified bidders for a return of bids on the Bid Closing date of December 30, 2015. However no bids were received on the closing date despite the expressed interest of the bidders, who remained engaged in the process up to that time. Arising from this development, the GoJ is now reviewing the outcome of the bidding process and the options recommended by the Enterprise Team in order to implement its policy for NMIA's privatisation.

With respect to the Sangster International Airport, which is being operated under a PPP arrangement by MBJ Airports Limited (MBJ) since 2003, Grupo Aeroportuario del Pacífico, S.A.B. de C.V. ("GAP"), a Mexican company operating 12 airports in Mexico, purchased 100% of the shares of MBJ's majority shareholder, Desarrollo de

Concesiones Aeroportuarias, S.L. ("DCA") in April, 2015 from Abertis Airports, S.A. ("Abertis"). MBJ's shareholders and corporate structure remain unchanged as DCA maintains 74.5% of the shares

in MBJ, while the Vantage Airport Group Ltd. has the remaining 25.5% of shares.

Jamaicans can celebrate the achievements of our international airports. MBJ continues to operate SIA at world class levels, obtaining accolades from industry partners, achieving growth in traffic and maintaining its position as the leading airport in the Caribbean. NMIA was recognised as the Most Improved Airport for 2015 by Airports Council International in its annual Airport Service Quality Award programme dubbed, ACI-ASQ and ranked within the top 3 airport over the last 3 quarters in Latin America and the Caribbean (LAC) group of airports on ACI's panel. The NMIA airport has been nominated by World Travel Awards as leading airport in the Caribbean. This is a title currently held by SIA under the MBJ Concession. The consistent recognition on the international stage has set our airports apart for their service quality.

During the period under review the AAJ Board and Management took steps to consult with its Parent Ministry, the Jamaica Civil Aviation Authority (JCAA) and Aerodrome stakeholders (including the Jamaica Aircraft Operators & Pilots Association -JOAPA), to discuss possible options and initiatives that would improve the viability of the domestic aerodromes. The domestic aerodromes are regarded as key strategic components of the national public transportation system, facilitating intra-island air services serving tourism, flight training, business travel, as well as medical and national emergencies. The

discussions are to continue, with a view to formulating mutually agreeable policy recommendations that will result in a better, more facilitative environment for the growth of General Aviation in Jamaica. It is anticipated that the results of the deliberation will be completed by the end of the next fiscal year 2016/17.

Jamaica's prospects for increasing air travel have been boosted by the improvement in macroeconomic performance and the increase in hotel rooms and attractions. Visitors to eastern Jamaica, including the parishes of St Andrew, St Thomas, and Portland, will be pleased to visit the Blue and John Crow Mountains National Park, which was designated by the United Nations Educational, Scientific and Cultural Organization (UNESCO) in July 2015, as the island's first UNESCO World Heritage site; which is the first such cultural and natural site for the Caribbean region. Additionally, Kingston was designated as a Creative City of Music by UNESCO in December 2015. Finally, Jamaica was voted by Trip Advisor in 2016 as the third best Island destination in the world after Maui, Hawaii and Santorini, Cyclades.

These developments, coupled with the newly opened north-south highway linking Kingston to Ocho Rios (one of Jamaica's prime tourism destinations) provides more reasons for tourists and the Jamaican Diaspora to visit Destination Jamaica for the ever improving variety of product offerings using our international airports as the destination's gateway. Furthermore, Jamaica's preparedness for communicable diseases, safeguarding the health of locals and visitors, has been heightened by Fever Scan Machines now in place and operational at both main international airports.

I therefore pay tribute once again to the management and staff of the AAJ, the

operators of our airports and aerodromes as well as the wider airport stakeholders for the significant and laudable work done over the past year. In a context where efficient air transportation is essential to the growth of the country's trade and tourism sectors and where Brand Jamaica is valuable, our airports are key to sustained economic growth and investment in Jamaica's future. Our airport connects Jamaica to a global economy filled with opportunities that can enable our development and success, and as such we will continue to effectively manage and operate these facilities for the benefit of all our airport users/stakeholders.



William Shagoury

**Chairman**

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## PRESIDENT'S MESSAGE

The fiscal year 2015/2016, the 41<sup>st</sup> year of operation, represents the best financial performance of the AAJ Group (Airports Authority of Jamaica [AAJ] and NMIA Airports Limited [NMIAL]) since the era of airports economic regulation in 2003, and arguably from inception. These results represent the cumulative work of the current and former management and Boards of the AAJ that have contributed to the foundation that has been laid. It was also a year of several major achievements and happenings which has served to set a new platform on which to further build out Jamaica's air transportation system going forward.

The year started with the historic arrival of the 44<sup>th</sup> US President, Barrack Obama, on April 8<sup>th</sup> 2015, at the Norman Manley International Airport (NMIA) in Kingston. President Obama was in Jamaica for a CARICOM-US Summit which was attended by a number of regional leaders. Similarly, in September 2015 the Kingston Gateway facilitated Official Visits from

Prime Minister David Cameron of the United Kingdom, Prime Minister of Japan, His Excellency

Shinzo Abe, and Her Royal Highness the Princess Royal, Princess Anne of Edinburgh; all of whom received commendable, well executed professional facilitation by the team at NMIAL, other airport stakeholders and the relevant Government of Jamaica (GoJ) officials and departments.

In addition to the fact that the reporting period represented my first year of leadership for AAJ/NMIAL; in September, 2015 the local airport community welcomed a new Chief Executive Officer for MBJ Airports Limited (private operators of the Sangster International Airport); namely, Dr. Rafael Echevarne who is the former Director of Economics and Programme Development of ACI World, and now represents the new shareholders of MBJ, Grupo Aeroportuario del Pacifico, S.A.B. de C.V. (GAP). In this regard, the AAJ wishes to recognise the work and contribution of his predecessor, Mr.

Anthony Alicastro who represented the former shareholders, Abertis Airports, S.A.

The financial performance of the AAJ Group in 2015/2016 represented continuous improvement in the local aviation industry driven mainly by passenger traffic growth and the first regulatory aeronautical rate increase to NMIA and SIA since

the inception of the airports economic regulatory regime twelve years ago.

The AAJ Group's Operating Revenues for the year was \$7,378m versus \$5,264m for the previous year, an increase of \$2,114m or 41%. Operating Expenses amounted to \$3,866m, versus \$3,984m for the previous year, a decrease of \$118m or 3%, and when compared with the budget of \$3,951m for the current year, represents a decrease of \$85m or 2.15%. The Group therefore made an Operating Profit of \$3,707m, compared with \$1,480m in the previous year, an increase of \$2,227m or 151%. Net Profit After Tax for the year was \$3,441m versus \$920m for the previous year, an increase of \$2,521m or 274%. AAJ made distributions during the year to the Government of Jamaica totalling \$400m versus \$244m for the previous year, and paid corporate taxes of \$364m versus \$209m for the previous year. Capital Expenditure for the AAJ Group was J\$694.7m most of which was implemented at NMIA.

Total passenger traffic (arrivals and departures) in the AAJ Group recorded an increase of 4.3% from 5,210,006 passengers in 2014/15 to 5,434,086 in the year under review. SIA handled 71% of the total traffic and recorded an increase of 3.67%; moving from 3,731,028 passengers in 2014/15 to 3,867,968 in 2015/16.

NMIA with 29% of total traffic, experienced an increase of 5.87% in passenger traffic when compared with the previous year, moving from

1,467,763 passengers in 2014/15 to 1,553,928 passengers in 2015/16.

The significant development this year in the fortunes of the AAJ group is that while AAJ has consistently generated operating and net surplus driven mainly by earning from the SIA Concession, NMIAL has been generating net losses. However, this year represents a significant and permanent turnaround for NMIAL due to the aeronautical rate increase received, which together with the traffic growth of 5.8% generated revenue growth of 32% from US\$28.1m to US\$37.2m, and a net profit of US\$16.4m versus a loss of US\$2.3m last year.

Considering the slowdown of the Canadian tourism market, the increased traffic at the Sangster International Airport was driven by the performance on several other existing routes and the addition of new routes. Most notably for SIA, the service of Eurowings from Cologne, Germany; Southwest from Houston, USA; Thomas Cook Scandinavia from Gothenburg, Sweden; and American Airlines from Los Angeles. Additionally, the air/sea initiative led by Thomson Airways also aided in the growth of

SIA's passenger volume. Growth at NMIA were on the traditional Jamaican Diaspora/ Caribbean routes and were due to the improved performance of airlines such as Jet Blue, which now rivals Caribbean Airlines for the dominant carrier position at the airport.

Total Air freight (cargo and mail) volumes increased by 2.32% in 2015/16 when compared with the previous year, moving from 18,496,891 kgs in 2014/15 to 18,925,382 kgs in 2015/16. NMIA handled 67% of air freight and had a 2.88% increase in 2015/16 when compared to 2014/15. Air Freight volumes at SIA, saw an increase of 1.22% over the levels in 2014/15.

Aircraft movement increased by 1.79% in 2015/16 when compared to the previous year. A total of 84,250 movements were recorded compared to 82,765 in 2014/15. SIA accounted for approximately 50% of total movements in 2015/16, that is 41,574 in 2014/15 compared with 41,859 during the reporting period. NMIA experienced a decline of 0.60% in aircraft movements resulting in a total of 21,033 in 2015/16 down from 21,159 in 2014/15. The Aerodromes and IFIA accounted for 25% of aircraft movement.

With the new shareholder and CEO of MBJ coming on board in during the year, discussions resumed with intensity on the Phase 3 Capital Development Programme for SIA. The scope of this programme includes; an extension of the existing runway, the installation of Runway End Safety Areas (RESA) to meet International Civil Aviation Organization (ICAO) requirements, other airside safety and improvement works, and roads & other infrastructure works outside of the airport perimeter. The implementation and management of the Project will be the responsibility of MBJ while AAJ will have oversight of the project in its capacity as Owner. A

Memorandum of Understanding (MOU) representing the roles and undertaking of MBJ and AAJ for the implementation of the project has been agreed for execution. The Project Cost Estimate currently stands at US\$62 million and will be financed from the airport improvement fees collected from SIA passengers. Separate from the Phase 3 programme, MBJ will also be doing major face-lifting and improvement works to the old sections of the terminal to be completed prior to the start of the Winter Tourist Season in December 2016. Additionally, MBJ will be preparing an updated master plan to do further airside and terminal expansion to accommodate increased traffic and address peak-time congestion.

NMIA's Phase 1b Capital Development Programme (CDP) started in 2013 continues with US\$17m spent up to March 2016. This Phase is of the programme is valued at US\$ 26m (2013 – 2017) and is aimed at complementing the new infrastructure created under Phase 1A and will address matters such as risk mitigation; maintenance & upgrade, as well as efficiency improvements. A Phase 2 CDP has been prepared for NMIA to continue from 2017 which is included in the NMIA PPP transaction for the private operator to execute. However, while the NMIA PPP transaction has been delayed, with the next steps now to be determined by the GoJ, the NMIA CDP (which includes extension of the runway to accommodate RESA similar to SIA) will still need to be implemented as scheduled, in order to maintain the regulatory and service

level requirements of the airport. The funding for the major elements of the programme (up to 2020) has been provided for in the rate increase granted to NMIA as of 2015 by the Jamaica Civil Aviation Authority (JCAA) in its role as Economic Regulator.

In addition to regular commercial and operational activities, NMIA completed a project to develop an airport Chapel for passengers, especially those with long overlay who may desire to spend some time in quiet meditation. The venue was also designated for use by the airport Stakeholders who may wish to meet with their staff in a Chapel environment.

Both main international airports also demonstrated their commitment to sound environmental stewardship, which is a core value of the AAJ. In this regard, MBJ Participated in a United Nations Conference on Trade and Development (UNCTAD) Project, which explored the subject of "Climate change impacts on coastal transport infrastructure in the Caribbean: Enhancing the adaptive capacity of Small Island Developing States (SIDS)". MBJ provided data that will be used to explore the impact of climate change induced weather scenarios. Similarly, NMIAL collaborated with the National Environment & Planning Agency

(NEPA) to mark World Wetlands Day by hosting a one-day exhibition on January 28 in the Ticketing Hall at the Norman Manley International Airport, highlighting the importance of internationally designated wetlands (such as the Palisadoes-Port Royal Protected area on which the airport is situated) to the travelling public and the airport community.

The outlook for the 2016/2017 is quite significant as the organisation prepares to embark on new policy directives from the government concerning the privatisation of NMIA; the Capital Development Programme at both SIA and NMIA; and prospects for the development of other specialised airports that are intended to drive economic activity.

I therefore wish to thank the outgoing AAJ/NMIAL Board of Directors for the work done in guiding the organisation during its tenure, and welcome the new Boards of AAJ and NMIAL with their fresh mandate for air service development. Special thanks to the Senior Management team and Staff for their support. I also wish to thank the airport operators, stakeholders and related industry partners with whom we work closely to achieve the organisation's mission and vision towards making Jamaica's airports as the gateway to the Caribbean and the Americas.

Audley Deidrick

**President & CEO – AAJ/NMIA**

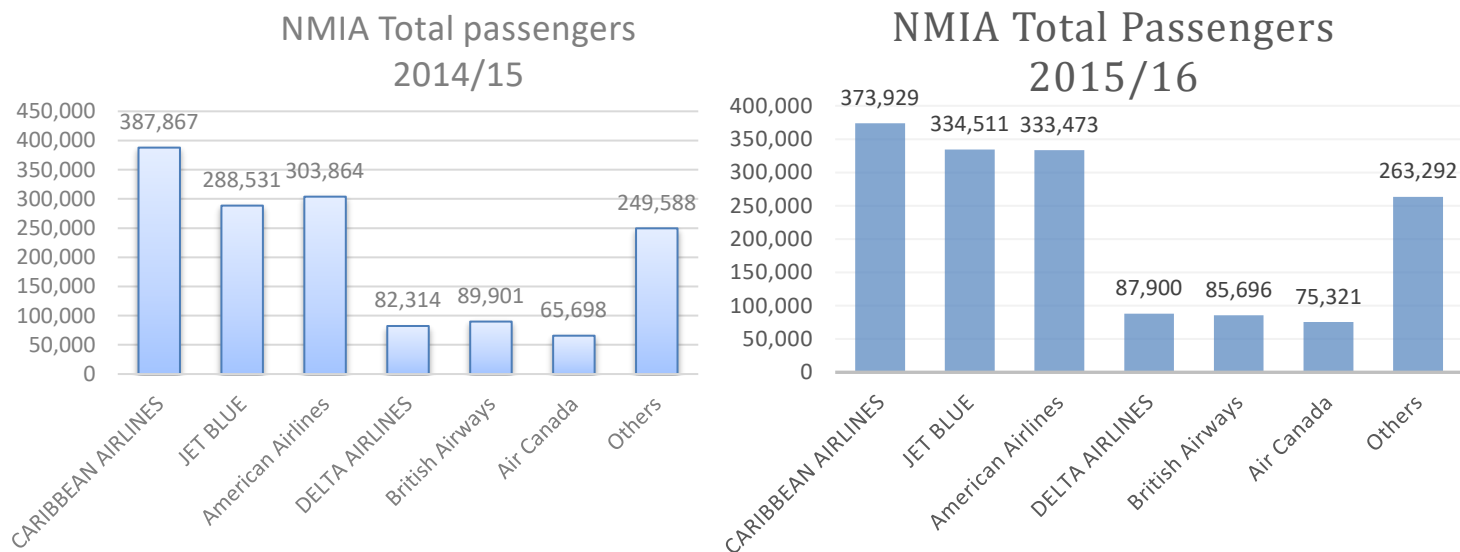




airports authority of jamaica

# OVERALL TRAFFIC PERFORMANCE





## PASSENGER, AIRCRAFT AND FREIGHT MOVEMENTS

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Aircraft movement increased by 1.79% in 2015/16 when compared to the previous year. A total of 84,250 movements were recorded compared to 82,765 in 2014/15. SIA accounted for approximately 50% of total movements in 2015/16, that is 41,574 in 2014/15 compared with 41,859 during the reporting period. NMIA experienced a decline of 0.60% in aircraft movements resulting in a total of 21,033 in 2015/16 down from 21,159 in 2014/15. The Aerodromes and IFIA accounted for 25% of aircraft movement.

## SANGSTER INTERNATIONAL AIRPORT (SIA)

### GENERAL

MBJ was voted the Caribbean's Leading Airport in 2015 by World Travel Awards for 7<sup>th</sup> consecutive time and the 8<sup>th</sup> overall as the management and staff continued to work towards the goal of being the top class gateway to the Caribbean.

A major highlight for 2015/16 was the seamless implementation of the approved aeronautical rates from the concluded Tariff Review process conducted by the Jamaica Civil Aviation Authority (JCAA) in its role as Economic Regulator. Aeronautical rates were increased by 70% on average and implemented in April 2015.

On April 20, 2015, Grupo Aeroportuario del Pacífico, S.A.B. de C.V., purchased 100% of the shares of MBJ's majority shareholder, Desarrollo de Concesiones Aeroportuarias, S.L. ("DCA") from Abertis Airports, S.A. ("Abertis"). DCA maintains 74.5% of the shares in MBJ while Vantage Airport Group Ltd. has the remaining 25.5% of shares. There were also key personnel changes directly and indirectly related to the change of ownership of the majority shareholder and the end of the Technical Services Agreement between MBJ and Vantage. The new Board of Directors is led by Chairman, Fernando Bosque Mohino. The Chief Executive Officer as of September, 2015, is Rafael Echevarne who leads the current executive team comprised of local professionals.

### PASSENGER, AIRCRAFT & CARGO MOVEMENT

For the period under review, there was growth from the US and European markets, while there was continued decline in Canadian traffic. The slowdown in the Canadian economy resulted in a decline in passenger numbers. Passenger growth was realized in the US and European markets resulting from better market conditions. At the regional level, the US market grew by 5.7%, Europe by 18%, while Canada continued on a negative trajectory, decreasing by 4.4%. Airline efficiency through larger aircraft and higher load factors are largely responsible for the growth in aircraft movements compared to greater passenger numbers. Total mail and cargo for the period was lower than 2014/2015, mainly due to the cessation of cargo operations by JetBlue.

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## SIA OPERATIONS

During the 2015/16 winter period the daily flight operations averaged between 45-55 flights per day; approximately 65% of the flights operated during the peak period which was between the hours of 11:30am-3:00pm. Based on traffic projections, it was anticipated to be a busy winter season. With this in mind, several meetings were held with major stakeholder to formulate a contingency plan to ensure smooth operations for the season. These initiatives continued throughout the season. MBJ processed the largest number of passengers in a single day on December 22, 2015. The day's operations included 10 air/sea operations each with 300 passengers.

As part of the initiatives to ensure smooth and efficient passenger processing, temporary customer service agents were hired to assist passengers throughout the terminal with particular focus on the Ticketing, Customs and Immigration Halls. General improvements were made to the cooling systems and were further enhanced by the installation of fans in the high traffic areas.

## SIA COMMERCIAL DEVELOPMENT

- **Small Business Initiative**

MBJ Airports Limited embarked on a Small Business Initiative (SBI) in December 2015 geared at small local enterprises. MBJ's SBI granted an opportunity to small entities to operate at Sangster International Airport providing exposure to an international market and an environment to further develop their businesses.





In keeping with its existing retail program, the concepts had to be unique; offering products that are not currently at the airport, ensuring passengers have an opportunity to indulge in their 'final taste of Jamaica' while providing additional choices for well-wishers and airport employees.

The concepts that formed part of this initiative were:

1. Fresh fruits to include but not limited to oranges, bananas, jelly coconuts, papaya, pineapple, plus freshly packaged sugar cane and june plums, offered by **Saint Mary's Sugarcane**
2. Fresh fruit sorbet icy pops offered by **DejaFruit**
3. Freshly blended natural juices offered by **DVine Living Essentials**

At the end of the trial period (May 2016) an evaluation of core objectives of the SBI will be completed to determine if the overarching goals were achieved.

#### • **Commercial and Air Service Development**

There were a number of new routes in 2015 which included American Airlines from Los Angeles, and Southwest from the new Houston Hobby international terminal. MBJ continued to expand its footprint across Europe and welcomed Eurowings' inaugural flight from Cologne, Germany. Established carriers, including JetBlue, Southwest and American, continued to show growth over previous year.

Aldeasa's walk-through duty free stores, which boast top brand liquors and a range of perfumes, completed a full 12-month of operation, increasing SPH by 12% compared to 2014. A successful advertising RFP was undertaken with the incumbent Clear Channel being awarded the 5 year Concession for an estimated capital investment of over US\$800,000 most of which will be used to introduce cutting edge digital technology used in the advertising field to the market. It is expected that proposed changes to the current program will yield significant increases in sales and revenue.

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## **CORPORATE SOCIAL RESPONSIBILITY**

MBJ sees itself as part of this wider network of communities that contribute to the development of Jamaica as a whole. Membership within such a network, therefore, requires an acute awareness and an urgent drive to respond to the needs of the wider community. It is with this in mind that MBJ has supported the Change for Children initiative since November 2011.

Change for Children has the primary focus of assisting children in need. It was on this basis that disbursements have been channeled directly to the Caribbean Christian Centre for the Deaf, Montego Bay Boys and Girls Club and the Scouts Association of Jamaica. The initiative is funded through the unsolicited donations of passengers departing Sangster International via network of coin collection units installed by MBJ throughout the post-security/departure terminal. Disbursement to three of these entities in October 2015 amounted to J\$600,000 each.

## **ENVIRONMENTAL STEWARDSHIP**

MBJ Airports Limited continued to demonstrate its commitment to environmental sustainability through several projects and initiatives. The airport participated in United Nations Conference on Trade and Development (UNCTAD) Project which undertook a case study exploring "Climate change impacts on coastal transport infrastructure in the Caribbean: Enhancing the adaptive capacity of Small Island Developing States (SIDS)". MBJ participated in the case study by providing data. Jamaica as well as St Lucia were specially selected to participate in this study which is expected to aid in the development of a methodology for assessing climate change related impacts and adaptation options for SIDS. The data provided will be extrapolated to provide expected financial, economic, social and infrastructural impact of climate change induced weather scenarios.

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### International Coastal Clean-up

MBJ Airports Limited also demonstrated its commitment to a sustainable environment by coordinating a team and participating in International Coastal Clean-up 2015. MBJ partnered with the Montego Bay Marine Park, the organizers of the Team Montego Bay International Coastal Clean-Up. The event saw 80 airport volunteers cleaning a section of beach adjacent to the airport's northern perimeter fencing, 676 pounds of garbage were collected.



## HUMAN RESOURCES DEVELOPMENT

MBJ's Human Resources Strategic plan focused on a number of objectives highlighting present and future steps the company endeavours to take to continuing building an engaged workforce, committed to the fulfilment of our goal as the leading Caribbean airport. As at March 31, 2016 the total number of personnel employed to MBJ Airports Limited was one hundred and sixty four (164).

The areas outlined below outline the company's achievements for the period.

**Skills Training & Development:** The Company identified and implemented short term external training programmes (face to face, local and international), ACI online training (many specific to Airport Operations) and specific technical training for specialized skills. Developmental opportunities continued throughout the period to include on-the-job training in general Airport operations, cross training, job rotation and job enrichment and special project assignments for staff. In order to continue to support employees' career and personal development, MBJ continued its Tuition Assistance programme giving grants of a maximum of fifty percent (50%) of tuition fees for eligible employees.

**Staff Welfare Programme:** MBJ hosted its annual Wellness Fair, annual Employee Health Screening Exercise and Lunch and Learn Wellness talks for employees during the year. Other Staff Welfare activities included the company's End of Year Dinner and Dance, annual Family Fun Day, customary and cultural Easter tokens, Employee's Children Scholarships programme and Employee Recognition Incentives.

## CAPITAL DEVELOPMENT

MBJ has embarked on initiatives to ensure efficient operations to meet the growing demand on its facilities while ensuring compliance with local and international regulations and standards. During the period under review, MBJ completed additional restrooms inside the Baggage Hall. These additional stalls served to alleviate the long lines which existed at the restrooms immediately after exiting the Immigration Hall. Works were also carried out at the Baggage Make-up Area to reduce flooding and ensure that flight operations are not disrupted during rainfall. Additional works to expand this area is continuing into the 2016/2017 year. Overall, MBJ continues to maintain the plant by providing improvements to the runway, taxiways terminals and fence lines to ensure safe operations.

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## NORMAN MANLEY INTERNATIONAL AIRPORT (NMIA)

NMIA experienced strong traffic and revenue performance over the last year. The Aeronautical Rate Review implemented in April 2015, now allows the airport to realise higher revenues and presents a more attractive offer to would-be private investors, given government's objective to commercialise the management and operations of the airport. The Rate Review process conducted by the Jamaica Civil Aviation Authority as Economic Regulator, resulted in an overall 55% increase in aeronautical rates and was the first regulatory rate adjustment for the airport in 12 years since being established under the Economic Regulations in 2003.

The 2015-2016 year was very active for NMIA and featured a number of important events such as: the debut visit of the President of the United States of America, Mr. Barack Obama, to Jamaica (in Capital City, Kingston), along with the cohort of Caribbean Heads of State for a CARICOM-US Summit en-route to attend the Summit of the Americas Conference in Panama; The July 2015 launch of the bidding process for the Public Private Partnership concession of NMIA with a major Investor Conference; and the September 2015 welcome of Princess Anne, daughter of Queen Elizabeth II, the Venezuelan President and two Prime Ministers (Britain and Japan), all in short order.

### **NMIA AWARDS**

The Norman Manley International Airport (NMIA) was awarded the prestigious Airports Council International (ACI) – Airport Service Quality (ASQ) Award for the Most Improved Airport in Latin America and the Caribbean Region for 2015. Airports Council International recognizes the world's airports, which have achieved the highest passenger satisfaction ratings in the ASQ survey, the world's premier passenger service benchmark measure of airport excellence. The airport also enjoyed a rise in the ACI-ASQ rankings to the number two airport in the region for the fourth quarter of 2015, following its recent number three ranking for quarters two and three of 2015.

NMIA was also nominated in the category - Caribbean's Leading Airport, by World Travel Awards (WTA) which promotes and develops the global travel and tourism industry by identifying and rewarding excellence and inspiring its practitioners to continually raise the standards of their product and service offering. NMIA was honoured to be recognised and the results of the voting process will be known by August 2016.

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## **ROUTE DEVELOPMENT AND MARKETING INITIATIVES**

NMIAL continued its joint promotion of Destination Kingston and the airport's amenities with entities such as the Kingston Metropolitan Resort Board, the Jamaica Tourist Board and the Jamaica Airlines & Airport. The new North-South highway development from Kingston to Mammee Bay /Ocho Rios, which better connects the wider catchment area to the airport, is a major source of interest for airlines and tour operators. Another positive development for Destination Kingston was the increased hotel rooms introduced during the period, such as The Courtyard by Marriott - Kingston Jamaica hotel, which is the third in the Courtyard by Marriott brand to be established in the English-speaking Caribbean.

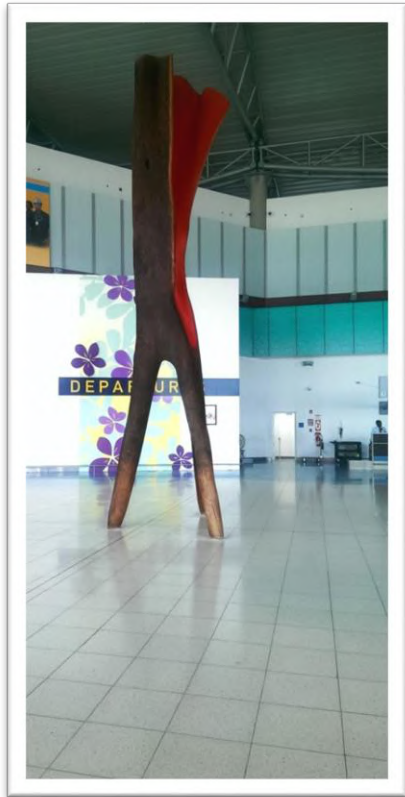
With respect to NMIA's destination markets, a show of appreciation was demonstrated to the Diaspora community in the Tri-State Area of New York, USA when the Jamaica Tourist Board (JTB) and NMIAL hosted a special reception in their honour at an event held in New York in May 2015. The event was attended by a wide cross section of persons, comprising the Council General, members of alumni associations, businesses, clergy, community groups, and not-for-profit organizations.

## **COMMERCIAL PROGRAMME**

The commercial offerings at the airport were expanded to include the following initiatives:

- Hot Dog Village – A small, movable hot dog vending cart which opened in December 2015 at the Arrivals Forecourt. They offer gourmet hot dogs with a variety of toppings
  - JamJoy Treats, a new food and beverage concession in the Departure Lounge, opened in March 2016. They offer sweet and savoury snacking options such as warm pretzels, pretzels dogs, popcorn and healthy options such as vegetarian and meat salads and fruit cups.
  - Upgrade of Service Station (PETCOM) - Phase 1 entailed the removal of cladding and replacement of windows. Phase 2, which is not yet complete includes the expansion of the Convenience Store
  - KE Connect Limited – Operators of Knutsford Express and became operation in the Transportation Hall at NMIA in January 2016
  - Expansion and refurbishment of the Sunkissed retail clothing kiosk in the Departure Lounge.
  - Opening of a "Communication Zone" at the airport, with Digicel offering a range of advisory services to passengers waiting in the Departure Lounge. A FLOW kiosk is anticipated for implementation in 2016/2017
-

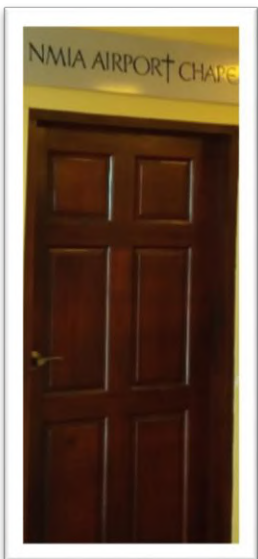
## NMIA AIRPORT ART



During the year the Art Sub-committee of AAJ procured a major work of art for display in the main check-in hall of the Norman Manley International Airport. Laura Facey's 'Walking Tree' is 24-foot high and was chosen for its sheer size and the concept behind the creation. It is a conversation piece for departing passengers and well-wishers who use the airport terminal the airport. NMIA also installed a Butterfly exhibition which highlights some of the island's endemic and unique butterfly species from various families within the group. There are over 150 species of butterflies among the diverse terrestrial fauna of Jamaica, with approximately 35 endemic species and 22 endemic subspecies.

The second staging of the AAJ Schools' Art Project occurred in December 2015. A total of 165 submissions, representing various age groups, were received from schools island-wide at the extended deadline of November 30th. The participants were challenged to depict one of three new themes - The Jamaica I Dream of; How I Help to Protect the Environment and My Favourite Jamaican Attraction. The 2015 cohort delivered an impressive collection and will add to the passengers' experience as the pieces are mounted on the walls of the link corridor to the Gates in the main Terminal. The top performers of the competition were rewarded for their work with gifts and prizes from airlines and other airport stakeholders.

## AIRPORT CHAPEL



The door of the NMIA Airport Chapel was officially open in April 2015 and is the first chapel of its kind in Jamaica, described as “a peaceful oasis in a busy international airport”; and a welcomed addition to the Kingston Gateway. The well appointed chapel with its signature pastel shade walls, inspirational paintings and worship paraphernalia is located on the west end /ground floor of the main terminal and is easily accessible to the travelling public and general airport staff. Corporate faith based events will be accommodated in the chapel, based on the suitability of the facility to host the event and its conformity to the regulations of the Airport Operator and Jamaica Civil Aviation Authority.

## AIRPORT OPERATIONS

NMIA continued to implement systems and procedures for the smooth processing of passengers throughout the airport terminal, with safety and security being of paramount importance. The aviation security activities ended the year with positive performance achievements in surveillance coverage (CCTV) serviceability and security equipment serviceability. Additional security employees gained certification, which demonstrates the commitment of the Government of Jamaica to secure its borders. NMIA was rated favorably by the ICAO following a security inspection of its systems and procedures in 2016 January. This was achieved principally as a result of the proactive approach taken to address potential security risk areas based on the mandatory quality control programme in place. The drive to foster a culture of security awareness at the NMIA also continued where all persons requiring access to restricted areas of the airport were mandated to attend the security awareness training and achieve passing grades prior to the issuance of the restricted area permit. The cooperation of all airport stakeholders assisted the NMIA in achieving its security goals for the period under review.

## CORPORATE SOCIAL RESPONSIBILITY

- **Kingston City Run**

The AAJ/NMIAL was pleased to be a main sponsor once again in the Kingston City Run festival (KCR) of events. The 3 day event was successfully staged and also attracted overseas participants. Five (5) charities received \$400,000.00 each from Kingston city run 2015. They are: Alpha Boys' Home; Open Arms Centre; Marie Atkins Night Shelter; Missionaries of the Poor; and Food for the Poor.





- **Labour Day**

In keeping with the national theme for Labour Day 2015 — “Labour of love; nurturing our children” — TEAM AAJ, including staff at the Ian Fleming Int’l Airport (IFIA) and Ken Jones Aerodrome, focused on improving and revamping spaces designated for children. Employees from NMIAL worked at its adopted school, Donald Quarrie High, and spearheaded the construction of a 120ft concrete pedestrian walkway (from the roadway to the security gate) for the safe traversing of the students. Ian Fleming Int’l and Ken Jones Aerodrome participated in projects at Iona High School and St. Margaret’s Basic School respectively. The team repainted walls and repaired damaged walkways.



**Project Description: DONALD QUARRIE HIGH SCHOOL**

Construction of a new access stairway (steps) and reinforced concrete pedestrian walkway; spanning approximately 120ft from the school’s main entrance to the compound’s access gate.

## **NMIA CAPITAL DEVELOPMENT PROGRAMME**

NMIAL continued implementation of Phase 1b of its capital development programme, which is budgeted at US\$26m (2013 – 2017). Approximately US\$17m has been spent up to March 2016, and the remaining portion (US\$9m) is being implemented up to, and into the first year (2017) of the proposed PPP operation of NMIA. This programme is aimed at complementing the new infrastructure created under Phase 1A in 3 categories of projects: (i) Risk mitigation; (ii) Maintenance & Upgrade and (iii) Efficiency improvements.

### **a). Implemented up to 2016 - US\$14.6m**

- East airfield development including GA Hangers
- Cargo facilities expansion
- Chilled water distribution system ring main
- Car park system replacement
- Fire detection & alarm system expansion
- ARFFV replacement
- PBX system replacement with VIOP system

### **b). Being Implemented - US\$11.4m**

- 4KV Electrical Sub-station Rehabilitation
- Cargo facilities further expansion
- New ARFFV
- Fire detection & alarm system further expansion
- Car park system expansion

Phase 2 of the CDP is estimated at US\$16m (Revised and Included in the proposed NMIA PPP Capex Programme of US\$132m). The US\$132m PPP Capex programme which is proposed to be funded and implemented by the new operator of NMIA post the PPP transaction has a mandatory component of approximately US\$62m to be completed by 2020, and the remainder by 2026. The major component of the Mandatory works is the Runway Extension with an estimated cost of US\$52m. While the NMIA PPP transaction has been delayed, and the next steps are being determined by the GOJ, the NMIA CDP will still need to be implemented as scheduled, to maintain the regulatory and service level requirements of the airport. This funding for the major elements of the programme (up to 2020) has been provided for in the rate increase granted to NMIA in 2015 by the JCAA, acting as Economic Regulator.

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## **ENVIRONMENTAL MANAGEMENT AND SUSTAINABILITY**

NMIAL continued to undertake environmental management guided by ISO14001 principles, and in so doing incorporate sustainable environmental requirements into major airport operations in order to achieve a safe, clean, and aesthetic environment. The airport is located within the locally declared Palisadoes-Port Royal Protected Area (PPRA), and in the midst of an internationally declared RAMSAR site (i.e. Convention on Wetlands of International Importance). NMIAL continued its role as a major stakeholder in its response to the new Protected Area regulations for the PPRA from NEPA, and appropriate due diligence is maintained on the airport property. A high level Environmental Investigation has been completed for NMIA, and several strategic environmental audits, in regard to aviation noise, water management, waste characterization, climate change adaptation and air quality, are being planned to improve airport operations, land use planning and resource management linkages.

The outlook in respect of significant environmental issues affecting airports is evolving at both the local and international levels. Consideration of climate change factors has become a key strategic objective in corporate environmental sustainability. Wildlife hazard management, waste management and operations quality monitoring remain significant components within the suite of Environmental Programmes. Appropriate environmental permits and licences pertinent to the operations of the airport are obtained, renewed and maintained as part of the airport's commitment to regulatory compliance. NMIAL remains committed to meet existing as well as changing local and international standards that impact airport operations.

## **IFIA AND THE AERODROMES**

Operations at the Ian Fleming International Airport (IFIA and the Domestic Aerodromes) continued to be subsidised by the AAJ. During the period under review total passenger traffic at the three domestic aerodromes (Ken Jones, Negril and Tinson Pen) increased by approximately 10% amounting to 10,126 passengers and similarly, aircraft movement increased by 9% for a total of 19,020 departures and landings for the year. IFIA saw a 1% increase in passenger loads for a total of 2,059 passengers. Aircraft movement at IFIA, however, decreased by approximately 7% for a total of 2,338 in 2015/2016. The AAJ is actively collaborating with IFIA and aerodrome stakeholders to build the partnership towards a mutually agreeable solution for: growing the waning local aviation industry; regularizing tenancy arrangements; and re-establishing a framework for improved financial and operational performance at the facilities.

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## HUMAN RESOURCE MANAGEMENT AND ADMINISTRATION

- ***Learning & Development***

### **Training**

For the period, 302 employees out of an average workforce of 327 employees participated in various training programmes totaling 879 man-days of training. This is an average of 2.69 man-days of training per employee in relation to the overall workforce. The employees participated in local, overseas and online courses.

Training programmes included:

- HR Analytics for Business Strategy and Growth
  - Emergency Medical Technician Basic (EMT-B) Course
  - Supervisory Management
  - Introduction to Airfield Operations
  - Advanced Airfield Operations
  - Fundamentals of Project Management
  - First Aid Training
  - Stepping up to Leadership
  - Mass Casualty Management Training
  - Strategic and Corporate Planning
  - ICAO TRAINAIR PLUS Training Developers Course (TDC)
  - Leadership by Valuing Workshop
  - Critical Thinking for Managers and Decision Makers
  - Airport Operations Diploma
  - Human Factor
  - Certificate in Business Operations
  - Airport Administration and Services
  - Concession Management
  - Airport Environmental Management
-



- **Learning & Development Center (LDC)**

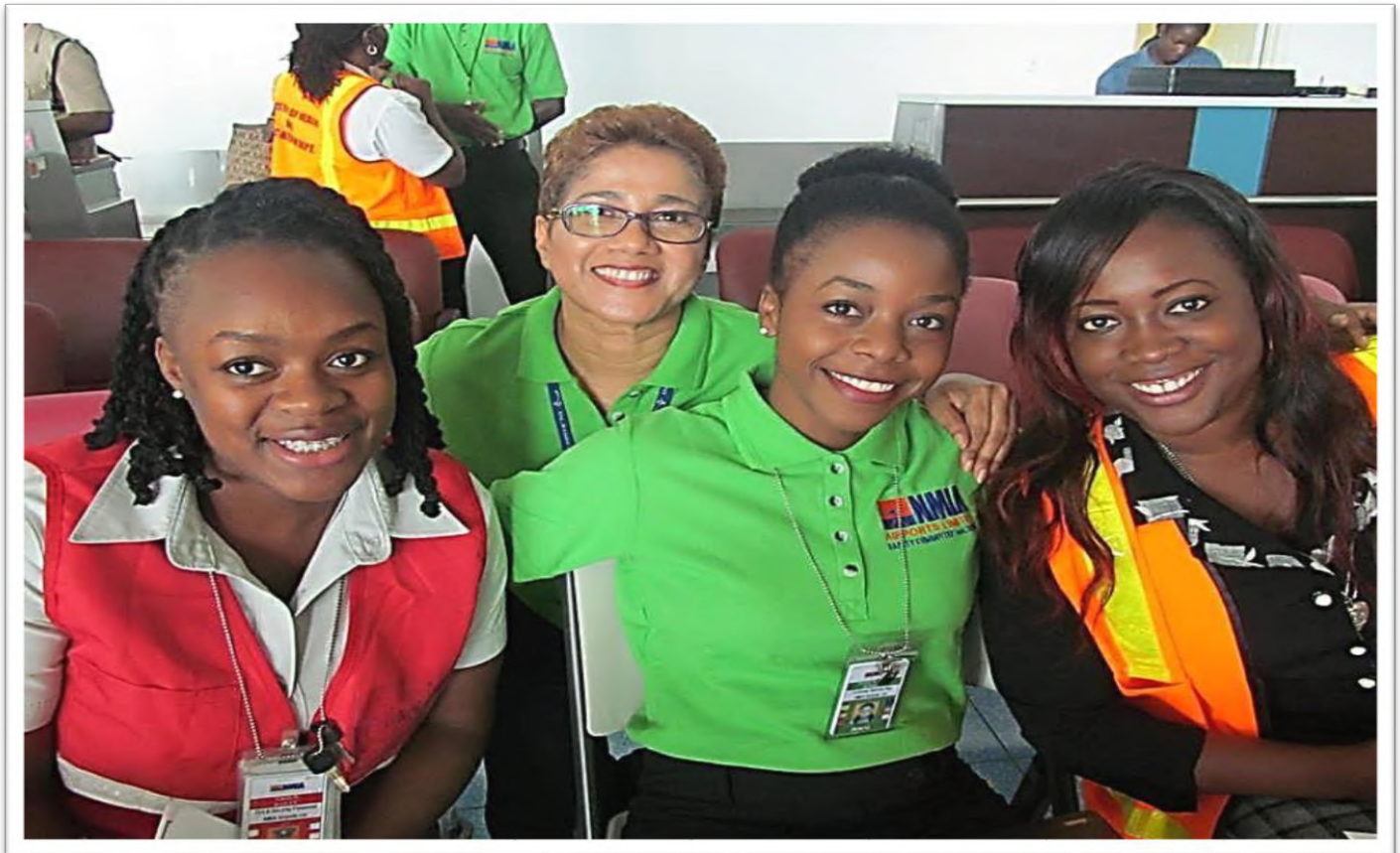
A variety of training and social events were hosted at the LDC, including mandatory training for airport workers and events such as parties and staff socials. Over the period the Centre earned \$11.6M in non-aeronautical revenues (\$6.9M internally derived and \$4.7M externally derived).

- **Tuition Assistance for Employees**

Over the period a total of 10 employees benefited from the tuition assistance programme to read for their 1<sup>st</sup> and 2<sup>nd</sup> degrees. A total of \$3,577,927.05 was disbursed to assist with tuition cost.

- **Scholarship for Children of Employees**

There were 3 recipients for the secondary scholarship valued at \$55,000.00 each for a five year period and one book grant was awarded valuing \$15,000.00 as a one-time payment. A total of \$4, 515,000 was disbursed to new and recurring scholarship holders for the 2015-2016 academic year.



# BOARD OF DIRECTORS

(April 2015- March2016)



DENNIS MORRISON  
CHAIRMAN



JOSEPH A.  
MATALON  
DIRECTOR &  
CHAIRMAN - NMIAL



AUDLEY H. DEIDRICK  
PRESIDENT (ACTNG.)  
& CEO - NMIAL (ACTNG)



CLAUDETTE  
RAMDANIE  
DIRECTOR



VALERIE SIMPSON  
DIRECTOR



DR. LANIE  
OAKLEY-  
WILLIAMS  
DIRECTOR



NEIL LAWRENCE  
DIRECTOR



NEVILLE WRIGHT  
DIRECTOR



WILLIAM SHAGOURY  
DIRECTOR  
CHAIRMAN -Effective April 2016

# EXECUTIVE TEAM



AUDLEY H. DEIDRICK  
 VICE PRESIDENT FINANCE/ICT/HRDA  
 PRESIDENT & CEO (ACTG.) 9 MARCH 2015



CARVELL MCLEARY  
 SNR. DIRECTOR HRM &  
 ADMINISTRATION



LISA-KAYE BRYAN  
 GENERAL COUNSEL



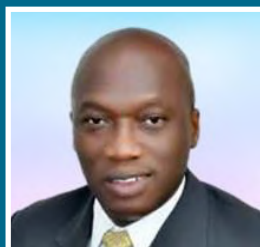
ALFRED MCDONALD  
 SNR. DIRECTOR, COMMERCIAL  
 DEVELOPMENT & PLANNING



HORACE BRYSON  
 SNR. DIRECTOR,  
 ENGINEERING,  
 MAINTENANCE & PROJECTS



LT. CDR. JOHN MCFARLANE  
 SNR. DIRECTOR (ACTG.),  
 OPERATIONS



SAMUEL MANNING  
 DIRECTOR, FINANCE



CHRISTOPHER POWELL  
 DIRECTOR (ACTG.),  
 AVIATION SECURITY



RICHARD GIBBS  
 DIRECTOR, ICT



airports authority of jamaica

# OPERATIONAL PERFORMANCE



## FINANCIAL HIGHLIGHTS

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

Key Performance Indicators (KPI's)	Actual Mar-16 J\$'000	Budget 2015-16 J\$'000	Budget 2016-17 J\$'000
Operating Revenue	7,377,892	4,764,677	6,032,157
Operating Expenses	(3,866,176)	(3,951,269)	(4,623,923)
Other (Expenditure)/Income	(347,188)	(356,835)	952,271
Taxation	276,722	(304,211)	(429,085)
Net Profit	3,441,250	152,362	1,931,420
Capital Expenditure	<b>694,709</b>	<b>857,714</b>	<b>1,052,668</b>

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

Key Performance Indicators (KPI's)	Actual Mar-16 J\$'000	Budget 2015-16 J\$'000	Budget 2016-17 J\$'000
Operating Income	3,077,364	1,835,124	1,786,566
Operating Expenditure	(606,726)	(623,569)	(643,686)
Other Income (Expenditure)	(354,887)	(34,544)	422,547
Taxation	(614,498)	(304,211)	(429,085)
Net Surplus	1,501,253	872,800	1,136,342
Capital Expenditure	<b>33,631</b>	<b>62,192</b>	<b>56,160</b>

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

Key Performance Indicators (KPI's)	Actual Mar-16 (US\$'000)	Budget 2015/16 (US\$'000)	Budget 2016/17 (US\$'000)
Operating Income	37,264	32,794	37,591
Operating Expenditure	(29,678)	(32,629)	(35,379)
Other Income (Expenditure)	1,268	(6,774)	4,414
Taxation	7,524	-	-
Net Profit	16,378	(6,609)	6,626
Capital Expenditure	<b>5,446</b>	<b>649</b>	<b>8,096</b>

**Table 4:** Summary Financial Indicators for NMIA Limited:

Description	2014/15	2015/16
Aeronautical to Total revenue	50.1%	61.09%
<b>Aeronautical Revenue (US\$'000)</b>		
Passenger Service Fees	6,048	12,190
Security Fees	3,940	6,573
Landing Fees	2,974	3,280
Other	1,140	1,027
<b>Non-Aeronautical Revenue (US\$'000)</b>		
Concession Fees	8,023	7,757
Car Park	677	829
Space Rental	1,219	1,617
Advertising Space Rentals	471	435
Utilities Recovery	823	549
Other	2,812	3,007
<b>Revenue Drivers</b>		
Passenger Throughput	1,436,655	1,531,010
Aircraft Landings	21,419	20,540
Cargo Throughput	12,277,715	12,631,448

## Traffic Performance

### Passenger Traffic

Fin YR	NMIA	% Change	SIA	% Change	IFIA + AERDROMES	% Change	Total	% Change
2010/11	1,495,406		3,339,635		20,430		4,855,471	
2011/12	1,457,840	-2.51%	3,338,827	-0.02%	25,881	26.68%	4,822,548	-0.68%
2012/13	1,462,072	0.29%	3,351,751	0.39%	21,665	-16.29%	4,835,488	0.27%
2013/14	1,370,893	-6.24%	3,526,733	5.22%	11,020	-49.13%	4,908,646	1.51%
2014/15	1,467,763	7.07%	3,731,028	5.79%	11,215	1.77%	5,210,006	6.14%
2015/16	1,553,928	5.87%	3,867,968	3.67%	12,190	8.69%	5,434,086	4.30%
<b>Total</b>	<b>8,807,902</b>		<b>21,155,942</b>		<b>81,971</b>		<b>30,066,245</b>	

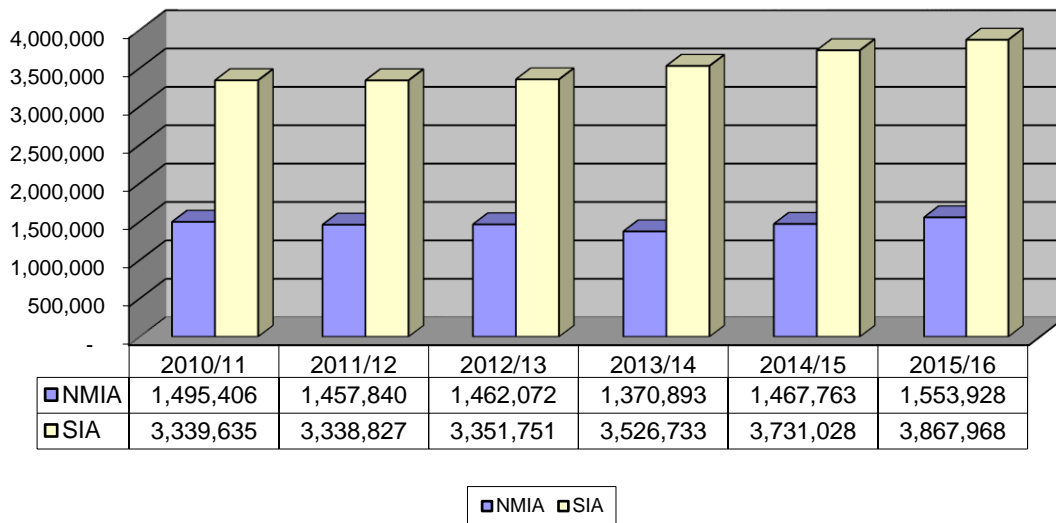
### Freight Performance

Fin YR	NMIA	% Change	SIA	% Change	IFIA + AERDROMES	% Change	Total	% Change
2010/11	13,281,921		4,918,609		11,979		18,212,509	
2011/12	12,336,776	-7.12%	5,078,916	3.26%	4,746	-60.38%	17,420,438	-4.35%
2012/13	11,991,323	-2.80%	5,151,382	1.43%	4,000	-15.72%	17,146,705	-1.57%
2013/14	12,041,376	0.42%	5,747,736	11.58%	4,640	16.00%	17,793,752	3.77%
2014/15	12,277,715	1.96%	6,215,724	8.14%	3,452	-25.60%	18,496,891	3.95%
2015/16	12,631,448	2.88%	6,291,549	1.22%	2,385	-30.91%	18,925,382	2.32%
<b>Total</b>	<b>74,560,559</b>		<b>33,403,916</b>		<b>19,223</b>		<b>107,995,677</b>	

### Aircraft Movement

Fin YR	NMIA	% Change	SIA	% Change	IFIA + AERDROMES	% Change	Total	% Change
2010/11	23,155		39,811		27,436		90,402	
2011/12	21,437	-7.42%	39,815	0.01%	23,035	-16.04%	84,287	-6.76%
2012/13	22,313	4.09%	39,830	0.04%	24,408	5.96%	86,551	2.69%
2013/14	20,243	-9.28%	39,084	-1.87%	20,531	-15.88%	79,858	-7.73%
2014/15	21,159	4.53%	41,574	6.37%	20,033	-2.43%	82,766	3.64%
2015/16	21,033	-0.60%	41,859	0.69%	21,358	6.61%	84,250	1.79%
<b>Total</b>	<b>129,340</b>		<b>241,973</b>		<b>109,365</b>		<b>508,114</b>	

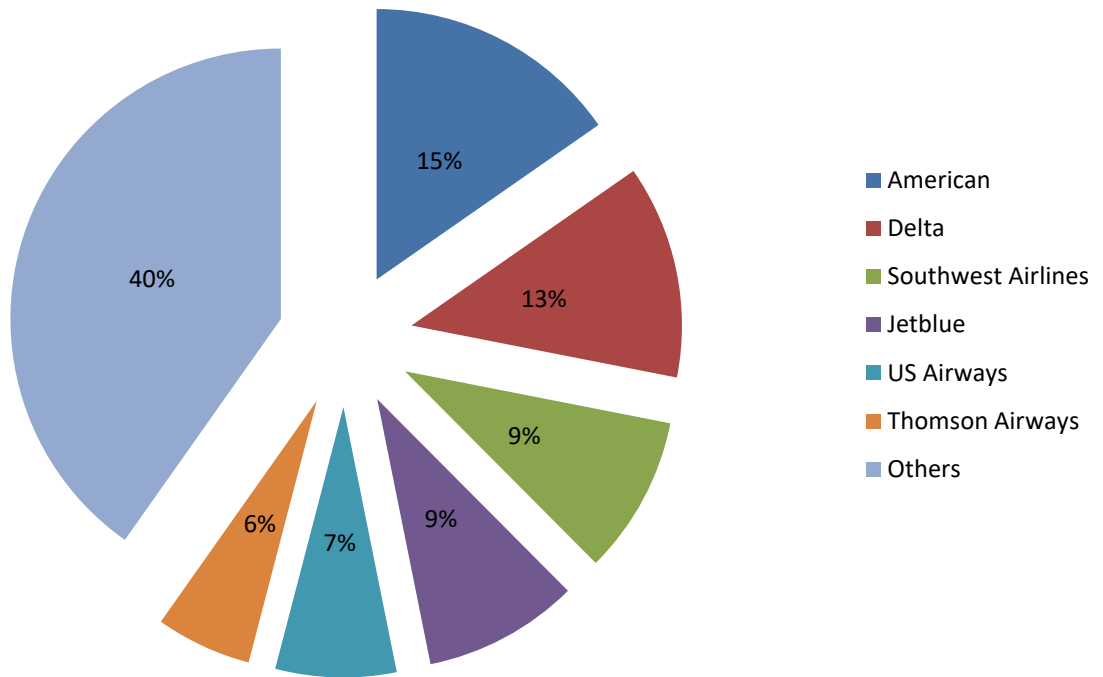
### Passenger Statistics



SIA Total Passengers

2015 - 16

TOP 5 AIRLINES



NMIA Total Passengers

2015 - 16

TOP 5 AIRLINES

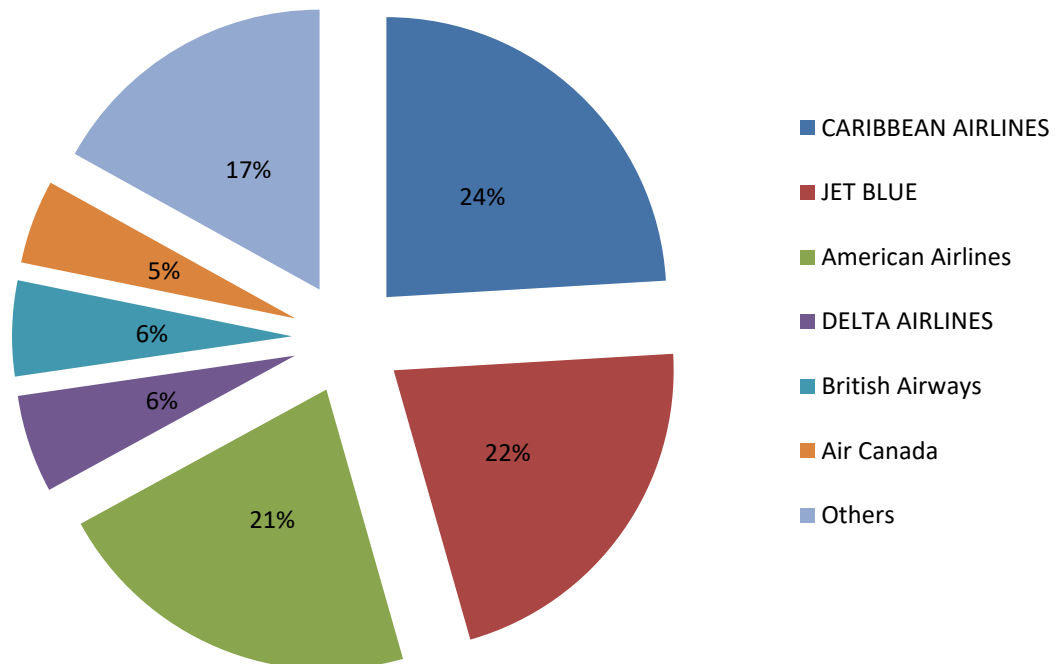


Table 4: Actual Financial Performance 2016 versus 2015 for AAJ Consolidated:

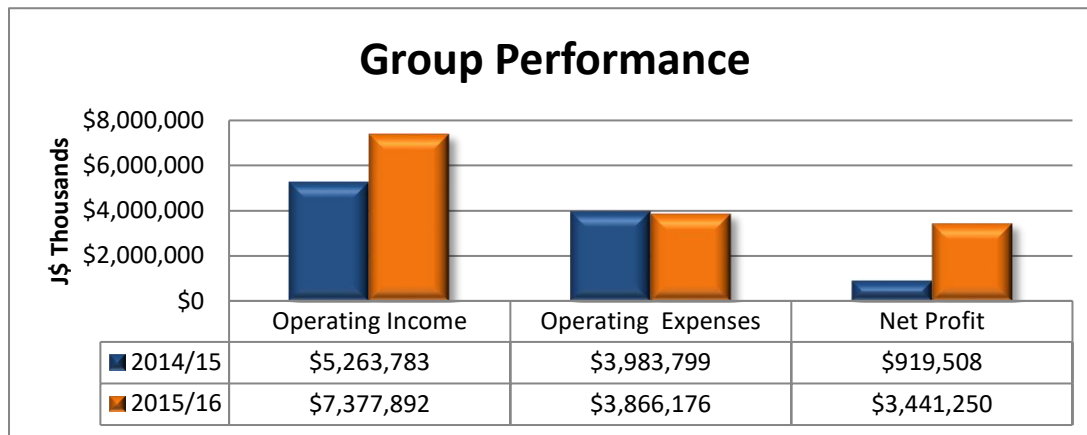


Table 5: Actual Financial Performance 2016 versus 2015 for AAJ:

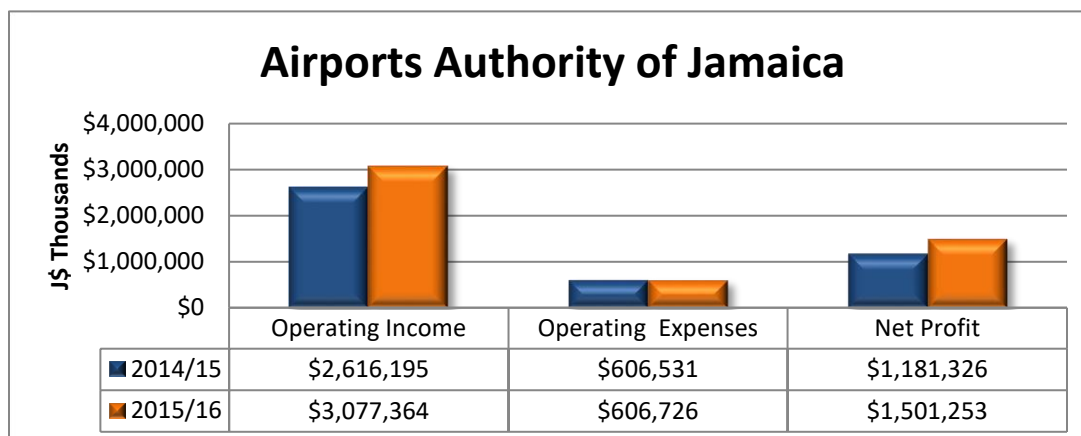
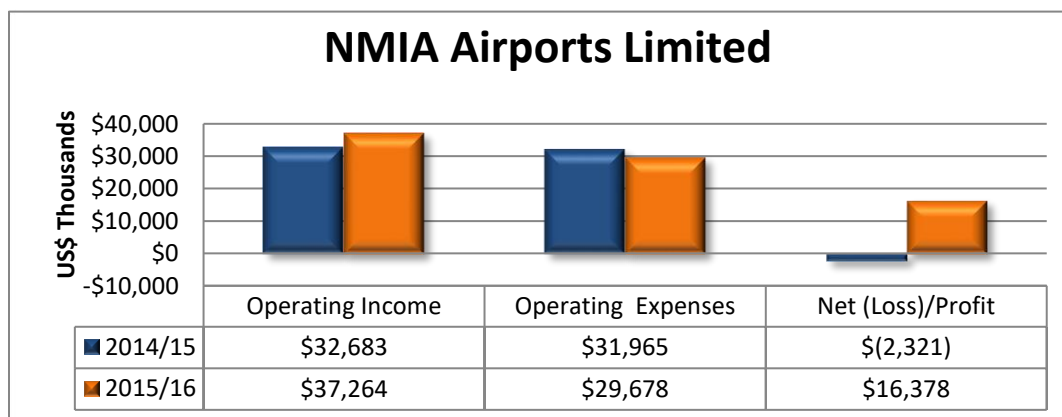


Table 6: Actual Financial Performance 2016 versus 2015 for NMIA Airports Limited:



**DIRECTORS' COMPENSATION: April 2015 - March 2016**

Position of Director	Fees	Motor Vehicle Upkeep/Travelling	Honoraria	All Other Compensation including Non-Cash Benefits as applicable	Total
	(\$)	or Value of Assignment of Motor Vehicle (\$)	(\$)	(\$)	(\$)
<b>Dennis Morrison</b> -Chairman of the AAJ Board	224,000.00	38,321.00		590,490.74	<b>852,811.74</b>
<b>Joesph A. Matalon</b> - Chairman for NMIAL & Director of the Projects Sub-committee	172,000.00	22,519.74			<b>194,519.74</b>
Laine O. Williams - Chairperson of the finance and audit sub-committees	176,000.00	20,868.00			<b>196,868.00</b>
<b>William Shagoury</b> -Director & member of the projects sub-committee	128,000.00	107,536.00			<b>235,536.00</b>
<b>Valerie Simpson</b> -Director & member of the Projects Sub-committee and the Finance and Audit sub-committee	146,500.00	33,934.00			<b>180,434.00</b>
<b>Neil Lawrence</b>	128,500.00	43,804.00			<b>172,304.00</b>
<b>Claudette Ramdanie</b>	162,500.00	40,937.00			<b>203,437.00</b>
<b>Neville Wright</b>	181,000.00	47,235.00			<b>228,235.00</b>

**MEMBERS OF BOARD SUB-COMMITTEE**

<b>Paul Stockhausen</b>	28,000.00	18,048.00			<b>46,048.00</b>
<b>Whilston Taylor</b>	10,500.00	6,768.00			<b>17,268.00</b>
<b>Veronica Bennett Warmington</b>	24,500.00	18,048.00			<b>42,548.00</b>
<b>Wayne Strachan</b>	42,000.00	2,115.00			<b>44,115.00</b>
<b>Earl Richards</b>	31,500.00	20,304.00			<b>51,804.00</b>
<b>Kirk Taylor</b>	8,500.00				<b>8,500.00</b>

## Notes

1. Fees are paid as follows:
  - a. Board Meetings
    - i. Board Chairman: \$16,000 per meeting
    - ii. Directors: \$8,500 per meeting
  - b. Sub-Committee Meetings
    - i. Sub-committee Chairman: \$7,000 per meeting
    - ii. Members: \$3,500 per meeting
2. Directors receive a travelling allowance of \$47.00 per km for meetings attended.
3. Other compensation of \$590,490.74 represents payment of business related telephone charges. See Executive compensation for the Director /President

**SENIOR EXECUTIVE COMPENSATION: April 2015 - March 2016**

Position of Senior Executive	Salary	Gratuity	Travelling Allowance or Value of Assignment of Motor Vehicle	Pension or Other Retirement Benefits	Other Allowances	Non-cash	Total
<b>President</b>	7,557,704	1,795,518	3,518,960	-	1,326,977	261,241	14,460,400
<b>General Counsel (resigned 2015)</b>	3,037,429	1,740,306	1,466,624	-	1,632,901	98,888	7,976,148
<b>Snr. Director - HRMA</b>	5,530,930	1,297,123	2,339,976	-	801,391	167,281	10,136,701
<b>Snr. Director - CDM</b>	5,530,930	1,375,599	2,339,976	-	851,775	204,216	10,302,496
<b>Snr. Director - EMP</b>	5,530,930	1,368,464	2,339,976	-	697,364	198,994	10,135,728

## 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 \$40.00 per km for travelling
- ✓ Other Allowances is comprised of meal, clothing and laundry allowances
- ✓ Gratuity includes terminal payment amount
- ✓ Non-cash Allowances include Group Life & Health Insurance coverage
- ✓ An Upkeep Allowance is paid and is represented in the column labelled "Travelling Allowance.
- ✓ Non-taxable upkeep, totalling \$5,691,728 and non-cash items (health & life-insurance), totalling \$930,619 are not treated as management compensation in the audited financial statements and are included in administrative expenses.



## BOARD MEMBERS ATTENDANCE APRIL 2015 – MARCH. 2016

	Mr. Dennis Morrison Chairman	Mr. Joseph A. Matalon	Hon. William Shagoury	Miss Valerie Simpson	Dr. Lanie Oakley-Williams	Ms. Claudette Ramdanie	Mr. Neville Wright	Mr. Neil Lawrence
Apr. 2015	•	•	•	•	•	•	•	•
May 2015	•	•	—	•	•	•	•	•
Jun. 2015	•	•	—	—	•	—	•	•
Jul. 2015	•	•	•	•	•	—	•	•
Aug. 2015	—	—	—	—	—	—	—	—
Sep. 2015	•	•	•	•	—	•	•	•
Oct. 2015	•	•	—	•	•	•	•	—
Nov. 2015	•	•	•	—	•	•	•	•
Dec. 2015	•	•	—	•	•	•	•	•
Jan. 2016	•	•	•	•	—	•	•	•
Feb. 2016	•	•	—	—	•	•	•	•
Mar. 2016	•	•	•	•	•	—	•	•
<b>TOTAL</b>	<b>11</b>	<b>11</b>	<b>6</b>	<b>8</b>	<b>10</b>	<b>8</b>	<b>12</b>	<b>11</b>



airports authority of jamaica

# AWARDS & EVENT HIGHLIGHTS





## AIRPORT SERVICE QUALITY AWARDS

INDUSTRY RECOGNITION OF THE BEST AIRPORTS IN THE WORLD

The Airport Service Quality Awards are the industry's most prestigious accolades. The awards recognise the airports which have achieved the highest passenger satisfaction ratings in the ASQ Survey - the world's benchmark measure of airport excellence

Norman Manley International Airport, Kingston  
 ACI ASQ - MOST IMPROVED AIRPORT FOR LATIN AMERICA & the CARIBBEAN 2015



Caribbean's Leading Airport

NMIA -Main Sponsor for of the Caribbean's Largest Street Party | Fireworks on the Waterfront, Downtown Kingston



# STAKEHOLDERS' APPRECIATION



The CEO and Management of NMIA Airports Limited cordially invite you to join us for

Venue:  
Viewing Gallery  
Departure Lounge  
Norman Manley  
International Airport

An  
Evening of  
Appreciation

FOR OUR  
STAKEHOLDERS

Dress Code:  
Business Casual

Wednesday,  
January 13, 2016  
6:00pm to 9:00pm

RSVP

Herma Pink  
924-8452-6  
hpink@aaj.com.jm





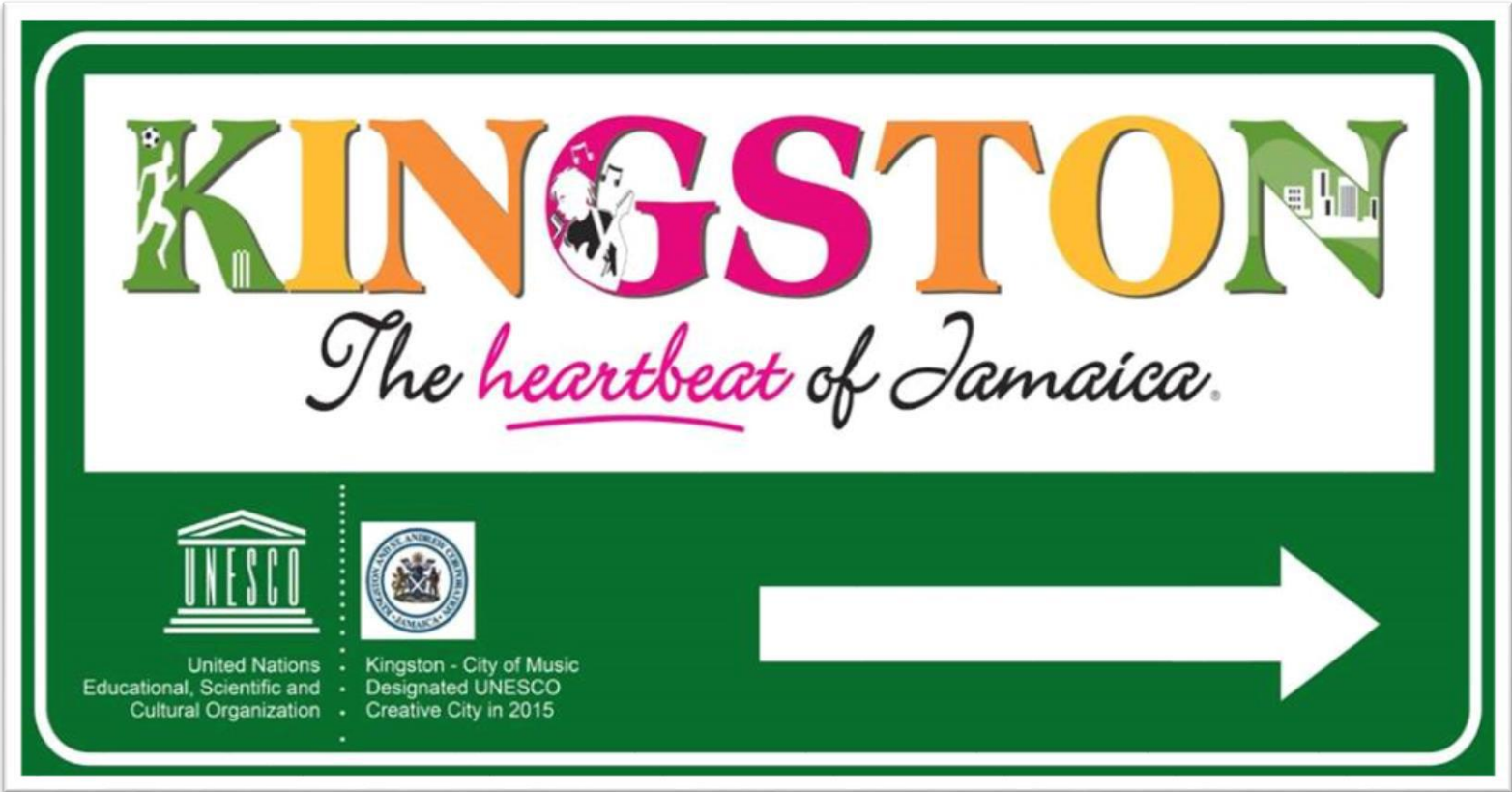
AAJ sponsored Jamaica International Invitational Meet 2016 | National Stadium ,Kingston

Exhibition | Ticketing Hall, NMIA

**World  
Wetlands Day**  
2 February 2016

**Wetlands  
for our Future**  
Sustainable Livelihoods





Refurbished landmark





# BRUNCH, ART TALKS & AWARDS CEREMONY

Wednesday, December 16<sup>th</sup>

Brunch will be served @ 10:30am  
in the Viewing Gallery Café

Art Talks and Awards @ 11:00am - 1:00pm  
in the Carl Abrahams Corner

Upper Departures Lounge  
NORMAN MANLEY INTERNATIONAL AIRPORT  
PALISADOES, KINGSTON



1<sup>st</sup> place students in each category, A (ages 5-9) Prudent Salmon, B (ages 10-14) C-Jay Smith, C (ages 15-19) Oneil Mullings and D (Special Needs < 20 years old) Raphic Roberts share lens with (L-R) AAJ President - Audrey Deidrick, AAJ Director - Joseph A. Matson, Alexander Cooper (guest of honor) and Chairman, Airport Art Committee - Norman Patrick Sauter

## PRESIDENT'S AWARDS



**CORNWALL COUNTY CHAMPION**  
Mount Alvernia  
Preparatory School



**AWARD FOR MOST OUTSTANDING PERFORMANCE**  
Newell High School,  
St. Elizabeth



**SURREY COUNTY CHAMPION**  
The Queen's  
Preparatory School



Guest Speaker, Viorle Pospaye, PhD,  
Executive Director, National Gallery JA



Marketing & Corporate Communications Manager,  
AAJ/NMIAirport - Grace Morrison meets the Guest of Honor - Alexander Cooper, Distinguished Jamaican Artist



Guest Speaker, Michelle Simone Clarke  
share tips on the business of Art with  
the young ones.



**1st**  
**PRUDENT SALMON**  
Cornwall Avenue Primary School

### CATEGORY A

(ages 5-9)

Presenters:  
- Penona Morrison  
- Dian Watson  
(members of the Airport Art Committee)



**2nd**  
**SHADE SINCLAIR**  
Cornwall Avenue Primary School



**3rd**  
**FLANNAIR MULU**  
Portmore Missionary Preparatory



**1st**  
**C-JAY SMITH**  
Newell High School

### CATEGORY B

(ages 10-14)

Presenters:  
- Alfred McDonald  
Senior Director Commercial  
Development & Planning,  
Norman Patrick Sauter  
Chairman, Airport Art Committee



**2nd**  
**GABRIELLE WRIGHT**  
Manchester High School



**3rd**  
**TORIE BYGRAVE**  
DeCarteret College



### CATEGORY C

(ages 15-19)

Presenters:  
- Director Joseph A. Matson  
- Alexander Cooper  
- Grace Morrison



**1st**  
**ONEIL MULLINGS**  
Newell High School



**2nd**  
**SHIAME MULLINGS**  
Foga Road High School



**3rd**  
**KURUMA REID**  
Jose Marti Technical



**3rd**  
**KAJAE BROWN**  
Sydney Pagon STEM Academy

Presenters:  
- Director Joseph A. Matson  
- Alexander Cooper

### CATEGORY D

(Special Needs) under 20 yrs

Presenters:  
- Penona Morrison  
(Airport Art Committee)  
- Tina Wong  
(The Jamaica)



**1st**  
**RAPHIC ROBERTS**  
The Queen's Preparatory School



**2nd**  
**ASHLEY HUSSEY**  
Genesis Academy



**3rd**  
**AIDEN-NEIL MCLEOD**  
St. Christopher's School of the Deaf  
-Teacher shares in the spotlight-

Special Thanks to our prize sponsors





# Welcomes



President

# BARACK OBAMA

to Kingston, JAMAICA







airports authority of jamaica

# FINANCIAL STATEMENTS



**Airports Authority of Jamaica  
Financial Statements  
31 March 2016**



**Airports Authority of Jamaica**

**Financial Statements  
31 March 2016**

# Airports Authority of Jamaica

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31 March 2016

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## ***Independent Auditor's Report***

To the Members of  
Airports Authority of Jamaica

### **Report on the Consolidated and Authority Stand-Alone Financial Statements**

We have audited the accompanying consolidated financial statements of Airports Authority of Jamaica and its subsidiary, set out on pages 1 to 52, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, and the accompanying financial statements of Airports Authority of Jamaica standing alone, which comprise the statement of financial position as at 31 March 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Consolidated and Authority Stand-Alone Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

---

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



**Members of Airports Authority of Jamaica  
Independent Auditor's Report  
Page 2**

***Opinion***

In our opinion, the consolidated financial statements of Airports Authority of Jamaica and its subsidiary, and the financial statements of Airports Authority of Jamaica standing alone give a true and fair view of the financial position of Airports Authority of Jamaica and its subsidiary and the Airports Authority of Jamaica standing alone as at 31 March 2016, and of their financial performance and cash flows for the year then ended, so far as concerns the members of Airports Authority of Jamaica, in accordance with International Financial Reporting Standards and the requirements of the Airports Authority Act.

*PricewaterhouseCoopers*  
Chartered Accountants  
26 September 2016  
Kingston, Jamaica

# Airports Authority of Jamaica

## Consolidated Statement of Comprehensive Income

Year ended 31 March 2016

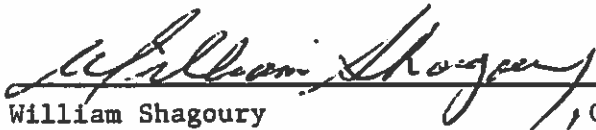
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
<b>Revenue –</b>			
Airports		6,130,604	4,359,801
Aerodromes		21,170	14,620
		<u>6,151,774</u>	<u>4,374,421</u>
<b>Direct expenses –</b>			
Airports		(3,459,665)	(3,580,257)
Aerodromes		(210,817)	(203,895)
		<u>(3,670,482)</u>	<u>(3,784,152)</u>
<b>Gross Profit</b>		2,481,292	590,269
Other operating income	5	1,226,118	889,362
Administration expenses		(195,694)	(199,649)
Privatisation costs		(55,215)	(10,620)
Finance (cost)/income	8	(291,973)	70,705
<b>Profit before Taxation</b>		3,164,528	1,340,067
Taxation	9	276,722	(420,559)
<b>Net Profit</b>	10	3,441,250	919,508
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to profit or loss –</b>			
Re-measurement of post-employment benefits, net of taxes		2,054	5,312
<b>Items that may be subsequently reclassified to profit or loss –</b>			
Foreign currency translation adjustments		(15,967)	(114,893)
<b>Total other comprehensive income</b>		<u>(13,913)</u>	<u>(109,581)</u>
<b>Total Comprehensive Income</b>		<u>3,427,337</u>	<u>809,927</u>

**Airports Authority of Jamaica**  
**Consolidated Statement of Financial Position**  
**31 March 2016**  
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	11	15,620,626	15,229,084
Intangible assets	12	12,623	18,433
Investments	13	72,390	286,062
Deferred income tax asset	15	1,331,017	461,495
		<u>17,036,656</u>	<u>15,995,074</u>
<b>Current Assets</b>			
Inventories	16	112,709	39,842
Receivables	17	1,890,533	1,117,036
Cash and short term deposits	18	6,891,556	4,442,760
		<u>8,894,798</u>	<u>5,599,638</u>
<b>Current Liabilities</b>			
Payables	19	386,364	390,071
Borrowings	20	705,418	403,650
Taxation payable		495,925	290,751
		<u>1,587,707</u>	<u>1,084,472</u>
<b>Net Current Assets</b>			
		<u>7,307,091</u>	<u>4,515,166</u>
		<u>24,343,747</u>	<u>20,510,240</u>
<b>Shareholders' Equity</b>			
Share capital	21	20,091	20,091
Unissued capital	22	55,607	55,607
Retained earnings	10	9,654,075	6,610,771
Other reserves		(474,226)	(458,259)
		<u>9,255,547</u>	<u>6,228,210</u>
<b>Non-Current Liabilities</b>			
Borrowings	20	14,132,655	13,164,757
Grants	23	795,864	967,580
Post-employment benefit obligations	24	159,681	149,693
		<u>15,088,200</u>	<u>14,282,030</u>
		<u>24,343,747</u>	<u>20,510,240</u>

Approved for issue by the Board of Directors on 26 September 2016 on signed on its behalf by:

  
William Shagoury, Chairman

  
Audley Deidrick, President



# Airports Authority of Jamaica

## Consolidated Statement of Changes in Equity

Year ended 31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares	Share Capital	Unissued Capital	Retained Earnings	Other Reserves	Total
	'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2014	20,091	20,091	55,607	5,929,649	(343,366)	5,661,981
Net profit	-	-	-	919,508	-	919,508
Re-measurements of post-employment benefits, net of taxes	-	-	-	5,312	-	5,312
Foreign currency translation adjustment	-	-	-	-	(114,893)	(114,893)
Total comprehensive income	-	-	-	924,820	(114,893)	809,927
Dividends paid	-	-	-	(243,698)	-	(243,698)
<b>Balance at 31 March 2015</b>	<b>20,091</b>	<b>20,091</b>	<b>55,607</b>	<b>6,610,771</b>	<b>(458,259)</b>	<b>6,228,210</b>
Net profit	-	-	-	3,441,250	-	3,441,250
Re-measurements of post-employment benefits, net of taxes	-	-	-	2,054	-	2,054
Foreign currency translation adjustment	-	-	-	-	(15,967)	(15,967)
Total comprehensive income	-	-	-	3,443,304	(15,967)	3,427,337
Dividends paid	-	-	-	(400,000)	-	(400,000)
<b>Balance at 31 March 2016</b>	<b>20,091</b>	<b>20,091</b>	<b>55,607</b>	<b>9,654,075</b>	<b>(474,226)</b>	<b>9,255,547</b>

# Airports Authority of Jamaica

## Consolidated Statement of Cash Flows

Year ended 31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

	2016 \$'000	2015 \$'000
<b>Cash Flows from Operating activities</b>		
Net profit	3,441,250	919,508
Items not affecting cash resources:		
Depreciation and amortisation	1,097,968	1,073,487
Write-off of long outstanding loans	-	(176,069)
Gain on disposal of property, plant and equipment	-	(92)
Interest income	(641,764)	(186,825)
Exchange gains on foreign balances	(308,866)	(243,846)
Taxation charge	(276,722)	420,559
Grants amortised	(1,012,380)	(946,024)
Interest expense	1,072,145	625,125
Change in post-employment benefit obligation	12,726	(13,001)
	<u>3,384,357</u>	<u>1,472,822</u>
Changes in operating assets and liabilities:		
Inventories	(72,867)	(6,171)
Receivables	(773,497)	17,360
Payables	(12,518)	56,545
	<u>2,525,475</u>	<u>1,540,556</u>
Translation adjustment	250,820	52,019
Taxation paid	(363,977)	(209,027)
Cash provided by operating activities	<u>2,412,318</u>	<u>1,383,548</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment and intangible assets	(694,709)	(616,208)
Financial instruments	210,261	(15,462)
Proceeds from disposal of property, plant and equipment	-	557
Interest received	645,175	186,825
Cash provided by/(used in) investing activities	<u>160,727</u>	<u>(444,288)</u>
<b>Cash Flows from Financing Activities</b>		
Interest paid	(873,107)	(625,125)
Grants received	801,198	647,235
Long term loans received	502,131	369,745
Loan repayments	(251,675)	(164,659)
Dividend paid	(400,000)	(243,698)
Cash used in financing activities	<u>(221,453)</u>	<u>(16,502)</u>
Effect of changes in exchange rates on cash and cash equivalents	97,204	102,369
Increase in cash and cash equivalents	2,351,592	922,758
Cash and cash equivalents at beginning of year	4,442,760	3,417,633
<b>Cash and Cash Equivalents at End of Year (Note 18)</b>	<u><u>6,891,556</u></u>	<u><u>4,442,760</u></u>

# Airports Authority of Jamaica

Authority Statement of Comprehensive Income  
Year ended 31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
<b>Revenue –</b>			
Airports		1,972,522	1,415,475
Aerodromes		21,170	14,620
		<u>1,993,692</u>	<u>1,430,095</u>
<b>Direct expenses –</b>			
Airports		(200,215)	(202,989)
Aerodromes		(210,817)	(203,895)
		<u>(411,032)</u>	<u>(406,884)</u>
<b>Gross Profit</b>		1,582,660	1,023,211
Other operating income	5	1,083,672	1,199,279
Administration expenses		(195,694)	(199,649)
Privatisation costs		(55,215)	(10,620)
Finance costs	8	(299,672)	(410,336)
<b>Profit before Taxation</b>		2,115,751	1,601,885
Taxation	9	(614,498)	(420,559)
<b>Net Profit</b>	10	1,501,253	1,181,326
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Re-measurement of post-employment benefits, net of taxes		2,054	5,312
<b>Total Comprehensive Income</b>		<u>1,503,307</u>	<u>1,186,638</u>

# Airports Authority of Jamaica

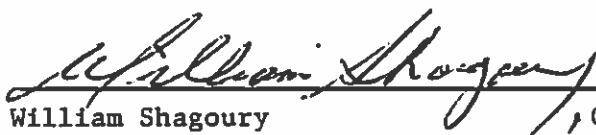
## Authority Statement of Financial Position

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	11	1,825,270	2,010,154
Investments	13	36,034	249,884
Investment in subsidiary	14	305,377	305,377
Due from subsidiary	14	18,858,164	16,533,830
Deferred income tax asset	15	300,283	461,495
		<u>21,325,128</u>	<u>19,560,740</u>
<b>Current Assets</b>			
Receivables	17	703,638	223,226
Due from subsidiary	14	25,469	514,569
Cash and short term deposits	18	3,621,298	2,896,252
		<u>4,350,405</u>	<u>3,634,047</u>
<b>Current Liabilities</b>			
Payables	19	106,060	76,232
Borrowings	20	705,418	403,650
Taxation payable		377,705	290,751
		<u>1,189,183</u>	<u>770,633</u>
<b>Net Current Assets</b>		<u>3,161,222</u>	<u>2,863,414</u>
		<u>24,486,350</u>	<u>22,424,154</u>
<b>Shareholders' Equity</b>			
Share capital	21	20,091	20,091
Unissued capital	22	55,607	55,607
Retained earnings	10	9,915,330	8,812,023
		<u>9,991,028</u>	<u>8,887,721</u>
<b>Non-Current Liabilities</b>			
Borrowings	20	14,132,655	13,164,757
Grants	23	202,986	221,983
Post-employment benefit obligations	24	159,681	149,693
		<u>14,495,322</u>	<u>13,536,433</u>
		<u>24,486,350</u>	<u>22,424,154</u>

Approved for issue by the Board of Directors on 26 September 2016 and signed on its behalf by:

  
 William Shagoury, Chairman

  
 Audley Deidrick, President

# Airports Authority of Jamaica

## Authority Statement of Changes in Equity

Year ended 31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares	Share Capital	Unissued Capital	Retained Earnings	Total
	'000	\$'000	\$'000	\$'000	\$'000
Balance at 31 March 2014	20,091	20,091	55,607	7,869,083	7,944,781
Net profit	-	-	-	1,181,326	1,181,326
Re-measurements of post-employment benefits, net of taxes	-	-	-	5,312	5,312
Total Comprehensive Income	-	-	-	1,186,638	1,186,638
Dividends paid	-	-	-	(243,698)	(243,698)
<b>Balance at 31 March 2015</b>	<b>20,091</b>	<b>20,091</b>	<b>55,607</b>	<b>8,812,023</b>	<b>8,887,721</b>
Net profit	-	-	-	1,501,253	1,501,253
Re-measurements of post-employment benefits, net of taxes	-	-	-	2,054	2,054
Total comprehensive income	-	-	-	1,503,307	1,503,307
Dividends paid	-	-	-	(400,000)	(400,000)
<b>Balance at 31 March 2016</b>	<b>20,091</b>	<b>20,091</b>	<b>55,607</b>	<b>9,915,330</b>	<b>9,991,028</b>

# Airports Authority of Jamaica

## Authority Statement of Cash Flows

Year ended 31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

	2016 \$'000	2015 \$'000
<b>Cash Flows from Operating activities</b>		
Net profit	1,501,253	1,181,326
Items not affecting cash resources:		
Depreciation	218,515	239,373
Gain on disposal of property, plant and equipment	-	(92)
Interest income	(1,034,555)	(969,504)
Exchange gains on foreign balances	(339,356)	(212,749)
Taxation charge	614,498	420,559
Write-off of long outstanding loans payable	-	(176,069)
Grants amortised	(18,997)	(18,998)
Interest expense	639,028	613,222
Change in post-employment benefit obligation	12,726	(13,001)
	<u>1,593,112</u>	<u>1,064,067</u>
Changes in operating assets and liabilities:		
Receivables	(480,412)	77,074
Due from subsidiary	(544,133)	27,599
Payables	29,828	7,258
	<u>598,395</u>	<u>1,175,998</u>
Taxation paid	(367,016)	(209,027)
Cash provided by operating activities	<u>231,379</u>	<u>966,971</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment and intangible assets	(33,631)	(45,869)
Financial instruments	210,430	(14,949)
Proceeds from disposal of property, plant and equipment	-	(399)
Loans repaid by subsidiary	251,675	683,866
Loans issued to subsidiary	(502,131)	(1,338,297)
Interest received	1,037,975	969,504
Cash provided by investing activities	<u>964,318</u>	<u>253,856</u>
<b>Cash Flows from Financing Activities</b>		
Interest paid	(439,990)	(613,222)
Long term loans received	502,131	369,745
Loan repayments	(251,675)	(164,659)
Dividend paid	(400,000)	(243,698)
Cash used in financing activities	<u>(589,534)</u>	<u>(651,834)</u>
Increase in cash and cash equivalents	606,163	568,993
Effect of changes in exchange rates on cash and cash equivalents	118,883	72,105
Cash and cash equivalents at beginning of year	2,896,252	2,255,154
<b>Cash and Cash Equivalents at End of Year (Note 18)</b>	<u><u>3,621,298</u></u>	<u><u>2,896,252</u></u>

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

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### 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 Normal Manley International Airport, Kingston, 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 \$1,678,264,000 (2015 – \$1,148,921,000) from MBJ Airports Limited during the year.

### 2. Summary of Significant Accounting Policies

#### (a) Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Authority's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

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

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

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

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:

***Annual Improvements 2012***, (effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to a number of standards, the following of which may be relevant to the Group's operations. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The amendments did not have a significant impact on the Groups financial statements.

##### ***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 2016 or later periods, but the Group has not early adopted them:

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



# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

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

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

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

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

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

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

**Annual Improvements 2014**, (effective for annual periods beginning on or after 1 January 2016). The amendments impact the following standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. The Group is currently assessing the impact of future adoption of the amendments on its financial statements.

There are no other new or amended standards and interpretations that are published but not yet effective that would be expected to have an impact on the accounting policies or financial disclosures of the Group.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

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

(a) **Basis of preparation (continued)**

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

**IAS 7, 'Statement of cash flows on Disclosure Initiative – Amendments'** (effective for accounting periods beginning on or after 1 January 2017). Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities. Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated. The Group is currently assessing the impact of future adoption of the amendment on its financial statements.

(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.

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

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (c) Foreign currency translation

##### *Functional and presentation currency*

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

##### *Transactions and balances*

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

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

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

##### *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.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (d) Revenue recognition

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

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

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

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

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

#### (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 2016

(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 available-for-sale and held to maturity. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

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

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

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

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

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

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

**(h) Impairment of non-current assets**

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

**(i) Inventories**

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

**(j) Trade receivables**

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

**(k) Cash and cash equivalents**

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

**(l) Payables**

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

**(m) Borrowings**

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

**(n) Grants**

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

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

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

##### Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The 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.

#### (q) Financial instruments

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

##### Financial assets

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

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

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

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

##### *Financial liabilities*

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

#### (r) Leases

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



# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

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### 3. Financial Risk Management

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

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

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

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

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.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

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

##### (i) Trade and other receivables (continued)

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.

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

Trade receivables that are less than 90 days past due are not considered impaired. As of 31 March 2016, trade receivables of \$154,692,000 (2015 – \$110,080,000) for the Group and \$14,985,000 (2015 – \$10,246,000) for the Authority were past due but not impaired. These relate to a number of concessionaries and airlines for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	The Group		The Authority	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
16 - 30 days	53,568	67,090	-	-
31 - 60 days	54,903	168	245	168
61 - 90 days	32,325	33,321	844	577
Over 90 days	13,896	9,501	13,896	9,501
	<u>154,692</u>	<u>110,080</u>	<u>14,985</u>	<u>10,246</u>

##### **Ageing analysis of trade receivables that are impaired**

As of 31 March 2016, trade receivables of \$239,251,000 (2015 – \$520,007,000) for the Group and \$47,240,000 (2015 – \$285,077,000) for the Authority were considered impaired and were fully provided for. The individually impaired receivables mainly relate to concessionaires and airlines who are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

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

##### *Provision for impairment of trade receivables*

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

	The Group		The Authority	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
At 1 April	520,007	400,492	285,077	293,083
Provision for receivables impairment	88,407	133,783	53,523	9,220
Bad debts write off	(383,270)	(19,630)	(291,360)	(17,226)
Translation difference	14,107	5,362	-	-
At 31 March	<u>239,251</u>	<u>520,007</u>	<u>47,240</u>	<u>285,077</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.

##### *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	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Airlines (scheduled and unscheduled)	451,846	419,873	50,193	43,206
Concessionaires	339,371	242,601	-	-
Fuel through-put	85,099	70,952	1,513	198
Food and beverage	27,314	10,448	-	30
Car rental and tour operations	31,372	19,529	6,693	3,959
Advertising	10,621	11,424	110	90
Ground handling and taxi service	35,759	49,608	296	264
Other	596,535	477,527	558,756	374,487
	<u>1,577,917</u>	<u>1,301,962</u>	<u>617,561</u>	<u>422,234</u>
Less: Provision for impairment	<u>(239,251)</u>	<u>(520,007)</u>	<u>(47,240)</u>	<u>(285,077)</u>
	<u>1,338,666</u>	<u>781,955</u>	<u>570,321</u>	<u>137,157</u>

# Airports Authority of Jamaica

Notes to the Financial Statements

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(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:

	<b>The Group and Authority</b>			<b>Total</b>
	<b>Within</b>	<b>1 to 5</b>	<b>Over</b>	
	<b>1 Year</b>	<b>Years</b>	<b>5 Years</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
At 31 March 2016	883,225	6,430,829	12,075,394	19,389,448
At 31 March 2015	832,576	6,062,048	11,382,920	18,277,544

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 2016

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (c) Market risk

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

#### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign exchange risk arising from the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

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

	The Group		
	Jamaican\$ J\$'000	US\$ J\$'000	Total J\$'000
	<b>2016</b>		
<b>Financial Assets</b>			
Investments	36,034	36,356	72,390
Trade receivables	192,922	1,145,744	1,338,666
Cash and short term deposits	2,159,239	4,732,317	6,891,556
	<b>2,388,195</b>	<b>5,914,417</b>	<b>8,302,612</b>
<b>Financial Liabilities</b>			
Payables	386,364	-	386,364
Borrowings	-	14,838,073	14,838,073
	<b>386,364</b>	<b>14,838,073</b>	<b>15,224,437</b>
<b>Net Financial Position</b>	<b>2,001,831</b>	<b>(8,923,656)</b>	<b>(6,921,825)</b>
	<b>2015</b>		
<b>Financial Assets</b>			
Investments	75,632	210,430	286,062
Trade receivables	147,393	634,562	781,955
Cash and short term deposits	1,622,310	2,820,450	4,442,760
	<b>1,845,335</b>	<b>3,665,442</b>	<b>5,510,777</b>
<b>Financial Liabilities</b>			
Trade payables	390,071		390,071
Borrowings	-	13,568,407	13,568,407
	<b>390,071</b>	<b>13,568,407</b>	<b>13,958,478</b>
<b>Net Financial Position</b>	<b>1,455,264</b>	<b>(9,902,965)</b>	<b>(8,447,701)</b>

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### *Currency risk (continued)*

	The Authority		
	Jamaican\$ J\$'000	US\$ J\$'000	Total J\$'000
	<b>2016</b>		
<b>Financial Assets</b>			
Investments	36,034	-	36,034
Due from subsidiary *	-	19,189,010	19,189,010
Trade receivables	49,228	521,093	570,321
Cash and short term deposits	1,630,340	1,990,958	3,621,298
	<b>1,715,602</b>	<b>21,701,061</b>	<b>23,416,663</b>
<b>Financial Liabilities</b>			
Payables	106,060	-	106,060
Borrowings	-	14,838,073	14,838,073
	<b>106,060</b>	<b>14,838,073</b>	<b>14,944,133</b>
<b>Net Financial Position</b>	<b>1,609,542</b>	<b>6,862,988</b>	<b>8,472,530</b>
	<b>2015</b>		
<b>Financial Assets</b>			
Investments	39,454	210,430	249,884
Due from subsidiary *	-	17,353,776	17,353,776
Trade receivables	11,839	125,318	137,157
Cash and short term deposits	1,303,918	1,592,334	2,896,252
	<b>1,355,211</b>	<b>19,281,858</b>	<b>20,637,069</b>
<b>Financial Liabilities</b>			
Payables	76,232	-	76,232
Borrowings	-	13,568,407	13,568,407
	<b>76,232</b>	<b>13,568,407</b>	<b>13,644,639</b>
<b>Net Financial Position</b>	<b>1,278,979</b>	<b>5,713,451</b>	<b>6,992,430</b>

\* 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 2016

(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.

	<b>The Group</b>			
	% Change in Currency Rate 2016	Effect on Profit Before Tax 2016 \$'000	% Change in Currency Rate 2015	Effect on Profit Before Tax 2015 \$'000
<b>Currency:</b>				
USD - revaluation	1%	89,237	1%	99,030
USD - devaluation	(6%)	(535,419)	(10%)	(990,297)

	<b>The Authority</b>			
	% Change in Currency Rate 2016	Effect on Profit Before Tax 2016 \$'000	% Change in Currency Rate 2015	Effect on Profit Before Tax 2015 \$'000
<b>Currency:</b>				
USD - revaluation	1%	(68,630)	1%	(57,135)
USD - devaluation	(6%)	411,779	(10%)	571,345

# Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

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## 3. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### *Cash flow and fair value interest rate risk*

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

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

### (d) Fair values of financial instruments

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

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

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

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

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

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

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

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



# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (e) Capital management

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

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

#### (f) Offsetting of financial instruments

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

#### (g) Financial instruments by category

##### *Financial assets*

	The Group		
	Loans and receivables \$'000	Held to Maturity \$'000	Total \$'000
	<b>2016</b>		
Investments	-	72,390	72,390
Trade receivables	1,338,666	-	1,338,666
Cash and short term deposits	6,891,556	-	6,891,556
<b>Total financial assets</b>	<b>8,230,222</b>	<b>72,390</b>	<b>8,302,612</b>
	<b>2015</b>		
Investments	-	286,062	286,062
Trade receivables	781,955	-	781,955
Cash and short term deposits	4,442,760	-	4,442,760
<b>Total financial assets</b>	<b>5,224,715</b>	<b>286,062</b>	<b>5,510,777</b>

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

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

	<b>The Authority</b>		
	<b>Loans and receivables \$'000</b>	<b>Held to Maturity \$'000</b>	<b>Total \$'000</b>
	<b>2016</b>		
Investments	-	36,034	36,034
Due from subsidiary	19,189,010	-	19,189,010
Trade receivables	570,321	-	570,321
Cash and short term deposits	3,621,298	-	3,621,298
<b>Total financial assets</b>	<b>23,380,629</b>	<b>36,034</b>	<b>23,416,663</b>
	<b>2015</b>		
Investments	-	249,884	249,884
Due from subsidiary	17,353,776	-	17,353,776
Trade receivables	137,157	-	137,157
Cash and short term deposits	2,896,252	-	2,896,252
<b>Total financial assets</b>	<b>20,387,185</b>	<b>249,884</b>	<b>20,637,069</b>

#### **Financial liabilities**

Other financial liabilities at amortised cost

	<b>The Group</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Payables	386,364	390,071
Borrowings	14,838,073	13,568,407
	<b>15,224,437</b>	<b>13,958,478</b>
	<b>The Authority</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Payables	106,060	76,232
Borrowings	14,838,073	13,568,407
	<b>14,944,133</b>	<b>13,644,639</b>

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

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

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

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

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

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

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

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

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

##### ***Allowances for impaired receivables***

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

# Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

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

### Key sources of estimation uncertainty (continued)

#### *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.

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

## 5. Other Operating Income

	The Group		The Authority	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Amortisation of grants (Note 23)	541,074	475,066	18,997	18,998
Expenses reimbursed - Project Execution Unit	21,343	21,529	21,343	21,529
Interest income	641,764	186,825	1,034,555	969,504
Write-off of long outstanding statute balances	-	176,069	-	176,069
Other	21,937	29,873	8,777	13,179
	<u>1,226,118</u>	<u>889,362</u>	<u>1,083,672</u>	<u>1,199,279</u>

Included in the interest income for the Authority is \$454,473,000 (2015 – \$823,853,000) 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 2016

(expressed in Jamaican dollars unless otherwise indicated)

### 6. Expenses by Nature

Total direct and administration expenses:

	The Group		The Authority	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Advertising and public relations	11,516	11,526	7,783	5,886
Auditors' remuneration	7,510	6,433	4,195	3,500
Bad debts	50,199	119,585	13,676	(1,116)
Commissions and discounts	(797)	24,798	56	545
Depreciation and amortisation	1,097,968	1,073,487	218,515	239,372
Insurance	208,311	196,980	11,312	8,822
Irrecoverable GCT	109,056	117,131	11,715	9,967
Motor vehicle expenses	32,444	61,498	979	1,373
Office supplies	14,813	22,466	7,677	4,305
Other	101,480	94,937	27,391	39,366
Professional fees	170,677	150,712	11,399	8,220
Regulatory fees and taxes	46,460	43,986	7,948	7,776
Rental and lease	29,434	5,173	535	435
Repairs and maintenance	365,575	376,918	21,998	13,124
Security	274,172	264,628	50,179	44,885
Staff costs (Note 7)	889,448	823,113	193,465	197,162
Training	22,955	22,561	-	-
Traveling and entertainment	7,638	7,732	4,768	4,799
Utilities	427,317	560,137	13,135	18,112
	<u>3,866,176</u>	<u>3,983,801</u>	<u>606,726</u>	<u>606,533</u>

### 7. Staff Costs

	The Group		The Authority	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Wages and salaries	733,053	681,602	153,031	151,309
Payroll taxes – employer's portion	84,650	85,496	15,885	25,371
Pension and other retirement benefits –				
Pension scheme (Note 24)	-	(23,113)	-	(23,113)
Medical benefits (Note 24)	18,694	17,531	18,694	17,531
Redundancy payments	7,227	20,094	-	12,762
Other	45,824	41,503	5,855	13,302
	<u>889,448</u>	<u>823,113</u>	<u>193,465</u>	<u>197,162</u>

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

### 8. Finance (Costs)/Income

	The Group		The Authority	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Interest expense	(1,072,145)	(625,136)	(639,028)	(613,222)
Amortisation of grants (Note 23)	471,306	470,958	-	-
	(600,839)	(154,178)	(639,028)	(613,222)
Net foreign exchange gains	308,866	224,883	339,356	202,886
	<u>(291,973)</u>	<u>70,705</u>	<u>(299,672)</u>	<u>(410,336)</u>

### 9. Taxation

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

Subject to agreement with the Tax Administration Jamaica, losses of approximately \$2,038,934,000 (2015 – \$2,756,902,000) for the subsidiary are available for set off against future profits of the subsidiary and may be carried forward indefinitely. No deferred tax asset was recognised in respect of the tax losses of the subsidiary in prior years.

Further to announcements by the Minister of Finance and Planning in 2015, the Income Tax Act was amended to impose a corporate income tax rate of 25% on the income of all companies other than regulated companies, with effect from 1 January 2015 and a rate of 30% for large unregulated companies, effective 1 April 2015. A "large unregulated company" is defined as an unregulated company which has gross annual income of not less than \$500 million.

During 2015, the Government of Jamaica continued its reform of taxes. As a result of this, The Fiscal Incentives (Miscellaneous Provisions) Act which was signed into law on 20 December 2014, amended the Income Tax Act to reduce the tax rate for large unregulated companies from 30% to 25%, effective 1 January 2015. Consequently, this rate was applied in determining the amounts for current and deferred taxation in the financial statements as at 31 March 2016.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

### 9. Taxation (Continued)

The taxation charge for the year comprises:

	The Group		The Authority	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Income tax –				
Current year	609,019	356,735	443,970	356,735
Prior year	-	(7,352)	-	(7,352)
Employment tax credit –				
Current	(49,868)	(24,394)	-	(24,394)
Prior year	10,000	(5,225)	10,000	(5,225)
Deferred tax (Note 15)	(845,873)	100,795	160,528	100,795
	<u>(276,722)</u>	<u>420,559</u>	<u>614,498</u>	<u>420,559</u>

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

	The Group		The Authority	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Profit before taxation	<u>3,164,528</u>	<u>1,340,067</u>	<u>2,115,751</u>	<u>1,601,885</u>
Tax calculated at an effective tax rate of 25%	791,132	335,017	528,938	400,471
Adjusted for the effects of –				
Prior year under/(over) accrual of deferred tax charge	101,620	(7,352)	101,620	(7,352)
Income not subject to tax	(207,393)	(19,639)	(75,321)	(19,639)
Deferred tax not recognised in prior years	(973,306)	-	-	-
Expenses not deductible for tax purposes	51,304	25,844	49,527	25,844
Losses in subsidiary not recognised due to tax relief	-	65,454	-	-
Other	(211)	50,854	(266)	50,854
	<u>(236,854)</u>	<u>450,178</u>	<u>604,498</u>	<u>450,178</u>
Employment tax credit	(39,868)	(29,619)	10,000	(29,619)
	<u>(276,722)</u>	<u>420,559</u>	<u>614,498</u>	<u>420,559</u>

# Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

## 10. Net Profit and Retained Earnings

	2016 \$'000	2015 \$'000
(a) Net profit is dealt with as follows in the financial statements of:		
The Authority	1,501,253	1,181,326
The subsidiary	<u>1,939,997</u>	<u>(261,818)</u>
	<u>3,441,250</u>	<u>919,508</u>
(b) Retained earnings are dealt with as follows in the financial statements of:		
The Authority	9,915,330	8,812,023
The subsidiary	<u>(261,255)</u>	<u>(2,201,252)</u>
	<u>9,654,075</u>	<u>6,610,771</u>



# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(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
<b>Cost -</b>						
At 1 April 2014	15,816,767	973,595	68,629	3,693,589	768,538	21,321,118
Additions	82,575	-	4,174	112,352	417,107	616,208
Disposals	-	-	(2,143)	(564)	-	(2,707)
Transfers	383,829	-	21,546	626,402	(1,031,777)	-
Translation adjustment	629,902	-	3,674	179,458	27,760	840,794
At 31 March 2015	16,913,073	973,595	95,880	4,611,237	181,628	22,775,413
Additions	6,137	-	-	66,743	621,829	694,709
Disposals	-	-	(121)	-	-	(121)
Transfers	240,928	-	20,874	10,559	(272,361)	-
Translation adjustment	800,570	-	5,596	261,595	10,170	1,077,931
At 31 March 2016	17,960,708	973,595	122,229	4,950,134	541,266	24,547,932
<b>Depreciation -</b>						
At 1 April 2013	3,697,500	625,224	57,959	1,907,622	-	6,288,305
Charge for the year	522,501	1,397	14,073	525,838	-	1,063,809
Disposals	-	-	(2,143)	(132)	-	(2,275)
Translation adjustment	95,917	-	2,932	97,641	-	196,490
At 31 March 2015	4,315,918	626,621	72,821	2,530,969	-	7,546,329
Charge for the year	531,689	48,680	10,475	500,372	-	1,091,216
Disposals	-	-	(121)	-	-	(121)
Translation adjustment	132,248	-	4,381	153,253	-	289,882
At 31 March 2016	4,979,855	675,301	87,556	3,184,594	-	8,927,306
<b>Net Book Value -</b>						
31 March 2016	12,980,853	298,294	34,673	1,765,540	541,266	15,620,626
31 March 2015	12,597,155	346,974	23,059	2,080,268	181,628	15,229,084

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

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

	The Authority					
	Land, buildings, runways and taxiways	Storage tanks and fuel lines	Motor vehicles	Computer equipment, plant and machinery, furniture and fixtures	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost -						
At 1 April 2014	3,804,029	973,595	4,545	251,784	8,522	5,042,475
Additions	35,987	-	-	3,383	6,499	45,869
Transfer	6,499	-	-	-	(6,499)	-
Adjustments	(402)	-	2	(10)	-	(410)
At 31 March 2015	3,846,113	973,595	4,547	255,157	8,522	5,087,934
Additions	6,137	-	(1)	9,945	17,550	33,631
At 31 March 2016	3,852,250	973,595	4,546	265,102	26,072	5,121,565
Depreciation -						
At 1 April 2014	2,112,337	625,224	3,022	97,927	-	2,838,510
Charge for the year	161,527	1,397	762	75,676	-	239,362
Adjustment	-	-	-	(92)	-	(92)
At 31 March 2015	2,273,864	626,621	3,784	173,511	-	3,077,780
Charge for the year	145,067	48,680	762	24,006	-	218,515
At 31 March 2016	2,418,931	675,301	4,546	197,517	-	3,296,295
Net Book Value -						
31 March 2016	1,433,319	298,294	-	67,585	26,072	1,825,270
31 March 2015	1,572,249	346,974	763	81,646	8,522	2,010,154

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 (2015 - \$3,090,899,000) were acquired under the Airport Reform and Improvement Programme which is being funded by loans from the Inter-American Development Bank, Export-Import Bank of Japan, Bank of Tokyo-Mitsubishi Limited and the Government of Jamaica.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

### 12. Intangible Assets

Comprising computer software:

	<u>The Group</u>	<u>The Authority</u>
	\$'000	\$'000
Cost -		
At 1 April 2014	39,020	260
Translation adjustment	<u>2,227</u>	<u>-</u>
At 31 March 2015	41,247	260
Translation adjustment	<u>2,461</u>	<u>-</u>
At 31 March 2016	<u>43,708</u>	<u>260</u>
Amortisation -		
At 1 April 2014	12,207	260
Charge for the year	9,678	-
Translation adjustment	<u>929</u>	<u>-</u>
At 31 March 2015	22,814	260
Charge for the year	6,752	-
Translation adjustment	<u>1,519</u>	<u>-</u>
At 31 March 2016	<u>31,085</u>	<u>-</u>
Net Book Value -		
31 March 2016	<u>12,623</u>	<u>-</u>
31 March 2015	<u>18,433</u>	<u>-</u>

### 13. Investments

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

# Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2016

(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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Wages and salaries	46,389	62,960	20,044	29,315
Payroll taxes – employer's portion	4,722	4,829	1,975	1,530
	<u>51,111</u>	<u>67,789</u>	<u>22,019</u>	<u>30,845</u>
Directors' emoluments -				
Management remuneration	12,980	21,091	12,980	21,091
Fees	1,474	1,261	1,474	1,261

### (b) Due from subsidiary

	2016 \$'000	2015 \$'000
Non-current portion	18,858,164	16,533,830
Current portion	25,469	514,569
	<u>18,883,633</u>	<u>17,048,399</u>

### (c) Shares, at cost

	2016 \$'000	2015 \$'000
	<u>305,377</u>	<u>305,377</u>

The Authority earned concession and other fees amounting to \$255,872,000 (2015 – \$228,521,000), and interest and other income as detailed in Note 5, from the subsidiary during the year.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(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% (2015 - 30%).

	The Group		The Authority	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
At beginning of year	461,495	564,061	461,495	564,061
Credited/(charged) to profit or loss during the year (Note 9)	845,873	(100,795)	(160,528)	(100,795)
Charged to other comprehensive income	(684)	(1,771)	(684)	(1,771)
Exchange difference	24,333	-	-	-
At end of year	<u>1,331,017</u>	<u>461,495</u>	<u>300,283</u>	<u>461,495</u>

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

	The Group		The Authority	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Interest payable	874,767	264,005	309,458	264,005
Accelerated depreciation and amortisation	460,643	477,397	519,140	477,397
Capital grants	-	55,496	-	55,496
Post-employment benefits	39,823	37,423	39,823	37,423
Accrued vacation	14,500	2,919	3,214	2,919
Carry forward losses	508,268	-	-	-
Net foreign exchange gains	(84,310)	(8,791)	(91,228)	(8,791)
Interest receivable from subsidiary	(474,572)	(340,760)	(474,572)	(340,760)
Interest receivable	(8,102)	(26,194)	(5,552)	(26,194)
	<u>1,331,017</u>	<u>461,495</u>	<u>300,283</u>	<u>461,495</u>

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

	The Group		The Authority	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets to be recovered after more than 12 months	500,466	570,315	558,963	570,315
Deferred tax liabilities to be settled after more than 12 months	<u>(474,572)</u>	<u>(340,760)</u>	<u>(474,572)</u>	<u>(340,760)</u>

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

### 15. Deferred Income Taxes (Continued)

	Group and The Authority					
	2016			2015		
	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	2,738	(684)	2,054	7,083	(1,771)	5,312

### 16. Inventories

This represents spare parts and supplies.

### 17. Receivables

	The Group		The Authority	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade	1,577,917	1,301,962	617,561	422,234
Less: Provision for impairment	(239,251)	(520,007)	(47,240)	(285,077)
	1,338,666	781,955	570,321	137,157
Mobilisation payment	95,964	79,455	-	-
Prepayments	66,833	65,034	44,882	45,113
Advances	242,966	104,810	6,174	1,656
GCT recoverable	3,607	3,550	3,607	3,550
Other	12,393	4,296	12,273	4,296
	1,760,429	1,039,100	637,257	191,772
Withholding tax recoverable	130,104	77,936	66,381	31,454
	1,890,533	1,117,036	703,638	223,226

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash at bank and in hand	366,353	261,375	144,801	123,875
Short term deposits	6,525,203	4,181,385	3,476,497	2,772,377
	<u>6,891,556</u>	<u>4,442,760</u>	<u>3,621,298</u>	<u>2,896,252</u>

Included in short term deposits is interest receivable of \$112,283,000 (2015 – \$148,974,000) for the Group and \$102,541,000 (2015 - \$17,658,000) 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 6.63% (2015 – 8.21%) and on short term deposits denominated in United States dollars was 2.23% (2015 – 3.05%), and these securities mature in 30 days.

### 19. Payables

	The Group		The Authority	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade payables	120,400	136,944	35,100	33,865
Accruals	138,804	102,517	67,292	39,358
Airport Improvement Fund	36,203	69,141	-	-
Other	90,957	81,469	3,668	3,009
	<u>386,364</u>	<u>390,071</u>	<u>106,060</u>	<u>76,232</u>

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

### 20. Borrowings

	<b>The Group and Authority</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Current –		
Current portion of long term loans	705,418	403,650
Non-Current -		
Long term loans	12,433,886	11,829,393
Accrued interest	1,698,769	1,335,364
	<u>14,132,655</u>	<u>13,164,757</u>
	<u>14,838,073</u>	<u>13,568,407</u>

#### *Long term loans*

	<b>The Group and Authority</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Facilities acquired with the Government of Jamaica as an intermediary:		
(a) Inter-American Development Bank	2,678,622	2,368,802
(b) Export-Import Bank of Japan and The Bank of Tokyo-Mitsubishi Limited	917,252	836,464
(c) Nordic Development Fund	420,140	390,600
(d) European Investment Bank	4,881,684	4,601,740
(e) Caribbean Development Bank	2,359,481	2,300,870
Other facilities		
(f) Petrocaribe Development Fund	3,500,122	2,986,672
(g) Accrued interest	80,772	83,259
	<u>14,838,073</u>	<u>13,568,407</u>
Less Current Portion:		
European Investment Bank	(203,404)	-
Petrocaribe Development Fund	(177,158)	(166,999)
Caribbean Development Bank	(244,084)	(153,392)
Accrued interest	(80,772)	(83,259)
	<u>(705,418)</u>	<u>(403,650)</u>
	<u>14,132,655</u>	<u>13,164,757</u>



# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

### 20. Borrowings (Continued)

The following tables show the maturity profile for loans.

	The Group and The Authority			
	Within 1 Year	1 to 5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000
	<b>2016</b>			
(a) Inter-American Development Bank	-	-	2,678,622	2,678,622
(b) Export-Import Bank of Japan and The Bank of Tokyo-Mitsubishi Limited	-	917,252	-	917,252
(c) Nordic Development Fund	-	420,140	-	420,140
(d) European Investment Bank	203,404	1,627,228	3,051,052	4,881,684
(e) Caribbean Development Bank	244,084	650,893	1,464,504	2,359,481
(f) Petrocaribe Development Fund	177,158	1,415,783	1,907,181	3,500,122
(g) Accrued interest	80,772	-	-	80,772
	<u>705,418</u>	<u>5,031,296</u>	<u>9,101,359</u>	<u>14,838,073</u>
	<b>2015</b>			
(a) Inter-American Development Bank	-	-	2,368,802	2,368,802
(b) Export-Import Bank of Japan and The Bank of Tokyo-Mitsubishi Limited	-	836,464	-	836,464
(c) Nordic Development Fund	-	390,600	-	390,600
(d) European Investment Bank	-	1,342,174	3,259,566	4,601,740
(e) Caribbean Development Bank	153,392	613,565	1,533,913	2,300,870
(f) Petrocaribe Development Fund	166,999	1,000,006	1,819,667	2,986,672
(g) Accrued interest	83,259	-	-	83,259
	<u>403,650</u>	<u>4,182,809</u>	<u>8,981,948</u>	<u>13,568,407</u>

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

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### 20. Borrowings (Continued)

- (a) This represents proceeds drawn down to date of loan contract #887/OC-JA between the Government of Jamaica and the Inter-American Development Bank, which have been on-lent to the Authority under the Airport Reform and Improvement Programme. The loan was disbursed in 2001 and will expire twenty years from the disbursement date. This facility is unsecured and bears interest at 6.25% per annum.
- (b) This represents proceeds drawn down to date of loan contract #041844 between the Government of Jamaica and the Export-Import Bank of Japan and the Bank of Tokyo-Mitsubishi Limited, which have been on-lent to the Authority under the Airport Reform and Improvement Programme. The loan was disbursed in 2001 and will expire eighteen years from the disbursement date. This facility is unsecured and bears interest at 2.5% per annum.
- (c) This represented proceeds drawn down to date of loan contract #165 between the Government of Jamaica and the Nordic Development Fund, which have been on-lent to the Authority under the Airport Reform and Improvement Programme. The loan was disbursed in 2001 and will expire thirty years from the disbursement date. This facility is unsecured and bears interest at 1.5% per annum.
- (d) This represents a US\$40 million loan between the European Investment Bank and the Airports Authority of Jamaica which was on-lent to the subsidiary to fund the Norman Manley International Airport expansion project and repay existing loans. The loan is repayable in 30 equal payments semi-annually commencing five years after the date of disbursement. The loan was disbursed in February 2010.
- (e) This represents a US\$20 million loan between the Caribbean Development Bank and the Airports Authority of Jamaica which was on-lent to the subsidiary to fund the Norman Manley International Airport expansion project and repay existing loans. The loan is unsecured and is repayable in 30 equal payments semi-annually commencing five years after the date of disbursement. The facility was disbursed in July 2009 and bears interest at 3.83% per annum.
- (f) This balance represents two loans from Petrocaribe Fund as follows:
  - i. A loan of \$22.5million (2015 – \$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 is available from the Petrocaribe Fund for financing the Norman Manley Airport Expansion project which is repayable in equal semi-annual amounts beginning after the facility is fully drawn down and to end by June 2030. Interest is charged at 4% per annum. As at March 2016 the amount of draw down is \$14,889,000 (2015 - \$10,719,300).
- (g) This relates to accrued interest on loans that becomes due on demand.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

### 21. Share Capital

	2016 \$'000	2015 \$'000
Authorised - 30,000 ordinary shares		
Issued and fully paid - 20,091 ordinary shares	<u>20,091</u>	<u>20,091</u>

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

### 22. Unissued Capital

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

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

### 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.

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

### 23. Grants (Continued)

#### Capital Grant (continued)

The movement in grants during the year was as follows:

	The Group		The Authority	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At start of year	967,580	1,235,138	221,983	240,981
Additions	801,198	647,235	-	-
Transfer to the statement of comprehensive income -				
Amortisation of grants (Note 5)	(541,074)	(475,066)	(18,997)	(18,998)
Amortisation of grants (Note 8)	(471,306)	(470,958)	-	-
Translation adjustment	39,466	31,231	-	-
At end of year	<u>795,864</u>	<u>967,580</u>	<u>202,986</u>	<u>221,983</u>

### 24. Post-Employment Benefits

	The Group and The Authority	
	2016 \$'000	2015 \$'000
Liability recognised in the statement of financial position –		
Medical benefits	<u>159,681</u>	<u>149,693</u>
Amounts recognised in arriving at profit or loss (Note 7)		
Pension scheme	-	(23,113)
Medical benefits	18,694	17,531
Amounts recognised in arriving at other comprehensive income		
Medical benefits	<u>2,738</u>	<u>7,083</u>

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

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

#### *Pension scheme benefits*

The Group's participatory pension arrangements were deemed to be a defined benefit plan in previous years, which was open to all permanent employees who had satisfied certain minimum service requirements. The Trustees and the Sponsor have effected arrangements to allow for the plan to be accounted for as a defined contribution plan as of the 2016 financial year. Accordingly, these financial statements reflect the conversion of the plan assets and obligations to reflect such accounting.

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

	<b>The Group and The Authority</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
At beginning of year	-	699,909
Value of purchased annuities	-	(225,524)
Settlement	-	(474,385)
At end of year	-	-

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

	<b>The Group and The Authority</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
At beginning of year	-	723,021
Value of purchased annuities	-	(225,524)
Curtailement	-	(497,497)
At end of year	-	-

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

	<b>The Group and The Authority</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Net curtailment and settlement	-	23,113

# Airports Authority of Jamaica

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

## 24. Post-Employment Benefits (Continued)

### *Pension scheme benefits (continued)*

The distribution of the obligations was as follows:

	<b>The Group and The Authority</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
At start of year	-	23,113
Pension expense	-	(23,113)
At end of year	-	-

### *Medical benefits*

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

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

	<b>The Group and The Authority</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Present value of obligations	159,681	149,693

# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

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

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

	<b>The Group and The Authority</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
At beginning of year	149,693	144,894
Current service cost	4,741	4,009
Interest cost	13,953	13,522
Re-measurements -		
Experience gain	(1,353)	(18,796)
Gain from change in demographic assumptions	(1,155)	-
(Gain)/loss from change in financial assumptions	(230)	11,713
Benefits paid	(5,968)	(5,649)
At end of year	<u>159,681</u>	<u>149,693</u>

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

	<b>The Group and The Authority</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Current service cost	4,741	4,009
Interest cost	13,953	13,522
Total included in staff costs (Note 7)	<u>18,694</u>	<u>17,531</u>

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

	<b>The Group and The Authority</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Re-measurement loss on obligation/components of defined benefit cost recorded in OCI	<u>(2,738)</u>	<u>(7,083)</u>

The distribution of the obligations was as follows:

	<b>The Group and The Authority</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
At start of year	149,693	144,894
Pension expense	18,694	17,531
Re-measurements included in OCI	(2,738)	(7,083)
Contributions paid	(5,968)	(5,649)
At end of year	<u>159,681</u>	<u>149,693</u>

# Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

## 24. Post-Employment Benefits (Continued)

### Medical benefits (continued)

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
	<b>2016</b>		
Discount rate	1%	(23,000)	29,728
Health inflation rate	1%	29,516	(23,241)
	<b>2015</b>		
Discount rate	1%	(21,603)	27,895
Health inflation rate	1%	27,703	(21,833)

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

	The Group and The Authority				
	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Defined benefit obligation	159,681	149,693	144,894	120,920	99,043
Experience adjustments	(1,353)	(18,796)	13,685	(4,410)	(24,839)

	Increase Assumption by One Year \$'000
Life expectancy	6,500

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.



# Airports Authority of Jamaica

## Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

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

#### *Medical benefits (continued)*

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

#### *Principal actuarial assumptions used in valuing post-employment benefits*

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

	<u>The Group and The Authority</u>	
	2016	2015
Discount rate	9.00%	9.50%
Long term inflation rate (CPI)	5.50%	6.00%
Health Inflation above (CPI)	<u>1.50%</u>	<u>1.50%</u>

The average expected remaining service life of the employees for the medical scheme is 17 years (2015 – 16.2 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 2016, the Group had authorised capital expenditure amounting to \$1,630,116,000 (2015 – \$1,794,449,000), of which \$592,097,000 (2015 – \$341,564,000) has been contracted for.

# Airports Authority of Jamaica

Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

## 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:

	2016 \$'000	2015 \$'000
Not later than 1 year	16,110	15,186
Subsequent to 1 year but less than 5 years	42,959	55,681
	<u>59,069</u>	<u>70,867</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](mailto:aaj@aaj.com.jm)  
Website: [www.airportsauthorityjamaica.aero](http://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](mailto:nmial@aaj.com.jm)  
Website: [www.nmia.aero](http://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



**airports authority of jamaica**

# AIRPORTS AUTHORITY OF JAMAICA

THINKING DEVELOPMENT...  
MOVING AHEAD



**NORMAN MANLEY INT'L AIRPORT**  
KINGSTON  
MKJP (KIN)



**SANGSTER INT'L AIRPORT**  
MONTEGO BAY  
MKJS (MBJ)

**IAN FLEMING**  
Int'l Airport



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

## DOMESTIC AERODROMES

**Tinson Pen - MKTP (KTP)**

Commuter airport located in the Capital City, Kingston.

**Ken Jones - MKKJ (POT)**

Located in Portland, east of the island

**Negril - MKNG (NEG)**

Located in the tourist mecca, west end of the island



**airports authority of jamaica**